

Green Maple Energy Inc.
Consolidated Financial Statements
For the years ended
December 31, 1999 and 1998

Contents

Auditors' Report	2
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Deficit	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 12

Auditors' Report

To the Shareholders of Green Maple Energy Inc.

We have audited the consolidated balance sheets of Green Maple Energy Inc. as at December 31, 1999 and 1998 and the consolidated statements of operations and deficit and cash flows for the years 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 audits.

We conducted our audits 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, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

signed "BDO Dunwoody LLP"

Chartered Accountants

Calgary, Alberta
March 28, 2000

**Green Maple Energy Inc.
Consolidated Balance Sheets**

As at December 31	1999	1998
Assets		
Current		
Cash and deposits	\$ 11,416	\$ 6,364
Accounts receivable	596,151	363,719
Prepaid expenses	31,448	19,332
	639,015	389,415
Property, plant, equipment and seismic rights (Note 2)	4,932,735	5,357,909
	\$ 5,571,750	\$ 5,747,324
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Liabilities		
Current		
Accounts payable	\$ 297,879	\$ 281,364
Current portion of long term debt (Note 4)	510,000	105,000
	807,879	386,364
Long term debt (Note 4)	700,000	1,020,000
Site restoration costs	66,142	60,188
	1,574,021	1,466,552
Shareholders' Equity		
Share capital (Note 5)	5,885,908	6,180,563
Contributed surplus (Note 5 (e))	131,929	24,367
Deficit	(2,020,108)	(1,924,158)
	3,997,729	4,280,772
	\$ 5,571,750	\$ 5,747,324

Approved on behalf of the Board:

Director

Director

Green Maple Energy Inc.
Consolidated Statements of Operations and Deficit

For the years ended December 31	1999	1998
Revenue		
Oil and gas sales, net of royalties	<u>\$ 2,148,903</u>	<u>\$ 1,648,510</u>
Expenses		
Amortization of administrative assets	12,066	13,612
Depletion and site restoration	772,189	771,093
General and administrative costs	395,505	349,341
Interest on long term debt	77,949	41,978
Operating	<u>682,859</u>	<u>704,632</u>
	<u>1,940,568</u>	<u>1,880,656</u>
Income (loss) before other items	208,335	(232,146)
Other		
Interest	2,075	3,253
Amortization of seismic rights acquired in a business combination	<u>(306,360)</u>	<u>(306,360)</u>
Loss before income taxes	(95,950)	(535,253)
Income taxes (Note 3)	<u>-</u>	<u>-</u>
Net loss for the year	(95,950)	(535,253)
Deficit, beginning of year	<u>(1,924,158)</u>	<u>(1,388,905)</u>
Deficit, end of year	\$ (2,020,108)	\$ (1,924,158)
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Basic and fully diluted loss per share	\$ (0.004)	\$ (0.019)
Weighted average number of shares	27,402,533	28,174,638

The accompanying notes are an integral part of these financial statements

Green Maple Energy Inc.
Consolidated Statements of Cash Flows

For the years ended December 31	1999	1998
Cash flows from operating activities		
Net loss for the year	\$ (95,950)	\$ (535,253)
Adjustments for:		
Amortization of administrative assets	12,066	13,612
Amortization of seismic rights	306,360	306,360
Depletion and site restoration	772,189	771,093
Cash flow from operations	<u>994,665</u>	<u>555,812</u>
Changes in non-cash working capital balances		
Accounts receivable	(232,432)	141,263
Prepaid expenses	(12,116)	(2,342)
Accounts payable	16,515	(411,218)
	<u>766,632</u>	<u>283,515</u>
Cash flows from investing activities		
Acquisition and development of property, plant and equipment	(659,487)	(2,156,139)
Proceeds on disposal of property, plant and equipment	-	596,325
	<u>(659,487)</u>	<u>(1,559,814)</u>
Cash flows from financing activities		
Proceeds from long term debt	85,000	1,125,000
Repurchase of shares (Note 5(e))	(187,093)	(62,480)
	<u>(102,093)</u>	<u>1,062,520</u>
Increase (decrease) in cash	5,052	(213,779)
Cash, beginning of year	<u>6,364</u>	<u>220,143</u>
Cash, end of year	\$ 11,416	\$ 6,364
Basic and fully diluted cash flow from operations per share		
	\$ 0.036	\$ 0.020
Weighted average number of shares	27,402,533	28,174,638

The accompanying notes are an integral part of these financial statements

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 1999 and 1998

1. Significant Accounting Policies

Green Maple Energy Inc. (the "Company") is a public company incorporated under the Business Corporations Act (Alberta) engaged in production, development and exploration of oil and natural gas in Canada. The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Consolidation

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

(b) Property, plant and equipment

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%. Alberta Royalty Tax Credits are included in oil and gas sales.

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.

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 1999 and 1998

1. Significant Accounting Policies - continued

(c) Site restoration costs

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.

(d) Joint venture accounting

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

(e) Rights to seismic data

Included in property, plant and equipment is the value of rights to the use of seismic data which is being amortized over 78 months in which the Company may use the data. At December 31, 1999 there were 43 months left.

(f) Administration assets

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

(g) 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.

(h) Measurement uncertainty

The amounts recorded for depletion of petroleum and natural gas properties 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.

The financial statements include accruals based on the terms of existing joint venture agreements. Due to varying interpretations of the definition of terms in these agreements the accruals made by management in this regard may be significantly different from those determined by the Company's joint venture partners. The effect on the financial statements resulting from such adjustments, if any, will be reflected prospectively.

2. Property, Plant, Equipment and Seismic Rights

			1999	1998
	Cost	Accumulated Amortization And Depletion	Net Book Value	Net Book Value
Petroleum and natural gas properties	\$ 6,898,091	\$ 3,111,403	\$ 3,786,688	\$ 3,899,319
Rights to usage of seismic data	1,991,332	893,549	1,097,783	1,404,143
Total petroleum and natural gas and related assets	8,889,423	4,004,952	4,884,471	5,303,462
Administration assets	96,082	47,818	48,264	54,447
Total property, plant, equipment and seismic rights	\$ 8,985,505	\$ 4,052,770	\$ 4,932,735	\$ 5,357,909

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 1999 and 1998

2. Property, Plant, Equipment and Seismic Rights - continued

Petroleum and natural gas properties include cumulative capitalized general and administrative costs of approximately \$194,400 (1998 - \$127,500). Costs associated with unproved properties excluded from costs subject to depletion for the year amounted to \$639,000 (1998 - \$429,000).

3. Income Taxes

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

	<u>1999</u>	<u>1998</u>
Expected income taxes at an effective rate of 44.5%	\$ (42,698)	\$ (238,188)
Add (deduct) effects of:		
Amortization of seismic rights	136,330	135,791
Non-deductible crown royalties	128,383	64,945
Resource allowance	(104,883)	(68,310)
Unrecognized benefits of loss carryovers	(42,275)	(16,350)
Unrecognized deferred tax assets	(17,478)	120,794
Other	764	1,318
Utilization of loss carryovers	(58,143)	-
	<u>\$ -</u>	<u>\$ -</u>

At December 31, 1999, the Company had approximately \$96,800 (1998 - \$234,000) of loss carryover balances which commence expiring in 2004. In addition, the Company has capital cost pools, resource pools and deferred financing cost pools approximating \$4,860,000 (1998 - \$5,120,000) to deduct against future taxable income.

4. Long Term Debt

	<u>1999</u>	<u>1998</u>
Direct revolving reducing bank loan	\$ 1,210,000	\$ 1,125,000
Less : Current portion	(510,000)	(105,000)
	<u>\$ 700,000</u>	<u>\$ 1,020,000</u>

The Company has a direct revolving reducing loan facility of up to \$1,340,000 (1998 - \$1,500,000). The loan bears interest at prime plus one quarter percent per annum and is secured by hypothecation of a \$2,000,000 demand debenture, creating a first floating charge on all the assets and undertaking of the company, with a fixed charge on Battum, Saskatchewan property. The loan is due on demand. The bank has indicated that it has no intention of demanding on this facility. At this time the bank is requiring this facility to reduce by \$160,000 per quarter.

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 1999 and 1998

4. Long Term Debt - continued

The scheduled debt repayments at December 31, 1999 were as follows:

2000		\$ 510,000
2001		700,000
		\$ 1,210,000

Due to the subsequent sale of certain oil and gas assets, the entire loan of \$1,210,000 was repaid in March 2000.

5. Share Capital

(a) Authorized
Unlimited number of Common voting shares

	1999		1998	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	27,849,783	\$ 6,690,660	28,211,283	\$ 6,777,507
Shares redeemed as part of Normal Course Issue Bid	(1,226,500)	(294,655)	(361,500)	(86,847)
	26,623,283	\$ 6,396,005	27,849,783	\$ 6,690,660
Less: share issue costs		(510,097)		(510,097)
Balance, end of year		\$ 5,885,908		\$ 6,180,563

There are 8,786,659 (1998 – 8,970,113) shares held in escrow. The escrow agreement resulting from the business combination effected in 1997 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. Any shares remaining in escrow on the fifth anniversary of the escrow agreement (January 31, 2002) will be cancelled within six months. During 1999, an additional 463,973 (1998 – 183,454) shares qualified for release.

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

1999 Number	Exercise Price	Date of Expiry	1998 Number
-	0.30	September 13, 1999	200,000
165,000	0.40	March 20, 2001	165,000
1,650,000	0.20	April 20, 2003	1,675,000

No options were exercised in the year (1998 – Nil). During 1999, 200,000 (1998 – 200,000) of the \$0.30 per share options expired and 25,000 of the \$.20 per share options were cancelled.

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 1999 and 1998

5. Share Capital – continued

(d) Warrants

No warrants to purchase common shares were exercised during the year (1998 – Nil). There were 1,431,642 warrants to acquire common shares at \$1.45 per share attached to the 1997 public offering outstanding in 1998, all of which expired in January 1999.

(e) Normal Course Issuer Bid

In 1998, the Company filed a Normal Course Issuer Bid with the Alberta Stock Exchange to acquire up to 1,400,000 of its outstanding shares until June 8, 1999. During the year the Company repurchased and cancelled a total of 561,500 (1998 – 361,500) common shares for \$84,349 (1998 - \$62,480) under this issuer bid. On June 7, 1999, the Company filed a new Normal Course Issuer Bid with the Alberta Stock Exchange to acquire up to 1,350,000 of its outstanding shares until June 9, 2000. As at December 31, 1999 a total of 665,000 common shares were repurchased and cancelled for \$102,745. Share capital was reduced by \$294,655 (1998 – \$86,847) for the average carrying value of the common shares and the difference of \$107,562 (1998 - \$24,367) was recorded as contributed surplus. Subsequent to the year end an additional 528,000 common shares have been repurchased for cancellation for \$105,641.

6. Related Party Transactions

- (a) Pursuant to the terms of an agreement entered into with Pegaz Energy Inc. (“Pegaz”), a public company related by virtue of having common shareholders and management, the Company is to earn a 15% gross overriding royalty at the current market value of the gross production, on a monthly basis for natural gas and other petroleum substances and on an annual basis for crude oil from certain properties. The Company is also to hold a 60% working interest once Pegaz recovers its investment. The development work done on these properties has not resulted in any production.

In 1998, under two separate purchase and sale agreements effective April 1, 1998 and December 1, 1998, the Company acquired 50% and 100% working interests respectively in certain petroleum and natural gas rights, tangibles and other interests owned by Pegaz for cash consideration of \$1,600,000 and sold 50% working interests in certain petroleum and natural gas rights, tangibles and other interest to Pegaz for cash consideration of \$109,897. All these transactions have been recorded in these financial statements at the exchange amounts, as it represents the fair market value of these properties as evaluated by independent engineers.

- (b) Included in accounts receivable is a net amount of \$242,800 (1998 - \$92,000) receivable from Pegaz. This balance is comprised of \$200,400 (1998 - \$15,000) for net joint venture accounts receivable, and \$42,400 (1998 - \$77,000) for administrative expenses paid by the Company on Pegaz's behalf.
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Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 1999 and 1998

7. Financial Instruments

As disclosed in Note 1(g), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate, 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) Interest rate risk management

The Company's short and long-term borrowings are subject to floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

As at December 31, 1999, the increase or decrease in net earnings before taxes for each 1% change in interest rates on floating rate debt amounts to approximately \$12,000 per annum. The related disclosure regarding this debt instrument is included in Note 4 of these financial statements.

(b) Credit risk

A significant portion of the Company's trade accounts 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:

2000	\$	32,793
2001		34,452
2002		8,613
		<u>\$ 75,858</u>

The Company is also required to pay their proportionate share of operating costs and tax costs for the premises.

9. Subsequent Event

Subsequent to the year end, the Company sold about two thirds of its oil and gas properties for net proceeds of approximately \$3.5 million.

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 1999 and 1998

10. The Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.
