

Your Rights Certificate is enclosed. Please read this material carefully as you are required to make a decision prior to 4:30 p.m. (local time in Calgary) on September 21, 2000

This offer of securities is made in the Provinces of British Columbia, Alberta, and Ontario but not elsewhere and, except as described under "Residents of the United States and other Jurisdictions", not in the United States of America or any territory or possession thereof or any other jurisdiction. This offer is not, and under no circumstances is to be construed as, an offering of any securities for sale in, or to residents of any other jurisdiction .



**DESTINY
RESOURCE SERVICES CORP.**

DESTINY RESOURCE SERVICES CORP.

Offer of Rights to Subscribe for Common Shares

TO: Holders of Common Shares in Destiny Resource Services Corp.

August 18, 2000

Destiny Resource Services Corp. ("Destiny" or the "Corporation") is issuing to the holders of its outstanding common shares ("Common Shares") of record at the close of business on August 29, 2000 (the "Record Date") rights (the "Rights"), evidenced by fully transferable certificates ("Rights Certificates") to subscribe for Common Shares on the terms set forth herein (the "Offering").

Subject to the terms hereof, each holder of Common Shares on the Record Date will receive one Right for each Common Share held. Four Rights will entitle the holder to purchase one Common Share at the price of \$0.50 per Common Share until 4:30 p.m. Calgary time September 21, 2000 (the "Expiry Date"). Holders of Rights Certificates who exercise their Rights in full are entitled to subscribe for additional Common Shares. See "Additional Subscription Privilege".

The Corporation's outstanding Common Shares are listed on The Toronto Stock Exchange (the "TSE"). The Rights and the Common Shares issuable upon exercise of the Rights are listed on the TSE. On April 7, 2000 the day prior to the setting of the subscription price by the Corporation, the closing price of the Common Shares on the TSE was \$0.56.

SUMMARY OF RIGHTS OFFERING

Record Date	August 29, 2000
Expiry Date	4:30 p.m. (Calgary time) on September 21, 2000
Subscription Price	\$0.50 per Common Share.
Subscription Basis	Four Rights plus \$0.50 entitle the holder to subscribe for one Common Share subject to the terms hereof.
Additional Subscription Privilege	Each holder of a Rights Certificate who exercises all of the Rights evidenced by such certificate may subscribe for Common Shares not taken up under the initial subscription. See "Additional Subscription -Privilege".
Use of Proceeds	Repayment of debt.
Maximum number of Common Shares to be issued on exercise of Rights	5,627,837 Common Shares
Maximum gross proceeds	\$2,813,918 prior to deduction of expenses of the Offering estimated at \$50,000.00.

In the case of registered shareholders with addresses in the Provinces of British Columbia, Alberta, or Ontario (the "Qualified Provinces"), transferable Rights Certificates evidencing the Rights accompany this rights offering circular. In the case of unregistered shareholders and registered shareholders with addresses outside of the Qualified Provinces, reference is made to instructions under "Residents of the United States and Other Jurisdictions".

The Rights will be posted for trading on The Toronto Stock Exchange until noon (Toronto time) on September 21, 2000. The last trade in the Common Shares of Destiny on The Toronto Stock Exchange prior to the date hereof was \$0.66.

IF A SHAREHOLDER DOES NOT ELECT TO EXERCISE RIGHTS, THE VALUE OF THE COMMON SHARES CURRENTLY HELD BY SUCH SHAREHOLDER MAY BE DILUTED AS A RESULT OF THE EXERCISE OF RIGHTS BY OTHER SHAREHOLDERS. INVESTMENT IN THE COMMON SHARES MAY BE REGARDED AS SPECULATIVE DUE TO THE NATURE OF THE CORPORATION'S BUSINESS. SEE "RISK FACTORS".

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RIGHTS CERTIFICATES

The enclosed Rights Certificate shows the number of Rights to which the holder is entitled. Each beneficial holder is entitled to subscribe for one Common Share at the Subscription Price of \$0.50 for each four Rights held, upon the terms set forth in this Rights Offering Circular.

No fractional Common Shares will be issued. Only subscriptions for whole Common Shares will be accepted. Furthermore, each original holder of a Rights Certificate evidencing a total number of Rights not evenly divisible by four will not be entitled to use such remaining Rights to subscribe for additional Common Shares at the Subscription Price. The Rights Certificate does not entitle the holder thereof to any of the rights or privileges of a shareholder of the Corporation.

EXPIRY DATE

The Rights expire at 4:30 p.m. (Calgary time) on September 21, 2000 (the "Expiry Date").

To subscribe for Common Shares, a duly completed Rights Certificate and payment in full of the Subscription Price of \$0.50 per Common Share must be received by the Expiry Date at the office of Valiant Trust Company in Calgary, Alberta or Toronto, Ontario (the "Subscription Agent") indicated under "Subscription Agent".

Rights will expire and be void and of no value if not exercised as described herein by the Expiry Date.

ADDITIONAL SUBSCRIPTION PRIVILEGE

Any holder of a Rights Certificate who exercises the right (the "Basic Subscription Right") to subscribe for all the Common Shares that can be subscribed for with the Rights evidenced by such certificate is entitled to subscribe for additional Common Shares (the "Additional Subscription Privilege") at the Subscription Price. The number of Common Shares available for subscription under the Additional Subscription Privilege (the "Additional Common Shares") will be those, if any, that have not been subscribed and paid for under the Basic Subscription Right by all holders of Rights. See "Additional Subscription Privilege - Form 2".

INTENTION OF DIRECTORS AND OFFICERS & CERTAIN SHAREHOLDERS

The directors, officers and principal shareholders of the Corporation and those shareholders associated with the same have indicated their intention to exercise 100% of the Rights attributable to their individual direct or indirect shareholdings. The total number of Rights which will be issued to such persons (directly

or indirectly) is approximately 12,784,000 Rights, which would entitle them to acquire approximately 3,196,000 Common Shares. It is the intention of the directors, officers and principal shareholders as a group to subscribe, if possible, for all Common Shares available pursuant to the Additional Subscription Privilege.

First Reserve Fund VIII, L.P., the Corporation's major shareholder who owns approximately 34.7% of the issued Common Shares has agreed, subject to certain conditions, to fully exercise its Rights and its Additional Subscription Privilege.

SUBSCRIPTION AGENT AND REGISTRAR AND TRANSFER AGENT

Valiant Trust Company at the following office (the "Subscription Office") has been appointed as the Subscription Agent by the Corporation to receive subscriptions and payments under this Offering. Valiant Trust Company at Calgary, Alberta and Toronto, Ontario is also the Registrar and Transfer Agent for the Corporation's Common Shares.

Valiant Trust Company
510, 550 - 6th Avenue S.W.
Calgary, Alberta
T2P 0S2
Attention: Stock Transfer Services

Equity Transfer Services Ltd.
420, 120 Adelaide Street West
Toronto, Ontario
M5H 4C3

RESIDENTS OF THE UNITED STATES AND OTHER JURISDICTIONS

The securities of the Corporation, including the Rights and the Common Shares issuable on the exercise of the Rights, are not registered under the *Securities Act of 1933* of the United States of America, as amended, or the securities laws of any other jurisdiction outside of Canada or outside the Qualified Provinces of British Columbia, Alberta, and Ontario. This offering is not being made in the United States of America or elsewhere outside of the Qualified Provinces and is not, and under no circumstances is to be construed as, an offering of any securities for sale in or to a national or resident of the United States or any other jurisdiction outside of the Qualified Provinces or a solicitation therein of an offer to buy any securities. Accordingly, Rights Certificates may not be held directly by, and subscriptions for Common Shares will not be accepted from or on behalf of, Shareholders whose addresses of record are in the United States or elsewhere outside of the Qualified Provinces or other persons whom the Corporation or the Subscription Agent has reason to believe are nationals or residents of the United States or any other jurisdiction outside of the Qualified Provinces (collectively, "Foreign Shareholders"), except as noted below.

A Foreign Shareholder may apply to the Corporation on or before the sixth day prior to the Expiry Time

to receive Rights Certificates and thereafter subscribe for Common Shares by providing the Corporation with an opinion satisfactory to the Corporation of counsel satisfactory to the Corporation that delivery of a Rights Certificate and thereafter the issuance of Common Shares on exercise of Rights will not contravene applicable securities or other laws in the jurisdiction of such Foreign Shareholder's jurisdiction of residence. Subject to receipt of such opinion of counsel and compliance with any conditions set out in such opinion of counsel and as the Corporation may reasonably prescribe, such Foreign Shareholder ("Participating Foreign Shareholder") will be entitled to receive its Rights Certificate and, upon exercise of Rights in accordance with the terms hereof and payment of the Subscription Price of \$0.50 per share, such Participating foreign Shareholders will be entitled to receive Common Shares issuable upon such exercise and payment. Rights Certificates will not be sent to Foreign Shareholders ("Non-Participating Foreign Shareholders") who are not Participating Foreign Shareholders and Non-Participating Foreign Shareholders will be notified by the Corporation that the Rights Certificates to which they are entitled will be issued to and held by the Subscription Agent referred to below, which will hold the same and the Rights evidenced thereby as agent for the benefit of all Non-Participating Foreign Shareholders. The Subscription Agent will attempt to sell such Rights in Canada prior to the Expiry Time at such prices and otherwise in such manner as the Subscription Agent may determine in its sole discretion. The Subscription Agent's ability to sell such Rights and the price obtained therefor are dependent on market conditions. Instructions as to the sale, transfer or exercise of the Rights represented thereby will not be accepted by the Subscription Agent. The Subscription Agent will not be subject to any liability for failure to sell any Rights of Non-Participating Foreign Shareholder or to sell any such Rights at a particular price on any particular day. The net proceeds received by the Subscription Agent from the sale of such Rights, net of all applicable withholding taxes and brokerage commission, will be divided among the Non-Participating Foreign Shareholders in proportion to the number of Common Shares held by them respectively on the Record Date. The Subscription Agent will mail cheques therefor to the Non-Participating Foreign Shareholders at their addresses appearing in the records of the Corporation. The sale of Rights by the Subscription Agent on behalf of a Non-Participating Foreign Shareholder will constitute a disposition of such Rights for Canadian tax purposes, See "Canadian Federal Income Tax Considerations - Sale of Rights by Subscription Agent Non-Residents of Canada".

A registered Shareholder whose address of record is outside the Qualified Provinces but who holds Common Shares on behalf of a Canadian resident who is eligible to participate in the Rights Offering must notify the Subscription Agent on or before the sixth day prior to the Expiry Time if such beneficial holder wishes to participate in this rights offering. Otherwise, the Subscription Agent may sell the Rights of such Shareholder as described above.

No charge will be made for Rights sold through the Subscription Agent, except for brokerage commissions. Credits for sale of Rights by the Subscription Agent will be based on the arithmetic mean of the prices received by it in the open market. The Subscription Agent will use its best efforts to effect sales of Rights in the open market as provided above but cannot accept responsibility if it is unable to do so.

HOW TO SUBSCRIBE

1. **Complete and sign Form 1 of the Rights Certificate in accordance with the instructions on the reverse side thereof.** Four rights and \$0.50 will be required to subscribe for one Common Share. To determine the number of Common Shares which may be subscribed for pursuant to the Basic Subscription Right, divide the number of Rights set forth on the face of the Rights Certificate by four. Subscriptions must be for whole Common Shares only. Fractional Common Shares will not be issued. The execution and delivery of a Form 1 constitutes a representation and warranty by the Rights Certificate holder, other than Participating Foreign Shareholders, that such holder is not a national or resident of the United States of America or any other jurisdiction outside the Qualified Provinces or the agent of such person.
2. Optional. Complete and sign Form 2 of the Rights Certificate only if you also wish to participate in the Additional Subscription Privilege. In order to participate in the Additional Subscription Privilege, a holder of Rights must exercise all of such holder's Rights pursuant to the Basic Subscription Right. See "Additional Subscription Privilege-Form 2".
3. **Enclose payment of the Subscription Price of \$0.50 for each Common Share subscribed for under the Basic Subscription Right and, if applicable, the Additional Subscription Privilege, in cash or by certified cheque, bank draft or money order payable to the order of Valiant Trust Company.**
4. **Deliver or mail the duly completed Rights Certificate and payment in the enclosed return envelope addressed to the Subscription Agent so that it is received by the Subscription Office listed above before the Expiry Date.** If mail is used for delivery of a subscription, sufficient time must be allowed to avoid late delivery. The use of insured mail is recommended.
6. If a Rights Certificate Holder wishes to transfer rights, see "Sale and Transfer of Rights" below.

ADDITIONAL SUBSCRIPTION PRIVILEGE - FORM 2

To exercise the Additional Subscription Privilege, any holder of a Rights Certificate who completes Form 1 for the maximum number of Common Shares that can be subscribed for under the Basic Subscription Right must also, prior to the Expiry Date, complete Form 2 and specify the number of Additional Common Shares desired to be subscribed for. **The completion of Form 2 constitutes a binding commitment to subscribe for the number of Additional Common Shares specified. The Subscription Price for Additional Common Shares must accompany the Rights Certificate when it is delivered to the Subscription Agent and must be payable in Canadian funds in cash or by certified cheque, bank draft or money order payable at par to the order of Valiant Trust Company.** Such funds for the Additional Common Shares will be placed in a segregated account pending allocation of the Additional Common Shares in the manner contemplated herein.

If there are sufficient Additional Common Shares to satisfy all subscriptions by participants in the Additional Subscription Privilege, each such participant will be allotted the number of Additional Common Shares for which he or she has subscribed. If the aggregate number of Additional Common Shares subscribed for by all holders who exercise their Additional Subscription Privilege exceeds the number of Additional Common Shares available, the number of Additional Common Shares allocated to each holder on a pro rata basis which will be the lesser of (i) the number of Additional Common Shares which such holder has subscribed for pursuant to the Additional Subscription Privilege and (ii) the product (disregarding fractions) of the number of Additional Common Shares available multiplied by a fraction, of which the numerator is such holder's initial subscription under the Basic Subscription Right and of which the denominator is the aggregate number of Common Shares subscribed for under the Basic Subscription Right by all holders who complete Form 2 and exercise their Additional Subscription Privilege. If any holder has subscribed for fewer Additional Common Shares than the number resulting from the application of the formula in (ii) above, the excess Additional Common Shares will be allocated in the manner described above among the holders who were allocated fewer Additional Common Shares than they subscribed for.

If, as a result of the application of the foregoing formula, a participant in the Additional Subscription Privilege is allotted a number of Common Shares which falls short of the number specified in Form 2 on the participant's Rights Certificate, the Subscription Agent, when mailing the certificates for the Common Shares issued to the participant, will refund without interest the excess portion of the total subscription price paid by the participant.

PAYMENT

The Subscription Price is payable in Canadian funds in cash or by certified cheque, bank draft or money order payable at par to the order of Valiant Trust Company.

The entire Subscription Price for all Common Shares subscribed for must be paid at the time of subscription. The amount of payment will be the number of Common Shares being purchased multiplied by the Subscription Price of \$0.50 per Common Share. Payment must also be included for any Common Shares subscribed for under the Additional Subscription Privilege. See "Additional Subscription Privilege".

SIGNATURES

When any form on the Rights Certificate is signed by the original holder, the signature **must correspond in every particular** with the name of the original holder as it appears on the face of the Rights Certificate. If a form is signed by a trustee, executor, administrator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, the Rights Certificate should be accompanied by evidence of authority satisfactory to the Subscription Agent.

SALE AND TRANSFER OF RIGHTS

The Rights will be posted for trading on The Toronto Stock Exchange until noon (Toronto time) on the Expiry Date. Shareholders who do not wish to exercise their Rights may sell or transfer their Rights in Canada through the usual investment channels, such as investment dealers and brokers, at the shareholder's expense. Certain restrictions will apply to the ability of residents of the United States of America and residents outside of the Qualified Provinces to sell or transfer their Rights. See "Residents of the United States and Other Jurisdictions". Holders of Rights Certificates may elect to exercise only a part of their Rights and dispose of the remainder.

To transfer the Rights, complete Form 3 on the Rights Certificate and have the signature guaranteed by a Canadian chartered bank or trust company, a member of the Investment Dealers Association of Canada or of a recognized stock exchange in Canada or a firm which is a member of a registered national securities exchange in the United States or of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in Canada, or otherwise guaranteed to the satisfaction of the Subscription Agent. It is not necessary for a transferee to obtain a new Rights Certificate to exercise the Basic Subscription Right or the Additional Subscription Privilege, but the signature of the transferee on Forms 1 and 2 **must correspond in every particular** with the name of the transferee shown on the Form 3. If Form 3 is properly completed, the Corporation and the Subscription Agent will treat the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary.

As a convenience to its shareholders, the Corporation has made arrangements for holders of Rights to sell such Rights through the Subscription Agent. No charge will be made for the sale of Rights through the Subscription Agent except for a proportionate share of any brokerage commissions incurred by the Subscription Agent and the costs of or incurred by the Subscription Agent in connection with the sale of the Rights. Holders of Rights selling through the Subscription Agent will not be entitled to instruct the Subscription Agent in respect of the price or the time at which the Rights are to be sold. Holders of Rights wishing to sell Rights through the Subscription Agent must ensure that the Rights Certificate, with Form 4 properly completed and signed, is received by the Subscription Agent at the Subscription Office before 4:30 p.m. (local time) on September 14, 2000. The Subscription Agent will endeavour to effect the sales of Rights on the open market, and any proceeds received by the Subscription Agent with respect to the sale of such Rights, net of brokerage fees and costs incurred and, with respect to shareholders resident outside of Canada, of the Canadian tax required to be withheld, will be divided on a *pro rata* basis among those shareholders that have instructed the Subscription Agent pursuant to this provision to sell their Rights on the basis of the total number of Rights in respect of which such instructions are so received. The Subscription Agent will act in its capacity as agent of the Rights holders on a best efforts basis only and neither the Corporation nor the Subscription Agent accept responsibility for the price obtained on the sale or the inability to sell the Rights on behalf of any holder of any Rights. **There is a risk that the proceeds derived from the sale of the Rights will not exceed the brokerage commissions incurred by the Subscription Agent in respect of the sale of the Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be forwarded.**

Rights issued to shareholders are not transferable except in Canada. See "Residents of the United States and Other Jurisdictions".

DIVISION OR COMBINATION OF RIGHTS CERTIFICATES

Rights Certificates may be combined or divided by delivering such Rights Certificates, accompanied by appropriate instructions, to the Subscription Office listed under the heading "Subscription Agent". This should be done in time for the new Rights Certificate(s) to be issued and used before the Expiry Date. Rights Certificates need not be endorsed if the new Rights Certificate(s) is issued in the same name.

DELIVERY OF SHARE CERTIFICATES

Certificates for Common Shares subscribed for in accordance with this Offering will be mailed to the address of the subscriber for the Common Shares as stated on the Rights Certificate, unless otherwise directed, as soon as practicable following the Expiry Date. Certificates for Common Shares will not be mailed to addresses outside the Qualified Provinces except in the case of Participating Foreign Shareholders. See "Residents of the United States and Other Jurisdictions".

VALIDITY AND REJECTION OF SUBSCRIPTIONS

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the Corporation in its sole discretion, whose determination shall be final and binding. All subscriptions are irrevocable. The Corporation reserves the absolute right to reject any subscription if such subscription is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be deemed unlawful. The Corporation also reserves the right to waive any defect with regard to any particular subscription. Neither the Corporation nor the Subscription Agent will be under any duty to give any notification of any defect or irregularity in such subscriptions nor shall either of them incur any liability for failure to give such notification.

THE CORPORATION

Incorporation of the Corporation

Destiny Resource Services Corp. was incorporated under the *Business Corporations Act* (Alberta) on April 7, 1993 as 562328 Alberta Ltd. On November 10, 1993, Destiny's Articles of Incorporation were amended to change its name to Destiny Resource Services Corp. On May 24, 1994, Destiny's Articles of Incorporation were further amended to redesignate its Class "A" Common Shares as "Common Shares", to change the rights, privileges, restrictions and conditions attached to the Common Shares, to create an unlimited number of Class A Preferred Shares and an unlimited number of Class B Preferred Shares, each issuable in series, to delete the restrictions on transfer of the Company's shares, to change the number of directors who may hold office and to delete certain other "private company" provisions. On June 7, 1994,

the Company's Articles of Incorporation were further amended to redesignate the Class A Preferred Shares as "First Preferred Shares" and to redesignate the Class B Preferred Shares as "Second Preferred Shares" and by cancelling the Class "B" Common Shares, the Class "C" Preferred Shares and the Class "D" Preferred Shares. On October 17, 1996, the Articles of Incorporation were further amended to designate 300,000 of the Company's First Preferred Shares as "First Preferred Shares - Series 1" and to fix the rights, privileges, restrictions and conditions attaching to the First Preferred Shares - Series 1. On February 21, 1997, its Articles of Incorporation were further amended to redesignate its First Preferred Shares as Common Shares. On November 6, 1998, the Articles of Incorporation were further amended to designate 3,175,000 of the Company's Second Preferred Shares as "Second Preferred shares - Series U" and to fix the rights, privileges, restrictions and conditions attaching to the Second Preferred Shares – Series U. On May 31, 1999, the Company amalgamated with its wholly owned subsidiaries Destiny Resources Ltd., Triple B Reclamation Ltd., Sharp Environmental Ltd., and J.D. & M.E. Holdings Ltd. On June 30, 2000, the Company amalgamated with its wholly owned subsidiary, Wolf Survey and Mapping Inc. The amalgamated corporation continues as Destiny Resource Services Corp.

The Company has three subsidiaries in which it has 100% beneficial share ownership: McConnell Group of Companies Ltd., incorporated under the laws of the Province of Alberta; Destiny Holdings (Overseas) Ltd., incorporated under the laws of Cyprus; Jepere Resources Inc., incorporated under the laws of Barbados.

The Company also has two Companies in which it has a significant equity position, Tawow Resources Inc. incorporated under the laws of Alberta, Canada in which the Company has 49% beneficial share ownership and Partners Resource Services Inc. incorporated under the laws of British Columbia, Canada, in which the Company has a 49% beneficial share ownership.

McConnell Group of Companies Ltd. has four wholly owned subsidiaries: Team Pipeline Ltd., Accuspec Testing Ltd., Ron McConnell Welding & Construction Alberta Ltd. and 707716 Alberta Ltd., operating as McConnell Welding & Construction Saskatchewan.

Destiny Holdings (Overseas) Ltd., has six wholly owned subsidiaries: Destiny Drilling (Bolivia) Ltda., incorporated under the laws of Bolivia; Destiny Drilling Overseas Ltd., incorporated under the laws of Cyprus; Destiny Perforaciones Sismicas de Venezuela C.A. and Servicios Technicos Drillex C.A. incorporated under the laws of Venezuela, Destiny Drilling Argentina S.A. incorporated under the laws of Argentina and Destiny Drilling USA Inc., incorporated under the laws of Delaware. Destiny Holdings (Overseas) Ltd., has one subsidiary in which it has a 65% beneficial share ownership Burcorp Internacional, S.A. incorporated under the laws of Panama.

The principal offices of the Corporation are located at 300, 444 - 58th Avenue S.E. Calgary, AB T2H 0P4 and the Corporation's registered office is located at 300, 444 - 58th Avenue S.E. Calgary, AB T2H 0P4.

BUSINESS OF THE CORPORATION

The Company is in the business of providing a variety of oilfield services to domestic and international clientele. The Company's operations began in 1972 by providing seismic line reclamation services. From 1976 to 1986, Destiny expanded into seismic line clearing and specialized drilling services. In May 1998, Destiny acquired Double R Drilling Company Ltd., a competitor in the seismic and specialty drilling sector and Battle River Holdings Inc., an oilfield construction company. The acquisition of Battle River was the first step towards broadening the range of services offered outside of the Geophysical Exploration business.

Effective September 1, 1998, Destiny acquired J.D. & M.E. Holdings Ltd., Sharp Environmental Ltd., Triple B Reclamation Ltd. and the McConnell Group of Companies Ltd. and its subsidiaries (collectively "The McConnell Group of Companies"). Sharp and Triple B provide soil testing and remediation and reclamation services to the oil and gas industry. J.D. & M.E. Holdings and The McConnell Group of Companies provide oilfield facility construction, pipeline tie-ins and maintenance services to the oil and gas industry.

Effective June 1, 1999, Destiny acquired Wolf Survey and Mapping Inc., a seismic surveying and mapping company which was acquired to complement the company's front-end services.

With the addition of these acquisitions, Destiny has developed the following business segments by which it markets its services.

Front-End Services
Surface Preparation Services
Post Drilling Services
International Operations

The International Operations include all of these services provided outside North America.

While the majority of Destiny's business has been conducted in Canada, in 1991 a strategic goal of establishing the Company in international markets was achieved with the completion of contracts in Venezuela and Bolivia. Since 1991, Destiny has operated in Venezuela, Bolivia, Mexico, Yemen, Romania, Algeria, Papua New Guinea, Ecuador, Peru, Argentina, Tanzania, Gabon, Guatemala, Madagascar and the USA. For the seven months ended December 31, 1999, the Company produced approximately 89% of its revenue in western Canada and the United States, with the remaining 11% coming from international operations. The domestic revenue over this period was generated by Front-End services (48%), Surface Preparation Services (23%) and Post Drilling Services (29%). International revenue was generated 100% from Front-End services.

The Company's Front-End services are offered primarily to the oil and gas industry and form an important part of the seismic data acquisition process. In many cases the Company offers these services on a

subcontract basis to a prime contractor (usually a geophysical acquisition company) which in turn contracts directly with an oil and gas company.

In some cases, however, these services are contracted directly by the oil and gas company.

The Company's Surface Preparation services form an important service component in the process of drilling for oil and gas. These services are generally provided on an hourly basis to oil and gas companies and include wellsite preparation, access road construction and maintenance, wellsite reclamation and camp accommodation.

The Company's Post Drilling services form an important component in the development of the infrastructure necessary after the successful drilling of an oil or gas well. These services are generally provided directly to oil & gas companies and include construction of gathering system & facilities, pipeline tie in and maintenance of the facilities.

General

The Company is an oilfield service company with services that span the three main segments of the oil and gas process, i.e.: identifying the wellsite, drilling the well and the production & distribution of oil and gas. The competitive conditions that exist within the business segments vary significantly. The health of the industry and the resultant overall market conditions are dictated principally by the price of oil and gas. In the Company's Front-end services, the Company has a strong market share, which is mainly the result of its "total package" approach to marketing its services. Furthermore, this segment contains a small number of geophysical contractors and as a result the Company markets its services directly to these companies along with major oil and gas producers. The main geophysical companies operate world-wide and as a result the Company can market its services without any significant geographical restrictions.

In the Surface Preparation segment, the Company provides services only to the Canadian marketplace and the segment is defined by very clear geographical regions. The target area for the Company is the northwest Alberta and northeast British Columbia regions and through consolidation and acquisitions of companies Destiny commands a strong market share. However, when comparing its competitive position with the remainder of the Western Canadian marketplace, the Company has a smaller competitive edge relative to the Front-end services.

The post-drilling services market area is also defined by geographical regions in Western Canada and Destiny's primary region is southeastern Alberta. This region is characterised as a more mature shallow gas play and is considered quite a competitive marketplace. The Company also provides post-drilling services in northwestern Alberta, an area that is going through significant development.

Destiny is currently capable of supplying over 160 drill units, 40 line clearing labour crews, 40 line clearing bulldozers, 2 base camps and an array of heavy equipment required for wellsite construction and road

building services as well as pipeline and oilfield facility construction and maintenance.

Sales from third parties for each of the past three fiscal reporting periods were derived from the business segments as follows:

	Three Month Period Ended March 31, 2000	Seven Month Period Ended December 31, 1999	Years Ended	
			May 31, 1999	May 31, 1998
Front-end Services	36%	43%	35%	43%
Surface Preparation	29%	20%	17%	4%
Post-drilling Services	27%	25%	23%	---
International Operations	8%	12%	25%	53%
	—	—	—	—
Total	100%	100%	100%	100%

For the seven month period ended December 31, 1999, Destiny had one customer who accounted for more than 10% of total third party revenue. This customer provided 25% of our total revenue.

Front-End Services

The Company's Front-end services are directed primarily at the geophysical segment of the oil and gas process and include seismic program approvals, mapping and permitting as well as surveying, seismic line clearing and seismic shothole drilling. A more detailed description follows:

Exploration and production seismology is the process by which explorationists attempt to image the earth's subsurface strata. In acquiring seismic data, an acoustical energy wave is transferred from an energy source at or near the surface of the earth to the subsurface. These sound waves reflect off of the various geological beds or strata in the earth's subsurface. Sophisticated sensors and recording instruments at the surface collect the reflected waves and convert them to digital form after which they are stored on magnetic tape for subsequent processing and interpretation. The resultant geophysical section provides oil company explorationists with valuable data on the potential of a particular area to yield oil or natural gas reserves and where to drill wells.

Historically, seismic data has provided explorationists with a two dimensional ("2-D") profile of the subsurface directly beneath the line on which the data was acquired. Over the last several years, a new technique for acquiring three dimensional ("3-D") seismic data has been developed and refined to the extent

that 3-D seismic now accounts for a significant portion of all seismic data acquired world-wide. The three dimensional data when processed, provides the explorationist with a “cube” of data for the particular area being imaged as opposed to the 2-D profile usually obtained. The impact of 3-D technology within the oil and gas industry for exploration, development, production and management of oil and gas properties has been significant. Surveying, line clearing and drilling services for 3-D acquisition has become a major contributor to the Company’s revenues. The acquisition of 3-D data requires significantly more activity within a relatively smaller area compared to a 2-D data acquisition project. This enables the Company to achieve higher margins than on a 2-D project due to the benefits achieved from an improvement in operational logistics. The Company’s surveying business provides the mapping, approvals and permitting necessary for the commencement of the seismic programme along with the process of survey the seismic lines. These services are all necessary steps prior to line clearing, shothole drilling and data acquisitions.

The Company also provides seismic line clearing services using bulldozers and labour crews. A seismic line is a line between two points, possibly many kilometres in length, which crosses an area which an oil and or gas company has reason to believe may contain hydrocarbon bearing geological formations. Seismic lines proposed for forested areas often need to be cleared of trees and other obstacles. The clearing of seismic lines is regulated by provincial governments in Canada and is subject to strict regulation and control. Each seismic line must be reclaimed to government standards upon completion of the recording of the seismic data and the Company provides this service as well.

The Company’s drilling business is primarily shothole drilling for seismic acquisition. Shothole drilling is a process where regularly spaced shallow holes are drilled along the seismic line to facilitate the loading of explosives. These explosives, once detonated, provide the sound waves essential to the seismic process. Although the use of explosives is the most popular method of generating sound waves for seismic data acquisition, there are other methods, most notably the vibroseis method which uses large trucks equipped with a base plate and sophisticated electronics to “vibrate” sound waves into the subsurface. The Company offers a variety of drilling services that are dictated by the topography of the area in which the seismic survey is to take place. In flat open prairie land the Company utilizes conventional drilling techniques on truck mounted carriers, in more rugged terrain it will utilize track or buggy mounted drills that can access these areas. In the foothills and mountains, the Company adopts heliportable techniques that utilize drills that can be transported by helicopter.

Front-end services revenue is derived primarily from our Canadian operations with 94% of revenue coming from Canada and 6% from the United States for the seven months ending December 31, 1999. The Front-end services of the Company are affected by seasonal factors. In Canada a majority of the services are performed in the winter when frozen ground conditions provide suitable access to areas of the province considered inaccessible during summer months. The summer months also provide the Company with strong activity particularly in the foothills and mountains which would be inaccessible during the winter because of snow conditions.

Surface Preparation Services

Once an oil and gas company has completed its geophysical study and determined a site that it considers has strong potential to bear hydrocarbons, it must undertake to drill a well. Prior to bringing in a drilling rig, access to the proposed site must be prepared and the well site constructed. This involves the use of heavy machinery to clear the land, level and compact the site and maintain it for the duration of the drilling program. Once drilling has been completed the site must then be reclaimed, returning topsoil and vegetation to the area.

Operating mainly in northwestern Alberta and northeastern British Columbia, Destiny's activities are dependent largely upon the drilling plans of exploration companies in this area. The major focus of the exploration companies in this particular area is the search for natural gas. Destiny's activity levels are largely dependent upon the number of wells drilled. The PSAC annually published drilling statistics and forecasts with regard to activity in western Canada. Recent information indicates that the number of wells drilled in western Canada is as follows:

<u>Year</u>	<u>No. Wells Drilled</u>
1993	9,114
1994	11,194
1995	11,138
1996	12,393
1997	16,468
1998	10,534
1999	10,007
2000 (Estimated)	15,345

The total number of wells drilled is expected to increase in 2000 with approximately 60% of these well projected to be gas wells. This ratio has increased over the years, growing from 35% in 1993 to 60% this year.

In addition to well-site preparation, Destiny also provides camp accommodation to a variety of clientele involved in the oil and gas industry. There are two camps located in the general area of operations in northwest Alberta and exploration activity levels in the area determine occupancy. During the summer months, the Company also provides road-building services to the provinces and municipalities in this regions. As exploration continues addition infrastructure is necessary to services the increased level of activity. Surface Preparation revenue is derived entirely in Western Canada.

Post Drilling Services

Following the completion of the drilling of the oil / gas well, if the well is successful, then certain facilities and infrastructure must be constructed to enable gathering and distribution of the oil or gas. Destiny, through the acquisition of J.D. & M.E. Holdings Ltd. and the McConnell Group of Companies, provide oilfield

construction and maintenance services through facilities in Fairview, northern Alberta and Brooks in southern Alberta.

These services include pipeline tie-ins to major distribution systems, field battery and compressor station construction, including all refrigeration and electrical installations and the ongoing maintenance of the facilities and pipelines. The levels of services is partly dictated by the number of wells drilled in any one year. New facility construction and pipeline tie in activity is a factor of the number of successful wells drilled. The maintenance activity is more consistent from year to year as facilities must be maintained year round.

Post-drilling revenue is currently derived from our Western Canadian operations and predominately in southeast Alberta.

Foreign Operations

The Company's International Operations derive 100% of its revenue from Front-end services. The majority of contracts performed by the Company involve seismic shothole drilling services, however the Company also provides survey and line clearing services and has also supervised the data acquisition process on a project in Papua New Guinea.

The Company has provided Front-end services in a variety of countries around the world and are generally characterised by remote and rugged terrain including mountains, jungle, swamps and deserts. The majority of the companies have focused on countries in South America (Bolivia, Venezuela, Ecuador, Peru and Argentina) as well as in Africa and South East Asia.

The Company's operations are structured such that people and equipment are moved from country to country as demand dictates and during periods of inactivity equipment is stored, and personnel relocated to active segments of the Company, thereby minimizing the infrastructure and costs of maintaining the international organisation.

Some of the Company's international operations are subject to political risks (including: war, civil unrest, nationalisation and expropriation or confiscation) and risks such as foreign currency fluctuations and exchange controls. The Company only enters into international contracts which are denominated and paid in US dollars. Where appropriate, the Company purchases non-payment insurance from the Export Development Corporation of Canada. The Company carries insurance covering the loss or damage to equipment and facilities and injury to persons and property that may result from its operations. Expatriate employees are insured for emergency medical and evacuation services. The Company considers the amount of this insurance to be adequate in the circumstances and consistent with industry standards however, losses may exceed policy limits.

Marketing

The Company markets its services through its offices in Calgary, Fairview, Brooks, Manning and Spruce Grove, Alberta, and Fort St. John, British Columbia, Canada; Houston, Texas, USA; Nicosia, Cyprus; and Santa Cruz, Bolivia. The Company's clients are primarily major geophysical companies and oil and gas companies. To a larger degree, new business is generated through client referrals.

Personnel

As at December 31, 1999 the Company had approximately 250 permanent employees. In conjunction with its decision to operate internationally, the Company has expanded the responsibilities of some of its existing employees to include international operations. This has enabled the Company to retain a large pool of trained personnel. In most instances, international contracts require the Company to provide a transfer of technology in the form of training and thus the Company's operations are augmented by significant numbers of local personnel. The requirement to utilize local personnel is generally favourable to the Company because costs of local labour are generally lower than for expatriate labour. The Company has employed as many as 1,000 temporary people depending on corporate activity levels.

Facilities

The Company leases its headquarters facilities located at 300, 444 - 58th Avenue S.E., Calgary, Alberta. These facilities consist of 19,902 square feet of office and warehouse space. Through its subsidiaries, the Company owns office, maintenance and storage facilities in Brooks, Hines Creek, Fairview and Manning, Alberta and Inuvik, Northwest Territories and maintains 2 camps at Kilometre 80 and Kilometre 122 of the Chinchaga Forestry Road in northwest Alberta. The Brooks locations includes three facilities consisting of a 23,520 square foot shop / office, an 8,680 square foot shop / office and a 4,404 square foot shop / office. The Hines Creek facility consists of a 6,000 square foot, two-story office building and a 7,000 square foot shop building located on 150 acres. The Fairview facility consists of a 7,000 square foot office and shop complex located on five acres. The Manning facility consists of a 4,117 square foot office, maintenance and storage facility. The Inuvik facility consists of a 3,000 square foot warehouse. The Company also leases a 10,700 square foot office, maintenance and storage facility in Spruce Grove, Alberta and office facilities in Houston, Texas, USA, Santa Cruz, Bolivia, Quito, Ecuador and Nicosia, Cyprus.

Additional Information

The Corporation files annual audited and quarterly unaudited financial statements, press releases and material change reports and other information with the British Columbia, Alberta and Ontario Securities Commissions. This information can be found at www.SEDAR.com.

USE OF PROCEEDS

In order to address capital requirements, pending completion of this Offering, Destiny arranged for First

Reserve Fund VIII L.P. ("FR") to advance a \$2,800,000 bridge loan ("Bridge Loan") due on the earlier of September 29, 2000 and three business days following closing of this Offering. The Bridge Loan is secured by a 13% Subordinated Secured Convertible Debenture in the principal amount of \$2,800,000 which contains a first charge on the proceeds of this offering and a security interest and floating charge on all other property of Destiny which is subordinate to the security now held by senior lenders. The debenture is convertible into Common Shares at \$0.50 per share.

The maximum net proceeds to Destiny from this Offering will be approximately \$2,750,000 after deducting expenses of the issue estimated at \$50,000. The proceeds will be used to pay down the Bridge Loan. To the knowledge of the Company, First Reserve Fund VIII, LP intends to convert any portion of the Bridge Loan not repaid out of the proceeds of this Offering. Any amount not converted will be repaid out of general corporate funds.

CANADIAN FEDERAL INCOME TAX CONSEQUENCES

In the opinion of Felesky Flynn, tax counsel to the Corporation, the following is a summary of the principal Canadian federal income tax consequences generally applicable to holders resident in Canada of Common Shares who acquire and hold Rights and Common Shares as capital property for the purposes of the *Income Tax Act* (Canada) (the "Act"). Common Shares and Rights will generally constitute capital property to a holder thereof unless the holder holds such securities in the course of carrying on a business of trading or dealing in securities or has acquired such securities in a transaction or transactions considered to be an adventure in the nature of trade.

This summary is based upon the current provisions of the Act, the Income Tax Regulations (the "Regulations") promulgated thereunder, counsel's understanding of the current administrative practices and policies of the Canada Customs and Revenue Agency (formerly Revenue Canada) and proposals for the amendment of the Act and the Regulations announced by the Minister of Finance prior to the date hereof. This summary assumes that the 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 decision, legislation or governmental decision or action. This summary does not take into account any provincial or foreign income tax considerations.

The Act contains certain provisions relating to securities held by certain financial institutions (the "Mark-to-Market Rules"). This summary does not take into account these Mark-to-Market Rules or any proposed amendments thereto. Purchasers that are "financial institutions" for purposes of those rules should consult their own tax advisors.

This summary is not and is not intended to constitute income tax advice to any particular holder, nor does it purport to be exhaustive. The Canadian federal income tax consequences to a holder of Rights are dependent upon each holder's own particular circumstances. Accordingly, holders

of Rights are urged to consult their own income tax advisors with respect to the Canadian federal income tax consequences which will result from the issuance, exercise of or disposition of the Rights issued hereby.

A holder of Common Shares who receives Rights from the Corporation pursuant to this Offering will not be required to include the value of such Rights in computing such holder's income. Rights conferred on shareholders will have a nil cost. Rights acquired in the open market will have a cost equal to the purchase price thereof. The adjusted cost base of each Right held by a person will be equal to the average cost of all Rights held by that person.

Common Shares acquired pursuant to the exercise of the Rights will have a cost equal to the aggregate of the adjusted cost base of the Rights so exercised, if any, and the Subscription Price paid therefore. The adjusted cost base of all of the Common Shares then held by that person will be the average of the costs of all of the Common Shares held by the person.

Upon the disposition of a Right by a holder, a capital gain (or capital loss) will be realized to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base to the holder of the Right and any reasonable costs of disposition. Two-thirds of such capital gain ("allowable capital gain") must be included in income while two-thirds of any capital loss ("allowable capital loss") will only be available to offset any capital gain in the taxation year incurred, any of the three prior taxation years and any subsequent taxation year.

Upon the expiry of an unexercised Right, the holder will realize a capital loss equal to the adjusted cost base to the holder of such Right, if any.

Subject to any applicable income tax treaty, shareholders who are not resident in Canada will only be taxable in Canada in respect of a disposition of Rights if such Rights constitute "taxable Canadian property" to them. Rights will constitute taxable Canadian property if they are used or held by the holder in the course of carrying on business in Canada, or if the holder, either alone or together with persons with whom the holder does not deal at arm's length has, at anytime in the five year period prior to disposition, owned or had a right to acquire in excess of twenty-five percent (25%) of the shares in any class or series of the capital stock of the Corporation.

CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets out the consolidated capitalization of Destiny as at December 31, 1999 and March 31, 2000 and pro forma as at March 31, 2000 after giving effect to the Offering.

	Outstanding as at December 31, 1999 (audited)	Outstanding as at March 31, 2000 (unaudited)	Pro Forma Consolidated as at March 31, 2000 after giving effect to the exercise of Rights (unaudited)
Common Shares (unlimited)	\$25,102,549 (22,511,348 Shares)	\$25,102,549 ⁽²⁾ (22,511,348 Shares)	\$27,916,467 ^{(1), (2), (3)} (28,139,185 Shares)
Second Preferred Shares (unlimited)	Nil ⁽³⁾	Nil	Nil
Bank Operating Loans	\$11,479,189 ⁽⁴⁾	\$11,580,000	\$8,766,000
Long Term Debt	\$18,786,792 ⁽⁵⁾	\$17,872,000	\$17,872,000
Debentures	\$9,503,461 ⁽⁶⁾	\$9,760,000	\$9,760,000

Notes:

1. Assuming the issuance of 5,627,837 Common Shares under the Offering. Before costs of issue.
2. As of March 31, 2000 1,587,500 Common Shares were subject to options granted under the Company's Stock Option Plan. Options vest as to 20% immediately upon grant and as to a further 20% on each anniversary of the date of grant and, subject to earlier expiry in certain events, will expire five years from the date of grant. Options are exercisable at prices ranging from \$0.50 to \$3.00 and expire on various dates between March 2002 and March 2005
3. 3,175,000 Second Preferred Shares have been designated as "Series U" shares. Destiny has issued warrants to purchase all 3,175,000 Series U shares at \$3.15 per share until October 31, 2003. The Rights Offering will result in a reduction of the exercise price of the warrants under anti-dilution provisions contained in the warrant agreement. The Series U shares are convertible into an equal number of Common Shares
4. The Bank Operating Loans are repayable on demand, with interest payable at rates ranging from prime plus 2 1/2% to prime plus 1 1/2% per annum and are secured by a general security agreement.
5. Includes: (a) term loans (\$10,172,407 at December 31, 1999) with floating rates interest (ranging from 8% to 8.75% as of December 31, 1999), maturing on various dates between September 2000 and August 2003 and secured by a first charge on capital assets and inventories and a floating charge on all other assets; (b) a mortgage of land owned by a subsidiary (\$494,012 at December 31, 1999); (c) equipment purchase contracts (\$7,220,373 at December 31, 1999) with interest at varying rates (7.33% average during the period ended December 31, 1999), maturing at various dates between 2000 and 2004 and secured by specific items of equipment and vehicles, (d) the balance payable (\$900,000 at December 31, 1999) payable without interest in variable installments.
6. The Debentures bears interest at 8% per annum, is due July 2, 2004 and is secured by a security interest and floating charge on all of Destiny's assets.
7. As at December 31, 1999 the Company's retained earnings deficit was \$13,040,385.
8. As of April 12, 2000, the Corporation issued a 13% Convertible Subordinated Debenture due not later than September 29, 2000. The debenture may be converted to Common Shares of Destiny at \$0.50 per share if not repaid in accordance with the terms of the debenture. The debenture is intended to be retired with the proceeds of this Offering. See "Use of Proceeds".

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

Destiny's Common Shares are listed on The Toronto Stock Exchange. The following table sets out the high and low prices and the volumes of trading of the Common Shares of the Corporation for the periods indicated.

	High	Low	Trading Volume
1998			
2nd quarter	4.000	2.900	273,935
3rd quarter	3.350	2.000	452,650
4th quarter	3.000	1.600	589,516
1999			
1st quarter	2.000	0.700	465,900
2nd quarter	1.500	0.700	526,773
3rd quarter	1.500	1.000	286,700
4th quarter	1.350	0.560	487,501
2000			
January	0.850	0.410	240,100
February	0.550	0.350	608,600
March	0.650	0.370	465,470
April	0.660	0.550	77,900
May	0.760	0.560	223,166
June	0.890	0.550	70,900
July	0.700	0.500	116,833
August 1 - 17	0.750	0.660	154,200

The last trade in the Common Shares of Destiny on The Toronto Stock Exchange prior to the date hereof was \$0.66.

DIRECTORS AND OFFICERS

The table below sets forth the names and municipalities of residence of the directors and officers of Destiny, their positions and offices with Destiny and their principal occupations during the last five years.

Name and Municipality of Residence	Position Held With The Company	Principal Occupation During Past Five Years
Adrian L. Erickson Calgary, Alberta	President, Chief Executive Officer and Director	President and Chief Executive Officer of the Company

Name and Municipality of Residence	Position Held With The Company	Principal Occupation During Past Five Years
John E. Newman Calgary, Alberta	Vice-President, Finance, Chief Financial Officer, Secretary-Treasurer and Director	Officer and Secretary-Treasurer of the Company
Bruce R. Libin, Q.C. (1)(2)(3) Calgary, Alberta	Chairman of the Board and Director	President, B.R. Libin Capital Corp. (formerly partner, Bennett Jones Verchere, a law firm)
L.K. (Roy) Gieck (1)(2)(3) Sidney, British Columbia	Director	Retired Businessman.
Alain LeBis (1)(2)(3) Calgary, Alberta	Director	CEO and Director, A.C. Energy, an oil and gas exploration company and Exploration Consultant.
Ben A. Guill (1)(2)(3) Houston, Texas	Director	President of First Reserve Corporation a private Equity Investment Corporation. Formerly Managing Director of Simmons & Co. Int'l. a corporation located in the United States.
Will Honeybourne Houston, Texas	Director	Managing Director, First Reserve Corporation Formerly Senior Vice-President, Western Atlas International, an oil service company and President and CEO of Computalog Ltd., a Calgary based oil service company.
Dean Bethune	Vice President and Chief Operating Officer	Chief Operating Officer of the Company. Prior to this, he was Corporate Controller of Hartland Pipeline Services Ltd. and C.F.O. Infnitron International Inc.
Richard D. Espersen Calgary, Alberta	Vice President, International Operations	Vice President, International Operations of the Company
Scott Dykes	Vice-President, North America Drilling	1993 to May 1998 President and Owner of Double R Drilling Co. Ltd. May, 1998 to present, Vice-President, North America Drilling for the Corporation
Jim O. Holt Calgary, Alberta	Vice-President, North America	1985 to 1995 – Operations Supervisor of the Company 1995 to 1997 - Marketing Manager 1997 to present - Vice President, North America of the Company

Name and Municipality of Residence	Position Held With The Company	Principal Occupation During Past Five Years
Howard G. Jackson	Vice-President, Marketing	1991 to 1997 Manager - Marketing of the Company 1997 to present Vice- President, Marketing with the Company
Fran Agar	Corporate Secretary	1993 - 1996 - Assistant Corporate Secretary, Mark Resources Inc., a publicly traded oil and gas producing company 1996 - 1997 - Assistant Corporate Secretary of the Company 1999 - present - Corporate Secretary

Notes:

1. Member of the Audit Committee.
2. Member of the Compensation Committee.
3. Member of the Corporate Governance Committee.
4. The Company does not have an Executive Committee.

As at the date of this Rights Offering Circular, the directors and officers of the Corporation, as a group, owned, directly or indirectly, approximately 13,521,513 Common Shares (or approximately 60% of the issued and outstanding Common Shares) and held options to acquire a further 1,520,000 Common Shares. Assuming the exercise of all Rights (including Rights held by the directors and officers of the Corporation), the directors and officers as a group, would own, directly or indirectly, 16,901,891 Common Shares, or 60 % of the then issued and outstanding Common Shares.

PRINCIPAL SHAREHOLDERS

As at the date hereof, the only are no shareholders who beneficially own, directly or indirectly, or exercise control or discretion over, voting securities carrying more than ten per cent (10%) of the voting rights attached to the issued and outstanding common shares of the Company other than as follows:

Name of Shareholder	Type of Ownership	Number of common Shares	Percentage of Common Shares
Adrian L. Erickson Calgary, AB	Indirect and Beneficial	4,300,000	19.1%
	Direct and Beneficial	447,536	2.2%
First Reserve Fund VIII, L. P.	Direct and Beneficial	7,812,500	34.7%

First Reserve Fund VIII, L.P. also holds a \$2,800,000 debenture bearing interest at 13% per annum which is convertible into Common Shares at \$0.50 per share.

RISK FACTORS

Investment in the Common Shares involves a number of significant risks.

The Common Shares are considered to be highly speculative due to the nature of the Company's business, its present stage of development and other factors. Investors must rely on the management of the Company and those investors who are not prepared to do so should not invest in these securities.

Demand for the Company's services depends primarily upon the level of exploration and development activity by oil and gas companies. These activity levels are directly affected by fluctuations in world energy prices, supply and demand for oil and gas, and to a lesser extent government regulation including regulation of environmental matters, all of which are beyond the control of the Company.

In 1992, due to a decline in the energy sector and a worldwide economic recession, operating conditions became so severe that the Company was not able to meet its obligations to lenders and creditors. There is no assurance that similar economic conditions will not again be faced by the Company.

Seismic line clearing drilling and wellsite construction activities are often conducted under extreme weather and other hazardous conditions including use of explosives and transportation of personnel and equipment by helicopter. The Company also operates in countries where there is considerable exposure to such political risks as war, civil unrest, nationalization and expropriation or confiscation.

The Company carries insurance covering the loss or damage to equipment and facilities and injury to persons and property that may result from its operations. Expatriate employees are insured for emergency medical and evacuation services. The Company considers the amount of this insurance to be adequate in the circumstances and consistent with industry standards. However, the Company may become subject to product liability claims, environmental damage claims, personal injury claims or other hazards which exceed the limits of its insurance or against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available to the Company or could result in the total loss of the Company's property.

The Company has not declared dividends on its Common Shares since incorporation. The Company intends to use its available funds to finance development and expansion of its business and accordingly does not anticipate declaring any dividends on its shares in the foreseeable future.

The Company has incurred significant operating losses in the past and its continued existence as a going concern is dependent on sustaining profitable operations. The Company has operated from time to time with a negative working capital position and anticipates that it may do so again in the future.

The Company's international operating results are subject to fluctuations in the Canadian dollar/United States dollar exchange rate. The Company has not hedged against currency fluctuations in the past.

Although the Company may hedge against currency fluctuations in the future; there is no assurance that the Company will be able to fully protect itself from foreign exchange risk.

Some of the Company's international operations are subject to additional risks such as foreign currency fluctuations and exchange controls. The Company only enters into international contracts which are denominated and paid in US dollars. Where appropriate, the Company purchases non-payment insurance from the Export Development Corporation of Canada.

The oil and gas services market is highly competitive. The main basis on which companies compete for customers are price and technology. No assurances can be given as to the likelihood or level of any future service price increases or the continuing demand for the Company's services. The Company competes against others with greater technical and financial resources.

Fixed costs, including costs associated with facilities, leases, labour, interest and depreciation account for a significant portion of the Company's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could significantly affect financial results of the Company.

The Company's operations may be adversely affected in the event that the employment of a member of key management is discontinued for any reason. The Company has not purchased any "key-man" insurance with respect to any management personnel except Adrian L. Erickson, the Company's President and CEO.

The Company's Articles authorize the issuance of an unlimited number of Common Shares and an unlimited number of Second Preferred Shares issuable in one or more series. The Board of Directors has the authority to issue Common Shares, First Preferred Shares and Second Preferred Shares without any action or approval of the shareholders of the Company and to determine the price at which they will be issued. In addition, the Board of Directors has the authority to determine the rights, privileges, restrictions and conditions attaching to any series of Second Preferred Shares. The rights of the holders of the Common Shares will be subject to, and may be adversely affected by, the rights of holders of any Second Preferred Shares that may be issued in the future. While the Company has no present intention to issue any additional Common Shares or Second Preferred Shares, there can be no assurance that the Company will not do so in the future.

The Company relies on relatively few customers for its revenues. Loss of any of its significant customers would adversely affect the Company.

The directors and officers of the Company are engaged in and will continue to engage in the oil and gas service industry in Canada and elsewhere and accordingly will be dividing their time between the Company and other businesses in which the Company does not have an interest. As a result of these and other activities, the directors and officers of the Company may become subject to conflicts of interest. Conflicts,

if any, will be subject to the procedures and remedies under the *Business Corporations Act* (Alberta).

ENQUIRIES

Enquiries relating to this Offering should be addressed to:

Valiant Corporate trust Company
Tel: (403) 233-2801

Equity Transfer Services Ltd
Tel: (416) 361-0152

CERTIFICATE

Dated: August 18, 2000

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Signed "Adrian Erickson"

Adrian Erickson
President

Signed "John E. Newman"

John E. Newman
Chief Financial Officer

On behalf of the Board of Directors:

Signed "Ben Guill"

Ben Guill
Director

Signed "Roy Gieck"

Roy Gieck
Director