

MANAGEMENT'S REPORT

The accompanying financial statements of Green Maple Energy Inc. were prepared by management in accordance with accounting principles generally accepted in Canada. Financial information presented throughout the Annual Report is consistent with that shown in the financial statements.

Management maintains an appropriate system of internal control to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained to provide reliable financial statements.

BDO Dunwoody, an independent firm of Chartered Accountants, examines the financial statements in accordance with generally accepted auditing standards in order to express their opinion on the financial statements. Their examination includes a review and evaluation of

the Company's system of internal control and such tests and procedures as considered necessary to provide reasonable assurance that the financial statements are presented fairly.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through its Audit Committee. This committee meets with management and BDO Dunwoody to satisfy itself that management responsibilities are properly discharged and to review the financial statements before they are presented to the Board of Directors for approval.



Varoujan Basmadjian (signed)
President

Lori Tomczak (signed)
Controller

AUDITORS' REPORT

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To the Shareholders of
Green Maple Energy Inc.

We have audited the consolidated balance sheet of Green Maple Energy Inc. as at December 31, 1997 and the consolidated statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles

used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The prior year's financial statements were audited by another firm of chartered accountants.



Chartered Accountants, B.D.O. Dunwoody (signed)

Calgary, Alberta, April 17, 1998



CONSOLIDATED BALANCE SHEET

Green Maple Energy Inc.

	1997	1996
As at December 31	\$	\$

ASSETS

Current

Cash and term deposits	220,143	354,557
Accounts receivable	504,982	125,705
Prepays	16,990	11,303
	742,115	491,565

Capital assets (Note 3)	4,881,581	1,582,371
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	5,623,696	2,073,936
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable	692,582	119,754
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Site restoration costs	52,609	39,972
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Deferred income taxes	-	27,805
	745,191	187,531

Share capital (Note 5)	6,267,410	2,068,890
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Deficit	(1,388,905)	(182,485)
	4,878,505	1,886,405

	5,623,696	2,073,936
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Approved on behalf of the Board:



V. Basmadjian, (signed) Director



Dave Kimmitt, (signed) Director

The accompanying notes are an integral part of these financial statements



CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

Green Maple Energy Inc.

For the year ended December 31	1997 \$	1996 \$
Revenue		
Production, net of royalties	889,525	759,063
Expenses		
Depletion and site restoration	754,800	244,955
Amortization of rights	280,829	-
Amortization of administrative assets	13,781	6,012
General and administrative costs	387,321	244,427
Operating	274,848	155,047
	1,711,579	650,441
Income (loss) before other items	(822,054)	108,622
Other		
Interest	71,191	3,252
Income (loss) before income taxes	(750,863)	111,874
Income taxes (recovery)		
Provision for deferred income taxes	(27,805)	27,805
Net income (loss) for the year	(723,058)	84,069
Deficit, beginning of year	(182,485)	(266,554)
Excess of purchase price of oil and gas property acquired over carrying value (Note 6(c))	(483,362)	-
Deficit, end of year	(1,388,905)	(182,485)
Earnings (loss) per share	(0.028)	0.006

The accompanying notes are an integral part of these financial statements



**CONSOLIDATED STATEMENT OF
CHANGES IN FINANCIAL POSITION**

Green Maple Energy Inc.

	1997	1996
For the year ended December 31	\$	\$

Cash provided (used) by

Operating activities

Net income (loss) for the year	(723,058)	84,069
Items not involving cash		
Depletion and amortization	1,049,410	250,967
Deferred income taxes	(27,805)	27,805
Cash flow from operations	298,547	362,841
Changes in non-cash working capital balances		
Accounts receivable	(379,277)	(13,517)
Prepays	(5,687)	-
Accounts payable	572,828	(332,489)
	486,411	16,835

Investing activities

Purchase of 682998 Alberta Ltd., net of cash (Note 2)	(1,991,332)	-
Acquisition of capital assets	(2,830,349)	(250,613)
Proceeds on disposal of capital asset	2,336	-
	(4,819,345)	(250,613)

Financing activities

Redemption of convertible debentures	-	(27,000)
Issue of share capital, net of share issue costs of \$401,087	4,198,520	539,704
Issue of common shares in exchange for convertible debentures	-	27,000
	4,198,520	539,704

Increase (decrease) in cash and equivalents

	(134,414)	305,926
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Cash and equivalents, beginning of year	354,557	48,631
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Cash and equivalents, end of year	220,143	354,557
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The accompanying notes are an integral part of these financial statements



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Green Maple Energy Inc.
December 31, 1997

1. Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary from the date of acquisition.

(b) Exploration and development costs

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are initially capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling and overhead charges directly related to acquisition and exploration activities.

Costs capitalized, together with the costs of production equipment, are depleted and amortized on the unit-of-production method based on the estimated gross proved reserves as determined by independent petroleum engineers. Petroleum products and reserves are converted to a common unit of measure, using 10 MCF of natural gas to one barrel of oil.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

Proceeds from a sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would alter the rate of depletion by more than 20%.

In applying the full cost method, the Company performs a ceiling test on properties which restricts the capitalized costs less accumulated depletion from exceeding an amount equal to the estimated undiscounted value of future net revenues from proved oil and gas reserves, as determined by independent engineers, based on sales prices achievable under existing contracts and posted average reference prices in effect at the end of the year and current costs, and after deducting estimated future general and administrative expenses, production related expenses, financing costs, future site restoration costs and income taxes.

No ceiling test assessment is made within the first 24 months after a property is acquired, unless a permanent impairment in the ultimate recoverable amount has been determined.

Site restoration costs are accrued based on management's best estimate of these future costs calculated on the unit of production basis, utilizing proved producing reserves.

(c) Joint venture accounting

A substantial part of the Company's operations are carried out through joint ventures. The financial statements reflect only the Company's proportionate interest in such activities.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Green Maple Energy Inc.
December 31, 1997

1. Significant Accounting Policies - Continued

(d) Rights to seismic data

Included in capital assets is the value of rights to the use of seismic data which is being amortized over the period in which the Company may use the data.

(e) Administration assets

Administration assets are recorded at cost. Amortization is provided on a declining balance basis at a rate of 20%.

(f) Financial instruments

The Company carries a number of financial instruments as detailed on the balance sheet. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(g) Measurement uncertainty

The amounts recorded for depletion of property, plant and equipment and the provision for future site restoration and reclamation are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes and estimates in future periods could be significant.

2. Business Combination

Effective January 31, 1997 the Company purchased all of the outstanding shares of 682998 Alberta Ltd. ("682998") in exchange for 9,200,000 shares of the Company. 682998's assets comprise of the right to use certain seismic data (the "Rights"). The carrying amount attributable to these Rights was approximately \$57,000. Of the 9,200,000 common shares issued, 8,970,113 may not be traded, released, transferred or dealt with in any manner without the consent of the Executive Director of the Alberta Securities Commission. The escrowed securities are to be released at the rate of one share for every \$0.435 of future expenditures incurred on the properties to which the seismic data relates. Any shares remaining in escrow on January 31, 2002 will be cancelled within six months.

The transaction included a guarantee by the original shareholders of 682998 Alberta Ltd. to raise a minimum of \$1,000,000 through the completion of a private placement of 2.3 million treasury shares of the Company. This resulted in the Company issuing 2.3 million common shares for a net cash consideration of \$1,329,000, including \$609,000 relating to shares purchased under the guarantee.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Green Maple Energy Inc.
December 31, 1997

2. Business Combination - Continued

This transaction, a related party transaction, has been recorded at the exchange amount, as determined by an independent geophysicist, at \$2,000,000 (\$3,076,000 value adjusted for \$1,076,000 of lost tax shield). The parties are considered related as the companies have certain common shareholders, directors and management.

The consolidated financial statements include the accounts of 682998 Alberta Ltd. at their historical values from the date of the acquisition as follows:

Book value of assets acquired	\$	8,668
Purchase price settled via issue of shares		2,000,000
Purchase price discrepancy		\$ (1,991,332)
The excess has been allocated to the Rights held in 682998		\$ 1,991,332

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3. Capital Assets

			1997 \$	1996 \$
	Cost	Accumulated Amortization And Depletion	Net Book Value	Net Book Value
Petroleum and natural gas properties	4,697,605	1,581,654	3,115,951	1,564,174
Rights to usage of seismic data	1,991,332	280,829	1,710,503	-
Total petroleum and natural gas and related assets	6,688,937	1,862,483	4,826,454	1,564,174
Administration assets	78,633	23,506	55,127	18,197
Total capital assets	6,767,570	1,885,989	4,881,581	1,582,371

Petroleum and natural gas properties include cumulative capitalized general and administrative costs of approximately \$32,000 (1996 - \$11,000).

Costs associated with unproved properties excluded from costs subject to depletion for the year amounted to \$372,500 (1996 - \$438,804).

Depletion of petroleum and natural gas properties includes \$412,115 for properties where the value is considered to be impaired.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Green Maple Energy Inc.
December 31, 1997

4. Income Taxes

The income tax provision on the income statement differs from the expected income tax provision as follows:

	1997	1996
	\$	\$
Expected income taxes at an effective rate of 44.5%	(334,134)	49,784
Add (deduct) effects of:		
Amortization of Rights (Note 2)	125,510	-
Non-deductible crown royalties	75,412	104,513
Resource allowance	(43,859)	(55,516)
Unrecognized benefits of loss carryovers	(11,986)	(80,776)
Unrecognized deferred tax assets	158,519	-
Other	2,733	9,800
	(27,805)	27,805

At December 31, 1997, the Company had approximately \$253,000 of loss carryover balances which commence expiring in 2003. In addition, the Company has capital cost pools, oil and gas pools and deferred financing cost pools approximating \$4,100,000 to deduct against future taxable income.

5. Share Capital

(a) Authorized

Unlimited number of Common voting shares

(b) Issued

Common shares

	1997		1996	
	Number of Shares	\$	Number of Shares	\$
Balance, beginning of year	14,492,141	2,177,900	11,590,000	1,575,900
Issued for cash	3,731,642	2,402,732	2,825,000	575,000
Conversion of debenture	-	-	77,141	27,000
Upon exercise of share purchase warrants	787,500	196,875	-	-
In exchange for the outstanding shares of 682998 Alberta Ltd. (Note 2)	9,200,000	2,000,000	-	-
	28,211,283	6,777,507	14,492,141	2,177,900
Less: share issue costs		(510,097)		(109,010)
Balance, end of year		6,267,410		2,068,890



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Green Maple Energy Inc.
December 31, 1997

5. Share Capital - Continued

There are 8,970,113 (1996 - 797,231) shares held in escrow. The escrow agreement resulting from the business combination disclosed in Note 2 provides for the release of one share for every \$0.435 of future expenditures incurred on the properties to which the seismic data acquired relates to. Any shares remaining in escrow on the fifth anniversary of the escrow agreement (January 31, 2002) will be cancelled within six months.

(c) Options

Pursuant to a stock option plan for directors, officers and key employees, the following options are outstanding:

1997			1996
Number	Exercise Price	Date of Expiry	Number
400,000	\$ 0.30	September 13, 1999	400,000
375,000	\$ 0.40	November 20, 1999	375,000
-	\$ 0.70	November 1999	100,000

No options were exercised in the year (1996 - Nil) and 100,000 at \$0.70 per share were cancelled.

Subsequent to year end, 100,000 of the \$ 0.30 options and 55,000 of the \$ 0.40 options expired upon the resignation of a director of the Company.

In addition, subsequent to year end, the dates of expiry for 100,000 of the remaining 300,000 outstanding \$0.30 options and 155,000 of the remaining 320,000 outstanding \$0.40 options were amended to December 31, 1998 and May 11, 1998, respectively. In addition, 1,675,000 options expiring April 20, 2003 at \$0.20 were approved by the Directors.

(d) Warrants

Warrants to purchase 787,500 common shares at \$0.25 per share were exercised during the year (1996 - 200,000 common shares at \$0.225 per share). There were 1,431,642 warrants to acquire common shares at \$1.45 per share attached to the 1997 public offering, all of which are outstanding. If not exercised, these options expire January 1999.

6. Related Party Transactions

(a) Consulting fees of \$18,900 (1996 - \$36,000) were paid to a company controlled by a director of the Company.

(b) Companies controlled by certain directors of the Company are participants in various oil and gas joint ventures with the Company. Subsequent to year end, these directors have resigned.

(c) In 1996, the Company signed a joint venture agreement with Pegaz Energy Inc. ("Pegaz") a public company of which a Director of the Company was a significant shareholder, officer and director. Pursuant to the agreement, Pegaz was to fund the Company with no less than \$3,000,000 for exploration and development on Company lands during the initial term (ended December 31, 1997) of the joint venture program. In October 1997, it was determined that the Company was not able to utilize the committed amount during the initial term. The excess funds of \$1,405,000 were returned to Pegaz.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Green Maple Energy Inc.
December 31, 1997

6. Related Party Transactions - Continued

For the \$1,595,000 utilized in joint venture activities, the Company will earn a 15% gross overriding royalty at the current market value of the gross product, on a monthly basis for natural gas and other petroleum substances and on an annual basis for crude oil. The Company will hold a 60% working interest once Pegaz recovers its investment.

Pursuant to a purchase and sale agreement effective November 1, 1997, the Company also acquired a 50% working interest in petroleum and natural gas rights, tangibles and other interests owned by Pegaz for cash consideration of \$2,000,000. The transaction has been recorded in these financial statements at the carrying amount of \$1,516,638, as recorded in Pegaz's accounts.

(d) Directors and/or related companies were reimbursed for approximately \$56,000 of travel expenditures and other expenses incurred on behalf of the Company.

(e) Included in trade accounts payable is \$59,000 for net joint venture accounts payable to a company controlled by a director. Included in accounts receivable is a net amount of \$199,900 receivable from Pegaz. This balance is comprised of \$245,600 for net joint venture accounts receivable, \$15,300 for administrative expenses paid by the Company on Pegaz's behalf, and \$61,000 payable to Pegaz for share issue costs incurred on behalf of the Company.

7. Financial Instruments

As disclosed in Note 1(f), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to fair value and industry credit risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

A significant portion of the Company's trade accounts receivable and cash calls receivable are from working interest partners in the oil and gas industry and, as such, the Company is exposed to all the risks associated with that industry.

8. Commitments

The Company is committed to leased office premises with future base rent payments as follows:

1998	\$ 27,384
1999	27,384
2000	6,846
	<u>\$ 61,614</u>

The Company is also required to pay their proportionate share of operating costs and tax costs for the premises. The lease expires March 31, 2000.

9. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

10. Subsequent Events

Subsequent to year end, the Company negotiated the potential purchase of production equivalent to 85 barrels per day from Pegaz for cash consideration of \$800,000.

The Company is in the process of securing an \$800,000 direct revolving reducing secured line of credit bearing interest at prime plus 3/4 %.