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I. CRITERIA FOR PROSPECTUS RECEIPT

A. Requirements of Part XI - Prospectus - Distribution

The Securities Act (1988) requires that a distribution of securities be made by way of a prospectus. The prospectus constitutes the legal document by which the securities will be offered for sale. The prospectus is to provide full, true, and plain disclosure of all material facts relating to the securities required by the Act and regulations. The issuer must file a preliminary prospectus with the Commission which will be subject to review and possibly amendment. On conclusion of the review process, a final revised prospectus must be filed with the Commission, and it is this copy which becomes the selling document. It is intended that, a potential purchaser, on reading of the final prospectus, will be in a position to make an informed decision as to whether to purchase the securities.

The Securities Act (1988) is very similar to The Securities Act (1967) with regard to prospectus distributions. For those who are familiar with the existing Act and Regulations, there should be little difficulty in adapting to the new legislation. Part XI contains several changes worth noting:

1) Subsection 58(2) allows for the filing of a shelf prospectus. In these circumstances, the prospectus provides the normal full true and plain disclosure of the company. The key point is that it is not selling securities.
The intent in such cases is for the issuer to become a reporting issuer. To do so, it must file a prospectus and meet ongoing continuous disclosure reporting requirements. The purpose of doing this, is to eventually enable the issuer to use prospectus exemption provisions. These exemption provisions will be dealt with later in this seminar.

2) Subsection 58(3) allows for the filing of exchange offering prospectuses. In such cases, the stock exchange becomes involved and coordinates the review of the prospectus with the relevant securities commissions.

3) Subsection 58(4) allows for an abbreviated form of preliminary prospectus and prospectus. This is intended to deal with the simplified prospectuses used by mutual funds and the short form prospectuses used by blue chip companies. It also provides latitude for any other abbreviated forms which may be permitted by the Commission.

A general summary of Part XI is as follows:

1) Section 59. A preliminary prospectus is to comply substantially with the requirement of the Act and the regulation respecting the form and content of a prospectus.

2) Section 60. The Director is to promptly issue a receipt for a preliminary prospectus.
3) Section 61. The prospectus is to provide full, true, and plain disclosure of all material facts relating to the securities, and comply with the requirements of the Act and regulations.

4) Section 62. Where a material change occurs in the affairs of an Issuer subsequent to filing a preliminary prospectus but prior to filing a final prospectus, an amendment to the preliminary prospectus is to be filed within 10 days of the change, for which a formal receipt will be issued. A copy of the amendment must then be forwarded to all parties who have received a copy of the preliminary prospectus.

5) Section 63. Deals with material changes occurring in the affairs of an issuer subsequent to obtaining a final receipt but prior to completion of the distribution. Again, an amendment is required within 10 days after the change. A formal receipt will be issued and a copy of the amendment must be delivered to each party from whom an order or subscription has been received. (See also subsection 79(1) - Obligation to delivery prospectus and amendments).
Subsection 63(4) is unique to Saskatchewan. The majority of Saskatchewan issues involve both a minimum issue amount and a maximum issue amount. Normally, once the minimum issue amount has been sold, the proceeds may be released for use by the Issuer. At the same time, the Issuer may continue to sell additional securities to the public, up to its maximum issue amount. Should a material change occur after the minimum has been met, Funds released and expended, and while distribution is still in progress, requiring the issuer to file only an amendment as normally required would present severe problems. An investor receiving an amendment has the right to withdraw from an issue. In this case, the Funds have been spent and the Issuer would very likely be unable to repay the subscription amounts. Hence, subsection 63(4) requires, on material change, an amendment to the prospectus as would normally occur, as well as a material change report. Subsection 80(1) requires that all purchasers who entered into an agreement of purchase and sale prior to the date of the material
change report. Those entering into an agreement of purchase and sale on or after the date of the material change will receive a copy of the amendment and have withdrawal rights under the Act, subsection 79(3).

6) Section 64. The Director is to issue a receipt for an amendment unless it appears to the Director that it is not in the public interest to do so. The distribution of securities must cease until such receipt has been received.

7) Sections 65 - 68 deal with the certificates required for a prospectus. They provide the actual wording of the certificates and detail who is to sign the certificates, from both an issuer and underwriter point of view. These certificates state that the prospectus provides full, true, and plain disclosure of all material facts relating to the securities required by the Act and regulations.

8) Section 69. Requires that every prospectus contain a statement of purchasers rights under the Act to withdraw from an agreement of purchase or sale, and to rescission or damages where a prospectus contains a misrepresentation.
(Refer also to Subsections 79(3) and 137(1) & (2) of the Act).

9) **Section 70.** The Director is to issue a receipt for a prospectus unless, in his opinion, it is not in the public interest to do so. This is an expanded power of the Director, from the 1967 Act. The section further details specific situations where a Director will not issue a receipt.

This is a rather important section of The Act and it is worthy of detailed discussion of the more pertinent individual paragraphs.

(i) **70(1)** - The Director is to issue a receipt for a prospectus unless, in his opinion, it is not in the public interest to do so.

(ii) **70(2)(a)** - The Director will not issue a receipt for a prospectus where in his opinion, the prospectus fails to comply in any substantial respect with any of the requirements of this Part or the regulations; contains any statement, promise, estimate, or forecast that is misleading, false, or deceptive, or contains a misrepresentation.

(iii) **70(2)(b)** - The Director will not issue a receipt for a prospectus where in his opinion, an
unconscionable consideration has been paid or given or is intended to be paid or given for promotional purposes or for the acquisition of property. (Refer also to the Commission's Local Policy 3-17 - Unconscionable Consideration).

iv) 70(2)(c) - The Director will not issue a receipt for a prospectus where in his opinion, the proceeds from the sale of the securities together with other resources of the issuer are insufficient to accomplish the purpose of the issue stated in the prospectus.

v) 70(2)(e) - The Director will not issue a receipt for a prospectus where in his opinion, the past conduct of the issuer or an officer, director, promotor or any combination thereof that could materially affect control of the issuer affords reasonable grounds for belief that the business of the issuer will not be conducted with integrity and in the best interests of its security holders.

vi) 70(2)(f) - The Director will not issue a receipt for a prospectus where in his opinion, an escrow or pooling agreement that the Director considers necessary or advisable with respect to
securities has not been entered into. {Refer also to the Commission's Local Policy 3-20 Escrow Guidelines}.

e. 70(2){i} - The Director will not issue a receipt for a prospectus, where in his opinion, a person who or company that has prepared or certified any part of the prospectus or is named as having prepared or certified a report or valuation used in or in connection with the prospectus is not acceptable to him.

viii) 70(3) - The Director will not refuse to issue a receipt without giving the person or company that filed the prospectus an opportunity to be heard.

10) Section 71. This section deals with the refiling of a prospectus and would normally be applicable to mutual fund issues. Essentially, a distribution may be continued for a further twelve months after a lapse date, where a pro forma prospectus is filed not later than 30 days prior to the lapse date of the previous prospectus, and the final prospectus is filed not later than the 10th day following the lapse date of the previous prospectus, and a receipt for same issued within 20 days following the lapse date of the previous prospectus.
11) Section 72. The Director may order an Issuer of securities to furnish a person or company proposing to make a distribution of the Issuer's securities with that information and material that the Director considers necessary for the purposes of the distribution.

B. Requirements of Part XII - Distribution Generally

A General summary of Part XII is as follows:

1) Section 73. This section details what advertising can be done by an Issuer during the waiting period between a preliminary and final prospectus. (Reference should also be made to the Commission's local policy 3-18 on advertising).

2) Section 74. Dealers distributing a security are to send a copy of the preliminary prospectus plus any amendments to each prospective purchaser who indicates an interest in purchasing the security and requests a copy of the preliminary prospectus.

3) Section 75. The dealer is to maintain a record of the names and addresses of all persons and companies to whom a copy of the preliminary prospectus has been forwarded.
4) Section 76. Where in the opinion of the Director, a preliminary prospectus is substantially deficient, he may order that trading permitted by subsection 73(2) cease until an acceptable revised preliminary prospectus is received.

5) Section 77. This section covers limitations on the materials which may be given out during a securities distribution. (Refer also to the Commission's local policy on advertising).

6) Section 78. This section details circumstances where, after a final receipt has been issued by the Commission for a prospectus or prospectus amendment, the Commission may order that the distribution shall cease.

7) Section 79. This section deals with the obligations of a dealer to deliver a prospectus and amendment to a prospectus, before entering into an agreement of purchase and sale from a subscription or, not later than midnight on the second business day after entering into the agreement.

8) Section 80. Deals with obligations to deliver amendments and notice of material change as contemplated in the circumstance listed in subsection 63(4).
C. REQUIREMENTS OF THE REGULATIONS

Preparation of a Prospectus

Preparation of a prospectus under The Securities Act (1988) is very similar to that under The Securities Act (1967). Parts XI Prospectuses - Distribution and XII - Distribution - Generally will provide the reader with specific points in prospectus distributions. The Act, however, does not in itself, deal with the specific information content to be provided in a prospectus. Reading of Parts XI and XII of The Securities Act (1988) is however, the starting point leading to the preparation of a prospectus.

The regulations supporting the Act, Part VII, Prospectus Distribution provide in extensive detail, information on preparing and filing a prospectus. The regulations provide for four forms of prospectuses;

1} industrial companies
2} finance companies
3} natural resource companies
4} mutual funds

These forms provide instructions in great detail on information to be provided in a prospectus. The new forms are very similar to those used with the old Act. The CorpQrate Finance staff of the Commission review a prospectus in detail.
against the information requirements of the forms to ensure that the requirements have been met. Where they feel that information is either deficient or requiring clarification, revision will be requested by means of a comment letter.

Part VII of the regulations also deals with other matters of concern in preparing a prospectus, key points highlighted as follows:

1. **Length of Review Period**
   Where a receipt for a prospectus is not issued within 75 days after the receipt for a preliminary prospectus, because of the inaction of the person or company filing that preliminary prospectus, no final receipt will be issued for that prospectus. This provision is new and forces timely follow-up by the Issuer or his representatives. Otherwise the file is closed.

2. **Length of the Selling Period**
   On local (Sask) security issues, the majority of issues are sold on a best efforts basis. Normally, there is no selling agent; rather the directors, officers or other designated representative of the company issuing the securities market the securities. The reason for this method of marketing is normally the inability, for whatever reasons, of the Issuer to be able to make arrangements with the normal security dealers to act as
their selling agent or underwriter. In such circumstances, the Issuer is allowed to sell for a period of 120 days. Any requested extension beyond that must be made in writing to the Director of the Commission with details as to why the Issuer feels the extension is warranted. Should the Director determine that continuing to sell would not be detrimental to the public interest, the extension may be granted, subject to the Issuer filing an amendment to its offering document, whether it is a prospectus or offering memorandum. On review of the amendment, if acceptable, the Director will issue a receipt for the amendment, and marketing may resume. All persons having subscribed for securities to that point will receive a copy of the amendment and have statutory withdrawal rights. New subscribers will receive both the original offering document and a copy of the amendment.

3. **Use of Graphs, Photographs, and Maps in a prospectus**

The prospectus may contain graphs that are relevant to the matters dealt with in the text of the prospectus, photographs if they include only the product of the issuer and maps for the purpose of indicating the locations of property or operations, present and proposed, of the issuer.
4. **Red Ink Warning to be used on preliminary prospectuses**
   Preliminary prospectuses must have a red ink warning on the outside cover page advising readers that the document is preliminary material, a copy of which has been filed with the Securities Commission, and is subject to completion or amendment. Further, no offers to buy may be accepted until a receipt is obtained for a final prospectus.

5. **Consent letters of Professionals**
   Any solicitor, auditor, accountant, engineer, appraisor, or any other person or company whose profession gives authority to a statement made by him is named as having prepared or certified any part of a prospectus or a report or valuation used in or in connection with a prospectus shall provide a written consent of the person or company so named to the use of the report or valuation in the prospectus.

6. **Report by Natural Resource Issuers**
   Substantial guidance is provided on the detail of report required and the certificate format to be used by the individual preparing the report.

7. **Financial Statements Required in a Prospectus**
   Financial Statements required are as follows:
a) Income Statement - for each of the last five years or any shorter period that the Director permits (audited).

Statement of Retained Earnings - for each of the last five years or any shorter period that the Director permits (audited).

Statement of Changes in Financial Position - for each each of the last five years or any shorter period that the Director permits (audited).

b) Balance sheet on a comparative basis with the previous financial year, the balance sheet being as at a date not more than 120 days prior to the issuance of receipt for a preliminary prospectus (audited).

c) Interim financial statements that the Director may permit or require (unaudited).

d) Approval of the financial statements by the board of directors is to be evidenced by the manual signatures of two directors duly authorized to signify approval.

8. Financial Forecasts

"Definition

A financial forecast is an estimate of any or all of:
(a) the most probable results of operations;
(b) the most probable financial position; and
(c) the most probable changes in financial position, for one or more future periods or periods not completed when the estimate is made. "Most probable," in the context of this Guideline, means that the forecast is based on management's judgment of both the most likely set of conditions and the enterprise's most likely course of action.

It is important to distinguish between a financial forecast and a financial projection. A projection is an estimate of financial results of an enterprise based on assumptions which are not necessarily the most likely. Financial projections are often developed as a response to such questions as "what would happen if •••". In contrast to a forecast, a projection is not necessarily indicative of the most probable results but merely reflects the effects of specified assumptions.

The Director may permit the inclusion of a forecast in a prospectus. The Commission does not currently have a written policy on this matter. The following is a summary of current practise by the Commission staff:

Should an Issuer include a forecast in a prospectus,
it must be precleared by the Commission staff prior to its being used in a preliminary prospectus and final prospectus.

2) The forecast must be prepared and reviewed in accordance with the CICA Accounting and Auditing Guidelines. (Currently under review by the CICA).

3) The forecast must be accompanied by the written comments of an auditor concerning the auditor's review of the forecast.

4) An Issuer or its agent are not to disseminate a forecast during the course of a distribution of securities unless the forecast is set out in the prospectus.

5) In situations where the Issuer provides for both a minimum and maximum offering amount, unless provided with information indicating otherwise, the forecast is to be based on the assumption that only the minimum offering amount will be sold.

Generally speaking, new companies will not provide forecasts in a prospectus. They lack a track record of past experience on which to base a forecast. Should a new company have had a full independently prepared feasibility study performed on its potential operation, the study may constitute support for a forecast. In such circumstances,
on review and acceptance by the Commission staff of the feasibility study, its conclusions and recommendations, a forecast may be permitted, again subject to preclearing.

It is the intention of the Commission to issue a formal policy on this subject matter in the near future. Those currently preparing offering documents are strongly recommended to consult with the Corporate Finance staff of the Commission for clarification of their position.
### TABLE OF DOCUMENTS TO BE FILED IN RESPECT OF THE CLEARANCE OF PROSPECTUS ISSUES

(a) The following types and number of documents should be filed with a preliminary prospectus:

<table>
<thead>
<tr>
<th>Document</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary prospectus - signed</td>
<td>1</td>
</tr>
<tr>
<td>Preliminary prospectus - unsigned</td>
<td>1</td>
</tr>
<tr>
<td>Auditor's comfort letter, if applicable</td>
<td>1</td>
</tr>
<tr>
<td>Directors's resolution (certified)</td>
<td>1</td>
</tr>
<tr>
<td>Technical reports, consents and certificates of qualifications, etc.</td>
<td>1</td>
</tr>
<tr>
<td>Cross-reference sheet</td>
<td>1</td>
</tr>
<tr>
<td>Filing fee</td>
<td>$600.00</td>
</tr>
<tr>
<td>Covering letter</td>
<td>1</td>
</tr>
</tbody>
</table>

(b) The following types and number of documents should be filed with a pro forma prospectus:

<table>
<thead>
<tr>
<th>Document</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro forma prospectus - unsigned</td>
<td>1</td>
</tr>
<tr>
<td>Pro forma prospectus - black-lined</td>
<td>1</td>
</tr>
<tr>
<td>Auditor's comfort letter, if applicable</td>
<td>1</td>
</tr>
<tr>
<td>Technical reports, consents and certificates of qualifications, etc.</td>
<td>1</td>
</tr>
<tr>
<td>Cross-reference sheet</td>
<td>1</td>
</tr>
<tr>
<td>Filing fee</td>
<td>$600.00</td>
</tr>
</tbody>
</table>

(c) The following types and numbers of documents should be filed with a final prospectus:

<table>
<thead>
<tr>
<th>Document</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospectus - signed</td>
<td>1</td>
</tr>
<tr>
<td>Prospectus - signed or unsigned</td>
<td>1</td>
</tr>
</tbody>
</table>
Prospectus - black-lined 1
Auditor's consent letter 1
Auditor's comfort letter, if applicable 1
Counsel's consent 1
Consents of other experts 1
Director's resolution (certified) 1
Copies of underwriting or agency agreement and any other material contract requested by Commission staff - signed or notarized 1
Cross-reference sheet 1
Prospectus - commercial copies 2

(d) The following types and numbers of documents should be filed with an amendment to a preliminary prospectus and an amendment to a prospectus:

Amendment - signed 1
Amendment - unsigned 1
Directors' resolution (certified) 1
Filing Fee 1(100.00)

(e) The following types and number of documents should be filed with an annual information form:

Annual information form - signed 1
Annual information form - unsigned 1
Directors' resolution (certified) 1
Certificate of issuer re eligibility 1
<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undertaking to Commission of issuer to provide documents to any person or company on request</td>
<td>1</td>
</tr>
<tr>
<td>Material incorporated by reference</td>
<td>1</td>
</tr>
<tr>
<td>Filing fee</td>
<td>1($600.00)</td>
</tr>
</tbody>
</table>
Time Required for The Review Process

Issuers should note that the time required for the review, from preliminary to final, averages between six and eight weeks from the date the preliminary receipt is issued. The length of the process varies with the time of the year, the initial condition of the prospectus, and the speed with which concerns raised by Commission staff are addressed. Please note that from September 15 - December 31 is a peak filing period. The review time frame may be extended for issues received after September 15. The staff of the Commission will use their best efforts to provide timely turnaround. The Commission staff is available for consultation at the request of issuers and their advisors prior to the first filing to discuss the process and time frames involved. The normal sequence in the review process is as follows:

a) A first comment letter will be issued by the staff approximately 10 working days after the preliminary receipt has been issued. This letter will detail the concerns which the staff of both the Commission and specific government program staff, if applicable, have with the offering document. The letter is broken down into three sections; Major Concerns, Other Concerns and Suggestions. Concerns raised in the first two sections must be resolved prior to a final receipt being issued.
b) After receiving the first comment letter, the issuer must respond to the concerns raised, either through:

   i. discussion and clarification with the Commission staff.

   ii. clarification through revision of the offering document where required.

   iii. through supplying additional information materials.

The revised prospectus should be "red-lined" to indicate changes made from the original. The red-lined prospectus and any supporting information must then be filed with the staff of the Commission for review. (Refer to Table of Documents to be filed in Respect of Prospectus Issues).

c) The staff of the Commission will review the refiled materials detailed in (b). If all concerns have been met, the Deputy Registrar will issue a final receipt for the prospectus. If there are any further concerns, a second comment letter in the format identical to that outlined in (a) will be issued. In many cases, a second comment letter is not required.

d) Should a second comment letter be necessary, the issuer then responds to the concerns raised in the second comment letter. After making the necessary
changes and resolving all of the concerns which were raised, the Issuer will now be in a position to file final materials. (Refer to Table of Documents to be filed in Respect of Prospectus Issues).

e) Final materials will be reviewed by the staff to ensure compliance with The Securities Act, Regulations, Commission policies and any applicable General Orders, and to ensure that all required final materials have been received. Assuming compliance, a final receipt for the prospectus will be issued.

The staff of the Commission regrets that because of the heavy volumes at year-end, no assurances can be provided that a preliminary prospectus received after September 15 will be cleared in sufficient time to allow an adequate selling period in the same calendar year.
The following requirements apply equally to a regular renewal or short form prospectus. Additional requirements relating specifically to renewal and short form prospectuses follow.

PRELIMINARY FILINGS

1. Have sufficient filing fees been received and a cash receipt issued? ($600 per issuer, $250 per additional class of security offered, $50 per engineering/geologist report filed with the prospectus)

2. Have the documents been datestamped by the SSC as to the date of receipt?

3. Have the following documents been received:
   - a signed (executed) copy of the preliminary prospectus?
   - an unsigned (conformed) copy of the preliminary prospectus?

4. Does the preliminary prospectus contain a red-ink warning on the cover page?

5. Does the date of the Section 66 and 67 certificates agree to the date as per the cover page of the preliminary prospectus? If not, the actual date of the preliminary prospectus is the date of the Section 66 and 67 certificates.

6. Do the certificates required by Section 66 and 67 take reference to the correct part of the Securities Act of Saskatchewan, i.e., Part II?

7. If a lining company, have current engineers’ and/or geologists’ reports for all oil & gas and lining properties referred to in the preliminary prospectus, been filed? Are these reports accompanied by originally signed certificates as required in the Regulations?
8. Do the preliminary and final prospectuses contain a summary of the withdrawal and rescission rights? (this summary is usually under a section titled "Purchasers' Statutory Rights")

9. Do the preliminary and final prospectuses contain a Section 66 certificate of the issuer referring to "Part XI of the Securities Act (Saskatchewan)", signed by the Chief Executive Officer, Chief Financial Officer, and any two directors of the issuer other than the foregoing and by all the promoters of the issue? Are the signatures on the executed copy of the prospectus originals, not photocopies? The names and positions of the directors can be verified by agreeing them to those stated under the section titled "Directors and Officers" in the body of the prospectus.

10. Do the preliminary and final prospectuses contain a Section 67 certificate of the agent/underwriter originally signed by an authorized representative? Is the signature on the executed copy an original, not a photocopy?

11. Do the preliminary and final prospectuses contain audited financial statements of the issuer for the last five years? Is there an original signed audit report accompanying the audited financial statements? Is the balance sheet in the executed copy originally signed by two directors of the issuer?

12. When the audited financial statements, referred to in point 11, are not within 120 days of the prospectus, do the preliminary and final prospectuses contain comparative financial statements to a date within 90 days of the the prospectus date? Is the balance sheet in the executed copy originally signed by two directors of the issuer?

13. Has a cross reference sheet been filed, indicating the location in the body of both the preliminary and final prospectuses of the information required to be filed in accordance with the Regulations, as applicable?

14. Has an original signed undertaking of the issuer been filed, to provide to any person or company, upon request and without charge, copies of information contained in the permanent information file?

15. Have original signed consent letters from the auditors, in accordance with Section 7100 of the CICA Handbook, for all audited financial statements in the prospectus been filed? Do these consent letters specifically identify the financial statements, the date of the auditors' report and the dates of the financial statements which were reported upon?
PRELIMINARY PILIIGS (continued)

16. Have originally signed comfort letters from the auditors, in accordance with Section 1100 of the CICA Handbook for all unaudited financial statements and financial forecasts in the prospectus been filed? Do the comfort letters also state that the auditors have read the prospectus and that they have no reason to believe that there are any misrepresentations in the information derived from the financial statements on which they reported?

11. Have originally signed consent letters from the solicitors for use of their names in opinions expressed in the prospectus been filed?

18. Have originally signed consent letters from engineers, appraisers or any third party for use of their names in opinions expressed in the prospectus been filed?

19. Have originally signed or notarially certified copies of all material contracts mentioned in the prospectus been filed?

20. Is there a certified directors’ resolution that:
   - approves the applicable prospectus/security issue?
   - authorizes the Chief Executive Officer, Chief Financial Officer, and any two other directors to sign the Section 66 certificate?
   - approves all financial statements of the issuer contained in the applicable prospectus?
   - authorizes two directors to sign approval of the financial statements contained in the applicable prospectus?
   - authorizes the filing of the prospectus with the Securities Commission? 

PIIAICIAL FORECASTS

21. Does the preliminary prospectus contain financial forecasts? If so, have these forecasts been pre-cleared with the Commission? A preliminary receipt will be issued until the forecasts have been reviewed, by the staff of the Commission.

PRELIMINARY SHORT FORM PROSPECTUS

22. Does the preliminary short form prospectus contain an O.S.C. Policy 5.6, item G2 warning on the front cover?

23. Is there an originally signed certificate, stating that the issuer has complied with the continuous disclosure requirements in Saskatchewan or that it has included all continuous disclosure material required to be filed in its principal jurisdiction over the past 36 months?
PRELIMINARY SIMPLIFIED/RENEWAL PROSPECTUS

(note: for a filing under National Policy No. 36, "prospectus" as used below would include the simplified prospectus and the annual information form)

24. Does the preliminary simplified prospectus or renewal prospectus contain a cover statement as detailed in Item 1, Appendix A of National Policy No. 36?

25. Does the preliminary simplified prospectus or renewal prospectus contain an introductory statement as detailed in Item 2, Appendix A of National Policy 10. 36?

26. Has a cross reference sheet been filed, indicating the location in the preliminary and final prospectuses and the A.I.P.s of the information required to be filed in accordance with Appendices A and B of National Policy No. 36, as applicable?

27. Does the annual information form contain the certificates required by Item 19 of Appendix B of National Policy No. 36?

28. Has the issuer submitted the financial statements required by Section E.1 of National Policy 10. 36? Note that they are to be submitted with the preliminary or draft renewal simplified prospectus to allow the Commission staff to review them. It is not acceptable that these be filed when the final material is received.

REQUIREMENTS SPECIFICALLY FOR A FINAL PROSPECTUS RECEIPT

29. Have the following documents been received:
   - a signed (executed) copy of the final prospectus?
   - an unsigned (conformed) copy of the final prospectus to be used for public viewing purposes?
   - a red-lined (or black-lined) prospectus indicating all the changes made from the preliminary prospectus?

30. Does the date of the Section 66 and 67 certificates agree to the date as per the cover page of the final prospectus? If not, the actual date of the final prospectus is the date of the Section 66 and 67 certificates.
ISSUANCE OF PRELIMINARY RECEIPT

31. Has a preliminary receipt (prefil C) for a new security issue or a letter of acknowledgement for a renewal been issued?

32. Has the yellow copy of the preliminary receipt been filed in the blue prospectus file (if a draft renewal prospectus, the response should be If/A)?

33. Has a copy of the covering/acknowledgement letter been filed in the blue prospectus file?

34. Have the detailed and summary prospectus filing cards been prepared and/or updated for the issuance of the preliminary receipt or the renewal acknowledgement?

ISSUANCE OF FINAL RECEIPT

(note: The Saskatchewan Securities Commission must be notified by the principal jurisdiction that they have issued their final receipt. No final receipt will be issued by the SSC until the principal jurisdiction so advises.)

35. Has a Receipt for Final Prospectus (prefil Cl) or a Receipt for New Prospectus (prefil C2) been issued for the new security issue or renewal respectively?

36. Has the yellow copy of the final receipt been filed in the blue prospectus file?

37. Has a copy of the covering letter been filed in the blue prospectus file?

38. Have the detailed and summary prospectus filing cards been updated for the issuance of the final receipt?
1. INTRODUCTION

Section 68(1) of The Securities Act states that:

The Commission may in its absolute discretion direct the registrar to issue a receipt for a prospectus filed under this Part, except where it appears to the Commission that:

. . .

(b) an unconscionable consideration has been paid or given or is intended to be paid for promotional purposes or for the acquisition of property.

A very strict interpretation would limit the prohibition in Section 68(1)(b) to unconscionable promotional fees and unconscionable fees for the acquisition of property. However the staff of the Saskatchewan Securities Commission have generally taken a wider interpretation of this section of the Act and include unconscionable returns to the promoter vis a vis the investors in their review of offering documents. In any case, the absolute discretion granted by Section 68(1) would bring these matters under the purview of the Commission.

The dictionary defines unconscionable as "not guided or controlled by conscience, shockingly unfair or unjust". Thus, while it seems fair that promoters should not make shockingly unfair or unjust returns at the expense of investors, the difficulty arises in attempting to define what is shockingly unfair or unjust. The general practice in Canada appears to be to rely on "judgment" to determine unconscionability. In addition, there is little by way of policy statements of Securities Commissions to offer guidance either to promoters or to staffs of the Commissions as to how this judgment is to be applied.

The purpose of this policy statement is to offer very general guidance as to how Section 68(1)(b) will be interpreted. It recognizes, however, that in any particular case, discretion will rest with the Commission.
II. RATIONALE BEHIND THE PROPOSED POLICY

1. Objectives of a Policy on Unconscionable Consideration

In general, there are four objectives for attempting to ensure that returns to promoters are not unconscionable:

(i) to ensure that sufficient funds remain in the company to accomplish its purposes. Clearly, it would not be in the best interests of the investors if the return to the promoters were so great as to jeopardize the future viability of the company;

(ii) to act as an inducement for the original promoters to manage the company at least until it becomes successful. This objective presumes that the original promoters have some unique expertise which will increase the likelihood of success of the company. Achieving this objective is dependent upon the timing of the consideration to the promoters. If the inducements are structured to allow an excessive early return to the promoters, the effect will be to encourage them to withdraw from the company. On the other hand, if the inducements to the original promoters are too severely structured (the converse of unconscionable), the effect will also be to encourage the original promoters to withdraw;

(iii) to act as an inducement for promoters to promote only companies which have a chance of success. This objective assumes the promoter's reward will be linked to the success of the company and not solely to the sale of securities in the company;

(iv) to encourage public confidence. If there are a large number of instances where promoters are perceived to obtain unconscionable returns, the public's worst fears about the unfairness of the securities marketplace will be realized and public confidence will decline. A decline in public confidence is in no one's best interests since it inevitably results in difficulty in raising capital and a decline in economic growth.
Interestingly, the first objective is shared with Section 68(1)(c) of the Act which states that the Commission may not issue a receipt where:

"the proceeds from the sale of the securities to which the prospectus relates that are to be paid into the treasury of the company, together with other resources of the company, are insufficient to accomplish the purpose of the issue stated in the prospectus."

To meet this requirement of the Act, Commission staff determine whether or not cost estimates are unreasonable and working capital is sufficient to accomplish the purpose of the issue.

Escrow or pooling arrangements are the most common method used to achieve the second objective (Section 68(1)(d)). However, it is of particular importance to investors to ensure that the promoters remain with the company if it begins to run into difficulty. Escrow arrangements which provide a benefit to the promoters, years into the future, are not likely a strong enough inducement, by themselves, to encourage the original promoters to remain with the company under such circumstances.

The third objective is the one most acutely addressed by Section 68(1)(b).

The fourth objective, can in part, be achieved by ensuring that the first three objectives are met.

Although our society generally recognizes that it is fair that there are greater rewards for entrepreneurship than for ordinary investments, this societal value is derived from the notion that entrepreneurs take greater risks and hence should receive greater rewards if their efforts are successful. This points out the difficulty with simply using escrow arrangements. In such circumstances, the risk to entrepreneurs is simply lost income in the future. In addition,
unconscionability very much depends upon the return investors receive. Where investors make an average or above average return, large returns to the promoters are less likely to be considered unconscionable than if investors earn low returns or lose money.

2. Forms of Consideration for Promoters

A promoter's return from a project can take several forms including revenue from sale of shares, property acquisition fees, management fees, consultancy fees and an ownership percentage of the completed project. The determination of unconscionability in any particular case generally turns on the combined level of the various returns to the promoter in relation to the returns to investors.

III. GENERAL PRINCIPLES

Staff will review offerings for unconscionability. In doing so, they will consider the following general principles:

1. In general, promoters must contribute something of value to the company.

2. Promoters should not receive an overall return from a company or from a sale of shares in the company that is greater than a prudent person would consider reasonable.

3. Promoters who buy or sell property or services from or to a company should charge fair market value.

4. Promoters should disclose all conflicts of interest and potential conflicts of interest.

5. A promoter should not do business in competition with a company he or she promoted.

6. Pricing with suppliers and others which are related, associated or affiliated with the company or the promoter should be at fair market value. The parties or the proposed parties should be identified in the offering document if the amount paid or payable within a year is material.
7. Section 11 of The Venture Capital Tax Credit Act should not be relied upon to give 51% of the equity as opposed to voting rights to promoters for little consideration.

8. Investors purchasing voting or equity securities of an issuer should not be forced at a future time to redeem their securities without their consent.

IV. APPLICATION AND EFFECTIVE DATE

This policy applies to all persons and companies who apply to the Commission for a receipt or an order permitting the sale of securities. It does not apply to offerings exempt under The Securities Act. It is effective for offerings initially filed after March 1, 1988.

ADOPTED BY THE COMMISSION
FEBRUARY 22, 1988

Per: W.M. WHEATLEY, CHAIRMAN
GENERAL GUIDELINES

Perhaps the most fundamental assumption underlying securities regulation is that the purchase decision should be made calmly and rationally. One implication of this basic assumption is that sales should be made via a prospectus or other offering document which has been reviewed by an appropriate regulatory agency to ensure that there is full, true and plain disclosure of information and that other standards affecting the fairness of the investment are met.

This assumption is reflected in Section 42 of the Act which prohibits anyone from trading in the course of a primary distribution to the public unless a prospectus has been filed and receipts have been issued. The definition of 'trade' in the Act is very broad and includes any "act, advertisement, solicitation, conduct or negotiation in furtherance of a trade". Therefore, no one can advertise or do anything to further the sale of securities unless otherwise permitted.

Section 43(2) of the Act sets out the type of promotional activity that can occur during the waiting period between the preliminary and final receipt. Promotional material is restricted to "tombstone ads" which simply identify the security for sale, the price and name and address of the selling agent.

The scope of permissible publicity after a receipt for a final prospectus has issued is set out in Section 64 of the Act. Section 64 states that the material distributed after a final receipt is essentially the same as that prescribed in Section 43(2).

There are no regulations under the Act which deal with the material that may be circulated during the distribution of securities under either Section 43(2) or Section 64.
The purpose of advertising and other sales literature should be to augment the process by which investment decisions are made rather than circumvent it. It is the view of the Saskatchewan Securities Commission that the basic purpose of advertising is to simply notify potential investors of an investment opportunity. The Commission cautions against the use of sales literature, such as pamphlets and letters to prospective investors since it can easily be used to describe the offering in a form other than provided for in the offering document.

In order to clarify the situation for those who choose to advertise or make use of promotional material, the Commission adopts the general guidelines outlined below. These guidelines apply to all initial distributions, including venture capital offerings.

1. **Definitions**

   In this policy:

   a) "the Act" refers to The Securities Act, R.S.S. 1978 c S-42;

   b) "advertising" includes television and radio commercials, newspaper and magazine advertisements and all other sales material generally disseminated through the communications media;

   c) "sales literature" includes reports, video tapes and other similar material, written matter and all other material, except preliminary prospectuses and prospectuses, designed for use in presentation to a purchaser, whether that material is given or shown to him;

   d) "promotional material" includes "advertising" and "sales literature" as defined in paragraphs b) and c) above;

2. **General Guidelines**

   a) Promotional material shall not:

      i) include an untrue statement.

      ii) omit to state a material fact necessary to prevent such literature from being misleading. This guideline includes situations where, for example, only the tax consequences of a particular investment are included in sales literature;
iii) include a statement that is misleading when taken out of the context of the offering documents;

iv) include a statement that conflicts with that contained in the prospectus or offering document;

v) include any extravagant claim or statement. For example, referring to an asset as a "gold property" when only exploratory work has begun on the property is an extravagant claim;

vi) contain unduly promotional language. Words or phrases such as "guaranteed", "illucratively", "exciting concept", etc. are not to be used;

vii) present an unbalanced view of the investment. For example, if the claim is made that there are opportunities for significant growth, the downside risks should be given equal prominence;

viii) make any representation that all or any of the purchase price of the security will be repurchased or refunded (Section 76(1) of the Act);

ix) give any undertaking relating to the future value or price of the security (Section 76(2) of the Act);

x) make any representations, without the written permission of the Commission, that the security will be listed on any stock exchange or that application has been or will be made to list the security upon any stock exchange (Section 76(3) of the Act);

xi) make any representation that the Commission has in any way passed upon the financial standing, fitness or conduct of any registrant or upon the merits of any security (Section 84 of the Act);

b) Without limiting the generality of the above, promotional material shall comply with the following standards:

i) promotional material must contain the following specific warning in bold face type as large as that used in the body of the text:
This material is provided for general information only and is not complete. Prospective purchasers should refer to the prospectus before a decision to purchase is made. A copy may be obtained from-----

ii) references to historical financial data must be based on the results for at least five consecutive years. When the issuer has had less than five years' experience, any disclosure of historical financial data must be accompanied by a caveat similar in substance to the following:

Investors are cautioned that data based on less than five years' experience may not be sufficient to establish a track record on which investment decisions can be based.

iii) charts or graphs used to illustrate past performance must be drawn on such a scale as to avoid misleading implications;

iv) if any historical rate of return is shown, it must conform to ii) above and must be on an annual compound basis. Reference must be made to any reduction of the rate of return for sales charges, redemption fees, or other fees on expenses that are payable by security holders. Any statement of past rates of return must be accompanied by a statement, in the same size type as used in the rest of the text, that past performance is not necessarily indicative of future performance;

v) a reference to a benefit, a comparison of outlays and benefits, or anticipated returns from outlays must be free of equivocation, for example, if a reference is made to a benefit which has a specific condition attached to it, reference must be made to the conditional aspect;

vi) whenever sales literature is designed to encourage investors to switch from one investment or investment program to another, such material must contain, if applicable, the statement that switching may involve sales or other charges. In addition, prospective investors must be advised to measure these changes against the potential advantages of the change;

vii) if the security is to be offered through a prospectus, National Policy No. 21 must be adhered to. In addition, the name and address of at least one registrant from whom a copy of the prospectus and additional information may be obtained should
c) The continuous disclosure provisions of the Act and applicable policies shall continue in the periods before, during and after a distribution of securities. However an issuer cannot engage in publicity which is designed primarily to promote the sale of securities.

d) A financial forecast or projection cannot be included, in whole or in part, in promotional material, nor can one be distributed unless it is part of an offering document.

e) No marketing memorandum, prospectus summary or other document of similar nature shall be distributed to the public, unless it is attached to the offering document.

3. Advertising or Promotion Prior to Issue of a Preliminary Receipt

Advertising or promotion prior to the issue of a preliminary receipt is not permitted.

4. Promotional Material Used During Waiting Period Between Preliminary and Final Prospectus

Section 43(2) of the Act authorizes the distribution of certain promotional material during the waiting period between the issuance of a preliminary and final receipt. All promotional material distributed during this period must be in accordance with Section 43 of the Act, Uniform Policy 2-13 and the general guidelines set out in paragraph 2(a) and (b). The guidelines for promotional meetings are also to be followed during this period.

5. Promotional Material Used After Final Receipt is Received

a) The general guidelines set out in paragraph 2(a) and (b), and National Policy No. 21 are applicable during this period.
b) Audio and audio visual cassettes may be used during this period provided they follow the general guidelines in paragraphs 2(a) and (b), and don't contain material which purports to summarize the offering document;

c) The provisions of Section 15 of National Policy No. 39 regarding advertising of mutual funds must be followed.

6. **Prior Approval of Promotional Material**

All promotional material used in Saskatchewan must have the prior approval of the Commission unless the material is prepared by an investment dealer or a mutual fund dealer. This is subject to General Order No. 1 which provides that all promotional material used in a venture capital offering shall have the prior approval of the Commission.

Promotional assertions must be substantiated either by reference to an offering document or other readily available information sources. All promotional material filed for approval must be red-lined and cross-referenced to the offering document or other information source.

7. **Promotional Meetings**

Meetings to inform potential investors of an opportunity may be held provided that:

a) meetings are not held prior to the issue of a preliminary receipt;

b) any verbal presentation made at a meeting conforms to the general guidelines;

c) any sales literature which is displayed, distributed or used in any sales presentation conforms to the Act and the general guidelines; and

d) copies of the preliminary or final offering document are readily available and the general announcement is made at the meeting that sales can only be made via a prospectus or offering memorandum.
8. Educational Seminars

Educational seminars attended by members of the public at which tax incentive securities are explained are permitted provided that:

a) A final receipt has issued in respect of each of the securities discussed;

b) The purchase of specific securities may not be promoted directly at such seminars;

c) No orders for the purchase of tax incentive securities may be taken at such a seminar or for a period of two business days thereafter; and

d) all educational seminars must be under the control of a registrant.

9. Advertising and Promotion for Non-Public Offerings and Sophisticated Investor Offerings

The distribution of promotional material and promotional meetings, without the prior written consent of the Commission, will not be permitted for non-public offerings pursuant to Section 66 Rulings, or offerings pursuant to Section 21 exemption orders or statutory exemptions.

10. Local Policy 3-10 is repealed.

ADOPTED BY THE SASKATCHEWAN SECURITIES COMMISSION EFFECTIVE FEBRUARY 22, 1988 AMENDED EFFECTIVE MAY 1, 1988

W. M. WHEATLEY, CHAIRMAN
SASKATCHEWAN LOCAL POLICY STATEMENT 3-20

ESCROW GUIDELINES

Introduction

An "escrow" of shares is the deposit, under a written agreement, by specified individuals, who are normally the principals of a company, of their shares in a specific company into the custody of a trustee. The trustee will hold their shares until such time as certain conditions have been fulfilled for their release. Shares being held in escrow cannot be sold without the prior approval of the Registrar of the Securities Commission.

The main reasons for placing shares in escrow are:

1) to protect a company's continued ability to raise money;

2) to act as an incentive for the principals of the company to remain involved with the company.

The company's principals, prior to a public offering, will frequently have received significant portions of the company's shares. These shares may have been issued at a lower price per share than the price to the public, or may have been issued for properties of unknown value. When a company turns to the public for capital to develop its operations or properties, without an escrow of shares, there could be a strong incentive for the principals to dispose of their holdings at the current issue price. Such actions could impair the success of the company's financing and be detrimental to new investors.

An escrow agreement also acts as an incentive for the principals to remain with the company, normally in a management or advisory capacity, after the security offering to the public. The expectation is that principals, knowing that they will participate in the appreciation of the value of the shares as a result of the successful operation of the company, will conduct the business affairs of the company in a manner that will benefit all shareholders.

Paragraph 68(1)(d) of the Securities Act states that:

"The Commission may in its absolute discretion direct the Registrar to issue a receipt for a prospectus filed under this Part, except where it appears to the Commission that:
Paragraph 68(1)(d) has potential for very broad application. While the paragraph specifically refers to situations where securities have been issued for "other than cash", the Commission is not limited to just these situations. In reality, the Commission in its absolute discretion may request such escrow or pooling agreement as it deems necessary, advisable, and in the public interest, for each specific issue of securities.

This policy statement, prepared by staff of the Commission, sets out the circumstances in which the Registrar will consider an escrow to be necessary. It also provides guidelines for the release and transfer of such securities.

The major portion of this policy relates to an unlisted company filing an initial prospectus. A distinction has been made between an unlisted company which is not yet a going concern and a going concern company.

This policy is applicable to public offerings by prospectus and by offering memorandum in accordance with the Commission's General Order # 1 - Venture Capital Qualification System.

Part I

Definitions

For the purposes of this policy statement the following definitions have been used.

(a) "Arms Length Transaction" means a transaction negotiated by unrelated parties each acting in its own interest.

(b) "Equity Security" means any security of an issuer that carries the residual right to participate in the earnings of the issuer and in its assets on liquidation or winding up.
(c) "Going Concern Company" means a company which over the past five years, or such shorter time period as will be considered by the Registrar, has demonstrated that it successfully carried out its business plans, met contractual commitments and demands of creditors, was profitable and had retained earnings. Profitability of the company and cumulative positive retained earnings will be the key determinants in assessing if the company is in fact, a going concern.

(d) "Junior Mining Company" means a company involved in the exploration and development of natural resource properties, but generally lacking the abilities, financial and otherwise, to take a natural resource property to commercial production.

(e) "Legal for Life Securities" are securities issued by well established companies with a proven track record and which are listed or have been conditionally approved for listing by a Canadian stock exchange and which in the opinion of a named legal counsel qualify as investments for insurance companies registered under the Canadian & British Insurance Companies Act (Canada) or for insurance companies licenced under the Saskatchewan Insurance Act, without resort to the "basket clauses".

(f) "Mining Company" means a company with the demonstrated abilities, financial and otherwise, to take a natural resource property to commercial production.

(g) "Net Tangible Asset per Equity Security" means the total net tangible assets of the issuer based on its latest financial statements, plus the proceeds of security sales made in the interim period from the date of the financial statements referred to above to the date of the current public issue prospectus, but not including the current public issue, minus the paid-up capital attributable to all securities ranking senior to the equity securities, divided by the number of equity securities outstanding prior to the closing of the distribution under the prospectus, provided that where there are outstanding currently exercisable rights to purchase, convert or exchange relating to the equity securities, such calculation shall be made on the basis that each such right, the exercise price of which is less than the offering price of the related equity security, has been exercised.
(h) "Offering Document" means a prospectus filed under the provisions of The Securities Act or an offering memorandum filed under the Commission's General Order #1 - Venture Capital Qualification System.

(i) "Offering Price" means the price at which the securities offered by the offering document may be purchased by the public.

(j) "Principal" of an issuer means

1) a promoter of the issuer

2) an officer, director, or any member of their immediate family who hold directly, indirectly, or beneficially 5% or more of any class of equity securities, or

3) any person or company who holds directly, or indirectly, or beneficially more than 10% of any class of equity securities of the issuer.

(k) "principals' Equity Securities" means the Equity Securities held by Principals of a company.

(l) "Research & Development Company" means a company whose primary business purpose is research and development.

(m) "Registrar" means the registrar or deputy registrar of the Saskatchewan Securities Commission.

Part II

New Companies and Companies which are Not Yet Going Concerns

Securities to be Escrowed

1. All Principals' Equity Securities of new companies or companies which are not yet Going Concerns, issued for cash at a price less than the Offering Price, will be subject to escrow, less that number determined to be free of escrow. The free number will be calculated by dividing the total cash paid for all Principals' Equity Securities by the public Offering Price per Equity Security in the issuer's Offering Document.
2. Equity Securities of new companies or companies which are not yet Going Concerns, issued:
   a) to other than Principals;
   b) within the twelve month period leading up to the filing of a preliminary Offering Document; and
   c) for cash at a price less than the current Offering Price;

will be subject to escrow, less that number determined to be free of escrow. The free number will be calculated by dividing the total cash paid for Equity Securities by the public Offering Price per Equity Security in the issuer's Offering Document.

3. Equity Securities of new companies or companies which are not yet Going Concerns issued:
   a) in an Arms Length Transaction;
   b) in exchange with another party for services;
   c) within the twelve month period before the filing of a preliminary Offering Document; and
   d) where the party has received Equity Securities representing 10% or more of any class of Equity Securities of the issuer.

will be subject to escrow less that number of securities determined to be free of escrow. The free number will be calculated by dividing the total cash equivalent consideration paid for Equity Securities by the public Offering Price for each Equity Security in the issuer's Offering Document.

4. Equity Securities of a new company or a company which is not yet a Going concern, issued:
   a) in an Arms Length Transaction;
   b) in exchange with another party for property;
   c) within the twelve month period before the filing of a preliminary Offering Document; and
d) where the party has received Equity Securities representing 10% or more of any class of Equity Securities of the issuer:

will be subject to escrow. Where the value of the property has been determined by an independent source, for example by an accredited independent appraiser or engineer, some Equity Securities may be free of escrow. The number of free Equity Securities will be calculated by dividing the appraised property value by the current public Offering Price for each Equity Security in the issuer's preliminary Offering Document.

Where the value of the property has not been determined by a recognized method of valuation by an independent source, all Equity Securities issued for the property will be subject to escrow.

5. All Equity Securities issued by new companies or companies which are not yet Going Concerns in a non-arms length transaction for services or property will be subject to escrow. Where the value of the property has been determined by an independent source some Equity Securities may be free of escrow. The number of free Equity Securities will be calculated by dividing the appraised property value by the current public Offering Price for each Equity Security in the issuer's preliminary Offering Document.

Release of Equity Securities covered by an Escrow Agreement

6. Equity Securities of a company other than a Junior Mining Company or Research and Development Company:

   a) issued for cash to Principals and subject to escrow in accordance with the provisions of paragraph 1 of this Part; or

   b) issued in exchange for services or property in a non-arms length transaction and subject to escrow in accordance with the provisions of paragraph 5 of this Part;
will be released on a pro-rata basis with the prior written approval of the Registrar. Such approval will be given upon the proven demonstration of successful operation of the company. Successful operation will be considered to be two consecutive years of profitability as well as cumulative positive retained earnings determined in accordance with generally accepted accounting principles, as shown by then current audited financial statements of the company.

7. Equity Securities of a company

a) issued for cash to other than Principals and subject to escrow in accordance with provisions of paragraph 2 of this Part; or

b) issued in exchange for property or services in an Arms Length Transaction and subject to escrow in accordance with the provisions of paragraphs 3 and 4 of this Part;

will be subject to an automatic pro-rata release without application to the Registrar on the following basis:

c) 30% pro-rata release of the escrowed securities on the first anniversary of the date of the final receipt for the Offering Document;

d) 30% pro-rata release of the escrowed securities on the second anniversary of the date of the final receipt for the Offering Document;

e) 40% pro-rata release of the escrowed securities on the third anniversary of the date of the final receipt for the Offering Document.

8. Equity Securities of a Junior Mining Company:

a) issued for cash to Principals and subject to escrow in accordance with the terms of paragraph 1 of this Part; or
b) issued in exchange for property or services in an non-arms length transaction and subject to escrow in accordance with paragraph 5 of this Part

will be released on a pro-rata basis with the prior written approval, of the Registrar as follows:

c) an annual release of 10% of escrowed securities to a maximum cumulative total of 40% of the original number of Equity Securities held in escrow upon providing the Registrar with:

i) evidence that the issuer has carried out its exploration and development plan in the best interest of the shareholders, such plan having been detailed in the original Offering Document and having been amended where necessary;

ii) evidence of the funds actually spent on an annual and cumulative total basis for exploration and development of each of its properties; and

iii) a certificate signed by the chief executive officer and chief financial officer indicating that all of the company's properties are currently in good standing with the crown, where applicable, that all annual exploration expenditures required to keep the properties in good standing have been made, and that the properties are considered of sufficient merit to warrant the current and projected expenditures.

d) a further 25% release of the escrowed securities upon providing the Registrar with:

i) a written Arms-Length agreement with another Mining Company whereby the other Mining Company will bring a property to production; and

ii) a certified copy of the production decision notification of the other Mining Company;
e) the release of the balance of the escrowed securities where the production decision has been made and the property is put into commercial production on providing the Registrar with:

i) in the case of a straight Arms Length property sale, evidence that funds have been received by the Junior Mining Company from the other Mining Company;

ii) in the case where the Junior Mining Company retains a percentage of profits, evidence that an agreement has been entered into and the property has been put into commercial production; or

iii) in the case of a combination of the above, evidence that the funds have been received and property put into commercial production.

9. Equity Securities of a Research and Development Company:

a) issued for cash to Principals and subject to escrow in accordance with the terms of paragraph 1 of this Part; or

b) issued in exchange for property and services in a non-arms length transaction and subject to escrow in accordance with the terms of paragraph 5 of this Part

will be released on a pro-rata basis with the prior written approval of the Registrar as follows:

c) an annual release of 10% of the escrowed securities to a maximum cumulative total of 40% of the original number of Equity Securities held in escrow upon providing the Registrar with:

i) evidence that the company has carried out its research and development plan in the best interest of its shareholders, such plan having been detailed in the original Offering Document and having been amended where necessary;
i) evidence of the funds actually spent on an annual and cumulative total basis for each of its individual projects; and

iii) a certificate signed by the chief executive officer and chief financial officer that the projects are considered of sufficient merit to warrant the current and projected expenditures;

d) where the Research and Development Company has developed a commercially viable product:

i) the balance of the securities will be released upon providing the Registrar with evidence that the research technology has been sold to another company in an Arms Length Transaction which will pursue commercial production of the product and that funds have been received from the sale; or

ii) 25% of the escrowed securities will be released upon providing the Registrar with evidence that the company has commenced commercial production of the product, and the balance of the escrowed securities will be released on demonstration of at least one year's profitable operation determined in accordance with generally accepted accounting principles as shown on a current audited financial statement of the company, together with distribution of the commercial products; or

iii) 25% of the escrowed securities in escrow will be released upon providing the Registrar with evidence of commercial production after transfer of the research technology to another company for equity securities in the second company or any combination of cash, profit sharing and equity securities in the other company, and the balance of escrow securities will be released on demonstration of at least one year's profitable operation (as determined in clause (ii).) and distribution of the commercial product.
Part III

Going Concern Companies

1. In general, where a Going Concern Company has previously raised funds from the public by way of Offering Document, and where escrow provisions were required for that issue, the escrow requirements of this policy will not apply, where the original escrow requirements are determined to be adequate. This part of the policy is primarily directed at going concern companies which are attempting to raise funds from the public, by way of Offering Document, for the first time.

Securities to be Escrowed

2. **Securities Represented by Net Tangible Assets**

All Principals' Equity Securities in a Going Concern Company will be subject to escrow minus the number which may be deducted which are represented by net tangible assets. This will be calculated by deducting that number of Equity Securities obtained by multiplying the number of Principals' Equity Securities by the Net Tangible Assets per Equity Security and dividing that number by the Offering Price per security in the Offering Document.

**Securities for Which Consideration is Sufficient**

In addition to any deduction permitted above, in calculating the number of Equity Securities to be escrowed, the following may be deducted:

a) all Equity Securities which were acquired by a Principal more than one year prior to the preliminary receipt date for consideration equal to at least 60% of the Offering Price.

b) all Equity Securities which were acquired by a Principal more than two years prior to the preliminary receipt date for consideration equal to at least 45% of the Offering Price.

c) all Equity Securities which were acquired by a Principal more than three years prior to the preliminary receipt date for consideration equal to at least 25% of the Offering Price.
Release of Equity Securities covered by an Escrow Agreement

3. Equity Securities which are Legal for Life Securities subject to escrow in accordance with the terms of paragraph 2 of this Part will be subject to an automatic pro-rata release without application on the following basis:

   a) 10% of the escrow securities on the expiration of 9 months after the date of the final receipt for the Offering Document; and

   b) 45% of the escrowed securities on the first and second anniversaries of the date of the final receipt for the Offering Document.

4. Equity Securities that are other than Legal for Life Securities and subject to escrow in accordance with the terms of paragraph 2 of this Part will be subject to an automatic pro-rata release without application on the following basis:

   a) 10% of the escrowed securities nine months after the date of the final receipt for the Offering Document;

   b) 20% of the escrowed securities on the first, second and third anniversaries of the date of the final receipt for the Offering Document; and

   c) 30% of the escrowed securities on the fourth anniversary of the date of the final receipt for the Offering Document.

Part IV
venture Capital Corporations

1. Single Investment Venture Capital Corporations

Venture capital corporations incorporated in Saskatchewan with the intent of becoming registered under the Venture Capital Tax Credit Act, are often initiated by the Principals of existing small businesses in need of capital.
The intent of the arrangement is for the venture capital corporation to raise equity capital, and then reinvest all, or most of the proceeds of the issue into the small business. In return, the venture capital corporation received a minority voting position in Equity Securities of the small business.

When such an arrangement is contemplated, the Equity Securities of the Principals in the small business, into which the venture capital corporation will be investing, will be subject to the escrow requirements in Part II of this policy. The investors in the venture capital corporation will not be subject to any escrow requirements.

Venture capital corporations in these circumstances may wish to further protect their interests and investments in the small business through contractual arrangements with the small business such as a unanimous shareholders' agreement, in addition to the escrow requirements of the Commission.

**Multiple Investment Venture Capital Corporations**

2. Venture Capital Corporations may be incorporated in Saskatchewan for the purpose of investing and maintaining a portfolio in numerous small businesses.

The Principals of the small businesses into which these venture capital corporations invest will not be subject to any escrow requirements.

The venture capital corporations in these circumstances may protect their interests and investment in the small businesses through contractual arrangements with the small business such as a Unanimous Shareholder's Agreement.

Those Principals owning Equity Securities of the venture capital corporation will be subject to the applicable escrow and release requirements in Part II of this policy.
Part V

Holding Companies

One of the reasons for an escrow arrangement is to act as an incentive for the Principals to remain with the company after the security offering to the public. The expectation is that Principals, knowing that they will participate in the appreciation in the value of the shares as a result of their efforts and the successful operation of the company, will conduct the business affairs of the company in a manner that will benefit all shareholders.

If the holding company were to purchase equity securities of the issuer, an escrow of only the shares held by the holding company would not serve the intended purpose. The Principals of the holding company could sell their Equity Securities in the holding company to other parties, thereby circumventing the intention of the escrow provisions.

Where equity Securities of an issuer are held through a holding company, the staff of the Commission will look to the substance of the arrangement rather than to its form. In general, the following will apply:

1. Equity securities of an issuer held by a holding company will be subject to the applicable provisions as to escrow and release in Part II of this policy.

2. Principals' Equity securities in the holding company will be subject to the applicable provisions as to escrow and release in Part II of this policy.

Part VI

General

1. Multi Jurisdiction Filings

Where Saskatchewan is not the principal jurisdiction for the security filing, the security issuer has complied with the principal jurisdiction's escrow requirements, and the escrow agreement adequately protects the public interest in Saskatchewan, the Registrar will not normally impose any additional escrow requirements.
2. **Listing on the Toronto Stock Exchange**

Where the security issuer has applied for listing on the Toronto Stock Exchange and the issuer has entered into an escrow agreement pursuant to The Toronto Stock Exchange Founder Stock Policy Statement, the Registrar will normally not impose any additional escrow requirements, where the escrow agreement adequately protects the public interest in Saskatchewan.

In both of the above cases, the alternate escrow agreement will be required to be submitted to the Registrar for review to determine its acceptability.

3. **Information to be Filed**

To assist the Commission staff in determining the terms of an escrow, the following information is to be provided at the time of filing the preliminary Offering Document with the Commission:

a) the names and addresses of all persons or companies who own beneficially, directly or indirectly, Equity Securities of the issuer;

b) the number of securities of each class of the issuer held by the persons or companies referred to in (a);

c) the dates of acquisition of all securities referred to in (b);

d) the purchase price or consideration received for the acquisition of all securities referred to in (b) above and how the value was determined in each case.

Executed escrow agreements, as required by this policy, must be filed with the final Offering Document submitted to the Commission. A final receipt will not be issued until the executed agreements have been received.
4. **Discretionary Releases**

Application may be made to the Registrar in exceptional circumstances for release of securities from escrow on terms other than those outlined in this policy. The security holder and issuer must both advise the Registrar in writing of the unusual circumstances which lead them to believe that a release of all or part of the escrowed securities is appropriate, together with a copy of the escrow agreement. Upon review of the information submitted, a decision will be made as to whether the discretionary release is appropriate.

When dealing with the application, the Registrar will consider the following:

a) the nature of the escrow, the reason for its creation, and its history, including the reasons for any transfer of shares within escrow and the basis of any consent given to such transfer;

b) the interests of the applicant for release;

c) the interests of the company;

d) the interests of the then current shareholders of the listed company where those interests may differ from those of the listed company and its management; and

e) the interests of the investing public generally; i.e. of those who might become shareholders in the future.

5. **Extended Application of Escrow Policy**

As all of the situations in which an escrow would be appropriate cannot be foreseen, the Registrar may require additional or alternate escrow requirements that are reasonable in the circumstances.

6. **Appeals to the Chairman**

Any issuer requested to comply with escrow requirements by the Registrar, may, where it considers the requirements unduly harsh or onerous, may apply to the Chairman of the Commission for a hearing pursuant to Subsection 68(2) of The Securities Act.
7. **Forms**

Wherever an escrow of securities is required, the issuer and equity security holder should enter into a written agreement which may be in accordance with the regulations to the Act or may be prepared in another form which incorporates the provisions of this policy and is acceptable to the Registrar.

An example of a sample escrow agreement is attached:

a) Form 16 Escrow Agreement

---

Adopted By The Commission
June 21, 1988

Per:

W. M. Wheatley, Chairman
FORM 16

ESCROW AGREEMENT

THIS AGREEMENT is made as of the •••••• day of ••••••, 19••,

BETWEEN:
(hereinafter called the "Escrow Agent")

OF THE FIRST PART

AND:
(hereinafter called the "Company")

OF THE SECOND PART

AND:
THE UNDERSIGNED SHAREHOLDERS IN
(hereinafter individually called "Shareholder" and
collectively called the "Shareholders")

OF THE THIRD PART

WHEREAS:

A. The Shareholders have acquired or are about to acquire
shares of the Company and have agreed to enter into this escrow
agreement on the terms and conditions hereinafter provided;

B. The Escrow Agent has agreed to undertake and perform its
duties according to the terms and conditions hereof;

NOW THEREFORE this Agreement witnesses that in
consideration of the aforesaid agreements and of the sum of one
dollar ($1.00) now paid by the parties hereto, each to the other
(receipt of which sum the parties do hereby respectively
acknowledge each to the other) the shareholders jointly and
severally covenant and agree with the Company and with the
Escrow Agent and the Company and the Escrow Agent covenant and
agree each with the other and with the shareholders jointly and
severally as follows:

1. In this Agreement:

(a) "Shares" shall mean the shares of each Shareholder set
opposite their signature at the end of this agreement,
together with any additional shares issued by way of a
dividend paid in shares which accrues to the shares,
and the certificate or certificates representing such
shares;

(b) "Registrar" shall mean the Registrar or any Deputy
Registrar of the Saskatchewan Securities Commission.
2. Each Shareholder hereby places and deposits in escrow with the Escrow Agent the Shares of the Company referred to opposite his or her name as set out at the end of this agreement and agrees to deliver forthwith to the Escrow Agent those Shares (including any replacement shares or certificates if and when issued) to the Escrow Agent for deposit in escrow.

3. The parties hereby agree that the Shares and the beneficial ownership of or any interest in them shall not be sold, assigned, hypothecated, alienated, released from escrow, transferred within escrow, or otherwise in any manner dealt with, without the express consent in writing of the Registrar being first obtained except as may be required by reason of the death or bankruptcy of any Shareholder, in which case the Escrow Agent shall hold the Shares subject to this agreement, for whatever person, firm, or corporation shall be legally entitled to be or become the registered owner thereof.

4. The Shareholders hereby direct the Escrow Agent to retain their Shares including any replacement shares or certificates, and not to do or cause anything to be done to release the same from escrow or to allow any transfer, hypothecation, alienation, sale, assignment or release thereof except with, and as directed by, the written consent of the Registrar. The Escrow Agent hereby accepts the responsibilities placed on it hereby and agrees to perform the same in accordance with the terms hereof and in accordance with the written consent of the Registrar.

5. If, during the period in which any of the Shares are retained in escrow pursuant hereto, any dividend, other than a dividend paid in shares of the Company, is received by the Escrow Agent in respect of the Shares, such dividend shall be paid or transferred forthwith to the respective Shareholders entitled thereto. Any shares received by the Escrow Agent by way of dividend in respect of the Shares shall be dealt with as if they were Shares hereunder.

6. All voting rights to the Shares may at all times be exercised by the respective registered owners thereof.

7. The Company hereby acknowledges the terms and conditions of this agreement and agrees to take all reasonable steps to facilitate its performance.
8. The written consent of the Registrar to a release from escrow of all or part of the Shares shall terminate this agreement only in respect to those Shares so released. For greater certainty, a transfer within escrow is not a release from escrow.

9. It is acknowledged by the parties that if the Company meets certain conditions over time, the Shareholders shall be entitled to a partial or full release by the Registrar of the Shares from the terms of this agreement from time to time in accordance with the policies of the Saskatchewan Securities Commission.

10. The parties hereto agree and acknowledge that the Shares subject to escrow shall be released on the following terms: (detail the applicable release provisions of the policy).

11. Notice of any consent of the Registrar shall be given by the Escrow Agent to all persons or parties affected thereby at their last known address.

12. The Shareholders do hereby jointly and severally covenant and agree to keep harmless and fully indemnify the Escrow Agent from and against all loss, costs, suits, demands, claims, damages, and expenses which the Escrow Agent may at any time or times hereafter suffer as a result of compliance in good faith with the terms hereof.

13. If the Escrow Agent should wish to resign, it shall give at least six months' notice to the Company, which may, with the written consent of the Registrar, by writing appoint another Escrow Agent in its place and such appointment shall be binding on the Shareholders and the New Escrow Agent shall assume and be bound by the obligations of the Escrow Agent hereunder.

14. This agreement may be executed in several parts in the same form and such parts as so executed shall together form one original agreement, and such parts, if more than one, shall be read together and construed as if all the signing parties hereto had executed one copy of this Agreement.
15. This Agreement shall enure to the benefit of and be binding upon the parties hereto, their and each of their heirs, executors, administrators, successors, and permitted assigns.

IN WITNESS WHEREOF the parties hereto have executed these presents the day and year first above written.

SIGNED

\[\text{Signature} \quad \text{Number and Type of Shares} \quad \text{Certificate Number}\]

in the presence of:

\[\text{Print Name} \]

SIGNED

in the presence of:

\[\text{Print Name} \]
SASKATCHEWAN OIL AND GAS CORPORATION

$50,000,000
6,557,377 Common Shares

The outstanding Common Shares are listed on The Toronto Stock Exchange and the Montreal Exchange. The closing price of the Common Shares on The Toronto Stock Exchange on July 6, 1987 was 87.625.

In the opinion of counsel, the Common Shares will qualify for investment under certain statutes as set out under "Eligibility for Investment".

An investment in the Common Shares entails certain risks related to the nature of Saskoil's business which should be considered by investors. Reference is made to "Risk Factors".

Price: $7.625 per Common Share

<table>
<thead>
<tr>
<th></th>
<th>Price to public</th>
<th>Underwriters’ commission</th>
<th>Net proceeds to Saskoil (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Common Share</td>
<td>$7.625</td>
<td>$0.324</td>
<td>$7.301</td>
</tr>
<tr>
<td>Total</td>
<td>$50,000,000</td>
<td>$2,125,000</td>
<td>$47,875,000</td>
</tr>
</tbody>
</table>

(1) Before deducting expenses of issue estimated to be $800,000 payable by Saskoil.

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued by Saskoil and accepted by them in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of Saskoil by MacPherson, Leslie & Tyerman, Regina, and on behalf of the Underwriters by Balfour, Moss, Milliken, Laschuk & Kyle, Regina.

Subscriptions for the Common Shares will be received-subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the date of closing will be on or about July 28, 1987 and that definitive certificates evidencing the Common Shares will be available for delivery at such time.

July 6, 1987
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EUGmIUTY FOR INVESTMENT

In the opinion of MacPherson, Leslie & Tyerman, counsel for Saskoil, and Balfour, Moss, Milliken, Laschuk & Kyle, counsel for the Underwriters, the Common Shares will, at the date of original delivery, be eligible investments without resort to the so-called "basket" provisions, but subject only to general investment conditions or restrictions applying to certain purchasers, for:

(a) insurance companies registered or licensed under or governed by the Canadian and British Insurance Companies Act (Canada), the Foreign Insurance Companies Act (Canada), the Insurance Act (Alberta) or the Insurance Act (Ontario);

(b) loan or trust companies regulated or registered under or governed by the Loan Companies Act (Canada), the Trust Companies Act (Canada), The Trust and Loan Corporations Act (Saskatchewan) or the Loan and Trust Corporations Act (Ontario);

(c) pension funds registered under the Pension Benefits Standards Act, 1985 (Canada), The Pension Benefits Act (Saskatchewan), the Pension Benefits Act (Ontario), the Employment Pension Plans Act (Alberta) or An Act respecting supplemental pension plans (Quebec); and

(d) trustees whose investment powers are governed by the Trustee Act (Alberta).

In the opinion of such counsel, the Common Shares will also be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans under the Income Tax Act (Canada).
PROSPECTUS SUMMARY

This is a summary only and should be read in conjunction with and is qualified by the more detailed information contained elsewhere in this prospectus.

THE CORPORATION

Saskatchewan Oil and Gas Corporation ("Saskoil" or the "Corporation") explores for, develops, produces, transports and markets crude oil and natural gas in western Canada. Saskoil recently acquired all of the issued and outstanding shares of Thomson-Jensen Petroleum Limited and Thomson-Jensen Energy Limited and the TJE Partnership (collectively "Thomson-Jensen").

THE OFFERING

Issue: 6,557,377 Common Shares.
Price: $7.625 per Common Share.
Amount: $50,000,000.

Use of Proceeds: The net proceeds of this offering will be added to working capital and used for general corporate purposes. These purposes are presently anticipated to include the repayment of debt, including approximately $22 million of current indebtedness incurred as a result of the Thomson-Jensen acquisition, and the exploration for and the development of oil and gas assets. In the event attractive acquisition opportunities arise, proceeds from this issue may be applied by Saskoil for such acquisitions. Reference is made to "Use of Proceeds".

Eligibility for Investment: In the opinion of counsel, the Common Shares will qualify as eligible investments pursuant to the provisions of certain statutes. Reference is made to "Eligibility for Investment".

Principal Shareholder: The Province of Saskatchewan owns 81% of the outstanding Common Shares of Saskoil representing 58% of the voting shares of the Corporation. After completion of this offering, the Province of Saskatchewan will own 60% of the Common Shares representing 47% of the voting shares of the Corporation. The Government of Saskatchewan has indicated that it intends to participate in ownership, not management, of Saskoil and that it does not intend to vote its shareholdings on resolutions moved at general meetings, although it retains the power to do so. Reference is made to "Principal Shareholder" and "Relationship with Province of Saskatchewan".

Saskatchewan Stock Savings Plan: The Common Shares offered hereby qualify as eligible shares for purchase by residents of Saskatchewan under The Stock Savings Tax Credit Act (Saskatchewan). Reference is made to "Saskatchewan Stock Savings Plan".

Thomson-Jensen Acquisition: On June 11, 1987, Saskoil acquired all of the issued and outstanding shares of Thomson-Jensen Petroleum Limited and Thomson-Jensen Energy Limited for a gross purchase price of $65,800,000, before adjustment for assumed debt, working capital and other items. Saskoil has also agreed to acquire the TJE Partnership for a purchase price of $500,000. The acquisition of Thomson-Jensen provides the Corporation with significant additional Alberta land holdings and has increased Saskoil's existing total net crude oil and natural gas reserves, based on escalating price assumptions, by 7% and 88%, respectively.

Risk Factors: The prices of crude oil and natural gas have fluctuated significantly in recent years. Such fluctuations have a direct impact on Saskoil's revenues. The oil and gas industry is intensely competitive and Saskoil competes with other companies which have greater resources. Crude oil and natural gas exploration involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that additional crude oil and natural gas in commercial quantities will be discovered by Saskoil. The marketability of crude oil and natural gas which may be acquired or discovered by Saskoil will be affected by numerous factors beyond the control of Saskoil. Reference is made to "Risk Factors".
SELECTED OPERATING INFORMATION

Gross Reserves (1) (Pro-forma as at April 1, 1987 (2))

<table>
<thead>
<tr>
<th>Crude oil and natural gas liquids (MMBbls)</th>
<th>Natural gas (Bcf)</th>
<th>Undiscounted</th>
<th>Discounted at the rate of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Present worth before tax of future net production revenue (3)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(millions of dollars)</td>
</tr>
</tbody>
</table>

Proven reserves
- Producing: 453 MMBbls, 32.8 Bcf
- Non-producing: 0.1 MMBbls, 0.8 Bcf
- Undeveloped: 6.7 MMBbls, 45.8 Bcf

Total proven: 52.1 MMBbls, 79.4 Bcf

Probable reserves:
- Total: 81.0 MMBbls, 96.6 Bcf

Production

<table>
<thead>
<tr>
<th>Three months ended March 31</th>
<th>Year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light/medium oil (MBbls)</td>
<td></td>
</tr>
<tr>
<td>Producing</td>
<td>908</td>
</tr>
<tr>
<td>Heavy oil (MBbls)</td>
<td>458</td>
</tr>
<tr>
<td>Total</td>
<td>1,366</td>
</tr>
<tr>
<td>Natural gas (MMcfd)</td>
<td>1,254</td>
</tr>
</tbody>
</table>

Wells

| Producing oil wells          | 4,245 | 888  |
| Producing natural gas wells  | 90    | 43   |
| Shut-in oil and natural gas wells | 390 | 179  |
| Total                       | 4,725 | 1,110|

Land Interests

<table>
<thead>
<tr>
<th>Pro-forma as at April 1, 1987 (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross (thousands of acres)</td>
</tr>
<tr>
<td>Saskatchewan</td>
</tr>
<tr>
<td>Alberta</td>
</tr>
<tr>
<td>Manitoba</td>
</tr>
<tr>
<td>British Columbia</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The appraised value of the undeveloped acreage of Saskoil and Thomson-Jensen at April 1, 1987 was $34.5 million.

Notes:
1. Gross reserves are defined as the total Saskoil and Thomson-Jensen working interest share of reserves. Figures in the table represent gross reserves. For net reserved figures reference is made to "Business of Saskoil-crude Oil and Natural Gas Reserves" and "Business of Thomson-Jensen-crude Oil and Natural Gas Reserves".
2. Pro-forma after giving effect to the acquisition of Thomson-Jensen. The pro-Corma production data assumes that the acquisition of Thomson-Jensen was effective on January 1, 1987.
3. All evaluations of net production revenue set forth in the table are stated prior to provision for income taxes and indirect costs and are based on escalating price assumptions. It should not be assumed that the discounted future net production revenues are representative of the fair market value of these reserves. The present worth before tax of future net production revenue based on constant price assumptions, undiscounted and discounted at the rates of 10%, 15%, and 20%, was estimated in millions of dollars to be $5481.0, $2400.0, $1922.9, and $1619.9, respectively. Reference is made to "Business of Saskoil-crude Oil and Natural Gas Reserves" and to "Business of Thomson-Jensen-crude Oil and Natural Gas Reserves".
SELECTED FINANCIAL INFORMATION

<table>
<thead>
<tr>
<th></th>
<th>Three months ended March 31</th>
<th>Year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro-Corma(1)</td>
<td>(unaudited)</td>
<td></td>
</tr>
<tr>
<td>Operating results (2):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil and natural</td>
<td></td>
<td></td>
</tr>
<tr>
<td>gas sales ................</td>
<td>$ 26,536 $ 23,493 $23,757</td>
<td>$77,298 $161,120</td>
</tr>
<tr>
<td>Net sales revenue (3)</td>
<td>20,565 17,750 17,498</td>
<td>58,292 113,232</td>
</tr>
<tr>
<td>Earnings (loss) ........</td>
<td>3,983 5,137 (674) (1,327)</td>
<td>40,623 44,033</td>
</tr>
<tr>
<td>Working capital from</td>
<td>11,916 11,652 8,684</td>
<td>26,246 63,994</td>
</tr>
<tr>
<td>operations .............</td>
<td>9,525 7,193 8,835</td>
<td>23,735 58,813</td>
</tr>
<tr>
<td>Capital expenditures...</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>As at March 31</th>
<th>As at December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro-Corma(1)</td>
<td>(unaudited)</td>
<td></td>
</tr>
<tr>
<td>Financial position:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital (deficiency)</td>
<td>$(16,137) $49,709 $47,793 $22,408</td>
<td></td>
</tr>
<tr>
<td>Participation bonds</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>267,336</td>
<td>267,336</td>
</tr>
<tr>
<td>Total assets</td>
<td>328,361</td>
<td>303,010</td>
</tr>
</tbody>
</table>

Notes:
(1) Pro-forma information includes the operating results of Thomson Jensen assuming an effective acquisition date of January 1, 1987 and reflects the financial position assuming an effective date of March 31, 1987.
(2) Reference is made to "Management's Discussion of Operating Results".
(3) Revenue from crude oil and natural gas sales less royalties and like payments.

SASKOILACT

The Saskatchewan Oil and Gas Corporation Act, 1985 (the "Saskoil Act") prohibits any person or group of associated persons, other than the Province of Saskatchewan, from owning more than 4% of the issued and outstanding voting shares of Saskoil. In addition, the Saskoil Act provides that holders of voting shares of Saskoil must be Canadian citizens or residents. Reference is made to "Saskoil Act".

ABBREVIATIONS

<table>
<thead>
<tr>
<th></th>
<th>Crude oil and natural gas liquids:</th>
<th>Natural gas:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bbls = barrels</td>
<td></td>
<td>Mcf = thousands of cubic feet</td>
</tr>
<tr>
<td>MBbis = thousands of barrels</td>
<td></td>
<td>MMcf = millions of cubic feet</td>
</tr>
<tr>
<td>MMBbbls = millions of barrels</td>
<td></td>
<td>Bcf = billions of cubic feet</td>
</tr>
</tbody>
</table>
SASKATCHEWAN OIL AND GAS CORPORATION

Saskatchewan Oil and Gas Corporation ("Saskoil" or the "Corporation") was created in 1973 as a Crown corporation by the Province of Saskatchewan under The Saskatchewan Oil and Gas Corporation Act for the purposes of exploring for, developing, producing, transporting and marketing crude oil and natural gas in western Canada. In 1976, Saskoil acquired the Saskatchewan properties and field operations of Atlantic Richfield Canada Limited. The acquisition of these oil and gas assets assisted in establishing Saskoil as a major light and medium oil producer in southern Saskatchewan. Since that time, Saskoil has participated in the exploration for and discovery and development of several major crude oil pools, principally in Saskatchewan.

The enactment of The Saskatchewan Oil and Gas Corporation Act, 1985, (the "Saskoil Act") resulted in Saskoil ceasing to be a Crown corporation and becoming a corporation with share capital subject to the provisions of The Business Corporations Act (Saskatchewan) and the Saskoil Act. Reference is made to "Saskoil Act". Saskoil carries on its business directly and through a wholly-owned subsidiary, Saskoil Resources Inc. In this prospectus, unless otherwise indicated, the terms "Saskoil" or the "Corporation" include Saskoil Resources Inc.

The head and principal office of Saskoil is located at 1000 Saskoil Tower, 1945 Hamilton Street, P.O. Box 1550, Regina, Sask., S4P 3C4. Saskoil also maintains district offices in Saskatchewan at Estevan, Swift Current, Coleville and Maidstone and an Alberta office in Calgary. At March 31, 1987, Saskoil had 205 permanent employees, 143 of whom were situated at its head office.

Saskoil's focus of operations has been the exploration for and development and production of crude oil reserves in the province of Saskatchewan. In 1986, over 95% of Saskoil's net sales revenue was generated from the production of crude oil with the balance being contributed principally by natural gas sales. Approximately 97% of this crude oil production was attributable to producing properties located in Saskatchewan. Light and medium oil production and heavy oil production accounted for 64% and 36%, respectively, of 1986 crude oil revenues. While maintaining a strong Saskatchewan presence, Saskoil has also established itself as a national oil and gas company through acquisition, exploration and development activities throughout western Canada.

On June 11, 1987, Saskoil acquired all of the issued and outstanding shares of Thomson-Jensen Petroleum Limited and Thomson-Jensen Energy Limited from The Thomson Organisation PLC for a gross purchase price of $65,800,000, before adjustment for assumed debt, working capital and other items. Saskoil has also agreed to acquire the TJE Partnership for a purchase price of $500,000. The acquisition of Thomson-Jensen provides the Corporation with significant additional Alberta land holdings and has increased Saskoil's existing total net crude oil and natural gas reserves, based on escalating price assumptions, by 7% and 88%, respectively.

BUSINESS OF SASKOIL

Production

Saskoil produces both crude oil and natural gas. In 1986, crude oil production accounted for 95% of Saskoil's net sales revenue.

The majority of Saskoil's producing properties are located in Saskatchewan and in 1986 contributed approximately 97% of total annual crude oil production. Activities outside of Saskatchewan are conducted primarily in Alberta with limited operations in Manitoba. Within Saskatchewan, Saskoil has district offices and operates wells in each of the province's four major producing regions: northwest, west central, southwest and southeast.

In the southwest and southeast regions, Saskoil's interests in crude oil in existing fields were acquired largely through purchases in the mid-1970's. In the northwest and west central regions, Saskoil commenced exploration and development activities in the late 1970's and, as a result, Saskoil now holds extensive interests in heavy oil fields in these regions.)
Saskoil is the operator of approximately 41% of its crude oil production. While the remaining 59% is operated on Saskoil's behalf in accordance with the terms of industry-standard joint operating agreements. Twenty-two fields provide Saskoil with approximately 61% of its annual crude oil production and 68% of its crude oil reserves. The remaining production and reserves are distributed over approximately 150 fields which are either smaller in size or in which Saskoil has only minor working interests.

Saskoil's four largest producing fields in 1986 were Court, Cactus Lake, Marsden and Battrum. The Court field, located in west central Saskatchewan, is a 37 well heavy oil field which was developed by Saskoil in 1983. In the Court field Saskoil has an average 80% working interest which yielded an average of 760 gross barrels of crude oil per day in 1986. The Cactus Lake field, located in west central Saskatchewan, is partner-operated and contains 97 heavy oil wells. Saskoil's working interests in the Cactus Lake wells range from 25% to 40% and yielded an average of 730 gross barrels of crude oil per day in 1986. The Marsden field, located in northwest Saskatchewan, was discovered by Saskoil in early 1979 and consists of 41 oil wells. Saskoil's 76% working interest in the Marsden Unit yielded an average of 650 gross barrels of crude oil per day in 1986. The Battrum field, in which Saskoil's working interest averages 21%, is located in southwest Saskatchewan. In 1986, Saskoil's interest in this field yielded an average of 630 gross barrels of crude oil per day.

In 1986, Saskoil's production accounted for approximately 7% of total crude oil produced in Saskatchewan. Approximately 80% of this production was exported into the United States market. Gross crude oil production in 1986 averaged 13,000 barrels per day and totalled 4.8 million barrels. Gross crude oil production for the first quarter of 1987 is up approximately 15% over the same period in 1986 to 14,200 barrels per day. Gross natural gas production in 1986 was 1.4 Bcf and in the first quarter of 1987 averaged 5.8 MMcf per day, up from 3.9 MMcf per day in 1986 and 1.9 MMcf per day in 1985.

Gross crude oil production for Saskoil for each of the indicated periods is set forth in the following table:

### Summary of Gross Crude Oil Production

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light/medium</td>
<td>817</td>
<td>3,029</td>
<td>3,032</td>
<td>3,126</td>
<td>2,859</td>
</tr>
<tr>
<td>Heavy</td>
<td>458</td>
<td>1,727</td>
<td>1,868</td>
<td>2,025</td>
<td>1,845</td>
</tr>
<tr>
<td>Total</td>
<td>1,275</td>
<td>4,756</td>
<td>4,900</td>
<td>5,151</td>
<td>4,704</td>
</tr>
<tr>
<td>Daily averages</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light/medium</td>
<td>9.1</td>
<td>8.3</td>
<td>8.3</td>
<td>8.6</td>
<td>7.8</td>
</tr>
<tr>
<td>Heavy</td>
<td>5.1</td>
<td>4.7</td>
<td>5.1</td>
<td>5.5</td>
<td>5.1</td>
</tr>
<tr>
<td>Total</td>
<td>14.2</td>
<td>13.0</td>
<td>13.4</td>
<td>14.1</td>
<td>12.9</td>
</tr>
</tbody>
</table>

Note:
1. Gross crude oil production is Saskoil's share of crude oil production from all wells in which the Corporation has an interest.
Gross natural gas production for Saskoil for each of the indicated periods is set forth in the following table:

Summary of Gross Natural Gas Production

<table>
<thead>
<tr>
<th>Three months ended March 31</th>
<th>Year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>(MMcf)</td>
<td></td>
</tr>
<tr>
<td>Total production</td>
<td>519 1,420 710 568 355 142</td>
</tr>
<tr>
<td>Daily averages</td>
<td>5.8 3.9 1.9 1.6 1.0 0.4</td>
</tr>
</tbody>
</table>

Note: Gross natural gas production is Saskoil’s share of natural gas production from all wells in which the Corporation has an interest.

The following table summarizes Saskoil’s working interests in oil and natural gas wells as at March 31, 1987:

Summary of Oil and Natural Gas Wells

<table>
<thead>
<tr>
<th></th>
<th>Producing</th>
<th>Shut-in</th>
<th>Natural gas wells</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross (1)</td>
<td>Net (1)</td>
<td>Gross (1)</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>3,986</td>
<td>815.5</td>
<td>183</td>
</tr>
<tr>
<td>Alberta</td>
<td>76</td>
<td>29.7</td>
<td>11</td>
</tr>
<tr>
<td>Manitoba</td>
<td>13</td>
<td>10.8</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>4,075</td>
<td>856.0</td>
<td>196</td>
</tr>
</tbody>
</table>

Note: Gross wells are defined as the total number of wells in which Saskoil has a working interest. Net wells are defined as the aggregate of the numbers obtained by multiplying each gross well by Saskoil's percentage working interest therein.

Marketing and Transportation

In anticipation of the deregulation of crude oil markets, Saskoil formed a marketing division in 1985 with the initial goal of ensuring a consistent market at fair prices for its crude oil production. Subsequently, Saskoil's marketing activities expanded to the point where they now include all facets of the crude oil marketing process from wellhead to refinery. In addition to the sale of its own production, Saskoil purchases oil from other producers for resale when it is profitable to do so or where a strategic advantage can be gained by such purchases in connection with the marketing and transportation of Saskoil's production. In the first quarter of 1987, Saskoil purchased for resale a further 7,000 barrels of crude oil per day from other industry participants.

Saskoil is increasing its emphasis on natural gas exploration and is therefore actively pursuing new markets for future natural gas production.

Saskoil's proved undeveloped reserves are either close to existing facilities and gathering systems or are concentrated in sufficiently large volumes to justify construction of such facilities.

Saskoil owns a 25% working interest in the Cactus Lake Pipeline, which commenced operations in early 1982. The 42 mile pipeline transports blended heavy oil from several fields in west central Saskatchewan and eastern Alberta to the Kerrobert terminal on the Interprovincial Pipe Line. During 1986, the Cactus Lake Pipeline transported an average of 11,000 barrels per day.
Exploration and Development

Saskoil has been active in all major crude oil and natural gas exploration areas of Saskatchewan and certain major exploration areas of Alberta. Saskoil has no activities in Canada’s frontier or in other countries.

During past years, Saskoil’s exploration program concentrated primarily on heavy oil in Saskatchewan and light crude oil in Alberta and Saskatchewan, with minimal emphasis on natural gas. Beginning in 1986, in an effort to diversify its product base, Saskoil redirected the majority of its exploration and development program toward more economically attractive light crude oil and natural gas and away from heavy oil. This shift in emphasis resulted in 80% of Saskoil’s 1986 exploration expenditures of $10.5 million being spent in Alberta and the remaining 20% being spent in Saskatchewan. Of the total exploration expenditures 75% was directed to light crude oil, 15% to natural gas and 10% to heavy oil. The 1986 development expenditures of $13.1 million were spent primarily in Saskatchewan on the development of crude oil reserves.

In the first quarter of 1987, Saskoil participated in two exploration and 12 development wells in Saskatchewan. The exploration drilling resulted in a crude oil find in the Tableland prospect in the southeastern region of the province. Eleven of the development wells and both of the exploration wells were cased for production. In Alberta, Saskoil participated in ten exploration and two development wells in the first quarter of 1987, resulting in five oil wells. In addition Saskoil had a royalty interest in one oil well and one gas well.

In 1987, exploration and development expenditures are expected to increase substantially over 1986 with an increasing portion of these expenditures being directed to exploration for natural gas in Saskatchewan and Alberta. Deregulation of natural gas markets in Saskatchewan is expected to facilitate direct access to new and existing markets for natural gas production. A further increase in the 1987 exploration and development expenditures is anticipated as a result of the acquisition of Thomson-Jensen.

The following table sets forth information with respect to wells drilled for the periods indicated:

Summary of Wells Drilled

<table>
<thead>
<tr>
<th></th>
<th>Three months ended March 31, 1987</th>
<th>Year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploratory wells</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil</td>
<td>5</td>
<td>1.3</td>
</tr>
<tr>
<td>Natural gas</td>
<td>1</td>
<td>.2</td>
</tr>
<tr>
<td>Dry holes</td>
<td>6</td>
<td>1.6</td>
</tr>
<tr>
<td>Royalty interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>wells (2)</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>3.1</td>
</tr>
<tr>
<td>Development wells</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil</td>
<td>12</td>
<td>3.3</td>
</tr>
<tr>
<td>Natural gas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dry holes</td>
<td>2</td>
<td>0.5</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Notes:
(1) Gross wells are defined as the total number of wells in which Saskoil has an interest. Net wells are defined as the aggregate of the numbers obtained by multiplying each gross well by Saskoil’s percentage working interest therein.
(2) Saskoil holds royalty interests in these wells, some of which it has an option to convert into working interests. These wells are not included under net wells because the timing and nature of conversion to a working interest is uncertain.
Capital Expenditures

Capital expenditures for the periods indicated are shown in the following table:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum and natural gas leases and rights</td>
<td>$697</td>
<td>$2,251</td>
<td>$10,380</td>
<td>$9,525</td>
<td>$5,277</td>
<td>$6,433</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration</td>
<td>5,379</td>
<td>8,276</td>
<td>11,764</td>
<td>7,226</td>
<td>4,567</td>
<td>7,786</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>1,102</td>
<td>6,797</td>
<td>28,251</td>
<td>18,330</td>
<td>14,870</td>
<td>15,698</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production facilities</td>
<td>15,102</td>
<td>4,683</td>
<td>5,921</td>
<td>7,340</td>
<td>1,760</td>
<td>1,804</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>1,728</td>
<td>2,497</td>
<td>1,796</td>
<td>3,606</td>
<td>(690)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$7,193</td>
<td>$23,735</td>
<td>$58,813</td>
<td>$44,217</td>
<td>$30,080</td>
<td>$31,031</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Land Interests

At April 1, 1987, Saskoil held varying interests in petroleum and natural gas leases and rights comprising approximately 1,626,664 gross (716,852 net) acres. The following table summarizes the developed and undeveloped petroleum and natural gas leases and rights in which Saskoil had an interest at April 1, 1987:

<table>
<thead>
<tr>
<th>Developed (1)</th>
<th>Undeveloped (2)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross acres (3)</td>
<td>Net acres (3)</td>
<td>Gross acres (3)</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>347,279</td>
<td>127,825</td>
</tr>
<tr>
<td>Alberta</td>
<td>64,752</td>
<td>22,108</td>
</tr>
<tr>
<td>Manitoba</td>
<td>1,784</td>
<td>753</td>
</tr>
<tr>
<td>Other</td>
<td>158,362</td>
<td>2,014</td>
</tr>
<tr>
<td>Total</td>
<td>413,815</td>
<td>150,686</td>
</tr>
</tbody>
</table>

Notes:
(1) Acreage to which Coles Nikiforuk Pennell Associates Ltd. has assigned proved or probable reserves.
(2) Acreage to which Coles Nikiforuk Pennell Associates Ltd. has not assigned any proved or probable reserves.
(3) Gross acres are defined as the total number of acres in which Saskoil has an interest. Net acres are defined as the number of acres obtained by multiplying the gross acres in each property by the percentage working interest which Saskoil has therein.

At April 1, 1987, Saskoil held 566,166 net acres to which reserves had not been assigned. Coles Nikiforuk Pennell Associates Ltd. ("Coles"), independent petroleum consultants of Calgary, appraised the value of this undeveloped acreage at $29.7 million. The value assigned to undeveloped acreage is based on recent land sale prices, test results from existing wells and potential productive zones.

Crude Oil and Natural Gas Reserves

The majority of Saskoil's crude oil and natural gas reserves are located in Saskatchewan. Coles, in an engineering evaluation (the "Coles Report") effective April 1, 1987, evaluated Saskoil's crude oil and natural gas reserves. The crude oil and natural gas reserves and revenue estimates upon which this evaluation is based were determined in accordance with generally accepted evaluation practices.

The following tables summarize Coles' evaluations of Saskoil's reserves. All evaluations of future net production revenue set forth in the tables are stated prior to provisions for income taxes and indirect costs. It should not be assumed that the discounted future net revenues shown below are representative of the fair market value of Saskoil's reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are included in the Coles Report. A summary of the Coles Report may be inspected at the office of Saskoil, 1000 Saskoil Tower.
Crude Oil and Natural Gas Reserves
Based on Escalating Price Assumptions (7)

<table>
<thead>
<tr>
<th>Gross reserves (1)</th>
<th>Net reserves (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil (MMBbls)</td>
<td>Natural gas (Bcf)</td>
</tr>
</tbody>
</table>

Proved reserves (2):

<table>
<thead>
<tr>
<th>Production (3)</th>
<th>Gross reserves</th>
<th>Net reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producing</td>
<td>42.1</td>
<td>31.7</td>
</tr>
<tr>
<td>Undeveloped</td>
<td>6.6</td>
<td>6.1</td>
</tr>
<tr>
<td>Total proved</td>
<td>48.7</td>
<td>37.8</td>
</tr>
<tr>
<td>Probable reserves</td>
<td>27.1</td>
<td>19.8</td>
</tr>
<tr>
<td>Total proved and probable reserves</td>
<td>75.8</td>
<td>57.6</td>
</tr>
</tbody>
</table>

Crude Oil and Natural Gas Reserves
Based on Escalating Price Assumptions (7)

Present Worth Before Tax of Future Net Production Revenue
Based on Escalating Price Assumptions (5) (6) (7) (10)

<table>
<thead>
<tr>
<th>Undiscounted</th>
<th>Discounted at the rate of 10%</th>
<th>Discounted at the rate of 15%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$638.6</td>
<td>$235.5</td>
<td>$180.5</td>
</tr>
<tr>
<td>348.2</td>
<td>62.5</td>
<td>35.0</td>
</tr>
<tr>
<td>986.8</td>
<td>298.0</td>
<td>215.5</td>
</tr>
<tr>
<td>422.2</td>
<td>63.1</td>
<td>35.8</td>
</tr>
<tr>
<td>$1,409.0</td>
<td>$361.1</td>
<td>$251.3</td>
</tr>
</tbody>
</table>

Crude Oil and Natural Gas Reserves
Based on Constant Price Assumptions (8)

<table>
<thead>
<tr>
<th>Gross reserves (1)</th>
<th>Net reserves (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil (MMBbls)</td>
<td>Natural gas (Bcf)</td>
</tr>
</tbody>
</table>

Proved reserves (2):

<table>
<thead>
<tr>
<th>Production (3)</th>
<th>Gross reserves</th>
<th>Net reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producing</td>
<td>42.1</td>
<td>32.1</td>
</tr>
<tr>
<td>Undeveloped</td>
<td>6.6</td>
<td>6.1</td>
</tr>
<tr>
<td>Total proved</td>
<td>48.7</td>
<td>38.2</td>
</tr>
<tr>
<td>Probable reserves</td>
<td>27.1</td>
<td>19.9</td>
</tr>
<tr>
<td>Total proved and probable reserves</td>
<td>75.8</td>
<td>58.1</td>
</tr>
</tbody>
</table>
Present Worth Before Tax of Future Net Production Revenue
Based on Constant Price Assumptions (5) (6) (8) (10)

<table>
<thead>
<tr>
<th>Undiscounted</th>
<th>Discounted at the rate of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>(millions of dollars)</td>
<td></td>
</tr>
</tbody>
</table>

**Proved reserves (2):**

- **Producing (3):**
  - $238.8
  - $143.2
  - $121.3
  - $105.9

- **Undeveloped (3):**
  - 73.5
  - 19.4
  - 11.3
  - 6.7

- **Total proved:**
  - 312.3
  - 162.6
  - 132.6
  - 112.6

- **Probable reserves (4):**
  - 77.3
  - 21.9
  - 13.9
  - 9.6

- **Total proved and probable reserves:**
  - $389.6
  - $184.5
  - $146.5
  - $122.2

Notes:

1. Gross reserves are defined as the total Saskoil working interest share of reserves. Net reserves are defined as Saskoil’s **gross** reserves less all royalties payable to the Crown and others.

2. **Proved** reserves are reserves estimated as recoverable under current technology and existing and anticipated economic conditions. They are the reserves that could be recovered from existing wells, including behind pipe reserves, which will require additional completion work and or the installation of certain minor facilities prior to the start of actual production. These reserves are classified as proved developed as the investment required to commence production is relatively small compared to the cost of a new well or facilities. Proved undeveloped reserves are those proved reserves which are expected to be recovered from (1) new wells on undrilled acreage, (2) deepening of existing wells to a different reservoir, or where a relatively large expenditure is required for recompletion, and (3) acreage where the application of an improved recovery project is planned and the costs required to place the project in operation are relatively large.

3. **Probable** reserves are those reserves which analysis of drilling, geological, geophysical and engineering data does not demonstrate to be proven under current technology and existing economic conditions, but where such analysis suggests the likelihood of their existence and future recovery. Probable additional reserves to be obtained by the application of enhanced recovery processes will be the increased recovery over and above that estimated in the proved category which can be realistically estimated for the pool on the basis of enhanced recovery processes which can be reasonably expected to be instituted in the future. There is some degree of geological and engineering risk associated with probable reserves. The Coles Report has applied a risk factor of **15%** to the future net production revenue from probable reserves to account for the geological and engineering risk associated with these reserves.

4. **Probable** reserves are reserves which analysis of drilling, geological, geophysical and engineering data does not demonstrate to be proven under current technology and existing economic conditions, but where such analysis suggests the likelihood of their existence and future recovery. Probable additional reserves to be obtained by the application of enhanced recovery processes will be the increased recovery over and above that estimated in the proved category which can be realistically estimated for the pool on the basis of enhanced recovery processes which can be reasonably expected to be instituted in the future. There is some degree of geological and engineering risk associated with probable reserves. The Coles Report has applied a risk factor of **15%** to the future net production revenue from probable reserves to account for the geological and engineering risk associated with these reserves.

5. Net production revenue is income derived from the sale of net reserves of oil, gas and gas by-products. Less all capital costs, production taxes and operating costs and before provision for income taxes and administrative overhead costs.

6. All values are shown in Canadian dollars.

7. The escalating price assumptions assume the continuance of current laws and regulations and any increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. In the escalating price assumption evaluation contained in the Coles Report, operating and capital costs have been escalated in accordance with Coles' estimate thereof. Coles' oil and gas price forecasts effective May 1, 1987 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>West Texas Interim at Cushing</th>
<th>Edmonton City Gate</th>
<th>Solution Gas</th>
<th>New Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>D2/S2 $US/Bbl</td>
<td>D2/S3 $Cdn/Bbl</td>
<td>$/million BTU</td>
<td>$/million BTU</td>
</tr>
<tr>
<td>1987</td>
<td>17.00</td>
<td>21.50</td>
<td>1.39</td>
<td>1.85</td>
</tr>
<tr>
<td>1988</td>
<td>18.25</td>
<td>23.00</td>
<td>1.39</td>
<td>1.85</td>
</tr>
<tr>
<td>1989</td>
<td>19.75</td>
<td>24.15</td>
<td>1.54</td>
<td>2.05</td>
</tr>
<tr>
<td>1990</td>
<td>21.50</td>
<td>27.00</td>
<td>1.73</td>
<td>2.30</td>
</tr>
<tr>
<td>1991</td>
<td>23.50</td>
<td>29.15</td>
<td>2.03</td>
<td>2.70</td>
</tr>
<tr>
<td>1992</td>
<td>25.75</td>
<td>32.50</td>
<td>2.36</td>
<td>3.15</td>
</tr>
<tr>
<td>1993</td>
<td>28.25</td>
<td>35.15</td>
<td>2.74</td>
<td>3.65</td>
</tr>
<tr>
<td>1994</td>
<td>31.00</td>
<td>39.25</td>
<td>3.08</td>
<td>4.10</td>
</tr>
<tr>
<td>1995</td>
<td>33.00</td>
<td>42.25</td>
<td>3.34</td>
<td>4.45</td>
</tr>
<tr>
<td>1996</td>
<td>35.00</td>
<td>44.75</td>
<td>3.56</td>
<td>4.75</td>
</tr>
<tr>
<td>1997</td>
<td>37.25</td>
<td>41.50</td>
<td>3.83</td>
<td>5.10</td>
</tr>
<tr>
<td>1998</td>
<td>39.50</td>
<td>50.25</td>
<td>4.01</td>
<td>5.35</td>
</tr>
<tr>
<td>1999</td>
<td>41.75</td>
<td>53.25</td>
<td>4.24</td>
<td>5.65</td>
</tr>
<tr>
<td>2000</td>
<td>44.50</td>
<td>56.50</td>
<td>4.50</td>
<td>6.00</td>
</tr>
</tbody>
</table>

Annual increase after 2000: 6%/year

(a) Price forecast for TCPL contracts without TOPGAS provisions.
The constant price assumptions assume the continuance of product prices, laws, regulations and operating costs in effect on the date the consultants' report was issued. Product prices have not been escalated beyond 1987. In addition, operating and capital costs have not been increased on an inflationary basis.

Of Saskoil’s gross crude oil reserves, Coles estimated that the following amounts could be classified as heavy oil reserves.

<table>
<thead>
<tr>
<th>MMBbls</th>
<th>Proved reserves:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Producing</td>
</tr>
<tr>
<td></td>
<td>Undeveloped</td>
</tr>
<tr>
<td></td>
<td>Total proved</td>
</tr>
<tr>
<td></td>
<td>Probable reserves</td>
</tr>
<tr>
<td></td>
<td>Total proved and probable reserves</td>
</tr>
</tbody>
</table>

These estimates of heavy oil reserves are provided by Coles and are stated as gross reserves. Estimates of heavy oil reserves net of royalty are not available to Saskoil.

MANAGEMENT’S DISCUSSION OF OPERATING RESULTS

Three months ended March 31, 1987 compared to three months ended March 31, 1986

Earnings were $5.1 million in the first quarter of 1987 compared to a loss of $700,000 in 1986. Working capital from operations was $11.7 million, increasing from $8.7 million in 1986.

The improved first quarter results are attributable to higher production of crude oil and natural gas which offset the year over year crude oil price declines, and a 23% reduction in operating and administration expenses.

1986 compared to 1985

In 1986, Saskoil incurred a loss of $1.3 million, compared to earnings of $40.6 million in 1985, as a result of severe oil price declines which cut gross sales revenue by 52%. Working capital from operations declined to $26.2 million from $64.0 million in 1985.

Management responded to the lower crude oil price environment by rationalizing production operations and by reducing administration costs. Capital expenditures were also adjusted to reflect lower working capital from operations. These efforts have been designed to enable Saskoil to achieve profitability in an environment of lower crude oil prices.

1985 compared to 1984

Earnings were $40.6 million in 1985 compared to $44.0 million in 1984. Working capital from operations in 1985 was $64.0 million compared to $63.6 million in 1984. Net sales revenue increased by $2.5 million due to higher average crude oil prices and lower royalties. Expenses increased by $7.6 million reflecting increased operating costs due to a greater number of wells in operation and an increased depletion rate reflecting higher per barrel finding and development costs for proved reserves.

1984 compared to 1983

In 1984, Saskoil achieved record earnings of $44.0 million. Crude oil and natural gas sales were $160.9 million, an 18% increase from 1983. This significant increase was due to expanded production. a 7% higher average crude oil price and a 4.2% lower average royalty resulting mainly from the Saskatchewan royalty holiday on new crude oil wells. The higher sales resulted in working capital from operations increasing by 44% to $63.6 million in 1984 from $43.9 million in 1983.

Increased production also resulted in higher operating costs. Depletion, depreciation and amortization increased to $19.2 million, a 48% increase due primarily to reduced proven oil and gas reserve estimates and record production volumes.
THOMSON-JENSEN ACQUISITION

On June 11, 1987, pursuant to an acquisition agreement (the "Acquisition Agreement"), Saskoil acquired all of the issued and outstanding shares of Thomson-Jensen Petroleum Limited ("Petroleum") and Thomson-Jensen Energy Limited ("Energy") from the Thomson Organisation PLC for a gross purchase price of $65,800,000, before adjustment for assumed debt, working capital and other items. Saskoil has agreed to acquire from The Thomson Organisation PLC the TJE Partnership ("the "Partnership") (Petroleum, Energy and the Partnership are collectively referred to as "Thomson-Jensen") for a purchase price of $500,000. Reference is made to Note 7 to the Consolidated Financial Statements. The acquisition of Thomson-Jensen was financed by Saskoil from internal funds and an existing operating line of credit.

Energy and Petroleum were both incorporated under the laws of Nova Scotia on March 7, 1986 and have registered offices in London, England. Both corporations are registered in Saskatchewan, British Columbia and Alberta. The Partnership is an Alberta partnership established May 11, 1982 between R. D. Jensen Holdings Ltd. and International Thomson Limited.

Thomson-Jensen carries on the business of oil and gas exploration, development and production principally in Alberta and to a lesser extent in Saskatchewan, British Columbia and the Canadian Arctic.

The acquisition of Thomson-Jensen represents a major step toward the achievement of Saskoil's long-term goals of growth and diversification. The acquisition adds significant Alberta land holdings to Saskoil's existing land base and adds 7% to the existing total net crude oil reserves and 88% to natural gas reserves, based on escalating price assumptions. In the first quarter of 1987, Thomson-Jensen's crude oil and natural gas production represented 7% and 140%, respectively, of Saskoil's crude oil and natural gas production for the corresponding period. Saskoil will also benefit from the addition of a number of skilled employees as a result of the acquisition.

BUSINESS OF THOMSON-JENSEN

Production

Thomson-Jensen produces crude oil and natural gas in Saskatchewan, Alberta and British Columbia. In 1986, Alberta production accounted for approximately 90% of crude oil production and 99% of natural gas production. Thomson-Jensen operates a compressor station and field office at Atmore, Alberta and a natural gas processing plant at Leduc, Alberta.

Thomson-Jensen is the operator of approximately 33% of its crude oil production and 91% of its natural gas production. In the period ended December 31, 1986, light and medium crude oil production accounted for 95% of total crude oil production. Crude oil production, for the period ended December 31, 1986 averaged approximately 1,000 barrels per day, while natural gas production averaged 6.7 MMcf per day. Approximately 60% of Thomson-Jensen's proven and probable natural gas reserves are under contract, mainly to three companies. One of these contracts expires in 1988, with the remainder expiring in 1995 or later.

Thomson-Jensen's proven undeveloped reserves are either close to existing facilities and gathering systems or are concentrated in sufficiently large volumes to justify construction of such facilities.

Crude oil production during 1986 was hampered by reduced production allowables in Alberta which resulted from reduced pipeline capacity due to ongoing pipeline expansion work. It is anticipated that this expansion work will be completed by mid-1987.
Crude oil, natural gas liquids and natural gas production for Thomson-Jensen for each of the indicated periods is set forth in the following table:

Summary of Crude Oil and Natural Gas Production

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th>Period ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 1987</td>
<td>December 31, 1986(1)</td>
</tr>
<tr>
<td><strong>Total production</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil and natural gas liquids (MBbls)</td>
<td>91</td>
<td>290</td>
</tr>
<tr>
<td>Natural gas (MMcf)</td>
<td>735</td>
<td>1,900</td>
</tr>
<tr>
<td><strong>Daily averages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil and natural gas liquids (MBbls)</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Natural gas (MMcf)</td>
<td>8.2</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Note:
(1) Period from date of incorporation of Petroleum and Energy.

The following table summarizes Thomson-Jensen's working interest in oil and natural gas wells at March 31, 1987:

Summary of Oil and Natural Gas Wells

<table>
<thead>
<tr>
<th></th>
<th>Oil wells</th>
<th>Natural gas wells</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Producing</td>
<td>Shut-in</td>
</tr>
<tr>
<td></td>
<td>Gross (1)</td>
<td>Netm (1)</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>22</td>
<td>6.3</td>
</tr>
<tr>
<td>Alberta</td>
<td>148</td>
<td>25.6</td>
</tr>
<tr>
<td>British Columbia</td>
<td>1</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td>170</td>
<td>31.9</td>
</tr>
</tbody>
</table>

Note:
(1) Gross wells are defined as the total number of wells in which Thomson-Jensen has a working interest. Net wells are defined as the aggregate of the numbers obtained by multiplying each gross well by Thomson-Jensen's percentage working interest therein.

Exploration and Development

Thomson-Jensen is active in numerous crude oil and natural gas exploration areas in western Canada. Thomson-Jensen has no activities in countries other than Canada.

Thomson-Jensen's exploration program in recent years has focused on the search for light crude oil in Alberta. While Alberta light crude oil has provided a stable exploration base, increasing emphasis has been placed on exploration for natural gas in anticipation of additional opportunities for the direct marketing of natural gas. Thomson-Jensen's exploration efforts have been directed toward the maximization of short-term cash flow from low-risk projects, while establishing a high quality land position which may be developed in a timely fashion once the market prices for natural gas and petroleum products stabilize.

Thomson-Jensen's development activities have concentrated on the Rycroft/Spirit River, Atmore and Leduc areas in Alberta and the Willmar area of southeast Saskatchewan. The Rycroft/Spirit River development is a secondary recovery project, while drilling in the Atmore and Leduc areas was undertaken to maximize natural gas production in order to more efficiently utilize the gas processing facilities in those areas. The Willmar program focused on infill drilling to maximize light crude oil production in that area.

During the period commencing March 7, 1986 and ending December 31, 1986, Thomson-Jensen participated in the drilling of 28 wells in Alberta, 15 of which were exploratory. Of these wells, 13 were cased for crude oil production, 10 were cased for natural gas production and five were dry holes.
The following table sets forth information with respect to wells drilled for the periods indicated:

### Summary of Wells Drilled

<table>
<thead>
<tr>
<th>Period ended</th>
<th>Three months ended March 31, 1987</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Period ended December 31, 1986 (1)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross (2)</td>
<td>Net (2)</td>
<td>Gross (2)</td>
<td>Net (2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Exploratory wells</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural gas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dry holes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Development wells</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural gas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dry holes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
(1) Period from date of incorporation of Petroleum and Energy.
(2) Gross wells are defined as the total number of wells in which Thomson Jensen has an interest. Net wells are defined as the aggregate of the numbers obtained by multiplying each gross well by Thomson Jensen's percentage working interest therein.

### Capital Expenditures

Capital expenditures for the periods indicated are shown in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended March 31, 1987 (unaudited)</th>
<th>Period ended December 31, 1986 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$&lt;thousands of dollars&gt;</td>
<td>&lt;thousands of dollars&gt;</td>
</tr>
<tr>
<td>Petroleum and natural gas leases and rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>Development</td>
<td>57</td>
<td>701</td>
</tr>
<tr>
<td>Production facilities</td>
<td>1,621</td>
<td>814</td>
</tr>
<tr>
<td>Other</td>
<td>330</td>
<td>2,183</td>
</tr>
<tr>
<td>Total</td>
<td>2,047</td>
<td>4,114</td>
</tr>
</tbody>
</table>

Note:
(1) Period from date of incorporation of Petroleum and Energy.

### Land Interests

At April 1, 1987, Thomson-Jensen held varying interests in crude oil and natural gas rights comprising approximately 481,600 gross (162,400 net) acres. The following table summarizes the developed and undeveloped crude oil and natural gas rights in which Thomson-Jensen had an interest at April 1, 1987, as determined by Sproule Associates Limited ("Sproule"), independent petroleum consultants of Calgary:
Notes:
(1) Acreage to which Sproule has assigned proven or probable reserves.
(2) Acreage to which Sproule has not assigned any proven or probable reserves.
(3) Gross acres are defined as the total number of acres in which Thomson-Jensen has an interest. Net acres are defined as the number of acres obtained by multiplying the gross acres in each property by the percentage working interest which Thomson-Jensen has therein.

At April 1, 1987, Thomson-Jensen held 130,634 net acres to which reserves had not been assigned. Sproule has appraised the value of this undeveloped acreage at $4.8 million. The value assigned to undeveloped acreage is based on recent land sale prices, test results from existing wells and potential productive zones.

Crude Oil and Natural Gas Reserves

Substantially all of Thomson-Jensen's crude oil and natural gas reserves are located in western Canada. Sproule, in an engineering evaluation (the "Sproule Report") effective April 1, 1987, evaluated Thomson-Jensen's crude oil and natural gas reserves. The crude oil and natural gas reserves and revenue estimates upon which this evaluation is based were determined in accordance with generally accepted evaluation practices.

The following table summarizes Sproule's evaluations of Thomson-Jensen's reserves. All evaluations of future net production revenue set forth in the tables are stated prior to provisions for income taxes and indirect costs. It should not be assumed that the discounted future net revenues shown below are representative of the fair market value of Thomson-Jensen's reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are included in the Sproule Report. A summary of the Sproule Report may be inspected at the office of Saskoil, 1000 Saskoil Tower, 1945 Hamilton Street, Regina, Saskatchewan, during ordinary business hours while the securities offered by this prospectus are in the course of distribution to the public and for a period of 30 days thereafter. A summary of this report is also on file with the securities commission or similar regulatory authority in each province of Canada.

### Crude Oil and Natural Gas Reserves

#### Based on Escalating Price Assumptions (7)

<table>
<thead>
<tr>
<th>Gross reserves (1)</th>
<th>Net reserves (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crude oil</strong> (MMBbls)</td>
<td><strong>Natural gas</strong> (Bcf)</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Proven reserves (2):</td>
<td></td>
</tr>
<tr>
<td>Producing (3)</td>
<td>.     3.2</td>
</tr>
<tr>
<td>Non-producing (3)</td>
<td>.     0.1</td>
</tr>
<tr>
<td>Undeveloped (3)</td>
<td>.     0.1</td>
</tr>
<tr>
<td>Total proven</td>
<td>.     3.4</td>
</tr>
<tr>
<td>Probable reserves (4):</td>
<td></td>
</tr>
<tr>
<td>Total proven and probable reserves</td>
<td>.</td>
</tr>
</tbody>
</table>

---

**Gross Net acres:**

<table>
<thead>
<tr>
<th>Saskatchewan</th>
<th>2,120</th>
<th>532</th>
<th>14,619</th>
<th>4,457</th>
<th>16,799</th>
<th>4,989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberta</td>
<td>77,283</td>
<td>31,137</td>
<td>347,955</td>
<td>118,331</td>
<td>425,238</td>
<td>149,468</td>
</tr>
<tr>
<td>British Columbia</td>
<td>808</td>
<td>90</td>
<td>38,725</td>
<td>7,846</td>
<td>39,533</td>
<td>7,936</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>80,211</td>
<td>31,759</td>
<td>401,364</td>
<td>130,634</td>
<td>481,510</td>
<td>162,393</td>
</tr>
</tbody>
</table>

Notes:
(1) Acreage to which Sproule has assigned proven or probable reserves.
(2) Acreage to which Sproule has not assigned any proven or probable reserves.
(3) Gross acres are defined as the total number of acres in which Thomson-Jensen has an interest. Net acres are defined as the number of acres obtained by multiplying the gross acres in each property by the percentage working interest which Thomson-Jensen has therein.
## Present Worth Before Tax of Future Net Production Revenue

### Based on Escalating Price Assumptions

<table>
<thead>
<tr>
<th></th>
<th>Undiscounted</th>
<th>10% (millions of dollars)</th>
<th>15% (millions of dollars)</th>
<th>20% (millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>10%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Proven reserves</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proven reserves (2):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Producing (3)</td>
<td>$113.4</td>
<td>$63.6</td>
<td>$51.5</td>
<td>$43.2</td>
</tr>
<tr>
<td>Non-producing (3)</td>
<td>3.2</td>
<td>1.6</td>
<td>1.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Undeveloped (3)</td>
<td>46.7</td>
<td>16.0</td>
<td>10.5</td>
<td>7.2</td>
</tr>
<tr>
<td>Total proven reserves</td>
<td>163.3</td>
<td>81.2</td>
<td>63.3</td>
<td>51.5</td>
</tr>
<tr>
<td>Total proven reserves</td>
<td>36.2</td>
<td>15.1</td>
<td>10.9</td>
<td>8.2</td>
</tr>
<tr>
<td>Total proven and probable reserves</td>
<td>$199.5</td>
<td>$96.3</td>
<td>$74.2</td>
<td>$59.7</td>
</tr>
</tbody>
</table>

## Crude Oil and Natural Gas Reserves

### Based on Constant Price Assumptions

<table>
<thead>
<tr>
<th></th>
<th>Gross reserves (1)</th>
<th>Net reserves (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Crude oil (MMBbls)</td>
<td>Natural gas (Bcf)</td>
</tr>
<tr>
<td>Proven reserves (2):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Producing (3)</td>
<td>3.1</td>
<td>19.5</td>
</tr>
<tr>
<td>Non-producing (3)</td>
<td>0.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Undeveloped (3)</td>
<td>0.1</td>
<td>14.8</td>
</tr>
<tr>
<td>Total proven</td>
<td>3.3</td>
<td>35.2</td>
</tr>
<tr>
<td>Probable reserves (4)</td>
<td>1.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Total proven and probable reserves</td>
<td>5.1</td>
<td>39.0</td>
</tr>
</tbody>
</table>

## Present Worth Before Tax of Future Net Production Revenue

### Based on Constant Price Assumptions

<table>
<thead>
<tr>
<th></th>
<th>Undiscounted</th>
<th>10% (millions of dollars)</th>
<th>15% (millions of dollars)</th>
<th>20% (millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>10%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Proven reserves</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proven reserves (2):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Producing (3)</td>
<td>$63.0</td>
<td>$41.9</td>
<td>$36.0</td>
<td>$31.6</td>
</tr>
<tr>
<td>Non-producing (3)</td>
<td>1.7</td>
<td>1.1</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Undeveloped (3)</td>
<td>9.4</td>
<td>4.0</td>
<td>2.8</td>
<td>2.0</td>
</tr>
<tr>
<td>Total proven</td>
<td>74.1</td>
<td>47.0</td>
<td>39.7</td>
<td>34.4</td>
</tr>
<tr>
<td>Probable reserves (4)</td>
<td>17.3</td>
<td>8.8</td>
<td>6.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Total proven and probable reserves</td>
<td>$91.4</td>
<td>$55.8</td>
<td>$46.4</td>
<td>$39.7</td>
</tr>
</tbody>
</table>

**Notes:**

1. Gross reserves are defined as the total Thomson.Jensen working interest share of reserves. Net reserves are defined as Thomson.Jensen's gross reserves less all royalties payable to the Crown and others.
2. Proven reserves are defined as those quantities of crude oil, natural gas and natural gas by-products, which, upon analysis of geologic and engineering data, appear with a high degree of certainty to be recoverable at commercial rates in the future from known oil and gas reservoirs under presently anticipated economic and operating conditions. There is relatively little engineering and geological risk associated with these reserves.
(3) Proven developed reserves are proven reserves which can be expected to be recovered through existing wells with existing equipment and operating methods. Proven developed producing reserves are proven reserves which are presently being produced from completion intervals open for production in existing wells. Present worth values include Alberta Royalty Tax Credits associated with total proven reserves. Proven undeveloped reserves are proven reserves which are currently not being produced but do exist in completed intervals in existing wells, behind casing in existing wells or at minor depths below the present bottom of existing wells. These proven reserves are expected to be produced through the existing wells in the predictable future. These reserves are classified as proven developed since the cost of making such reserves available for production is relatively small compared to the cost of a new well. Proven undeveloped reserves are proven reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where relatively major expenditures are required for the completion of these wells or for the installation of processing and gathering facilities prior to the production of these reserves. Reserves on undrilled acreage are limited to those drilling units, offsetting productive wells, that are reasonably certain of production when drilled.

(4) Probable reserves are considered to be those reserves which may be recoverable as a result of the beneficial effects which may be derived from the future institution of some form of pressure maintenance or other secondary recovery method, or as a result of a more favourable performance of the existing recovery mechanism than that which would be deemed proven at the present time. Or those reserves which may reasonably be assumed to exist because of geophysical or geological indications and drilling done in regions which contain proven reserves. Present worth values include Alberta Royalty Tax Credits associated with probable reserves. There is some degree of geological and engineering risk associated with probable reserves. Adjustments were made to the future net production revenue from probable reserves to account for the geological and engineering risk associated with these reserves. The risk associated with the probability of obtaining production from probable reserves ranges from 25% to 15%. The specific risk for each area with probable reserves is indicated in the Sproule Report.

(5) Net production revenue is income derived from the sale of net reserves of oil, gas and gas by-products, less all capital costs, production taxes and operating costs and before provision for income taxes and administrative overhead costs.

(6) All values are shown in Canadian dollars.

(7) The escalating price assumptions assume the continuance of current selling prices and take into account inflation with respect to future operating and capital costs. In the escalating price assumption evaluation contained in the Sproule Report, operating and capital costs have been escalated in accordance with Sproule's estimate thereof. Sproule's oil and gas price forecasts effective May 1, 1987 are as follows:

<table>
<thead>
<tr>
<th>Oil Prices</th>
<th>Saskatchewan Gas Prices</th>
<th>Alberta Gas Prices</th>
<th>British Columbia Gas Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Texas Intermediate at Cushing 02182 $US/Bbl.</td>
<td>Edmonton City Gate 02183 $CDN/Bbl.</td>
<td>New Gas $/million BTU</td>
<td>$/million BTU</td>
</tr>
<tr>
<td>1987</td>
<td>19.00</td>
<td>24.10</td>
<td>1.86</td>
</tr>
<tr>
<td>1988</td>
<td>20.00</td>
<td>25.44</td>
<td>1.86</td>
</tr>
<tr>
<td>1989</td>
<td>21.50</td>
<td>27.50</td>
<td>1.98</td>
</tr>
<tr>
<td>1990</td>
<td>23.00</td>
<td>29.61</td>
<td>2.22</td>
</tr>
<tr>
<td>1991</td>
<td>24.50</td>
<td>31.67</td>
<td>2.52</td>
</tr>
<tr>
<td>1992</td>
<td>25.73</td>
<td>33.41</td>
<td>2.84</td>
</tr>
<tr>
<td>1993</td>
<td>27.01</td>
<td>35.12</td>
<td>3.11</td>
</tr>
<tr>
<td>1994</td>
<td>28.36</td>
<td>36.91</td>
<td>3.37</td>
</tr>
<tr>
<td>1995</td>
<td>29.73</td>
<td>38.80</td>
<td>3.63</td>
</tr>
<tr>
<td>1996</td>
<td>31.27</td>
<td>40.78</td>
<td>3.89</td>
</tr>
</tbody>
</table>

Annual increase after 1996: 5%/year

(8) The constant price assumptions assume the continuance of product prices, laws, regulations and operating costs in effect on the date the consultants' report was issued. Product prices have not been escalated beyond 1987. In addition, operating and capital costs have not been increased on an inflationary basis.

(9) Sproule estimated total capital costs net to Thomson.Jensen necessary to achieve the estimated future net production revenues, based on escalating cost assumptions, to be $5.5 million with $1.3 million. $0.8 million and $2.3 million of such costs to be incurred in the balance of 1987, 1988 and 1989, respectively. The estimated total capital costs net to Thomson.Jensen for the same time periods based on constant price assumptions are $3.2 million with $1.3 million. $0.5 million and $0.9 million to be incurred in the balance of 1987, 1988 and 1989, respectively.
CONSOLIDATED CAPITALIZATION

<table>
<thead>
<tr>
<th></th>
<th>Authorized</th>
<th>March 31, 1987</th>
<th>Outstanding at May 31, 1987</th>
<th>Outstanding at May 31, 1987 after giving effect to this issue and the Thomson-Jensen acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation bonds (1)</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td></td>
</tr>
</tbody>
</table>

Shareholders’ equity

Share capital: (2)
First preferred shares unlimited
Second preferred shares unlimited
Common shares (3) unlimited
Retained earnings at March 31, 1987
Total capitalization

11,836
267,336
$282,336

(1) Reference is made to Note 4 to the Consolidated Financial Statements.
(2) Reference is made to Note 5 to the Consolidated Financial Statements.
(3) One million Common Shares are reserved for issuance pursuant to the terms of the Saskoil Employee Share Option Plan. Reference is made to “Employee Share Option Plan”.
(4) For lease commitments reference is made to Note 9 to the Consolidated Financial Statements.

DETAILS OF THE OFFERING AND DESCRIPTION OF SHARE CAPITAL

The authorized share capital of Saskoil at May 31, 1987 consisted of an unlimited number of Common Shares without nominal or par value, of which 19,643,438 shares were issued and outstanding, an unlimited number of First Preferred Shares without nominal or par value, none of which were issued or outstanding and an unlimited number of Second Preferred Shares without nominal or par value of which 7,578,784 7.25% Convertible Second Preferred Shares, Series A were issued and outstanding.

Common Shares

The Common Shares offered hereby are without nominal or par value and the holders thereof are entitled to dividends pro rata as and when declared by the Board of Directors, to one vote per share at meetings of the shareholders of Saskoil and, upon liquidation, to receive pro rata such assets of the Corporation as are distributable to the holders of the Common Shares.

First Preferred Shares

The First Preferred Shares are issuable in series, have a preference with respect to the payment of dividends and the distribution of assets in the event of liquidation over the Second Preferred Shares, the Common Shares and any shares ranking junior to the First Preferred Shares and are non-voting unless otherwise provided with respect to any series of the class.
The Second Preferred Shares are issuable in series, have a preference with respect to the payment of dividends and the distribution of assets in the event of liquidation over the Common Shares and any shares ranking junior to the Second Preferred Shares and are non-voting unless otherwise provided with respect to any series of the class. The holders of the outstanding 7.25% Convertible Second Preferred Shares, Series A of Saskoil are entitled to one vote in respect of each share of such series held.

The 7.25% Convertible Second Preferred Shares, Series A are convertible into Common Shares at the option of the holder (i) prior to the close of business on December 31, 1988 at a conversion price of $10.00 per Common Share, and (ii) after December 31, 1988 and prior to the close of business on December 31, 1995 at a conversion price of $12.00-per Common Share. The 7.25% Convertible Second Preferred Shares, Series A are also redeemable at the option of the Corporation after December 31, 1988, under certain circumstances.

SASKOIL ACT

The Saskoil Act contains provisions:

(a) prohibiting any person or group of associated persons (as set out in the Saskoil Act), other than the Province of Saskatchewan, from holding either as shareholders or beneficial owners more than 4% of the issued and outstanding voting shares of Saskoil;

(b) providing that holders of voting shares of Saskoil must be Canadian citizens or residents;

(c) providing that if voting shares are held by any person or group of associated persons in contravention of the Saskoil Act, such persons shall not receive dividends on any of their voting shares, unless the contravention is considered to be inadvertent;

(d) providing that if voting shares are held by a person or a group of associated persons in contravention of the Saskoil Act, such persons shall not be entitled to vote any voting shares held by them;

(e) providing that Saskoil may require a shareholder holding voting shares in contravention of the Saskoil Act to dispose of the excess number of shares over a period of not less than 60 days, and if such shares are not so disposed of, Saskoil on notice to the shareholder may redeem the excess number of shares by depositing a prescribed redemption price (as set out in the Saskoil Act) for such shares with a bank or credit union; and

(f) permitting the Province of Saskatchewan to annually appoint members to the Board of Directors of Saskoil (all of whom must be Canadian citizens and at least two-thirds of whom must be Saskatchewan residents) in proportion to the percentage of voting shares of Saskoil that it holds.

EMPLOYEE SHARE OPTION PLAN

Saskoil has established an employee share option plan (the "Option Plan") the purpose of which is to encourage the productivity of key employees of the Corporation so as to further the development and growth of the Corporation and to assist in retaining and attracting employees with experience and ability. Such employees will be given an opportunity through options to acquire Common Shares. Options to purchase a maximum of 1,000,000 Common Shares may be granted during the life of the Option Plan to those employees designated from time to time by the Compensation Committee of the Board of Directors. The exercise price for all options granted under the Option Plan shall be 100% of the last Toronto Stock Exchange board lot trading price immediately prior to the date of grant and such price shall be paid in full at the time the option is exercised. The Option Plan does not provide for any financial assistance from the Corporation to the employees for the purchase of shares. All options shall expire not later than the 10th anniversary of the date of the grant and the exercise of such options shall be subject to such terms and conditions as may be imposed by the Compensation Committee. No options have yet been granted under the Option Plan. Common Shares acquired by employees under the Option Plan will not be eligible for the Saskatchewan Stock Savings Plan tax credit.
DIVIDEND RECORD AND POLICY

Prior to December 1985, Saskoil had neither share capital nor the ability to authorize any distribution of earnings. Distributions of earnings of Saskoil were authorized by Crown Investments Corporation of Saskatchewan pursuant to The Crown Corporations Act, 1978 (Saskatchewan) and are broadly described in the Corporation's consolidated financial statements as "dividends".

In 1982 and 1984, distributions of earnings of $1,568,000 and $6,605,000, respectively, were authorized by and payable to the Province of Saskatchewan and were paid in 1983 and 1985, respectively.

In 1983, a distribution of earnings of $30.0 million was authorized by and payable to the Province of Saskatchewan. Of this amount, $20.0 million was paid in March 1984 and the remaining $10.0 million was paid in June 1984. Concurrent with the March 1984 payment Saskoil received a $20.0 million equity advance from Crown Investments Corporation of Saskatchewan.

In December 1985, a $75 million dividend on the Common Shares was declared, payable to the Province of Saskatchewan as the sole holder of Common Shares at that time. This dividend was paid from the net proceeds of the initial public offering of Common Shares which was completed in January 1986. No further dividends have been paid on the Common Shares.

The Corporation's present policy is to retain earnings to finance future growth. The payment of dividends on Common Shares will depend on the earnings and financial condition of the Corporation and such other factors as the Board of Directors of the Corporation may consider appropriate.

Saskoil has paid all scheduled quarterly dividends on the 7.25% Convertible Second Preferred Shares, Series A since their issuance.

USE OF PROCEEDS

The estimated net proceeds to Saskoil from this offering will amount to $47,075,000 after deducting expenses of this issue estimated at $800,000 and the Underwriters' commission payable by Saskoil. The net proceeds from this offering will be added to working capital and used for general corporate purposes. These purposes are presently anticipated to include the repayment of debt, including approximately $22 million of current indebtedness incurred as a result of the Thomson-Jensen acquisition, and the exploration for and the development of oil and gas assets. In the event attractive acquisition opportunities arise, proceeds from this issue may be applied by Saskoil for such acquisitions.

PLAN OF DISTRIBUTION

Under an agreement (the "Underwriting Agreement") dated July 6, 1987 made among Saskoil and Pemberton Houston Willoughby Bell Gouinlock Inc. and Wood Gundy Inc. (the "Underwriters"), Saskoil has agreed to sell and the Underwriters have agreed to purchase on July 28, 1987 or such later date as may be agreed upon but in any event not later than August 18, 1987 all but not less than all of the Common Shares offered to the public by this prospectus at the price of $7.625 per Common Share, payable in cash to Saskoil against delivery of such Common Shares, upon the terms and subject to the conditions contained therein. The Underwriting Agreement provides for the payment by Saskoil to the Underwriters of a commission of $2,125,000 in consideration for the services rendered by the Underwriters in respect of the sale to the public.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Common Shares if any of such Common Shares are purchased under the Underwriting Agreement.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at a level other than that which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

PRINCIPAL SHAREHOLDER

At the date hereof, to the knowledge of Saskoil the only person who owns, beneficially or of record, more than 10% of the issued and outstanding securities of Saskoil is the Province of Saskatchewan through Crown Investments Corporation of Saskatchewan which owns 15,842,910 Common Shares, representing 81% of the Common Shares and 58% of the voting shares of the Corporation.
RELATIONSHIP WITH PROVINCE OF SASKATCHEWAN

The Province of Saskatchewan, through Crown Investments Corporation of Saskatchewan, owns 81% of the outstanding Common Shares representing 58% of the voting shares of the Corporation. Assuming full conversion of the 7.25% Convertible Second Preferred Shares, Series A, the Province of Saskatchewan will own 58% of the outstanding Common Shares representing 58% of the voting shares of the Corporation. Following the completion of this offering, the Province of Saskatchewan will own 60% of the outstanding Common Shares representing 47% of the voting shares of the Corporation and assuming full conversion of the 7.25% Convertible Second Preferred Shares, Series A, the Province of Saskatchewan will own 47% of the outstanding Common Shares. The Government of Saskatchewan has indicated that it intends to participate in ownership, not management, of Saskoil and that it does not intend to vote its shareholdings on resolutions moved at general meetings, although it retains the power to do so. The Province of Saskatchewan has annually appointed members to the Board of Directors of Saskoil in proportion to the percentage of voting shares of Saskoil beneficially owned by the Province and has stated that it intends to continue to do so. Reference is made to "Saskoil Act".

The Province of Saskatchewan has guaranteed the principal and interest of the $15 million Participation Bonds issued by Saskoil. Reference is made to the Consolidated Financial Statements.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares were listed on The Toronto Stock Exchange and the Montreal Exchange on January 13, 1986. The following table sets out the high and low prices and aggregate trading volume of the Common Shares as reported by The Toronto Stock Exchange and the Montreal Exchange for the periods indicated:

<table>
<thead>
<tr>
<th>Period</th>
<th>Common Shares</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>1st Quarter (from Jan 13)</td>
<td>$8.00</td>
<td>$4.50</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>$6.75</td>
<td>$4.70</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>$6.38</td>
<td>$4.90</td>
</tr>
<tr>
<td>4th Quarter</td>
<td>$5.88</td>
<td>$5.25</td>
</tr>
<tr>
<td>January 1987</td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>$6.88</td>
<td>$5.75</td>
</tr>
<tr>
<td>February</td>
<td>$7.50</td>
<td>$6.00</td>
</tr>
<tr>
<td>March</td>
<td>$7.00</td>
<td>$6.00</td>
</tr>
<tr>
<td>April</td>
<td>$8.25</td>
<td>$6.13</td>
</tr>
<tr>
<td>May</td>
<td>$8.50</td>
<td>$7.00</td>
</tr>
<tr>
<td>June</td>
<td>$8.50</td>
<td>$6.63</td>
</tr>
<tr>
<td>July (to July 6)</td>
<td>$7.88</td>
<td>$7.50</td>
</tr>
</tbody>
</table>

On July 6, 1987, the closing price of the Common Shares as reported by The Toronto Stock Exchange was $7.625.

DIRECTORS AND OFFICERS

The name, municipality of residence, position held with Saskoil, date of appointment to the Board of Directors of Saskoil and principal occupation of each of the directors are as set forth below.

<table>
<thead>
<tr>
<th>Name and Municipality of Residence</th>
<th>Position held with Saskoil</th>
<th>Date of appointment to the Board of Directors of Saskoil</th>
<th>Principal occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Herbert Charles Pinder, Jr.</td>
<td>Chairman of the Board</td>
<td>November 10, 1983</td>
<td>President, Herbus Holdings Ltd. (various entrepreneurial activities)</td>
</tr>
<tr>
<td>Saskatoon, Saskatchewan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robert Gilmour Bentall</td>
<td>Director</td>
<td>October 18, 1985</td>
<td>President and Chief Executive Officer, The Bentall Group (real estate development)</td>
</tr>
<tr>
<td>Vancouver, British Columbia</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
William John Brennan  
Saskatoon, Saskatchewan  
Director  
October 18, 1985  
Dean of Commerce,  
University of Saskatchewan

William John Douglas  
Regina, Saskatchewan  
Director,  
President and  
Chief Executive  
Officer  
October 18, 1985  
President and Chief Executive  
Officer, Saskoil

Theodore Malcolm Hanlon  
Calgary, Alberta  
Director and  
Vice-Chairman of  
the Board  
June 28, 1984  
President, Sage Holdings Ltd.  
(oil and potash service and  
supply)

Donald Kenneth  
MacPherson, Q.C.  
Regina, Saskatchewan  
Director  
June 10, 1982  
Senior Partner, MacPherson,  
Leslie & Tyerman (barristers  
and solicitors)

Thomas Angus McLellan  
Saskatoon, Saskatchewan  
Director  
May 5, 1986  
Executive Vice-President and  
Secretary, Agra Industries  
Ltd. (various industrial  
operations)

Theodore Henry Renner  
Calgary, Alberta  
Director  
October 18, 1985  
President and Chief Executive  
Officer, Mark Resources Inc.  
(oil and gas company)

Rose Marie Theresa  
Richardson  
Regina, Saskatchewan  
Director  
October 18, 1985  
President, Fuhrmann Meats  
Ltd. (meat processing)

Graham Herbert Walker  
Regina, Saskatchewan  
Director  
May 5, 1987  
Deputy Chairman, Pemberton  
Houston Willoughby Bell  
Gouinlock Inc. (investment  
dealers)

All of the directors of Saskoil have been engaged for more than five years in their present principal  
occupations or executive positions with the same or associated companies.

The name, municipality of residence and position held with Saskoil of each of the executive officers  
are as set forth below.

<table>
<thead>
<tr>
<th>Name and municipality of residence</th>
<th>Position held with Saskoil</th>
</tr>
</thead>
<tbody>
<tr>
<td>William John Douglas Regina, Saskatchewan</td>
<td>President and Chief Executive Officer</td>
</tr>
<tr>
<td>Peter William Kreutzer Regina, Saskatchewan</td>
<td>Vice-President, Finance and Chief Financial Officer</td>
</tr>
<tr>
<td>Dale Murray Christensen Regina, Saskatchewan</td>
<td>Vice-President, Production</td>
</tr>
<tr>
<td>James Gerald Gribben Regina, Saskatchewan</td>
<td>Vice-President, Administration</td>
</tr>
<tr>
<td>Donald Lander Tough Regina, Saskatchewan</td>
<td>Vice-President, Exploration and Development</td>
</tr>
</tbody>
</table>
All of the executive officers of Saskoil have held their present positions or other positions with Saskoil for the past five years, except Mr. Kreutzer who, from February 1986 to December 1986, was self-employed and prior thereto was Executive Vice-President and Chief Operating Officer of Merland Explorations Ltd.

At May 31, 1987, the executive officers of Saskoil, as a group, beneficially owned, directly or indirectly, 2,468 Common Shares and 1,650, 7.25% Convertible Second Preferred Shares, Series A which represented less than 1% of the total outstanding shares of each class, respectively.

EXECUTIVE COMPENSATION

Officers

The Corporation has five executive officers who received aggregate cash compensation of $600,855 by way of salary, bonuses and deferred compensation during the 1986 financial year. Any additional benefits including pension benefits, paid by the Corporation in respect of the executive officers during the latest financial year and not reported elsewhere in this prospectus did not in the aggregate exceed $40,000.

Directors

The directors of the Corporation receive as compensation for their services an annual fee of $5,000 together with $400 in respect of each day, or part of a day, during which they are in attendance at meetings of the Board of Directors or any of its committees. Directors who participate in any meeting of the Board of Directors or any committee thereof by telephone rather than by personal attendance receive $200 in respect of such meetings. In addition, the Chairman of the Board receives an annual fee of $20,000 and the Chairman of each committee receives an annual fee of $1,000. Further, members of the Executive Committee receive an annual fee of $5,000 and members of other committees receive an annual fee of $1,000. Directors are also reimbursed for expenses incurred in discharging their responsibilities as directors. Total fees, benefits and expenses paid to the directors of the Corporation in 1986 did not in aggregate exceed $110,000.

SASKATCHEWAN STOCK SAVINGS PLAN

In the opinion of MacPherson, Leslie & Tyerman and Balfour, Moss, Milliken, Laschuk & Kyle the following is a fair and adequate summary of the material features of the Saskatchewan Stock Savings Tax Credit Act (the "SSTC Act") applicable to the Common Shares offered hereby.

The Government of the Province of Saskatchewan enacted the SSTC Act to encourage equity investments by Saskatchewan residents in Saskatchewan-based public companies. Under the SSTC Act, eligible Saskatchewan investors (individuals, other than trusts, who are resident in Saskatchewan on the last day of the respective taxation year), will receive tax credits against Saskatchewan income otherwise liable to tax in respect of that year equal to 30% of the investment in eligible securities which are deposited in a stock savings plan set up with a qualified investment dealer. An annual maximum of $3,000 in tax credits may be earned by an individual investor. The cost amount to an investor of eligible shares contributed to a stock saving plan (30% of which cost amount constitutes the allowable tax credit, subject to the annual maximum of $3,000 per investor) is the actual subscription price paid by him to the issuing corporation for the shares and does not include any brokerage or custody or similar charges.

Pursuant to a Certificate of Eligibility dated June 15, 1987, the Common Shares offered hereby will qualify as eligible shares under the SSTC Act.

Each investor should consult his own legal and tax advisors for advice regarding the requirements for obtaining tax credits under the Saskatchewan stock savings plan and the tax effects of entering into such a plan.

Under the SSTC Act, in order for an investor to earn tax credits from the acquisition of Common Shares under this offering, the investor must establish an arrangement (other than a retirement savings plan) with a qualified dealer who will hold eligible securities that the investor owns and has designated for purposes of entitling the investor to a stock savings tax credit for any taxation year. A qualified dealer is a member of the Investment Dealers Association or a member of the Toronto, Montreal, Vancouver or Alberta stock exchanges which has a permanent establishment in Saskatchewan. The Underwriters are qualified dealers.

The stock savings tax credit only applies to first purchasers of the Common Shares under this offering. Accordingly, an eligible investor must direct that the certificate for the shares subscribed for be remitted directly to the qualified dealer specified by the investor.
The credit is obtained by filing a form prescribed under the SSTC Act with the investor's federal income tax return in respect of the year in which the credit was earned. Unused credits may be carried forward to offset Saskatchewan income taxes payable in one or more of the investor's seven subsequent taxation years. Investors who withdraw eligible shares from the stock savings plan within two years from the year in which they were contributed to the plan will be required to repay the credit received unless they purchase additional shares of issuers pursuant to the SSTC Act entitling them to the same or a greater amount of credit.

The Income Tax Act (Canada) (the "Federal Act") provides that the adjusted cost base to each original holder of a Common Share will generally be its cost. However, pursuant to the Federal Act, all Common Shares of Saskoil (including those not purchased pursuant to this offering) held by an investor will have an identical adjusted cost base equal to the total cost of all Common Shares owned by the investor (after taking into account any adjustments to the cost base) divided by the number of Common Shares held by the investor. As the Federal Act is presently worded the adjusted cost base of an investor's Common Shares of Saskoil will be reduced by the amount of stock savings tax credit received by the investor in respect of the Common Shares. There are ongoing negotiations between Saskatchewan and the federal Department of Finance to have the Saskatchewan stock savings tax credit prescribed so that it will not reduce the adjusted cost base of an investor's shares or otherwise be included in income. However, no assurance can be given on the outcome of these negotiations.

Upon the disposition of Common Shares, a capital gain (or capital loss) will generally (in the case of investors who hold their Common Shares as capital property) result to the extent that the proceeds of disposition, net of reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Common Shares. However, based on the June 5, 1987 Notice of Ways and Means, if the Saskatchewan stock savings tax credit is prescribed any capital loss on the disposition of the Common Shares will be denied to the extent of the stock savings tax credit received by the investors in respect of those shares.

The SSTC Act provides the Minister with the ability, in certain circumstances, to revoke or amend a certificate of eligibility at any time within three years after the date of the certificate. If the Minister revokes or amends the certificate which has been issued to Saskoil, Saskoil may be liable to pay to the Minister an amount of up to 30% of the aggregate subscription price received by Saskoil for the shares issued under this offering together with interest at a prescribed rate.

INDUSTRY CONSIDERATIONS

The oil and gas industry is subject to extensive controls and regulations imposed by various levels of government relating to land tenure, royalties, production rates, pricing, environmental protection, exports, taxation and other matters. Outlined below are some of the more significant aspects of the legislation, regulations and policies governing the oil and gas industry. All current legislation is a matter of public record and the Corporation is unable to predict additional legislation or amendments which may be enacted.

Pricing

The price of crude oil in Canada was deregulated effective July 1, 1985. Since that date the producers of competitive crude oils have negotiated sales contracts directly with crude oil purchasers, with the result that the market determines the price of crude oil. Such price depends in part on crude oil quality, prices of competing crude oils, distance to market and the value of refined products.

The price of crude oil has recently fluctuated significantly. Saskoil's average sales price for crude oil in Canadian dollars was $15.59 per barrel for the year ended December 31, 1986. The corresponding price for the three months ended March 31, 1987 was $17.80 per barrel compared to $20.69 per barrel for the three months ended March 31, 1986.

Federal Incentives

On March 25, 1987, the Government of Canada announced the Canadian Exploration and Development Incentives Program. The program, which has been in effect since April 1, 1987 will provide cash incentives equal to one-third of eligible exploration and development expenses up to an annual maximum of $3.3 million of incentives per company.
Provincial Royalties and Incentives

In July 1985, the Government of Saskatchewan announced price incentives to encourage natural gas self-sufficiency in the Province of Saskatchewan. The Government of Saskatchewan also granted a minimum one year royalty holiday for crude oil wells drilled prior to December 31, 1986, with longer royalty-free periods for deep development and exploratory wells. On December 23, 1986, the Government of Saskatchewan announced changes to the provincial crude oil royalty system effective January 1, 1987. The changes included a price sensitive royalty/tax structure, additional royalty relief for low-productivity wells and increased incentives for new development wells and new or expanded waterflood projects in the form of royalty/tax holidays extending up to three years for certain classes of wells and projects. A new price and productivity sensitive royalty structure for natural gas was also introduced by the Government of Saskatchewan on February 18, 1987 at which time it also announced deregulation of natural gas prices.

On October 29, 1986, the Province of Alberta announced a variety of initiatives designed to assist the oil and gas industry. Included in the package were royalty reductions for existing production and a new drilling incentive program based on a crude oil royalty holiday for wells located outside boundaries of existing fields. Under this program, qualifying wells drilled in the 12 month periods commencing November 1, 1986, 1987 and 1988 will receive royalty holidays of five, three and one years, respectively.

**RISK FACTORS**

In recent years, the prices of crude oil and natural gas have fluctuated significantly. During 1986, crude oil markets were particularly volatile, with prices declining significantly from 1985 levels. In large part due to this decline Saskoil experienced a net loss in 1986. The economic environment for the oil and gas industry has improved recently over that which prevailed during most of 1986. While crude oil prices have increased since mid-December 1986, the future level of crude oil prices depends to a large degree on a variety of international economic and political factors which are beyond the control of Saskoil, such as the ability of the Organization of Petroleum Exporting Countries to maintain lower production levels and foreign exchange rate fluctuations. In addition, instability in North American gas prices continues to be experienced as supply contracts have been, and are being, renegotiated at lower market rates.

The oil and gas industry is intensely competitive and Saskoil competes with other companies which have greater resources. Many of such companies not only explore for and produce crude oil and natural gas but also carry on refining operations and market petroleum and other products on a worldwide basis. There is also competition between the oil and gas industry and other industries with respect to the supply of energy and fuel to industrial, commercial and individual customers.

Crude oil and natural gas exploration involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that additional crude oil or natural gas in commercial quantities will be discovered by Saskoil.

The marketability of crude oil and natural gas which may be acquired or discovered by Saskoil will be affected by numerous factors beyond the control of Saskoil. These factors include market fluctuations, the world price of crude oil, the proximity and capacity of crude oil and natural gas pipelines and processing equipment and government regulations, including regulations relating to prices, taxes, royalties, land tenures, allowable production, the import and export of crude oil and natural gas and environmental protection. The effect of these factors cannot be predicted.

Hazards such as unusual or unexpected geological formations, pressures or other conditions are encountered in drilling and operating wells. Saskoil 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.
MATERIAL CONTRACTS

The only material contracts entered into by Saskoil in the past two years, other than contracts in the ordinary course of business, are as follows:

(a) the Underwriting Agreement referred to under "Plan of Distribution"; and
(b) the Aquisition Agreement referred to under "Thomson-Jensen Acquisition".

A copy of the Underwriting Agreement may be inspected during ordinary business hours at the head office of Saskoil during distribution of the Common Shares and for a period of 30 days thereafter.

LEGAL MATTERS AND PROCEEDINGS

Legal matters in connection with the issue and sale of the Common Shares will be passed upon on behalf of Saskoil by MacPherson, Leslie & Tyerman and on behalf of the Underwriters by Balfour, Moss, Milliken, Laschuk & Kyle. At June 30, 1987, partners and associates of MacPherson, Leslie & Tyerman, as a group, beneficially owned, directly or indirectly, 2,005 Common Shares. At June 30, 1987, partners and associates of Balfour, Moss, Milliken, Laschuk & Kyle, as a group, beneficially owned, directly or indirectly, 100 Common Shares.

Saskoil has received notice of a claim by a corporation apparently interested in acquiring Thomson-Jensen alleging a breach of fiduciary duties by Thomson-Jensen in respect of its agreement to sell to Saskoil the shares and assets referred to under "Thomson-Jensen Acquisition" and the corporation claims, as a result, an interest in such assets. Management of Saskoil believes that such claim is completely without merit or foundation and intends to oppose any legal proceedings which may be commenced to the full extent of the law. Saskoil has been advised that the former managers of Thomson-Jensen reached a similar conclusion. Counsel to Saskoil in respect of the Thomson-Jensen acquisition, Messrs. Bennett Jones, Calgary and counsel to Thomson-Jensen in respect of the sale to Saskoil, Messrs. Tory, Tory, Deslauriers & Binnington, Toronto, based upon representations of fact furnished to them by their respective clients, have delivered opinions in support of these conclusions.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contain a misrepresentation or is not delivered to the purchaser but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province. The purchaser should refer to any applicable provisions of the securities legislation of his province for the particulars of these rights or consult with a legal advisor.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of Saskoil are Clarkson Gordon, Chartered Accountants, 900 Bank of Montreal Buildmg, 2103-11th Avenue, Regina, Saskatchewan, S4P 3Z8.

The Transfer Agent and Registrar for the Common Shares is The Royal Trust Company at its principal offices in the cities of Regina, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

COMPILATION REPORT

To the Directors of
Saskatchewan Oil and Gas Corporation

We have reviewed, as to compilation only, the accompanying pro-forma condensed consolidated balance sheet of Saskatchewan Oil and Gas Corporation as at March 31, 1987 and the pro-forma condensed consolidated statement of earnings for the three months then ended which have been prepared for inclusion in the prospectus related to the sale and issue of Common Shares of the Corporation. In our opinion, the pro-forma condensed consolidated financial statements have been properly compiled to give effect to the proposed transaction and the assumptions described in the notes thereto.

Regina, Canada
July 6, 1987

(signed) Clarkson Gordon
Chartered Accountants
### SASKATCHEWAN OIL AND GAS CORPORATION

#### Pro-forma Condensed Consolidated Balance Sheet

**As at March 31, 1987**

**(unaudited)**

**(thousands of dollars)**

#### Assets

**Current Assets**

- Accounts receivable: $21,855
- Inventories and prepaid expenses: $4,919
- Property and Equipment: $26,774
- Other: $3,664

**Total Current Assets**: $328,361

**Property and Equipment**: $297,923

#### Liabilities

**Current Liabilities**

- Bank debt: $20,581
- Accounts payable and accrued liabilities: $22,330
- Participation Bonds: $42,911
- Other: $3,114

**Total Current Liabilities**: $110,036

**Participation Bonds**: $15,000

**Other**: $3,114

**Total Liabilities**: $161,025

#### Shareholders' Equity

- Share Capital: $255,500
- Retained Earnings: $267,336

**Total Shareholders' Equity**: $522,836

**Total Assets**: $328,361

#### Approved by the Board:

*(signed) H. C. Pinder Jr., Director*

*(signed) W. J. Douglas, Director*

See accompanying notes.
SASKATCHEWAN OIL AND GAS CORPORATION
Pro-forma Condensed Consolidated Statement of Earnings
For the three months ended March 31, 1987
(unaudited)
(thousands of dollars, except per share amounts)

Revenue
Crude oil and natural gas sales . $ 26,536
Less royalties ................................................................. 5,971
Net sales revenue . 20,565
Interest and other income . 539

Expenses
Operating . 5,760
General and administration . 2,613
Depletion and depreciation . 7,800
Interest on long-term debt . 948

Earnings before Income Tax Expense . 3,983
Income Tax Expense . (2,400)
Earnings Before Extraordinary Item . 1,583
Extraordinary Item - Reduction of Income Tax . 2,400
Earnings . $ 3,983

Earnings per Common Share before Extraordinary Item . $ 0.01
Earnings per Common Share . $ 0.13

See accompanying notes.
1. Basis of Presentation
On June 11, 1987 Saskatchewan Oil and Gas Corporation ("Saskoil") acquired all outstanding shares of Thomson-Jensen Petroleum Limited and Thomson-Jensen Energy Limited and agreed to acquire the TJE Partnership all effective April 1, 1987. (Thomson-Jensen Petroleum Limited, Thomson-Jensen Energy Limited and the TJE Partnership are collectively referred to as "Thomson-Jensen").
The unaudited pro-forma condensed consolidated financial statements have been prepared in accordance with Saskoil's accounting policies from unaudited interim financial information of Saskoil and Thomson-Jensen as at and for the three months ended March 31, 1987. These pro-forma condensed consolidated financial statements should be read in conjunction with the consolidated financial statements, including the notes thereto, disclosed elsewhere in this prospectus.
The pro-forma financial information presented does not necessarily indicate what the combined financial position and operating results would have been nor is it intended to represent future financial conditions or operating results.

2. Pro-forma Assumptions and Adjustments
The pro-forma consolidated statement of earnings gives effect to the Thomson-Jensen acquisition as if it had taken place on January 1, 1987 and reflects:
   a) the application of the purchase method of accounting whereby the excess of the net purchase price over the book value of net assets acquired has been attributed to property and equipment. The value attributed to property and equipment is comprised of the gross purchase price of $66.3 million plus estimated acquisition expenses of $0.5 million. Details of the net purchase price and net assets acquired, estimated in thousands of dollars, are:

<table>
<thead>
<tr>
<th>Assets acquired:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>$ 3,040</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>66,800</td>
</tr>
<tr>
<td>Other</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>70,040</td>
</tr>
</tbody>
</table>

   | Less liabilities assumed:      |
   | Current                         | 3,400 |
   | Long term debt                  | 19,543|
   | Due to former Thomson-Jensen affiliates | 3,305 |
   | Other                            | 1,154 |
   |                                  | 27,402|

   Net purchase price $42,638

   b) the financing of the purchase by existing cash of $42.6 million;
   c) a decrease in other income of $0.9 million reflecting a reduction in interest income earned on funds required to finance the acquisition.
   d) a reduction of income taxes of $0.5 million related to the reduction of interest income.

The pro-forma condensed consolidated balance sheet gives effect to the acquisition as if it had occurred as at March 31, 1987, and reflects repayment from Saskoil's internal funds and an existing operating line of credit of the Thomson-Jensen long-term debt and the amounts due to former Thomson-Jensen affiliates as though such repayment had occurred March 31, 1987 immediately subsequent to the acquisition.
AUDITORS' REPORT

To the Directors of
Saskatchewan Oil and Gas Corporation

We have examined the consolidated balance sheets of Saskatchewan Oil and Gas Corporation as at December 31, 1986 and 1985 and the consolidated statements of earnings, retained earnings and changes in financial position for each of the years in the five year period ended December 31, 1986. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1986 and 1985 and the results of its operations and the changes in its financial position for each of the years in the five year period ended December 31, 1986 in accordance with generally accepted accounting principles applied on a consistent basis.

Regina, Canada
February 6, 1987
(signed) Clarkson Gordon
Chartered Accountants

(Except as to note 8, which is as of July 6, 1987)
### SASKATCHEWAN OIL AND GAS CORPORATION

#### Consolidated Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>As at March 31 1987</th>
<th>As at December 31 1986</th>
<th>As at December 31 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>(unaudited)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, including short-term investments</td>
<td>$44,689</td>
<td>$42,473</td>
<td>$24,202</td>
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<tr>
<td>Accounts receivable</td>
<td>18,980</td>
<td>13,843</td>
<td>26,104</td>
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<tr>
<td>Inventories and prepaid expenses</td>
<td>4,754</td>
<td>3,376</td>
<td>3,929</td>
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<tr>
<td>Property and Equipment (note 2)</td>
<td>68,423</td>
<td>59,692</td>
<td>54,235</td>
</tr>
<tr>
<td>Other (note 3)</td>
<td>3,464</td>
<td>3,490</td>
<td>444</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>$303,010</strong></td>
<td><strong>$292,431</strong></td>
<td><strong>$284,529</strong></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$18,714</td>
<td>$11,899</td>
<td>$22,062</td>
</tr>
<tr>
<td>Petroleum and gas revenue tax</td>
<td>9,765</td>
<td>18,714</td>
<td>11,899</td>
</tr>
<tr>
<td>Deferred Petroleum and Gas Revenue Tax (note 6)</td>
<td>1,674</td>
<td>1,672</td>
<td></td>
</tr>
<tr>
<td>Deferred Gas Revenue</td>
<td>286</td>
<td>286</td>
<td>322</td>
</tr>
<tr>
<td>Dividend Payable (note 5)</td>
<td>75,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation Bonds (note 4)</td>
<td>15,000</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>35,674</strong></td>
<td><strong>28,857</strong></td>
<td><strong>122,149</strong></td>
</tr>
<tr>
<td><strong>Shareholders' Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share Capital (note 5)</td>
<td>255,500</td>
<td>255,500</td>
<td>145,500</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>11,836</td>
<td>8,074</td>
<td>16,880</td>
</tr>
<tr>
<td><strong>Total Shareholders' Equity</strong></td>
<td><strong>$303,010</strong></td>
<td><strong>$292,431</strong></td>
<td><strong>$284,529</strong></td>
</tr>
</tbody>
</table>

Approved by the Board:

(signed) H. C. Pinder, Jr., Director

(signed) W. J. Douglas, Director
SASKATCHEWAN OIL AND GAS CORPORATION

Consolidated Statements of Earnings

<table>
<thead>
<tr>
<th></th>
<th>March 31</th>
<th>Year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>(unaudited)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil and</td>
<td>$23,493</td>
<td>$23,757</td>
</tr>
<tr>
<td>natural gas sales</td>
<td>5,743</td>
<td>6,259</td>
</tr>
<tr>
<td>Less royalties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales revenue</td>
<td>17,750</td>
<td>17,498</td>
</tr>
<tr>
<td>Interest and other</td>
<td>1,404</td>
<td>1,880</td>
</tr>
<tr>
<td>income</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>19,154</td>
<td>19,378</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>5,034</td>
<td>6,710</td>
</tr>
<tr>
<td>General and</td>
<td>2,199</td>
<td>2,702</td>
</tr>
<tr>
<td>administration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depletion and</td>
<td>6,337</td>
<td>6,328</td>
</tr>
<tr>
<td>depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petroleum and gas</td>
<td>1,024</td>
<td>1,116</td>
</tr>
<tr>
<td>revenue tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on long-</td>
<td>447</td>
<td>775</td>
</tr>
<tr>
<td>term debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unusual item (note</td>
<td>11,288</td>
<td></td>
</tr>
<tr>
<td>10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings Before</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Tax Expense</td>
<td>5,137</td>
<td>1,839</td>
</tr>
<tr>
<td>Income Tax Expense</td>
<td>(2,900)</td>
<td>(4,013)</td>
</tr>
<tr>
<td>(note 6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings (Loss)</td>
<td>2,237</td>
<td>(2,174)</td>
</tr>
<tr>
<td>Extraordinary Item</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction of Income</td>
<td>2,900</td>
<td>1,500</td>
</tr>
<tr>
<td>Tax (note 6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings (Loss)</td>
<td>$ 5,137</td>
<td>$ (674)</td>
</tr>
<tr>
<td>Earnings (Loss) per</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Share</td>
<td>$ 0.04</td>
<td>$(0.17)</td>
</tr>
<tr>
<td>Before Extra-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ordinary Item (note</td>
<td>$ 0.19</td>
<td>$(0.09)</td>
</tr>
<tr>
<td>5)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SASKATCHEWAN OIL AND GAS CORPORATION

Consolidated Statements of Retained Earnings

<table>
<thead>
<tr>
<th></th>
<th>March 31</th>
<th>Year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained Earnings,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of Period</td>
<td>$ 8,074</td>
<td>$16,880</td>
</tr>
<tr>
<td>Earnings (Loss)</td>
<td>5,137</td>
<td>(674)</td>
</tr>
<tr>
<td>Public Share Issue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs (1986 - net of tax of $2.6 million)</td>
<td>(2,122)</td>
<td>(2,196)</td>
</tr>
<tr>
<td>Dividends:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred</td>
<td>(1,375)</td>
<td>(1,161)</td>
</tr>
<tr>
<td>Province of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saskatchewan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained Earnings,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of Period</td>
<td>$11,836</td>
<td>$12,923</td>
</tr>
</tbody>
</table>

(unaudited)

(thousands of dollars)
## SASKATCHEWAN OIL AND GAS CORPORATION

### Consolidated Statements of Changes in Financial Position

Three months ended March 31 Year ended December 31

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Generated Internally</strong></td>
<td>$ 5,137</td>
<td>$ 1,839</td>
<td>$ 1,273</td>
<td>$ 40,623</td>
<td>$ 44,033</td>
<td>$ 30,929</td>
</tr>
<tr>
<td>Earnings Before Income Tax Expense</td>
<td>6,337</td>
<td>6,328</td>
<td>23,043</td>
<td>21,801</td>
<td>19,162</td>
<td>12,974</td>
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<tr>
<td>Unusual item</td>
<td>11,288</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital from operations</td>
<td>11,652</td>
<td>8,684</td>
<td>26,246</td>
<td>63,994</td>
<td>63,578</td>
<td>43,936</td>
</tr>
<tr>
<td>Adjustment to cash basis</td>
<td>(3,173)</td>
<td>2,844</td>
<td>(8,194)</td>
<td>4,427</td>
<td>(54)</td>
<td>(322)</td>
</tr>
<tr>
<td>Cash from operations</td>
<td>8,479</td>
<td>11,528</td>
<td>18,052</td>
<td>68,421</td>
<td>63,524</td>
<td>43,614</td>
</tr>
<tr>
<td>Government incentives received</td>
<td>485</td>
<td>293</td>
<td>637</td>
<td>2,361</td>
<td>2,521</td>
<td>2,757</td>
</tr>
<tr>
<td>Proceeds on disposal of assets</td>
<td>9</td>
<td>47</td>
<td>113</td>
<td>327</td>
<td>262</td>
<td>671</td>
</tr>
<tr>
<td>Financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public share issue (note 5):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds</td>
<td>$110,000</td>
<td>$110,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue costs</td>
<td>(4,635)</td>
<td>(4,796)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend to Province of Saskatchewan</td>
<td>(75,000)</td>
<td>(75,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of share capital for equity advances</td>
<td>145,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction of equity advances</td>
<td>(145,500)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of Province of Saskatchewan loans</td>
<td>(25,000)</td>
<td>(10,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation bond issue (net of issue costs)</td>
<td>14,439</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity advances - Province of Saskatchewan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td>Investment in Property and Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>7,193</td>
<td>8,835</td>
<td>23,735</td>
<td>58,813</td>
<td>44,217</td>
<td>30,080</td>
</tr>
<tr>
<td>Adjustment to cash basis</td>
<td>(1,811)</td>
<td>1,262</td>
<td>1,717</td>
<td>(95)</td>
<td>(2,084)</td>
<td>(3,279)</td>
</tr>
<tr>
<td>Dividends</td>
<td>1,375</td>
<td>1,161</td>
<td>5,283</td>
<td>6,605</td>
<td>30,000</td>
<td>1,568</td>
</tr>
<tr>
<td>Increase (Decrease) in Cash</td>
<td>2,216</td>
<td>30,975</td>
<td>18,271</td>
<td>(20,991)</td>
<td>28,613</td>
<td>8,673</td>
</tr>
<tr>
<td>Cash, Beginning of Period</td>
<td>42,473</td>
<td>24,202</td>
<td>24,202</td>
<td>45,193</td>
<td>16,580</td>
<td>7,907</td>
</tr>
<tr>
<td>Cash, End of Period</td>
<td>$44,689</td>
<td>$55,177</td>
<td>$42,473</td>
<td>$24,202</td>
<td>$45,193</td>
<td>$16,580</td>
</tr>
</tbody>
</table>

### Notes:
- *Note 5: Public Share Issue*
- *Note 6: Investment in Property and Equipment*

### Financial Highlights:
- **Consolidated Net Income:**
  - **Year Ended December 31, 1987:** $1,568,000
  - **Year Ended December 31, 1986:** $1,273,000
  - **Year Ended December 31, 1985:** $40,623,000

### Key Figures:
- **Cash:**
  - **March 31, 1987:** $5,137,000
  - **December 31, 1986:** $1,839,000

- **Earnings Before Income Tax Expense:**
  - **March 31, 1987:** $6,337,000
  - **December 31, 1986:** $6,328,000

- **Assets:**
  - **Property and Equipment:**
    - **March 31, 1987:** $5,382,000
    - **December 31, 1986:** $10,097,000

- **Liabilities:**
  - **Equity Advances to Province:**
    - **March 31, 1987:** $30,365,000
    - **December 31, 1986:** $30,204,000
1. Summary of Significant Accounting Policies

**Principles of Consolidation**

The consolidated financial statements of Saskatchewan Oil and Gas Corporation ("Saskoil" or the "Corporation") have been prepared in accordance with generally accepted accounting principles and include the accounts of Saskatchewan Oil and Gas Corporation, a company incorporated under The Saskatchewan Business Corporation Act, and its wholly-owned subsidiary, Saskoil Resources Inc.

Substantially all exploration and production activities are conducted jointly with others. The consolidated financial statements reflect only Saskoil's proportionate interest in such activities.

**Property and Equipment**

Capitalized Costs

Saskoil follows the full cost method of accounting in accordance with the full cost accounting guideline issued by the Canadian Institute of Chartered Accountants, whereby all costs related to exploration for and development of oil and gas reserves, whether productive or non-productive, are capitalized. Such costs include lease acquisition, geological and geophysical, well drilling, and certain general and administration costs directly related to exploration and development activities.

The net book value of oil and gas assets is limited to an estimated recoverable amount. This amount is the aggregate of future net revenues from proved reserves and certain costs of unproved properties, less future general and administration and financing costs and income taxes. Future net revenues are calculated using prices in-effect at the Corporation's year end without escalation or discounting. Any excess of net book value over the estimated recoverable amount is charged to earnings.

Depletion and Depreciation

Depletion and depreciation of oil and gas assets is calculated using the unit-of-production method. For purposes of the calculation, gross proved oil and gas reserves as determined by corporate or independent engineers are converted to a common unit of measure on the basis of their approximate relative energy content.

Depreciation of other property and equipment is calculated at rates which charge original costs to operations over the estimated useful lives using the straight-line method.

Dispositions

Proceeds from the disposition of oil and gas assets are generally applied against the net book value of property and equipment; no gain or loss is recorded unless such treatment would significantly alter the relationship between the net book value and proved reserves. Gains and losses on other property and equipment dispositions are recognized in the statement of earnings.

Change in Accounting Policy

Effective January 1, 1986, Saskoil prospectively adopted the accounting guideline on full-cost accounting in the oil and gas industry issued by the Canadian Institute of Chartered Accountants. Had the previous method been continued the effect on the consolidated financial statements in the subsequent periods would not be material.
2. Property and Equipment

<table>
<thead>
<tr>
<th></th>
<th>March 31 1987</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible</td>
<td>$261,072</td>
<td>$104,930</td>
<td>$156,142</td>
<td>$153,240</td>
</tr>
<tr>
<td>Tangible</td>
<td>108,484</td>
<td>36,529</td>
<td>71,955</td>
<td>73,265</td>
</tr>
<tr>
<td>Other</td>
<td>8,750</td>
<td>5,724</td>
<td>3,026</td>
<td>2,744</td>
</tr>
<tr>
<td></td>
<td><strong>$378,306</strong></td>
<td><strong>$147,183</strong></td>
<td><strong>$231,123</strong></td>
<td><strong>$229,249</strong></td>
</tr>
</tbody>
</table>

General and administration costs of $0.9 million relating to exploration and development activities were capitalized in the three months ended March 31, 1987 (1986 - $4.2 million; 1985 - $5.5 million).

The estimated recoverable amount from proved reserves for purposes of limiting net book value of oil and gas assets was calculated using year end oil prices. These prices were based on a West Texas Intermediate oil price of approximately $18 U.S., adjusted to reflect the relevant characteristics of Saskoil's reserves. Prices at March 31, 1987 were higher than $18 U.S.

Costs of $12 million relating to unproven properties were excluded from the depletion and depreciation calculation for the three months ended March 31, 1987 (1986 - $10 million).

3. Other Assets

<table>
<thead>
<tr>
<th></th>
<th>March 31 1987</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1986 1985</td>
</tr>
<tr>
<td>Incentives receivable from Province of Saskatchewan</td>
<td>$3,151</td>
<td>$3,151 $3 -</td>
</tr>
<tr>
<td>Unamortized bond issue costs</td>
<td>313</td>
<td>339 444</td>
</tr>
<tr>
<td></td>
<td><strong>$3,464</strong></td>
<td><strong>$3,490 444</strong></td>
</tr>
</tbody>
</table>

Incentives receivable under the Province of Saskatchewan Oil and Gas Regulations 1978 have been reclassified from current to non-current due to indefinite suspension of payments by the Saskatchewan government. The amount included in accounts receivable in 1985 was $4.3 million.

4. Participation Bonds

The bonds mature March 31, 1990 and are guaranteed as to principal and interest by the Province of Saskatchewan. Interest is payable March 31 of each year at 10% plus .03 percentage points for each full $1 million of corporate Net Sales Revenue for the preceding fiscal year.

The interest rate for the twelve months ended March 31, 1987 is 11.74%. (1986 - 13.40%).

The bonds carry a right of redemption at the option of Saskoil at prices of $1,080 and $1,050 per $1,000 of bond principal on March 31, 1988 and 1989, respectively.

5. Share Capital

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td></td>
<td>Shares</td>
<td>Shares</td>
</tr>
<tr>
<td>Issued</td>
<td>Amount</td>
<td>Issued</td>
<td>Amount</td>
</tr>
<tr>
<td>Preferred Shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First</td>
<td>none</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>Second</td>
<td>7,585,884</td>
<td>75,859</td>
<td>7,585,984</td>
</tr>
<tr>
<td>Common Shares</td>
<td>19,636,338</td>
<td>179,641</td>
<td>19,636,238</td>
</tr>
<tr>
<td></td>
<td><strong>$255,500</strong></td>
<td><strong>$255,500</strong></td>
<td><strong>$145,500</strong></td>
</tr>
</tbody>
</table>
Second Preferred Shares

The Convertible Second Preferred Shares, Series A have voting privileges and are entitled to cumulative dividends of $0.725 per share per annum. These shares are convertible into common shares at the option of the holder at a rate of conversion of 1.0 common share for each preferred share prior to the close of business on December 31, 1988 and at a rate of 0.833 thereafter until the close of business on December 31, 1995.

The shares are redeemable at the option of Saskoil after the close of business on December 31, 1988 and prior to the close of business on December 31, 1990, depending on future prices of the common shares on The Toronto Stock Exchange. Thereafter, the shares are redeemable at prices declining $0.20 per share annually from $11.00 to $10.00.

Legal restrictions

The Saskatchewan Oil and Gas Corporation Act, 1985, prohibits any person or group of associated persons, other than the Province of Saskatchewan, from owning more than 4% of the issued and outstanding voting shares of Saskoil. In addition, the Act provides that holders of voting shares of Saskoil must be Canadian citizens or residents.

Shares issued and conversions

Share issues in December 1985 and January 1986 resulted in the status of Saskoil changing from a crown corporation without share capital to a crown-controlled corporation with significant public ownership.

In December 1985 the Province of Saskatchewan converted equity advances of $145,500,000 to 15,842,910 common shares. In January 1986 the corporation completed a public share issue of 7,586,208 Convertible Second Preferred Shares, Series A and 3,793,104 common shares for cash consideration of $75,862,080 and $34,137,936, respectively. A dividend of $75,000,000, declared in 1985, was paid to the Province of Saskatchewan from the proceeds of the share issue.

During the three months ended March 31, 1987, 100 Convertible Second Preferred Shares, Series A with a stated value of $1,000 were converted into common shares (1986 - 224; $2,240).

Earnings per common share

Saskoil was a wholly owned subsidiary of a crown corporation at December 31, 1985. Prior to December 14, 1985 Saskoil was a crown corporation without share capital and accordingly comparative earnings per share are not provided.
6. Income Tax Expense, Extraordinary Item and Deferred Petroleum and Gas Revenue Tax

The table below explains the differences between expected income tax expense (as obtained by applying statutory income tax rates), the recorded income tax expense and income tax payable of nil.

<table>
<thead>
<tr>
<th></th>
<th>Three months ended March 31</th>
<th>Year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory income tax rate</td>
<td>53.5%</td>
<td>54.5%</td>
</tr>
<tr>
<td>Expected income tax expense (1985 - based on earnings for period December 15-31)</td>
<td>$2,748</td>
<td>$1,002</td>
</tr>
<tr>
<td>Add (deduct) tax effect of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royalties, rentals and similar payments to provinces</td>
<td>2,978</td>
<td>3,379</td>
</tr>
<tr>
<td>Petroleum and gas revenue tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal resource allowance</td>
<td>(1,982)</td>
<td>(1,005)</td>
</tr>
<tr>
<td>Earned depletion allowance</td>
<td>(792)</td>
<td>(258)</td>
</tr>
<tr>
<td>Other</td>
<td>(52)</td>
<td>337</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>$2,900</td>
<td>$4,013</td>
</tr>
<tr>
<td>Public share issue cost tax effect</td>
<td></td>
<td>(2,513)</td>
</tr>
<tr>
<td>Extraordinary Item</td>
<td>(2,900)</td>
<td>(1,500)</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>$ Nil</td>
<td>$ Nil</td>
</tr>
</tbody>
</table>

The tax effect of share issue costs has been credited to retained earnings and therefore does not serve to reduce income tax expense.

The extraordinary item is the result of the fact that Saskoil is entitled to reduce taxable income by certain expenditures incurred in prior years, portions of which have been charged to earnings prior to December 15, 1985, the date on which the corporation ceased to be exempt from income tax. The estimated amount of the excess of these expenditures over net book values at March 31, 1987 is $88 million (1986 - $93 million).

The extraordinary item arises as a result of deducting a portion of these excess expenditures in determining taxable income for the year.

Saskoil has deferred its liability for Petroleum and Gas Revenue Tax ("PGRT") by utilizing certain of its exploration and development expenditures otherwise available for deduction for income tax purposes. When these expenditures are claimed in the future for income tax purposes, the amount of the deferred PGRT will become payable.
7. Acquisition of Thomson-Jensen

On June 11, 1987 Saskoil acquired all outstanding shares of Thomson-Jensen Petroleum Limited and Thomson-Jensen Energy Limited and agreed to acquire the TJE Partnership all effective April 1, 1987 (Thomson-Jensen Petroleum Limited, Thomson-Jensen Energy Limited and the TJE Partnership are collectively referred to as "Thomson-Jensen"). These entities are engaged in oil and gas exploration, development and production activities in western Canada. Details of the net purchase price and net assets acquired, estimated in thousands of dollars, are as follows:

Assets Acquired:

| Description                  | Amount  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>$  3,040</td>
</tr>
<tr>
<td>Property and Equipment</td>
<td>66,800</td>
</tr>
<tr>
<td>Other</td>
<td>200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$70,040</strong></td>
</tr>
</tbody>
</table>

Less Liabilities Assumed:

| Description                  | Amount  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>$  3,400</td>
</tr>
<tr>
<td>Long-term Debt</td>
<td>19,543</td>
</tr>
<tr>
<td>Due to former Thomson-Jensen affiliates</td>
<td>3,305</td>
</tr>
<tr>
<td>Other</td>
<td>1,154</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$27,402</strong></td>
</tr>
</tbody>
</table>

Net Purchase Price: $42,638

The excess of the net purchase price over the book value of the net assets has been attributed to property and equipment. The value attributed to property and equipment is comprised of the gross purchase price of $66.3 million plus estimated acquisition expenses of $0.5 million.

The acquisition will be accounted for by the purchase method and the results of operations of the acquired entities will be included in Saskoil consolidated financial statements commencing April 1, 1987.

Immediately subsequent to the acquisition, Saskoil repaid from internal funds and an existing operating line of credit the Thomson-Jensen long-term debt and the amounts due to former Thomson-Jensen affiliates.

8. Share Offering

On July 6, 1987, the Corporation entered into an underwriting agreement to sell 6,557,377 common shares for net proceeds of $47,075,000 after deducting the underwriting commission of $2,125,000 and share issue expenses estimated at $800,000.

9. Commitments

As at March 31, 1987, total future minimum lease payments under operating leases for office space and equipment in thousands of dollars are:

| Year | Amount  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>1,719</td>
</tr>
<tr>
<td>1988</td>
<td>2,438</td>
</tr>
<tr>
<td>1989</td>
<td>2,421</td>
</tr>
<tr>
<td>1990</td>
<td>1,934</td>
</tr>
<tr>
<td>1991</td>
<td>485</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,997</strong></td>
</tr>
</tbody>
</table>

10. Unusual Item

Costs of certain projects were capitalized prior to December 31, 1982 pending evaluation of commercial viability. In 1982, such costs in the amount of $11.3 million were charged against earnings.
11. Related Party Transactions

The consolidated financial statements include capital, revenue and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan crown controlled departments, agencies and corporations. Account balances resulting from these transactions are settled on normal trade terms.

Certain information as to related party transactions is not available by virtue of the fact that Saskoil conducts a substantial portion of its exploration and production activities through joint ventures which are not contractually required to report Saskoil’s share of routine operating transactions with Saskoil related parties.

In 1985 Saskoil transferred certain properties with an estimated value of $6.7 million to a Saskatchewan crown corporation in exchange for properties of equivalent value.

In 1985 Saskoil sold a $5.4 million short-term investment to a Saskatchewan crown controlled corporation for equivalent cash consideration.

In 1985 Saskoil transferred a research facility to an agency of the Province of Saskatchewan for a nominal amount. The net book value of $1.5 million was charged to operating expenses.

12. Comparative Figures

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

Dated July 6, 1987

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), Part 8 of the Securities Act (Alberta), Part VIII of The Securities Act (Saskatchewan), Part VII of The Securities Act (Manitoba), Part XIV of the Securities Act (Ontario) and section 13 of the Securities Act (New Brunswick), and the respective regulations under such Acts. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, within the meaning of the Securities Act (Quebec) and the regulations thereunder.

SASKATCHEWAN OIL AND GAS CORPORATION

(signed) W. J. Douglas  (signed) P. W. Kreutzer
President and Chief Vice-President, Finance
Executive Officer and Chief Financial Officer

On behalf of the Board of Directors

(signed) H. C. Pinder, Jr.  (signed) T. M. Hanlon
Director  Director

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 7 of the Securities Act (British Columbia), Part 8 of the Securities Act (Alberta), Part VIII of The Securities Act (Saskatchewan), Part VII of The Securities Act (Manitoba), Part XIV of the Securities Act (Ontario) and section 13 of the Securities Act (New Brunswick), and the respective regulations under such Acts. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, within the meaning of the Securities Act (Quebec) and the regulations thereunder.

Pemberton Houston Willoughby
Bell Gouinlock Inc.

Wood Gundy Inc.

By: (signed) J. B. Hodge  By: (signed) K. L. Slater

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

Pemberton Houston Willoughby Bell Gouinlock Inc. is a wholly-owned subsidiary of Pemberton Houston Willoughby Investment Corporation.

Wood Gundy Inc. is a wholly-owned subsidiary of The Wood Gundy Corporation.