

## **PRELIMINARY PROSPECTUS**

**THIS IS A PRELIMINARY PROSPECTUS RELATING TO THESE SECURITIES, A COPY OF WHICH HAS BEEN FILED WITH THE ONTARIO SECURITIES COMMISSION, BUT WHICH HAS NOT YET BECOME FINAL FOR THE PURPOSE OF A DISTRIBUTION TO THE PUBLIC. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD, NOR MAY OFFERS TO BUY BE ACCEPTED, PRIOR TO THE TIME A RECEIPT IS OBTAINED FOR THE FINAL PROSPECTUS FROM THE ONTARIO SECURITIES COMMISSION.**

**THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.**

New Issue

Date: June 23, 2000

### **PETROMIN RESOURCES LTD.**

**173 - 1089 West Broadway  
Vancouver, British Columbia  
V6J 4M1**

**1,400,000 Shares**

**to be issued on the exercise of 1,400,000 special warrants previously issued at \$0.50 each**

This prospectus (the "Prospectus") qualifies the distribution (the "Offering") of 1,400,000 "flow-through" common shares (the "Shares") in the capital stock of Petromin Resources Ltd. (the "Issuer") to be issued without payment upon the exercise of 1,400,000 outstanding special warrants ("Special Warrants") which were issued on December 31, 1999. The Special Warrants were issued at a price of \$0.50 each pursuant to a private placement of a total of 1,550,000 Special Warrants to purchasers in British Columbia, Alberta and Ontario (the "Private Placement") of which 1,400,000 of the Special Warrants were issued to residents of Ontario. **This Prospectus qualifies only the distribution of the 1,400,000 Shares issuable upon the exercise of the 1,400,000 Special Warrants held by Ontario residents.** Each Special Warrant was issued on the basis that it was convertible into one "flow-through" Share, subject to adjustment in certain events. In the case of purchasers resident in Ontario, if a receipt for this Prospectus in final form is not obtained from the Ontario Securities Commission on or before June 28, 2000, each Special Warrant will entitle the holder thereof to acquire 1.1 Shares for each Special Warrant held, being a total additional 140,000 Shares (the "Additional Shares"). In that event, this Prospectus will also qualify the distribution of the 140,000 Additional Shares. All unexercised Special Warrants will be deemed to be exercised on the earlier of 5:00 p.m. (Pacific time) on December 31, 2000 and 5:00 p.m. (Pacific time) on the day which is the fourth business day after the date of issuance of a final receipt for this Prospectus by the Ontario Securities Commission.

The Special Warrants were issued pursuant to exemptions from the prospectus requirements under applicable securities legislation. See "Plan of Distribution".

No. of Special Warrants	Price to Public <sup>(1)(2)</sup>	Commission <sup>(3)</sup>	Net Proceeds to the Issuer <sup>(4)</sup>
Per Special Warrant	\$0.50	\$0.0228	\$0.4772
Total	\$700,000	\$32,000	\$668,000

(1) The subscription price was determined by the Issuer in accordance with the applicable policies of the Canadian Venture Exchange.

- (2) The Issuer raised gross proceeds of \$700,000 from the sale of the Special Warrants to Ontario residents as part of the Private Placement to purchasers in British Columbia, Alberta and Ontario of a total of 1,550,000 Special Warrants for total gross proceeds of \$775,000. The Special Warrants were sold to investors in reliance upon certain registration and prospectus exemptions under applicable securities legislation. The expenses of the Offering and Private Placement, including a commission of \$32,000 paid to the Agent on account of the sale of Special Warrants to one purchaser, are estimated to be \$100,000. All of such expenses incurred to date and to be incurred have been and will be paid out of general funds of the Issuer. This Prospectus qualifies only the distribution of 1,400,000 Shares pursuant to the exercise or deemed exercise of the 1,400,000 Special Warrants issued to purchasers resident in Ontario and, if a receipt for this Prospectus in final form is not issued by June 28, 2000, the 140,000 Additional Shares. See "Use of Proceeds" and "Plan of Distribution".
- (3) The Issuer paid to Dundee Securities Corporation (the "Agent") a commission of \$32,000 out of the Issuer's general corporate funds on account of the sale of 800,000 Special Warrants to one of the purchasers. The Issuer did not pay the Agent any commissions on account of the sale of Special Warrants to any other purchaser. See "Plan of Distribution".
- (4) The Issuer will not receive any additional proceeds upon exercise of the Special Warrants.

The issued and outstanding Shares of the Issuer are listed for trading on the Canadian Venture Exchange (the "Exchange") under the trading symbol "PTR". On December 21, 1999, the last day on which the Shares traded prior to the date on which the Private Placement of the Special Warrants was announced, the closing price of the Shares on the Exchange (as reported by such Exchange) was \$0.41. On June 22, 2000, the closing price of the Issuer's common shares on the Exchange was \$0.38. See "Price Range and Trading Volume of Shares".

**Ownership of the Shares issuable upon the exercise of the Special Warrants should be considered speculative due to the nature of the Issuer's involvement in the exploration, development and production of oil and natural gas and minerals and its current stage of development. Exploration for oil and natural gas and precious minerals involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered by the Issuer, or that any commercial quantities of minerals will be discovered by the Issuer. The Issuer also holds the right to two mineral exploration properties on which the Issuer has suspended exploration activities as of the date hereof. There are no known bodies of commercial ore on the mineral properties. See "Risk Factors".**

Certificates for Shares issued upon the exercise of any Special Warrants will be available for delivery within four business days following the exercise or deemed exercise of the Special Warrants. Certain legal matters relating to the sale of the Special Warrants and the distribution of the Shares issuable upon the exercise thereof have been or will be passed upon by Gerald J. Shields Law Corporation and Nobbs, Woods & Kavanagh, Barristers and Solicitors, as counsel to the Issuer. Blake, Cassels & Graydon LLP, is counsel to the Agent.

**AGENT:**

**DUNDEE SECURITIES CORPORATION  
320 Bay Street  
Toronto, Ontario  
M5H 4A6**

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## **PROSPECTUS SUMMARY**

*This is a summary only and is qualified by and must be read in conjunction with the more detailed information appearing elsewhere in this Prospectus.*

### **THE ISSUER**

**Issuer:** Petromin Resources Ltd. (the "Issuer").

**Business:** The Issuer is in the business of exploring and developing natural resource properties.

### **THE OFFERING**

**Offering:** This prospectus (the "Prospectus") qualifies the distribution (the "Offering") of 1,400,000 Shares of the Issuer to be issued as "flow-through" Shares without payment upon the exercise of 1,400,000 outstanding non-transferable special warrants (the "Special Warrants") which were issued on December 31, 1999.

**Special Warrants:** The Special Warrants were issued at a price of \$0.50 each pursuant to a private placement of a total of 1,550,000 Special Warrants to purchasers in British Columbia, Alberta and Ontario (the "Private Placement") of which a total of 1,400,000 of the Special Warrants were issued to residents of Ontario. **This Prospectus qualifies only the distribution of the 1,400,000 Shares issuable upon the exercise or deemed exercise of the 1,400,000 Special Warrants held by Ontario residents.** Each Special Warrant was issued on the basis that it was convertible into one Share, subject to adjustment in certain events. In the case of purchasers resident in Ontario, if a final receipt for this Prospectus is not obtained from the Ontario Securities Commission on or before June 28, 2000, each Special Warrant will entitle the holder thereof to acquire 1.1 Shares for each Special Warrant held. All unexercised Special Warrants will be deemed to be exercised on the earlier of 5:00 p.m. (Pacific time) on December 31, 2000 and 5:00 p.m. (Pacific time) on the day which is the fourth business day after the date of issuance of a receipt for this Prospectus in final form by the Ontario Securities Commission. A total of 150,000 Special Warrants were issued to purchasers resident in British Columbia and Alberta such that if either the hold period on the underlying Shares, as prescribed by applicable securities rules of those provinces, did not expire on or before June 28, 2000 or the underlying Shares were not qualified for distribution by way of prospectus in those provinces on or before June 28, 2000, each Special Warrant held by British Columbia and Alberta residents would entitle the holder thereof to acquire 1.1 Shares for each Special Warrant then held (the "Additional Shares"). In that event, this Prospectus will also qualify the distribution of the 140,000 Additional Shares. The hold period on the underlying Shares in British Columbia and Alberta having expired, the 150,000 Special Warrants held by residents of British Columbia and Alberta were deemed to be exercised and 150,000 Shares, which are not qualified by this Prospectus, have been issued to such holders. The Special Warrants were issued pursuant to exemptions from the registration and prospectus requirements under applicable securities legislation. See "Plan of Distribution".

**Use of Proceeds:** The Issuer will not receive any cash proceeds from the issuance of the Shares upon the exercise of the Special Warrants. The Issuer received gross proceeds of \$700,000 from the issuance and sale of the Special Warrants to Ontario residents as part of the Private Placement to purchasers in all jurisdictions of a total of 1,550,000 special warrants for total gross proceeds of \$775,000. The Issuer has spent \$187,000 to date on Qualifying Expenditures on its exploration and drilling programs on its Ukalta and Chamberlain

properties. The Issuer intends to spend the remaining proceeds on Qualifying Expenditures on its proposed exploration and drilling programs on those properties as follows:

<u>Property</u>	<u>Amount</u>
Ukalta	\$98,000
Chamberlain	\$490,000

All expenses of this Offering and the Private Placement incurred to date and to be incurred, estimated at \$100,000, have been and will be paid out of the general funds of the Issuer. See "Use of Proceeds" and "Properties of the Issuer".

***Risk Factors:***

These securities are considered highly speculative due to the nature of the Issuer's involvement in the acquisition, exploration, development and production of oil and natural gas and minerals and the Issuer's present stage of development. The Issuer has not paid any dividends and is unlikely to pay dividends in the foreseeable future. This Offering is suitable only for those investors who are willing to rely solely on the management of the Issuer and are willing to risk the loss of their entire investment. Risks associated with an investment in a junior oil and natural gas exploration company include such things as the Issuer's competitors, which may have greater financial resources, staff and facilities than the Issuer, the ability of management to discover commercial accumulations of oil and natural gas and to replace or increase reserves, the ability of the Issuer to develop any such reserves, the future availability of capital to the Issuer and fluctuations in the pricing of commodities and services. Oil, natural gas and mineral activities are subject to extensive controls and regulations imposed by various levels of government, including regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment, which may be amended from time to time. The Issuer also holds the right to two mineral exploration properties on which the Issuer has suspended exploration activities as of the date hereof. There are no known bodies of commercial ore on the mineral properties. See "Risk Factors".

***Dilution:***

Investors who acquire the Shares will experience an immediate dilution of their investment of \$0.3886 or 77.71% per Share in respect of the Shares to be issued upon the exercise of the Special Warrants, excluding the Additional Shares. The dilutive effect has been calculated with reference to the gross proceeds received by the Issuer upon the sale of the Special Warrants which are exercisable into the Shares after the deduction of selling commissions and related expenses. See "Dilution".

### SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial information for the periods indicated.

	Six Months ended March 31, 2000 (Audited)	Years Ended September 30 <sup>th</sup> (Audited)		
		1999	1998	1997
Gross Revenue	\$1,078,591	\$617,632	\$121,669	\$106,122
Net Operating Revenue	\$837,189	\$370,593	\$78,561	\$97,041
Net Income (Loss)	\$112,920	(\$343,859)	(\$452,273)	(\$996,059)
Net Income (Loss) per Share	\$0.01	(\$0.03)	(\$0.06)	(\$0.17)
Cash Flow from Operations	\$53,804	(\$64,343)	(\$360,110)	(\$580,203)
Cash Flow from Operations, per Share	\$0.01	(\$0.01)	(\$0.05)	(\$0.10)
Working Capital (Deficiency)	\$1,053,163	(\$8,042)	(\$6,075)	\$58,884
Long Term Debt	\$817,038	\$150,936	\$107,436	Nil
Shareholders' Equity	\$3,777,726	\$2,586,675	\$1,967,684	\$1,553,857

As at May 31, 2000 the Issuer had 13,359,981 Shares issued and outstanding.

### SELECTED PRODUCTION INFORMATION

The following is a summary of production information of the Issuer for the periods indicated. All information is stated prior to the deduction of royalties payable.

	6 Months Ended Mar. 31, 2000	Years Ended September 30 <sup>th</sup>			
		1999	1998	1997	Total Production
Oil (Bbls)	30,285	29,878	8,625	6,322	75,110
Daily Average (Bbls/d)	166.0	83.0	24.0	17.6	N/A
Natural Gas (Mcf)	3,960	0	0	0	3,960
Daily Average (Mcf/d)	33	0	0	0	N/A
Daily Average (Boe/d)	169.3 <sup>(1)</sup>	83.0	24.0	17.6	N/A

Notes:

- (1) As at May 31, 2000, the Issuer was producing approximately 140 Bbls/d of oil and no MMcf/d of natural gas. The decrease in daily average production was due to a temporary suspension of production from certain wells on the Chamberlain property to conduct routine maintenance.

### SELECTED RESERVES INFORMATION

### Summary of the McDaniel Report based on Constant Prices (Chamberlain and Ukalta Properties)

The McDaniel Reports evaluated the Issuer's interest in the Chamberlain and Ukalta properties with respect to the proved producing, proved non-producing and probable additional reserves of oil, natural gas and natural gas liquids of the Issuer as at January 1, 2000 and the estimated future cash flow before income tax to be derived therefrom based on constant prices and escalating prices, respectively. The following tables summarize the evaluation of reserves from the McDaniel Report based on constant prices. **The estimated net revenues do not necessarily represent the fair market value of the reserves.** See "Business and Properties of the Issuer - Oil and Gas Reserves".

Estimated Issuer Share of Remaining Reserves  
as of January 1, 2000  
Chamberlain and Ukalta Properties  
Constant Prices  
MMCF, MBBL

	Proved Producing	Proved Undeveloped	Total Proved	Total Probable Additional	Total
Crude Oil					
Gross (1)	76	19	95	32	127
Net (2)	63	16	78	26	105
Natural Gas					
Gross (1)	31	7	37	13	50
Net (2)	25	6	31	10	41

Estimated Issuer Share of Present Worth Values Before Income Tax  
as of January 1, 2000  
Chamberlain and Ukalta Properties  
Constant Prices  
\$M (3) (4)

	Discounted At				
	0%	10%	12%	15%	20%
Proved Producing Reserves	1,736	1,507	1,470	1,419	1,345
Proved Undeveloped Reserves	386	296	283	265	239
Total Proved Reserves	2,122	1,803	1,753	1,684	1,583
Total Probable Additional Reserves-Unrisked	757	540	511	473	422
Total Proved & Probable Reserves-Unrisked	<b>2,879</b>	<b>2,343</b>	<b>2,264</b>	<b>2,157</b>	<b>2,005</b>
Probable Additional Reserves-Risked (5)	379	270	256	237	211
Total Proved & Probable Reserves-Risked (5)	<b>2,500</b>	<b>2,073</b>	<b>2,008</b>	<b>1,920</b>	<b>1,794</b>

Notes:

- (1) Gross reserves are defined as the aggregate of the Issuer's working interest and royalty interest reserves before deductions of royalties payable to others.
- (2) Net reserves are gross reserves less all royalties payable to others.
- (3) Financial matters such as prepayments, take or pay payments, general obligations, etc. were not included.
- (4) Based on "Constant Price" assumptions at December 31, 1999 (see Price Schedules).
- (5) **Includes a 50 percent reduction in the probable present worth values to account for the risk associated with the probable additional reserves.**

### Summary of the Henderson Report (Redwater Property)

The Henderson Report evaluated the Issuer's interest in the Redwater property with respect to proven producing reserves of oil of the Issuer as at January 1, 2000 and the estimated future cash flow before income tax to be derived therefrom. The following table summarizes the evaluation of reserves from the Henderson Report. **The estimated net revenues do not necessarily represent the fair market value of the reserves.** In calculating the reserve quantities and the present value of estimated net future revenues, no adjustment was made for risk. The Henderson Report did not assign a value to probable reserves.

Summary of Issuer's Reserves and Net Present Worth Values  
Redwater Property  
Constant Prices  
January 1, 2000

	NET TO APPRAISED INTEREST (INCLUDING REBATES) (1)						
	CASH FLOW IN THOUSANDS OF DOLLARS (CDN)						
	WORKING INT.			DISCOUNTED			
	OIL MSTB	GAS MMSCF	UN- DISC	5%PER ANNUM	10%PER ANNUM	15%PER ANNUM	20%PER ANNUM
PROVEN PRODUCING OIL <b>Constant</b>	24	0	521	439	380	336	302
\$							

Notes:

(1) The values listed herein do not necessarily represent the fair market value.

#### UNDEVELOPED ACREAGE

As at March 31, 2000, the Issuer had undeveloped landholdings of 9,984 gross (9,824 net) acres located in Alberta. See "Business and Properties of the Issuer - Undeveloped Acreage".

#### INTERPRETATION

In this Prospectus, unless the context otherwise requires, the abbreviations and terms set forth below have the meanings set forth opposite same.

## DEFINITIONS

Additional Shares	140,000 Shares which the holders of the Special Warrants will be entitled to acquire upon the exercise of their Special Warrants if a receipt for this Prospectus in final form is not issued by the Ontario Securities Commission on or before June 28, 2000.
Agency Agreement	That agreement dated May 25, 2000 between the Issuer and the Agent respecting the agreement of the Agent to act as agent of the Issuer in connection with the issuance of certain Shares pursuant to this Prospectus.
Agent	Dundee Securities Corporation.
"flow-through"	When used herein in association with "Share", means that the Share shall have the attributes set forth in the definition of a "flow-through share" in subsection 66(15) of the Tax Act.
Henderson	Henderson and Associates Petroleum Consultants Ltd., an independent firm of petroleum consultants of Calgary, Alberta.
Henderson Report	A report prepared by Henderson effective as of January 1, 2000 addressed to the Issuer evaluating the reserves of the Issuer with respect to the Redwater property and providing the present worth value of such reserves based on both escalating price and cost and constant price assumptions in respect thereof.
Issuer or Company	Petromin Resources Ltd., a company organized under the laws of the Province of British Columbia.
McDaniel	McDaniel & Associates Consultants Ltd., a firm of independent petroleum consultants of Calgary, Alberta.
McDaniel Reports	Two reports prepared by McDaniel effective as of January 1, 2000 addressed to the Issuer evaluating the reserves of the Issuer with respect to the Chamberlain property and the Ukalta property and providing the present worth value of such reserves based on constant prices and on escalating prices, respectively.
Offering	The distribution by the Issuer of 1,400,000 Shares to be issued without payment as "flow-through" Shares upon the exercise of 1,400,000 Special Warrants.
Private Placement	The private placement by the Issuer of a total of 1,550,000 Special Warrants to subscribers in Ontario, British Columbia and Alberta completed on December 31, 1999.
Prospectus	This document.
Qualifying Expenditures	Expenses that are:

- (i) Canadian exploration expense ("CEE") described in paragraph (a) or (d) of the definition of "Canadian exploration expense" in subsection 66.1(6) of the Tax Act, or would be described in paragraph (h) of such definition if the words "paragraphs (a) to (d) and (f) to (g.1)" were read as paragraphs (a) and (d), excluding amounts which are prescribed to constitute "Canadian exploration and development overhead expense" under the Tax Act and the amount of any assistance described in paragraph 66(12.6)(a) of the Tax Act or amounts which constitute specified expenses with respect to seismic data within the meaning of paragraph 66(12.6)(b.1) of the Tax Act, or
- (ii) Canadian development expense ("Qualifying CDE") described in paragraphs (a) and (b) of the definition of "Canadian development expense" in subsection 66.2(5) of the Tax Act or would be described in paragraph (f) of such definition if the words "paragraphs (a) to (e)" in that paragraph were read as "paragraphs (a) and (b)", excluding amounts which are prescribed to constitute "Canadian exploration and development overhead expense" under the Tax Act and the amount of any assistance described in paragraphs 66(12.62)(a) and 66(12.601)(c) of the Tax Act, which under subsection 66(12.601) of the Tax Act will be treated as Canadian exploration expense when renounced to a holder of the Flow-Through Common Shares;

at the date they are incurred.

Shares	Common voting shares in the capital stock of the Issuer, which includes "flow-through" Shares as the context requires.
Special Warrants	A total of 1,550,000 special warrants issued by the Issuer pursuant to the Private Placement, each special warrant having been issued at the subscription price of \$0.50 on the basis that it was convertible into one "flow-through" Share for no additional consideration, subject to adjustment as described herein.
Tax Act	The <i>Income Tax Act</i> (Canada) as amended from time to time.
\$	Canadian dollars unless otherwise noted.

#### **ABBREVIATIONS**

The following abbreviations for terms commonly used in the oil and natural gas industry are used in this Prospectus:

### *Oil and Natural Gas Liquids*

Bbls	barrels
Mbbls	thousands of barrels
Bbls/d	barrels of oil per day

### *Natural Gas*

Mcf	thousands of cubic feet
Mmcf or MMcf	millions of cubic feet
Mcf/d	thousands of cubic feet per day
Mmcf/d or MMcf/d	millions of cubic feet per day

### *Other*

Boe	barrel of oil equivalent of natural gas and crude oil on the basis of one Bbl of crude oil for 10 Mcf of natural gas (this conversion is not based on either energy content or current prices)
Boe/d	barrel of oil equivalent per day
API	American Petroleum Institute

### **CONVERSIONS**

The following table sets forth certain standard conversions from Standard Imperial units to the International system of Units (metric units):

<b><i>To convert from</i></b>	<b><i>To</i></b>	<b><i>Multiply by</i></b>
Mcf	Cubic metres ("m <sup>3</sup> ")	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

# **PETROMIN RESOURCES LTD.**

## **THE CORPORATION**

Petromin Resources Ltd. (the "Issuer") was incorporated under the name King Jack Resources Ltd. pursuant to the provisions of the *Company Act* (British Columbia) on August 7, 1985. The Issuer changed its name to International King Jack Resources Ltd. on July 24, 1990 and to Petromin Resources Ltd. on April 18, 1996. The principal business address of the Issuer is Suite 173, 1089 West Broadway, Vancouver, British Columbia, V6H 1E5. The registered and records office of the Issuer is located at Suite 1020, 510 Burrard Street, Vancouver, British Columbia, V6C 3A8. The Issuer has two wholly owned subsidiaries, International King Jack Resources Ltd., a Washington State corporation, and Far East Oil & Gas Ltd., an Alberta corporation. Neither of the subsidiaries is active.

The Issuer is a reporting issuer in British Columbia and Alberta. The Shares are listed for trading on the Canadian Venture Exchange under the trading symbol "PTR".

## **BUSINESS AND PROPERTIES OF THE ISSUER**

### **DESCRIPTION AND GENERAL DEVELOPMENT**

The Issuer is a natural resource company engaged in the acquisition, exploration and development of oil and gas and mineral properties. The Issuer is currently active in petroleum and natural gas exploration, development and production in the central area of Alberta. The Issuer currently holds mining interests in two gold exploration properties in Indonesia, but is not presently active in mineral exploration. See "Risk Factors". The Issuer owns or has interests in the properties described below under the headings "Summary of Material Oil and Gas Properties" and "Summary of Material Mining Properties" and intends to seek and acquire additional properties worthy of exploration and development.

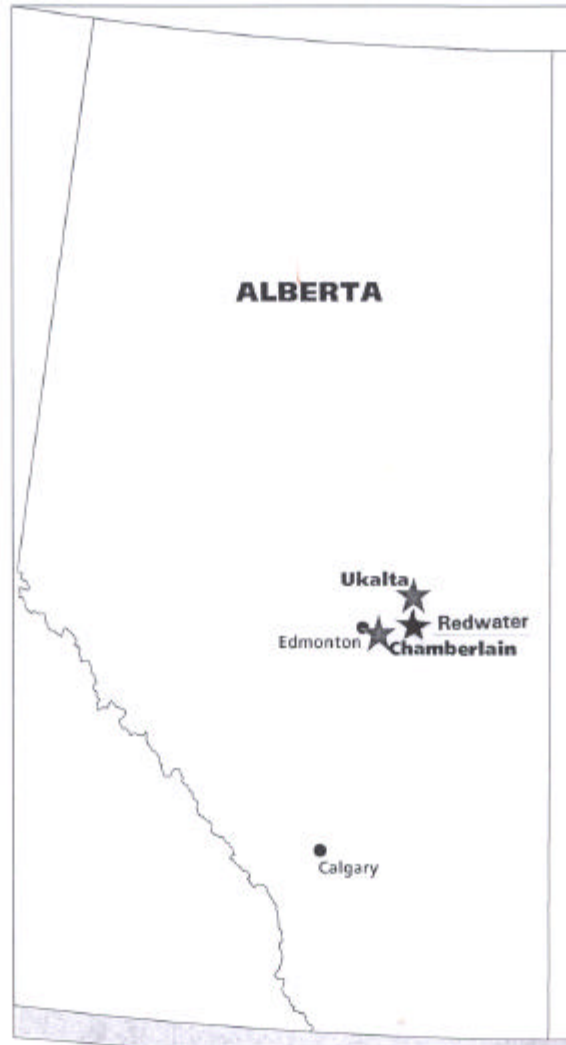
### **PRINCIPAL PROPERTIES**

The following is a description of the Issuer's principal producing oil and natural gas properties. The term "net", when used to describe the Issuer's share of production, means the total of the Issuer's working interest share before deducting royalties owned by others. All of these properties are in Alberta. The locations of these properties are shown on the map on page 15.

#### ***Chamberlain Property***

The Issuer holds a 12.5% interest in the exploration and development of an oil and natural gas property located near Edmonton, Alberta known as the Chamberlain property. The Issuer earned its interests under a Farmout Agreement dated March 27, 1998 among the Issuer, Tier One Energy Corp. and Petroflow Energy Ltd. See "Material Contracts". Tier One's interests were subsequently acquired by Northrock Resources Ltd., which is currently the operator. To earn its interest, the Issuer participated in the drilling, completing and equipping of a test well by expending \$238,075 which represented 25% of the total costs. The Issuer also paid \$8,573 for a 12.5% interest in 1,440 gross (180 net) acres of crown leases purchased in September of 1998 and forming part of the project. The interest is subject to a royalty on 17.5% of gross production. The Issuer intends to apply \$398,000 from the proceeds of the Private Placement to the costs of drilling four additional wells on the Chamberlain property. All five producing wells are dual-leg horizontal wells producing from the same at the above location. All wells are producing from the Glauconite zone and are operated by Northrock

**PETROMIN RESOURCES LTD.  
Location of Properties**



**McDANIEL & ASSOCIATES  
CONSULTANTS LTD.**

Resources Ltd. as successor in interest to Tier One.

### ***Ukalta Property***

The Issuer holds a 15% interest in the exploration and development rights of an oil and natural gas property encompassing 27,360 gross (4,104 net) acres located near Edmonton, Alberta, known as the Ukalta property. The Issuer earned its interest under a Farmout, Participation and Option Agreement dated May 12, 1999 among the Issuer, Tier One Energy Corp. and Petroflow Energy Ltd. To earn its interest, the Issuer participated in the drilling, completing and equipping of five test wells by expending \$296,045, representing 30% of the total costs. Tier One's interests were subsequently acquired by Northrock Resources Ltd., which is currently the operator. The Issuer spent \$127,000 from the proceeds of the Private Placement on drilling and testing one exploration well which was subsequently abandoned. The Issuer's wells on the Ukalta property produce from the Viking zone and the Lower Manville zone, respectively and are operated by Northrock Resources. These wells are currently shut in due to the presence of water. The wells are tied in to a pipeline.

### ***Redwater Property***

The Issuer currently owns interests ranging from 3.375% to 10.8% in various petroleum and natural gas leases located in the Redwater area of Alberta. The Issuer acquired interests ranging from 3.375% to 20.0% in various petroleum and natural gas leases comprising the Redwater property in 1991. In addition, the Issuer acquired from Legend Oil and Gas Ltd. (a company owned by Robert Curr, a director of the Issuer), interests ranging from 0.6% to 3.0% in those leases by issuing 100,000 Common Shares of the Issuer at an aggregate deemed price of \$82,000.

In 1996, the Issuer also acquired from Mr. A. Ross Gorrell, the President and director of the Issuer, interests ranging from 4.5% to 10.0% in the aforementioned leases comprising the Redwater property by issuing 100,000 Common Shares at an aggregate deemed price of \$82,000. The Redwater property is approximately 8,000 gross (726 net) acres in area. There are currently seven producing wells, currently producing an aggregate of approximately 125 gross bbls/d (12 bbls/d net to the Issuer) of oil. The Redwater property was written down to \$1.00 during the Issuer's financial year ended September 30, 1997 based upon information received by the Issuer at that time indicating that the Redwater property had been substantially depleted; however, production from the Redwater property has continued since then. All of the wells produce from the Eilerslie formation and are operated by Renaissance Energy Corporation.

## **OIL AND NATURAL GAS RESERVES**

### ***Chamberlain and Ukalta Properties***

The McDaniel Reports evaluated the Issuer's interest in the Chamberlain property and the Ukalta property with respect to the proved producing, proved non-producing and probable additional reserves of oil, natural gas and natural gas liquids of the Issuer and the estimated future cash flow before income tax to be derived therefrom, undiscounted and discounted.

In preparing its reports, McDaniel obtained basic information from the Issuer, which included land data, well information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which the McDaniel Reports are based, were obtained from public records, other operators and from McDaniel's non-confidential files. Information concerning the extent and character of ownership of the Issuer's interests and the accuracy of all factual data supplied to McDaniel by third parties was accepted by McDaniel as represented.

The following is a summary, as at January 1, 2000, of the oil, natural gas liquids and natural gas reserves of the Issuer and the present worth value of the estimated future net cash flows ascribed to such reserves as evaluated in the McDaniel Report, based on constant price and cost assumptions and escalating price and cost assumptions,

respectively. **There is no assurance that the price and cost assumptions used in the McDaniel Reports will be attained and variances could be material. The present value of estimated future cash flows from probable reserves as shown in the tables have been reduced by a factor of 50% to account for risk.**

Assumptions and qualifications relating to costs, prices for future production and other matters are included in the McDaniel Reports.. There is no assurance that the price and cost assumptions used in calculating the value of these reserves will be achieved and the differences could be material. Amounts shown below have been rounded for presentation purposes and therefore the totals thereof may not balance.

### Summary of the McDaniel Reports

#### Estimated Issuer Share of Remaining Reserves as of January 1, 2000 Constant prices Chamberlain and Ukalta Properties

MMCF, MBBL

	Proved Producing	Proved Undeveloped	Total Proved	Total Probable Additional	Total
Crude Oil					
Gross (1)	76	19	95	32	127
Net (2)	63	16	78	26	105
Natural Gas					
Gross (1)	31	7	37	13	50
Net (2)	25	6	31	10	41

#### Estimated Issuer Share of Present Worth Values Before Income Tax as of January 1, 2000 Chamberlain and Ukalta Properties Constant Prices \$M (3) (4)

	Discounted At				
	0%	10%	12%	15%	20%
Proved Producing Reserves	1,736	1,507	1,470	1,419	1,345
Proved Undeveloped Reserves	386	296	283	265	239
Total Proved Reserves	2,122	1,803	1,753	1,684	1,583
Total Probable Additional Reserves-Unrisked	757	540	511	473	422
Total Proved & Probable Reserves-Unrisked	<b>2,879</b>	<b>2,343</b>	<b>2,264</b>	<b>2,157</b>	<b>2,005</b>
Probable Additional Reserves-Risked (5)	379	270	256	237	211
Total Proved & Probable Reserves-Risked (5)	<b>2,500</b>	<b>2,073</b>	<b>2,008</b>	<b>1,920</b>	<b>1,794</b>

- (1) Gross reserves are defined as the aggregate of the Issuer's working interest and royalty interest reserves before deductions of royalties payable to others.
- (2) Net reserves are gross reserves less all royalties payable to others.
- (3) Financial matters such as prepayments, take or pay payments, general obligations, etc. were not included.
- (4) Based on "Constant Price" assumptions at December 31, 1999 (see "December 31, 1999 Product Price Schedule" below).
- (5) **Includes a 50 percent reduction in the probable present worth values to account for the risk associated with the probable additional reserves.**

**Estimated Issuer Share of Remaining Reserves  
as of January 1, 2000  
Escalating Prices  
Chamberlain and Ukalta Properties**

**MMCF, MBBL**

	Proved Producing	Proved Undeveloped	Total Proved	Total Probable Additional	Total
Crude Oil					
Gross (1)	76	19	95	32	127
Net (2)	63	16	79	26	105
Natural Gas					
Gross (1)	30	7	37	13	50
Net (2)	25	6	31	10	41

**Estimated Issuer Share of Present Worth Values Before Income Tax  
as of January 1, 2000  
Chamberlain and Ukalta Properties  
Escalating Prices  
\$M (3) (4)**

	Discounted At				
	0%	10%	12%	15%	20%
Proved Producing Reserves	1,130	1,002	981	951	907
Proved Undeveloped Reserves	224	168	159	148	131
Total Proved Reserves	1,355	1,169	1,140	1,099	1,038
Probable Additional Reserves-Unrisked	517	375	356	331	296
Total Proved & Probable Reserves-Unrisked	<b>1,871</b>	<b>1,545</b>	<b>1,496</b>	<b>1,430</b>	<b>1,335</b>
Probable Additional Reserves-Risked (5)	259	188	178	166	148
Total Proved & Probable Reserves-Risked (5)	<b>1,612</b>	<b>1,357</b>	<b>1,318</b>	<b>1,264</b>	<b>1,187</b>

- (1) Gross reserves are defined as the aggregate of the Issuer's working interest and royalty interest reserves before deductions of royalties payable to others.
- (2) Net reserves are gross reserves less all royalties payable to others.
- (3) Financial matters such as prepayments, take or pay payments, general obligations, etc. were not included.
- (4) Based on "Escalating Price" assumptions at December 31, 1999 (see "Summary of Price Forecasts - January 1, 2000" below).
- (5) **Includes a 50 percent reduction in the probable present worth values to account for the risk associated with the probable additional reserves.**

The following definitions are applicable to the above reserve calculations set out in the McDaniel Reports:

**"Crude Oil"** - A mixture, consisting mainly of pentanes and heavier hydrocarbons that may contain sulphur compounds, that is liquid at the conditions under which its volume is measured or estimated, but excluding such liquids obtained from the processing of natural gas.

**"Synthetic Oil"** - Oil derived from the upgrading of crude bitumen or by chemical modification of coal or other materials and which is largely interchangeable with conventional crude oil as a refinery feedstock.

**"Natural Gas"** - The lighter hydrocarbons and associated non-hydrocarbon substances occurring naturally in an underground reservoir, which under atmospheric conditions is essentially a gas, but which may contain liquids. The natural gas reserve estimates are reported on a marketable basis, that is the gas which is available to a transmission line after removal of certain hydrocarbons and non-hydrocarbon compounds present in the raw natural gas and which meets specifications for use as a domestic, commercial or industrial fuel.

**"Natural Gas Liquids"** - Those hydrocarbon components recovered from raw natural gas as liquids by processing through extraction plants or recovered from field separators, scrubbers or other gathering facilities. These liquids include the hydrocarbon components ethane, propane, butanes and pentanes plus, or a combination thereof.

**"Sulphur"** - Elemental sulphur removed from the produced natural gas by processing through an extraction plant.

**"Remaining Reserves"** - Remaining reserves are those quantities of crude oil, natural gas, natural gas liquids and sulphur remaining after deducting those quantities produced up to the reference date of the study.

**"Gross Reserves"** - The total of the Issuer's working interests and/or royalty interests share of reserves before deducting royalties owned by others.

**"Net Reserves"** - The total of the Issuer's working interests and/ or royalty interests share of reserves after deducting the amounts attributable to the royalties owned by others.

**"Royalties"** - The term royalties, as used in this report, refers to royalties paid to others. The royalties deducted from the reserves are based on the royalty percentage calculated by applying the applicable royalty rate or formula. In the case of Crown sliding scale royalties which are dependent on selling price the price forecasts for the individual properties in question has been employed.

**"Proved Reserves"** - Those reserves estimated as recoverable under current technology and existing economic conditions, from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, geological, geophysical and engineering data, including the reserves to be obtained by enhanced recovery processes demonstrated to be economic and technically successful in the subject reservoir. Reserves assigned to non-producing zones in producing wells were classified as producing if the reserve quantities were estimated to be minor relative to the Issuer's reserves in the area.

**"Proved Producing Reserves"** - Those proved reserves that are actually on production, or if not producing, that could be recovered from existing wells or facilities and where the reasons for the current non-producing status is the choice of the owner. An illustration of such a situation is where a well or zone is capable but is shut-in because its deliverability is not required to meet contract commitments. Reserves assigned to non-producing zones in producing wells were classified as producing if the reserve quantities were estimated to be minor relative to the Issuer's reserves in the area.

**"Proved Non-Producing Reserves"** - Those non-producing proved reserves recoverable from existing wells that require relatively minor capital expenditures to produce.

**"Proved Undeveloped Reserves"** - Those reserves expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major capital expenditure will be required.

**"Probable Additional Reserves"** - Those reserves which analysis of drilling, geological, geophysical and engineering data does not demonstrate to be proved under current technology and existing economic conditions, but where such analysis suggests the likelihood of their existence and future recovery. Probable additional reserves to be obtained by the application of enhanced recovery processes will be the increased recovery over and above that estimated in the proved category which can be realistically estimated for the pool on the basis of enhanced recovery processes which can be reasonably expected to be instituted in the future.

The McDaniel Report of reserves and present worth values based on **constant prices** was prepared based on the following product price schedule as of December 31, 1999:

**McDaniel Report  
Constant Prices  
December 31, 1999 Product Price Schedule**

<b>West Texas Intermediate (\$U.S./bbl) (1)</b>	26.48
<b>Edmonton Par Light Crude (\$Cdn./bbl) (2)</b>	38.76
<b>Natural Gas (@ Field Gate \$Cdn./MMbtu)</b>	
Alberta Average (3)	2.62
Transcanada Gas Services Ltd. (3)	2.49
Pan Alberta Gas Ltd. (3)	2.45
Progas Ltd. (3)	2.48
Spot Sales (3)	2.79
Saskatchewan Average (4)	2.95
CanWest (British Columbia) (3)	2.25
<b>Natural Gas Liquids (Edmonton Reference Price \$Cdn./bbl)</b>	
Propane (3)	18.15
Field Butane (3)	26.70
NGL Mix (3)	25.07
Natural Gasolines & Condensate (3)	38.00
<b>Sulphur (Alberta Average @ Plant Gate \$Cdn./LT) (4)</b>	<b>10.00</b>

Notes:

- (1) December 31, 1999 NYMEX close.
- (2) December 31, 1999 average postings
- (3) December 1999 actual.
- (4) December 1999 estimate.

The McDaniel Report of reserves and present worth values based on **escalating prices** was prepared based on the following product price forecasts as of January 1, 2000:

Summary of Price Forecasts  
January 1, 2000

Year	WTI Crude Oil \$/Bbl (1)	Edmonton Light Crude Oil \$/Bbl (2)	Medium Crude Oil \$/Bbl (3)	Heavy Crude Oil \$/Bbl (4)	Alberta Average Natural Gas \$/Mmbtu (5)	Edmonton Cond. & Natural Gasolines \$/Bbl	Edmonton Propane \$/Bbl	Edmonton Butanes \$/Bbl	Edmonton NGL Mix \$/Bbl	Sulphur \$/LT	Inflation %	US/CAN Exchange Rate \$/\$/CAN
<b>Forecast</b>												
2000	21.00	29.40	25.40	22.90	2.80	28.80	18.10	19.40	20.70	10.00	2.0	0.690
2001	20.00	27.10	23.10	19.60	2.70	26.60	16.90	16.90	18.80	15.00	2.0	0.710
2002	20.50	27.40	23.40	18.90	2.65	26.90	16.90	17.10	19.00	20.00	2.0	0.720
2003	21.00	28.10	24.10	19.10	2.65	27.50	17.20	17.50	19.40	25.00	2.0	0.720
2004	21.40	28.60	24.60	19.60	2.65	28.00	17.40	17.80	19.70	30.00	2.0	0.720
2005	21.80	29.20	25.20	20.20	2.65	28.60	17.60	18.20	20.00	31.80	2.0	0.720
2006	22.20	29.70	25.70	20.70	2.70	29.10	18.00	18.50	20.40	33.70	2.0	0.720
2007	22.60	30.20	26.20	21.20	2.75	29.60	18.30	18.80	20.70	35.70	2.0	0.720
2008	23.10	30.90	26.90	21.90	2.85	30.30	18.80	19.20	21.20	37.80	2.0	0.720
2009	23.60	31.60	27.60	22.60	2.90	31.00	19.20	19.70	21.70	40.10	2.0	0.720
2010	24.10	32.30	28.30	23.30	2.95	31.70	19.60	20.10	22.20	42.50	2.0	0.720
2011	24.60	32.90	28.90	23.90	3.00	32.20	19.90	20.50	22.60	45.10	2.0	0.720
2012	25.10	33.60	29.60	24.60	3.10	32.90	20.40	20.90	23.10	47.80	2.0	0.720
2013	25.60	34.30	30.30	25.30	3.15	33.60	20.80	21.40	23.60	50.70	2.0	0.720
2014	26.10	34.90	30.90	25.90	3.20	34.20	21.20	21.70	24.00	53.70	2.0	0.720
2015	26.60	35.60	31.60	26.60	3.25	34.90	21.60	22.20	24.50	56.90	2.0	0.720
2016	27.10	36.30	32.30	27.30	3.35	35.60	22.10	22.60	25.00	60.30	2.0	0.720
2017	27.60	36.90	32.90	27.90	3.40	36.20	22.40	23.00	25.40	63.90	2.0	0.720
2018	28.20	37.70	33.70	28.70	3.45	36.90	22.80	23.50	25.90	67.70	2.0	0.720
2019	28.80	38.50	34.50	29.50	3.55	37.70	23.40	24.00	26.50	71.80	2.0	0.720
Thereafter	28.80	38.50	34.50	29.50	3.55	37.70	23.40	24.00	26.50	71.80	0.0	0.720

Notes:

- (1) West Texas Intermediate at Cushing, Oklahoma.
- (2) Edmonton price for 40 API, 0.5% sulphur crude.
- (3) Bow River 26 degrees/2.1% sulphur crude oil at Hardisty, Alberta.
- (4) Heavy crude oil 12 degrees at Hardisty, Alberta.
- (5) Average Alberta field price.
- (6) NGL Mix based on 45% propane, 35% butane and 20% natural gasolines.

**Redwater Property**

The Henderson Report evaluated the Issuer's interest in the Redwater property with respect to proven producing oil reserves of the Issuer and the estimated future cash flow before income tax to be derived therefrom, undiscounted and discounted. The Henderson Report assigned no value to probable reserves.

In preparing its reports, Henderson obtained basic information from the Issuer, which included land data, well information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluations and upon which the Henderson Report are based, were obtained from public records, other operators and from Henderson's non-confidential files. Information concerning the extent and character of ownership of the Issuer's interests and the accuracy of all factual data supplied to Henderson by third parties was accepted by Henderson as represented.

The following table summarizes the evaluation of reserves from the Henderson Report prior to provision for income taxes and indirect costs and after deduction of future capital expenditures. **The estimated net revenues do not necessarily represent the fair market value of the reserves.** In calculating the reserve quantities and the present value of estimated net future revenue no allowance was made for the degree of risk associated with the proved reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are included in the Henderson Report. There is no assurance that the price and cost assumptions used in calculating the value of these reserves will be achieved and the differences could be material. Amounts shown below have been rounded for presentation purposes and therefore the totals thereof may not balance.

**Henderson Report  
Summary of Reserves and NPV  
Redwater Property  
Proven Developed Oil Reserves  
Constant Prices  
January 1, 2000**

	NET TO APPRAISED INTEREST (INCLUDING REBATES) (1)						
	CASH FLOW IN THOUSANDS OF DOLLARS (CDN)						
				BEFORE TAX			
	WORKING INT.			DISCOUNTED			
	OIL	GAS	UN-	5%PER	10%PER	15%PER	20%PER
	MSTB	MMSCF	DISC	ANNUM	ANNUM	ANNUM	ANNUM
PROVEN PRODUCING OIL <b>Constant</b>	24	0	521	439	380	336	302
\$							

Notes:

(1) The values listed herein do not necessarily represent the fair market value.

The following definitions are applicable to the above reserve calculations set out in the Henderson Report:

**"Proved Reserves"** - Those reserves estimated as recoverable under current technology and existing economic conditions, from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, geological, geophysical and engineering data, including the reserves to be obtained by enhanced recovery processes demonstrated to be economic and technically successful in the subject reservoir.

**"Proved Producing Reserves"** - Those proved reserves that are actually on production, or if not producing, that could be recovered from existing wells or facilities and where the reasons for the current non-producing status is the choice of the owner rather than the lack of markets or some other reasons. An illustration of such is where a well or zone is capable but is shut-in because its deliverability is not required to meet contract commitments.

**"Proved Non-Producing Reserves"** - Those proved reserves that are not currently producing either due to lack of wells and/or markets.

**"Proved Undeveloped Reserves"** - Those reserves expected to be recovered from new wells on undrilled acreage, or from existing wells where relatively major capital expenditures are required for the completion of these wells or for the installation of processing and gathering facilities prior to the production of these reserves. Reserves on undrilled acreage are limited to those drilling units offsetting productive wells that are reasonably certain of production when drilled.

The Henderson Report was prepared based on the following constant dollar pricing assumptions as of January 1, 2000:

The crude oil pricing assumptions utilized in the Henderson Report were as follows:

**Henderson Report  
Constant Dollar Pricing  
Assumptions  
January 1, 2000**

WEST TEXAS INTERMEDIATE* \$US/BBL	Edmonton \$CDN/BBL
26.48	38.76

(\*Based on December 31, 1999 NYMEX close)

The gas pricing assumptions utilized in the Henderson Report were as follows:

	\$CDN MMBTU
2000 ALTA AVG.	2.65
2000 WGML PLANT	2.65

Copies of the McDaniel Reports and the Henderson Report are available for inspection at the Issuer's offices during normal business hours until August 31, 2000.

**Production History**

For the period from October 1, 1996 until March 31, 2000, the Issuer's average daily oil production was 42.2 Bbls/d, and its average daily natural gas production was 2 Mcf/d net to the Issuer. During that period, the Issuer's oil production increased from 11.4 Bbls/d to 166 Bbls/d, while the level of natural gas production did not materially increase. The following table summarizes the Issuer's oil, natural gas and natural gas liquids production, before royalties, for the periods indicated:

	Six Months Ended March 31, 2000	Years Ended September 30 <sup>th</sup>			
		1999	1998	1997	TOTAL
Oil (Bbls)	30,285	29,878	8,625	6,322	75,110
Daily Average (Bbls/d)	166.0	83.0	24.0	17.6	N/A
Natural Gas (Mcf)	3,960	0	0	0	3,960
Daily Average (Mcf/d)	33	0	0	0	N/A
Daily Average (Boe/d)	169.3 <sup>(1)</sup>	83.0	24.0	17.6	N/A

Notes:

- (1) As at May 31, 2000, the Issuer was producing approximately 140 Bbls/d of oil and no MMcf/d of natural gas. The decrease in daily average production was due to a temporary suspension of production from certain wells on the Chamberlain property to conduct routine maintenance.

### **Drilling History**

The Issuer has participated in the drilling and exploring for the number of wells, and incurred capital expenditures in the periods indicated, as follows:

	Six Months ended March 31, 2000		Year Ended September 30 <sup>th</sup>									
			1999		1998		1997		1996		1995	
<b>Wells</b>	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Oil	2	0.25	3	0.4	1	0.125	0	0	0	0	5	0.674
Natural Gas	1	0.125	1	0.15	0	0	0	0	0	0	1	0.04135
Abandoned	1	0.15	3	0.45	0	0	0	0	1	0.086	0	0
Service	0	0	0	0	1	0.125	0	0	0	0	0	0
<b>TOTAL</b>	<b>4</b>	<b>0.525</b>	<b>7</b>	<b>1.0</b>	<b>2</b>	<b>0.25</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0.086</b>	<b>6</b>	<b>0.71535</b>

Capital Expenditures	Six Months ended March 31, 2000 (Audited)	Year Ended September 30 <sup>th</sup> (Audited)		
		1999	1998	1997
Property Acquisitions	\$235,909	\$253,500 <sup>(1)</sup>	\$107,436 <sup>(1)</sup> \$246,648	\$546,090 <sup>(1)</sup>

Exploration and Development Drilling	\$450,580	\$595,236	\$23,202 <sup>(1)</sup> \$67,580	\$938,257 <sup>(1)</sup> \$84,125
Well Equipment and Tangibles	\$37,172	\$62,230	\$136,447	\$247
Engineering Costs & Other Related Expenditures	\$108,862	\$27,352	\$39,880	\$8,414
<b>TOTAL</b>	<b>\$832,523</b>	<b>\$938,818</b>	<b>\$620,023</b>	<b>\$1,577,133</b>

Notes:

- (1) Expenditures made on mineral properties. All other expenditures reported in the above table were made on oil and gas properties.

### **Oil and Natural Gas Wells**

#### *Non-Unitized Lands*

The following sets forth the number and status of wells in which the Issuer had a working interest on May 31, 2000, other than unitized lands, which are producing or which the Issuer considers to be capable of production:

	<b>Producing</b>				<b>Shut-in</b>			
	Crude Oil		Natural Gas		Crude Oil		Natural Gas	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Chamberlain	5	0.625	0	0	0	0	1	0.125
Ukalta	1	0.15	1	0.15	0	0	0	0
Redwater	7	0.61175	0	0	0	0	0	0
<b>TOTAL</b>	<b>13</b>	<b>1.38675</b>	<b>1</b>	<b>0.15</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0.125</b>

### **UNDEVELOPED ACREAGE**

The following table sets out the Issuer's undeveloped acreage as of the date of this Prospectus. All of the acreage is located in Alberta. No reserves have been assigned to such acreage:.

<b>PROPERTY</b>	<b>GROSS ACRES</b>	<b>NET ACRES</b>
Redwater North	320	320
Calmar	640	640
Morningside	960	960
Gilby	480	320
Frog Lake	7,584	7,584

## MINERAL PROPERTIES

The Issuer's only material mineral properties are two gold mining properties located in the province of Bengkulu in South Sumatra, Indonesia and known collectively as the "Muko Muko Property". The property is approximately 373,000 acres in area and is situated in the western foothills of the Barisan Mountains in the northern part of the Lebong Gold Mining District, about 140 kilometers northwest of the port city of Bengkulu. The Muko Muko Property is an exploratory property without a known body of commercial ore. There is no underground or surface plant or equipment located on the properties. No proceeds from the Offering or the Private Placement will be spent on the Muko Muko Property. The Issuer holds a 70% beneficial interest in the Muko Muko Property, which it acquired under an Assignment Agreement dated November 14, 1996 (the "Assignment") between the Issuer and Indo Pacific Resources Ltd. ("Indo Pacific"). The other owners of the Muko Muko Property are Indo Pacific as to 10% and the original owner of the property, PT Panca Mineratama, an Indonesian company ("PTPan"), as to 20%. Title to the property is held by PTPan in trust for the Issuer for and Indo Pacific as to their interests. The Assignment provides that the Issuer's interest became fully vested on execution thereof. The Issuer is obligated under the Assignment to make payments over time and issue Shares to Indo Pacific upon certain milestones being met in order to maintain its interest. Specifically, the Issuer paid \$406,993 upon entering into the Assignment; issued 200,000 Shares upon receipt of a principal's licence to allow work programs on the property, but has not yet paid an additional \$306,240 which it is required to pay as a result of the issuance of the licence; paid \$139,097 and issued 400,000 Shares upon completion of initial general survey work programs, but has not yet paid an additional \$153,120 which it is required to pay as a result of the completion thereof; is required to pay \$306,240 and issue 600,000 Shares upon completion of further work programs; and is required to issue 300,000 Shares upon completion of recommended exploration programs. The Issuer has also accrued a finder's fee totaling \$150,936 for the acquisition of the property, and is required to pay an additional finder's fee of 5% of the total of future acquisition costs and deferred exploration and development costs. The Assignment provides that if the Issuer is in default of its obligations thereunder the Issuer will forfeit its interest in the property unless the default relates solely to a failure to meet its payment obligations or a portion thereof, in which case the Issuer shall only forfeit that right, title and interest to which such non-payment relates. The Assignment further provides that if the Issuer is in default, Indo Pacific shall provide the Issuer with written notice thereof and the Issuer shall have such period of time as Indo Pacific shall determine, acting reasonably, to remedy such default. As of the date hereof Indo Pacific has not delivered any notice of default to the Issuer in connection with the requirement to make the payments of \$306,240 and \$153,120 described above, notwithstanding that the milestones triggering the requirement to make such payments have been met; however, if Indo Pacific elects to give such notice and stipulates a time for payment, acting reasonably, the Issuer would be required to make such payments within the time stipulated, failing which the Issuer's right, title and interest in the property to which such non-payment relates will be forfeited.. See "Risk Factors".

The Issuer, Indo Pacific and PTPan have also entered into an agreement entitled Contract of Work Joint Venture Agreement dated November 12, 1996 (the "JV Agreement"). under which the parties formed a joint venture and agreed to form a joint venture company (the "JV Company") under Indonesian law for the purposes of applying for a Contract of Work to explore and develop the Muko Muko property. The JV Agreement provides that the parties shall have initial share ownership interests in the JV Company in proportion to their respective interests in the Muko Muko property as set out above. The JV Agreement is to come into force not earlier than the date of initialing, nor later than the date of granting, of the Contract of Work for the property by the Indonesian government. The JV Agreement stipulates that PTPan shall have sole responsibility to apply for the Contract of Work. The Contract of Work has not been granted as of the date hereof.

Pursuant to the Assignment, Indo Pacific granted to the Issuer an option to purchase 6% of the shares of the JV Company from Indo Pacific, exercisable in 3 tranches over time. The Issuer allowed its right to exercise the first tranche of the option as to 2% of the shares of the JV Company to lapse. The Issuer has the option to purchase 2% of the shares of the JV Company from Indo Pacific on or before November 14, 2000 by paying the sum of U.S. \$866,667, and the option to purchase an additional 2% of the capital of the JV Company from Indo Pacific on or before November 14, 2001 by paying U.S. \$866,666.

Indo Pacific is a private British Columbia company. Mr. Kenny Wing Him Chan, who is currently Chief Executive Officer and a director of the Issuer, holds a 7.5% interest in the parent corporation of Indo Pacific and is the President and one of four directors of Indo Pacific. Mr. Chan was not involved in management of the Issuer, nor was he otherwise an insider of the Issuer, at the time of the Issuer's acquisition of its interest in the Muko Muko property.

In 1997, the Issuer conducted an initial exploration program on the Muko Muko property. Work consisted of rock, grab, float chip, and stream sediment sampling, as well as geological mapping along stream beds in four select areas within the property. In the Phase I program a total of 251 samples were taken and approximately 47 miles of stream beds were mapped.

The Issuer and the other joint venturers in the Muko Muko property suspended their exploration activity on the Muko Muko Property in 1998 due to a downturn in the price of precious metals.

### **RECENT DEVELOPMENTS**

The Issuer acquired its interest in the Chamberlain property pursuant to a Farmout Agreement with Tier One Energy Corp. (the predecessor in interest to the current operator, Northrock Resources Ltd.) and Petroflow Energy Ltd. dated March 28, 1998. See "Principal Properties" and "Material Contracts". To earn its interest, the Issuer participated in the drilling, completing and equipping of a test well by expending \$238,075, which represented 25% of total costs. See "Principal Properties" and "Material Contracts". To date, the Issuer has expended approximately \$1,200,000 in exploration and development costs on the property, which has resulted in approximately \$1,600,000 in gross revenues from the sale of oil production. The five producing dual-leg horizontal wells produced at an average rate of approximately 165 bbls/d to the Issuer over the most recent fiscal quarter ended March 31, 2000, resulting in operating income of approximately \$450,000.

The Issuer acquired its interest in the Ukalta property under a Farmout, Participation and Option Agreement dated May 12, 1999 among the Issuer, Tier One Energy Corp. (the predecessor in interest to the current operator, Northrock Resources Ltd.) and Petroflow Energy Ltd. To earn its interest, the Issuer participated in the drilling, completing and equipping of five test wells by expending \$296,045, representing 30% of total costs. See "Principal Properties" and "Material Contracts". The Issuer acquired the Ukalta property in May of 1998 and paid 30% of the drilling and completion costs of a five-well exploration program on the property to earn its 15% interest therein. To date, the Issuer has expended approximately \$423,000 in exploration and development costs on the property, which has resulted in approximately \$22,433 in gross revenues from oil and gas sales. The original exploration program was widely spread over the large 27,360 acre property, resulting in one oil well and one gas well which are currently shut-in.

Pursuant to a Permit dated effective as of May 9, 2000 among the Frog Lake First Nation of Central Alberta, Indian Oil and Gas Canada and the Issuer (the "Permit"), the Issuer acquired the right to earn a 100% interest in petroleum and natural gas rights on 7,584 acres of undeveloped lands owned by Frog Lake First Nation in Central Alberta by conducting seismic and drilling operations. The Permit is subject to final approval by the Frog Lake First Nations Band Council at a formal ceremony. To acquire its interest, the Issuer made initial payments totaling \$162,000 and must make a second payment of \$128,000 within 180 days after the date of execution and a third payment of \$128,000 within one year following the date of execution. The Issuer must also pay an annual rental fee of \$2.50 per hectare of the permit lands. The Permit stipulates that the Issuer must, on or before July 25, 2000, subject to rig availability and surface conditions, spud a test well on the lands, failing which the Permit will terminate. The Issuer intends to finance its obligations with general corporate funds, equity financing, debt financing, a farm-out arrangement with one or more third parties, or a combination of the foregoing. See "Material Contracts".

The Issuer completed a rights offering of units on November 12, 1999. A total of 8,677 units were subscribed for at the price of \$100 each, for total gross proceeds of \$867,700 or net proceeds of \$735,104 after deducting offering costs of \$132,596. Each unit consisted of one 7.75% redeemable, convertible, subordinated debenture in the principal amount of \$100, and 125 warrants to purchase Shares. Each debenture is convertible into 250 Shares of the Issuer at a price of \$0.40 per Share if converted prior to September 30, 2001, and into 200 Shares at a price of \$0.50 per share if converted after that date and prior to the maturity date of September 30, 2004, subject to adjustment in certain events. The debentures may be redeemed by the Issuer at any time following any period of 20 consecutive trading days during which the weighted average trading price of the Issuer's Shares equals or exceeds \$0.85. Each warrant entitles the holder to purchase one Share of the Issuer at a price of \$0.60 until November 12, 2001. The Issuer was required to place \$67,896 of the proceeds into escrow to meet interest obligations.

## **MANAGEMENT DISCUSSION OF VARIATIONS IN OPERATING RESULTS**

### **Financing and Use of Funds**

During fiscal 1997 the Issuer raised \$1,142,365 by way of private placement and \$286,947 through the exercise of share purchase warrants. The Issuer expended \$546,090 in acquisition costs for its Muko Muko property, and \$461,592 in exploration and work program costs on the Muko Muko property.

During its fiscal year ended September 30, 1998 the Issuer raised \$866,100 by way of private placement. The Issuer spent \$246,648 on an exploration and drilling program on the Chamberlain property to earn its 12.5% interest. The Issuer also spent \$107,436 on further acquisition costs for the Muko Muko mineral property, and spent \$267,117 on exploration and development costs, of which \$23,202 was spent on the Muko Muko property and the remainder on its oil and gas projects.

During its fiscal year ended September 30, 1999 the Issuer raised \$392,000 through private placement, \$249,850 through the exercise of share purchase warrants, and \$111,000 through the exercise of stock options. The Issuer spent \$684,818 in exploration and development costs at its Chamberlain and Ukalta oil and gas properties. A total of 600,000 shares were issued as part of the acquisition cost of its Muko Muko mineral property, having a deemed cash value of \$210,000.

In the first six months of its fiscal year 2000 ended March 31, 2000, the Issuer raised \$125,650 through the exercise of stock options, \$719,000 (net of finder's fees) through the Private Placement of Special Warrants, and \$735,104 (net of issue costs) through a rights offering of convertible debentures. The Issuer has expended \$235,909 in oil and gas acquisitions, and \$596,614 in exploration and development costs during the period.

### **Production**

Year over year increases in both revenues and cash flow from production resulted from growing production volumes and from the increases in oil and gas prices. Increases in average annual daily production went from 15 Boe/d in fiscal 1996 to 169 Boe/d in the most recently completed six month period ended March 31, 2000.

### Drilling Activity

In the most recent six month financial period ended March 31, 2000, the Issuer participated in the drilling of five gross wells (0.7 net) of which two gross (0.25 net) were oil wells, one gross (0.15 net) was natural gas, and two gross (0.3 net) were dry and abandoned. In fiscal 1999 the Issuer participated in seven gross (0.95 net) wells of which three gross (0.4 net) were oil, one gross (0.125 net) was gas, one gross (0.125 net) was for water disposal, and two gross (0.3 net) were dry and abandoned. In fiscal 1998 participation was in a single oil well (0.125 net), and in fiscal 1997 no wells were drilled.

### Revenue, Earnings and Cash Flow

In the six month period ended March 31, 2000 the Issuer had gross revenues of \$1,078,591, operating income of \$837,189 and net earnings of \$112,920, after deducting depletion charges of \$150,258. While production for the six month period ended March 31, 2000 was almost the same as for the year ended September 30, 1999, revenue for the period increased by approximately \$461,000 of which approximately \$450,000 is attributable to an increase in the per barrel price of oil and the remainder to a slight increase in production. Production costs during the period remained constant with that of the year ended September 30, 1999 at approximately \$8.00 per barrel.

The increase in expenses during the six month period ended March 31, 2000 compared to the year ended September 30, 1999 reflects the increase in production and the increase in management activity in the search for new projects and financing to acquire and develop projects.

In fiscal 1999 the Issuer had gross revenues of \$617,632, operating income of \$370,593, and a net loss of \$343,859. The large net loss relative to increased revenues resulted from the effects of a year-end ceiling test write-down creating depletion charges at the Issuer's Chamberlain property of \$272,260. The increase in revenues of approximately \$496,000 for the period ended September 30, 1999 over the period ended September 30, 1998 was the result of increased production which amounted to approximately \$439,000 while the increase in oil prices added approximately \$57,000. Production expenses increased from \$5.00 per barrel in fiscal 1998 to \$8.00 in fiscal 1999 due to the addition of new projects and their specific economics. The increase in expenses during fiscal 1999 over the prior year resulted from the increase in depletion and amortization.

In fiscal 1998 the Issuer had gross revenues of \$121,699, operating income of \$78,561 and a net loss of \$452,273. In fiscal 1997 the Issuer had gross revenues of \$106,122, operating income of \$97,041 and a net loss of \$996,059. The large net loss was attributable to expenses associated with the Issuer's Redwater property. Exploration and development costs of approximately \$445,000 were charged to depletion for the Issuer's Redwater property in fiscal 1997 due to a ceiling test based on an engineering report prepared for the Issuer by Sproule & Associates. Production has continued at Redwater until the present date, although the Sproule Report estimated that reserves would be depleted by early in fiscal 1998.

### **USE OF PROCEEDS**

The Issuer will not receive any cash proceeds from the issuance of the Shares upon the exercise of the Special Warrants. The Issuer received gross proceeds of \$700,000 from the issuance and sale of the Special Warrants to Ontario residents as part of the Private Placement to purchasers in all jurisdictions of a total of 1,550,000 special warrants for total gross proceeds of \$775,000. The Issuer committed to spend the gross proceeds on Qualifying Expenditures. The Private Placement was completed on December 31, 1999. Since that date the Issuer has spent a total of \$187,000 of the gross proceeds on exploration and development on its Ukalta property (as to \$127,000) and on its Chamberlain property (as to \$60,000). The Issuer intends to use the remaining proceeds of the Private Placement to fund the Issuer's exploration and development programs as follows:

<u>Property</u>	<u>Amount</u>	<u>Proposed Use of Proceeds</u>
Ukalta	\$98,000	Seismic Acquisition

Chamberlain

\$490,000

Drilling of 4 developmental wells

Due to the nature of oil and gas exploration and development, capital commitments are regularly reviewed with respect to both the success of the expenditures, commodity pricing and other opportunities which may become available to the issuer from time to time. While it is currently anticipated that the proceeds from the Private Placement of the Special Warrants will be expended by the Issuer in the manner contemplated above, the actual expenditures may vary materially from such amounts and allocations.

The costs of the Offering and Private Placement which have been incurred to date and which will be incurred will total approximately \$100,000 and have been and will be paid from the general funds of the Issuer and not from the proceeds of the Private Placement.

### **DILUTION**

The net tangible book value per Common Share underlying the Shares as of May 15, 2000, after giving effect to the Offering, and after deducting the estimated expenses of the Private Placement and the payment of the Agent's commission, was approximately \$0.1039 per Share.

Therefore, a purchaser of the Special Warrants which are exercisable into the 1,400,000 Shares being qualified for distribution hereunder will experience an immediate dilution per Share of approximately \$0.3886 or 77.71% .

### **RISK FACTORS**

The Shares being qualified for distribution by this Prospectus must be considered speculative because of the nature of the Issuer's business. In particular, a prospective purchaser should consider carefully the following factors:

1. There are no known reserves of oil and gas on the Issuer's oil and natural gas properties other than those on the Redwater property as described in the Henderson Report and those on the Chamberlain and Ukalta properties as described in the McDaniel Report , which reserves are subject to the qualifications and assumptions stated in such reports. The purpose of the Private Placement was to raise funds to carry out further exploration with the objective of establishing further reserves on the Issuer's oil and natural gas properties. If the Issuer's exploration programs are successful, additional funds will be required for the development of an economic reserve and to place it in commercial production. The only sources of future funds presently available to the Issuer are the sale of equity capital or the offering by the Issuer of an interest in its properties to be earned by another party or parties carrying out further exploration or development of the properties (farming out). In the event of one or more dry wells, the Issuer may not have sufficient funds to proceed with further exploration.
2. The Issuer's operations are subject to all risks inherent in the exploration for, and development and production of, oil and gas, including such natural hazards as blowouts, cratering and fires, which could result in damage or injury to, or destruction of, drilling rigs and equipment, formations, producing facilities or other property, or could result in personal injury, loss of life or pollution of the environment. Should the Issuer attempt horizontal drilling activities, in addition to being much more costly than conventional vertical drilling operations, such drilling involves greater risk of encountering mechanical problems, including stuck drill pipe, down-hole loss of tools and equipment, and loss of the well bore hole requiring re-drilling. Any of the above events could result in substantial costs to the Issuer which could have a materially adverse effect upon the financial condition of the Issuer to the extent it is not fully insured against such risk. The Issuer carries insurance coverage against certain of these risks including environmental pollution but, in accordance with standard industry practice, the Issuer is not fully insured for all risks, either because such insurance is unavailable or because the Issuer elects not to obtain insurance coverage due to premium cost. Although such operational risks and hazards may be to some

extent minimized, no combination of experience, knowledge and scientific evaluation can eliminate the risk of investment or assure a profit to any company engaged in oil and gas operations.

3. The oil and gas business is highly competitive and has few barriers to entry. The Issuer will be competing with other oil and gas companies and investment partnerships in the search for, and obtaining of, desirable oil and gas leases, the securing of contracts with third parties for the development of oil and gas properties and the purchase of equipment necessary for the completion of wells, as well as in the marketing of its oil and gas production. Many of the Issuer's competitors are larger than the Issuer and have substantially greater access to capital and technical resources than does the Issuer and may have a significant competitive advantage. The Issuer's financial resources limit its ability to pursue its business. Many of the Issuer's competitors are capable of making a greater investment in a given drilling area than is the Issuer, although large and small companies alike are subject to the economics of cost effectiveness. The availability of a market for the Issuer's crude oil and natural gas production, if any, is dependent upon a number of factors beyond the Issuer's control. These factors include the proximity of the Issuer's wells to, and the capacity of, natural gas pipelines, the extent of competitive domestic production and imports of oil and gas, the marketing of competitive fuels, fluctuations in seasonal supply and demand, and governmental regulation of production. In the event the Issuer completes a well that produces natural gas in an area distant from existing gas pipelines, the well may remain shut-in until a pipeline is extended to the well or until additional wells are drilled to establish the existence of sufficient producing reserves to justify the cost of extending existing pipelines to the area. Oil, natural gas and mineral activities are subject to extensive controls and regulations imposed by various levels of government, including regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment, which may be amended from time to time.
4. It is the practice of the Issuer in acquiring oil and gas leases or undivided interests in oil and gas leases not to undergo the expense of retaining lawyers to examine the title to the interests to be placed under lease or already placed under lease. Rather, the Issuer will rely upon the judgment of oil and gas lease brokers or landmen who actually do the field work in examining records in the appropriate governmental office before attempting to place under lease a specific interest. This practice is widely followed in the oil and gas industry. Prior to the drilling of an oil and gas well, however, it is the normal practice in the oil and gas industry for the person or company acting as the operator of the well to hire a lawyer to examine the title to the spacing unit within which the proposed oil and gas well is to be drilled. It frequently happens, as a result of such examinations, that certain curative work must be done to correct deficiencies in the marketability of the title, and the curative work entails expense. It does happen, from time to time, that the examination made by the title lawyers reveals that the oil and gas lease or leases are worthless, having been purchased in error from a person who is not the owner of the interest desired. In such instances, the amount paid for such oil and gas lease or leases is generally lost.
5. The Issuer's business is subject to certain laws and regulations relating to the development, production and transmission of oil and gas, as well as environmental and safety matters. There is no assurance that laws and regulations enacted in the future will not adversely affect the Issuer's exploration for, and production and transmission of, oil and natural gas. Such legislation and/or actions of local, provincial and federal governments may have a material effect on the Issuer in the future.
6. Exploration for natural resources involves many risks, which even in combination with expertise, knowledge and careful evaluation may not be able to overcome. Operations in which the Issuer has a direct or indirect interest will be subject to all of the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Issuer has or will obtain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Issuer might not elect

to insure itself against such liabilities due to high premium costs or other reasons, in which event the Issuer could incur significant costs that could have a material adverse upon its financial condition.

7. The resource industry is intensely competitive in all of its phases, and the Issuer competes with many companies possessing greater financial resources, staff and technical facilities than itself. Competition could adversely affect the Issuer's ability to acquire suitable properties for exploration in the future.
8. The Issuer is dependent on a relatively small number of key employees, the loss of any one of whom could have an adverse affect on the Issuer.
9. There are no known reserves of ore in commercial quantities on the Issuer's mining properties. If the Issuer's exploration programs are successful, additional funds will be required for the development of an economic reserve and to place it in commercial production. The only sources of future funds presently available to the Issuer are the sale of equity capital or the offering by the Issuer of an interest in its properties to be earned by another party or parties in exchange for carrying out further exploration or development of the properties.
10. The Issuer's mining properties have not been surveyed, and therefore the precise locations and areas of the properties may be in doubt.
11. Resource exploration and development is a speculative business and involves a high degree of risk. The marketability of natural resources which may be acquired or discovered by the Issuer will be affected by numerous factors beyond the control of the Issuer. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors and other factors cannot be accurately predicted, but the combination of these factors may result in the Issuer not receiving an adequate return on invested capital.
12. Mining operations generally involve a high risk. Hazards such as unusual or unexpected formations and other conditions are involved. The Issuer may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material adverse effect on the Issuer's financial position.
13. The Muko Muko mineral property, in which the Issuer currently holds a 70% beneficial interest, is located in the Republic of Indonesia, which has experienced civil unrest and political instability in recent years. Such civil unrest and instability may impede the Issuer's efforts to continue with any future exploration program on the property. The Issuer acquired its interest pursuant to an Assignment Agreement dated November 14, 1996 (the "Assignment"). The Issuer is obligated under the Assignment to make payments over time and issue Shares to Indo Pacific upon certain milestones being met in order to maintain its interest. Specifically, the Issuer paid \$406,993 upon entering into the Assignment; issued 200,000 Shares upon receipt of a principal's licence to allow work programs on the property, but has not yet paid an additional \$306,240 which it is required to pay as a result of the issuance of the licence; paid \$139,097 and issued 400,000 Shares upon completion of initial general survey work programs, but has not yet paid an additional \$153,120 which it is required to pay as a result of the completion thereof; is required to pay \$306,240 and issue 600,000 Shares upon completion of further work programs; and is required to issue 300,000 Shares upon completion of recommended exploration programs. The Issuer has also accrued a finder's fee totaling \$150,936 for the acquisition of the property, and is required to pay an additional finder's fee of 5% of the total of future acquisition costs and deferred exploration and development costs. The Assignment provides that if the Issuer is in default of its obligations thereunder the Issuer will forfeit its interest in the property unless the default relates solely to a failure to meet its payment obligations or a portion thereof, in which case the Issuer shall only forfeit that right, title and interest to which such non-

payment relates. The Assignment further provides that if the Issuer is in default, Indo Pacific shall provide the Issuer with written notice thereof and the Issuer shall have such period of time as Indo Pacific shall determine, acting reasonably, to remedy such default. No funds have been budgeted or allocated by the Issuer for such expenditures and, if such expenditures are required, it may be necessary for the Issuer to divert funds from other intended uses. As of the date hereof Indo Pacific has not delivered any notice of default to the Issuer in connection with the requirement to make the payments of \$306,240 and \$153,120 described above, notwithstanding that the milestones triggering the requirement to make such payments have been met; however, if Indo Pacific elects to give such notice and stipulates a time for payment, acting reasonably, the Issuer would be required to make such payments within the time stipulated, failing which the Issuer's right, title and interest in the property to which such non-payment relates will be forfeited. In addition, the right of the Issuer and the other holders of interests in the Muko Muko property to develop the property is conditional upon the issuance of a Contract of Work by the government of Indonesia. There is no assurance that a Contract of Work will be issued or, if issued, that the Issuer and the other parties will be able to satisfy the financial and other terms and conditions which may be set forth in the Contract of Work.

14. Indo Pacific, the corporation from which the Issuer acquired its interest in the Muko Muko Property (see "Mineral Properties"), is a private British Columbia company. Mr. Kenny Wing Him Chan, who is currently Chief Executive Officer and a director of the Issuer, holds a 7.5% interest in the parent corporation of Indo Pacific and is the President and one of four directors of Indo Pacific. Mr. Chan was not involved in management of the Issuer, nor was he otherwise an insider of the Issuer, at the time of the Issuer's acquisition of its interest in the Muko Muko property; however, Mr. Chan's interests in both Indo Pacific and the Issuer put him in a potential conflict of interest in respect to any dealings between the Issuer and Indo Pacific in relation to the Muko Muko property. In the event of any such dealings, Mr. Chan will be required to declare his interests and abstain from voting on any resolutions of the board of directors of the Issuer concerning such matters. See "Conflicts of Interest."
15. The Issuer may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and the Issuer may have its interest in the properties which are subject to such agreements reduced as a result.
16. The marketability of natural resources which may be acquired or discovered by the Issuer will be affected by numerous factors beyond the control of the Issuer. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of natural resources and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Issuer not receiving an adequate return on invested capital.
17. The Issuer has not paid dividends in the past and does not anticipate paying dividends in the near future. The Issuer expects to retain its earnings, if any, to finance further growth and, when appropriate, retire debt.
18. The Issuer's assets are of indeterminate value. The price of the Special Warrants was determined by reference to the trading price of the Shares on the Canadian Venture Exchange and is not supported by the Issuer's asset base or earnings history. For further particulars see the financial statements of the Issuer attached hereto.
19. There can be no assurance that the income tax laws in Canada will not be changed in a manner which will fundamentally alter the tax consequences to holders of the Shares of holding or disposing of the Shares. The expenditures incurred by the Issuer may not qualify as Qualifying Expenditures, which may have an adverse effect on the holder's tax position.

## DIRECTORS AND OFFICERS

The following sets forth the names and municipalities of residence, offices or positions within the Issuer, and principal occupations of the directors and senior officers of the Issuer, the number of Shares held by them, beneficially or of record, or over which each exercises control or direction, and the percentage of Shares which each of them will own or control following the distribution of the Shares being qualified for distribution hereunder:

Name, Municipality of Residence And Offices Held	Principal Occupation For Past Five Years	Number of Shares Held In Issuer <sup>(4) (5)</sup>	Date Appointed
<b>KENNY WING HIM CHAN</b> <sup>(2)</sup> Richmond, B.C. Chief Executive Officer , Co-Chairman and Director	Businessman, President, Indo Pacific Resources Inc.	425,400	October, 1999
<b>A. ROSS GORRELL</b> <sup>(1) (2)</sup> Tsawwassen, B.C. President, Co-Chairman and Director	Self-employed dentist	655,864	April, 1990
<b>WILLIAM R. GREEN</b> <sup>(3) (4)</sup> Spokane, Washington Vice-President, Mining and Director	Professional engineer and geologist; President, Mines Management Inc.; President of the Issuer since 1997	186,241	August, 1990
<b>ROBERT L. TEDRICK</b> <sup>(3)</sup> Millarville, Alberta Vice-President, Oil and Gas Explorations and Director	Professional geologist; President, Tedrick Petroleum Ltd.	64,000 <sup>(6)</sup>	December, 1994
<b>LORNE B. ANDERSON</b> Richmond, B.C. Chief Financial Officer and Director	Retired Chartered Accountant; Chief Financial Officer and Treasurer, Glamis Gold Ltd. until February, 1998	40,000	March, 1997
<b>TIMOTHY S. NOBLE</b> Vancouver, B.C. Secretary and Director	Self-employed business consultant	48,134	March, 1993
<b>A. PAUL KROSHKO</b> Calgary, Alberta Director	Professional geophysicist; President, TechEx Corp.	0	December, 1994
<b>ROBERT L. CURR</b> <sup>(2) (3)</sup> Kaslo, B.C. Director	Petroleum Geologist, Legend Oil and Gas Ltd., 1977 to present; Geological Advisor, Epic Oil & Gas Ltd., from April, 1992 until June, 1999	127,590 <sup>(7)</sup>	March, 1996
<b>JIMMY K.K. LAU</b> <sup>(1)</sup> Markham, Ontario Director	Manager, Adam's Garden Centre	0	July, 1996
<b>TRENT BLIND</b> <sup>(1)</sup> Calgary, Alberta Director	Senior Manager, Aboriginal Banking Alberta and Northwest Territories, Bank of Montreal	0	October, 1999

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.

- (4) Includes beneficial, direct and indirect shareholdings.
- (5) Does not include stock options and other rights to purchase or acquire shares. See "Capitalization - Options and Other Rights to Purchase Shares" for a summary of same.
- (6) Includes 31,000 shares owned by Mr. Tedrick's spouse, Lillian Tedrick, and 8,000 shares owned by Tedrick Petroleum Ltd., a corporation owned by Mr. Tedrick and his spouse each as to 50%.
- (7) Includes 5,822 held directly by Mr. Curr and 115,768 shares held by Legend Oil and Gas Ltd., a corporation controlled by him. Does not include 51,581 shares of the Issuer held by Mr. Curr's spouse, Joelene Curr.

The Issuer does not have an Executive Committee.

## **CONFLICTS OF INTEREST**

Insofar as certain directors and officers of the Issuer also serve or may serve as directors and officers of other companies, it is possible that certain opportunities may be offered to both the Issuer and to such other companies, and further that those other companies may participate in the same opportunities in which the Issuer has an interest. To the extent that such conflicts arise, they will be dealt with in accordance with the relevant provisions of the *Company Act (British Columbia)*. See also "Risk Factors."

## **INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS, AND SENIOR OFFICERS**

None of the directors, executive officers or senior officers of the Issuer or their associates or affiliates is or has been indebted to the Issuer at any time during the financial year of the Issuer ended September 30, 1999, or during the period from October 1, 1999 to March 31, 2000.

## **EXECUTIVE COMPENSATION**

### **COMPENSATION OF NAMED EXECUTIVE OFFICERS**

The following table details the compensation paid to or earned by each of the persons who held the office of President of the Issuer and each of the Issuer's four most highly compensated executive officers (the "Named Executive Officers") during each of the past three completed financial years. The Issuer currently has only one Named Executive Officer, namely Mr. A. Ross Gorrell, who is President.

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
A. Ross	1999	30,000	0	0	216,000	0	0	0
Gorrell	1998	30,000	0	0	165,000	0	0	0
	1997	30,000	0	0	120,000	0	0	0

**LONG-TERM INCENTIVE PLANS – AWARDS IN MOST RECENTLY COMPLETED FISCAL YEAR**

No Long-Term Incentive Plan awards were made to the Named Executive Officer during the Issuer’s most recently completed fiscal year ended September 30, 1999. A “Long-Term Incentive Plan” is a plan whereby officers are granted awards which are earned over a period of one year.

**OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR**

Name	Securities Under Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
A. Ross	36,000 / 0	10.7%	\$0.30	\$0.40	Apr. 6, 2004
Gorrell	180,000 / 0	53.6%	\$0.43	\$0.50	May 25, 2004

**AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES**

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-money Options/SARs at FY-End (\$) Exercisable/ Unexercisable
A. Ross Gorrell President	175,000	\$19,250	216,000	\$21,960

## COMPENSATION OF DIRECTORS

The Issuer has no plan or arrangement under which the directors of the Issuer were compensated by the Issuer during the most recently completed financial year for their services in capacity as directors.

## CONSULTING AGREEMENTS

The Issuer does not have any written consulting agreements with any of its directors or officers. The Issuer has oral agreements with certain of its senior officers pursuant to which they provide their services to the Issuer on a month-to-month basis, the particulars of which are as follows:

- (a) Kenny Wing Him Chan - \$6,500 per month for providing management services as Chief Executive Officer of the Issuer;
- (b) A. Ross Gorrell - \$6,500 per month for providing management services as President of the Issuer; and
- (c) Timothy Noble - \$5,000 per month for providing management and administrative services as Secretary of the Issuer.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or officer of the Issuer, insider of the Issuer or any associate or affiliate of any of the foregoing persons has or had any material interest in any transaction within the last three fiscal years of the Issuer ended September 30, 1997, 1998 and 1999, respectively, or for the period October 1, 1999 to May 31, 2000 (the "Current Period") or any proposed transaction that has materially affected, or will materially affect, the Issuer or any of its affiliates, except as disclosed elsewhere in this Prospectus, and as follows:

- (a) the Issuer paid or accrued \$40,000 during the Current Period and \$60,000 in each of the past three financial years to Timothy S. Noble, a director and secretary of the Issuer on account of management and administrative services and office costs;
- (b) the Issuer paid or accrued \$63,069 in fiscal 1997 and \$23,202 in fiscal 1998 services to William R. Green, a director of the Issuer on account of fees for mining engineering,;
- (c) the Issuer paid or accrued \$41,500 during the Current Period , \$17,964 in fiscal 1999 and \$52,048 in fiscal 1998 to companies controlled by Robert L. Tedrick, a director of the Issuer, for oil and gas geological consulting services and property engineering and project marketing expenditures;
- (d) the Issuer paid or accrued \$1,925 in fiscal 1997 and \$5,607 during the Current Period to TechEx Corp., a corporation controlled by Paul Kroshko, a director of the Issuer on account of geophysical consulting services;
- (e) the Issuer paid or accrued \$44,405 during the Current Period to Mr. Kenny Wing Him Chan, the Chief Executive Officer and a director of the Issuer, on account of management fees;
- (f) the Issuer paid \$40,000 during the Current Period to Mr. Robert Curr, a director of the Issuer, for geological consulting services;
- (g) the Issuer paid \$6,718 during the Current Period to Mr. Lorne Anderson , a director and Chief Financial Officer of the Issuer, for management services;

- (h) the Issuer paid \$9,450 during the Current Period to Mr. Trent Blind, a director, for business consulting services;
- (i) in 1996 the Issuer purchased interests in its Redwater oil and gas property from Mr. Ross Gorrell, the President and a director of the Issuer, and from a company controlled by Mr. Robert Curr, a director of the Issuer. See “Principal Properties – Redwater Property”; and
- (j) Indo Pacific, the corporation from which the Issuer acquired its interest in the Muko Muko Property is a private British Columbia company. Mr. Kenny Wing Him Chan, who is currently Chief Executive Officer and a director of the Issuer, holds a 7.5% interest in the parent corporation of Indo Pacific and is the President and one of four directors of Indo Pacific. Mr. Chan was not involved in management of the Issuer, nor was he otherwise an insider of the Issuer, at the time of the Issuer's acquisition of its interest in the Muko Muko property; however, Mr. Chan's interests in both Indo Pacific and the Issuer put him in a potential conflict of interest in respect to any dealings between the Issuer and Indo Pacific in relation to the Muko Muko property . See “ Mineral Properties”, “Conflicts of Interest.” And “Risk Factors”.

## CAPITALIZATION

### SHARE CAPITAL

The authorized capital of the Issuer consists of 100,000,000 common shares without par value. All references to "Shares" herein are to common shares of the Issuer. As at the date hereof, there are 13,359,981 Shares issued and outstanding.

All Shares of the Issuer rank equally as to dividends, voting rights (with each Share carrying the right to one vote at any general meeting of the shareholders of the Issuer), participation in assets and in all other respects. The issued Shares are not subject to calls or assessments nor any pre-emptive or conversion rights. There are no provisions attached to such shares for redemption, purchase for cancellation, surrender or sinking or purchase funds.

The following table presents the capitalization of the Issuer as at March 31, 2000 and as at May 31, 2000, both before and after giving effect to the Offering and exercise of the Special Warrants.

	Amount Authorized	Outstanding as at March 31, 2000 (Audited) <sup>(5)</sup>	Outstanding as at May 31, 2000 (Unaudited)	Outstanding as at May 31, 2000 after giving effect to the Offering and the exercise of the Special Warrants <sup>(3)(4)</sup> (Unaudited)
Long Term Debt <sup>(1)</sup>	8,677 debentures	(\$666,102)	(\$664,102)	(\$664,102)
Common Shares	100,000,000	\$8,755,194 (13,204,891 Shares)	\$8,830,194 (13,359,981 Shares)	\$9,530,194 (14,759,981 Shares) <sup>(6)</sup>
Special Warrants	1,550,000	\$643,000 <sup>(2)</sup> (1,550,000)	\$568,000 <sup>(2)</sup> (1,400,000)	Nil

Notes:

- (1) Debt financing raised by the issuance of 8,677 units, pursuant to a rights offering completed by the Issuer on November 12, 1999. Each unit consisted of one 7.75% redeemable, convertible subordinated debenture and 125 share purchase warrants. See "Recent Developments" and "Options and Other Rights to Purchase Shares". As of the date hereof 20 of the debentures have been converted, resulting in the issuance of 5000 Shares pursuant to the conversion of \$2000 of debt. See "Prior Sales".
- (2) Proceeds net of commission and estimated Offering expenses, which have been and will be paid out of general corporate funds of the Issuer.
- (3) Assumes the exercise of all Special Warrants.
- (4) As at May 31, 2000 there were 5,456,125 Common Shares reserved for issuance pursuant to the exercise of outstanding options, share purchase warrants and convertible debentures, but excluding the Special Warrants. See "Options and Other Rights to Purchase Shares".
- (5) As at May 31, 2000 the Issuer had a deficit of \$5,828,195.
- (6) Excluding the Additional Shares.

## OPTIONS AND OTHER RIGHTS TO PURCHASE SHARES

The following is a summary of incentive stock options, share purchase warrants and debentures convertible into Shares of the Issuer which are outstanding as of May 15 2000:

Name	Date of Grant	No. of Shares	Type(1)	Exercise Price per Share	Expiry Date	Market Value at Date of Grant (per share)	Market Value As of June 22, 2000 (per share)
1 Executive officer	Apr. 6/99	36,000	Option	\$0.30	Apr. 6/04	\$0.40	\$0.38
1 Executive officer	May 25/99	180,000	Option	\$0.43	May 25/04	\$0.50	\$0.38
1 Director	Jul. 6/98	50,000	Option	\$0.30	Jul. 6/03	\$0.50	\$0.38
7 Directors	Sep. 29/97	445,000	Option	\$0.30	Sep. 29/02	\$0.40	\$0.38
3 Directors	Oct. 12/99	347,000	Option	\$0.50	Oct. 12/04	\$0.53	\$0.38
1 Director	Dec. 8/99	32,000	Option	\$0.52	Dec. 8/04	\$0.45	\$0.38
1 Employee	Apr. 6/99	100,000	Option	\$0.30	Apr. 6/04	\$0.40	\$0.38
1 Employee	May 25/99	20,000	Option	\$0.43	May 25/04	\$0.50	\$0.38
1 Employee	Dec. 8/99	100,000	Option	\$0.52	Dec. 8/04	\$0.45	\$0.38
3 Executive officers	May 26/99	730,000	Warrant	\$0.34 \$0.39	July 9/00 July 9/01	\$0.45	\$0.38
1 Director	May 26/99	40,000	Warrant	\$0.34 \$0.39	July 9/00 July 9/01	\$0.45	\$0.38
1 Employee	May 26/99	60,588	Warrant	\$0.34 \$0.39	July 9/00 July 9/01	\$0.45	\$0.38
Joelene Curr <sup>(4)</sup>	May 26/99	45,000	Warrant	\$0.34 \$0.39	July 9/00 July 9/01	\$0.45	\$0.38
Michelle Curr	May 26/99	15,000	Warrant	\$0.34	July 9/00	\$0.45	\$0.38

				\$0.39	July 9/01		
Karen Dadson	May 26/99	29,412	Warrant	\$0.34 \$0.39	July 9/00 July 9/01	\$0.45	\$0.38
Dwight Chan	May 26/99	80,000	Warrant	\$0.34 \$0.39	July 9/00 July 9/01	\$0.45	\$0.38
Executive officers	Nov. 12/99	47,500	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Golden Capital Securities Ltd.	Nov. 12/99	6,500	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
James Chan	Nov. 12/99	4,250	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Frank W. Donis	Nov. 12/99	1,500	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Mark Donis	Nov. 12/99	625	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Mary Francis Donis	Nov. 12/99	375	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Megan Donis	Nov. 12/99	625	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Donn Capital Corporation	Nov. 12/99	375	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Georgia Pacific Securities Corporation	Nov. 12/99	4,875	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Globe (Holdings) Ltd.	Nov. 12/99	25,000	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Goepel McDermid Inc.	Nov. 12/99	4,375	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Gundyco	Nov. 12/99	16,625	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Merrill Lynch Canada Inc.	Nov. 12/99	11,750	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
IPO Capital Corp.	Nov. 12/99	875	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Robyn L. Leslie	Nov. 12/99	125	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
RBC Dominion Securities Inc.	Nov. 12/99	18,375	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Rexco	Nov. 12/99	3,750	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Canaccord Capital Corporation	Nov. 12/99	109,125	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Wolverton Securities Inc.	Nov. 12/99	15,125	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Arthur Wong	Nov. 12/99	3,125	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Dick Wong	Nov. 12/99	625	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Elaine Wong	Nov. 12/99	2,125	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38

Kim Wong	Nov. 12/99	3,000	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Union Securities Ltd.	Nov. 12/99	1,750	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Investor Company	Nov. 12/99	19,375	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Thomson Kernaghan & Co. Ltd.	Nov. 12/99	282,375	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Dundee Securities Corporation	Nov. 12/99	8,250	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
HSBC Securities (Canada) Inc.	Nov. 12/99	6,500	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Scotia McLeod Inc.	Nov. 12/99	2,250	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
CT Securities Inc.	Nov. 12/99	417,500	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
CT Securities International Inc.	Nov. 12/99	625	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
NBC Clearing Services Inc.	Nov. 12/99	3,250	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Roytor & Co.	Nov. 12/99	1,750	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Nesbitt Burns Inc.	Nov. 12/99	5,875	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Yorkton Securities Inc.	Nov. 12/99	53,250	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Scotia Capital Inc.	Nov. 12/99	1,250	Warrant	\$0.60	Nov. 12/01	\$0.58	\$0.38
Executive officers	Sep. 30/99	320 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
James Chan	Sep. 30/99	34 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Frank W. Donis	Sep. 30/99	12 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Mark Donis	Sep. 30/99	5 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Mary Francis Donis	Sep. 30/99	3 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Megan Donis	Sep. 30/99	5 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Donn Capital Corporation	Sep. 30/99	3 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Georgia Pacific	Sep. 30/99	39 <sup>(2)</sup>	Debenture	\$0.40	Sep. 30/01	\$0.51	\$0.38

Securities Corporation				\$0.50 <sup>(3)</sup>	Sep. 30/04		
Globe (Holdings) Ltd.	Sep. 30/99	200 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Goepel McDermid Inc.	Sep. 30/99	35 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Goepel McDermid Inc. I/T/F Robyn Leslie	Sep. 30/99	1 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Golden Capital Securities	Sep. 30/99	3 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Gundyco	Sep. 30/99	21 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Merrill Lynch Canada Inc.	Sep. 30/99	94 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
IPO Capital Corp.	Sep. 30/99	7 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
RBC Dominion Securities Inc.	Sep. 30/99	147 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Rexco	Sep. 30/99	30 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Canaccord Capital Corporation	Sep. 30/99	1,170 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Wolverton Securities Inc.	Sep. 30/99	23 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.37
Arthur Wong	Sep. 30/99	25 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Dick Wong	Sep. 30/99	5 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.387
Elaine Wong	Sep. 30/99	17 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.37
Kim Wong	Sep. 30/99	24 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Union Securities Ltd.	Sep. 30/99	14 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Investor Company	Sep. 30/99	155 <sup>(2)</sup>	Debenture	\$0.40	Sep. 30/01	\$0.51	\$0.38

				\$0.50 <sup>(3)</sup>	Sep. 30/04		
Thomson Kernaghan & Co. Ltd.	Sep. 30/99	1,946 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Dundee Capital Corporation	Sep. 30/99	66 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
HSBC Securities (Canada) Inc.	Sep. 30/99	32 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Scotia McLeod Inc.	Sep. 30/99	18 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
CT Securities Inc.	Sep. 30/99	2,957 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
CT Securities International Inc.	Sep. 30/99	21 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
NBC Clearing Services Inc.	Sep. 30/99	26 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Roytor & Co.	Sep. 30/99	14 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Nesbitt Burns Inc.	Sep. 30/99	338 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Yorkton Securities Inc.	Sep. 30/99	426 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38
Scotia Capital Inc.	Sep. 30/99	10 <sup>(2)</sup>	Debenture	\$0.40 \$0.50 <sup>(3)</sup>	Sep. 30/01 Sep. 30/04	\$0.51	\$0.38

Notes:

- (1) The agreements pursuant to which these securities were issued provide that appropriate adjustments in the number and class of shares to be issued upon exercise shall be made in the event of any capital reorganization, reclassification, subdivision or consolidation of the capital of the Issuer or the merger, amalgamation or other corporate combination of the Issuer with one or more entities or if any other events in which new securities of any nature are delivered or exchanged for the issued common shares of the Issuer and such issued common shares are cancelled as a result thereof.
- (2) Convertible into Shares, in whole or in part, at the option of the registered holder, at any time prior to the close of business on the earlier of the business day immediately preceding September 30, 2004 or, if the debenture shall be called for redemption, the business day immediately preceding the date fixed for its redemption, at the price of \$0.40 per share if converted prior to September 30, 2001, and at \$0.50 per share if converted thereafter (being equivalent to a rate of 250 common shares and 200 common shares, respectively, per debenture). If the Weighted Average Price (as defined in the Trust Indenture governing the debentures) of the Issuer's common shares during the period of 20 consecutive trading days immediately prior to September 30, 2004 is less than \$0.50 per common share, the conversion price of the debenture will be reduced to an amount equal to the greater

of 85% of the Weighted Average Price of the common shares during such 20 consecutive trading days, and \$0.40 per Common Share. The debentures were issued pursuant to a rights offering which was completed on November 12, 1999. See "Recent Developments."

- (3) After September 30, 2001.
- (4) Spouse of Robert Curr, a director of the Issuer.

There are no assurances that the options, warrants, debentures or other rights described above will be exercised in whole or in part.

### **FULLY DILUTED SHARE CAPITAL**

The following is a summary of the Issuer's share capital presented on a fully diluted basis as at the date of this Prospectus:

<b>Shares Issued or Allotted</b>	<b>Number of Shares</b>	<b>Percentage of Total</b>
Issued prior to Offering	13,359,981	66.1%
Qualified under Prospectus	1,400,000	6.9%
Reserved for future issue	5,456,125	27.0%
<b>Total</b>	<b>20,216,106</b>	<b>100.0%</b>

### **PRINCIPAL SHAREHOLDERS**

No person beneficially owns or will, upon completion of the Offering, beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the issued and outstanding Shares as at the date hereof.

Upon the distribution of the Shares being qualified for distribution hereunder, the directors, officers, promoters and other members of management and of the Issuer will, as a group, hold, directly or indirectly 1,547,229 Shares (including Shares to be acquired upon the exercise of Special Warrants, but excluding Shares issuable pursuant to the exercise of any stock options and share purchase warrants or on the conversion of any convertible debentures) representing 11.7% of the common shares issued and outstanding.

### **ESCROWED SHARES**

The 180,000 Shares held in escrow (the "Escrow Shares") are being held pursuant to an Escrow Agreement dated March 26, 1996 among Pacific Corporate Trust Company of Vancouver, British Columbia, the Issuer and current holders of the Escrow Shares identified below (the "Escrow Agreement") who are in some cases successors in interest to the original holders of the Escrow Shares. The Escrow Agreement provides that the Escrow Shares may not be traded in, dealt with in any manner whatsoever or released, nor may the Issuer, its transfer agent or escrow holder make any transfers or record any trading of the Escrow Shares without the consent of the Canadian Venture Exchange (as successor in interest to the Vancouver Stock Exchange). The Escrow Agreement also provides, among other things:

- (a) for the release of Escrow Shares from time to time in accordance with the general policies of the Canadian Venture Exchange;
- (b) for the necessity of the consent of the appropriate regulatory authority to effect a transfer of registration of the Escrow Shares to succeeding principals; and

- (c) that any Escrow Shares not released shall be cancelled five years from the date of issuance (being March 29, 2001).

The holders of the Escrow Shares are Timothy S. Noble as to 40,000 Escrow Shares, A. Ross Gorrell as to 40,000 Escrow Shares, William R. Green as to 50,000 Escrow Shares and Dwight Chan as to 50,000 Escrow Shares. On May 2, 2000 the Issuer made application to the Canadian Venture Exchange for approval of the release of the remaining Escrow Shares held in escrow. Such application is pending as at the date of this Prospectus.

A total of 180,000 shares held in escrow pursuant to the Escrow Agreement were released with the consent of the Vancouver Stock Exchange (as predecessor to the Canadian Venture Exchange) on November 22, 1999. Those shares so released were issued to Dwight Chan (50,000 shares), Ross Gorrell (40,000 shares), William Green (50,000 shares) and Timothy Noble (40,000 shares).

#### **DIVIDEND RECORD AND POLICY**

The Issuer has not paid any dividends on its Shares to the date hereof. It is the present policy of the board of directors of the Issuer to retain any earnings to finance the growth and development of the Issuer's business and, therefore, the Issuer does not anticipate paying any dividends in the immediate future.

#### **PRICE RANGE AND TRADING VOLUME OF SHARES**

The Shares are listed for trading on the Canadian Venture Exchange. The closing price of the Issuer's common shares on the Canadian Venture Exchange on June 22, 2000 was \$0.38. The following summarizes the reported high and low prices and the combined volume of trading of the Issuer's Shares on the Canadian Venture Exchange for the periods indicated:

Calendar Period	High (\$)	Low(\$)	Volume
<b>2000</b>			
June 1 - June 22	\$0.48	\$0.33	92,710
May	\$0.38	\$0.30	164,900
April	\$0.45	\$0.34	212,000
March	\$0.61	\$0.38	894,229
February	\$0.68	\$0.48	571,369
January	\$0.60	\$0.40	582,271

<b>1999</b>			
October - December	\$0.84	\$0.41	1,798,190
July - September	\$0.55	\$0.35	1,080,977
April - June	\$0.60	\$0.30	2,012,120
January - March	\$0.49	\$0.19	382,486

### PRIOR SALES

During the 12 months preceding the date of this Prospectus, the Issuer issued the following Shares:

Date	Number Sold	Price Per Share	Reason
May 12, 2000	150,000	\$0.50	Exercise of Special Warrants
April 12, 2000	5,000	\$0.40	Conversion of debenture (1)
March 24, 2000	750	\$0.40	Conversion of debenture
March 20, 2000	15,000	\$0.40	Conversion of debenture
March 3, 2000	9,000	\$0.40	Conversion of debenture
Feb. 8, 2000	19,000	\$0.40	Conversion of debenture
Jan. 31, 2000	500	\$0.40	Conversion of debenture
Jan. 4, 2000	21,750	\$0.40	Conversion of debenture
Dec. 9, 1999	17,000	\$0.40	Conversion of debenture
Dec. 7, 1999	19,750	\$0.40	Conversion of debenture
Dec. 7, 1999	100,000	\$0.35	Exercise of stock option
Oct. 12, 1999	37,000	\$0.30	Exercise of stock option
Oct. 12, 1999	185,000	\$0.43	Exercise of stock option
Sep. 29, 1999	30,000	\$0.43	Exercise of warrants
Jul. 13, 1999	1,000,000	\$0.34	Private placement
Jun. 3, 1999	20,000	\$0.30	Exercise of stock option

Notes:

- (1) The debentures which have been converted into Shares were issued pursuant to a rights offering of units by the Issuer which was completed on November 12, 1999. A total of 8,677 units were subscribed for at the price of \$100 each, for total subscription proceeds of \$867,700. Each unit consisted of one 7.75% redeemable, convertible, subordinated debenture in the principal amount of \$100, and 125 warrants to purchase Shares. Each debenture is convertible into Shares of the Issuer at a price of \$0.40 per Share if converted prior to September 30, 2001, and at a price of \$0.50 per share if converted after that date and prior to the maturity date of September 30, 2004, subject to adjustment in certain events. Each warrant entitles the holder to purchase one Share of the Issuer at a price of \$0.60 until November 12, 2001.

## PLAN OF DISTRIBUTION

This Prospectus qualifies the distribution (the "Offering") of 1,400,000 Shares of the Issuer to be issued as "flow-through" Shares without payment upon the exercise of 1,400,000 outstanding special warrants (the "Special Warrants") which were issued on December 31, 1999. The Special Warrants were issued at a price of \$0.50 each pursuant to a private placement of a total of 1,550,000 Special Warrants to purchasers in British Columbia, Alberta and Ontario (the "Private Placement") of which a total of 1,400,000 of the Special Warrants were issued to residents of Ontario. **This Prospectus qualifies only the distribution of the 1,400,000 Shares issuable upon the exercise or deemed exercise of the 1,400,000 Special Warrants held by Ontario residents.** Each Special Warrant was issued on the basis that it was convertible into one Share, subject to adjustment in certain events. In the case of purchasers resident in Ontario, if a receipt for this Prospectus in final form is not obtained from the Ontario Securities Commission on or before June 28, 2000, each Special Warrant will entitle the holder thereof to acquire 1.1 Shares for each Special Warrant held, being an additional 140,000 Shares (the "Additional Shares"). In that event, this Prospectus will also qualify the distribution of 1,400,000 Additional Shares. All unexercised Special Warrants will be deemed to be exercised on the earlier of 5:00 p.m. (Pacific time) on December 31, 2000 and 5:00 p.m. (Pacific time) on the day which is the fourth business day after the date of issuance of a final receipt for this Prospectus by the Ontario Securities Commission. A total of 150,000 Special Warrants were issued to purchasers resident in British Columbia and Alberta on the basis that if either the hold period on the underlying Shares, as prescribed by applicable securities rules of those provinces, did not expire on or before June 28, 2000 or, alternatively, the underlying Shares were not qualified for distribution by way of prospectus in those provinces on or before June 28, 2000, each Special Warrant held by Alberta and British Columbia residents would entitle the holder thereof to acquire 1.1 Shares for each Special Warrant then held. The hold period on the underlying Shares in British Columbia and Alberta having expired, the 150,000 Special Warrants held by residents of British Columbia and Alberta were deemed to be exercised and 150,000 Shares were issued to such holders on May 12, 2000. The Special Warrants were issued pursuant to certain exemptions from the registration and prospectus requirements under applicable securities legislation. The issue price of \$0.50 per Special Warrant was determined by the Issuer. Upon the closing of the Private Placement, the Issuer paid to the Agent a commission of \$32,000 which is to be paid out of the general corporate funds of the Issuer in connection with the sale of 800,000 Special Warrants to one Purchaser.

Pursuant to the Agency Agreement, the Agent has agreed to act as the agent of the Issuer for the purposes of the qualification of 800,000 Shares and 80,000 Additional Shares pursuant to this Prospectus. In consideration for acting as agent, the Issuer has agreed to pay the Agent a fee of \$25,000 out of the general corporate funds of the Issuer and reimburse the Agent for its reasonable fees and expenses.

Neither the Special Warrants nor the Shares have been or will be registered under the United States Securities Act of 1933, as amended, and subject to certain exemptions, may not be offered or sold within the United States or to or for the account or benefit of U.S. persons.

## LEGAL PROCEEDINGS

There are no actual or pending material legal proceedings to which the Issuer is or is likely to be a party or of which any of its property is or is likely to be the subject.

## PROMOTERS OF THE ISSUER

The Issuer believes that Arthur Ross Gorrell may be considered a promoter of the Issuer in that he took the initiative in reorganizing the business of the Issuer in 1996. At that time, the Issuer effected a consolidation of its shares, completed a private placement financing and acquired additional interests in the Redwater property. Mr. Gorrell received no compensation or remuneration for acting as a promoter; however, as part of the reorganization Mr. Gorrell sold to the Issuer interests ranging from 0.6% to 3.0% in the leases comprising the Redwater property, in consideration of which he was issued 100,000 common shares of the Issuer at a total deemed price of \$82,000.

See "Principal Properties - Redwater Property". "Mr. Gorrell has been granted stock options by the Issuer in consideration of the provision of his services as a President and a Director. See "Options and Other Rights to Purchase Shares". Mr. Gorrell also has received and continues to receive compensation from the Issuer for providing management services in his capacity as President of the Issuer. See "Interests of Management in Material Transactions" and "Executive Compensation".

#### **AUDITOR**

The auditor of the Issuer is the firm of Davidson & Company, Chartered Accountants, Suite 1270, 609 Granville Street, Vancouver, British Columbia, V7Y 1G6.

#### **REGISTRAR AND TRANSFER AGENT**

The Issuer's registrar and transfer agent is Pacific Corporate Trust Company, Suite 830, 625 Howe Street, Vancouver, British Columbia, V6C 3B8.

#### **MATERIAL CONTRACTS**

The following material contracts have been entered into by the Issuer within the past two years, copies of which may be inspected between the hours of 10:00 a.m. and 5:00 p.m. during distribution of the Special Warrants and for 35 days after the date of the (final) Prospectus at the offices of the Issuer located at Suite 173, 1089 West Broadway, Vancouver, British Columbia, V6J 4M1:

- (a) Agency Agreement dated May 25, 2000 between the Agent and the Issuer.
- (b) Farmout, Participation and Option Agreement dated May 12, 1999 among the Issuer, Tier One Energy Corp. and Petroflow Energy Ltd. with respect to the Ukalta Property.
- (c) Farmout Agreement dated March 27, 1998 between the Issuer and Tier One Energy Corp. with respect to the Chamberlain Property.
- (d) Permit dated May 9, 2000 among the Issuer, Frog Lake First Nation and Indian Oil & Gas Canada with respect to the Frog Lake property.
- (e) Soliciting Dealer Agreement dated September 9, 1999 between the Issuer and Thomson Kernaghan & Co. Ltd. respecting a Rights Offering of convertible debentures made by the Issuer to its shareholders.
- (f) Trust Indenture dated October 1, 1999 between the Issuer and Pacific Corporate Trust Company respecting the administration of convertible debentures issued pursuant to a Rights Offering of the Issuer.
- (g) Warrant Indenture dated October 1, 1999 between the Issuer and Pacific Corporate Trust Company respecting the administration of share purchase warrants to be issued upon the exercise of convertible debentures issued pursuant to a Rights Offering of the Issuer.

#### **CANADIAN FEDERAL INCOME TAX CONSEQUENCES**

The following is, as of the date hereof, a fair and adequate summary of the principal Canadian federal income tax considerations applicable to holders of Special Warrants who acquire Shares pursuant to the Offering. This summary applies only to holders of Special Warrants who are resident in Canada, deal at arm's length with the Issuer and who hold the securities acquired hereunder as capital property, all within the meaning of the *Income Tax Act* (Canada) (the "Tax Act").

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the “Regulations”) and the Issuer’s understanding of the current administrative practices of the Canadian Customs and Revenue Agency (“Revenue Canada”) and proposed amendments to the Tax Act and Regulations publicly announced by the Minister of Finance prior to the date hereof. This summary assumes that any such proposed amendments will be enacted as proposed but does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation considerations. No assurances can be given that proposed amendments will be enacted as proposed or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary does not apply to holders of Special Warrants who are principal-business corporations within the meaning of the Tax Act or whose business includes trading or dealing in rights, licenses or privileges to explore for, drill for or take minerals, oil, natural gas or other related hydrocarbons. This summary does not apply (i) to holders who are “financial institutions” within the meaning of the “mark-to-market” rules contained in the Tax Act, (ii) if an interest in the holder would be a “tax shelter investment”, (iii) to holders who incur “limited-recourse indebtedness” in connection with an investment in the Shares, or (iv) to holders who have acquired the Special Warrants from a person other than the Issuer.

This summary also assumes that the Issuer has made or will make all tax filings in respect of the issue of the Shares and the renunciation of Qualifying Expenditures (as defined herein) in the manner and within the time required by the Tax Act and the Regulations and that all renunciations have been or will be validly made. In addition, while the Issuer has furnished or will furnish each holder with information relevant to the holder’s Canadian federal and provincial tax returns, the preparation and filing of those returns will remain the responsibility of each holder. This summary further assumes that the Issuer has incurred or will incur sufficient Qualifying Expenditures to enable it to renounce to holders all of the Qualifying Expenditures covenanted to be renounced by the Issuer pursuant to the Subscription Agreements effective on the date or dates set out in such agreements. This summary is based on the Issuer being, and maintaining its status as, a “principal-business corporation” for purposes of the Tax Act at all material times. This summary assumes that the Shares, when issued, will not be prescribed shares within the meaning of the Tax Act.

The Canadian federal income tax consequences to a particular holder of its investment hereunder will vary depending on a number of factors, including the particular province in which the holder resides, carries on business or has a permanent establishment, the amount that would be the holder’s taxable income but for this subscription and the legal characterization of the holder as an individual, corporation, trust or partnership. **The following discussion of the income tax consequences is, therefore, of a general nature only and is not exhaustive of all the income tax consequences and is not intended to constitute income tax advice to any particular holder. Accordingly, holders should consult their own income tax advisors with respect to the Canadian federal income tax consequences which will result from an investment in the Shares.**

#### *Disposition of Shares and Exercise of Special Warrants*

Any disposition or deemed disposition (other than to the Issuer) of Shares will result in the realization of a capital gain (or capital loss) in the taxation year of the disposition to the extent the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of such Shares and any reasonable costs of disposition. Pursuant to the terms of the Tax Act, the Special Warrants will be deemed to have an initial cost of nil. The exercise of the Special Warrants into Common Shares will not result in any gain or loss to the holders of such securities. The initial cost to a holder of the Common Shares acquired on exercise of a Special Warrant will be deemed to be equal to the adjusted cost base of the Special Warrants so exercised. Following the exercise of the Special Warrants, the adjusted cost base of a holder in any particular Common Share will be determined by averaging the cost of such share with the cost of all Common share held by such holder.

**Under proposed amendments to the Tax Act which are to be effective after February 27, 2000, two-thirds**

**of a capital gain (a taxable capital gain) must be included in the income of the holder for the taxation year in which the disposition occurs. Similarly, two-thirds of any capital loss (an allowable capital loss) may be deducted by a taxpayer from taxable capital gains for the year and, subject to the detailed provisions of the Tax Act and the proposed amendments thereto, excess allowable capital losses may generally be carried back three years and forward indefinitely and deducted from taxable capital gains realized in those years.**

### *Qualifying Expenditures*

Subject to certain limitations and restrictions, a principal-business corporation that incurs Qualifying Expenditures (comprised of certain Canadian exploration expenses ("CEE") and qualifying Canadian development expenses ("qualifying CDE")) with funds received from a purchaser pursuant to an agreement for the issue of shares (or rights to acquire shares) of the issuer (other than prescribed shares) will be entitled to renounce the Qualifying Expenditures to such purchasers and the Qualifying Expenditures so renounced will be deemed to have been incurred by such purchasers on the effective date of the renunciation. The Issuer represents that it is, and at all material times will continue to be, a principal-business corporation and that the Shares will not be prescribed shares when they are issued. Accordingly, Qualifying Expenditures incurred by the Issuer, pursuant to the terms of the Subscription Agreements and renounced by the Issuer to subscribers with effect on or prior to December 31, 1999 will be deemed to be Qualifying Expenditures incurred by the subscribers on the effective date of the renunciation.

A principal-business corporation may designate up to \$1,000,000 of certain qualifying CDE incurred by it in any given calendar year to be CEE upon renunciation to a purchaser of flow-through shares, subject to certain qualifications and conditions, including that the corporation and corporations associated with it have in aggregate less than \$15,000,000 of taxable capital employed in Canada. The Issuer intends to ensure that all CDE renounced to the holders of the Special Warrants qualifies for renunciation as CEE.

Under the provisions of the Tax Act, Qualifying Expenditures incurred in 1999 and renounced to holders effective on or before December 31, 1999 will be deemed to have been CEE incurred by such holders on the effective date of renunciation. Certain CEE and qualifying CDE which the Issuer has incurred or plans to incur in 2000 may be renounced effective December 31, 1999 provided that the proceeds from the subscription for the Special Warrants were received by the Issuer before the end of 1999, such expenses are renounced on or before the end of March, 2000 and the holder to which such CEE and qualifying CDE is renounced deals at arm's length with the Issuer throughout 2000.

If CEE and qualifying CDE renounced pursuant to the 12 month carry-back rule are not actually incurred by the Issuer by the end of 2000, the amount of CEE and qualifying CDE renounced to holders must be reduced by the amount not actually incurred by the Issuer. A holder will not be liable for any penalty and will not be required to pay interest on any resulting increase in income tax payable as a result of such a reduction in CEE and qualifying CDE until after the month of April, 2001.

Qualifying Expenditures deemed to have been incurred by a holder will be added to the cumulative CEE account of such holder. A holder may deduct in computing income from all sources for a taxation year such amount as may be claimed not exceeding 100% of the holder's cumulative CEE account at the end of a taxation year. To the extent that a holder does not deduct the balance of the holder's cumulative CEE account at the end of a taxation year, the balance will be carried forward and the holder will be entitled to claim deductions in respect thereof in subsequent taxation years, subject to the rules regarding an acquisition of control of a corporate holder. A holder who disposes of Shares will retain the entitlement to receive renunciations of Qualifying Expenditures from the Issuer as described above as well as the ability to deduct any CEE previously deemed to have been incurred by the holder, and a subsequent purchaser of such Shares will not be entitled to any renunciation of any Qualifying Expenditures or related deductions.

### *Alternative Minimum Tax*

Under the Tax Act, taxes payable by an individual and by most trusts will be the greater of the taxes otherwise determined and an alternative minimum tax computed by reference to such individual's adjusted taxable income for the taxation year in excess of a \$40,000 exemption and reduced by certain tax credits. In calculating adjusted taxable income for the purpose of computing the minimum tax, certain deductions and credits otherwise available are disallowed and certain amounts not otherwise included in income are included. The disallowed items include deductions claimed by the individual in respect of CEE in a particular taxation year to the extent such deductions exceed the individual's resource income (including income attributable to a disposition of Canadian resource properties) in that year. The non-taxable portion of any capital gain realized by the individual is included in calculating the individual's adjusted taxable income. The federal rate of minimum tax is 17%. Whether and to what extent the tax liability of a particular holder will be increased by the alternative minimum tax will depend on the amount of such holder's income, the sources from which it is derived, and the nature and amounts of any deductions such holder claims.

Any additional tax payable by an individual for the taxation year resulting from the application of the alternative minimum tax will be deductible by the individual in any of the seven immediately following taxation years in computing the amount that would, but for the alternative minimum tax, be the individual's tax otherwise payable for any such subsequent year to the extent that such tax otherwise payable exceeds the individual's minimum tax calculation for that subsequent year.

### *Eligibility for Investment*

Provided the Common Shares are listed on a prescribed stock exchange in Canada, the Shares will be qualified investments, within the meaning of the Tax Act, for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans as defined in the Tax Act.  **Holders who contribute all or a portion of their Shares to any such plans should consult their own tax advisors as to the tax consequences of such a contribution.**

## **OTHER MATERIAL FACTS**

There are no other material facts not previously disclosed herein.

## **PURCHASERS' STATUTORY RIGHTS**

If this Prospectus, together with any amendment thereto, contains an untrue statement of a material fact or an omission to state a material fact that is required to be stated or necessary in order to make any statements not misleading in light of the circumstances in which it was made (herein called a "Misrepresentation"), a purchaser to whom a Prospectus has been delivered by or on behalf of the seller of Shares offered thereby during the period of distribution, shall be deemed to have relied on such Misrepresentation. If it was a Misrepresentation at the time of the purchase, a purchaser shall have, to certain exceptions subject as hereinafter provided, a right of action against the Issuer either for rescission or damages, which right is enforceable on notice being given to the Issuer not later than 90 days after the date on which payment was made for the Shares, provided that:

- (a) no person or company is liable if he, she or it proves that the purchaser purchased the Shares with knowledge of the Misrepresentation;
- (b) in an action for damages, the defendant is not liable for all or any portion of the damages that he proves do not represent the depreciation in value of the security as a result of the Misrepresentation relied upon; and
- (c) in no case shall the amount recoverable exceed the price at which the Shares were offered.

The right of rescission or damages available is in addition to any other right or remedy available at law to a purchaser.

### **CONTRACTUAL RIGHT OF ACTION FOR RESCISSION**

In the event that a holder of a Special Warrant, who acquires a Share upon the exercise of a Special Warrant as provided for in this Prospectus, is or becomes entitled under applicable legislation to the remedy of rescission by reason of this Prospectus or any amendment thereto containing a misrepresentation, the holder shall be entitled to rescission not only of the holder's exercise of its Special Warrant but also of the private placement transaction pursuant to which the Special Warrant was initially acquired and shall be entitled, in connection with such rescission, to a full refund of all consideration paid to the Corporation on the acquisition of the Special Warrant. In the event the holder is a permitted assignee of the interest of the original Special Warrant subscriber, that permitted assignee will be entitled to exercise the rights of rescission and refund described herein as if the permitted assignee was the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of the Special Warrant under applicable securities legislation or otherwise at law.

**PETROMIN RESOURCES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2000**

## AUDITORS' REPORT

To the Directors of  
Petromin Resources Ltd.

We have audited the consolidated balance sheets of Petromin Resources Ltd. as at March 31, 2000, September 30, 1999 and 1998 and the consolidated statements of operations, changes in shareholders' equity and cash flows for the six month period ended March 31, 2000 and the years ended September 30, 1999 and 1998. 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 March 31, 2000, September 30, 1999 and 1998 and the results of its operations, changes in its shareholders' equity and cash flows for the six month period ended March 31, 2000 and the years ended September 30, 1999 and 1998 in accordance with generally accepted accounting principles.

Vancouver, Canada

Chartered Accountants

May 12, 2000

## **Auditor's Report**

### **To the Directors of Petromin Resources Ltd.**

We have audited the consolidated statements of operations and deficit, changes in shareholders' equity and cash flows for the year ended September 30, 1997 of Petromin Resources Ltd. These consolidated 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 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 results of its operations and its cash flows for the year ended September 30, 1997 in accordance with Canadian generally accepted accounting principles.

**Chartered Accountants  
Vancouver, B.C.**



The accompanying notes are an integral part of these consolidated financial statements.

**PETROMIN RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Six Month Period Ended March 31, 2000	Year Ended September 30,		
		1999	1998	1997
<b>REVENUE</b>	\$ 1,078,591	\$ 617,632	\$ 121,669	\$ 106,122
<b>DIRECT COSTS</b>	<u>(241,402)</u>	<u>(247,039)</u>	<u>(43,108)</u>	<u>(9,081)</u>
	<u>837,189</u>	<u>370,593</u>	<u>78,561</u>	<u>97,041</u>
<b>EXPENSES</b>				
Consulting	184,194	144,426	180,579	173,647
Depletion and amortization	150,258	273,860	32,984	445,175
Interest on convertible debentures	50,796	-	-	-
Listings and transfer agent fees	25,564	18,894	19,125	19,071
Management fees	30,000	30,000	30,000	30,000
Office, rent and telephone	78,664	98,878	112,279	128,047
Professional fees	42,815	41,707	43,620	49,461
Property investigation	-	-	28,793	-
Travel and promotion	<u>173,202</u>	<u>108,465</u>	<u>85,105</u>	<u>254,037</u>
	<u>735,493</u>	<u>716,230</u>	<u>532,485</u>	<u>1,099,438</u>
<b>Income (loss) from operations</b>	<u>101,696</u>	<u>(345,637)</u>	<u>(453,924)</u>	<u>(1,002,397)</u>
<b>OTHER ITEMS</b>				
Interest income	11,224	1,778	1,651	3,508
Gain (loss) on foreign exchange	-	-	-	6,553
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,723)</u>
	<u>11,224</u>	<u>1,778</u>	<u>1,651</u>	<u>6,338</u>
<b>Income (loss) for the period</b>	<u>\$ 112,920</u>	<u>\$ (343,859)</u>	<u>\$ (452,273)</u>	<u>\$ (996,059)</u>
<b>Earnings (loss) per share (Note 2)</b>	<u>\$ 0.01</u>	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>	<u>\$ (0.17)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**PETROMIN RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six Month Period Ended March 31, 2000	Year Ended September 30,		
		1999	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) for the period	\$ 112,920	\$ (343,859)	\$ (452,273)	\$ (996,059)
Items not affecting cash:				
Depletion and amortization	150,258	273,860	32,984	445,175
Other	-	-	817	-
Accrued interest	37,962	-	-	-
Amortization of deferred charges	12,834	-	-	-
Change in non-cash working capital items:				
Increase in restricted cash	(67,896)	-	-	-
(Increase) decrease in accounts receivable	(222,006)	(81,730)	5,466	(13,229)
(Increase) decrease in prepaid expenses	4,269	2,170	(5,344)	4,243
Increase (decrease) in accounts payable and accrued liabilities	25,463	85,216	68,067	5,258
Increase (decrease) in due to related parties	-	-	(9,827)	(25,591)
Net cash provided by (used in) operating activities	<u>53,804</u>	<u>(64,343)</u>	<u>(360,110)</u>	<u>(580,203)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of oil and gas properties	(235,909)	-	(246,648)	-
Acquisition of mineral properties	-	-	-	(546,090)
Mineral properties – deferred exploration and Development costs	-	-	(23,202)	(461,592)
Oil and gas properties – deferred exploration and development costs	(596,614)	(684,818)	(242,787)	(92,786)
Proceeds on sale of capital assets	-	-	50	-
Net cash used in investing activities	<u>(832,523)</u>	<u>(684,818)</u>	<u>(512,587)</u>	<u>(1,100,468)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of capital stock	125,650	752,850	866,100	1,429,312
Convertible loans and debentures	735,104	-	-	-
Issuance of special warrants	<u>719,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>1,579,754</u>	<u>752,850</u>	<u>866,100</u>	<u>1,429,312</u>
<b>Change in cash position during the period</b>	801,035	3,689	(6,597)	(251,359)
<b>Cash position, beginning of period</b>	<u>63,668</u>	<u>59,979</u>	<u>66,576</u>	<u>317,935</u>
<b>Cash position, end of period</b>	\$ 864,703	\$ 63,668	\$ 59,979	\$ 66,576

**Supplemental disclosure with respect to cash flows (Note 12)**

The accompanying notes are an integral part of these consolidated financial statements.

**PETROMIN RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Number of Shares	Common Shares Issued and Fully Paid	Equity Component of Convertible Debentures	Special Warrants	Deficit	Total
<b>Balance at September 30, 1996</b>	5,220,205	\$ 5,269,528	\$ -	\$ -	\$ (4,148,924)	\$ 1,120,604
Issuance of shares for cash						
Exercise of warrants	141,026	123,397	-	-	-	123,397
Exercise of warrants	286,000	157,300	-	-	-	157,300
Exercise of warrants	10,000	6,250	-	-	-	6,250
Private placement (net of finder's fee)	675,000	773,040	-	-	-	773,040
Private placement (net of finder's fee)	550,000	299,325	-	-	-	299,325
Private placement	56,000	70,000	-	-	-	70,000
Cancellation of performance shares	(15,000)	-	-	-	-	-
Loss for the year	-	-	-	-	(996,059)	(996,059)
<b>Balance at September 30, 1997</b>	6,923,231	6,698,840	-	-	(5,144,983)	1,553,857
Issuance of shares for cash						
Private placement (net of finder's fee)	340,000	164,000	-	-	-	164,000
Private placement	360,000	115,200	-	-	-	115,200
Private placement (net of finder's fee)	2,000,000	464,400	-	-	-	464,400
Private placement	350,000	122,500	-	-	-	122,500
Loss for the year	-	-	-	-	(452,273)	(452,273)
<b>Balance at September 30, 1998</b>	9,973,231	7,564,940	-	-	(5,597,256)	1,967,684
Issuance of shares for cash						
Private placement	130,000	52,000	-	-	-	52,000
Private placement	1,000,000	340,000	-	-	-	340,000
Exercise of warrants	420,000	147,000	-	-	-	147,000
Exercise of warrants	257,000	89,950	-	-	-	89,950
Exercise of warrants	30,000	12,900	-	-	-	12,900
Exercise of options	350,000	105,000	-	-	-	105,000
Exercise of options	20,000	6,000	-	-	-	6,000
Issuance of shares for mineral property	600,000	210,000	-	-	-	210,000
Loss for the year	-	-	-	-	(343,859)	(343,859)
<b>Balance at September 30, 1999</b>	12,780,231	8,527,790	-	-	(5,941,115)	2,586,675
Issuance of shares for cash						
Exercise of options	222,000	90,650	-	-	-	90,650
Exercise of options	100,000	35,000	-	-	-	35,000
Issuance of convertible debentures	-	-	138,277	-	-	138,277
Issuance of warrants (Note 6)	-	69,139	-	-	-	69,139
Issuance of shares for convertible debentures	102,750	32,615	(6,550)	-	-	26,065
Issuance of special warrants	-	-	-	719,000	-	719,000
Income for the period	-	-	-	-	112,920	112,920
<b>Balance at March 31, 2000</b>	13,204,981	\$ 8,755,194	\$ 131,727	\$ 719,000	\$ (5,828,195)	\$ 3,777,726

The accompanying notes are an integral part of these consolidated financial statements.

**PETROMIN RESOURCES LTD.**  
**CONSOLIDATED SCHEDULES OF DEVELOPMENT EXPENDITURES**

	Six Month Period Ended March 31, 2000	Year Ended September 30,		
		1999	1998	1997
<b>Mineral properties</b>				
Balance, beginning of period	\$ 961,459	\$ 961,459	\$ 938,257	\$ -
Engineering	-	-	23,202	72,790
Field equipment rental	-	-	-	21,132
Licences	-	-	-	7,247
Project management	-	-	-	2,683
Work programs	-	-	-	834,405
	-	-	23,202	938,257
Written-off during period	-	-	-	-
Balance, end of period	\$ 961,459	\$ 961,459	\$ 961,459	\$ 938,257
<b>Oil and gas properties</b>				
Balance, beginning of period	\$ 628,555	\$ 216,887	\$ 6,090	\$ 255,581
Completion	74,789	108,408	14,150	448
Drilling	303,680	478,607	47,517	4,683
Engineering	92,629	27,203	38,232	3,883
Equipping	37,172	62,230	136,447	247
Project management	16,233	149	1,648	4,531
Seismic costs	72,111	8,221	5,921	78,994
	596,614	684,818	243,915	92,786
Recovery of expenses	-	-	(1,128)	-
	596,614	684,818	242,787	92,786
	1,225,169	901,705	248,877	348,367
Depletion and amortization	(150,000)	(273,150)	(31,990)	(342,277)
Balance, end of period	\$ 1,075,169	\$ 628,555	\$ 216,887	\$ 6,090

The accompanying notes are an integral part of these consolidated financial statements.



**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company is incorporated under the laws of British Columbia and its principal business activities include the acquisition and development of oil and gas properties and mineral properties.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production.

These financial statements have been prepared in accordance with generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, International King Jack Hydrocarbons Inc. and Far East Oil & Gas Ltd. All significant inter-company balances and transactions have been eliminated.

**Oil and gas properties**

The Company follows the full cost method of accounting for its oil and gas operations, whereby all costs of exploring for and developing oil and gas reserves are capitalized in cost centres on a country-by-country basis. Such costs include land acquisition costs, geological and geophysical cost, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, cost of production and gathering equipment and administrative charges directly related to acquisition, exploration and development activities. Proceeds from the disposal of oil and natural gas properties are applied against capitalized costs. Gains or losses are not recognized on disposals unless crediting the proceeds against capitalized costs would materially alter the rate of depletion.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for income tax purposes, the Company has no right to these expenses nor the related depletion allowance. The amounts shown for oil and gas properties represent costs to date and are not intended to reflect present or future values.

*Depletion*

The capitalized costs together with estimated future capital costs associated with the development of proven reserves are depleted and depreciated using the unit-of-production method based on proven oil and natural gas reserves, before royalties, determined by Company and independent engineers. For purposes of the depletion and depreciation calculations, oil and natural gas reserves are converted to a common unit of measure based upon their relative energy content.

### *Ceiling test*

In applying the full cost method, the Company performs a ceiling test which restricts capitalized costs less accumulated depletion and depreciation from exceeding the estimated undiscounted value of future net revenues from proved oil and natural gas reserves less estimated future removal site restoration costs, general and administrative expenses, financing costs and income taxes. In calculating the ceiling test, the year end prices of oil and natural gas are used and all costs are assumed to be constant.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Oil and gas properties (cont'd...)**

*Ceiling test (cont'd...)*

The Company periodically reviews the cost associated with undeveloped properties to determine whether the costs will be recoverable. If the results of the review indicate an impairment has occurred, the cost of the property or the amount of the impairment is added to the full cost pool.

*Future removal and site restoration*

Estimated future removal and site restoration costs are provided for on the unit-of-production method. These costs are based on year end engineering estimates of the anticipated costs of the site restoration in accordance with current legislation and industry practices. The annual charge is recorded as additional depletion and depreciation.

**Mineral properties**

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized over the proven reserves available on the related property following commencement of production using the units of production method based on proven and probable reserves, or written-off if the mineral properties are sold or abandoned. The amounts shown for mineral properties and for deferred exploration costs represent costs to date, and do not necessarily represent present or future values, as they are entirely dependent upon the economic recovery of future reserves. The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

**Deferred exploration costs**

The Company defers expenditures directly attributable to the exploration and development of mineral properties, pending a decision as to the commercial viability of a property. If reserves are developed, the deferred costs will be amortized to operations when production is commenced on the property using the units of production method based on proven and probable reserves. All deferred costs relating to the project will be expensed in the year of abandonment or sale.

**Revenue recognition**

Revenue is recorded when oil and gas is shipped to the refineries.

**Financial instruments**

The Company's financial instruments consist of cash, accounts receivable, accounts payable, finder's fee payable and convertible debentures. Unless otherwise noted, 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 value of these financial instruments approximate their carrying values, unless otherwise noted.

**Foreign currency translation**

Financial statements of the Company's foreign subsidiary are translated using the temporal method whereby all monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Income and expenses are translated at rates which approximate those in effect on transaction dates. Gains and losses arising from restatement of foreign currency monetary assets and liabilities at each period end are included in earnings.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

**Capital assets**

Capital assets are recorded at cost less accumulated amortization. Amortization is being provided for annually using the declining balance method of amortization at the following rates:

Computer equipment	30%
Office equipment	20%

**Deferred charges**

Debt issuance costs are deferred and amortized by the straight-line method to the due date of the debt.

**Stock-based compensation plan**

The Company grants stock options to executive officers and directors, employees and consultants pursuant to a stock option plan as described in Note 7. No compensation expense is recognized for this plan when stock or stock options are issued to employees or directors. Any consideration paid by employees or directors on exercise of stock options is credited to capital stock.

**Earnings (loss) per share**

Earnings (loss) per share is based on the weighted average number of common shares outstanding during the period. For the six month period ended March 31, 2000, the weighed average number of shares was 13,091,634. For the years ended September 30, 1999, 1998 and 1997, the weighted average number of shares outstanding were 11,330,776, 7,424,703 and 5,957,396, respectively. Fully diluted earnings per share consider the dilutive impact of the conversion of outstanding stock options and warrants as if the events had occurred at the beginning of the period. For all the periods presented, this calculation did not differ significantly from basic earnings (loss) per share or proved to be anti-dilutive.

**Comparative figures**

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

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value		
			March 31, 2000	September 30, 1999	September 30, 1998
Computer equipment	\$ 5,113	\$ 4,070	\$ 1,043	\$ 1,227	\$ 1,753
Office equipment	<u>1,841</u>	<u>1,180</u>	<u>661</u>	<u>735</u>	<u>919</u>
	<u>\$ 6,954</u>	<u>\$ 5,250</u>	<u>\$ 1,704</u>	<u>\$ 1,962</u>	<u>\$ 2,672</u>

**PETROMIN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2000**

**4. MINERAL PROPERTIES**

	Muko Muko Prospect	Slocan	March 31, 2000	September 30, 1999	September 30, 1998
<b>Acquisition costs</b>					
Balance, beginning of period	\$ 907,026	\$ 1	\$ 907,027	\$ 653,527	\$ 546,091
Additions during the period	-	-	-	253,500	107,436
Balance, end of period	907,026	1	907,027	907,027	653,527
<b>Deferred exploration and development costs</b>					
Balance, beginning of period	961,459	-	961,459	961,459	938,257
Costs incurred during the period (schedule)	-	-	-	-	23,202
Balance, end of period	961,459	-	961,459	961,459	961,459
	\$ 1,868,485	\$ 1	\$ 1,868,486	\$ 1,868,486	\$ 1,614,986

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

**Muko Muko Prospect, Indonesia**

The Company acquired a 70% interest in two gold mining properties located in the province of Bengkulu in South Sumatra, Indonesia. In consideration for the properties, the Company:

- a) paid \$406,993 (US\$300,000) on signing of the agreement;
- b) issued 200,000 common shares upon receipt of a principal's licence to allow work programs on the properties and is required to pay an additional \$306,240 (US\$200,000);
- c) paid \$139,097 (US\$100,000) and issued 400,000 common shares upon completion of initial general survey work programs and is required to pay an additional \$153,120 (US\$100,000);
- d) is required to pay \$306,240 (US\$200,000) and issue 600,000 common shares upon completion of further work programs; and
- e) is required to issue 300,000 common shares upon the completion of recommended exploration programs.



**PETROMIN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2000**

**4. MINERAL PROPERTIES (cont'd...)**

**Muko Muko Prospect, Indonesia (cont'd....)**

*The Company may acquire an additional 4% interest in the properties for total cash consideration of \$2,654,080 (US\$1,733,333) as follows:*

- a) \$1,327,040 (US\$866,667) on or before November 14, 2000, for a further 2% interest; and
- b) \$1,327,040 (US\$866,666) on or before November 14, 2001, for a further 2% interest.

As at March 31, 2000, the Company has accrued a finder's fee payable of \$150,936 (1999 - \$150,936; 1998 - \$107,436) for the acquisition of the property, and is required to pay an additional finder's fee of 5% on the total of future acquisition costs and deferred exploration and development costs. Exploration and development costs in excess of \$10,000,000 will not be subject to a finder's fee.

**Slocan Mining Division, BC**

The Company owns a 100% interest in various mineral claims in the Slocan Mining Division in British Columbia.

The Company granted an option to an optionee to acquire a 100% interest in certain mineral claims noted above. The properties are subject to a 1% net smelter return royalty.

During the year ended September 30, 1996, management determined that the future viability of the properties was not economical and the Company's interest was written-down to \$1.

**5. OIL AND GAS PROPERTIES**

	Canada	U.S.A.	March 31, 2000	September 30, 1999	September 30, 1998
Balance, beginning of period	\$ 875,204	\$ 1	\$ 875,205	\$ 463,537	\$ 6,092
Acquisition costs	235,909	-	235,909	-	246,648
Drilling, seismic and completion costs (schedule)	596,614	-	596,614	684,818	242,787
Depletion during the period	(150,000)	-	(150,000)	(273,150)	(31,990)
	<u>682,523</u>	<u>-</u>	<u>682,523</u>	<u>411,668</u>	<u>457,445</u>
Balance, end of period	\$ 1,557,727	\$ 1	\$ 1,557,728	\$ 875,205	\$ 463,537

## **CANADA**

### **Chamberlain Prospect, Alberta**

The Company holds a 12.5% interest in the exploration and development of an oil and natural gas property located near Edmonton, Alberta. To earn its interest, the Company participated in the drilling, completing and equipping of a test well by expending \$246,648 which represents 25% of the total costs. The property is subject to a 17.5% royalty.

**5. OIL AND GAS PROPERTIES (cont'd...)**

**Ukalta Prospect, Alberta**

The Company acquired a 15% interest in the exploration and development of an oil and natural gas property located near Edmonton, Alberta. To earn its interest, the Company participated in the drilling, completing and equipping of five test wells by expending \$296,045 which represents 30% of the total costs.

**Redwater North Prospect, Alberta**

The Company acquired a 100% working interest in a petroleum and natural gas lease located in the Redwater area of Alberta by paying acquisition costs of \$41,969.

**Calmar Prospect, Alberta**

The Company acquired a 100% interest in petroleum and natural gas leases located in the Calmar area near Leduc, Alberta by paying acquisition costs of \$50,263.

**Morningside Prospect, Alberta**

The Company acquired a 100% interest in petroleum and natural gas leases located in the Morningside area near Ponoka, Alberta by paying acquisition costs of \$79,677.

**Gilby Prospect, Alberta**

The Company acquired a 66.67% interest in petroleum and natural gas leases located in the Gilby area south of Edmonton, Alberta by paying acquisition costs of \$64,000.

**Frog Lake Prospect**

The Company entered into a permit and lease agreement whereby the Company can earn a 100% interest in petroleum and natural gas rights located in Frog Lake First Nation of Central Alberta by making cash payments totalling \$408,000 and incurring exploration costs of \$100,000. The agreement is subject to the approval of Indian Oil and Gas Canada.

**Redwater Prospect, Alberta**

The Company acquired interests ranging from 3.375% - 20% in various petroleum and natural gas leases located in the Redwater area of Alberta.

The Company acquired, from a company related by common directors, interests ranging from 0.6% - 3.0% in the above leases by issuing 100,000 common shares at an agreed value of \$82,000.

The Company acquired, from a director, interests ranging from 4.5% - 10.0% in the above leases by issuing 100,000 common shares at an agreed value of \$82,000.

During the year ended September 30, 1997, management determined, based on information available at that time, that the future viability of the properties was not economical and the Company's interest was written down to \$1.

**5. OIL AND GAS PROPERTIES (cont'd...)**

**Ewing Lake, Alberta**

The Company held the right to earn a 30% working interest in various petroleum and natural gas leases located in the Ewing Lake area of Alberta. The Company's interest is subject to a gross overriding royalty of 5% to 15% of gross monthly crude oil production and 15% of natural gas and all other products. During the year ended September 30, 1998, the Company expended \$14,646 for engineering costs on various properties on the prospect. Management determined that the future viability of these properties was not economical and all related costs were written-off to operations.

**Buffalo Lake, Alberta**

The Company held an option to acquire a 100% interest in various petroleum and natural gas leases located in the Buffalo Lake area of Alberta. The Company abandoned the property during the year ended September 30, 1997 and all related costs were written-off to operations.

**USA**

**Georgia-Bellingham Basin, Washington State**

The Company holds a 3% working interest in the Georgia-Bellingham Basin drilling prospect in Washington State. During the year ended September 30, 1996, management determined that the future viability of the property was not economical and the Company's interest was written-down to \$1.

**TURKEY**

**Gaziantep District Prospect, Turkey**

The Company held an option to earn a 100% working interest in two petroleum and natural gas licences located in Gaziantep District, Turkey. During the year ended September 30, 1998, the Company terminated the option agreement, and all related costs were written-off to operations.

**6. CONVERTIBLE DEBENTURES**

	March 31, 2000	September 30, 1999	September 30, 1998
Redeemable convertible unsecured subordinated debentures, \$826,600 bearing interest at 7.75% per annum, payable in semi-annual instalments on April 30 and October 31 of each year, and maturing on September 30, 2004.	\$ 666,102	\$ -	\$ -

The Company issued 8,677 convertible debenture units for proceeds of \$735,104, net of issuance costs of \$132,596. Each unit consists of one 7.75% redeemable, convertible, subordinated debenture in the principal

amount of \$100 and 125 warrants to purchase common shares of the Company. Each debenture can be converted into 250 common shares prior to September 30, 2001, or 200 common shares to September 30, 2004. The debentures can be redeemed by the Company at any time following any period of 20 consecutive trading days during which the weighed average trading price of the Company's common shares equals or exceeds \$0.85. Each warrant entitles the holder to purchase one common share at \$0.60 per share to November 12, 2001. The Company was required to place \$67,896 of the proceeds in escrow to meet interest obligations.

**6. CONVERTIBLE DEBENTURES (cont'd.....)**

During the period ended March 31, 2000, the Company issued 102,750 common shares on the conversion of debentures with a principal amount of \$41,100.

The debt component of the convertible debentures is calculated as the present value of the debt and required interest payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debentures were issued.

**7. CAPITAL STOCK**

Included in issued capital stock are 180,000 common shares currently held in escrow as required by regulatory authorities.

The Company has a stock option plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of issued and outstanding common stock. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

*Stock option transactions and the number of share options outstanding are summarized as follows:*

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 1997	692,000	\$ 0.39
Options granted	<u>200,000</u>	<u>0.48</u>
Balance, September 30, 1998	892,000	0.41
Options granted	685,000	0.38
Options cancelled/expired	(54,000)	0.30
Options exercised	<u>(370,000)</u>	<u>0.30</u>
Balance, September 30, 1999	1,153,000	0.35
Options granted	479,000	0.51
Options exercised	<u>(322,000)</u>	<u>0.39</u>
Balance, March 31, 2000	<u>1,310,000</u>	<u>0.40</u>
Number of options currently exercisable	<u>1,310,000</u>	<u>\$ 0.40</u>

**PETROMIN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2000**

**7. CAPITAL STOCK (cont'd.....)**

The following incentive stock options and share purchase warrants were outstanding at March 31, 2000:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	445,000	\$ 0.30	September 29, 2002
	50,000	0.30	July 6, 2003
	136,000	0.30	April 6, 2004
	200,000	0.43	May 25, 2004
	347,000	0.50	October 12, 2004
	132,000	0.52	December 8, 2004
<b>Warrants</b>	1,000,000	\$ 0.34	July 9, 2000
		if not issued, then at 0.39	July 9, 2001
	1,084,625	0.60	November 12, 2001

**8. SPECIAL WARRANTS**

	Number of Special Warrants	Amount
Issued for cash	1,550,000	\$ 775,000
Less: Commissions and finders' fees	-	(56,000)
	1,550,000	\$ 719,000

During the six month period ended March 31, 2000, the Company completed a private placement of 1,550,000 special warrants at a price of \$0.50 per special warrant. Each special warrant may be exercised, at no additional consideration, to acquire one flow-through common share of the Company.

The Company proposes to qualify the exercise of 1,400,000 special warrants with a prospectus to be filed in Ontario. If the prospectus is not filed by June 28, 2000, each special warrant will entitle the holder thereof to acquire 1.1 common share for each special warrant held.

**9. RELATED PARTY TRANSACTIONS**

These consolidated financial statements include transactions with related parties as follows:

- a) Paid or accrued \$30,000 (1999 - \$30,000; 1998 - \$30,000; 1997 - \$30,000) in management fees to a director.

- b) Paid or accrued \$30,000 (1999 - \$60,000; 1998 - \$60,000; 1997 - \$60,000) in office costs to a director.
- c) Paid or accrued \$36,250 (1999 - \$Nil; 1998 - \$Nil; 1997 - \$Nil) in consulting fees to a director or a company controlled by a director.

**PETROMIN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. RELATED PARTY TRANSACTIONS (cont'd.....)**

d) Paid or accrued \$Nil (1999 - \$Nil; 1998 - \$23,202; 1997 - \$63,069) in mineral property engineering expenditures to a director.

e) Paid or accrued \$64,842 (1999 - \$17,964; 1998 - \$52,048; 1997 - \$1,925) in oil and gas property engineering, seismic and project marketing expenditures to companies controlled by directors.

**10. INCOME TAXES**

Subject to certain restrictions, the Company has certain operating losses and resource development and exploration expenditures available to reduce taxable income of future years. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these consolidated financial statements.

The Company has not recorded potential future income tax benefits relating to from operating losses which expire in fiscal years as follows:

2000	\$ 146,426
2001	108,637
2002	179,525
2003	404,397
2004	649,979
2005	418,382
2006	<u>69,999</u>
	<u>\$ 1,977,345</u>

A reconciliation of the Company's effective income tax rate is as follows:

	Six Month Period Ended March 31, 2000	Year Ended September 30,		
		1999	1998	1997
Applicable statutory tax rate	45.6%	-	-	-
Unrecognized benefit of non-capital losses	<u>(45.6%)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Effective income tax rate	-	-	-	-

**PETROMIN RESOURCES LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2000

**11. SEGMENTED INFORMATION**

The Company operates in the mining and oil and gas industries, primarily in the geographical areas of Canada and Indonesia.

**Industry segments**

	Mining	Oil and Gas	Other	Total
<b>Period Ended March 31, 2000</b>				
Revenues	\$ -	\$ 1,078,591	\$ -	\$ 1,078,591
Income (loss) for the year	-	687,189	(574,269)	112,920
Depletion and amortization	-	150,000	258	150,258
Identifiable assets	1,868,486	1,557,728	1,369,407	4,795,621
Capital expenditures	-	832,523	-	832,523
<b>Year Ended September 30, 1999</b>				
Revenues	\$ -	\$ 617,632	\$ -	\$ 617,632
Income (loss) for the year	-	97,443	(441,302)	(343,859)
Depletion and amortization	-	273,150	710	273,860
Identifiable assets	1,868,486	875,205	169,314	2,913,005
Capital expenditures	253,500	684,818	-	938,318
<b>Year Ended September 30, 1998</b>				
Revenues	\$ -	\$ 121,669	\$ -	\$ 121,669
Income (loss) for the year	-	17,778	(470,051)	(452,273)
Depletion and amortization	-	31,990	994	32,984
Identifiable assets	1,614,986	463,537	86,775	2,165,298
Capital expenditures	130,638	489,435	-	620,073
<b>Year Ended September 30, 1997</b>				
Revenues	\$ -	\$ 106,122	\$ -	\$ 106,122
Loss for the year	(260,808)	(386,758)	(348,493)	(996,059)
Depletion and amortization	-	443,799	1,376	445,175
Identifiable assets	1,484,348	6,092	95,355	1,585,795
Capital expenditures	1,484,347	92,786	-	1,577,133

**PETROMIN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2000**

**11. SEGMENTED INFORMATION (cont'd...)**

**Geographical segments**

	Indonesia	Canada	Other	Total
<b>Period Ended March 31, 2000</b>				
Revenues	\$ -	\$ 1,078,591	\$ -	\$ 1,078,591
Identifiable assets	1,868,486	2,927,134	1	4,795,621
<b>Year Ended September 30, 1999</b>				
Revenues	\$ -	\$ 617,632	\$ -	\$ 617,632
Identifiable assets	1,868,485	1,044,519	1	2,913,005
<b>Year Ended September 30, 1998</b>				
Revenues	\$ -	\$ 121,669	\$ -	\$ 121,669
Identifiable assets	1,614,985	550,312	1	2,165,298
<b>Year Ended September 30, 1997</b>				
Revenues	\$ -	\$ 106,122	\$ -	\$ 106,122

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	Six Month Period Ended March 31, 2000	Year Ended September 30,		
		1999	1998	1997
Cash paid during the year for interest	\$ -	\$ -	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -	\$ -	\$ -

Significant non-cash transactions during the six month period ended March 31, 2000 included the Company issuing 102,750 common shares in the amount of \$32,615 upon conversion of convertible debentures.

Significant non-cash transactions during the year ended September 30, 1999 included:

- a) The Company issuing 600,000 common shares in the amount of \$210,000 for mineral property acquisition costs.

b) The Company incurring finder's fees payable in the amount of \$43,500 for mineral property acquisition costs.

There were no significant non-cash transactions during the year ended September 30, 1998.

Significant non-cash transactions during the year ended September 30, 1997 include the Company applying a deposit in the amount of \$476,665 for mineral property deferred exploration and development costs.

**13. SUBSEQUENT EVENTS**

The following events occurred subsequent to March 31, 2000:

- a) The Company issued 5,000 common shares on the conversion of debentures with a principal amount of \$2,000.
- b) The Company issued 150,000 common shares on the exercise of special warrants (Note 8).
- c) The Company is in the process of filing a Prospectus with the Ontario Securities Commission to qualify the distribution of 1,400,000 common shares to be issued pursuant to the exercise or deemed exercise of 1,400,000 special warrants (Note 8). The Company estimates the cost of the offering to be approximately \$130,000.

**CERTIFICATE OF THE ISSUER**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder.

DATED: June 23, 2000

**PETROMIN RESOURCES LTD.**

*(signed) "Kenny Chan"*

*(signed) "Lorne Anderson"*

\_\_\_\_\_  
KENNY CHAN  
Chief Executive Officer & Director

\_\_\_\_\_  
LORNE ANDERSON  
Chief Financial Officer & Director

**ON BEHALF OF THE BOARD OF DIRECTORS**

*(signed) "A.. Ross Gorrell"*

*(signed) "Timothy Noble"*

\_\_\_\_\_  
A. ROSS GORRELL  
Director

\_\_\_\_\_  
TIMOTHY NOBLE  
Director

**PROMOTER**

*(signed) "A. Ross Gorrell"*  
A. ROSS GORRELL

## CERTIFICATE OF THE AGENT

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to 800,000 Shares and Additional Shares offered by this Prospectus to CMP 1999 Resources Limited Partnership as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder.

DATED: June 23, 2000

### DUNDEE CAPITAL CORPORATION

Per:

(signed) "Jennifer K. Stevenson"  
JENNIFER K. STEVENSON  
Vice President & Director  
Corporate Finance