

Green Maple Energy Inc.
Consolidated Financial Statements
For the years ended
December 31, 2000 and 1999

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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, 2000 and 1999 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian 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, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Calgary, Alberta
May 2, 2001

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

As at December 31	2000	1999
Assets		
Current		
Cash and deposits	\$ 3,210,820	\$ 11,416
Accounts receivable	236,922	596,151
Prepaid expenses	17,881	31,448
	3,465,623	639,015
Property, plant, equipment and seismic rights (Note 2)	281,778	4,932,735
	\$ 3,747,401	\$ 5,571,750
<hr style="border: 1px solid black;"/>		
Liabilities and Shareholders' Equity		
Current		
Accounts payable	\$ 92,469	\$ 297,879
Current portion of long term debt (Note 3)	-	510,000
	92,469	807,879
Long term debt (Note 3)	-	700,000
Site restoration costs	500	66,142
	92,969	1,574,021
Shareholders' Equity		
Share capital (Note 5)	5,764,045	5,885,908
Contributed surplus (Note 5 (e))	153,469	131,929
Deficit	(2,263,082)	(2,020,108)
	3,654,432	3,997,729
	\$ 3,747,401	\$ 5,571,750

Approved on behalf of the Board:

Signed by "Varoujan Basmadjian"
Varoujan Basmadjian

Signed by "Mario F. Menard"
Mario F. Menard

Green Maple Energy Inc.
Consolidated Statements of Operations and Deficit

For the years ended December 31	2000	1999
Revenue		
Oil and gas sales, net of royalties	<u>\$ 505,131</u>	<u>\$ 2,148,903</u>
Expenses		
Amortization of administrative assets	5,358	12,066
Depletion and site restoration	418,981	772,189
General and administrative costs	467,467	395,505
Interest on long term debt	7,187	77,949
Operating	<u>193,120</u>	<u>682,859</u>
	<u>1,092,113</u>	<u>1,940,568</u>
Income (loss) before other items	<u>(586,982)</u>	<u>208,335</u>
Other		
Interest income	169,234	2,075
Gain on sale administration assets	1,780	-
Gain on sale of oil and gas assets	1,117,354	-
Amortization and write-down of seismic rights acquired in a business combination	<u>(944,360)</u>	<u>(306,360)</u>
	<u>344,008</u>	<u>304,285</u>
Loss before income taxes	<u>(242,974)</u>	<u>(95,950)</u>
Income taxes (Note 4)	<u>-</u>	<u>-</u>
Net loss for the year	<u>(242,974)</u>	<u>(95,950)</u>
Deficit, beginning of year	<u>(2,020,108)</u>	<u>(1,924,158)</u>
Deficit, end of year	<u>\$ (2,263,082)</u>	<u>\$ (2,020,108)</u>
Basic and fully diluted loss per share	<u>\$ (0.009)</u>	<u>\$ (0.004)</u>
Weighted average number of shares	<u>26,217,116</u>	<u>27,402,533</u>

Green Maple Energy Inc.
Consolidated Statements of Cash Flows

For the years ended December 31	2000	1999
Cash flows from operating activities		
Net loss for the year	\$ (242,974)	\$ (95,950)
Adjustments for:		
Amortization of administrative assets	5,358	12,066
Amortization and write-down of seismic rights	944,360	306,360
Depletion and site restoration	418,981	772,189
Gain on sale of assets	(1,119,134)	-
Cash flow from operations	<u>6,591</u>	<u>994,665</u>
Changes in non-cash working capital balances		
Accounts receivable	359,229	(232,432)
Prepaid expenses	13,567	(12,116)
Accounts payable	(205,410)	16,515
	<u>173,977</u>	<u>766,632</u>
Cash flows from investing activities		
Acquisition and development of property, plant and equipment	(173,553)	(659,487)
Proceeds on disposal of property, plant and equipment	4,509,302	-
	<u>4,335,749</u>	<u>(659,487)</u>
Cash flows from financing activities		
Proceeds from long term debt (net of repayments)	(1,210,000)	85,000
Proceeds from exercise of stock options	20,000	-
Repurchase of shares (Note 5(e))	(120,322)	(187,093)
	<u>(1,310,322)</u>	<u>(102,093)</u>
Increase in cash	3,199,404	5,052
Cash, beginning of year	<u>11,416</u>	<u>6,364</u>
Cash, end of year	\$ 3,210,820	\$ 11,416
<hr/>		
Basic cash flow from operations per share	\$ 0.00025	\$ 0.03630
Weighted average number of shares	26,217,116	27,402,533

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 2000 and 1999

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 consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated 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, equipment and seismic rights

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 6 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.

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, 2000 there were 31 months left.

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 2000 and 1999

1. Significant Accounting Policies - continued

(b) Property, plant, equipment and seismic rights - continued

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

(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) 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.

(f) 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 consolidated financial statements of changes and estimates in future periods could be significant.

The consolidated 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 consolidated financial statements resulting from such adjustments, if any, will be reflected prospectively.

(g) Earnings and cash flow from operations per share

Earnings and cash flow from operations per share are calculated using the weighted average number of shares outstanding during the period.

(h) Future income taxes

The Company has adopted the recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. The new method was applied retroactively without restatement of the prior years. Under the recommendations, the liability method of tax allocation is used, based on differences between financial reporting and tax bases of assets and liabilities. No future income asset has been recorded as the ultimate utilization is uncertain.

(i) Stock based compensation plan

The Company has a stock-based compensation plan as per Note 5(c). No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock options cancelled will be charged to retained earnings.

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 2000 and 1999

2. Property, Plant, Equipment and Seismic Rights

	2000			1999		
	Cost	Accumulated Depletion and Amortization	Net Book Value	Cost	Accumulated Depletion and Amortization	Net Book Value
Petroleum and natural gas properties	\$ 356,925	\$ 250,000	\$ 106,925	\$ 6,898,091	\$ 3,111,403	\$ 3,786,688
Rights to usage of seismic data	1,991,332	1,837,909	153,423	1,991,332	893,549	1,097,783
Total petroleum and natural gas and related assets	2,348,257	2,087,909	260,348	8,889,423	4,004,952	4,884,471
Administration assets	50,954	29,524	21,430	96,082	47,818	48,264
Total property, plant, equipment and seismic rights	\$ 2,399,211	\$ 2,117,433	\$ 281,778	\$ 8,985,505	\$ 4,052,770	\$ 4,932,735

Petroleum and natural gas properties include cumulative capitalized general and administrative costs of approximately \$212,600 (1999 - \$194,400). Prior to the Company selling certain properties, \$298,000 (1999 - \$639,000) of costs associated with unproved properties were excluded from costs subject to depletion. Included in accumulated depletion and amortization, is a write-down of \$260,000 (1999 - \$Nil) on the seismic rights.

3. Long-Term Debt

	2000	1999
Direct revolving reducing bank loan	\$ -	\$ 1,210,000
Less : Current portion	-	(510,000)
	<u>\$ -</u>	<u>\$ 700,000</u>

The Company has a direct revolving reducing loan facility of up to \$150,000 (1999 - \$1,340,000). 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 the Battum, Saskatchewan property. The loan is due on demand. The bank has indicated that it has no intention of demanding on this facility. Due to the sale of certain oil and gas assets, the entire loan of \$1,210,000 was repaid in March 2000.

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 2000 and 1999

4. Income Taxes

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

	2000	1999
Expected income taxes at an effective rate of 44.5%	\$ (85,873)	\$ (42,698)
Add (deduct) effects of:		
Amortization of seismic rights	420,240	136,330
Non-deductible crown royalties	33,815	128,383
Resource allowance	(7,994)	(104,883)
Unrecognized benefits of loss carryovers	(172,564)	(42,275)
Recognition of future income tax assets	(189,548)	(17,478)
Other permanent differences	1,924	764
Utilization of loss carryovers	-	(58,143)
	\$ -	\$ -

At December 31, 2000, the Company had approximately \$372,500 (1999 - \$96,800) of non-capital loss carryover balances which begin expiring in 2004. In addition, the Company has capital cost pools, resource pools and deferred financing cost pools approximating \$106,500 (1999 - \$4,860,000) to deduct against future taxable income.

5. Share Capital

(a) Authorized

Unlimited number of Common voting shares

(b) Issued

Common shares

	2000		1999	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	26,623,283	\$ 6,396,005	27,849,783	\$ 6,690,660
Shares redeemed as part of Normal course issue bid	(590,000)	(141,863)	(1,226,500)	(294,655)
Stock options exercised	100,000	20,000	-	-
	26,133,283	\$ 6,274,142	26,623,283	\$ 6,396,005
Less: share issue costs ⁽¹⁾		(510,097)		(510,097)
Balance, end of year		\$ 5,764,045		\$ 5,885,908

⁽¹⁾ Share issue costs are net of future income taxes.

There are 8,322,686 (1999 - 8,786,659) 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 2000, an additional 155,365 (1999 - 463,973) shares qualified for release.

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 2000 and 1999

5. Share Capital - Continued

(c) Options

The Company has granted stock options to directors, officers, employees and consultants of the Company as follows:

	Number of Shares	Option Prices per Share	Weighted Average Exercise Price
Options outstanding, Dec. 31, 1998	2,040,000	\$0.20 - \$.40	\$0.23
Options - expired	(200,000)	\$0.30	\$0.30
Options - cancelled	(25,000)	\$0.20	\$0.20
Options outstanding, Dec. 31, 1999	1,815,000	\$0.20 - \$0.40	\$0.22
Options - cancelled	(205,000)	\$0.20 - \$0.40	\$0.25
Options - exercised	(100,000)	\$0.20	\$0.20
Options outstanding, Dec. 31, 2000	1,510,000	\$0.20 - \$0.40	\$0.21

The following table summarizes information about the stock options outstanding at December 31, 2000:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Exercisable	Weighted Average Exercise Price of Options Exercisable
1,400,000	\$0.20	\$0.20	2.33 years	1,400,000	\$0.20
110,000	\$0.40	\$0.40	0.33 years	110,000	\$0.40
<u>1,510,000</u>		<u>\$0.21</u>	<u>2.31 years</u>	<u>1,510,000</u>	<u>\$0.21</u>

The following table summarizes information about the stock options outstanding at December 31, 1999:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Exercisable	Weighted Average Exercise Price of Options Exercisable
1,650,000	\$0.20	\$0.20	3.33 years	1,650,000	\$0.20
165,000	\$0.40	\$0.40	1.33 years	165,000	\$0.40
<u>1,815,000</u>		<u>\$0.22</u>	<u>3.31 years</u>	<u>1,815,000</u>	<u>\$0.21</u>

Subsequent to the year-end, 110,00 options with an exercise price of \$0.40 per share expired unexercised.

(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.

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 2000 and 1999

5. Share Capital - Continued

(e) Normal Course Issuer Bid

In 1999, the Company filed a Normal Course Issuer Bid with the Alberta Stock Exchange to acquire up to 1,350,000 of its outstanding shares until June 9, 2000. During the year the Company repurchased and cancelled a total of 590,000 (1999 - 561,500) common shares for \$120,322 (1999 - \$187,093) under this issuer bid. On June 9, 2000, the Company filed a new Normal Course Issuer Bid with the Alberta Stock Exchange to acquire up to 1,250,000 of its outstanding shares until June 7, 2001. As at December 31, 2000 a total of 665,000 common shares were repurchased for \$129,531 and 590,500 were cancelled for \$120,322. Share capital was reduced by \$141,863 (1999 - \$294,655) for the average carrying value of the common shares and the difference of \$21,540 (1999 - \$107,562) was recorded as contributed surplus. Subsequent to the year end an additional 253,000 common shares have been repurchased for cancellation for \$40,702.

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.
- (b) Included in accounts receivable is a net amount of \$227,100 (1999 - \$242,800) receivable from Pegaz. This balance is comprised of \$187,400 (1999 - \$200,400) for net joint venture accounts receivable, and \$39,700 (1999 - \$42,400) for administrative expenses paid by the Company on Pegaz's behalf.
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7. Financial Instruments

As disclosed in Note 1(e), 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.

(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.

Green Maple Energy Inc.
Notes to Consolidated Financial Statements

December 31, 2000 and 1999

8. Commitments

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

2001	\$ 34,452
2002	<u>8,613</u>
	<u>\$ 43,065</u>

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

9. Contingency

Subsequent to year-end, an action was commenced against the Company by an arms-length third party in the amount of \$40,000 for pecuniary damages, unspecified general damages and interest and costs. In management's opinion the claim is without merit. Estimate of losses have not been made. However, should any loss result from the resolution of any of these claims, such loss would be accounted for in the period in which they occur.
