

SEVENTH ENERGY LTD.

ANNUAL INFORMATION FORM

For the Year Ended December 31, 1999

Dated: April 28, 2000

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ABBREVIATIONS AND DEFINITIONS

In this Annual Information Form, the abbreviations set forth below have the following meanings:

"M\$"	thousands of Canadian dollars	"mcf"	thousand cubic feet
"MM\$"	millions of Canadian dollars	"mmcf"	million cubic feet
"bbls"	barrels	"bcf"	billion cubic feet
"mbbls"	thousands of barrels	"mcf/d"	thousand cubic feet per day
"mmbbls"	millions of barrels	"mmcf/d"	million cubic feet per day
"bopd"	barrels of oil per day	"boe"	barrels of oil equivalent
"m ³ "	cubic metre volume	"mboe"	thousands of barrels of oil equivalent
"MMBTU"	million British Thermal Units	"boed"	barrels of oil equivalent per day

In this Annual Information Form, the terms set forth below have the following meanings:

"**ABCA**" means the *Business Corporations Act*, S.A. 1981, c. B-15, as amended.

"**API**" means the American Petroleum Institute.

"**ARTC**" means the Alberta royalty tax credit.

"**Class A Shares**" means the Class A Shares in the capital of Seventh.

"**Class B Shares**" means the Class B Shares in the capital of Seventh.

"**NGLs**" means natural gas liquids.

"**Sproule Report**" means the independent engineering evaluation of Seventh's oil and gas interests prepared by Sproule Associates Limited ("Sproule"), independent petroleum engineering consultants of Calgary, Alberta, effective January 1, 2000 with respect to escalated and constant prices.

"**Seaton-Jordan Report**" means the independent land evaluation of Seventh's undeveloped land prepared by Seaton-Jordan & Associates Ltd. ("Seaton-Jordan") effective December 31, 1999.

"**Seventh**" or the "**Company**" means Seventh Energy Ltd.

"**TSE**" means The Toronto Stock Exchange.

Note: for the purposes of this document, 10 mcf of natural gas and 1 bbl of NGLs each equal 1 bbl of oil, such conversion not being based on either price or energy content.

INCORPORATION

Seventh was incorporated under the laws of Alberta by Articles of Incorporation dated February 27, 1996 as 685834 Alberta Inc. On June 7, 1996, Articles of Amendment were filed to change the Company's name to Seventh Energy Ltd. and remove private company restrictions from the Articles, and on August 30, 1996, Articles of Amendment were filed to amend Seventh's capital structure. On August 1, 1997, Seventh amalgamated with Westward Energy Ltd., with Articles of Amalgamation filed on the same date. Seventh has its registered office at 1200, 700 - 2nd Street S.W., Calgary, Alberta, T2P 4V5, and its head and principal office at Suite 500, 521- 3rd Avenue S.W., Calgary, Alberta, T2P 3T3.

GENERAL DESCRIPTION OF BUSINESS

The business of Seventh is the acquisition of petroleum and natural gas rights and the exploration for, and development and production of, oil and natural gas in the Province of Alberta. Seventh operates a base of high working interest production and undeveloped lands, which gives the Company control over the exploitation and exploration of its asset base. Seventh's producing assets are focussed in southern Alberta, in the Princess and Enchant-Hays areas.

PROJECT AREAS

Seventh's principal producing properties are located in southern Alberta, which is highly prospective for Bow Island natural gas, Taber, Glauconite, and Sawtooth medium gravity crude oil, and Arcs light gravity crude oil and natural gas. The Company has extensive seismic data and several drillable prospects on this land base.

Princess

Seventh has a 50 percent working interest in the 3-19-20-10W4 gas discovery. The well was drilled and completed at no cost to Seventh, as part of a 1999 program to enhance the Company's asset base by generating plays on Company lands and farming out drilling costs. After drilling the well, development of the property and tying in the well was delayed as the farmee was unable to put the necessary capital into the project and put its interest up for sale. Seventh negotiated with the original farmee to assume operatorship, and has subsequently reached an agreement with the new partner to tie the well into an existing gas processing facility, approximately nine miles away. These events have delayed the commencement of production to the second quarter of 2000.

The Company has also proposed to jointly drill an offset location at 6-18-20-10W4, which should occur immediately after spring break up. In addition, Seventh independently has acquired an option on a block of lands to the west of the discovery location, and plans to drill an earning well on these lands in the second quarter.

Enchant

The Company contributed producing lands to the new Enchant Arcs Unit #3, which was formed on October 1, 1999. The oil in the pool is relatively light at 28 degrees API, and is produced from a 30-meter thick dolomitic carbonate zone at a depth of 1,300 meters. Pressure maintenance is necessary to fully exploit the reserves, and was the driving force behind unitizing the lands in the pool.

Seventh has an 8.6 percent non-operated interest in the Unit. During the first half of 2000, one existing producing well will be converted to a water injection well, and two additional wells will be drilled. The operator expects to begin water injection during the second quarter of this year. A successful pressure maintenance scheme should stabilize or possibly increase production, as well as increase the recovery factor from 15 up to 25 percent.

Hays

Seventh has Arcs and Sawtooth oil production at Hays. The characteristics of the Arcs at Hays are similar to that at Enchant. The Company has two Arcs oil producing wells at Hays, which were tied into production facilities early in 1999. The installation of a pressure maintenance scheme is necessary before additional development drilling can take place. A standing cased well adjacent to the oil producers will be converted to water injection during the second half of this year. The Company is currently negotiating the pooling of lands with offset mineral owners so that the reserves can be optimally developed. Seventh's working interests in the producing wells range from 70 to 100 percent.

The Company's Sawtooth oil production at Hays is from six producing wells, which are all 100 percent owned and tied into a production facility. Compared with Arcs oil production, Sawtooth production is high rate, high water cut production and has a quicker payout but a shorter reserve life. The installation of a central treating facility early in the life of the pool is necessary to control costs. Based on proprietary 3D seismic coverage, Seventh has defined four potential offset development locations on the pool. These may be drilled later in 2000 if capital is available for the project.

UNDEVELOPED LAND

As at December 31, 1999, Seventh's undeveloped land inventory consisted of 45,603 (29,004 net) acres located in Alberta and Saskatchewan. Based on an independent land evaluation conducted by Seaton-Jordan and summarized in the Seaton-Jordan Report, the value of Seventh's net undeveloped land at December 31, 1999 was \$1,766,454.

The Seaton-Jordan Report is based on certain factual data supplied by Seventh and Seaton-Jordan's opinion of market value for the evaluated properties. The value determined by Seaton-Jordan represents its estimate of the cost to replace Seventh's undeveloped land holdings with land having a comparable lease term and royalty. The following table sets out Seventh's undeveloped land position as set forth in the Seaton-Jordan Report.

	As at December 31	
	1999	1998
Gross acres ⁽¹⁾	45 603	83 508
Net acres ⁽²⁾	29 004	52 197
Average working interest (%)	64%	63%
Total value (\$)	\$ 1,766,454	\$ 2,933,703

Notes:

- (1) "Gross acres" means the area of land in which Seventh has, or is entitled to earn, a working interest.
- (2) "Net acres" means the sum of the products obtained by multiplying the number of gross acres by Seventh's percentage working interest therein.

OIL AND NATURAL GAS RESERVES

The following tables are summaries, as at January 1, 2000, of Seventh's oil and natural gas reserves and the present net worth of future cash flows associated with such reserves as evaluated in the Sproule Report, based on constant and escalated price assumptions. The present net worth of estimated future cash flows contained in the following tables may not be representative of the fair market values of the reserves. Assumptions relating to costs, prices for future production and other matters are summarized in the notes following the tables. There is no assurance that such prices and cost assumptions will be attained and variances could be material. All estimated future cash flows as set forth in the following tables are stated prior to provision for income taxes, indirect costs and future site restoration and abandonment costs, after deduction of royalties and estimated future capital expenditures. The Sproule Report is based on certain factual data supplied by Seventh and Sproule's opinion of reasonable practice in the industry.

Oil and Natural Gas Reserves and
Present Net Worth of Estimated Future Cash Flows including ARTC
Based on Escalated Price Assumptions

RESERVES CATEGORY	OIL		SALES GAS		NGLs		PRESENT VALUE OF FUTURE CASH FLOW BEFORE INCOME TAXES DISCOUNTED AT RATES OF			
	GROSS	NET	GROSS	NET	GROSS	NET	0%	10%	15%	20%
	(mmbbls)	(mmbbls)	(mmcf)	(mmcf)	(mmbbls)	(mmbbls)	(M\$)	(M\$)	(M\$)	(M\$)
Proven Developed Producing	413	377	339	248	18	12	6,555	4,602	4,061	3,658
Proven Undeveloped	190	168	3,116	2,289	51	36	6,928	3,912	3,082	2,481
Total Proven	603	545	3,455	2,537	69	48	13,483	8,514	7,143	6,139
Probable	463	401	1,174	861	28	19	9,842	4,573	3,477	2,757
Total Proven + Probable	<u>1,066</u>	<u>946</u>	<u>4,629</u>	<u>3,398</u>	<u>97</u>	<u>67</u>	<u>23,325</u>	<u>13,087</u>	<u>10,620</u>	<u>8,896</u>

Oil and Natural Gas Reserves and
Present Net Worth of Estimated Future Cash flows including ARTC
Based on Constant Price Assumptions

RESERVES CATEGORY	OIL		SALES GAS		NGLs		PRESENT VALUE OF FUTURE CASH FLOW BEFORE INCOME TAXES DISCOUNTED AT RATES OF			
	GROSS	NET	GROSS	NET	GROSS	NET	0%	10%	15%	20%
	(mmbbls)	(mmbbls)	(mmcf)	(mmcf)	(mmbbls)	(mmbbls)	(M\$)	(M\$)	(M\$)	(M\$)
Proven Developed Producing	413	372	338	244	18	12	11,829	8,243	7,241	6,492
Proven Undeveloped	190	164	3,116	2,237	51	36	9,257	5,429	4,366	3,593
Total Proven	603	536	3,454	2,481	69	48	21,086	13,672	11,607	10,085
Probable	463	391	1,174	838	28	19	14,820	6,910	5,237	4,137
Total Proven + Probable	<u>1,066</u>	<u>927</u>	<u>4,628</u>	<u>3,319</u>	<u>97</u>	<u>67</u>	<u>35,906</u>	<u>20,582</u>	<u>16,844</u>	<u>14,222</u>

Notes:

- (1) "Gross" reserves are defined as the total remaining recoverable reserves owned by Seventh before deduction of any royalties. "Net" reserves are defined as those accruing to Seventh after all interests owned by others including Crown and freehold royalties have been deducted.
- (2) The reserve volumes and present net worth values of the probable additional reserves in the Sproule Report have not been reduced to account for risk.
- (3) These tables summarize the data contained in the Sproule Report and as a result may contain slightly different numbers than the Sproule Report due to rounding.

- (4) "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 existing economic and operating conditions. There is relatively little risk with these reserves. The proven reserves were sub-divided into the following groups, depending on their status of development.
- A) "Proven Developed Reserves" are proven reserves which can be expected to be recovered through existing wells with existing equipment and operating methods. This classification was further divided to include:
- (i) "Proven Developed Producing Reserves" are proven reserves which are presently being produced from completion intervals open for production in existing wells.
 - (ii) "Proven Developed Non-Producing Reserves" are proven reserves which are currently not being produced but do exist in completed intervals but not producing 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.
- B) "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.
- (5) "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. The risks associated with these reserves generally ranges from 25 to 75 percent. The reserves shown in these tables were not adjusted for risk.
- (6) Sproule has developed oil and gas pricing models using assumptions respecting world oil prices, inflation rates and exchange rates together with estimates of transportation costs, and prices of competing fuels, to forecast wellhead and plant gate prices for Canadian oil, natural gas, and natural gas by-product production. The following paragraphs briefly describe some of the key considerations included in the oil and natural gas price forecasts.

In the long-term, the price of oil will be governed by supply and demand, and the degree that OPEC is able to limit supply will be a major determinant in establishing oil prices for the next ten years. The long-term oil price forecast has been based upon a supply forecast which falls in between a fully competitive market, and a market controlled by an effective OPEC production quota system. Price stability that promotes a steady growth in demand is therefore in the best interest of the OPEC nations. In the foreseeable future, OPEC must limit the real increase in oil prices in order to limit the development of alternative supplies.

The product prices used in the escalating price evaluations are as follows:

Oil Prices

Year	WTI Cushing (1) 40% API, 0.4% Sulphur (\$US/bbl)	US/CDN Exchange Rate	Edmonton Par Oil Price 40% API (\$CDN/bbl)
2000	20.00	0.70	27.51
2001	20.30	0.72	27.13
2002	20.60	0.73	27.15
2003	20.91	0.73	27.56
2004	21.23	0.73	27.98
2005	21.55	0.73	28.41
2006	21.87	0.73	28.84
2007	22.20	0.73	29.28
2008	22.53	0.73	29.72
2009	22.87	0.73	30.17
2010	23.21	0.73	30.63
2011	23.56	0.73	31.09

Year	WTI Cushing (1) 40% API, 0.4% Sulphur (\$US/bbl)	US/CDN Exchange Rate	Edmonton Par Oil Price 40% API (\$CDN/bbl)
Thereafter	+1.5%/year	0.73	+1.5%/year

Natural Gas Prices

Year	Alberta 30 Day Spot Plantgate (\$/MMBTU)
2000	2.79
2001	2.68
2002	2.65
2003	2.69
2004	2.73
2005	2.77
2006	2.82
2007	2.86
2008	2.90
2009	2.94
2010	2.99
2011	3.03
Thereafter	+1.5%/year

- (7) Oil and natural gas prices in the constant price evaluations are those received by Seventh in December 1999, being \$CDn 38.32 per barrel for oil and \$2.88 per mcf for natural gas.

The constant price assumptions assume the continuance of existing economic conditions in effect on the effective date of the Sproule Report. Product prices have not been escalated. In addition, operating and capital costs have not been increased on an inflationary basis.

- (8) Sproule estimates the total capital costs, net to Seventh to achieve the estimated future net proved and probable production revenues, set out in the Sproule Report for both the constant cost assumptions, and escalating cost assumptions, to be \$1,965,000 and that these costs are to be incurred in 2000.
- (9) Net production revenue is income derived from the sale of net reserves, less all capital costs, production taxes, and operating costs and before provision for income taxes and administrative overhead costs.
- (10) The ARTC program is available to Alberta oil and gas producers. The current program provides a credit that varies between 75 percent and 25 percent of royalties depending on a blended gas and oil price. Sproule assumes that the ARTC will continue at existing rates under the existing guidelines. The maximum credit will be equal to \$2.0 million times the ARTC rate.

Property descriptions, details of interests held and well data, as supplied by Seventh, have been accepted as represented, without any further investigation by Sproule. Other engineering and geological data upon which the Sproule Report were based have been obtained from Seventh, from various oil and natural gas agencies, from the non-confidential files of Sproule and from various published records.

In the preparation of the Sproule Report, a field inspection of the properties was not performed, since the relevant engineering data was made available by Seventh and no additional information regarding the reserves evaluation would have been obtained by an on-site visit. No investigation was made by Sproule into either the legal titles held or any operating agreements relating to the subject properties.

OIL AND NATURAL GAS WELLS

As at December 31, 1999, Seventh owned an interest in 26 (11.7 net) oil and natural gas wells, of which 23 (10.1 net) are producing.

The following table summarizes Seventh's interests as at December 31, 1999 in oil and natural gas wells which are producing or which Seventh considers to be capable of production.

	Producing Wells				Non-Producing Wells			
	Oil		Natural Gas		Oil		Natural Gas	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Enchant	13	1.1	-	-	-	-	-	-
Hays	8	7.7	-	-	-	-	-	-
Princess	-	-	-	-	-	-	1	0.5
Others	1	0.3	1	1.0	-	-	2	1.1
Total	22	9.1	1	1.0	-	-	3	1.6

Notes:

- (1) "Gross" refers to all wells in which Seventh owns a working interest.
- (2) "Net" refers to the aggregate of the percentage working interests of Seventh in the gross wells, before the deduction of any royalty interests.

DRILLING ACTIVITY

The following table summarizes Seventh's drilling results for the years ended December 31, 1999 and 1998.

	Year ended December 31			
	1999		1998	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Oil	-	-	3	0.7
Gas	1	0.5	-	-
Dry & Abandoned	2	0.7	-	-
Service	0	0.0	-	-
Total	3	1.2	3	0.7

Notes:

- (1) "Gross" means the number of wells in which Seventh owns a working or royalty interest.
- (2) "Net" means the aggregate of the percentage interests of Seventh in the gross wells before the deduction of any royalty interests.

PRODUCTION

Seventh's production averaged 406 barrels of oil per day and 351 thousand cubic feet of gas per day during 1999, for a total average production rate of 441 barrels of oil equivalent per day. Approximately 92 percent of the Company's production on a volume basis was crude oil. Reserves and production data from each major property are shown in the accompanying table.

Production 1999 Average (boe/d)	Proven Reserves (mboe)	Established Reserves ⁽¹⁾ (mboe)	Established Values ⁽²⁾ (M\$)

Hays Arcs	135	354	377	2,445
Hays Sawtooth	106	137	217	1,602
Enchant	72	191	340	2,226
Princess	-	320	372	2,429
Others	46	15	15	180
Dispositions ⁽³⁾	82	-	-	-
Total	441	1,017	1,321	8,882

Notes:

- (1) Established reserves are the sum of the proven and one-half of the probable reserves volumes, assuming escalating prices.
- (2) Established values are the sum of the proven and one-half of the probable reserves values, discounted at 15 percent before income taxes, assuming escalating prices.
- (3) This reflects property dispositions that occurred during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Reference is made to the information under the heading "Management's Discussion and Analysis of Financial Conditions and Results of Operations" contained on pages 18 through 30 of Seventh's annual report for the year ended December 31, 1999, which information is incorporated herein.

Some of the statements in, and incorporated by reference in, this Annual Information From that are not historical facts may be considered "forward looking statements". These forward looking statements sometimes include words to the effect that the Company or management believes or expects a stated condition or result. All estimates and all statements that describe the Company's objectives, goals, or future plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated in such statements due to any number of factors, including variables such as new information regarding recoverable reserves on the Company's properties, changes in the demand for, and the commodity prices of, oil and natural gas, legislative, environmental, regulatory and political changes, competition in areas where the Company operates and other factors discussed in this Annual Information Form. Refer to "Risk Factors" on page 20.

SELECTED FINANCIAL INFORMATION

Annual Data

The following table sets forth selected financial information of Seventh for the last four years.

	1999	1998	1997 ⁽¹⁾	1996 ⁽¹⁾
	\$	\$	\$	\$
Petroleum and natural gas sales	3,580,326	3,271,079	1,824,181	-
Funds from operations	1,577,145	750,773	1,047,797	-
Per Class A share (basic)	0.14	0.07	0.15	-
Per Class A share (fully diluted)	0.13	0.07	0.13	-
Net income (loss)	838,168	(12,268,461)	266,346	-
Per Class A share (basic)	0.07	(1.13)	0.04	-

Per Class A share (fully diluted)	0.07	(1.13)	0.04	-
Total assets	6,762,743	8,068,886	26,472,408	7,812,683
Long-term debt (at December 31)	1,209,787	4,827,450	4,368,793	-
Dividends ⁽²⁾	-	-	-	-

Notes:

- (1) From incorporation to July 31, 1997, the activities of the Company were considered to be in the pre-production phase and therefore there was no income statement in 1996 and the income statement for 1997 was for only five months.
- (2) No dividends have been paid by the Company on its common shares since its incorporation. Any decision to pay dividends on the Class A and Class B shares of Seventh will be made by the board of directors on the basis of the Company's earnings, financial requirements and other conditions existing at the time.

Quarterly Data

The following tables set forth selected quarterly financial information for the last two years.

(M\$, except per share information)	First Quarter 1999	Second Quarter 1999	Third Quarter 1999	Fourth Quarter 1999	Total 1999
Petroleum and natural gas sales (M\$)	715	894	1,113	858	3,580
Funds from operations (M\$)	193	335	610	439	1,577
Per Class A share (basic) (\$)	0.02	0.03	0.05	0.04	0.14
Per Class A share (fully diluted) (\$)	0.02	0.03	0.04	0.04	0.13
Net income (loss) (M\$)	(30)	117	475	276	838
Per Class A share (basic) (\$)	0.00	0.01	0.04	0.02	0.07
Per Class A share (fully diluted) (\$)	0.00	0.01	0.04	0.02	0.07

	First Quarter 1998	Second Quarter 1998	Third Quarter 1998	Fourth Quarter 1998	Total 1998
Petroleum and natural gas sales (M\$)	1,126	871	687	587	3,271
Funds from operations (M\$)	416	(48)	251	132	751
Per Class A share (basic) (\$)	0.04	(0.01)	0.03	0.01	0.07
Per Class A share (fully diluted)(\$)	0.04	(0.01)	0.03	0.01	0.07
Net income (loss) (M\$)	(74)	(500)	(55)	(11,639)	(12,268)
Per Class A share (basic)(\$)	0.00	(0.05)	(0.01)	(1.07)	(1.13)
Per Class A share (fully diluted)(\$)	0.00	(0.05)	(0.01)	(1.07)	(1.13)

Capital Expenditures and Dispositions

For most of the last two years, the Corporation's activity level has been hampered by high corporate debt. Seventh essentially stopped all discretionary spending after the first quarter of 1998 and sold producing properties and non-producing assets totaling \$3,119,000 in 1999 and \$4,729,000 in 1998.

	1999	1998
	\$	\$
Capital additions		
Lease acquisitions and seismic surveys	247,574	649,080
Drilling & completions	450,435	1,565,045
Production equipment	465,687	265,060
Administrative assets	35,368	121,817
Capitalized G & A	385,806	420,917
Total	1,584,870	3,012,919
Capital dispositions		
Producing properties	2,292,761	4,237,280
Undeveloped lands	826,639	450,512
Sale and leaseback of administrative assets	-	41,326
Total	3,119,400	4,729,118

DESCRIPTION OF SHARE CAPITAL

Class A Shares

Seventh has an unlimited number of Class A Shares authorized, of which 16,419,574 are issued and outstanding. All Class A Shares were issued as fully paid and non-assessable. The holders of Class A Shares are entitled to one vote per Class A Share held at any meeting of the shareholders of Seventh and upon liquidation, dissolution or winding up, to receive all remaining assets of Seventh subject to the rights of the holders of Class B Shares. If the record date for the payment of a dividend declared on the Class A Shares occurs prior to the date upon which Seventh mails a notice of conversion to holders of Class B Shares, a dividend of ten (10) times the amount declared and paid in respect of each Class A Share shall also be declared and paid on each Class B Share.

Class B Shares

Seventh also has an unlimited number of Class B Shares authorized, of which 744,000 are issued and outstanding. All Class B Shares were issued as fully paid and non-assessable. The holders of Class B Shares are entitled to one vote per Class B Share held at any meeting of the shareholders of Seventh. The holders of Class B Shares are entitled to dividends on a per share basis, if, as and when declared by the board of directors, equivalent to ten (10) times the amount per share of any dividend payable on the Class A Shares provided the record date for the payment of such dividend on each Class A Share occurs prior to the date on which Seventh mails a notice of conversion to the holders of Class B Shares. Prior to the date on which Seventh mails a notice of conversion and upon a liquidation, dissolution or winding up of Seventh, the Class B Shares shall be entitled to receive property of Seventh on a per share basis equal to ten (10) times of the amount of property of Seventh received by holders of Class A Shares in respect of each Class A Share held.

The Class B Shares are convertible into Class A Shares, at the option of the holder following Seventh providing a notice of conversion. Such notice of conversion must be given by Seventh at some time after November 1, 2001 but before November 1, 2002. When Seventh provides a notice of conversion, a holder of Class B Shares who does not respond to the notice of conversion within thirty days of the mailing of the notice shall be deemed to have elected to convert his Class B Shares into Class A Shares in accordance with the notice of conversion. The number of Class A Shares obtained upon conversion of each Class B Share will be equal to \$10.00 divided by the greater of \$1.00 and the Current Market Price. No fractional Class A Shares shall be issued upon any conversion of Class B Shares into Class A Shares. However, each holder of Class B Shares shall be entitled to one rounding up of any fractional interest in Class A Shares resulting from the due conversion of such holder's Class B Shares.

When a notice of conversion is mailed by Seventh, a holder of Class B Shares who elects not to convert its Class B Shares into Class A Shares in accordance with the notice of conversion shall retain its Class B Shares. However, upon a subsequent liquidation, dissolution, or winding-up of Seventh, whether voluntary or involuntary, such holder will be entitled, in respect of each outstanding Class B Share held, to receive property of Seventh in one-tenth (1/10) of the amount of property received by holders of Class A Shares in respect of each Class A Share held. Moreover, upon the establishment of a subsequent record date for the payment of a dividend on the Class A Shares, such holder will be entitled, in respect of each outstanding Class B Share held, to receive a dividend equal to one-tenth (1/10) of the dividend declared and paid in respect of each Class A Share.

Between January 1, 2003 and March 31, 2003, Seventh has the option to redeem any or all outstanding Class B Shares for a redemption price equal to the current fair market value thereof as determined by the directors.

Dividend Record and Policy

Seventh has not declared or paid any dividends on its Class A Shares or Class B Shares since its incorporation, and does not foresee the declaration or payment of any dividends on its Class A Shares or Class B Shares in the near future. Any decision to pay dividends on the Class A Shares or Class B Shares will be made by the board of directors on the basis of Seventh's earnings, financial requirements and other conditions existing at such future time.

Price Range and Trading Volume of Class A Shares

On December 11, 1996, the Seventh Class A Shares were listed and posted for trading on The Alberta Stock Exchange. Following the amalgamation with Westward, Seventh's Class A Shares were listed on the TSE on August 12, 1997, in substitution for the then listed Westward Class A Shares, under the trading symbol "SEV.A". Seventh's Class B Shares are listed on The Alberta Stock Exchange under the trading symbol "SEV.B". The following table sets forth the reported high and low sale prices and the trading volumes for the Seventh Class A Shares as reported by the TSE since August 12, 1997.

	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Volume</u>
August, 1997	1.45	0.83	1.30	232,866
September, 1997	1.69	1.25	1.55	345,142
October, 1997	1.81	1.25	1.45	332,206
November, 1997	1.55	1.13	1.14	152,700
December, 1997	1.25	0.80	1.05	145,226
January, 1998	1.20	0.80	0.90	117,062
February, 1998	1.00	0.66	0.67	166,021
March, 1998	0.78	0.65	0.65	169,470
April, 1998	0.66	0.51	0.60	181,315
May, 1998	0.60	0.45	0.47	209,500
June, 1998	0.54	0.25	0.29	313,009

	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Volume</u>
July, 1998	0.33	0.20	0.22	318,419
August, 1998	0.25	0.11	0.11	158,404
September, 1998	0.20	0.13	0.16	373,370
October, 1998	0.19	0.12	0.13	234,264
November, 1998	0.19	0.13	0.16	170,318
December, 1998	0.17	0.10	0.13	318,678
January, 1999	0.25	0.11	0.20	125,408
February, 1999	0.16	0.14	0.14	34,142
March, 1999	0.23	0.13	0.15	148,312
April, 1999	0.18	0.14	0.18	50,590
May, 1999	0.34	0.14	0.25	630,327
June, 1999	0.28	0.20	0.22	245,930
July, 1999	0.35	0.17	0.35	199,352
August, 1999	0.65	0.36	0.65	485,079
September, 1999	0.70	0.45	0.56	225,817
October, 1999	0.53	0.42	0.45	116,215
November, 1999	0.45	0.21	0.40	208,041
December, 1999	0.41	0.27	0.32	257,076

MANAGEMENT OF SEVENTH

The name, municipality of residence and principal occupation of the directors and officers of Seventh are as follows:

Name and Municipality of Residence	Position Held	Principal Occupation
Richard J. S. Wigington ⁽²⁾ Calgary, Alberta	Chairman, Chief Executive Officer and Director	Chairman of the Corporation
Roger W. Hume ⁽³⁾ Calgary, Alberta	President, Chief Operating Officer and Director	President of the Corporation
John F. Costello, Q.C. ⁽¹⁾⁽⁴⁾ Calgary, Alberta	Director	Solicitor, Field Atkinson Perraton
S. Wilfred Hansen ⁽¹⁾⁽³⁾⁽⁵⁾ Calgary, Alberta	Director	President of Intrepid Investments Corp., a private investment company
Robin C. Mann ⁽²⁾⁽⁵⁾ Calgary, Alberta	Director	Partner, Ashton Jenkins Mann
Mark L. Shilling ⁽¹⁾ Calgary, Alberta	Director	Chartered Accountant and Financial Planner, Canadian Wealth Management Ltd.
Gregory G. Turnbull ⁽²⁾⁽⁴⁾ Calgary, Alberta	Secretary and Director	Solicitor, Gowling, Strathy & Henderson

Name and Municipality of Residence	Position Held	Principal Occupation
Glenn F. Mayville Calgary, Alberta	Vice President Finance and Chief Financial Officer	Vice President Finance of the Company
Paul A. Pypers Calgary, Alberta	Vice President Land	Vice President Land of the Company
Gary C. Warner Calgary, Alberta	Vice President Engineering and Operations	Vice President Engineering and Operations of the Company

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Environmental Committee.
- (4) Member of the Nominating and Corporate Governance Committee.
- (5) Member of the Reserves Evaluation Committee.

Richard J. S. Wigington

Mr. Wigington is a director, the Chairman of the Board and Chief Executive Officer of Seventh. He is a registered professional geologist in the Province of Alberta. From 1981 to 1986 he was Exploration Manager of Renaissance Energy Ltd., a public oil and gas company. In 1986, he was one of the principal founders of Pinnacle Resources Ltd., a public oil and gas company. Mr. Wigington was Chairman, President, and Chief Executive Officer of Pinnacle from 1986 to January, 1994, and was a director and Chairman until February, 1996. Mr. Wigington was also a director of Quadron Resources Ltd., a public oil and gas company, from its incorporation in March, 1990 until June, 1995. Since 1994, Mr. Wigington has been President of TKS Energy Ltd., a private investment company. He devotes substantially all of his time to the business of Seventh as Chief Executive Officer.

Roger W. Hume

Mr. Hume is a director, the President and Chief Operating Officer of Seventh. He graduated in 1974 from the University of London, England with a BSc. Honours Degree in Geology and entered the industry as a Wellsite Geologist with Geoservices S.A. of Paris, France. In 1978, he joined the Aquitaine Company of Canada Ltd. in Calgary as an Exploration Geologist. In 1980, he left Aquitaine to join T. Fekete & Associates Ltd. as a consultant geologist. In 1983, he started his own geological consulting company which, when he was joined by Mr. Mann in 1984, became Hume, Mann & Associates Ltd. In 1986, Mr. Hume jointly founded Moreland Oil & Gas Ltd., an Alberta Stock Exchange listed company, and was employed thereafter as a director and Vice President, Exploration. In 1990, Moreland was amalgamated with Sugar Creek Oil & Gas Inc. and Mr. Hume continued there as a director and as Vice President, Exploration until late in 1991 when he resigned to start Westward. He was the President, Chief Executive Officer and a director of Westward from January, 1992 until its amalgamation with Seventh.

John F. Costello, Q.C.

Mr. Costello, Q.C., a director of Seventh, has been a partner with Field Atkinson Perraton, an Alberta law firm, and predecessor partnerships for over five years. He was a director of Pinnacle Resources Ltd., a public oil and gas company, from 1991 until June, 1998, a director of Quadron Resources Ltd., a public oil and gas company, from June, 1993 until June, 1995 and a director of Quintex Energy Ltd., a public oil and gas company, from March, 1992 to June, 1993.

S. Wilfred Hansen

Mr. Hansen is a director of Seventh. He is a registered professional geologist in the Province of Alberta. From 1978 to 1987 he was a practising geologist and partner with the petroleum consulting firm Coles, Nikiforuk, Pennel & Associates. From 1987 to 1995 he was the Executive Vice President of Northridge Exploration Ltd. (NEL). He was one of the principal founders of NEL, a private oil and gas company which went public in 1994. Mr. Hansen has been President of Intrepid Investments Corp., a private company since 1988 and since 1995 has devoted substantially all of his time to it.

Robin C. Mann

Mr. Mann is a director of Seventh. He graduated in 1977 from Dalhousie University with a BSc. Honours Degree in Geology and joined Amoco Canada Petroleum Company Ltd. as an Exploration Petroleum Geologist. In 1979, he obtained his MSc. Degree in Geology from Carleton University and joined the Aquitaine Company of Canada Ltd. as an Exploration Geologist until 1981. Between 1981 and 1984, Mr. Mann was employed by T. Fekete & Associates Ltd. as a consultant geologist working throughout Western Canada. In 1984, Mr. Mann together with Mr. Hume, started the geological consulting firm of Hume, Mann & Associates Ltd. with Mr. Mann continuing as President until 1992. In 1986, he was a co-founder of Moreland Oil & Gas Ltd. for which he served as a director until its amalgamation with Sugar Creek Oil & Gas Inc. in 1990. From 1986 to 1991 Mr. Mann was a director and Vice-President, Geology of the AMH Group Ltd., an internationally active geological and engineering consulting company. He was the Vice President, Exploration of Westward from January, 1992 to December, 1996. In December, 1996, Mr. Mann assumed the positions of Executive Vice President and Chief Financial Officer of Westward in addition to his duties as Chief Operating Officer. In August 1997, he re-joined AMH Group Ltd. as a director and fifty percent partner in the firm. In May 1999, AMH Group Ltd. merged with Ashton Jenkins & Associates to form Ashton Jenkins Mann. Mr. Mann currently holds the position of Executive Vice President with Ashton Jenkins Mann and is responsible for all geological and international functions of the Company.

Mark L. Shilling

Mr. Shilling is a director of Seventh. He is a Chartered Accountant and Certified Financial Planner with Canadian Wealth Management Ltd., a fee based financial planning organization. He was a director of Westward from May, 1992 until its amalgamation with Seventh. Mr. Shilling was a founder and Chief Financial Officer of Globex Resources Ltd., a public oil and gas company until June 30, 1999. He was also a director of Pinnacle Resources Ltd., a public oil and gas company, was a founder and director of Scarlet Exploration Ltd., a public oil and gas company from September, 1993 until January, 1995, and a founder and director of Briggand Energy Ltd., a public oil and gas company from June 1996 until February 1997, which has subsequently changed its name to Canop Worldwide Corp. Mr. Shilling was President and a director of IncomeAlta Corp. from August, 1988 to July, 1995 and IncomeAlta II Corp. from July, 1989 to October, 1995.

Gregory G. Turnbull

Mr. Turnbull is a director of Seventh and has been a partner of Gowling, Strathy & Henderson and predecessor partnerships for over ten years. During this time Mr. Turnbull has been the corporate secretary or assistant corporate secretary of the following public companies: Baytex Energy Ltd., Barrington Petroleum Ltd., Hawk Oil Inc., Kensington Energy Ltd., Lexxor Energy Inc., Newquest Energy Inc., Mannville Oil & Gas Ltd., Petrostar Petroleums Inc., Pinnacle Resources Ltd., Quadron Resources Ltd., Quintex Energy Ltd., ResoQuest Resources Ltd., Tri-Ex Oil & Gas Ltd., Trigas Exploration Ltd., Twin Energy Ltd. and Westward Energy Ltd. From March, 1994 to December, 1997, Mr. Turnbull was a director of Tri-Ex Oil & Gas Ltd., a publicly traded oil and gas company which was listed on the TSE prior to its acquisition by Real Resources Inc. in December, 1997. Mr. Turnbull is a director of Spire Energy Ltd. and Storm Energy Inc., both publicly-traded Canadian oil and gas companies listed on the TSE, Heritage Oil Corporation, an international oil and gas company listed on the TSE, and Magrath Energy Corporation, a private energy company.

Glenn F. Mayville

Mr. Mayville is Vice President Finance and Chief Financial Officer of Seventh. He is a Chartered Accountant and has been a member of the Institute of Chartered Accountants of Alberta since 1988. From 1987 to 1998 he

was Vice President Finance and Administration of Pinnacle Resources Ltd. Prior to joining Pinnacle Resources Ltd., he was controller of Finex Oil & Gas Ltd. for one year and previous to that he was with the Chartered Accounting firm of Deloitte Haskins and Sells (a predecessor partnership of Deloitte & Touche LLP) for five years.

Paul A. Pypers

Mr. Pypers joined Seventh in January 1996 as the Vice President Land. He has 32 years of industry experience, of which 27 years has been in the land area of the oil and gas business. Prior to joining Seventh, Mr. Pypers was the Land Manager for Dynex Petroleum from 1981 to 1984, Senior Landman for Enron Oil & Gas from 1984 to 1986, Vice President Land and Contracts for Grad & Walker Resources Ltd. from 1986 to 1996 and Vice President Land and Contracts for Petrorep Resources Ltd. from 1996 to joining Seventh in 1997. Mr. Pypers is President of KelKari Resources Ltd., a private oil and gas company. He is also a member of the Canadian Association of Petroleum Landmen.

Gary C. Warner

Mr. Warner is Vice President Engineering and Operations for Seventh. He graduated in 1981 from the University of British Columbia with degrees in Chemistry and Chemical Engineering, and is a registered professional engineer in the Province of Alberta. Upon graduating, he joined Dome Petroleum Limited as Exploitation Engineer. In 1985, Mr. Warner joined Encor Inc., advancing through various engineering responsibilities to the Manager level. In 1994, Mr. Warner accepted the position of Manager, Engineering with Westward Energy Ltd. He was named Vice President Engineering and Operations in October 1996, and has remained in this capacity through the amalgamation with Seventh.

PERSONNEL

As at April 28, 2000, Seventh had nine employees at its head office in Calgary, Alberta.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of Seventh, no person beneficially owns, directly or indirectly, shares of Seventh carrying more than 10% of the voting rights attached to all shares of Seventh as at April 28, 1999.

As at April 28, 1999, the directors and officers of Seventh, as a group, beneficially owned, directly or indirectly, 3,115,663 Class A Shares and 79,320 Class B Shares constituting approximately 19% and 11% of the issued and outstanding Class A Shares and Class B Shares, respectively.

PRIOR SALES

On May 31, 1996, Seventh issued 1,500,000 Class A Shares to the directors of Seventh at a price of \$0.20 per share for proceeds to Seventh of \$300,000. Pursuant to this issuance, Mr. Wigington acquired 850,000 Class A Shares, and Messrs. Costello and Turnbull each acquired 25,000 Class A Shares. On October 24, 1996, Seventh issued 2,800,000 Class A Shares at a price of \$0.20 per share and 744,000 Class B Shares at a price of \$10.00 per share pursuant to its initial public offering for proceeds of \$8,000,000. On January 21, 1997, Seventh issued 300,000 Class A Shares at \$1.70 per share for proceeds of \$510,000. Pursuant to the amalgamation with Westward, Seventh issued 6,193,074 Class A Shares to holders of Class A Shares and Exchange Rights of Westward. The Corporation issued 125,000 Class A Shares on a "flow-through" basis for aggregate proceeds of \$25,000 (\$0.20 per share) as of December 16, 1998. The Corporation issued 279,000 Class A Shares on a "flow-through" basis for aggregate proceeds of \$50,220 (\$0.18 per share) as of April 26, 1999 and issued 790,000 Class A Shares on a "flow-through" basis for aggregate proceeds of \$197,500 (\$0.25 per share) as of July 6, 1999. The Corporation also issued 445,000 Class A Shares on a "flow-through" basis for aggregate proceeds of \$200,250 (\$0.45 per share) as of December 3, 1999 and issued 3,912,500 Class A Shares on a "flow-through" basis for aggregate proceeds of \$1,565,000 (\$0.40 per share) as of December 30, 1999.

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive regulation governing its operations including land tenure, exploration, development, production, refining, transportation and marketing imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the governments of Canada, Alberta, Saskatchewan and British Columbia, all of which should be carefully considered by investors in the oil and gas industry. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing - Oil and Natural Gas

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Such price depends in part on oil quality, prices of competing oils, distance to market and the value of refined products. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the National Energy Board ("NEB"). Any oil export to be made pursuant to a contract of longer duration requires an export licence from the NEB.

The price of natural gas is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and Government of Canada. Exporters are free to negotiate prices with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada.

The governments of British Columbia, Alberta and Saskatchewan also regulate the volume of natural gas which may be removed from those provinces for consumption elsewhere, and Alberta continues to restrict sales of Alberta natural gas to certain core markets in eastern Canada.

The lack of firm pipeline capacity continues to limit the ability to produce and market natural gas production although pipeline expansions are ongoing. In addition, the prorationing of capacity on the interprovincial pipeline systems continues to limit oil exports.

The North American Free Trade Agreement

The North American Free Trade Agreement ("NAFTA") among the governments of Canada, United States of America and Mexico became effective on January 1, 1994. NAFTA carries forward most of the material energy terms that are contained in the Canada - U.S. Free Trade Agreement. Canada continues to remain free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions do not (i) reduce the proportion of energy resources exported relative to domestic use, (ii) impose an export price higher than the domestic price, or (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum export or import price requirements.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. The agreement also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements, which is important for Canadian natural gas exports.

Provincial Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of crude oil, natural gas liquids, sulphur and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee although production from such lands is subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation

and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on well productivity, geographical location and field discovery date.

From time to time the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty reductions and royalty holidays, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry. The trend in recent years has been for provincial governments to allow such programs to expire without renewal, and consequently few such programs are currently operative.

In the Province of Alberta, a producer of oil or natural gas is entitled to a credit against the royalties payable to the Crown by virtue of the ARTC program. The ARTC rate is based on a price sensitive formula and varies between 75% at prices at and below \$100 per m³ and 25% at prices at and above \$210 per m³. The ARTC rate will be applied to a maximum of \$2,000,000 of Alberta Crown royalties payable for each producer or associated group of producers. Crown royalties on production from producing properties acquired from a corporation claiming maximum entitlement to ARTC will generally not be eligible for ARTC. The rate will be established quarterly based on the average "par price", as determined by the Alberta Department of Energy for the previous quarterly period.

Crude oil and natural gas royalty holidays for specific wells and royalty reduction reduce the amount of Crown royalties paid by the Corporation to the provincial governments. In general, the ARTC provides a rebate on Alberta Crown royalties paid.

Land Tenure

Crude oil and natural gas located in the western provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits for varying terms from two years and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

The oil and gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties.

Environmental legislation in the Province of Alberta has been consolidated into the *Environmental Protection and Enhancement Act* (the "EPEA"), which came into force on September 1, 1993. The EPEA imposes stricter environmental standards, requires more stringent compliance, reporting and monitoring obligations and significantly increases penalties. The Company is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and expense nature as a result of the increasingly stringent laws relating to the protection of the environment and will be taking such steps as required to ensure compliance with the EPEA and similar legislation in other jurisdictions in which it operates. The Company believes that it is in material compliance with applicable environmental laws and regulations. The Company also believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

RISK FACTORS

An investment in Seventh should be considered speculative due to the nature of the Company's involvement in the exploration for, and the acquisition, development, production and marketing of, oil and natural gas and its current stage of development. Oil and gas operations involve many risks which even a combination of experience and knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Company.

The petroleum industry is competitive in all its phases. Seventh competes with numerous other participants in the search for the acquisition of oil and natural gas properties and in the marketing of oil and natural gas. Seventh's competitors include oil companies which have greater financial resources, staff and facilities than those of Seventh. The Company's ability to increase reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

The marketability of oil and natural gas acquired or discovered will be affected by numerous factors beyond the control of Seventh. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulation. Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government which may be amended from time to time. See "Industry Conditions". Seventh's oil and natural gas operations may also be subject to compliance with federal, provincial and local laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment. Although the Company believes that it is in material compliance with current applicable environmental regulations, changes to such regulations may have a material adverse effect on the Company. See "Industry Conditions - Environmental Regulation".

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of Seventh's net production revenue and overall value and could result in ceiling test writedowns. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of Seventh's reserves. Seventh might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Seventh's net production revenue causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Company are in part determined by the borrowing base of the Company. A sustained material decline in prices from historical average prices could further reduce the Company's borrowing base, therefore reducing the bank credit available to the Company and possibly require that a portion of the Company's bank debt be repaid.

The Company uses the full cost method of accounting for oil and natural gas properties. Under this accounting method, capitalized costs are reviewed for impairment to ensure that the carrying amount of these costs is recoverable based on expected future cash flows. To the extent that such capitalized costs (net of accumulated depreciation and depletion) less deferred taxes exceed the present value of estimated future net cash flows from the Company's proved oil and natural gas reserves, those excess costs would be required to be charged to operations.

From time to time the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such increases.

From time to time the Company may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Company will not benefit from the fluctuating exchange rate.

Oil and natural gas exploration operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury.

In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although Seventh maintains liability insurance in an amount which it considers adequate and consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event Seventh could incur significant costs that could have a materially adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. To the extent Seventh is not the operator of its oil and gas properties, Seventh will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of Seventh which could result in a reduction of the revenue received by Seventh.

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived therefrom, including many factors that are beyond the control of the Company. The reserve and cash flow information set forth in this Annual Information Form represent estimates only. The reserves and estimated future net cash flow from the Company's properties have been independently evaluated effective January 1, 2000 by Sproule. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of the Company. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material. The foregoing evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations.

From time to time the Company may enter into transactions to acquire assets or the shares of other Companies. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Depending on future exploration and development plans, the Company may require additional financing which may not be available or, if available, may not be available on favourable terms.

Certain directors of Seventh are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the ABCA.

Seventh's success depends in large measure on certain key personnel including Richard J. S. Wigington, Roger W. Hume, Glenn F. Mayville, Paul A. Pypers and Gary C. Warner. The loss of the services of such key personnel could have a material adverse effect on Seventh. Seventh does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of the Company is likely to be of central importance. In

addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Seventh will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of securities of Seventh, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the information circular of Seventh for its most recent annual meeting of shareholders which involves the election of directors. Additional financial information is provided in Seventh's comparative financial statements for its most recent completed financial year, and a copy of these documents may be obtained upon request by calling Seventh at (403) 543 - 6700 or in writing delivered to 500, 521 - 3rd Avenue, S.W., Calgary, Alberta, T2P 3T3.