A copy of this preliminary prospectus has been filed with the securities regulatory authorities in the provinces of British Columbia, Alberta and Ontario, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

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 parties permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended. Accordingly, these securities may not be offered or sold in the United States and this prospectus does not constitute an offer to sell or a solicitation for an offer to buy any of such securities within the United States.

PRELIMINARY PROSPECTUS

PATCH

New Issue **December 29, 2003**

PATCH SAFETY SERVICES LTD.

22,353,505 Common Shares Issuable Upon the Exercise of Previously Issued Special Warrants

Patch Safety Services Ltd. ("**Patch**" or the "**Corporation**") is hereby qualifying for distribution 22,353,505 common shares ("**Common Shares**") in the capital of the Corporation. The distribution of Common Shares hereunder will not result in any proceeds being received by the Corporation. The Common Shares are listed and posted for trading on the TSX Venture Exchange (the "**TSX Venture**") under the trading symbol "PSS". The TSX Venture has approved the listing of the Common Shares.

This Prospectus qualifies for distribution 22,353,505 Common Shares issuable upon the exercise of an aggregate of 22,353,505 outstanding special warrants (the "**Special Warrants**"). The Special Warrants were previously issued, at a price of $0.115 per Special Warrant, pursuant to a special warrant indenture dated as of October 27, 2003 (the "**Special Warrant Indenture**"), between the Corporation and CIBC Mellon Trust Company (the "**Trustee**"). See "The Corporation – Background to the Corporation – Restructuring" and "Details of the Offering – Special Warrants". Each Special Warrant entitles the holder thereof to acquire one Common Share (subject to adjustment), at no additional cost, on or before 4:30 p.m. on the earlier of: (i) five days after the date upon which the last Final Receipt for this Prospectus has been obtained from the securities commission in each of the provinces of British Columbia, Alberta and Ontario (the "**Filing Provinces**"); and (ii) October 27, 2004. (the "**Expiry Time**"). Any Special Warrants not exercised prior to the Expiry Time shall be deemed to have been exercised immediately prior to the Expiry Time without any further action on the part of the holder. See "Details of the Offering – Special Warrants".

Special Warrant Offering

	Number of Special Warrants	Price to Investors	Agent's Commission(1)	Net Proceeds to Corporation (2)
Per Special Warrant sold by the Agent	1	$0.115	$0.008	$0.107
Per Special Warrant sold by the Corporation	1	$0.115	Nil	$0.115
Total	22,353,505	$2,570,653	$42,040	$2,528,613

Notes:

(1) Jennings Capital Inc. (the "**Agent**") received a commission of 7% of the subscription price (or $0.008 per Special Warrant) for 5,222,391 Special Warrants, for a total Agent's commission of $42,040. In addition, the Agent will receive a corporate finance fee of $55,000 and will be reimbursed for its out of pocket expenses.

(2) After deducting the Agent's commission and prior to deducting other expenses of the private placement of Special Warrants of approximately $320,000. See "Details of the Offering – Agency Agreement".

The Special Warrants were sold to investors pursuant to prospectus exemptions under applicable securities legislation. No commission or fee will be payable by the Corporation in connection with the distribution of the Common Shares upon exercise of Special Warrants. See "Details of the Offering". The issue price of $0.115 per Special Warrant was determined by negotiation between the Corporation and the Agent.

On September 15, 2003, the last trading day prior to the public announcement by the Corporation of the Offering (as defined herein), the closing trading price of the Common Shares on the TSX Venture was $0.15. On December 24, 2003, the closing price of the Common Shares on the TSX Venture was $0.21.

An investment in the securities of the Corporation should be considered highly speculative. Owners of securities of the Corporation must be prepared to rely solely on the ability, expertise, judgment, discretion, integrity and good faith of Management in all aspects of the Corporation's business. As a result of these and other factors described in this Prospectus, ownership of the securities of the Corporation is suitable only to investors who are prepared to risk the loss of their entire investment and to rely primarily on the expertise of the Corporation's directors and officers for any possible return on their investment. See "Risk Factors".

Certain legal matters relating to the distribution of the Special Warrants and the Common Shares issuable on exercise thereof have been passed upon on behalf of the Corporation by Blake, Cassels & Graydon LLP and on behalf of the Agent by Bennett Jones LLP.

The proceeds received on the sale of the Special Warrants were released to the Corporation. Definitive certificates for the Common Shares issuable upon exercise of the Special Warrants will be available for delivery upon the exercise or deemed exercise of the Special Warrants.

Certain terms used in this Prospectus are defined in the Glossary. Unless otherwise specified, all dollar amounts contained in the Prospectus are in Canadian dollars and all financial results are reported under Canadian generally accepted accounting principles.

GLOSSARY

"**6% Debenture**" means the convertible subordinated debenture of the Corporation issued on August 31, 2000 in the principal amount of $600,000, which bore interest at the rate of 6% per annum and was convertible at a conversion price of $0.30 per Common Share on or before August 31, 2003, at which time principal was due in full.

"**ABCA**" means the *Business Corporations Act* (Alberta) and the regulations thereto, as the same may be amended from time to time.

"**affiliate**" has the meaning ascribed thereto in the *Securities Act* (Alberta), as amended, except as otherwise provided herein.

"**Agent**" means Jennings Capital Inc.

"**Agency Agreement**" means the agency agreement dated effective September 15, 2003 between the Agent and the Corporation in respect of the Offering.

"**ASE**" means the Alberta Stock Exchange, a predecessor to the TSX Venture.

"**associate**" has the meaning ascribed thereto in the *Securities Act* (Alberta), as amended, except as otherwise provided herein.

"**Board of Directors**" means the board of directors of Patch as constituted from time to time.

"**Common Shares**" means the common shares in the capital of the Corporation as constituted on the date hereof.

"**Corporation**" or "**Patch**" means Patch Safety Services Ltd.

"**Debentures**" means, collectively, the 6% Debenture, the Series I Debentures, the Series II Debentures and the Subordinated Debentures.

"**Expiry Time**" has the meaning ascribed thereto under the heading "Details of the Offering - Special Warrants".

"**Filing Provinces**" means the provinces of British Columbia, Alberta and Ontario, jurisdictions in which the Special Warrants were sold.

"**Final Receipt**" means a receipt for the final Prospectus issued by a securities commission in a Filing Province.

"**Holder**" means a holder of Special Warrants.

"**Management**" means management of the Corporation as constituted from time to time.

"**Offering**" means the offering of Special Warrants of the Corporation which was completed on October 27, 2003, as further described under "The Corporation – Background to the Corporation".

"**Option**" means an option to acquire a Common Share in accordance with the Plan.

"**Patch H_2S**" means Patch H_2S Services Ltd.

"**Plan**" means the Stock Option Plan of the Corporation as described under "Executive Compensation – Option Plan".

"**Preferred Shares**" has the meaning ascribed thereto under "Description of Share Capital".

"**Prospectus**" means this prospectus qualifying the 22,353,505 Common Shares issuable upon exercise of the Special Warrants for distribution in the Filing Provinces.

"**Replacement Debentures**" has the meaning ascribed thereto under the heading "The Corporation - Background to the Corporation - Restructuring".

"**Restructuring**" has the meaning ascribed thereto under the heading "The Corporation - Background to the Corporation - Restructuring".

"**Series I Debentures**" means the convertible subordinated debentures of the Corporation issued on September 11, 2001, and amended November 15, 2002, in the aggregate principal amount of $940,000, which bore interest at the rate of 7.5% per annum, and were convertible at a conversion price of $0.30 per Common Share on or before September 30, 2003, and thereafter at $0.35 per Common Share, and were due in full on or before September 30, 2004.

"**Series II Debentures**" means the convertible subordinated debentures of the Corporation issued on September 11, 2001 in the aggregate principal amount of $57,500, which bore interest at the rate of 7.5% per annum, and were convertible at a conversion price of $0.30 per Common Share on or before September 30, 2002, $0.35 per Common Share on or before September 30, 2003, and thereafter at $0.40 per Common Share, and were due in full on or before September 30, 2004.

"**Shareholder**" means a holder of Common Shares.

"**Special Warrant Indenture"** means the special warrant indenture between the Corporation and the Trustee dated October 27, 2003, authorizing and creating the Special Warrants.

"**Special Warrants"** means the 22,353,505 outstanding special warrants of the Corporation, each of which entitles the holder thereof to acquire one Common Share, at no additional cost, at any time until the Expiry Time.

"**Subordinated Debentures**" means the secured, subordinated debentures of the Corporation issued on September 11, 2001 in the aggregate principal amount of $350,000, which bore interest at the rate of 8.5% in the first year, 9.5% in the second year and 10.5% in the third year, with principal due in September, 2004.

"**Tax Act**" means the *Income Tax Act* (Canada), as amended.

"**Think H_2S**" means Think H_2S Safety Services Ltd.

"**Trustee**" means CIBC Mellon Trust Company in its capacity as trustee under the Special Warrant Indenture.

"**TSX Venture**" means the TSX Venture Exchange.

"**United States**" or "**U.S.**" mean the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

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PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.

The Corporation:	Patch is a corporation incorporated under the ABCA and based in Calgary, Alberta, whose principal business is the provision of equipment and personnel for on-site safety for various operations in the oil and gas industry. The Corporation's principal office is located at #600, 805 – 8th Avenue S.W., Calgary, Alberta, T2P 1H7 and its registered office is located at #3500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4J8. The Common Shares are listed and posted for trading on the TSX Venture under the trading symbol "PSS". See "The Corporation".
Special Warrants:	This Prospectus qualifies for distribution 22,353,505 Common Shares to be issued upon the exercise of previously issued Special Warrants. A total of 22,353,505 Special Warrants were issued pursuant to prospectus exemptions under applicable securities legislation at a price of $0.115 per Special Warrant, for aggregate consideration of $2,570,653. The Special Warrants were issued pursuant to the Special Warrant Indenture. See "Details of the Offering – Special Warrants". Since the date of issuance, no Special Warrants have been exercised.
Exercise Details:	Each Special Warrant entitles the holder thereof to acquire, at no additional cost to the holder, one Common Share at any time until the Expiry Time. Any Special Warrants not exercised prior to the Expiry Time shall be deemed to have been exercised immediately prior to the Expiry Time without any further action on the part of the holder. See "Details of the Offering – Special Warrants".
Dividend Policy:	The Corporation currently anticipates that it will retain future earnings, if any, for use in its business and does not anticipate paying any cash dividends in the foreseeable future, unless the circumstances otherwise permit. See "Dividend Policy".
Risk Factors:	The Common Shares should be considered a highly speculative investment due to the nature of the Corporation's business and its present stage of development. The Corporation may require additional financing which may not be available on acceptable terms in the future, may result in dilution to shareholders or may result in encumbrances to the Corporation's assets and other risk factors. The oilfield safety industry is highly competitive and the Corporation competes with other corporations which may have greater technical and financial resources. The Corporation is subject to seasonal and commodity pricing cycles which significantly affect its revenues and profits. The Corporation's success is dependent on its customers. Owners of Common Shares must be prepared to rely solely upon the ability, expertise, judgement, discretion, integrity and good faith of Management. The directors of the Corporation may be involved in situations where they are in direct competition with the Corporation. For these and other reasons, an investment in Common Shares is suitable only to those knowledgeable and sophisticated investors who are willing to risk a loss of their entire investment. See "Risk Factors".
Use of Special Warrants Proceeds:	The net proceeds to the Corporation from the sale of the Special Warrants were approximately $2,208,613 after deducting the Agent's commission of $42,040 and the offering expenses approximating $320,000. The net proceeds were initially applied to reduce outstanding Debentures of the Corporation

and the balance was applied to working capital. See "Use of Proceeds" and "The Corporation – Background to the Corporation – Restructuring".

SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial information for the Corporation for the periods indicated. The following information should be read in conjunction with the financial statements of the Corporation set forth in this Prospectus, including the notes thereto:

	Nine Months Ended September 30, 2003 (Unaudited)	**Nine Months Ended September 30, 2002** (Unaudited)	**Year Ended December 31, 2002** (Audited)	**Year Ended December 31, 2001** (Audited)	**Year Ended December 31, 2000** (Audited)
Revenue	$9,254,476	$6,293,233	$8,257,937	$7,167,555	$1,590,588
Cash flow from operations[(1)]	$872,383	$(374,376)	$(648,901)	$(221,265)	$(153,008)
Cash flow per Common Share (basic)	$0.09	$(0.04)	$(0.07)	$(0.03)	$(0.04)
Cash flow per Common Share (diluted)	$0.09	$(0.04)	$(0.07)	$(0.03)	$(0.04)
Net income (loss)	$245,923	$(635,733)	$(930,907)	$(268,750)	$(118,771)
Net income (loss) per Common Share (basic)	$0.03	$(0.07)	$(0.10)	$(0.03)	$(0.03)
Net income (loss) per Common Share (diluted)	$0.03	$(0.07)	$(0.10)	$(0.03)	$(0.03)
Total assets	$6,927,319	$6,576,801	6,297,472	$8,032,065	$3,285,014
Total long term debt [(2)]	$2,023,091	$2,092,996	$2,067,820	$2,139,762	$1,062,500
Shareholders' equity	$977,387	$1,026,638	$731,464	$1,912,371	$1,622,172

Notes:

(1) Cash flow from operations is calculated as net income before amortization, future taxes and gains and losses on sale of property and equipment and therefore may not be comparable with similar measures presented by other companies.

(2) Total long term debt includes debentures and capital asset financing agreements outstanding.

THE CORPORATION

General

The Corporation was incorporated on July 12, 1998 under the ABCA as 791411 Alberta Ltd. and subsequently changed its name to "High Five Oilfield Services Ltd." on August 6, 1998. The Corporation completed its initial public offering of 1,500,000 Common Shares on July 16, 1999 under the ASE's former junior capital pool program. The ASE has since become the TSX Venture. On September 8, 2000, the Corporation acquired all of the issued and outstanding shares of Patch H_2S, a private oilfield safety corporation, as the Corporation's major transaction under the ASE's former junior capital pool program, and changed its name to Patch Safety Services Ltd. On September 11, 2001, the Corporation acquired all of the issued and outstanding shares of Think H_2S. Patch, Patch H_2S and Think H_2S were amalgamated on January 1, 2002 and continued under the name "Patch Safety Services Ltd.".

The principal office of the Corporation is located at #600, 805 – 8th Avenue S.W., Calgary, Alberta, T2P 1H7. The Corporation's registered office is located at #3500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4J8.

Background to the Corporation

General Development of the Business

The Corporation was formed in 1998 as a junior capital pool corporation under the former policies of the ASE. From incorporation to September, 2000, the Corporation's business activities were confined to the identification, evaluation and negotiation of opportunities for a "major transaction" pursuant to the former policies of the ASE.

On July 21, 1998, the Corporation completed a private placement of 1,000,000 Common Shares to its directors and officers at a price of $0.10 per Common Share for aggregate gross proceeds to the Corporation of $100,000.

On July 16, 1999, the Corporation completed its initial public offering of 1,500,000 Common Shares at a price of $0.20 for aggregate gross proceeds to the Corporation of $300,000. The Common Shares became listed for trading on the ASE on August 12, 1999.

The Corporation completed its major transaction on September 8, 2000 by acquiring all of the issued and outstanding shares of Patch H_2S for an aggregate purchase price of $1,400,000 plus 200,000 Common Shares. The purchase price was paid by $800,000 cash, the 6% Debenture and the issuance of 200,000 Common Shares.

Patch H_2S served exploration and production corporate clients in the area of worker breathing protection in locations where worker safety could be jeopardized by the presence of poisonous hydrogen sulphide gas ("**H_2S**"), which is common in many of the oil and gas producing zones of the Western Canadian Sedimentary Basin. Patch H_2S designed and fabricated its own style of breathing air trailer containing up to 10 compressed air tanks, breathing masks and associated safety accessories, such as wind socks to determine wind direction and signage to identify high hazard areas. In most instances, an air trailer is accompanied by a trained expert safety supervisor to provide on-site instruction in safe working procedures in H_2S environments, and to operate the air trailer and breathing apparatus as required. Over time, Patch H_2S expanded into related safety areas such as the rental of H_2S gas detection equipment and H_2S training. At the time Patch H_2S was acquired by the Corporation, Patch H_2S operated 16 air trailers with accessories, had expanded into field locations in Drumheller, Alberta and Fort St. John, British Columbia, and was an established and respected participant in the oilfield safety sector.

On September 11, 2001, the Corporation completed the acquisition of all of the issued and outstanding shares of Think H_2S for an aggregate purchase price of $3,326,192. The purchase price was paid by $1,448,692 cash, the Series I Debentures, the Series II Debentures, the Subordinated Debentures and the issuance of 1,733,333 Common Shares.

The Corporation acquired Think H_2S to add a more comprehensive suite of oilfield safety services to meet customer demand. Think H_2S offered an entry into services provided by oilfield fire trucks, shower units and emergency response units. Think H_2S initially offered air trailers and services similar to Patch H_2S, but later expanded into oilfield fire trucks and shower units. As exploration and production companies increasingly turned to different forms of reservoir stimulation to enhance production, a variety of flammable or toxic treatment chemicals were employed. To provide safety for workers and equipment when flammable hydrocarbons are used for reservoir treatment, specialized oilfield fire trucks were developed carrying dry chemicals and foam agents effective in controlling hydrocarbon fires. Acid-based treatments are used in certain formations. When these highly toxic and dangerous compounds are employed, portable shower or deluge units are required on location for worker protection. At the time Think H_2S, which was based in Whitecourt, Alberta, was acquired by the Corporation, Think H_2S had expanded into locations in Red Deer, Grande Prairie and High Level, Alberta, and operated 37 air trailers and accessories, two shower units and seven combination fire/shower units and owned two foam boss units used for shooting fire retardant foam. Thinks H_2S was also involved in gas detection rentals and training.

The financial statements of Think H_2S, including the notes thereto, are set forth in this Prospectus.

The acquisitions of Patch H_2S and Think H_2S by the Corporation resulted in a larger organization with the product suite, capacity and service locations to be able to meet the needs of clients in most of the major producing areas of the Western Canadian Sedimentary Basin.

The Corporation began to struggle under an excessive debt load in the fourth quarter of 2001, subsequent to undertaking a major expansion through the acquisition of Think H_2S, which acquisition occurred at the same time oil prices, gas prices and oilfield service activity sharply declined. Consequently, in its 2002 second quarter report, Patch announced that it had entered into discussions with the Debenture holders to defer or restructure payments that were coming due. On October 16, 2002, the Corporation announced an amendment to the Series I Debenture agreements; however, in a press release issued November 22, 2002, Patch announced that it had breached certain of its obligations under its loan facility with its bank and that, as a result, Patch could not perform under the amended terms of such agreements. Management responded to the financial situation through a series of actions designed to reduce fixed costs, deploy resources and emphasize revenue sources in areas that would not be impacted as severely by seasonal or economic conditions. Although activity levels rose in the first quarter of 2003 resulting in improved profitability to the Corporation, Patch continued to be in default of its senior secured lending covenants under its existing credit facilities and continued operating under letters of forbearance from its bank. On August 30, 2003, Patch was unable to pay the principal repayment obligations of the 6% Debenture. On September 16, 2003, the Corporation announced a restructuring proposal and disclosed that Patch was unable to pay the principal obligations of its Series I Debentures and Series II Debentures due September 30, 2002, and anticipated that it would be unable to make the further payments which were due on September 30, 2003. Without additional equity financing, Management believed it was unlikely that Patch would be able to resolve these debt issues in the near future. Accordingly, Management recently restructured the Corporation to resolve Patch's debt problems and provide Patch with a stronger financial foundation from which to continue its long term growth strategy in the highly fractured oilfield safety sector. See "The Corporation – Background to the Corporation – Restructuring".

Restructuring

On October 27, 2003, Patch completed a major financial and management restructuring (the "**Restructuring**") to enhance the Corporation's ability to exploit the opportunities created by the current strong market for oilfield services. In conjunction with the Restructuring, the Agent was engaged to raise a maximum of $690,000 by way of the Offering.

As a result of the Restructuring, Patch's liquidity and debt position significantly improved. Prior to the Restructuring, Patch had $2,556,155 in debt due in 2004. Following the Restructuring, the debt due was reduced to $340,755. As well, due to the Restructuring, the number of issued and outstanding Common Shares will increase from 9,691,833 to 32,045,338 upon exercise of the Special Warrants. In addition, a provision has been made for the issuance of up to 2,716,661 Common Shares assuming the full conversion of the Replacement Debentures (described below).

The Restructuring had four major components: the Offering; a reduction in and replacement of the outstanding Debentures with the Replacement Debentures; the implementation of a new senior lending facility that included rescheduling the repayment terms of its term debt; and a new Chief Executive Officer and Board of Directors were installed. Each is explained in detail below.

Private Placement

Patch completed the Offering of 22,353,505 Special Warrants from treasury on October 27, 2003. See "Details of the Offering".

$1,132,502 of the proceeds from the Offering were applied to reduce outstanding Debentures by 58% from $1,947,500 to $814,998. The remainder was applied to working capital to put Patch in compliance with certain bank lending covenants and give Patch increased financial strength.

New Convertible Debenture

The Debentures, for an aggregate principal amount of $1,947,500, were eliminated. $973,826 of the aggregate principal amount was repaid in cash from the proceeds of the Offering. The debenture holders were provided the right to convert up to 25% of the outstanding balance of the Debentures in exchange for Special Warrants identical to those issued in respect of the Offering, which right they exercised and thereby subscribed for 1,381,114 Special Warrants with an aggregate value of $158,828. For the remaining $814,998 of principal, the Debenture holders agreed to accept convertible debentures containing the provisions described below (the "**Replacement Debentures**").

The Replacement Debentures pay interest of 7.5% per annum on a monthly basis, and can be converted into Common Shares at $0.30 per share at any time at the option of the holder. One half of the principal amount of the Replacement Debentures is due on April 27, 2005 with the remainder due on October 27, 2006. Patch has a prepayment option by which the Replacement Debentures may be prepaid at the rate of 1/36 of the amount outstanding on a monthly basis so long as such payments are permitted by the covenants in place with Patch's senior secured lender. Patch has the ability to force the full conversion of the Replacement Debentures at any time should the Common Shares trade at $0.45 per share or higher for 20 consecutive trading days.

Restructuring Senior Bank Debt

Effective October 27, 2003, Patch and its existing senior secured lender (the "**Bank**") entered into a new lending facility on the terms set forth below. The Bank converted $883,625 in long-term capital loans with monthly principal payments of $46,875 due in full September 1, 2005 to a new term loan whereby the principal payments are reduced to $24,550 per month with full repayment due September 30, 2006. The $1,500,000 revolving credit facility secured by accounts receivable remains in place.

New Chief Executive Officer and Board of Directors

Upon completion of the Offering and the debt restructurings, the Management and Board of Directors of the Corporation were restructured.

Gerald Maetche resigned as President and Chief Executive Officer of the Corporation and was replaced by David L. Yager who assumed the position of Chairman, President and Chief Executive Officer. With the exception of Robert Petryk, the Board of Directors of Patch resigned. Douglas Robinson and James Hill, both of Calgary, joined Mr. Yager and Mr. Petryk on the new Board of Directors.

Members of the new Board of Directors and management team collectively acquired up to 19.2% of the Offering, with the largest subscription made by Mr. Yager, directly and indirectly, for an aggregate of 2,681,000 Special Warrants.

BUSINESS OF THE CORPORATION

The Oilfield Safety Industry

The petroleum industry is inherently dangerous by nature. Crude oil and natural gas are highly flammable. Raw hydrocarbon production is often accompanied by toxic and poisonous gases, such as hydrogen sulfide. The equipment employed in exploration, drilling and completion and production is large and heavy, and operations are carried out in remote locations and difficult environments. The chemicals and processes used to stimulate hydrocarbon-bearing reservoirs to increase recovery, or to clean and maintain production vessels and equipment, are highly flammable or corrosive and, therefore, require specialized worker protection equipment when employed. Due to the hazards involved in the petroleum industry, over the years the industry has developed a specific suite of products and services related to worker protection within the sector called oilfield safety.

Although largely self-governed, there are provincial regulations and recommended practices regarding oilfield safety services. Approximately 35% of natural gas wells drilled in western Canada are 'sour' wells, which require a site-specific emergency response plan and the presence of breathing air equipment during penetration of the sour zone. Completion of drilled wells may require breathing air trailers, fire trucks and/or shower units, depending on the nature of the work being performed. Emergency medical services vehicles, together with personnel trained in the provision of first aid, are required in certain events, depending on the level of site hazards or the distance from a hospital.

The oil and gas industry requires certification in a number of areas as a condition of employment or to meet regulatory (Workplace Hazardous Material Information System) requirements. Required certificates may include H_2S Alive, TDG (Transportation of Dangerous Goods), WHMIS, First Aid and CPR. This training and certification generally needs to be maintained and re-certification needs to be obtained periodically. According to the Alberta Energy and Utilities Board, more than 75,000 individuals are employed in the Alberta upstream oil and gas industry and may consequently require training in one or more of these courses. These certificates are required not only by employees who work directly on drilling rigs or other sites, but by any person who may have occasion to visit such a site, such as head office personnel. In addition, certification in some courses is required in a number of other industries, such as forestry, transportation, construction and mining.

The oilfield safety industry in Canada is highly fragmented, and is composed of four relatively large companies, eight medium sized companies and a large number of smaller companies. Virtually all of these companies are privately owned and most started carrying on business in the late 1980's or early 1990's, when safety issues became more prominent in the oil patch and other resource industries.

Outside of Western Canada, including in particular the United States and the Middle East, the industry is many times larger than in Canada. Growth into these areas can be achieved through both selective acquisitions and internal growth. Patch believes that substantial prospects exist for a leading company in the industry.

General Description of Business of Patch

Patch is a publicly traded, fully integrated oilfield safety service company based in Calgary, Alberta, which provides oil and gas wellsite and facility safety equipment and services to the petroleum industry in Western Canada. The Corporation's mandate is to broaden into a fully integrated supplier of resource industrial health, safety and environment support services, through acquisitions and internal growth. Patch operates from seven service centers strategically located in major producing areas of Western Canada, being: Red Deer, Whitecourt, Grande Prairie, High Level and Drumheller in Alberta as well as in Fort St. John and Fort Nelson in British Columbia. Patch plans to continue to expand in order to offer a more comprehensive service package and create greater economies of scale relative to fixed costs.

The broad business areas of oilfield industrial safety in which Patch operates include:

- Portable breathing air equipment (equipment rental plus expert supervision). Used when a steady supply of safe air for workers is in doubt, such as operations on wells containing hydrogen sulfide or when working inside confined spaces.
- Hydrocarbon fire protection (equipment rental plus expert supervision). Large fire trucks specially equipped for hydrocarbon fires are employed on a standby basis or to respond to oilfield fires. These are employed on a standby basis or to respond to oilfield fires.
- Treatment chemical shower or deluge units (equipment rental plus expert supervision). These are on standby on location when dangerous or flammable reservoir equipment treatment chemicals such as hydrochloric acid are employed.
- Air quality monitoring equipment. A wide range of personal and site hazardous gas detection equipment is available on a per job rental basis. These include small personal monitors with alarms or complete downwind surveillance systems for entire wellsite or producing facilities.
- Breathing air equipment. Rental equipment and servicing when clients anticipate the possibility of working in areas with inadequate supplies of safe air.
- Training. Workers in high hazard areas now require certification in a number of areas as a condition of employment or to meet regulatory requirements. Required certificates may include H_2S Alive, TDG (Transportation of Dangerous Goods), WHMIS (Workplace Hazardous Material Information System), First Aid and CPR.

Patch's own safety program has been professionally audited and certified by the Alberta Labour "Partnerships in Health and Safety" program.

Description of Safety Services and Products of Patch

Patch has 82 employees and utilizes subcontractors extensively in its field operations. Patch owns 50 fully equipped breathing air trailers, seven fire/shower trucks, two shower units, two Foam Boss units and a large variety of other equipment for the provision of breathing air or the detection of various gases. Patch provides breathing air trailers to drilling sites which are potential sour gas (hydrogen sulphide) wells, fire/shower trucks to sites where the activity being undertaken involves the use of acid or the risk of fire, and equipment to ensure the safety of gas plant work-over operations. Patch also leases and provides emergency response units and personnel to field locations. Patch employees attend operation sites to provide training, the necessary equipment and on-site supervision for the detection of and protection from sour gas releases and to operate fire/shower trucks as required. In addition, Patch provides in-house training to employees and customers requiring various safety certifications and on-site training to customers involved in sour gas drilling activities and assists in the preparation and implementation of emergency response plans in the event of a sour gas release.

Field Services

<u>Breathing Air and Worker Protection</u>

Patch's fleet of 50 breathing air trailers, along with gas monitors and trained personnel, are utilized at well sites and production facilities where H_2S (sour gas) and other potentially harmful gases are likely to be encountered. Sour gas is extremely dangerous even in minute quantities. Each breathing air trailer contains enough compressed air and breathing apparatus for workers on location to operate for up to eight hours under supplied air if required. The expert supervisor(s) that usually accompanies each trailer is trained to conduct a worker safety meeting and orientation on location, plus assist the workers in ensuring a safe air supply if required. Patch personnel ensure everyone on a work site has received appropriate training, that everyone understands the actions to be taken in the event of a sour gas release, and that the potential for a sour gas release is properly monitored.

<u>Hydrocarbon Fire Protection</u>

Hydrocarbon reservoirs, particularly gas wells, are often stimulated or fractured with hydrocarbon-based chemicals under high pressure to increase production. Hydrocarbon-based treatment chemicals are employed because they are considered to be "non-damaging". When this takes place, a specialized oil industry fire truck is on location equipped with specialized dry chemicals and foams to contain hydrocarbon fires. These are heavy duty, dual axle, diesel powered trucks designed to carry heavy loads over rough terrain.

Hydrocarbon Firefighting – Emergency Response

While every effort is made to prevent them, hydrocarbon fires at wellsite and processing facilities or fires involving transportation equipment such as tank trucks and rail cars periodically occur. In these cases, the local fire department is rarely equipped with the necessary equipment to contain these emergencies. Oilfield safety fire trucks are the preferred and safest response.

Shower Units For Worker Protection

During well completions, stimulations and workovers, or during production equipment maintenance, highly toxic chemicals such as hydrochloric acid (effective in dissolving carbonates and scales) are employed under high pressure. When such treatments are underway, regulations require that a portable shower (deluge) unit be in close proximity so that workers that may be contaminated can be washed off immediately as a first line treatment. Shower units are mounted on large, heavy duty trucks for oilfield service.

Combination Fire/Shower Units

An increasingly popular configuration for customers and the service sector is the combination fire/shower unit that can perform both functions.

Emergency Response Units

On operating locations that are beyond a certain distance from the nearest public medical facility or hospital, regulations require that an emergency response unit be available. This is a quick response, quasi-ambulance usually accompanied by an Emergency Medical Technician who has extensive first aid training, and a complete suite of initial response medical equipment for workplace injuries. The units are typically ¾ or 1 ton trucks with four-wheel drive capable of travelling over rough terrain.

Industry Training

Personnel in the oil and gas industry, as well as in other industries such as forestry, require specialized training and certification in certain courses as a condition of their employment or to meet regulatory requirements. Generally, certification needs to be maintained and recertification needs to be obtained periodically. Patch provides such training to individuals in the oil and gas, transportation and forestry industries, through its training centres in Whitecourt and Red Deer.

Plant Turnaround Supervision

Patch provides safety supervision services, including equipment and personnel, to oil and gas production facilities for plant turnarounds, construction projects, pipeline tie-ins and related jobs.

Oil and gas production facilities require periodic maintenance referred to as 'turnarounds'. During completion of this maintenance, a number of safety services may be required. There are approximately 2,600 facilities in Alberta and northeastern British Columbia that undergo turnarounds at intervals varying from six months to four years. Turnarounds are normally scheduled for spring when drilling activity is lower, thereby offering a balance to the drilling cycle.

Marketing and Delivery of Safety Services and Products

Using the equipment and services described above, the Corporation markets and delivers its products and services to the marketplace as described below.

Marketing and Pricing

Oil and gas exploration and production ("**E&P**") companies act as the primary or general contractors in field operations. They then subcontract key functions of the process to service companies. Oilfield safety is one of those services.

Marketing is conducted primarily by direct sales to E&P company head offices in Calgary where the field programs are developed, and in the field to wellsite operations and producing facilities that have field offices. There are four main ways of marketing, summarized as follows:

- Master service agreements with larger E&P companies. This involves a comprehensive tendering process at the Calgary head office. If successful in the tendering process, the service company becomes a preferred supplier under fixed prices for a fixed period of time.
- Bidding. In this instance, the safety aspect of a field program is developed in Calgary. This involves a similar process to the tendering process involved with master service agreements, except on a short-term job or project basis.
- Field sales. In this case, the safety aspect of a field program is not determined in Calgary but left up to the discretion of the field supervisor on location. This business can be secured by a sales call or repeat business based on previous satisfactory performance.
- Plant and facility sales. Primarily done in the field, the local field office contracts safety services for scheduled plant maintenance projects.

Pricing is determined by the Corporation on an annual basis through a published master price schedule that details all products, services and charges. Price books are kept on file with most clients in their operations and accounting departments. Actual prices for jobs are based upon the price book, but may involve discounts for volumes or vary due to competitive pressures.

Delivery

The Corporation’s service assets are stored and maintained at strategic field locations in Red Deer, Drumheller, Whitecourt, Grande Prairie, High Level, Ft. St. John and Fort Nelson. The Corporation's objective is to have equipment positioned nearby the likely location of its next assignment. The areas in which Patch operates are all surrounded by significant quantities of producing wells and fields that contain poisonous H_2S gas.

The requirement to be on location is normally accompanied by one or two days notice, however, a certain percentage of the business is "call out" or immediate. All field locations are staffed by operations personnel on 24 hour call through pagers, answering services or call forwarding to cellular telephones. This allows all field locations to be responsive to customer needs on a continuous basis. In addition, the Corporation provides continuous field support when safety services are required on a 24 hour basis.

Oilfield safety services are normally required as support for other operations being conducted on an oil and gas well or at a producing facility. This could involve well drilling, well intervention or plant maintenance. For this reason, safety services are usually only required for the high hazard portion of the project being undertaken.

Typically, the procedure carried out by Patch is as follows: the safety equipment arrives on location and is installed; the workers on location are trained and oriented as to the purpose and capabilities of the safety equipment; and the safety equipment and personnel operate in a standby mode in the unlikely event that a hazardous situation occurs. Should a hazard become present, such as a release of poisonous H_2S gas, the spilling of toxic chemical on a worker or a fire caused by flammable hydrocarbons, the safety equipment and personnel are pressed into immediate service to protect workers and equipment. Once the high hazard aspect of an operation is complete, the safety equipment is rigged out and returned to the field location from which it is dispatched.

Skill and Knowledge of Personnel of Patch

Patch's oilfield safety personnel are highly trained individuals who possess enough general oilfield experience to understand why safety services are required, and significant specific training on the use of the safety equipment employed. The safety personnel must take and pass courses in first aid, hydrogen sulphide gas (H_2S Alive), transportation of dangerous goods (TDG), Workplace Hazardous Material Information System (WHMIS) and hydrocarbon firefighting methods and procedures. Training and certification of oilfield safety workers must be updated on a regular basis; accordingly, the Corporation incurs ongoing expenses in this area.

Equipment

While oilfield safety is very specialized, the equipment employed is used in many other areas and industries. For example, the local fire department will carry safety equipment for breathing, gas detection and firefighting. Safety training is a key component of any industry that involves machinery, heavy equipment or toxic compounds. These are reconfigured to meet the specific requirements of oil and gas safety.

The breathing apparatus is available from several international manufacturers. The Corporation maintains this equipment to design specifications and upgrades on a continuous basis.

Air trailers are designed and fabricated by the Corporation to in-house specifications. The design is based on ease of use and service. The configuration of the equipment carried on each air trailer is unique to the Corporation.

Gas detection equipment is available from several international suppliers. This equipment is generally calibrated and maintained in-house, but is occasionally sent to the manufacturer for service or repair.

Fire and shower units are designed by the Corporation using third party components for the fire and shower systems. The fire control systems are obtained from a variety of manufacturers who sell similar equipment to many other industries.

Safety equipment is available from several sources and as such is competitively priced. Such equipment is readily accessible to the Corporation.

Business Segments

In the fiscal year ended December 31, 2001, breathing air services dominated, accounting for approximately 70% of gross revenues of Patch. The acquisition of Think H_2S moved the Corporation into fire and shower services, which did not occur until September 11, 2001 and, therefore, was not as significant in total revenues for the year.

In the fiscal year ended December 31, 2002, approximately 60% of revenues were generated form breathing air services, 30% from fire and shower services and 10% from miscellaneous rental, training and other services.

Business Cycles

The oilfield safety industry in Canada is cyclical in two areas: seasons and commodity prices.

Because of winter access on frozen ground, the wellsite component of customer demand tends to be stronger in the winter than the summer or fall, and slows down sharply in the spring when the roads are closed to heavy equipment by municipalities and road operators.

General oilfield activity, and thus safety activity, is affected by fluctuating prices for oil and natural gas. As a component of other oilfield operations, the business of the Corporation is dependent upon the level of activity of other areas such as drilling, well servicing and plant maintenance.

Environmental Considerations

Because of the nature of its business, the Corporation does not incur significant environmental liabilities. The safety chemicals employed are benign and in fact can be used for the cleanup of environmental spills. The only environmental liabilities that the Corporation could incur would be the spillage of fuel or engine oil or the possible accidental release of hydrocarbons in the unlikely event that the Corporation's equipment somehow damages oil and gas producing equipment owned by others.

Environmental protection is a growth area for the Corporation. Through poison gas detection, the Corporation already detects and possibly prevents dangerous gas emissions at the source. In the future, the Corporation plans to examine other areas in which it can expand its environmental protection capabilities.

Competitive Conditions

The Corporation is not the only supplier of oilfield safety services. There are several competitors in this area in all product and service lines and field locations. As a result, the oilfield safety sector has experienced overall reduced field profit margins in the past four years.

Trends

Because of increasing regulations in the areas of worker and environment protection, the requirement for oilfield safety services is expected to continue to grow in the future. While all competitors will respond to the new regulations as they emerge, the Corporation believes a general trend will be that the demand for specialized worker, equipment and environmental protection equipment and services will remain stable or grow in the future as total production of oil and gas increases in Canada. Although production of conventional oil and natural gas is flat or declining, Patch expects future production increases will come from natural gas in the north and heavy oil and tar sands development.

SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial information of the Corporation for the periods indicated and should be read in conjunction with the financial statements and the notes thereto included elsewhere in this Prospectus.

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	$9,254,476	$6,293,233	$8,257,937	$7,167,555	$1,590,588
Cash flow from operations[1]	$872,383	$(374,376)	$(648,901)	$(221,265)	$(153,008)
Cash flow per Common Share (basic)	$0.09	$(0.04)	$(0.07)	$(0.03)	$(0.04)
Cash flow per Common Share (diluted)	$0.09	$(0.04)	$(0.07)	$(0.03)	$(0.04)
Net income (loss)	$245,923	$(635,733)	$(930,907)	$(268,750)	$(118,771)
Net income (loss) per Common Share (basic)	$0.03	$(0.07)	$(0.10)	$(0.03)	$(0.03)
Net income (loss) per Common Share (diluted)	$0.03	$(0.07)	$(0.10)	$(0.03)	$(0.03)
Total assets	$6,927,319	$6,576,801	6,297,472	$8,032,065	$3,285,014
Total long term debt [2]	$2,023,091	$2,092,996	$2,067,820	$2,139,762	$1,062,500
Shareholders' equity	$977,387	$1,026,638	$731,464	$1,912,371	$1,622,172

Notes:

(1) Cash flow from operations is calculated as net income before amortization, future taxes and gains and losses on sale of property and equipment and therefore may not be comparable with similar measures presented by other companies.

(2) Total long term debt includes debentures and capital asset financing agreements outstanding.

	Financial Quarter Ended			
	December 31, 2002	September 30, 2002	June 30, 2002	March 31, 2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flow from operations (1)	$(274,525)	$(199,612)	$(354,817)	$180,053
Cash flow per Common Share (basic)	$(0.028)	$(0.021)	$(0.037)	$0.019
Cash flow per Common Share (diluted)	$(0.028)	$(0.021)	$(0.037)	$0.019
Net income (loss)	$(295,174)	$(242,177)	$(342,675)	$(50,881)
Net income (loss) per Common Share (basic)	$(0.030)	$(0.025)	$(0.035)	$(0.005)
Net income (loss) per Common Share (diluted)	$(0.030)	$(0.025)	$(0.035)	$(0.005)

Note:

(1) Cash flow from operations is calculated as net income before amortization, future taxes, and gains and losses on sale of property and equipment and therefore may not be comparable with similar measures presented by other companies.

	Financial Quarter Ended			
	December 31, 2001	September 30, 2001	June 30, 2001	March 31, 2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flow from operations (1)	$(297,727)	$77,079	$16,055	$(16,672)
Cash flow per Common Share (basic)	$(0.035)	$0.009	$0.002	$(0.002)
Cash flow per Common Share (diluted)	$(0.035)	$0.009	$0.002	$(0.002)
Net income (loss)	$(140,567)	$(15,707)	$(53,172)	$(59,304)
Net income (loss) per Common Share (basic)	$(0.017)	$(0.002)	$(0.006)	$(0.007)
Net income (loss) per Common Share (diluted)	$(0.017)	$(0.002)	$(0.006)	$(0.007)

Note:

(1) Cash flow from operations is calculated as net income before amortization, future taxes, and gains and losses on sale of property and equipment and therefore may not be comparable with similar measures presented by other companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Corporation's financial condition and results of operations should be read in conjunction with the financial statements of the Corporation and the notes thereto included elsewhere in this Prospectus.

Nine Months Ended September 30, 2003 Compared With the Nine Months Ended September 30, 2002

The following discussion should be read in conjunction with the unaudited financial statements of Patch for the three quarters ended September 30, 2003 and 2002.

Revenue

Revenue for the nine months of 2003 has exceeded that of the corresponding period in 2002 by 47%. During the three months ended September 30, the 2003 revenue was 51% higher than in 2002. These increases primarily reflect the softness of the 2002 market year. In 2003, the oil field service industry is finally seeing the effects of high commodity prices after the 2002 year when exploration companies withheld spending on exploration.

In the third quarter, the Corporation's air trailer revenues were significantly in excess of expectations.

Operating Expenses

The relationship of operating costs to revenue increases correlated closely during the period. Year to date operating expenses were up 46% in 2003 over the nine months ended September 30, 2002. In the quarter, they rose 54% over the same period in 2002. Year to date margins are improved over 2002 amounts, but third quarter margins are slightly less than experienced in Q3 2002.

Wage and benefit costs generally will follow trends in revenue generation. Overall 2003 wages and benefits made up 52% of total operating costs. In the third quarter 2003, they totalled $952,000 or 51% of operating costs compared to $641,000 and 53% of Q3 2002 operating costs.

Emergency service vehicles costs are the main component of equipment rentals that totalled $358,000 or 19% of operating costs in Q3, 2003, compared to $202,000 and 17% for the same period in 2002.

Other operating costs amounted to $567,000 in Q3 2003 or 30% of operating expenses. These costs also amounted to 30% of operating costs in Q3 2002. They include travel, equipment repairs and maintenance, and fuel.

General and Administrative Expenses

Indirect operating costs are included in the general and administrative expense category, and encompass costs such as insurance and field office rental, sales and marketing expenses, and administration and other corporate expenses.

General and administrative costs have declined by 11% from $873,000 in Q3 2002 to $773,000 in Q3 2003, but remain within 2% on a year-to-date basis of the previous year. The reduction in Q3 is substantially the impact of the capitalization of costs relating to the restructuring effort.

Other Income and Expenses

The decline in amortization expense over the previous year is a reflection of the very limited capital asset expenditure program employed over the past two years. No significant asset additions have been made to the end of the Q3 2003. The amortization expense was $490,827 in the current nine months compared to $592,393 for the nine months ended September 30, 2002.

Higher debt loads, bank fees, and higher interest rate premiums all contributed to an increase in interest and bank charges in the quarter. Total Interest and bank charges were $91,000 in Q3 2003 compared to $70,000 in Q3 2002, an increase of 30%.

Liquidity and Capital Resources

Subsequent to the quarter end, the Corporation was able to reduce and refinance its debt obligations and raise share capital through the issuance of Special Warrants. As a result, all breaches to the provisions of its loan facility, as well as, the Corporation's inability to meet payments due on its debenture agreements have been resolved at this time. Access to additional debt or equity financing may be required in the furture. The notes to the Corporation's financial statements provide further information regarding the refinancing effective October 27, 2003. See "Risk Factors".

Working capital at September 30, 2003 was ($2,460,000) as the remaining portion of the debentures outstanding previously reported as a long-term liability became current. At Q3 2002, working capital was ($1,906,000).

Operating cash flow for the nine months ended September 30, 2003 totalled $872,383 compared to $(374,376) for the same period in 2002.

Year Ended December 31, 2002 Compared With Year Ended December 31, 2001

The following discussion should be read in conjunction with the audited financial statements of Patch for the years ended December 31, 2002 and 2001.

Overview

Two major factors should be considered in the comparison of results for 2002 versus 2001:

(1) The 2002 financial results include twelve months of operations from both of the companies acquired to form Patch. The results for 2001 include a full year of operations for Patch H_2S but only four months from Think H_2S.

(2) The oil and gas service sector on the whole has suffered through a long period of depressed oil and gas exploration activity that began in late 2001 and continued throughout 2002. Drilling activity in 2002 was roughly 24% below the level recorded in 2001 according to the Canadian Association of Oilwell Drilling Contractors (CAODC).

The impact of these two factors differs from item to item on the Corporation's Statement of Operations and Deficit depending on whether its relationship to activity levels is variable or fixed.

Results of Operations

Gross revenue from safety services increased to $8,258,000 in 2002 from $7,168,000 in the prior year. The increase reflects the inclusion of a full year of revenue from the Think H_2S acquisition but has been materially negatively affected by a drop in activity levels.

Direct operating expenses consist of only those expenses directly attributable to the provision of safety and related services to customers. These include equipment rentals and leases, freight, fuel, repairs and maintenance, field salaries and benefits, field contractors, and travel. Operating costs were $5,137,000 as compared to $4,308,000 in the prior year. These costs vary directly to activity and therefore have increased at a similar rate to gross revenue.

General and administrative expenses consist of all expenses indirectly attributable to provision of safety services to customers. These include equipment and property insurance, advertising and promotion, overhead salaries and benefits, professional fees, office supplies, training, investor relations, overseas costs, office costs and rent.

General and administrative costs were $3,410,000 as compared to $2,882,000 in the prior year. These costs have been impacted primarily by the inclusion of a full year of expenses relating to the Think H_2S operation.

Amortization was $772,000 compared to $570,000 in the prior year. The increase is a non-cash charge to operations and reflects a full year of amortization for the Think H_2S assets acquired during 2001 and recognition for accounting purposes of the fair market value of those assets.

Interest and bank charges increased slightly from $144,000 in 2001 to $155,000 in 2002 due in part to the increase in the line of credit during the year.

Interest on long-term debt was $144,000 compared to $72,000 in the prior year. The increase resulted from additional debentures taken on by the Corporation to finance the acquisition of Think H_2S in late 2001.

Earnings before interest, income tax, depreciation and amortization (EBITDA) was ($289,000) as compared to ($23,000) in the prior year. This calculation does not include gains on sale of property and equipment and other assets of $19,000 in 2002 and $58,000 in 2001.

The net loss for the year was ($931,000) or ($0.10) per share, as compared to ($269,000) or ($0.03) per share, in the prior year. This is after a net recovery of current and future income taxes of $410,000 for the current year as compared to $482,000 in the prior year.

Liquidity and Capital Resources

Cash Flow Provided From Operations

A slow drilling season and prolonged inactivity from break-up through the summer months contributed to negative cash flow from operations for the year. Cash flow provided from operations in 2002, before changes in non-cash working capital was ($649,000) as compared to ($221,000) in the prior year.

Financing

Financing activities provided ($350,000) in 2002 as compared to $1,751,000 in 2001. Repayments on the demand loan of $563,000 (2001 – $374,000) were partially offset by drawdowns to the operating line of credit during the year of $285,000 (2001 – $361,000). In 2001, the Corporation received proceeds of the demand loan totalling $1,862,000 that was applied toward the purchase of Think H_2S. A total of $72,000 was repaid on equipment financing contracts during 2002 as compared to $124,000 in 2001.

At December 31, 2002, outstanding long-term debt, excluding debentures, was $120,000, of which $57,000 is payable in 2003. The Corporation also had debentures payable at December 31, 2002 of $1,947,500. These consist of:

- $600,000 – 6% subordinated convertible debenture issued as part of the acquisition of Patch H_2S in 2000 due on August 31, 2003.
- $1,347,500 debentures issued as part of the acquisition of Think H_2S as follows:
  - Series I – 7.5%, $940,000 subordinated convertible debentures due on September 30, 2004,
  - Series II – 7.5%, $57,500 subordinated convertible debentures due on September 30, 2004,
  - $350,000 debenture due on September 30, 2004, with interest payable at 8.5% for the first year, 9.5% for the second and 10.5% for the third.

The Series I Debentures contain provisions at the option of either the Corporation or the holders for prepayments of 33% of the original principal amount of the debentures on or before September 30th each year until maturity. The Series I Debenture holders notified the Corporation that they would be exercising their entitlement to the prepayment privilege and $316,667 became due on September 30, 2002. An amendment to the Series I Debentures made during the year deferred an amount of $100,000 to November 15, 2002 and an additional amount of $216,667 to March 31, 2003. However, payments totalling $90,000 were not paid on November 15th because of covenant defaults to the demand loan. Holders of debentures have signed postponement agreements with the Corporation's bank. Therefore, until the loan covenants are satisfied or the bank allows payments to be made, the Corporation cannot make payments to debenture holders. The Corporation will have a remedy period of twenty days should the debenture holders notify the Corporation of default of the agreements and should notification occur the full amount of each debenture would become payable. The Series I Debentures as amended are convertible on or before March 31, 2003 at $0.15 per Common Share, thereafter and on or before September 30, 2003 at $0.30, and thereafter at $0.35. No conversions have taken place to date.

The Series II Debentures are convertible on or before September 30, 2002 at $0.30 per Common Share, thereafter and on or before September 30, 2003 at $0.35, and thereafter at $0.40. No conversions have taken place to date.

The 6% Debenture is convertible at a conversion price of $0.30 per Common Share until August 31, 2003.

As previously discussed, no payments to debenture holders can be made without the banks permission until loan covenants are satisfied. One of the covenants is a debt service calculation based on trailing earnings. Therefore, the Corporation must maintain a certain level of profitability over time to satisfy this condition. Management has instituted a number of cost saving and revenue enhancing initiatives to improve the Corporation's profitability. The second loan covenant that has been breached by the Corporation relates to minimum working capital ratios required by the bank. Management anticipates that the current ratios defined within the terms of the Corporation's loan facility will improve as financial results improve.

Investments

Net cash provided from investment activities in 2002 was $160,000 as compared to ($1,444,000) in the prior year. The majority of the cash used in 2001 related to the acquisition of all the common shares of Think H_2S. In 2002, $96,000 was expended for revenue generating field equipment (2001 – $274,000). Proceeds on sale of property and equipment were $256,000 in 2002 and $385,000 in 2001.

Liquidity

Effective January 1, 2002, the Corporation adopted the recommendations of EIC-122 of the Emerging Issues Committee of the Canadian Institute of Chartered Accountants. Under this recommendation, loans that enable the creditor to demand payment at any time should be recorded as a current liability. Accordingly, the Corporation has reclassified its demand loan to current liabilities for both 2002 and 2001.

The change results in a reclassification of $1,314,000 from long-term debt to current liabilities at December 31, 2001, reducing previously reported working capital by the same amount. Working capital at December 31, 2002 amounted to ($2,165,000) as compared to an adjusted amount of ($632,000) for the previous year.

The operating line of credit is payable on demand, to a maximum of $1,500,000 bearing interest at bank prime plus 1.5%. At December 31, 2002, $856,000 was drawn against the operating line (2001 – $572,000).

Shareholders' equity was reduced to $731,000 at December 31, 2002 as compared to $1,912,000 at the prior year-end. The decrease is due to current losses plus the impact of an adjustment to goodwill during the year in the amount of $250,000.

The adjustment to goodwill was determined through the application of an impairment test required due to the application of a new accounting recommendation. Under Section 3062 of the Handbook of the Canadian Institute of Chartered Accountants entitled "Goodwill and Other Intangible Assets", goodwill is no longer amortized but instead is tested for impairment on an annual basis.

Year Ended December 31, 2001 Compared With Year Ended December 31, 2000

The following discussion should be read in conjunction with the consolidated audited financial statements of Patch for the years ended December 31, 2001 and 2000.

Results of Operations

The following is a comparison and discussion of the audited results of operations of the Corporation in 2001 versus 2000.

Gross revenue from safety services was $7,168,000 as compared to $1,591,000 in the prior year. The increase is attributable to 12 months' revenue from Patch H_2S of $4,755,000 and four months' revenue from Think H_2S of $2,413,000. The previous year consisted entirely of four months' revenue from Patch H_2S.

Direct operating expenses consist of only those expenses directly attributable to the provision of safety and related services to customers. These include equipment rentals and leases, freight, fuel, repairs and maintenance, field salaries and benefits, field contractors, and travel.

Direct operating costs were $4,308,000 compared to $937,000 in the previous year. The Patch H_2S portion of the current year's expenses was $2,893,000 and the Think H_2S portion was $1,415,000. Expenses in 2000 consisted entirely of four months from Patch H_2S.

General and administrative expenses consist of all expenses indirectly attributable to provision of safety services to customers. These include equipment and property insurance, advertising and promotion, overhead salaries and benefits, professional fees, office supplies, training, investor relations, overseas costs, office costs and rent.

General and administrative costs were $2,882,000 as compared to $760,000 in 2000. The Patch H_2S portion of the current year's expenses was $1,977,000 and the Think H_2S portion was $905,000. The previous year's expenses consisted entirely of four months from Patch H_2S.

Amortization was $570,000 compared to $124,000 in 2000. The increase, while a non-cash charge to operations, reflects recognition of amortization for accounting purposes of the fair market value of the assets acquired in both the Patch H_2S and Think H_2S acquisitions.

Included in interest and bank charges is interest on long-term debt of $72,000 compared to $24,000. The increase resulted from additional bank debt and debentures taken on by the Corporation to finance the acquisition of Patch H_2S and Think H_2S.

Earnings before amortization, interest, income tax (EBITDA) was ($23,000) as compared to ($107,000) in the previous year.

The net loss for the year was ($269,000) or ($.03) per share, as compared to ($119,000) or ($.03) per share. This is after a recovery of current and future income taxes of $482,000 for 2001 as compared to a future income tax recovery of $158,000 in 2000

Liquidity and Capital Resources

Cash Flow Provided from Operations

Cash flow provided from operations in 2001, before changes in non-cash working capital, was ($221,000) compared to ($153,000) in 2000. Neither Patch H_2S nor Think H_2S generated the cash flow expected in the fourth quarter, a result primarily of the significant reduction in drilling activity during the last four months of 2001.

Financing

Net cash flow from financing activities in 2001 amounted to $1,751,000 compared to $929,000 in 2000. The Corporation had an increase in long-term debt of $1,862,000 arising from financing the purchase of Think H_2S and payout of existing term debt with other banks. The new long-term debt bears interest at bank prime plus 1.75%.

The monthly payment is $46,875 plus interest. Net proceeds on the sale of the international equipment were applied to long-term debt. This, combined with the agreed monthly payment, resulted in $498,000 of long-term debt repaid during the year.

The funds were used to pay the cash component of the purchase price, repay all of the existing Patch long-term debt and the operating line of credit, both of which were payable to another bank, and specific portions of the Think H_2S long-term debt, also payable to another bank. Certain portions of Think H_2S long-term debt had no interest rate attached; accordingly, these loans were left in place.

At December 31, 2001, outstanding long-term debt, excluding debentures, was $182,000, of which $62,000 is payable in 2002. As well, the Corporation had $1,957,500 in debentures payable. These consist of:

- $600,000 – 6% subordinated convertible debenture issued as part of the acquisition of Patch H_2S in 2000 due on August 31, 2003
- $1,357,500 debentures issued as part of the acquisition of Think H_2S as follows:
  - Series I – 7.5%, $950,000 subordinated convertible debentures due on September 30, 2004
  - Series II – 7.5%, $57,500 subordinated convertible debentures due on September 30, 2004
  - $350,000 subordinated debentures due on September 30, 2004, with interest payable at 8.5% for the first year, 9.5% for the second and 10.5% for the third

Investments

Net cash used in investment activities was $1,444,000 compared to $820,000 in 2000. The majority of the cash used in 2001 related to the acquisition of all the common shares of Think H_2S. Additional funds were expended for revenue-generating field equipment. Proceeds on sale of property and equipment of $385,000 included the disposal of offshore safety equipment and certain older light vehicles.

Liquidity

At December 31, 2001, the Corporation had working capital of $(632,000). The Corporation had a new operating line of credit, payable on demand, to a maximum of $1,500,000 bearing interest at bank prime plus 1.5%. At December 31, 2001, $572,000 was drawn against the operating line.

Shareholder equity was $1,912,000 compared to $1,622,000 in the previous year. The increase was due to the net equity acquired in the Think H_2S transaction, offset by current losses.

DETAILS OF THE OFFERING

Special Warrants

On October 27, 2003, the Corporation completed a private placement of an aggregate of 22,353,505 Special Warrants at a price of $0.115 per Special Warrant pursuant to prospectus exemptions under applicable securities legislation. Since the date of issuance, no Special Warrants have been exercised. See "The Corporation – Background to the Corporation – Restructuring".

This Prospectus is being filed in the Filing Provinces to qualify the distribution of the Common Shares to be issued upon the exercise of the Special Warrants. All of the outstanding Special Warrants are fully paid and non-assessable and the Common Shares issuable upon the exercise of the Special Warrants will, when issued, be fully paid and non-assessable. See "Description of Share Capital".

This Prospectus qualifies for distribution 22,353,505 Common Shares of the Corporation issuable upon the exercise of an aggregate of 22,353,505 outstanding Special Warrants. The Special Warrants were previously issued pursuant to the Special Warrant Indenture. Each Special Warrant entitles the holder thereof to acquire one Common Share (subject to adjustment), at no additional cost, on or before the earlier of: (i) five days after the date upon which the last Final Receipt for this Prospectus has been obtained from the securities commission in each of the Filing Provinces; and (ii) October 27, 2004 (the "**Expiry Time**"). Any Special Warrants not exercised prior to the Expiry Time shall be deemed to have been exercised immediately prior to the Expiry Time without any further action on the part of the holder.

Holders of Special Warrants who wish to exercise the Special Warrants held by them and acquire Common Shares thereunder should complete the exercise form on the Special Warrant certificates and deliver the certificates and the executed exercise forms to the Trustee at its principal office in Calgary, Alberta.

Common Shares obtained on the exercise of Special Warrants prior to the issuance of a receipt for this Prospectus will be subject to applicable hold periods under applicable securities legislation.

The net proceeds to the Corporation from the sale of Special Warrants were approximately $2,208,613 after deducting offering expenses, including agents' fees and commissions, of approximately $362,040.

Agency Agreement

The Special Warrants were offered pursuant to an agency agreement dated effective September 15, 2003 between the Corporation and the Agent (the "**Agency Agreement**").

Pursuant to the Agency Agreement, the Agent agreed to act, and the Corporation appointed the Agent, as sole and exclusive agent of the Corporation to offer, on a best efforts basis, up to 6,000,000 of the Special Warrants for sale on a private placement basis. At the closing of the issue of the Special Warrants, the Corporation paid a commission of $42,040 (or 7% of the issue price per Special Warrant sold by the Agent) to the Agent. In addition, the Agent will be reimbursed for its out of pocket expenses and will receive a corporate finance fee of $55,000, which is payable within three business days after the date that the last of the securities commissions of the Filing Provinces issues a Final Prospectus.

The Corporation agreed to indemnify the Agents against certain liabilities, including certain liabilities under applicable Canadian securities legislation, and to contribute to payments that the Agents may be required to make in respect thereof.

The TSX Venture approved the listing of the Common Shares.

On September 15, 2003, the last trading day prior to the public announcement by the Corporation of the Offering, the closing trading price of the Common Shares on the TSX Venture was $0.15. On December 24, 2003, the closing price of the Common Shares on the TSX Venture was $0.21.

USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Special Warrants were approximately $2,208,613 after deducting offering expenses, including Agents' fees and commissions, approximating $362,040. As of the date hereof, the Corporation has spent the net proceeds as follows: $1,132,654 was applied to the repayment of outstanding Debentures payable (See "The Corporation – Background to the Corporation – Reorganization" and "Capitalization") with the balance being applied to working capital to satisfy certain bank lending covenants that were previously in default.

DIVIDEND POLICY

Since its incorporation in 1998, the Corporation has not paid any dividends on its Common Shares. The Corporation currently anticipates that it will retain future earnings for use in its business and does not anticipate paying any cash dividends in the foreseeable future, unless the circumstances otherwise permit. The payment of any future dividends will be at the discretion of the Board of Directors and will depend upon, among other things, the Corporation's future earnings, operations, capital requirements and financial condition, general business conditions and contractual and statutory restrictions on the payment of dividends, if any.

CAPITALIZATION

The following table sets forth the capitalization of the Corporation as at December 31, 2002 and at November 30, 2003, both before and after giving effect to the exercise of the Special Warrants. This table should be read in conjunction with the information contained in the consolidated financial statements of the Corporation and the notes thereto, included elsewhere in this Prospectus:

	Authorized	**Outstanding as at December 31, 2002 (audited)**(1)	**Outstanding as at November 30, 2003 (unaudited)**(1)	**Outstanding as at November 30, 2003 after giving effect to the exercise or deemed exercise of the Special Warrants (unaudited)**(1)
Common Shares	Unlimited	$2,313,227 (9,691,833 Common Shares)	$2,313,227 (9,691,833 Common Shares)	$4,521,840 (32,045,338 Common Shares)
Preferred Shares	Unlimited	$Nil (Nil Preferred Shares)	$Nil (Nil Preferred Shares)	$Nil (Nil Preferred Shares)
Special Warrants (2)	22,353,505	$Nil (Nil Special Warrants)	$2,208,613 (22,353,505 Special Warrants)	$Nil (Nil Special Warrants)
6% Debentures (3)	$600,000	$600,000	$Nil	$Nil

	Authorized	Outstanding as at December 31, 2002 (audited)(1)	Outstanding as at November 30, 2003 (unaudited)(1)	Outstanding as at November 30, 2003 after giving effect to the exercise or deemed exercise of the Special Warrants (unaudited)(1)
Series I Debentures (3)	$950,000	$940,000	$Nil	$Nil
Series II Debentures (3)	$57,500	$57,500	$Nil	$Nil
Subordinated Debentures (3)	$350,000	350,000	$Nil	$Nil
Replacement Debentures (4)	$814,998	N/A	$814,998	$814,998
Bank Debt (5)	--	$1,313,501	$834,526	$834,526

Notes:

(1) Does not include the up to 570,000 Common Shares that may be issued upon the exercise of Options that were outstanding as at November 30, 2003 and the up to 2,716,661 Common Shares that may be issued upon the exercise of the Replacement Debentures. See "Executive Compensation" and "The Corporation Background to the Corporation - Restructuring".

(2) The Special Warrants were issued on October 27, 2003 in connection with the Restructuring. See "The Corporation - Background to the Corporation - Restructuring".

(3) The Debentures were eliminated in connection with the Restructuring and, in respect of the remaining $814,998 of principal, replaced with the Replacement Debentures. See "The Corporation - Background to the Corporation - Restructuring".

(4) Due and Payable in full September 30, 2006.

(5) As at December 31, 2002 and September 30, 2003, the Corporation was in default of covenants to its bank loan that set conditions to maintaining the loan, including ratios of current assets to current liabilities, and a calculation of a rolling earnings before interest, taxes and amortization to debt service costs. The loan was amortized over 48 months to September 1, 2005, incurred interest at prime plus 1.75% and 2.75% at each respective date and was repayable monthly at the rate of $46,875 plus interest. The Corporation renewed and amended its credit facility with its bank in October, 2003 as part of the Restructuring. Under the revised facility, the Corporation has reduced and extended payments on its loan with payments due monthly until September 30, 2006 in the amount of $24,550 plus interest at prime plus 1.75%. The Corporation is no longer in default of any of its debt covenants. See "The Corporation - Background to the Corporation - Restructuring".

(6) As at September 30, 2003, the Corporation had a deficit of $1,335,840.

(7) The Corporation also has a revolving credit facility secured by accounts receivable with a limit of $1,500,000 or 75% of acceptable accounts receivable. Patch pays interest monthly at the rate of prime plus 1.5% per annum.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares. As at December 24, 2003, there were 9,771,833 Common Shares and nil Preferred Shares issued and outstanding. In addition, as of December 24, 2003, the Replacement Debentures, 22,353,505 Special Warrants and 490,000 Options were issued and outstanding.

Descriptions of the Common Shares and Preferred Shares are set forth below. For descriptions of the Replacement Debenture, Special Warrants and Options, see, respectively, "The Corporation – Background to the Corporation – Restructuring", "Details of the Offering – Special Warrants" and "Executive Compensation".

Common Shares

The holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of Shareholders of the Corporation except meetings of holders of another class of shares. Each Common Share shall entitle the holder thereof to one vote. Subject to the preferences accorded to holders of Preferred Shares and any other shares of the Corporation ranking senior to the Common Shares from time to time with respect to the payment of dividends, holders of Common Shares shall be entitled to receive, if, as and when declared by the Board of Directors, such dividends as may be declared thereon by the Board of Directors from time to time. The rights of holders of Common Shares to receive a dividend declared by the Board of Directors are equal in all respects, share for share. In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (such event referred to herein as a "**Common Share Distribution**"), holders of Common Shares, subject to the preferences accorded to holders of Preferred Shares and any other shares of the Corporation ranking senior to the Common Shares from time to time with respect to payment on a Common Share Distribution, shall be entitled to share equally, share for share, in the remaining property of the Corporation.

Preferred Shares

Preferred Shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors. From time to time the Board of Directors may fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Shares including, without limiting the generality of the foregoing, the amount, if any, specified as being payable preferentially to such series on a distribution; the extent, if any, of further participation on a distribution; voting rights, if any; and dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any. In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (such event referred to herein as a '**Preferred Share Distribution**"), holders of each series of Preferred Shares shall be entitled, in priority to holders of Common Shares and any other shares of the Corporation ranking junior to the Preferred Shares from time to time with respect to payment on a Preferred Share Distribution, to be paid rateably with holders of each other series of Preferred Shares the amount, if any, specified as being payable preferentially to the holders of such series on a Preferred Share Distribution. The holders of each series of Preferred Shares shall be entitled, in priority to holders of Common Shares and any other shares of the Corporation ranking junior to the Preferred Shares from time to time with respect to the payment of dividends, to be paid rateably with holders of each other series of Preferred Shares, the amount of accumulated dividends, if any, specified as being payable preferentially to the holders of such series.

CONFLICTS OF INTEREST

Certain of the directors and officers of the Corporation are associated with or are directors, officers and employees of other entities. Such associations place varying demands on their time and, in addition, may from time to time give rise to conflicts of interest. Conflicts, if any, will be governed by and subject to the remedies contained in the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

RISK FACTORS

Investment in the securities of the Corporation should be considered to be highly speculative and involves a high degree of risk, including, but not necessarily limited to, the risk factors listed below and due to the Corporation's business and its present stage of development. Ownership of the securities of the Corporation is suitable only to investors who are prepared to risk the loss of their entire investment. Owners and prospective purchasers of the securities of the Corporation should carefully consider, in addition to the other information in this Prospectus, the following risk factors inherent in and affecting the Corporation's business before making an investment decision.

Start-Up Company

The business of the Corporation should be considered speculative due to its present stage of development. The Corporation was only recently restructured.

Need for Future Financings

Additional financing for new development and operations may not be available on acceptable terms in the future. Where additional financing is raised by the issuance of Common Shares or securities convertible into Common Shares from the Corporation's treasury, control of the Corporation may change and shareholders may suffer further dilution to their investment. The issuance of debt may result among other things, in the encumbrance of certain of the Corporation's assets, impede the Corporation's ability to obtain additional bank financing, decrease the Corporation's liquidity and adversely affect the Corporation's ability to declare and pay dividends to the Shareholders.

Competition

Competition could adversely affect the Corporation's performance. The oil and gas safety industry is characterized by intense competition and the Corporation competes directly with other companies that may have greater resources. During periods of low activity, the prices Patch is able to obtain for its services may be significantly reduced. As activity increases, the Corporation's ability to respond may be dependant on the availability of qualified personnel.

Commodity Pricing

The business of the Corporation is dependent on activity levels in the oil and gas exploration and production industry, which levels vary significantly depending on commodity prices. These prices, while currently strong, are subject to substantial variations, which from time to time significantly reduce Patch's revenues and profits.

Seasonality/Weather

The activities in the oilfield services industry are subject to a degree of seasonality. Operating activities within the Canadian service industry are generally lower in April and May, during spring break-up, and tend to increase in the fall and peak in the winter months of November through March. Additionally, volatility in the weather and temperature not only within these seasons, but year round as well, can create additional unpredictability in operational results for entities such as Patch.

Industry Risks

There are many risks inherent in the oilfield safety service industry which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

The Corporation's success will depend on the ability of Patch's customers to select, finance and acquire suitable producing properties or undeveloped exploration prospects. The marketability of any oil and natural gas acquired or discovered by Patch's customers will be affected by numerous factors beyond the control of such customers. These factors include market fluctuations, the world price of crude oil, the continental price of natural gas, the supply and demand for oil and natural gas, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulations, including regulations relating to prices, taxes, royalties, land tenure, allowable production, the import and export of oil and natural gas and environmental protection. The effect of these factors cannot be accurately predicted.

Hazards such as unusual or unexpected geological formations, pressures, blow-outs, fires or other conditions may be encountered in drilling and operating wells. Patch will have the benefit of insurance maintained by it; however, Patch may become liable for damages arising from pollution, blowouts or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons.

Regulation of Industry

Patch's activities are subject to complex and stringent energy, environmental and other governmental laws and regulations. While Management believes that Patch's business will be operated in accordance with applicable laws, Patch will remain subject to a varied and complex body of laws and regulations that both public officials and private individuals may seek to enforce. Existing laws and regulations may be revised or new laws and regulations may become applicable to Patch that may have a negative effect on Patch's business and the results of operations. Environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. Patch expects that it will be able to fully comply with all regulatory requirements in this regard.

Conflicts of Interest

The Board of Directors of the Corporation are engaged and will continue to be engaged in certain business interests on their own behalf and on behalf of other companies, and situations may arise where the directors and officers may be in direct competition with the Corporation. Conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the ABCA. See "Conflicts of Interest".

Dividends

The Corporation does not anticipate paying any dividends on its outstanding Common Shares in the immediate or foreseeable future, unless the circumstances otherwise permit. See "Dividend Policy".

Reliance on Management

Holders of securities of the Corporation must rely upon the experience and expertise of Management. The Corporation's continued success is dependent upon its ability to attract and retain experienced management. The Corporation does not have in place key man insurance on Management.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Corporation, and Bennett Jones LLP, counsel to the Agent, the following is a fair and adequate summary of the principal Canadian federal income tax consequences generally applicable to holders of Special Warrants ("**Holders**") who receive Common Shares upon the exercise of the Special Warrants; who, within the meaning of the *Income Tax Act* (Canada) (the "**Tax Act**"), are residents of Canada and deal at arm's length with the Corporation; and who currently hold the Special Warrants, and will hold the Common Shares, as capital property for the purposes of the Tax Act. This summary does not apply: (i) to Holders who are subject to the "mark to market" provisions of the Tax Act; or (ii) if an interest in a Holder would be a "tax shelter investment" within the meaning of the Tax Act.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder (the "**Regulations**"), counsel's understanding of the current administrative practices of the Canada Customs and Revenue Agency and proposed amendments to the Tax Act and Regulations which have been publicly announced by the Minister of Finance prior to the date hereof (the "**Proposals**"). This summary assumes that the Proposals 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 the Proposals will be enacted as proposed or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

The income tax consequences to a particular Holder of his or her investment in Special Warrants and Common Shares will vary depending upon 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 his or her investment in the Special Warrants or Common Shares and the legal characterization of the Holder as an individual, corporation or trust. The following discussion of the income tax consequences is, therefore, of a general nature only and is not intended to be, nor should it be construed as, income tax advice to any particular Holder. **Each Holder is urged to consult his own income tax advisors with respect to the income tax consequences which will result from an investment in Special Warrants or Common Shares.**

Exercise of Special Warrants

The exercise of Special Warrants into Common Shares will not result in any gain or loss to Holders. The initial cost to a Holder of a Common Share acquired upon the exercise of a Special Warrant will be deemed to be equal to the portion of the adjusted cost base of the Special Warrant so exercised which is allocated to the Common Share. The adjusted cost base of a Holder in any particular Common Share held as capital property will be determined by averaging the cost of such share with the cost of all other Common Shares held by such Holder.

Dividends

Dividends (including deemed dividends) received on the Common Shares by a Holder will be included in the Holder's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

Dividends (including deemed dividends) received on the Common Shares by a corporation will be included in computing the corporation's income and will generally be deductible in computing the corporation's taxable income.

A "private corporation", as defined in the Tax Act, or any other corporation controlled by or for the benefit of an individual or a related group of individuals, will generally be liable to pay a 33 1/3% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Common Shares to the extent such dividends are deductible in computing its taxable income.

Disposition of Common Shares

A disposition or deemed disposition of a Common Share will result in the realization of a capital gain or capital loss in the taxation year of the disposition equal to the amount by which the proceeds of disposition exceed or are less than, respectively, the adjusted cost base of such Common Share and reasonable expenses incurred by the Holder for the purposes of making such disposition. One half of any capital gain (a taxable capital gain) must be included in computing the income of a taxpayer for the year in which the disposition takes place, while one half of any capital loss (an allowable capital loss) may be deducted by a taxpayer from taxable capital gains for the year. To the extent that any allowable capital loss is not so used, it may be carried back to any of the three preceding years, or carried forward to any subsequent year, to off-set taxable capital gains, subject to the detailed provisions of the Tax Act in that regard.

DIRECTORS AND OFFICERS

Information Regarding Directors and Officers

The following table sets forth certain information as to the directors and officers of the Corporation as of December 29, 2003. Management and the Board of Directors were recently restructured in connection with the Restructuring. See "The Corporation – Background to the Corporation – Restructuring".

Name and Municipality of Residence	Position with Corporation	Director Since	Principal Occupation	Direct and Indirect Shareholdings in Corporation
David L. Yager[2] Calgary, Alberta	Chairman, President, Chief Executive Officer and Director	October 27, 2003	President and Chief Executive Officer of the Corporation since October 27, 2003; prior thereto, President and Director of Integrated Production Services Ltd. from April, 2000 to December, 2002; prior thereto, President and Chief Executive Officer of OTATCO Inc., predecessor to Integrated Production Services Ltd., since August, 1994.	6,500 Common Shares
Robert P. Petryk[1][2] Calgary, Alberta	Director	July 21, 1998	President of Redwood Energy, Ltd. since September, 1999; prior thereto, Senior Vice-President, North American Operations for Fracmaster, Ltd. since December, 1996.	225,000 Common Shares[3]

Name and Municipality of Residence	Position with Corporation	Director Since	Principal Occupation	Direct and Indirect Shareholdings in Corporation
Douglas F. Robinson(1)(2) Calgary, Alberta	Director	October 27, 2003	Chairman and Executive Officer of Integrated Production Services Ltd. from April, 2000 to July, 2002; prior thereto, President, Chief Executive Officer and Director of Reliance Services Group Ltd. since July, 1999; prior thereto, President and Chief Executive Officer of Computalog Ltd. from March, 1996 to February, 1999.	Nil
James M. Hill(1) Calgary, Alberta	Director	October 27, 2003	Chief Financial Officer of Integrated Production Services Inc. since January, 2002; prior thereto, Chief Financial Officer of Cell-Loc Inc. from January, 2001 to September, 2001; prior thereto, Chief Financial Officer and Executive Vice-President of DALSA Corporation since August, 1996.	Nil
Christopher T. B. Hunter Calgary, Alberta	Chief Financial Officer and Secretary	N/A	Chief Financial Officer of the Corporation since October 27, 2003; prior thereto, Corporate Controller of Technicoil Corporation since April, 2000; prior thereto, various management positions, including Manager, Business Systems, Assistant General Manager, and Manager, Financial Services, of Tesco Corporation since June, 1993.	Nil

Notes:
(1) Members of the Audit Committee. The Corporation does not have an Executive Committee.
(2) Members of Compensation Committee.
(3) Does not include 40,000 Options held by Robert Petryk at prices averaging $0.235.

As at December 24, 2003, the directors and officers of Patch beneficially owned, directly or indirectly, or exercised control or direction over, in the aggregate 231,500 Common Shares representing approximately 2.4% of the issued and outstanding Common Shares and 4,283,000 Special Warrants representing 19.2% of the issued and outstanding Special Warrants of the Corporation.

All directors will hold office until the earlier of their resignation or the date of the Corporation's next annual general meeting of Shareholders at which directors are elected, unless a director ceases to hold office or his office is vacated.

David L. Yager

David L. Yager, age 50, has over 20 years experience in the oilfield service sector as senior management of a number of oil and gas service companies. A full-time employee, Mr. Yager is currently President and Chief Executive Officer, Chairman of the Board of Directors, and a promoter of the Corporation. Mr. Yager is also President of his own management company, Yager Management Ltd. and was previously President of Integrated Production Services Ltd., an oil and gas service company, and a predecessor company since 1994.

Robert P. Petryk

Robert P. Petryk, age 48, has over 26 years experience in the oil and gas industry, including his current role as President of Redwood Energy, Ltd, an oil and gas company, since 1999. Previously, Mr. Petryk was the Vice President of North American operations for Fracmaster Ltd., an oil and gas service company. Mr. Petryk is an engineer with a Bachelor of Science – Mineral Engineering degree from the University of Alberta and is a member of the Association of Professional Engineers, Geologists & Geophysicists of Alberta. Mr. Petryk has been a director of the Corporation since 1998.

Douglas F. Robinson

Douglas F. Robinson, age 56, has over 35 years experience in the oil and gas services industry, and has been President of numerous oilfield service companies dating back to 1979. Mr. Robinson is currently a director of a publicly traded oilfield service company, a publicly traded oil and gas company and a private oil and gas company. Mr. Robinson is a director of the Corporation.

James M. Hill

James M. Hill, age 44, has over 20 years experience in financial roles within a variety of companies, including 12 years within the oil and gas industry. Mr. Hill is currently the Chief Financial Officer of Integrated Production Services Ltd. since January 2002 and has performed the role of Chief Financial Officer in companies in the oil and gas services sector and technology industry since 1992. Mr. Hill has been a Chartered Accountant since 1985 and has a Bachelor of Arts – Business from the University of Western Ontario and is a member of the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of Alberta. Mr. Hill is a Director of the Corporation.

Christopher T. B. Hunter

Christopher T.B. Hunter, age 44, has over 18 years experience in financial roles within the oil and gas industry including 10 years in various management positions within companies in the oil and gas services sector. Mr. Hunter is a Certified General Accountant and has been a member of the Certified General Accountants Association of Canada since 1988. Mr. Hunter has a Bachelor of Commerce – Honours from Queen's University. A full-time employee, Mr. Hunter is the Chief Financial Officer of the Corporation.

Bankruptcies, Penalties and Sanctions

To the knowledge of the Corporation, for the previous ten years, the only instances where a director, officer, promoter or control person has been involved in bankruptcy proceedings or against which an order by any securities commission, stock exchange or similar body in Canadian or foreign jurisdiction has been made, or has been associated with any corporation or other entity which has likewise been the subject of bankruptcy proceedings or an order made by any securities commission, stock exchange or similar body in any Canadian or foreign jurisdiction, is as follows:

While Mr. Petryk was employed at Fracmaster, Ltd. ("**Fracmaster**") as Senior Vice President, North American Operations (as an officer of Fracmaster), the following events transpired:

- March 18, 1999: Fracmaster filed for court protection under the *Companies' Creditors Arrangement Act* (Canada).
- April 27, 1999: Trading of Fracmaster's securities was suspended on the New York Stock Exchange to be later de-listed.
- April 28, 1999: Trading of Fracmaster's securities was halted by the Toronto Stock Exchange and a temporary cease trade order was issued by the Ontario Securities Commission.
- May 17, 1999: Fracmaster issued a receivership letter.
- June 1, 1999: Trading of Fracmaster's securities was suspended by the Toronto Stock Exchange with a view to de-list.

- June 11, 1999: The Ontario Securities Commission issued an extension to the temporary cease trader order.
- June 27, 1999: Fracmaster's assets were sold by the court-appointed receiver.
- July 2, 1999: The British Columbia Securities Commission issued a cease trade order.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following Summary Compensation Table sets forth the compensation paid by the Corporation during the fiscal years ended December 31, 2000, 2001 and 2002 to the Corporation's former President and Chief Executive Officer. No other executive officer of the Corporation received a total salary and bonus that exceeded $100,000 in any of these fiscal years. The aggregate compensation for all other executive officers during the fiscal year ended December 31, 2002 was $80,836.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Financial Year Ended	Salary ($)	Bonus ($)	Other Annual Compensation Fees, Commissions, etc. ($)	Securities Under Options Granted (#)	Restricted Shares or Restricted Share Units ($)	LTIP Payouts ($)	All Other Compensation ($)
Gerald Maetche	December 31, 2002	107,200	Nil	$10,800	Nil	Nil	Nil	Nil
President and Chief	December 31, 2001	96,000	Nil	$10,800	100,000	Nil	Nil	Nil
Executive Officer (1)	December 31, 2000	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note:

(1) In connection with the Restructuring, effective October 27, 2003, Mr. Maetche resigned from his office as President and Chief Executive Officer. Mr. David L. Yager was appointed to the office of Chairman and Chief Executive Officer effective October 27, 2003. See "The Corporation - Background to the Corporation - Restructuring".

Option Plan

The Corporation has a Stock Option Plan which was approved by the Board of Directors on August 15, 1998, and adopted by the Shareholders on August 15, 1998 (the "**Plan**"). A total of 790,900 Common Shares are reserved for the issuance of Options pursuant to the Plan. The terms of the Plan are discussed below.

Under the Plan, Options may be granted at the discretion of the Board of Directors or a committee appointed by the Board of Directors, to directors, officers and employees of the Corporation. All Options granted pursuant to the Plan are exercisable at a price not less than the market price of the Common Shares on the TSX Venture at the time of grant less the maximum discount permitted by the TSX Venture. The Options shall be exercisable over a period of time specified at the time of grant, not to exceed the maximum period of time permitted by the TSX Venture, which is currently no later than the fifth anniversary of the date of grant. The maximum number of Common Shares which may be reserved for issuance under the Plan cannot exceed 790,900 Common Shares and the number of Options which can be granted to any one individual cannot exceed 5% of the number of issued and outstanding Common Shares at the time of grant.

As at December 29, 2003, there were Options outstanding to purchase 490,000 Common Shares as follows:

	Number of Common Shares	Exercise Price	Expiry Date
Officers of Patch	Nil	N/A	N/A
Directors who are not officers of Patch	20,000	$0.22	July 16, 2004

(1 person)	20,000	$0.25	May 1, 2006
All other employees of Patch (7 persons)	20,000	$0.25	May 1, 2006
	50,000	$0.25	September 14, 2006
	40,000	$0.15	August 30, 2007
	40,000	$0.10	July 2, 2008
Consultants of Patch (5 persons)	70,000	$0.22	July 16, 2004
	100,000	$0.25	May 1, 2006
	40,000	$0.25	September 14, 2006
	40,000	$0.15	August 30, 2007
	50,000	$0.15	October 16, 2007

Options Granted During the Financial Year Ended December 31, 2002

Options Grants to the former President and Chief Executive Officer during the most recently completed financial year of Patch are as follows:

Option Grants During the Most Recently Completed Financial Year

Name and Principal Position	Securities Under Options Granted	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price ($/Option)	Market Value of Common Shares Underlying Options on the Date of Grant	Expiration Date
Gerald Maetche President and Chief Executive Officer (1)	Nil	N/A	N/A	N/A	N/A

Note:

(1) In connection with the Restructuring, effective October 27, 2003, Mr. Maetche resigned from his office as President and Chief Executive Officer. Mr. David L. Yager was appointed to the office of Chairman and Chief Executive Officer effective October 27, 2003. See "The Corporation - Background to the Corporation - Restructuring".

Options Exercised During the Financial Year Ended December 31, 2002

The following table summarizes, for the former President and Chief Executive Officer, the number of Common Shares acquired pursuant to exercises of Options during the financial year ended December 31, 2002, if any, the aggregate value realized upon exercise, if any, and the number of Common Shares covered by unexercised Options under the Plan as at December 31, 2002. Value realized upon exercise, if any, is the difference between the market value of the Common Shares on the exercise date and the exercise or base price of the Option.

Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year End Option Values

2002 Option Exercises			Unexercised Options at Financial Year-End (#)		Value of Unexercised in-the-Money Options at Financial Year-End	
Name and Principal Position	Common Shares Acquired on Exercise (#)	Aggregate Value Realized ($)	Exercisable	Unexercisable	Exercisable	Unexercisable
Gerald Maetche President and Chief Executive Officer (1)	Nil	N/A	210,000(2)	Nil	Nil	Nil

Note:

(1) In connection with the Restructuring, effective October 27, 2003, Mr. Maetche resigned from his office as President and Chief Executive Officer. Mr. David L. Yager was appointed to the office of Chairman and Chief Executive Officer effective October 27, 2003. See "The Corporation - Background to the Corporation - Restructuring".

(2) During 2003, 40,000 of these Options expired.

Compensation of Directors

The directors of the Corporation received no salaries, fees, commissions, bonuses or other remuneration for their services in their capacity as directors of the Corporation during the last completed financial year of the Corporation. Effective January 1, 2004, directors will receive an annual compensation of $5,000, plus $500 for attendance at scheduled board meetings and $250 for attendance at extraordinary board meetings or meetings of board committees. In addition, the directors of the Corporation may receive Options and are reimbursed for out of pocket expenses incurred in connection with carrying out their duties as directors. See "Option Plan".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere in this Prospectus, none of the current directors, senior officers or any shareholders of the Corporation holding more than 10% of the Common Shares or any associates or affiliates of the foregoing persons or companies had any material interests, direct or indirect, in any transactions of the Corporation for past three years, or any proposed transaction which has materially affected or will materially affect the Corporation.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

Management of the Corporation is not aware of any indebtedness outstanding by directors or executive officers of the Corporation or any associate or affiliate of any director or executive officer to the Corporation or its subsidiaries at any time since the commencement of the last completed financial year of the Corporation.

PRINCIPAL SHAREHOLDERS

To the knowledge of the Corporation, the only person who beneficially owns, directly or indirectly, or exercises control or direction over, 10% or more of the Common Shares as at December 29, 2003 is set forth below:

Name and Address	Type of Ownership	Number of Common Shares	Percentage of Common Shares	Number of Common Shares After Giving Effect to the Exercise or Deemed Exercise of the Special Warrants	Percentage of Class After Giving Effect to the Exercise or Deemed Exercise of the Special Warrants
Gerald Maetche Calgary, Alberta	Registered	1,000,100	10.3%	1,000,100	3.1%

To the knowledge of the Corporation, following the exercise or deemed exercise of the Special Warrants, the only person who will beneficially own, directly or indirectly, or exercise control or direction over, 10% or more of the Common Shares is set forth below:

Name and Address	Type of Ownership	Number of Special Warrants	Percentage of Common Shares	Number of Common Shares After Giving Effect to the Exercise or Deemed Exercise of the Special Warrants	Percentage of Class After Giving Effect to the Exercise or Deemed Exercise of the Special Warrants
Viper Management Corp. West Bank, British Columbia	Registered	3,260,000	Nil	3,260,000	10.2%

PRIOR SALES

The only Common Shares issued by the Corporation within the 12 months prior to the date hereof are as follows:

Date of Issue	Number of Common Shares	Issue Price per Share	Aggregate Issue Price	Nature of Consideration	Reason for Issuance
December 3, 2003	40,000	$0.22	$8,800	Cash	Exercise of Options
December 3, 2003	40,000	$0.25	$10,000	Cash	Exercise of Options

See "The Corporation – Background to the Corporation – Restructuring" and "Details of the Offering – Special Warrants" for details of the sale and issuance of the Special Warrants.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The currently outstanding Common Shares are listed for trading on the TSX Venture under the symbol "PSS". The following table sets forth the high and low closing prices and trading volumes for the Common Shares for the periods indicated as reported by the TSX Venture:

	Price Range ($)		
Period	**High**	**Low**	**Trading Volume**
2001			
Fourth Quarter	0.16	0.05	116,500
2002			
First Quarter	0.19	0.05	213,500
Second Quarter	0.16	0.08	279,200
Third Quarter	0.14	0.07	219,500
Fourth Quarter	0.13	0.05	269,500
2003			
First Quarter	0.10	0.05	153,000
Second Quarter	0.15	0.05	253,500
July	0.13	0.09	121,500
August	0.145	0.10	186,500
September	0.17	0.13	330,000
October	0.18	0.13	227,500
November	0.28	0.19	324,000
December 1 - December 24	0.25	0.20	217,300

On September 15, 2003, the last trading day prior to the public announcement by the Corporation of the Offering, the closing trading price of the Common Shares on the TSX Venture was $0.15. On December 24, 2003, the closing price of the Common Shares on the TSX Venture was $0.21.

MATERIAL CONTRACTS

The only agreements which the Corporation has entered into within the two years prior to the date hereof which are material to the Corporation, other than agreements entered into in the ordinary course of business, are the following:

1. The Agency Agreement in respect of the Offering. See "Details of the Offering – Agency Agreement".

2. The Special Warrant Indenture creating the Special Warrants. See "Details of the Offering – Special Warrants".

The material contracts listed above may be inspected at the Corporation's principal office at or the offices of Blake, Cassels & Graydon LLP, #3500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4J8, during normal business hours for a period of 15 days following the filing of this Prospectus and may be inspected at the office of the Alberta Securities Commission, 4th Floor, 300 - 5th Avenue S.W., Calgary, Alberta, T2P 3C4, during normal business hours.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Grant Thornton LLP, Chartered Accountants, 1900, 500 - 4th Avenue S.W., Calgary, Alberta.

CIBC Mellon Trust Company at its principal office in Calgary is the transfer agent and registrar for the Common Shares and the Special Warrants.

LEGAL PROCEEDINGS

The Corporation is not involved in any material legal proceedings by or against it at this time, nor is it aware of any material potential claims which might reasonably be expected to give rise to legal proceedings as of the date hereof.

EXPERTS

As of December 29, 2003, the partners and associates of each of Blake, Cassels & Graydon LLP and Bennett Jones LLP beneficially owned, directly or indirectly, less than 1% of the Common Shares. As of December 29, 2003, the partners of Grant Thornton, as a group, did not beneficially own, directly or indirectly, any of the Common Shares.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant, who acquires Common Shares of the Corporation 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 hereto 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 shall be entitled to exercise the rights of rescission and refund granted hereunder 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 Section 203 of the *Securities Act* (Alberta) and similar sections of other applicable securities legislation or otherwise at law.

FINANCIAL STATEMENTS OF PATCH SAFETY SERVICES LTD.

1. Unaudited Financial Statements as at September 30, 2003 and September 30, 2002 and Audited Financial Statements as at December 31, 2002, December 31, 2001 and December 31, 2000

Auditors' Report

To the Directors of
Patch Safety Services Ltd.

We have audited the balance sheets of Patch Safety Services Ltd. as at December 31, 2002 and 2001 and the statements of operations and deficit and cash flows for the years ended December 31, 2002, 2001 and 2000. 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 Canadian generally accepted auditing standards. These 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and cash flows for the years ended December 31, 2002, 2001 and 2000 in accordance with Canadian generally accepted accounting principles.

(Signed) "Grant Thornton LLP"

Calgary, Alberta
February 28, 2003 (except for Note 17,
which is dated December ▪ , 2003)

Chartered Accountants

Patch Safety Services Ltd.

Balance Sheets

	September 30, 2003 (Unaudited)	December 31, 2002	December 31, 2001
Assets			
Current			
Cash and cash equivalents	**$ 23,972**	$ 15,612	$ 41,310
Receivables	**2,699,652**	1,760,073	2,314,152
Inventory	**40,800**	41,000	9,465
Prepaids and deposits	**158,072**	69,444	92,536
Other assets	**2,848**	2,848	73,508
	2,925,344	1,888,977	2,530,971
Property and equipment (Note 4)	**3,641,293**	4,047,813	4,890,412
Goodwill (Note 2)	**360,682**	360,682	610,682
	$ 6,927,319	$ 6,297,472	**$** 8,032,065
Liabilities			
Current			
Operating line of credit (Note 5)	**$ 1,388,137**	$ 856,119	$ 571,521
Payables and accruals	**1,120,079**	920,568	653,410
Demand loan (Note 6)	**883,625**	1,313,501	1,876,001
Current portion of long-term debt (Note 7)	**1,993,655**	964,103	61,942
	5,385,496	4,054,291	3,162,874
Long-term debt (Note 7)	**29,436**	1,103,717	2,077,820
Future income taxes (Note 8)	**535,000**	408,000	879,000
	5,949,932	5,566,008	6,119,694
Shareholders' Equity			
Capital stock (Note 9)	**2,313,227**	2,313,227	2,313,227
Deficit	**(1,335,840)**	(1,581,763)	(400,856)
	977,387	731,464	1,912,371
	$ 6,927,319	$ 6,297,472	$ 8,032,065

Commitments (Note 14)
Subsequent events (Note 17)
On behalf of the Board

(Signed) "David L. Yager" Director **(Signed) "Robert Petryk"** Director

See accompanying notes to the financial statements.

Patch Safety Services Ltd.
Statements of Operations and Deficit

	Nine Months Ended September 30, 2003 (Unaudited)	Nine Months Ended September 30, 2002 (Unaudited)	Years Ended December 31, 2002	Years Ended December 31, 2001	Years Ended December 31, 2000
Revenue	**$ 9,254,476**	$ 6,293,233	$ 8,257,937	$ 7,167,555	$ 1,590,588
Expenses					
Operating	**5,627,008**	3,864,704	5,137,216	4,308,383	937,406
Amortization	**490,827**	592,393	772,474	570,200	123,763
General and administrative	**2,493,022**	2,535,710	3,409,766	2,881,996	760,043
Interest and bank charges	**153,057**	109,236	155,279	144,042	22,584
Interest on long-term debt	**108,839**	107,322	143,654	71,890	23,563
	8,872,753	7,209,365	9,618,389	7,976,511	1,867,359
Earnings (loss) from operations	**381,723**	(916,132)	(1,360,452)	(808,956)	(276,771)
(Loss) gain on sale of property and equipment and other assets	**(8,633)**	27,036	19,468	57,715	-
Earnings (loss) before income taxes	**373,090**	(889,096)	(1,340,984)	(751,241)	(276,771)
Current income taxes (recovery)	**167**	50,637	60,923	(17,491)	-
Future income taxes (recovery) (Note 8)	**127,000**	(304,000)	(471,000)	(465,000)	(158,000)
	127,167	(253,363)	(410,077)	(482,491)	(158,000)
Net earnings (loss)	**$ 245,923**	$ (635,733)	$ (930,907)	$ (268,750)	$ (118,771)
Earnings (loss) per share, basic and dilutive (note 11)	**$ 0.03**	$ (0.07)	$ (0.10)	$ (0.03)	$ (0.03)
Deficit, beginning of periods	**$ (1,581,763)**	$ (400,856)	$ (400,856)	$ (132,106)	$ (13,335)
Adjustment to goodwill (Note 2)	**-**	(250,000)	(250,000)	-	-
Net earnings (loss)	**245,923**	(635,733)	(930,907)	(268,750)	(118,771)
Deficit, end of periods	**$ (1,335,840)**	$ (1,286,589)	$ (1,581,763)	$ (400,856)	$ (132,106)

See accompanying notes to the financial statements.

Patch Safety Services Ltd.
Statements of Cash Flows

	Nine Months Ended September 30, 2003	2002	Years Ended December 31, 2002	2001	2000
	(Unaudited)	(Unaudited)			
Increase (decrease) in cash and cash equivalents					
Operations					
Net earnings (loss)	**$ 245,923**	$ (635,733)	$ (930,907)	$ (268,750)	$ (118,771)
Amortization	**490,827**	592,393	772,474	570,200	123,763
Future income taxes	**127,000**	(304,000)	(471,000)	(465,000)	(158,000)
Gain on sale of property and equipment and other assets	**8,633**	(27,036)	(19,468)	(57,715)	-
Change in non-cash working capital (Note 15)	**(828,496)**	593,713	812,794	(54,572)	(218,009)
	43,887	219,337	163,893	(275,837)	(371,017)
Financing					
Advances on operating line of credit, net	**532,018**	96,515	284,598	361,301	(468,364)
Proceeds from demand loan	**-**	-	-	1,861,622	-
Repayment of demand loan	**(429,876)**	(468,641)	(562,500)	(373,999)	-
(Repayment of) proceeds from long-term debt, net	**(44,729)**	-	(71,942)	(124,304)	133,401
Issue of shares, net of costs	**-**	-	-	25,950	1,263,854
	57,413	(372,126)	(349,844)	1,750,570	928,891
Investing					
Purchase of Subsidiary (note 3)	**-**	-	-	(1,512,050)	(775,000)
Purchase of property and equipment and other assets	**(107,237)**	(85,578)	(95,711)	(273,950)	(90,935)
Proceeds on sale of property and equipment and other assets	**14,297**	218,996	255,964	385,024	3,270
Change in non-cash working capital (Note 15)	**-**	-	-	(42,776)	42,776
	(92,940)	133,418	160,253	(1,443,752)	(819,889)

(Continued)

Patch Safety Services Ltd.
Statements of Cash Flows

	Nine Months Ended September 30, 2003 (Unaudited)	Nine Months Ended September 30, 2002 (Unaudited)	Years Ended December 31, 2002	2001	2000
Net increase (decrease) in cash and cash equivalents	**8,360**	(19,371)	(25,698)	30,981	(262,015)
Cash and cash equivalents,					
Beginning of periods	**15,612**	41,310	41,310	10,329	272,344
End of periods	**$ 23,972**	$ 21,939	$ 15,612	$ 41,310	$ 10,329

See accompanying notes to the financial statements.

1. Basis of presentation

Continuation of business

The financial statements have been presented on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

Management believes that at current levels of industry activity the Company will have adequate cash flow to continue on a going concern basis at current debt levels. However, the Company has been in breach of certain covenants of its bank credit facility since March 31, 2002 and the lender has provided letters of forbearance regarding these occurrences. The facility continues to remain a demand credit facility and the lender may demand payment of any or all indebtedness owing there under at any time. The Company is also in arrears on payments due to Series I Debenture holders. Payments due on the debentures are subordinated to the bank credit facility and therefore cannot be made until the conditions of the bank credit facility have been satisfied. Subsequent to year end, the Company has initiated a restructuring plan which management feels will be adequate to maintain future operations (Note 17).

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported net loss and the balance sheet classifications used.

Nature of operations

The Company was formed for the purpose of operating, evaluating and acquiring assets and companies related to providing H_2S safety services primarily to the oil and gas industry in western Canada. The Company completed its major transaction by acquiring Patch H_2S Services Ltd. during 2000 and acquired Think H_2S Safety Ltd. during 2001 (Note 3).

Amalgamation

Effective January 1, 2002, the Company and its wholly owned subsidiaries named below were amalgamated and continued under the name Patch Safety Services Ltd. The comparative financial statements are consolidated to include the accounts of the Company and its wholly owned subsidiaries Patch H_2S Services Ltd. and Think H_2S Safety Services Ltd. from their respective dates of acquisition on September 8, 2000 and September 11, 2001.

2. Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include bank balances and highly liquid temporary money market instruments with original maturities of three months or less. The operating line of credit is considered to be a financing activity.

Inventory

Inventory is valued at the lower of cost, determined on a first in, first out basis, and net realizable value.

Amortization

Amortization is applied, using the declining balance method, to write off the cost of property and equipment over their expected useful lives, as follows:

Safety equipment	10% - 20%
Vehicles	15% - 30%
Other property and equipment	5% - 30%

Goodwill

Goodwill represents the portion of the purchase price paid on the acquisition of businesses in excess of the value assigned to identifiable net assets acquired. During 2001, goodwill was amortized on a straight-line basis over 10 years, from the date of acquisition. Effective January 1, 2002, the Company has applied the new accounting recommendations of Section 3062 of the Handbook of the Canadian Institute of Chartered Accountants ("CICA") entitled "Goodwill and Other Intangible Assets". Under the new section, goodwill with indefinite lives are no longer amortized, but are tested for impairment on adoption of the new section and at least annually thereafter. The effect of this change in the current year as a result of ceasing amortization is to increase net earnings by $67,800. The Company has completed the impairment test required on adoption of the new recommendations and written down goodwill by $250,000 against the deficit. The goodwill being adjusted pertains to the Patch H2S Services Ltd. acquisition that has been amalgamated with the Company's current operations.

2. Summary of significant accounting policies

Goodwill (Continued)

The effect of this change on prior period comparatives had the change been adopted retroactively is as follows:

Net loss as reported	$	(268,750)
Add back amortization of goodwill		67,800
Adjusted net loss	$	(200,950)
Adjusted loss per share, basic and diluted	$	(0.02)

Income taxes

The Company uses the liability method of tax allocation accounting, whereby temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the period that the temporary differences are expected to reverse.

Revenue recognition

Revenue is recognized using the percentage of completion method.

Earnings (loss) per share

The treasury stock method is used to determine the dilutive effect of stock options and warrants. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options and warrants are used to repurchase common shares at the average market rate for the period.

Stock based compensation plan

The Company has a stock-based compensation plan as described in Note 9(c).

Effective January 1, 2002, the Company adopted the new recommendations of the CICA regarding accounting for stock-based compensation. As permitted by the CICA, the Company has applied this change prospectively for new awards granted on or after January 1, 2002 and no restatement for 2001 was required as a result of the adoption of the new recommendations.

2. Summary of significant accounting policies

Stock based compensation plan (Continued)

Stock options granted to non-employees are accounted for using the fair value method under which compensation expense is recorded based on the estimated fair value of the options at the grant date.

Stock options granted to employees and directors are accounted for using the intrinsic value method, whereby no amount is recorded for stock options that have an exercise price equal to or less than the fair value of the stock at the date options are granted. However, the pro forma effect of accounting for stock options granted, had the fair value based method been used, is disclosed in the financial statements. Any consideration paid by employees on the exercise of stock options will be credited to capital stock.

Financial instruments

The Company has estimated the fair value of its financial instruments, which include cash and cash equivalents, receivables, operating line of credit, payables and accruals, demand loan, and long-term debt. The Company used valuation methodologies and market information available as at year-end and has determined that the carrying amounts of such financial instruments approximate fair value in all cases. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from and affect the results reported in these financial statements.

3. Business combination

a) Effective September 11, 2001, the Company acquired all of the issued and outstanding shares of Think H_2S Safety Ltd.("Think"), a privately owned corporation. The purchase price of $3,008,034 was provided by cash consideration of $1,130,534, 1,733,333 common shares at a price of $0.30 per share, Series I, 7.5% $950,000 subordinated convertible debenture, Series II, 7.5% $57,400 subordinated convertible debenture and a $350,000 subordinated debenture (see Note 7).

In addition, for cash consideration of $381,516, the Company purchased from companies related to Think, shareholders' loans due from Think. The fair value and carrying value of the loans was $381,516.

The acquisition was accounted for using the purchase method and the financial statements include the results of operations from the date of acquisition. The fair value of the assets acquired is summarized as follows:

Property and equipment	$ 3,914,997
Working capital	986,997
Long-term debt	(232,444)
Liabilities to related companies	(381,516)
Future income taxes	(1,280,000)
Purchase price	$ 3,008,034

b) Effective September 8, 2000, the Company acquired all of the issued and outstanding shares of Patch H2S Services Ltd., a privately owned corporation, for a purchase price of $1,460,000 provided by cash consideration of $800,000, 200,000 common shares at a price of $0.30 per share and a 6%, $600,000 debenture due on August 31, 2003.

The acquisition was accounted for using purchase method and the financial statements include the results of operations from the date of acquisition. The fair value of the assets acquired is summarized as follows:

Property and equipment	$ 1,640,720
Working capital	(193,164)
Long-term debt	(329,099)
Goodwill	678,543
Future income taxes	(337,000)
Purchase price	$ 1,460,000

4. Property and equipment

	September 30, 2003		
	Cost	**Accumulated Amortization**	**Net Book Value** (Unaudited)
Safety equipment	**$ 3,110,660**	**$ 1,036,345**	**$ 2,074,315**
Vehicles	**2,068,973**	**651,071**	**1,417,902**
Other property and equipment	**190,004**	**40,928**	**149,076**
	$ 5,369,637	**$ 1,728,344**	**$ 3,641,293**

	December 31, 2002		
	Cost	Accumulated Amortization	Net Book Value
Safety equipment	$ 3,040,435	$ 762,626	$ 2,277,809
Vehicles	2,099,971	457,645	1,642,326
Other property and equipment	157,393	29,715	127,678
	$ 5,297,799	$ 1,249,986	$ 4,047,813

	December 31, 2001		
	Cost	Accumulated Amortization	Net Book Value
Safety equipment	$ 3,141,492	$ 343,373	$ 2,798,119
Vehicles	2,206,590	184,355	2,022,235
Other property and equipment	85,956	15,898	70,058
	$ 5,434,038	$ 543,626	$ 4,890,412

5. Operating line of credit

The Company has an operating line of credit, payable on demand, to a maximum of $1,500,000 (December 31, 2002 - $1,500,000; December 31, 2001 - $1,500,000), or 75% of acceptable accounts receivable, bearing interest at bank prime plus 1.5%. Security for the operating line of credit and the demand loan (see Note 6) has been provided by a general security agreement on all book debts and property of the Company.

6. Demand loan

At September 30, 2003, the demand loan in place with the Company's lender bore interest at prime plus 2.75%, and was amortized over forty-eight months to September 1, 2005, repayable in monthly principal payments of $46,875 plus interest. The terms of the credit facility included covenants to which the Company had to comply. The covenants set out conditions including ratios of total debt to tangible net worth, current assets to current liabilities, and a calculation of rolling earnings before interest, taxes and amortization to debt service costs. The Company has been in default of one or more of these covenants since March 31, 2002. The bank, provided the Company with letters of forbearance regarding these covenants.

Subsequent to the period end, as part of the restructuring plan detailed in Note 17, the Company has entered into amended credit facilities with its banker. Under the terms of the amended agreement, the Company is required to raise $1,600,000 of new share capital with the proceeds used to repay debenture holders in the amount of $973,750 and reduce the outstanding operating loan by $626,250.

The credit facilities include a demand revolving operating loan that may be drawn upon by the Company to a maximum of $1,500,000 and bears interest at the Bank's prime rate plus 1.5% annually. The amended demand non-revolving loan totals $883,625. bears interest at the Bank's prime rate plus 1.75% and is repayable through monthly repayments of $24,550 to be fully repaid by September 30, 2006.

7. Long term debt

The issuance of subordinated debentures provided the Company with non-cash financing for the acquisitions of Patch H2S Safety Ltd. and Think H2S Safety Ltd. In addition, certain portions of Think H_2S Safety Ltd. equipment financing contracts had either zero or very low interest rates attached, and accordingly, these loans were left in place.

	September 30, 2003 **(Unaudited)**	December 31, 2002	December 31, 2001
Equipment financing contracts bearing interest from 0% to 8.45%, repayable in blended payments between $616 and $813 per month, secured by specific automotive equipment	**$ 75,591**	$ 120,320	$ 182,262
7.5% Series 1 convertible, redeemable, subordinated debenture, repayable in interest only, commencing September 2001 with principal due in September 2004	**940,000**	940,000	950,000
7.5% Series ll convertible, redeemable, subordinated debenture, repayable in interest only, commencing September 2001 with principal due in September 2004	**57,500**	57,500	57,500
Subordinated debenture, repayable with interest only at 8.5% in the first year, 9.5% in the second year and 10.5% in the third year with principal due in September 2004	**350,000**	350,000	350,000
6% convertible redeemable subordinate debenture, repayable interest only, commencing January 31, 2001 with the principal due on August 31, 2003	**600,000**	600,000	600,000
	2,023,091	2,067,820	2,139,762
Less current portion	**(1,993,655)**	(964,103)	(61,942)
	$ 29,436	$ 1,103,717	$ 2,077,820

7. Long term debt (Continued)

Included in current portion of long-term debt at September 30, 2003 are debentures payable totalling $1,947,500.

The Series I debentures contained provisions at the option of either the Company or the Holders for prepayments of 33% of the original principal amount of the debentures on or before September 30th each year until maturity. The Series I debenture holders notified the Company that they would be exercising their entitlement to the prepayment privilege and $316,667 became due on September 30, 2002. An amendment to the Series I debentures made during 2002 deferred an amount of $100,000 to November 15, 2002 and an additional amount of $216,667 to March 31, 2003. However, payments totalling $306,667 were not paid as scheduled because of covenant defaults to the demand loan. Holders of debentures have signed postponement agreements with the Company's bank. The Series I debentures as amended were convertible on or before September 30, 2003 at $0.30 per common share of the Company, and therefore at $0.35. No conversions had taken place to September 30, 2003.

The Series II debentures totalling $57,500 were convertible on or before September 30, 2003 at $0.35 per common share of the Company, and thereafter at $0.40. Holders of debentures have signed postponement agreements with the Company's bank. No conversions have taken place to September 30, 2003.

Subordinated debentures totalling $350,000 was to be repaid on September 30, 2004. Holders of debentures have signed postponement agreements with the Company's bank.

The 6% debenture in the amount of $600,000 was convertible at a conversion price of $0.30 per common share until August 31, 2003 when the balance was due in full. The Company was unable to repay the debenture as it came due. The debenture holder has signed a postponement agreement with the Company's bank. No conversions have taken place to September 30, 2003.

The debentures were renegotiated as part of the restructuring plan subsequent to the quarter end. On October 27, 2003 the debenture holders were repaid approximately 50% ($973,826) of their existing debentures and given the option to convert up to 25% of the remaining amount outstanding towards the purchase of Special Warrants at $0.115 per special warrant. As a result, holders converted an additional $158,828 of debentures into 1,381,114 Special Warrants leaving a total of $814,998 outstanding in the form of new debentures. The new debentures carry a 7.5% rate of interest payable on a monthly basis. The principal amount is repayable 50% on April 27, 2005 and the remaining 50% on October 27, 2006. The new debentures are convertible at $0.30 per common share at any time at the option of the holder. The Company has the ability to force conversion should the Company's common shares trade $0.45 per share or higher for twenty consecutive days.

7. Long term debt (Continued)

The new debentures are secured by a second floating charge over all of the assets of the Company and are subordinated to senior debt owed to the Company's bank. A sinking fund will be established whereby the Company will deposit 1/36 of the Principal Amount each month on the interest payment date into the fund. The Company, at its option, may prepay to debenture holders amounts equal to the payments to the sinking fund obligation.

8. Income taxes

(a) Provision for income taxes

	September 30, 2003 (Unaudited)	September 30, 2002 (Unaudited)	December 31, 2002	December 31, 2001	December 31, 2000
Net earnings (loss) before income taxes	**$ 373,090**	$ (889,086)	$ (1,340,984)	$ (751,241)	$ (276,771)
Effective tax rate	36.75%	39%	39%	39%	44%
Expected tax expense (recovery)	**$ 137,111**	$ (346,747)	$ (522,984)	$ (293,200)	$ (121,800)
Share issue costs	**(18,819)**	(19,971)	(26,630)	(26,700)	(33,400)
Other	-	113,355	139,537	(24,591)	(2,800)
Income tax rate change	**(24,000)**	-	-	(138,000)	-
Income tax expense (recovery)	**$ 127,167**	$ (253,363)	$ (410,077)	$ (482,491)	$ (158,000)

(b) Temporary differences for future income taxes are comprised of the following:

	September 30, 2003	September 30, 2002	December 31, 2002	December 31, 2001
Property and equipment	**$ 1,043,000**	$ 1,296,000	$ 1,241,000	$ 1,445,000
Non-capital losses carried forward	**(476,000)**	(657,000)	(776,000)	(480,000)
Share issue and financing costs	**(32,000)**	(64,000)	(57,000)	(86,000)
Future income taxes payable	**$ 535,000**	$ 575,000	$ 408,000	$ 879,000

8. Income taxes (Continued)

(c) Tax losses

The Company has incurred losses for income tax purposes at December 31, 2002, of approximately $2,040,000, the related benefit of which has been recognized in the financial statements as a reduction of future income taxes. Unless sufficient taxable income is earned these losses will expire as follows:

2006	$	412,000
2007		413,000
2008		382,000
2009		833,000

9. Capital stock

a) Authorized:

Unlimited number of common shares without par value
Unlimited number of preferred shares, issuable in series.

b) Issued and outstanding:

Common	**September 30, 2003** Number of Shares (Unaudited)	**Amount (Unaudited)**	December 31, 2002 Number of Shares	Amount	December 31, 2001 Number of Shares	Amount
Balance, beginning of periods	**9,691,833**	**$ 2,313,227**	9,691,833	$ 2,313,227	7,700,000	$ 1,754,278
Issued for cash	**-**	**-**	-	-	150,000	30,000
Issued on Acquisition of Subsidiary (Note 3[a])	**-**	**-**	-	-	1,733,333	520,000
Issued for services rendered and employee bonuses	**-**	**-**	-	-	108,500	29,625
Less share issue costs (net of future tax benefits of $13,000 in 2001)	**-**	**-**	-	-	-	(20,676)
Balance, end of periods	**9,691,833**	**$ 2,313,227**	9,691,833	$ 2,313,227	9,691,833	$ 2,313,227

9. Capital stock (Continued)

c) Stock options

Pursuant to an incentive stock option plan, a maximum of 790,900 Common shares of the Company are reserved from time to time, for issuance to eligible participants. Option prices and vesting terms are determined by the directors at the time of granting. The term of options granted does not exceed five years. At September 30, 2003, options were outstanding for the issue of 650,000 common shares (December 31, 2002 – 780,000; December 31, 2001 – 700,000) to directors, officers, employees and consultants, with exercise prices from $0.15 to $0.25 per share, expiring July 16, 2004 to October 15, 2007 and a weighted average remaining contractual life of 2.7 years (December 31, 2002 – 3.1 years; December 31, 2001 – 3.7 years).

	September 30, 2003 (Unaudited)		December 31, 2002		December 31, 2001	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of periods	**780,000**	**$0.22**	700,000	$0.26	750,000	$0.27
Forfeited	**(170,000)**	**$0.19**	(120,000)	$0.23	(560,000)	$0.24
Granted	**40,000**	**$0.10**	200,000	$0.15	510,000	$0.25
Outstanding at end of periods	**650,000**	**$0.21**	780,000	$0.22	700,000	$0.26

Exercise prices	Number outstanding at September 30, 2003	Weighted average remaining contractual life	Number exercisable at September 30, 2003
$0.10	40,000	4.25	40,000
$0.15	130,000	3.97	130,000
$0.22	130,000	0.75	130,000
$0.25	350,000	2.68	350,000
	650,000		650,000

9. **Capital stock** (Continued)

d) Warrants

Under the terms of a prospectus dated June 20, 2000, the Company issued 5,000,000 units at a price of $0.30 per unit with each unit consisting of one common share of the capital of the Company and one share purchase warrant. Each Warrant entitled the holder to purchase one common share at a price of $0.40 until August 31, 2001. The value of the Company stock at August 31, 2001 was less than the purchase warrant exercise price. Accordingly, the warrants expired without being exercised.

10. Stock based compensation plan

The Company has prospectively adopted the new recommendations for "Stock-based compensation". This adoption had no effect on the financial statements other than additional pro-forma disclosures as if the fair value method had been used to account for the award of options. Had compensation cost for the Company's stock option plan been determined based on the fair value method at the grant dates for awards under the plan after January 1, 2002, the Company's pro-forma, net earnings (loss) and the pro-forma net earnings (loss) per common share would be as follows:

		September 30, 2003		December 31, 2002
Net earnings (loss)				
As reported	**$**	**245,923**	$	(930,907)
Less fair value of stock options		**(3,653)**		(53,127)
Pro forma	**$**	**242,270**	$	(984,034)
Net earnings (loss) per common share – basic and diluted				
As reported	**$**	**0.03**	$	(0.10)
Pro forma	**$**	**0.02**	$	(0.10)

The weighted average fair market value of options granted for the periods ended September 30, 2003 and December 31, 2002 are $0.09 and $0.10 per option, respectively. The fair value of each option granted was estimated on the date of grant using the Modified Black-Scholes option-pricing model with the following assumptions:

10. Stock based compensation plan (Continued)

	September 30, 2003	December 31, 2002
Risk-free interest rate	3.62%	4.74%
Estimated hold period prior to exercise (years)	5.0	5.0
Volatility in the price of the Company's common shares	149.24%	212.66%

11. Per share amounts

Basic earnings per common share is computed by dividing earnings by the weighted average number of common shares is outstanding for the year. Diluted earnings per common share are computed by dividing earnings by the diluted weighted average number of common shares outstanding for the year. In the calculation of diluted per share amounts, options under the stock option plan are assumed to have been converted or exercised on the later of the beginning of the year and the date granted. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised and the proceeds on the exercise were used to repurchase Company shares at the weighted average market price during the period.

	September 30,		December 31,		
	2003	2002	2002	2001	2000
Basic	**9,691,833**	9,696,833	9,691,833	8,410,622	4,203,836
Share issued pursuant to stock options and warrants	**6,247**	-	-	-	-
Diluted	**9,698,080**	9,691,833	9,691,833	8,410,622	4,203,836

In calculating diluted earnings per share for the period ended September 30, 2003, the Company excluded 610,000 options because the exercise price was greater than the average market price of its common shares of $0.12. The per share amounts for September 30, 2002, and December 31, 2002, 2001 and 2000 were anti-dilutive because the Company was in a loss position.

Effective December 31, 2000, the Company changed its policy for calculating earnings per share to comply with the new standards approved by the CICA. This change had no effect on the earnings per share value.

12. Related party transactions

The following outlines related party transactions, all of which are in the normal course of operations and are measured at an exchange value, which approximates an arms' length equivalent.

The Company incurred rent on the Whitecourt facility of $50,705 (September 30, 2002 - $52,131; December 31, 2002 - $21,624; December 31, 2001 - $37,131; December 31, 2000 - $Nil) and administrative services of $27,900 (September 30, 2002 - $43,400; December 31, 2002 - $55,550; December 31, 2001 - $36,610; December 31, 2000 - $Nil) from a company controlled by a director of the Company. The Company sold products and services to a company significantly influenced by a director of the Company of $37,838 (September 30, 2002 - $50,084; December 31, 2002 - $69,524; December 31, 2001 - $18,247; December 31, 2000 - $Nil), of which $22,942 (September 30, 2002 - $13,966; December 31, 2002 - $19,597; December 31, 2001 - $6,673) is included in receivables at period end.

During the period, the Company rented equipment from a company controlled by certain directors. The total rental payments for the period totalled $20,135 (September 30, 2002 – $16,480; December 31, 2002 - $21, 624; December 31, 2001 - $37,131; December 31, 2000 - $11,001) of which $20,580 (December 31, 2002 - $16,037; December 31, 2001 - $Nil) remains in payables and accruals at period end.

Included in long-term debt are certain debentures, which are held or controlled by directors of the Company. At period end the debentures owing to related parties totalled $1,423,750 (September 30, 2002 - $1,423,750; December 31, 2002 - $1,423,750; December 31, 2001 - $1,423,750; December 31, 2000 - $600,000). During the period, interest expense on these debentures was $78,234 (September 30, 2002 - $75,961; December 31, 2002 - $102,156; December 31, 2001 - $55,719) of which $17,195 (September 30, 2002 - $20,195; December 31, 2002 - $23,195; December 31, 2001 $28,407; December 30, 2000 - $12,000) was included in payables and accruals at period end.

13. Geographic segments

The Company's international operations were sold in November 2001. Since 2002 all operations were conducted in Canada. The following information relates to the Company's geographic areas of operation.

	2001	2000
Revenues		
Canada	**$** 6,926,176	$ 1,493,780
Middle East	241,379	96,808
	$ 7,167,555	$ 1,590,588
Property and equipment		
Canada	**$ 4,890,412**	$ 1,315,122
Middle East	-	289,500
	$ 4,890,412	$ 1,604,622

14. Commitments

The Company leases certain shop and office space and vehicles and equipment under operating leases for various periods until 2007. Future minimum lease payments under these leases in each of the next five years are as follows:

2003	$ 66,000
2004	146,000
2005	140,000
2006	94,000
2007	49,000

15. Supplementary cash flow information

Increase (decrease) in non-cash working capital

	September 30,		December 31,		
	2003 (Unaudited)	2002 (Unaudited)	2002	2001	2000
Receivables	**$ (939,579)**	$ 506,943	$ 554,079	$ (1,386,193)	$ (924,685)
Inventory	**200**	(13,735)	(31,535)	14,295	(23,760)
Prepaids and deposits	**(88,628)**	(6,090)	23,092	(42,406)	(19,130)
Payables and accruals	**199,511**	106,595	267,158	329,959	306,922
Non-cash working capital of subsidiary at the date of acquisition, exclusive of bank indebtedness	**-**	-	-	986,997	485,420
Net change in non-cash operating working capital	**$ (828,496)**	$ 593,713	$ 812,794	$ (97,348)	$ (175,233)
Operating activities	**$ (828,496)**	$ 593,713	$ 812,794	$ (54,572)	$ (218,009)
Investing activities	**-**	-	-	(42,776)	42,776
	$ (828,496)	$ 593,713	$ 812,794	$ (97,348)	$ (175,233)
Interest paid	**$ 261,896**	$ 216,558	$ 300,540	$ 172,122	$ 46,147
Income taxes paid (recovered)	**$ -**	$ -	$ (5,685)	$ -	$ -

16. Comparative amounts

Certain amounts have been restated to conform to presentation adopted in the current year.

17. Subsequent event

On October 27, 2003 the Company initiated a plan to restructure, as follows:

1. The Company issued 22,353,505 Special Warrants with gross proceeds of $2,570,653. Each Special Warrant entitles the holder to one common share without further consideration. Proceeds of the Special Warrants issue were used to repay 50% of outstanding debentures with the remaining amount raised repaid to the Company's lender to reduce outstanding indebtedness.

2. Outstanding debentures were renegotiated (see Note 7). In addition to the repayment of $973,826, the debenture holders also received Special Warrants in payment of $158,828 of debentures outstanding reducing the total owed to debenture holders through replacement debentures to $814,998. Under the terms of the replacement debentures, 50% of the outstanding amount ($407,499) must be repaid on April 27, 2005 and the remaining 50% on October 27, 2006.

3. The Company has entered into amended credit facilities with its banker (see Note 6). Conditions precedent to the agreement included raising additional share capital in the amount of $1,600,000, repaying debenture holders in the amount of $973,750, and reducing the outstanding operating loan by $626,250. The amended demand non-revolving loan totalling $883,625 bears interest at the Bank's prime rate plus 1.75% and is repayable through monthly repayments of $24,550 to be fully repaid by September 30, 2006.

The restructuring has improved the Company's liquidity and working capital position to the extent that the Company is no longer in default of any lenders debt covenants.

FINANCIAL STATEMENTS OF THINK H_2S SAFETY SERVICES LTD.

1. Unaudited Financial Statements as at August 31, 2001

2. Unaudited Financial Statements as at April 30, 2001 and April 30, 2000

THINK H2S SAFETY SERVICE LTD.

FINANCIAL STATEMENTS

(Unaudited)

Four Months

AUGUST 31, 2001

THINK H2S SAFETY SERVICE LTD.

BALANCE SHEET
(Unaudited)
Four Months

AS AT AUGUST 31, 2001
ASSETS

	August 31 2001	April 30 2001
CURRENT		
Bank and cash	$ 117,359	$ 200
Accounts receivable (Note 1)	2,147,025	1,911,399
Prepaid expenses	6,378	31,888
Deposits	150	150
	$ 2,270,912	$ 1,943,637
MARKETABLE SECURITIES AND INVESTMENTS (Note 2)	$ 73,508	$ 73,508
CAPITAL ASSETS (Note 3)	$ 821,918	$ 852,276
	$ 3,166,338	$ 2,869,421

LIABILITIES

	August 31 2001	April 30 2001
CURRENT		
Bank overdraft	$ -	$ 273,700
Accounts payable and accrued liabilities	580,535	411,116
Income taxes payable	542,972	310,431
Current Portion of Long Term Debt(Note 4)	233,916	244,800
	$ 1,357,423	$ 1,240,047
LONG TERM DEBT(Note 4)	$ 232,444	$ 273,363
DUE TO SHAREHOLDERS (Note 5)	$ 381,516	$ 545,016
	$ 1,971,383	$ 2,058,426

SHAREHOLDER'S EQUITY

	August 31 2001	April 30 2001
CAPITAL STOCK (Note 6)	$ 100	$ 100
RETAINED EARNINGS	$ 1,194,855	$ 810,895
	$ 1,194,955	$ 810,995
	$ 3,166,338	$ 2,869,421

APPROVED ON BEHALF OF THE BOARD:

(signed) "David L. Yager", Director

(signed) "Robert Petryk", Director

Refer Accompanying Notes to Finacial Statement

THINK H2S SAFETY SERVICE LTD.

STATEMENT OF INCOME AND RETAINED EARNINGS
(Unaudited)
Four Months
FOR THE PERIOD ENDED AUGUST 31, 2001

	August 31	April 30
	2001	**2001**
REVENUE	$ 3,196,551	$ 6,596,183
INTEREST INCOME	$ 332	$ 1,213
TOTAL REVENUE	$ 3,196,883	$ 6,597,396
EXPENSES		
Advertising	$ 19,605	$ 68,205
Amortization	74,777	289,940
Bad Debt expense(recovered)	-	(4,321)
Dues, fees, subscriptions	547	9,151
Entertainment, meals	22,996	59,814
Equipment Rent	168,881	160,057
Freight	7,979	25,016
Fuel	85,228	297,605
Insurance	38,390	78,447
Interest - term	10,915	48,975
Interest and bank charges	1,565	4,570
Legal and accounting	21,032	44,198
Management Fees	59,782	-
Meetings and Seminars	14,203	58,292
Office expenses	14,986	34,511
Property Taxes	14,400	14,895
Rent	43,371	147,411
Repairs and Maintenance	133,511	383,285
Salaries and wages	531,790	1,368,072
Small tools, supplies	180,559	307,528
Subcontract	885,567	2,131,211
Subsistence and travel	149,046	212,322
Telephone	48,177	114,439
Utilities	9,608	39,636
	$ 2,536,915	$ 5,893,259
INCOME FROM OPERATIONS	$ 659,968	$ 704,137

Refer Accompanying Notes to Finacial Statement

THINK H2S SAFETY SERVICE LTD.

STATEMENT OF INCOME AND RETAINED EARNINGS

(Unaudited)

Four months

FOR THE PERIOD ENDED AUGUST 31, 2001

	August 31 2001	April 30 2001
INCOME FROM OPERATIONS	$ 659,968	$ 704,137
GAIN - CAPITAL ASSETS	$ -	$ 105,925
GAIN - INVESTMENTS	$ -	$ 70,659
PROVISION FOR INCOME TAXES	$ (274,541)	$ (310,431)
NET INCOME	$ 385,427	$ 570,290
RETAINED EARNINGS, beginning of year	$ 810,895	$ 251,119
PRIOR PERIOD ADJUSTMENT	$ (1,467)	$ (10,514)
RETAINED EARNINGS, end of year	$ 1,194,855	$ 810,895

Refer Accompanying Notes to Finacial Statement

THINK H2S SAFETY SERVICE LTD.

STATEMENT OF CASH FLOWS
(Unaudited)
Four Months
AUGUST 31, 2001

	August 31 2001	April 30 2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 385,427	$ 570,289
Amortization	74,777	289,940
Gain on sale capital assets	-	(105,925)
Prior period adjustment	(1,467)	(10,514)
Decrease (Increase) in accounts receivable	(235,626)	(595,180)
Decrease (increase) in prepaid expenses	25,510	(31,888)
Increase (Decrease) in accounts payable and accrued liabilities	169,419	156,869
Increase (decrease) in interest and income taxes payable	232,541	262,208
	650,581	535,799
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to capital assets	(44,419)	(310,087)
Proceeds on disposal of capital assets	-	139,798
Decrease (Increase) in marketable securities	-	19,340
	(44,419)	(150,949)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (to) from shareholders	(163,500)	(226,586)
Proceeds from bank loan	36,632	684,797
Payments made on long-term debt	(88,435)	(895,390)
	(215,303)	(437,179)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	390,859	(52,329)
NET CASH AND CASH EQUIVALENTS, beginning of year	(273,500)	(221,171)
NET CASH AND CASH EQUIVALENTS, end of year	$ 117,359	$ (273,500)

Refer Accompanying Notes to Finacial Statement

THINK H2S SAFETY SERVICE LTD.

STATEMENT OF CASH FLOWS
(Unaudited)
Four Months
AUGUST 31, 2001

	August 31	**April 30**
	2001	**2001**
CASH IS REPRESENTED BY:		
Petty Cash	200	200
Bank (overdraft)	117,159	(273,700)
Revolving loan	-	-
	117,359	(273,500)

Refer Accompanying Notes to Finacial Statement

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)
Four Months

AUGUST 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Think H2S Safety Service Ltd. was incorporated under the Business Corporations Act in the Province of Alberta, April 1989. The company derives it's revenues primarily from providing services to the oil and gas industry

(b) The shareholders of Think H2S Safety Service Ltd. have entered into a securities purchase and sales agreement with Patch Safety Services Ltd. to sell the shares held in Think H2S Safety Service Ltd. Under subsection 249(4) of the Income Tax Act, a Change of Control Financial Statement is required as at August 31, 2001.

(c) ACCOUNTS RECEIVABLE

Accounts Receivable are stated net of allownace for doubtful accounts as follows:

	August 31 2001	**April 30 2001**
Accounts Receivable	$ 2,151,556	$ 1,915,930
Less: Allowance for Doubtful accounts	$ (4,531)	$ (4,531)
	$ 2,147,025	$ 1,911,399

(d) Capital Assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Building	- 5% diminishing balance
Equipment	- 20% diminishing balance
Computer Equipment	- 30% diminishing balance
Automotive Equipment	- 30% diminishing balance

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)
Four Months

AUGUST 31, 2001

2. MARKETABLE SECURITIES AND INVESTMENTS

Marketable securities and investments are held at cost or net realizable value

	August 31 2001	April 30 2001
Shares and Marketable Securities	$ 72,858	$ 72,858
Investments	$ 650	$ 650
	$ 73,508	$ 73,508

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net August 31 2001	Net April 30 2001
Land	$ 10,000	$ -	$ 10,000	$ 10,000
Building	$ 30,000	$ 11,408	$ 18,592	$ 18,907
Equipment	$ 858,962	$ 514,086	$ 344,876	$ 357,990
Computer Equipment	$ 25,779	$ 18,196	$ 7,583	$ 8,425
Automotive equipment	$ 1,140,209	$ 699,342	$ 440,867	$ 456,954
	$ 2,064,950	$ 1,243,032	$ 821,918	$ 852,276

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)
Four Months

AUGUST 31, 2001

4. LONG TERM DEBT

	August 31 2001	April 30 2001
Bank of Nova Scotia, 7.95%, repayable in blended monthly installments of $798, due September 2001, general security agreement over equipment		
	$ 793	$ 3,911
less current portion long term debt	$ 793	$ 3,911
	$ -	$ -
Alberta Treasury Branch, 8.50%, repayable in blended monthly installments of $4,250, due August 2004, secured by general security agreement over equipment		
	$ 126,419	$ 139,562
less current portion long term debt	$ 41,860	$ 40,699
	$ 84,559	$ 98,863
Alberta Treasury Branch, 8.50%, repayable in blended monthly installments of $3,200, due November 2002, secured by general security agreement over equipment		
	$ 43,955	$ 55,293
less current portion long term debt	$ 36,047	$ 35,045
	$ 7,908	$ 20,248
Alberta Treasury Branch, 8.50%, repayable in blended monthly installments of $3,000, due December 2003, secured by general security agreement over equipment		
	$ 68,598	$ 78,456
less current portion long term debt	$ 31,373	$ 30,501
	$ 37,225	$ 47,955
Alberta Treasury Branch, 8.50%, repayable in blended monthly installments of $2,700, due December 2002, secured by general security agreement over equipment		
	$ 37,356	$ 46,915
less current portion long term debt	$ 30,390	$ 29,546
	$ 6,966	$ 17,369

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)
Four Months

AUGUST 31, 2001

	August 31 2001	April 30 2001
Alberta Treasury Branch, 8.50%, repayable in blended monthly installments of $2,550, due February 2002, secured by general security agreement over equipment	$ 39,542	$ 48,459
less current portion long term debt	$ 28,326	$ 27,537
	$ 11,216	$ 20,922
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $780, due January 2002, secured by a specific security agreement over automotive	$ 3,118	$ 6,236
less current portion long term debt	$ 3,118	$ 6,236
	$ -	$ -
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $780, due January 2002, secured by a specific security agreement over automotive	$ 3,118	$ 6,236
less current portion long term debt	$ 3,118	$ 6,236
	$ -	$ -
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $780, due January 2002, secured by a specific security agreement over automotive	$ 3,118	$ 6,236
less current portion long term debt	$ 3,118	$ 6,236
	$ -	$ -
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $780, due January 2002, secured by a specific security agreement over automotive	$ 3,118	$ 6,236
less current portion long term debt	$ 3,118	$ 6,236
	$ -	$ -

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)
Four Months

AUGUST 31, 2001

	August 31 2001	April 30 2001
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $780, due January 2002, secured by a specific security agreement over automotive	$ 3,118	$ 6,236
less current portion long term debt	$ 3,118	$ 6,236
	$ -	$ -
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $788, due January 2002, secured by a specific security agreement over automotive	$ 3,154	$ 6,308
less current portion long term debt	$ 3,154	$ 6,308
	$ -	$ -
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $742, due February 2002, secured by a specific security agreement over automotive	$ 4,502	$ 7,472
less current portion long term debt	$ 4,502	.$ 7,472
	$ -	$ -
Finance Contract, GMAC, 1.90%, repayable in blended monthly installments of $715, due November 2003, secured by a specific security agreement over automotive	$ 18,892	$ 21,624
less current portion long term debt	$ 8,297	$ 8,245
	$ 10,595	$ 13,379
Finance Contract, Ford Motor Credit, 0%, repayable in blended monthly installments of $776, due July 2003, secured by a specific security agreement over automotive	$ 17,306	$ 20,329
less current portion long term debt	$ 9,068	$ 9,068
	$ 8,238	$ 11,261

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)
Four Months

AUGUST 31, 2001

	August 31 2001	April 30 2001
Alberta Treasury Branch Conditional Sales Contract, 8.45%, repayable in blended monthly installments of $626, due October 2004, secured by specific security agreement over automotive	$ 20,816	$ 22,702
less current portion long term debt	$ 5,984	$ 5,819
	$ 14,832	$ 16,883
Finance Contract, GMAC, .90%, repayable in blended monthly installments of $813, due January 2005, secured by specific security agreement over automotive	$ 32,805	$ 35,952
less current portion long term debt	$ 9,497	$ 9,469
	$ 23,308	$ 26,483
Finance Contract, GMAC, .90%, repayable in blended monthly installments of $777, due August 2005, secured by specific security agreement over automotive	$ 36,632	$ -
less current portion long term debt	$ 9,035	$ -
	$ 27,597	$ -

Annual repayment of long term debt in each of the next five fiscal years will be approximately as follows:

2002	$233,916
2003	$147,698
2004	$ 70,167
2005	$ 14,579
2006	$ NIL
TOTAL	$466.360

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)
Four Months

AUGUST 31, 2001

5. DUE TO SHAREHOLDERS

As there are no fixed terms of repayment, the loans are classified as non-current. The loans are unsecured and bear no interest.

6. CAPITAL STOCK

Authorized

5,000 Class A common, voting
5,000 Class B common, non voting
5,000 Class C common, non voting
5,000 Class D common, non voting
50,000 Class E preferred, redeemable

		August 31 2001	April 30 2001
Issued and fully paid			
100	common shares	$ 100	$ 100

7. OPERATING LEASES

The company has entered into operating leases as follows:

Lease #	Equipment	Date	Amount	Term
1	1997Kenworth	December 1998	$ 2,619	36 months
2	1998 Dodge	November 1998	$ 825	36 months

The next two years committment on the operating leases is as follows:

2002	$14,601
2003	$ NIL
	$27,552

THINK H2S SAFETY SERVICE LTD.

FINANCIAL STATEMENTS
(Unaudited)

30 APRIL, 2001

THINK H2S SAFETY SERVICE LTD.

BALANCE SHEET
(Unaudited)

AS AT 30 APRIL, 2001
ASSETS

	2001	2000
CURRENT		
Cash	$ 200	$ 200
Accounts receivable (Note 1)	1,911,399	1,316,218
Prepaid expenses	31,888	-
Deposits	150	150
	$ 1,943,637	$ 1,316,568
MARKETABLE SECURITIES AND INVESTMENTS (Note 2)	$ 73,508	$ 92,848
CAPITAL ASSETS (Note 3)	$ 852,276	$ 866,002
	$ 2,869,421	$ 2,275,418

LIABILITIES

	2001	2000
CURRENT		
Bank overdraft	$ 273,700	$ 221,371
Accounts payable and accrued liabilities	411,116	254,249
Income taxes payable	310,431	48,223
Current Portion of Long Term Debt(Note 4)	244,800	246,593
	$ 1,240,047	$ 770,436
LONG TERM DEBT(Note 4)	$ 273,363	$ 482,161
DUE TO SHAREHOLDERS (Note 5)	$ 545,016	$ 771,602
	$ 2,058,426	$ 2,024,199

SHAREHOLDER'S EQUITY

	2001	2000
CAPITAL STOCK (Note 6)	$ 100	$ 100
RETAINED EARNINGS	$ 810,895	$ 251,119
	$ 810,995	$ 251,219
	$ 2,869,421	$ 2,275,418

APPROVED ON BEHALF OF THE BOARD:

(signed) "David L. Yager", Director

(signed) "Robert Petryk", Director

Refer Accompanying Notes to Finacial Statement

THINK H2S SAFETY SERVICE LTD.

STATEMENT OF INCOME AND RETAINED EARNINGS
(Unaudited)
FOR THE YEAR ENDED 30 APRIL, 2001

	2001	**2000**
REVENUE	$ 6,596,183	$ 5,137,049
INTEREST INCOME	$ 1,213	$ 531
TOTAL REVENUE	$ 6,597,396	$ 5,137,580
EXPENSES		
Advertising	$ 68,205	$ 64,346
Amortization	289,940	311,631
Bad Debt expense(recovered)	(4,321)	24,383
Dues, fees, subscriptions	9,151	8,802
Entertainment, meals	59,814	69,314
Equipment Rent	160,057	188,211
Freight	25,016	18,487
Fuel	297,605	207,767
Insurance	78,447	97,465
Interest - term	48,975	27,551
Interest and bank charges	4,570	15,696
Legal and accounting	44,198	6,718
Management Fees	-	200,000
Meetings and Seminars	58,292	44,917
Office expenses	34,511	30,790
Property Taxes	14,895	6,846
Rent	147,411	101,156
Repairs and Maintenance	383,285	280,097
Salaries and wages	1,368,072	963,553
Small tools, supplies	307,528	338,680
Subcontract	2,131,211	1,813,949
Subsistence and travel	212,322	142,857
Telephone	114,439	118,568
Utilities	39,636	21,417
	$ 5,893,259	$ 5,103,201
INCOME FROM OPERATIONS	$ 704,137	$ 34,379

Refer Accompanying Notes to Finacial Statement

THINK H2S SAFETY SERVICE LTD.

STATEMENT OF INCOME AND RETAINED EARNINGS
(Unaudited)
FOR THE YEAR ENDED 30 APRIL, 2001

	2001	2000
INCOME FROM OPERATIONS	$ 704,137	$ 34,379
GAIN - CAPITAL ASSETS	$ 105,925	$ 92,903
GAIN - INVESTMENTS	$ 70,659	$ -
PROVISION FOR INCOME TAXES	$ (310,431)	$ (48,223)
NET INCOME	$ 570,290	$ 79,059
RETAINED EARNINGS, beginning of year	$ 251,119	$ 172,060
PRIOR PERIOD ADJUSTMENT	$ 10,514	$ -
RETAINED EARNINGS, end of year	$ 810,895	$ 251,119

Refer Accompanying Notes to Finacial Statement

THINK H2S SAFETY SERVICE LTD.

STATEMENT OF CASH FLOWS
(Unaudited)
30 APRIL, 2001

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 570,290	$ 79,058
Amortization	289,940	311,631
Gain on sale capital assets	(105,925)	(92,903)
Prior period adjustment	(10,514)	-
Decrease (Increase) in accounts receivable	(595,181)	(356,839)
Decrease (increase) in prepaid expenses	(31,888)	-
Increase (Decrease) in accounts payable and accrued liabilities	156,867	77,984
Increase (decrease) in interest and income taxes payable	262,208	45,970
	535,797	64,901
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to capital assets	(310,087)	(703,851)
Proceeds on disposal of capital assets	139,798	188,088
Decrease (increase) in marketable securities	19,340	(92,198)
	(150,949)	(607,961)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (to) from shareholders	(226,586)	34,777
Proceeds from bank loan	39,014	684,797
Payments made on long-term debt	(249,605)	(165,444)
	(437,177)	554,130
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(52,329)	11,070
NET CASH AND CASH EQUIVALENTS, beginning of year	(221,171)	(232,241)
NET CASH AND CASH EQUIVALENTS, end of year	$ (273,500)	$ (221,171)

Refer Accompanying Notes to Finacial Statement

THINK H2S SAFETY SERVICE LTD.

STATEMENT OF CASH FLOWS
(Unaudited)
30 APRIL, 2001

	2001	2000
CASH IS REPRESENTED BY:		
Petty Cash	200	200
Bank (overdraft)	(273,700)	(221,371)
Revolving loan	-	-
	(273,500)	(221,171)

Refer Accompanying Notes to Finacial Statement

THINK H2S SAFETY SERVICE LTD.

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

30 APRIL, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Think H2S Safety Service Ltd. was incorporated under the Business Corporations Act in the Province of Alberta, April 1989. The company derives it's revenues primarily from providing services to the oil and gas industry

(b) The shareholders of Think H2S Safety Service Ltd. entered into a securities purchase and sales agreement with Patch Safety Services Ltd. to sell the shares held in Think H2S Safety Service Ltd. The sale was concluded susbsequent to the year end.

(c) ACCOUNTS RECEIVABLE

Accounts Receivable are stated net of allownace for doubtful accounts as follows:

	2001	**2000**
Accounts Receivable	$ 1,915,930	$ 1,367,232
Less: Allowance for Doubtful accounts	$ (4,531)	$ (51,014)
	$ 1,911,399	$ 1,316,218

(d) Capital Assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Building	- 5% diminishing balance
Equipment	- 20% diminishing balance
Computer Equipment	- 30% diminishing balance
Automotive Equipment	- 30% diminishing balance

2. MARKETABLE SECURITIES AND INVESTMENTS

Marketable securities and investments are held at cost or net realizable value

	2001	**2000**
Shares and Marketable Securities	$ 72,858	$ 63,198
Investments	$ 650	$ 29,650
	$ 73,508	$ 92,848

THINK H2S SAFETY SERVICE LTD.

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

30 APRIL, 2001

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2001	Net 2000
Land	$ 10,000	$ -	$ 10,000	$ 10,000
Building	$ 30,000	$ 11,093	$ 18,907	$ 19,902
Equipment	$ 847,443	$ 489,452	$ 357,991	$ 267,395
Computer Equipment	$ 25,779	$ 17,354	$ 8,425	$ 8,736
Automotive equipment	$ 1,107,309	$ 650,356	$ 456,953	$ 559,969
	$ 2,020,531	$ 1,168,255	$ 852,276	$ 866,002

4. LONG TERM DEBT

	2001	2000
Bank of Nova Scotia, 7.95%, repayable in blended monthly installments of $798, due September 2001, general security agreement over equipment	$ 3,911	$ 12,786
less current portion long term debt	$ 3,911	$ 8,875
	$ -	$ 3,911
Alberta Treasury Branch, 8.50%, repayable in blended monthly installments of $4,250, due August 2004, secured by general security agreement over equipment	$ 139,562	$ 176,945
less current portion long term debt	$ 40,699	$ 37,394
	$ 98,863	$ 139,551
Alberta Treasury Branch, 8.50%, repayable in blended monthly installments of $3,200, due November 2002, secured by general security agreement over equipment	$ 55,293	$ 87,483
less current portion long term debt	$ 35,045	$ 32,199
	$ 20,248	$ 55,284

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

30 APRIL, 2001

	2001	2000
Alberta Treasury Branch, 8.50%, repayable in blended monthly installments of $3,000, due December 2003, secured by general security agreement over equipment		
	$ 78,456	$ 106,474
less current portion long term debt	$ 30,501	$ 28,025
	$ 47,955	$ 78,449
Alberta Treasury Branch, 8.50%, repayable in blended monthly installments of $2,700, due December 2002, secured by general security agreement over equipment		
	$ 46,915	$ 74,055
less current portion long term debt	$ 29,546	$ 27,147
	$ 17,369	$ 46,908
Alberta Treasury Branch, 8.50%, repayable in blended monthly installments of $2,550, due February 2002, secured by general security agreement over equipment		
	$ 48,459	$ 73,757
less current portion long term debt	$ 27,537	$ 25,301
	$ 20,922	$ 48,456
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $780, due January 2002, secured by a specific security agreement over automotive		
	$ 6,236	$ 15,591
less current portion long term debt	$ 6,236	$ 9,355
	$ -	$ 6,236
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $780, due January 2002, secured by a specific security agreement over automotive		
	$ 6,236	$ 15,591
less current portion long term debt	$ 6,236	$ 9,355
	$ -	$ 6,236

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

30 APRIL, 2001

	2001	2000
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $780, due January 2002, secured by a specific security agreement over automotive	$ 6,236	$ 15,591
less current portion long term debt	$ 6,236	$ 9,355
	$ -	$ 6,236

	2001	2000
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $780, due January 2002, secured by a specific security agreement over automotive	$ 6,236	$ 15,591
less current portion long term debt	$ 6,236	$ 9,354
	$ -	$ 6,237

	2001	2000
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $780, due January 2002, secured by a specific security agreement over automotive	$ 6,236	$ 15,591
less current portion long term debt	$ 6,236	$ 9,354
	$ -	$ 6,237

	2001	2000
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $788, due January 2002, secured by a specific security agreement over automotive	$ 6,308	$ 15,770
less current portion long term debt	$ 6,308	$ 9,462
	$ -	$ 6,308

	2001	2000
Finance Contract, GMAC, 0%, repayable in blended monthly installments of $742, due February 2002, secured by a specific security agreement over automotive	$ 7,472	$ 16,369
less current portion long term debt	$ 7,472	.$ 8,910
	$ -	$ 7,459

THINK H2S SAFETY SERVICE LTD.

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

30 APRIL, 2001

	2001	2000
Finance Contract, GMAC, 1.90%, repayable in blended monthly installments of $715, due November 2003, secured by a specific security agreement over automotive	$ 21,624	$ 29,713
less current portion long term debt	$ 8,245	$ 8,090
	$ 13,379	$ 21,623
Finance Contract, Ford Motor Credit, 0%, repayable in blended monthly installments of $776, due July 2003, secured by a specific security agreement over automotive	$ 20,329	$ 29,397
less current portion long term debt	$ 9,068	$ 9,068
	$ 11,261	$ 20,329
Alberta Treasury Branch Conditional Sales Contract, 8.45%, repayable in blended monthly installments of $626, due October 2004, secured by specific security agreement over automotive	$ 22,702	$ 28,050
less current portion long term debt	$ 5,819	$ 5,349
	$ 16,883	$ 22,701
Finance Contract, GMAC, .90%, repayable in blended monthly installments of $813, due January 2005, secured by specific security agreement over automotive	$ 35,952	$ -
less current portion long term debt	$ 9,469	$ -
	$ 26,483	$ -

Annual repayment of long term debt in each of the next five fiscal years will be approximately as follows:

2002	$244,800
2003	$169,388
2004	$ 86,664
2005	$ 17,311
2006	$ NIL
TOTAL	$518,163

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

30 APRIL, 2001

5. DUE TO SHAREHOLDERS

As there are no fixed terms of repayment, the loans are classified as non-current. The loans are unsecured and bear no interest.

6. CAPITAL STOCK

Authorized

5,000 Class A common, voting
5,000 Class B common, non voting
5,000 Class C common, non voting
5,000 Class D common, non voting
50,000 Class E preferred, redeemable

		2001	2000
Issued and fully paid			
100	common shares	$ 100	$ 100

7. OPERATING LEASES

The company has entered into operating leases as follows:

Lease #	Equipment	Date	Amount	Term
1	1997Kenworth	December 1998	$ 2,619	36 months
2	1998 Dodge	November 1998	$ 825	36 months

The next two years committment on the operating leases is as follows:

2002	$27,552
2003	$ NIL
	$27,552

CERTIFICATE OF THE CORPORATION

Dated: December 29, 2003

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta) and by part XV of the *Securities Act* (Ontario).

PATCH SAFETY SERVICES LTD.

By: (signed) David L. Yager President and Chief Executive Officer	By: (signed) Christopher T.B. Hunter Chief Financial Officer

On behalf of the Board of Directors of
PATCH SAFETY SERVICES LTD.

By: (signed) Robert P. Petryk Director	By: (signed) James M. Hill Director

CERTIFICATE OF THE AGENT

Dated: December 29, 2003

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta) and by part XV of the *Securities Act* (Ontario).

JENNINGS CAPITAL INC.

By: (signed) Martin McGoldrick