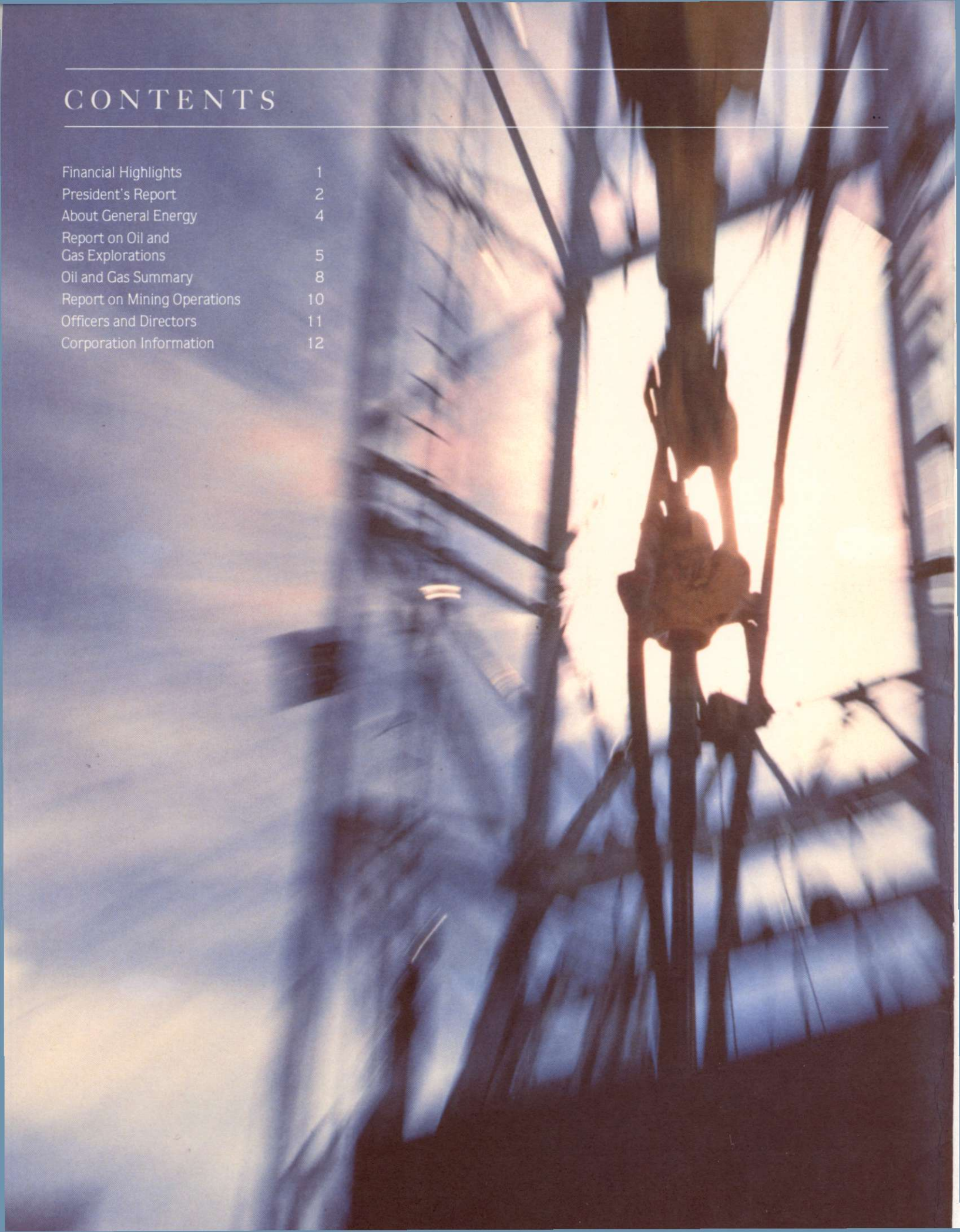
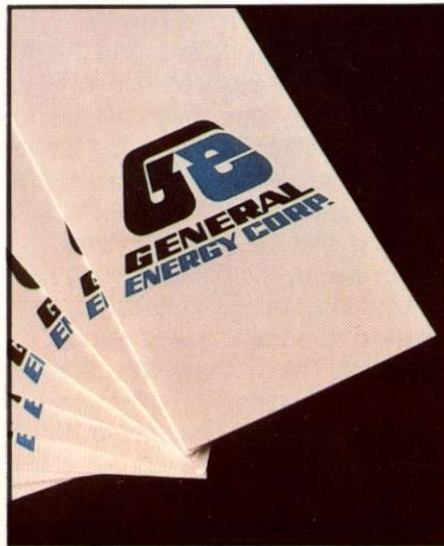

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FINANCIAL HIGHLIGHTS

- In 1980 General Energy's working capital exceeded 1.8 million dollars, compared with \$7,200 in 1979.
- Net earnings were \$191,390, or 10 cents per share, compared with a loss in 1979 of \$23,340, or two cents per share.
- A successful rights offering increased the company's cash position by \$3.3 million.
- A tax loss of \$1.6 million is available to shelter future earnings from taxes.
- The company is debt-free.
- 1980 share trading ranged up to \$15.00. A record volume of 3.3 million shares traded for a total value of \$16.6 million. 1.8 million outstanding shares are held by approximately 2400 shareholders.
- A 98 percent success ratio was achieved on the fifty wells drilled by Dec. 31, 1980.



Front cover: General Energy expects to have 100 wells on production by the first quarter 1981, with earnings of \$100,000 per month.

PRESIDENT'S REPORT TO SHAREHOLDERS



1980 was an exciting year for General Energy and one of record growth. It is gratifying to be able to report that our move into oil and gas exploration has proven to be a sound decision for the company.

Recent activities have concentrated in the United States, where we are committed to drilling more than 100 oil and gas wells. Our success ratio on the fifty completed wells to December 31, 1980 was 98 percent, with General Energy's participation ranging from one percent to 75 percent. Net earnings for the year were \$191,390.

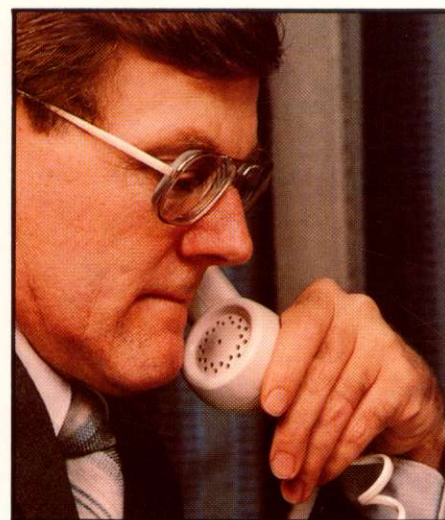
Your company's objectives for 1981 will focus on participation in low-risk oil and gas wells, with occasional higher-risk, higher-return ventures. We will continue to seek opportunities which are essentially self-financing to maintain General Energy's debt-free status.

On the financial side, 1980 saw some major developments for the company. In September, General Energy undertook a unique financing through the Vancouver Stock Exchange, which increased the company's cash position by \$3.3 million. The financing, in the form of an "A" and "B" Series rights offering, gave maximum benefit to existing shareholders. The funds generated by the rights offering provided working capital for further drilling on present oil and gas holdings. The funds will also be used to acquire and develop additional oil and gas prospects throughout North America.

General Energy's legal counsel has prepared a 1980/81 Oil and Gas Tax Shelter for submission to British Columbia authorities. The Shelter Plan is intended to raise \$2.5 million in \$5,000 units.

1980 was a buoyant year on Canadian stock markets. The trading range for the company's securities on the Vancouver Stock Exchange was up to \$15.00. The number of shareholders increased to approximately 2400, and 3.3 million shares traded for a total value of \$16.6 million.

I would like to thank our loyal employees, without whose support our remarkable growth would not have been possible. I am also delighted to welcome a new member to the Board of Directors.



In September I had the pleasure to announce that Robert Warner had joined the company as Chairman of the Board. Mr. Warner is a business executive from Toronto, whose many years of administrative experience will add a new dimension to General Energy's management team.



In conclusion, I would like to comment on the prospects for General Energy in 1981. We are actively engaged in broadening our base in oil and gas exploration throughout North America. By the first quarter of 1981, we expect to have 100 wells on stream and anticipate net earnings of \$100,000 per month.

1981 will also see the commencement of full production at the company's silver property in Atlin, British Columbia. This property is under option to Trident Resources Ltd. Under the terms of the agreement

with Trident, we anticipate annual revenues of approximately \$87,000 for a period of 18-20 years.

Cash flow from existing oil and gas wells and from the Atlin silver property, plus the anticipated revenue from the wells planned in 1981, will allow General Energy to embark on even more ambitious programs during the eighties.

I hope to announce shortly that General Energy's shares have been accepted for trading on the Toronto Stock Exchange and on NASDAQ in the United States.

On behalf of the Board of Directors, I would like to thank you for your loyalty and support over the past year.

Respectfully submitted,

Robert Hughes,
President
General Energy Corp.
December 31, 1980.

ABOUT GENERAL ENERGY

The company was incorporated in British Columbia, Canada, in 1966, under the name of Interprovincial Metals Ltd. (NPL). In 1978, the name was changed to General Energy Corp. to reflect the company's expanded interests in the pursuit of energy resources throughout North America.

Corporate objectives include the following:

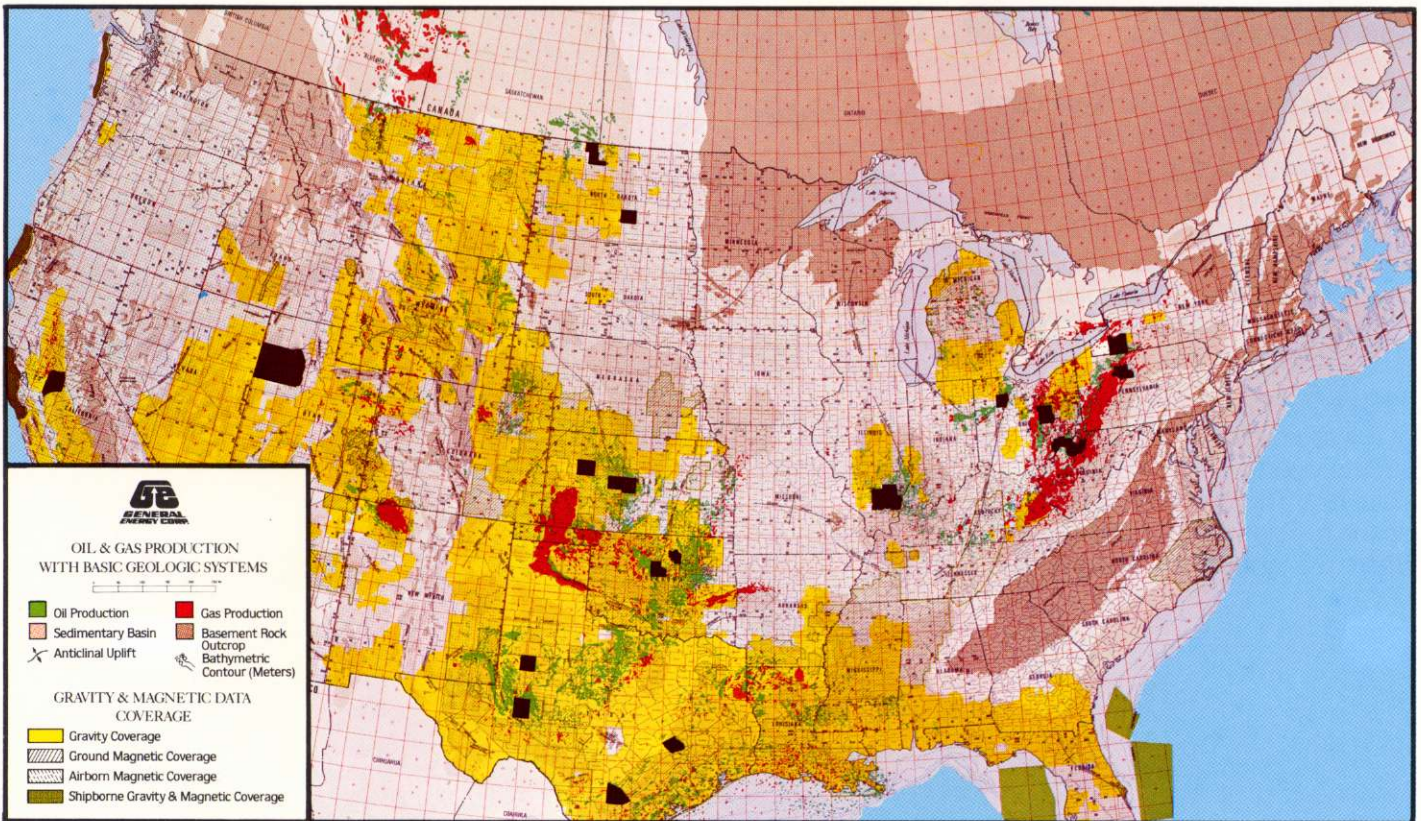
- to maximize cash flow by concentrating on low-risk, shallow oil and gas fields, with participation in occasional higher risk, higher-return ventures;
- to reduce risk by concentrating on projects which are essentially self-financing;
- to remain debt-free.

In 1979 General Energy participated in the drilling of two oil wells and one gas well in Ohio. The company also purchased a five percent net working interest in the "Pintail Prospect", approximately 45,000 acres in the Williston Basin in North Dakota — an area cited as an unusually attractive wildcat prospect.

The company agreed to participate in more than 100 wells in 1980. The wells are located in Ohio, New York State, Pennsylvania, West Virginia, Illinois, North Dakota, Kansas, Oklahoma, Texas, Utah and California. A 98 percent success ratio was achieved on the fifty wells drilled by December 31, 1980; on these, the company's participation ranged from one percent to 75 percent.

By the first quarter in 1981, the company expects to have over 100 wells on stream and anticipates revenue of \$100,000 per month.

In addition to its oil and gas activities, General Energy has retained an interest in two silver properties in British Columbia: the Atlin Ruffner Mine at Atlin and the Jim and Dan Claim Group in the Slocan Valley. Trident Resources Ltd., the operator of the Atlin silver property, is expecting to commence full production early this year, to generate an anticipated \$87,000 in annual revenues for General Energy.



REPORT ON OIL AND GAS OPERATIONS

OHIO



Grandview #5 program. This four-well program was acquired in 1979. C. Dunn #1, Miller #1C and Marshall #2 were all producing in 1980. Forest Miller #1 has been completed and will be on line in the first quarter of 1981.

Grandview #6. A successful two-well program. Romick #3 is producing and Romick #4 will be on stream in 1981.

Grandview #7. Kubacki #1 is now producing. Stottlemire #1 went on stream in January 1981.

Grandview #8. Corbett #3 and Mahnken #2 are now producing while Mahnken #3 is being drilled.

Grandview #8A Prospect. Early completion problems are being resolved on Corbett #2 and production in excess of 100 barrels of oil per day is expected in the first quarter of 1981.

Grandview #12. Racer #2 was successfully drilled and on stream in January 1981. Racer #1 is drilling.

Grandview #13 Program. Dana #1 was successfully completed and placed on production in February 1981.

The H Early #1. Acquired in 1979, this well has been on stream intermittently during 1980. Production in the first quarter is expected to increase due to the installation of pumping equipment in January 1981.

The Webb Lease. Two separate programs, one a five well re-work program in which five wells are to be re-stimulated. To date, the Hackathorne #4, Heddleston #1 and Curtis #1 have been successfully re-worked while the other two are expected to be overhauled and placed on stream early in 1981.

The Webb Lease. A five well drilling program. Three shallow wells, known as Worstall #3 and #4, and Ward Cooper #1 have been completed and are on stream. The other wells are expected early '81.

The Northeast Bufton Project. The company holds a 75 percent interest, reducing to 50 percent after pay-out. This is a re-work program and one well, Reigle #1, was placed on stream in December 1980.

Bowling Green Prospect. A one well re-work program in Hancock County. The well, Hamilton #1 has been successfully re-worked although production has not commenced. General Energy has a 75 percent interest reverting to 50 percent after pay-out.

Gnome Three Well Program. General Energy has an interest in 1,129 acres upon which a commitment has been made to drill three wells. The first well, Hoffman #1, was drilled and successfully completed in January 1981. The second and third wells will be drilled in the first quarter of 1981.

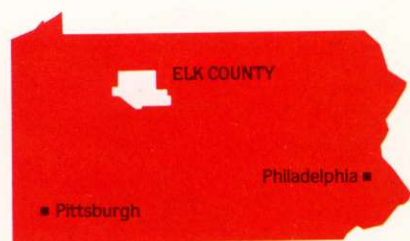
The Bar'None Prospect. A seven well program. Drilling is underway on the James Carpenter Lease.

NEW YORK



Beaver Chipmunk Oil and Gas Pool. Six wells have been successfully drilled on this prospect. Ahrens #1, Torrey #1 and Torrey #3 are completed and on stream. Camery #1 and Torrey #5 will be on stream in the first quarter 1981, while the remaining well, the Oriskany Gas is awaiting additional equipment.

PENNSYLVANIA

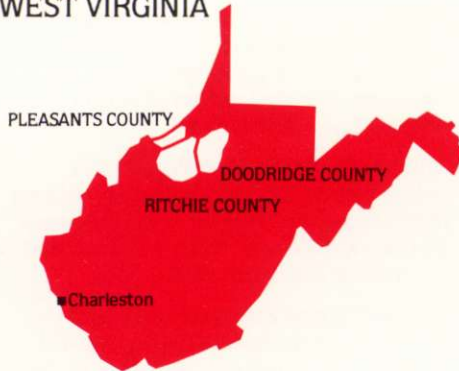


Rasselas Prospect. This project consists of two existing wells and two new wells. Haight #2 has been restimulated and is producing; Haight #3 requires re-working and the two new wells, to be known as the Cooper Oil Wells, will be drilled in the first quarter of 1981.



Fracing the Kubacki #1 well in Grandview Township, Ohio.

WEST VIRGINIA

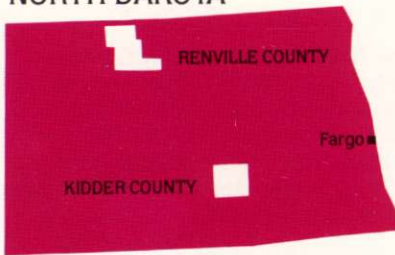


Axaton Six Well Program. The Thomas L. Hammett #1156 and Elliott #1191 have been successfully drilled and will be on stream in the first quarter 1981. Prospect #3 is being drilled and Prospect #4, #5 and #6 will be drilled in the first quarter 1981.

Axaton Eight Well Program. An eight well program in Ritchie and Pleasants Counties, West Virginia. Two wells, Donna June Martin #1063 and Howard N. Smith #1113 have been successfully drilled and are on stream. A third well is being drilled, while the remaining five wells await drilling.

The Fossil Fuel Prospect. Originally three wells, the program was increased to four because of the success of the first well. Knight #1 has been placed on production. Knight #2 has been successfully drilled and will be on stream during the first quarter 1981. The third well is being drilled.

NORTH DAKOTA



The Pintail Prospect. The company holds a five percent interest in approximately 45,000 acres of leasehold properties. Sufficient work was done in 1980 to maintain the leases in good standing. It is expected that the partners in the program will commit to drill five or more wells in 1981.

Sandberg #1. Sandberg #1, part of the Abraxas Destiny Program, was successfully completed and is now producing.

KANSAS



O'Toole Prospect. The company holds a seven percent working interest in 1,360 acres in Grove County. Drilling commenced on the first well in January 1981.

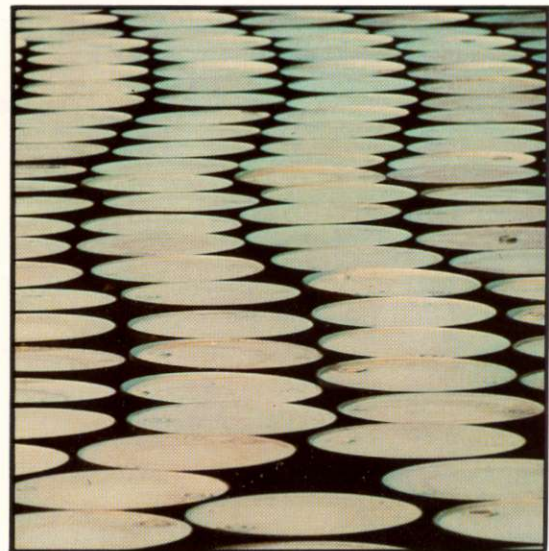
Fansler Project. Fansler #1 has been successfully drilled and will be placed on stream in March 1981.

Behrens Prospect. Behrens #1 was successfully completed in January and is expected to be in production by March of 1981.

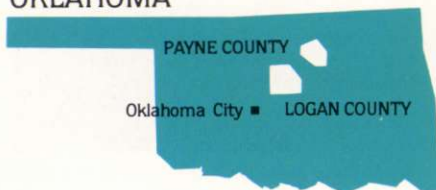
ILLINOIS



Brehm Oil Program. A ten well program in Jefferson County, Illinois. The Clara Harrison #1 well was drilled in 1980 but has not been completed. Three wells, Gerald York #1, Schumaker "A" #1 and Anderson #1 have commenced drilling and it is expected that results will be available within the first quarter 1981.



OKLAHOMA



KLM North Ingals Prospect. The Thurman #1 well has been drilled in this prospect in Payne County. Results are expected within the first quarter of 1981.

Tennena #1. Tennena #1, located in Logan County is part of the Abraxas Destiny Program and is yet to be drilled.

TEXAS



KLM Lacy Prospect #3. Lacy #3 has been drilled in Reagan County. Results are expected in the first quarter of 1981.

The Davis Crude, South Stillman Prospect. The company owns a 10 percent interest in this prospect with Piper Petroleum Ltd. of Vancouver. Drilling is expected to commence in 1981.

The Hardman Prospect. S.C. Stillwagon #1 was drilled in 1980 and considered successful. Subsequent testing has indicated that the well will be a significant gas producer. The well will be placed on stream as soon as a pipeline can be constructed approximately half a mile to the nearest pipeline.

Vandever #1 & Jones #1. Both wells are part of the Abraxas Destiny Program and are located in Dawson County. Vandever #1 is currently drilling while Jones #1 has yet to be drilled.

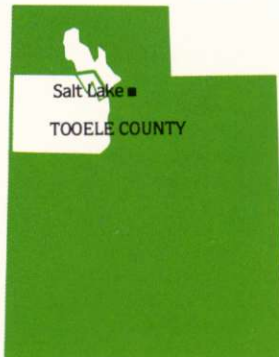
Atascosa County. The company holds an interest in approximately 5,000-plus acres on the Austin Chalk trend. Land acquisition is still underway.

CALIFORNIA



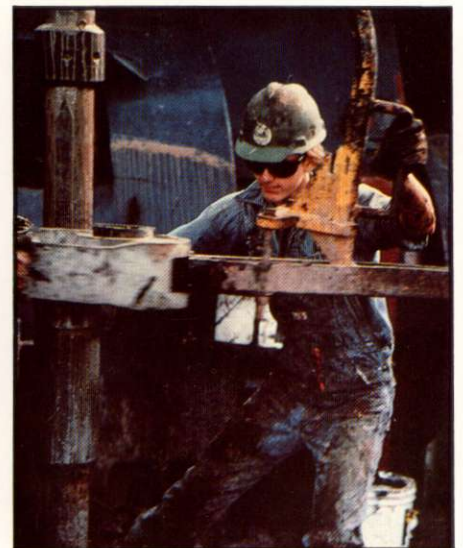
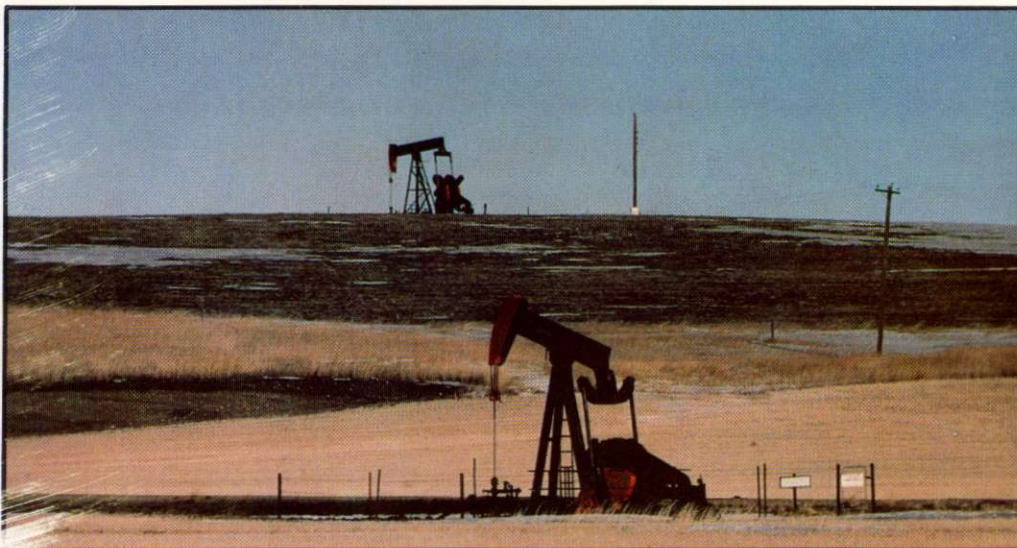
Phoenix Prospect. A one percent interest is held by the company in approximately 5,000 acres. Drilling is expected on the property in the first half of 1981.

UTAH



Salt Lake Prospect. The company holds a 25 percent interest in 21,800 acres in Tooele County, Utah. Significant oil and gas discoveries have been made in this area over the past 18 months, and the company expects to participate in drilling this acreage in 1981.

Abraxas Destiny Program. This is a five well program — in four states: Casey #1 in Rooks County, Kansas, was drilled and abandoned; Sandberg #1, in Renville City, North Dakota was successfully completed and is now producing; Vandever #1 located in Dawson County, Texas is currently drilling while Jones #1, Dawson County, Texas, and Tennena #1 in Logan County, Oklahoma, have yet to be drilled.



OIL AND GAS SUMMARY

WELLS

Property	Working Interest	Net Revenue Interest	Royalty Burdens	Net Indicated Reserves
OHIO				
C. Dunn #1 Washington County	17.0 %	14.88 %	12.5 %	Oil 22,427 bbls/Gas 28,420 Mcf
Miller #1C Washington County	17.0 %	14.88 %	12.5 %	Oil 22,427 bbls/Gas 28,420 Mcf
Marshall #2 Washington County	17.0 %	14.88 %	12.5 %	Oil 22,427 bbls/Gas 28,420 Mcf
Forest Miller #1 Washington County	17.0 %	14.88 %	12.5 %	Oil 22,427 bbls/Gas 28,420 Mcf
Romick #3 Washington County	3.0 %	2.64 %	12.5 %	Oil 3,800 bbls/Gas 5,040 Mcf
Romick #4 Washington County	3.0 %	2.64 %	12.5 %	Oil 3,800 bbls/Gas 5,040 Mcf
Kubacki #1 Washington County	3.0 %	2.64 %	12.5 %	Oil 3,800 bbls/Gas 5,050 Mcf
H. Early #1 Washington County	8.5 %	7.45 %	12.5 %	Oil 11,210 bbls/Gas 14,210 Mcf
Hackathorne #4 Independence County	7.5 %	6.5625 %	12.5 %	Not yet available
Worstal #3 Independence County	11.68%	10.225 %	12.5 %	Not yet available
Worstal #4 Independence County	11.68%	10.225 %	12.5 %	Not yet available
Ward Cooper #1 Independence County	11.68%	10.225 %	12.5 %	Not yet available
Hamilton #1 Hancock County	50.0 %	40.0 %	20.0 %	Not yet available
Racer #2 Independence County	12.0 %	10.5 %	12.5 %	Oil 6,825 bbls/Gas 10,500 Mcf
Heddleston #1 Independence County	7.5 %	6.5625 %	12.5 %	Not yet available
Corbett #2 Washington County	10.0 %	8.48 %	15.23%	Oil 15,090 bbls/Gas 12,720 Mcf
Reigle #1 Hancock County	50.0 %	40.0 %	20.0 %	Not yet available
Corbett #3 Washington County	1.5 %	1.3125 %	12.5 %	Not yet available
Racer #1 Independence County	12.0 %	10.5 %	12.5 %	Drilling
Stottlemire #1 Independence County	3.0 %	2.625 %	12.5 %	Not yet available
Pryor #1 Independence County	1.5 %	1.3125 %	12.5 %	Drilling
Mahnkan #2 Independence County	1.5 %	1.3125 %	12.5 %	Not yet available
James Carpenter #1 Holmes County	25.0 %	20.625 %	17.5 %	Drilling
Marshall #1 Hancock County	50.0 %	40.0 %	20.0 %	Drilling
Dana #1 Washington County	12.0 %	10.5 %	12.5 %	Not yet available
Hoffman #1 Trumbull County	10.0 %	8.125 %	18.75%	Not yet available
Curtis #1 Washington County	7.5 %	6.5625 %	12.5 %	Not yet available
WEST VIRGINIA				
Hemmett #H-1156 Pleasants County	6.25%	4.50 %	28.0 %	Not yet available
Elliott #H-1191 Pleasants County	6.25%	4.30 %	31.12%	Not yet available
Shield #H-1137 Pleasants County	6.25%	4.50 %	28.0 %	Not yet available
Martin #H-1063 Pleasants County	6.25%	4.6875 %	25.0 %	Not yet available
Martin #H-1062 Pleasants County	6.25%	4.6875 %	25.0 %	Not yet available
Smith #H-1113 Pleasants County	6.25%	4.6875 %	25.0 %	Not yet available
Cummings #H-896 Ritchie County	6.25%	4.6875 %	25.0 %	Not yet available
Kariton Smith #H-1022 Pleasants County	6.25%	4.6875 %	25.0 %	Not yet available
Karl C. Knight #H-1032 Ritchie County	25.0 %	19.75 %	21.0 %	Not yet available
Cunningham #H-1141 Pleasants County	25.0 %	18.25 %	27.0 %	Not yet available
Hooker Wilson #1 Pleasants County	25.0 %	19.75 %	21.0 %	Not yet available
ILLINOIS				
Schumaker "A" #1 White County	12.5 %	10.1563 %	18.75%	Drilling
Anderson #1 Hamilton County	12.5 %	10.1563 %	18.75%	Drilling
Gerald York #1 White County	12.5 %	10.1563 %	18.75%	Drilling
Clara Harrison Jefferson County	12.5 %	10.1563 %	18.75%	Drilled
NORTH DAKOTA				
Sandberg #1 Renville County	6.25%	5.47 %	12.5 %	Not yet available
KANSAS				
Behrens #1 Barton County	12.5 %	10.2639 %	18.0 %	Not yet available
O'Toole #1 Grove County	7.0 %	5.7421875%	18.75%	Not yet available
Fansler #1 Rice County	12.5 %	9.9976 %	18.75%	Not yet available
OKLAHOMA				
Thurman #1 Payne County	11.25 %	7.875 %	30.0 %	Not yet available

NEW YORK

Camery #1 Cattarugus County	25.0 %	20.3125 %	18.75 %	Not yet available
Ahrens #1 Cattarugus County	25.0 %	20.3125 %	18.75 %	Not yet available
Torrey #1 Cattarugus County	25.0 %	20.3125 %	18.75 %	Not yet available
Torrey #5 Cattarugus County	25.0 %	20.3125 %	18.75 %	Not yet available
Torrey #3 Cattarugus County	25.0 %	20.3125 %	18.75 %	Not yet available
Torrey Oriskany Cattarugus County	25.0 %	20.3125 %	18.75 %	Not yet available

PENNSYLVANIA

Haight #2 Elk County	12.5 %	10.15625%	18.75 %	Not yet available
Haight #3 Elk County	12.5 %	10.15625%	18.75 %	Not yet available

TEXAS

Lacy #3 Reagan County	4.025%	2.8 %	30.0 %	Not yet available
S.C. Stillwagon #1 Burleson County	6.25 %	4.6875 %	25.0 %	Not yet available

LEASES**OHIO**

Gnome #2 Medina County	10.0 %	8.125 %	18.75 %	Not yet proven
Gnome #3 Medina County	10.0 %	8.125 %	18.75 %	Not yet proven
Webb Potential 2 Rework Wells Independence County	7.5 %	6.5625 %	12.5 %	Not yet proven
Webb Potential 2 wells Independence County	11.68 %	10.225 %	12.5 %	Not yet proven
Mahnkan #3 Independence County	1.5 %	1.3125 %	12.5 %	Drilling
Bar None #2 M. Uhl Holmes County	25.0 %	20.625 %	17.5 %	Not yet proven
C. Maynard Holmes County	25.0 %	21.875 %	12.5 %	Not yet proven
Briar Hill #1 Holmes County	25.0 %	21.09375%	15.625%	Not yet proven
John B. Yoder Holmes County	25.0 %	20.625 %	17.5 %	Not yet proven
W. Hennis Holmes County	25.0 %	21.09375%	15.625%	Not yet proven
Parobek Holmes County	25.0 %	21.875 %	12.5 %	Not yet proven

WEST VIRGINIA

Prospect #3 Wood County	6.25 %	4.30 %	31.12 %	Not yet proven
Prospect #4 Wood County	6.25 %	4.30 %	31.12 %	Not yet proven
Prospect #5 Pleasants County	6.25 %	4.50 %	28.0 %	Not yet proven
Allan Lease #1 Pleasants County	6.25 %	4.6875 %	25.0 %	Not yet proven
Allan Lease #2 Pleasants County	6.25 %	4.6875 %	25.0 %	Not yet proven
Nellie Smith Lease Pleasants County	6.25 %	4.6875 %	25.0 %	Not yet proven
Yoho Lease Doddridge County	25.0 %	19.0 %	24.0 %	Not yet proven
Karl C. Knight #2 Ritchie County	25.0 %	19.75 %	21.0 %	Not yet proven

NORTH DAKOTA

Pintail (45,000 acres) Kidder County	5.0 %	4.0 %	20.0 %	Not yet proven
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KANSAS

Casey #1 Dry Rooks County	6.25 %	5.47 %	12.5 %	1st hole dry room for one more
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ILLINOIS

4 Mile #1 Wayne County	12.5 %	10.1563 %	18.75 %	Not yet proven
Thackery East #1 Hamilton County	12.5 %	10.1563 %	18.75 %	Not yet proven
Little Zion N.E. #1 White County	12.5 %	10.1563 %	18.75 %	Not yet proven
Dahlgren North #1 Hamilton County	12.5 %	10.1563 %	18.75 %	Not yet proven

PENNSYLVANIA

Rasselas Cooper #1 Elk County	12.5 %	10.15625%	18.75 %	Not yet proven
Rasselas Cooper #2 Elk County	12.5 %	10.15625%	18.75 %	Not yet proven

TEXAS

Vandivere #1 Dawson County	6.25 %	5.47 %	12.5 %	Not yet proven
Jones #1 Field Dawson County	6.25 %	5.47 %	12.5 %	Not yet proven
Atascosa County (5,000 acres) Additional acreage acquisition underway	6.25 %	4.6875 %	25.0 %	Not yet proven
South Stillman Prospect Kenedy-Hidalgo Counties	10.0 %	6.56 %	35.0 %	Not yet proven

OKLAHOMA

Tennena #1 Liberty Lake Prospect Logan County	6.25 %	5.47 %	12.5 %	Not yet proven
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UTAH

Salt Lake Prospect (21,801 acres) Tooele County	25.0 %	21.875 %	12.5 %	Not yet proven
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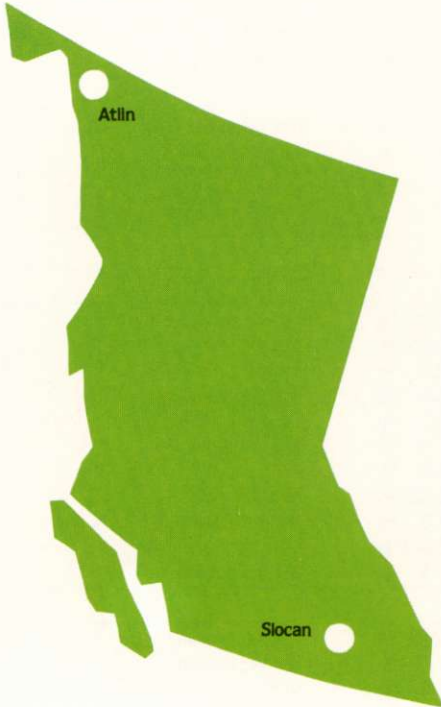
CALIFORNIA

Phoenix Prospect (5,000 acres) San Joachin County	1.0 %	0.75 %	18.5 %	Not yet proven
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(As of January 31, 1981)

REPORT ON MINERAL OPERATIONS

BRITISH COLUMBIA



ATLIN MINING DIVISION OF BRITISH COLUMBIA

General Energy holds a 2-1/2 percent gross revenue interest in the Atlin Ruffner Mine which is under option to Trident Resources Ltd. of Vancouver. Proven reserves at the mine are in excess of 63,000 tons, grading 20 ounces of silver per ton. Trident Resources spent approximately \$1 million on the property in 1980, to equip it for production. Limited production was carried out in 1980 and one small shipment was made to the Cominco smelter at Trail, B.C. Full production is expected to commence in 1981.

In an amended agreement, General Energy is to receive 275,000 shares of Trident Resources, minimum annual payments of \$12,000 plus a royalty of 2-1/2 percent of gross smelter returns on production from the mine. The royalty of 2-1/2 percent is estimated to represent approximately \$75,000 in annual payments to the company over a period of 18-20 years. General Energy still holds 100,000 shares of Trident valued at approximately \$300,000.

SLOCAN MINING DIVISION OF BRITISH COLUMBIA

In 1977/78 General Energy acquired 100 percent interest in property in B.C.'s Slocan Valley known as the Jim and Dan Claim Group. A program consisting of road building, drilling and soil sampling was conducted in 1979. The following year Asarco Exploration (Canada) Ltd. conducted an extensive exploration program. Asarco concluded that the results of the program, combined with the declining price of silver, did not warrant further exploration and the property has been returned 100 percent to General Energy.



Atlin Lake — site of the Atlin Ruffner silver mine.

OFFICERS AND DIRECTORS



ROBERT WARNER

Robert Warner

Chairman of the Board

A resident of Toronto, Warner is president of his own company, Paymaster Cheque-Writers (Canada) Ltd., which has 14 offices across Canada and more than 300 employees. A former U.S. Marine, he has extensive real estate holdings in Canada and the United States.

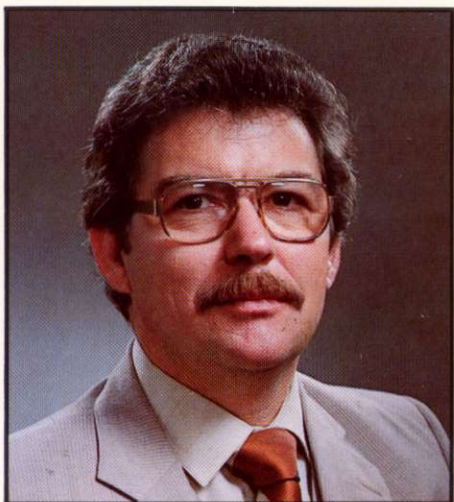
Robert Hughes

President and Chief Executive Officer

Hughes, a Vancouver-area resident, has been associated with the company since its inception and is actively engaged with several other corporations, both public and private. Hughes has a strong background in the oil and gas industry, as well as many years of administrative and accounting experience.



ROBERT HUGHES



PATRICK WOOD

Patrick Wood

Vice President and Director

An experienced business executive, Wood is president of P & S Distributors Inc., and vice president of Paymaster Cheque-Writers (Canada) Ltd. Wood has successfully managed companies in both Vancouver and Calgary.

Donald Kirby Johnston

Vice President and Director

An investment specialist, Johnston has played a key role in the company's success to date and will continue to serve as a specialist in shareholder communications.



DONALD KIRBY JOHNSTON



JAMES C. SNELL

James C. Snell

BSc. P.Eng. Geologist, Director

Snell has been with the company since 1966. From the beginning, he has participated in corporate development and continues to play a strong role in mineral exploration.



Wood, Hughes and company petroleum consultant Michael Taylor confer over oil lease maps.

CORPORATION INFORMATION

BOARD OF DIRECTORS

M. Robert Warner
Chairman of the Board and Director

Robert Hughes
President and Director

Donald Kirby Johnston
Vice-President and Director

James C. Snell, BSc. P.Eng.
Director

Patrick Wood
Vice President and Director

HEAD OFFICE

1000 - 789 W. Pender Street
Vancouver, B.C. V6C 1H2
(604) 689-7637

REGISTERED OFFICE

1830 - 700 W. Georgia Street
Vancouver, B.C. V7X 1C3

SHARES LISTED

Vancouver Stock Exchange
Vancouver, B.C. Canada
Symbol, GEC

SHARE TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company of Canada
800 W. Pender Street
Vancouver, B.C. V6C 2V7

Guaranty Trust Company of Canada
366 Bay Street
Toronto, Ontario. M5H 2W5

LEGAL COUNSEL

Sobolewski, Anfield & Co.
1830 - 700 W. Georgia Street
Vancouver, B.C. V7Y 1C3

AUDITORS

MacGillivray & Co.
900 - 750 W. Pender Street
Vancouver, B.C. V6C 2T8

BANKERS

The Toronto-Dominion Bank
560 W. Hastings Street
Vancouver, B.C. V6B 1L6

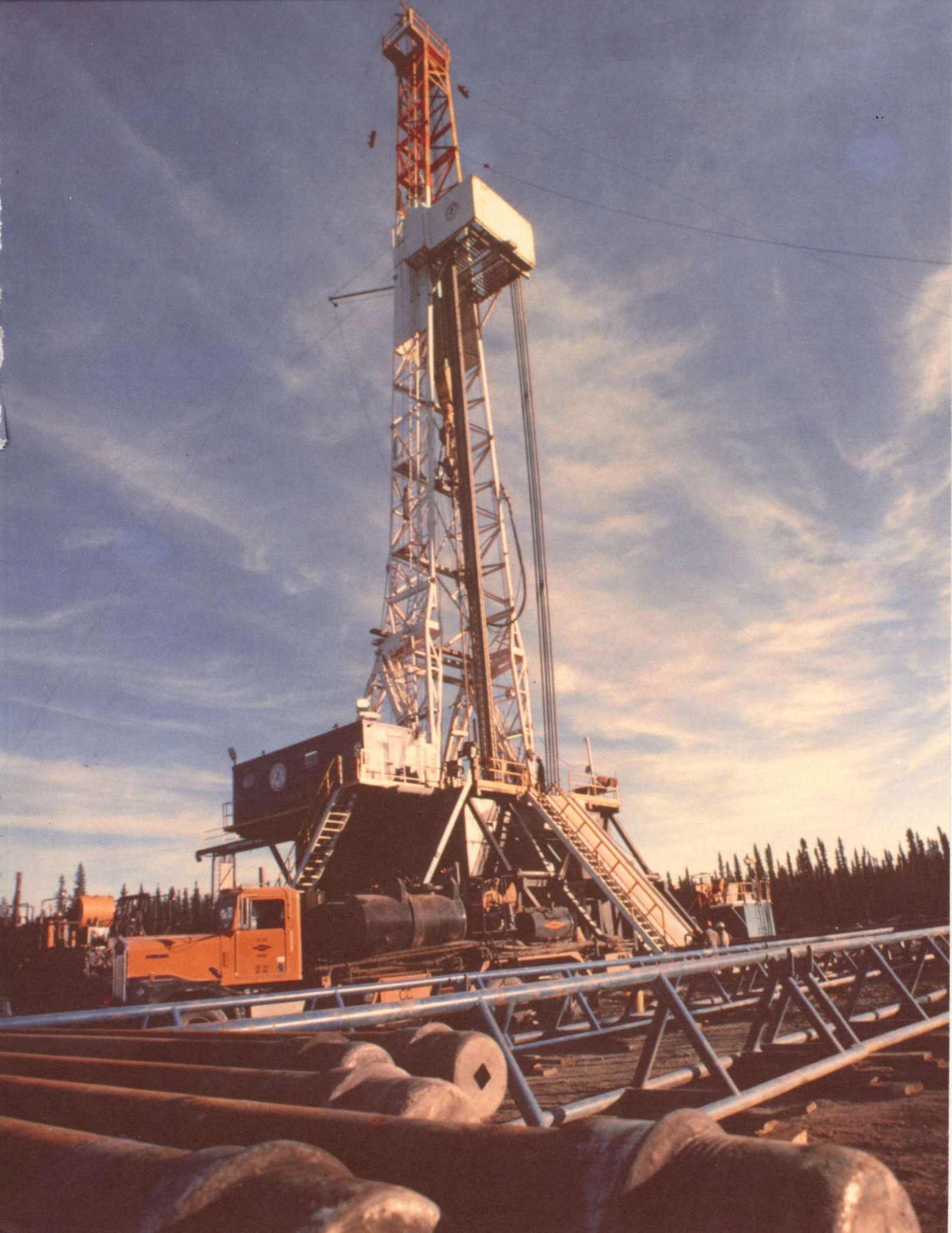
Guaranty Trust Company of Canada
800 W. Pender Street
Vancouver, B.C. V6C 2V7

CORPORATE COMMUNICATIONS

Ray Torresan & Associates Ltd.
15th Floor, 789 W. Pender Street
Vancouver, B.C. V6C 1H2
(604) 688-4621

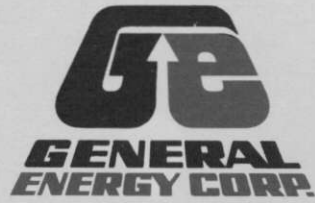


Blowing off the frac fluids at a well in Grandview Township, Ohio.





1000 - 789 West Pender Street, Vancouver, B.C. V6C 1H2



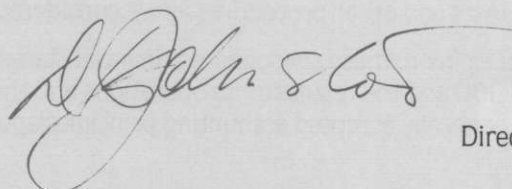
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1980

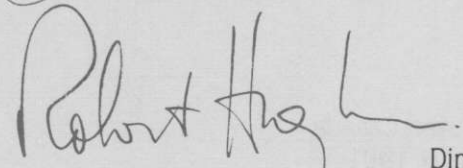
CONSOLIDATED BALANCE SHEET

December 31, 1980

ASSETS	1980	1979
CURRENT		
Cash	\$1,390,306	\$ 26,132
Accounts receivable	98,053	20,172
Investments (Note 2)	514,365	7,436
Prepaid expenses	7,750	3,630
Loans and advances receivable	—	5,426
	2,010,474	62,796
FIXED (Note 3)	34,806	6,077
INTERESTS IN MINERAL PROPERTIES (Note 4)	135,000	10,500
INTERESTS IN OIL AND GAS PROPERTIES (Note 5)	1,826,861	159,187
DEFERRED EXPLORATION AND DEVELOPMENT COSTS	—	56,287
INCORPORATION COSTS	3,559	3,559
	\$4,010,700	\$ 298,406
 LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 12)	\$ 182,192	\$ 53,583
 CAPITAL STOCK AND DEFICIT		
CAPITAL STOCK (Note 6)	5,379,799	1,788,861
CONTRIBUTED SURPLUS	219,616	219,616
SHARE SUBSCRIPTIONS	—	3,500
	5,599,415	2,011,977
DEFICIT	1,770,907	1,769,154
	3,828,508	242,823
	\$4,010,700	\$ 298,406

Approved by the Directors


 Director


 Director

CONSOLIDATED STATEMENT OF DEFICIT

For the year ended December 31, 1980

	1980	1979
DEFICIT BEGINNING OF YEAR	\$1,769,154	\$1,745,814
NET (EARNINGS) LOSS FOR THE YEAR	(191,390)	23,340
SHARE ISSUE COSTS	107,511	—
MINERAL PROPERTIES AND DEFERRED COSTS WRITTEN OFF ON DISPOSITION	64,938	—
DRY HOLE COSTS	20,694	—
DEFICIT END OF YEAR	\$1,770,907	\$1,769,154

AUDITORS' REPORT

To the Shareholders of General Energy Corp.

We have examined the consolidated balance sheet of General Energy Corp. as at December 31, 1980 and the consolidated statements of earnings, deficit, deferred exploration and development costs and changes in financial position for the year then ended. Our examination was 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 company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

MacGillivray & Co.

MacGillivray & Co.

Vancouver, Canada
March 16, 1981

CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended December 31, 1980

	1980	1979
REVENUE (Note 9)		
Oil and gas production	\$ 73,067	\$ 12,405
Sale of interests in resource properties	307,553	26,013
Gain (loss) on sale of investments	(13,505)	1,481
Interest	38,063	619
Gain on sale of fixed assets	—	1,028
Mineral royalties	7,000	—
	412,178	41,546
Amortization of cost of producing interests	15,754	—
	396,424	41,546
PROPERTY EVALUATION EXPENSES		
Consulting	—	2,122
Prospecting	4,451	60
Sundry	—	1,988
Travel and vehicle operation	4,804	1,881
Option costs on non-acquired properties	—	1,875
	9,255	7,926
ADMINISTRATION EXPENSES		
Bank charges and interest	1,772	60
Capital tax	8,000	—
Data processing	4,482	475
Depreciation	9,428	1,519
Dues and fees	2,396	1,475
Filing fees	1,410	4,129
Management fees	14,000	2,500
Office expense	25,233	9,368
Professional fees	33,183	19,345
Registrar and transfer agent	6,392	4,513
Secretarial	31,558	9,651
Shareholder information	27,244	1,770
Travel and promotion	31,373	4,981
Sundry	—	(3,962)
Telephone	1,958	1,136
Expense recoveries	(2,650)	—
	195,779	56,960
TOTAL OPERATING EXPENSES	205,034	64,886
NET EARNINGS (LOSS) FOR THE YEAR (Notes 8 and 10)	\$ 191,390	\$ (23,340)

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT COSTS

For the year ended December 31, 1980

	1980	1979
UTICA MINE DUMPS JOINT VENTURE, SLOCAN MINING DIVISION, B.C.		
Property taxes and fees	\$ 2,288	\$ (1,065)
Consulting	9,701	10,250
Prospecting	—	3,680
Processing	7,500	—
Repairs and maintenance	133	3,460
Royalties	4,000	—
Sundry site costs	1,000	4,083
Transportation and freight	13,914	4,500
Travel and vehicle operation	1,357	1,842
Telephone	846	367
	40,739	27,117
Recovery from joint venture partner Revenue	— (23,958)	(10,071) —
	16,781	17,046
Balance beginning of year	18,361	1,315
Proceeds on disposition	(8,000)	—
Written off to deficit	(27,142)	—
Balance end of year	\$ —	\$ 18,361
KASLO PROPERTY, SLOCAN MINING DIVISION, B.C.		
Prospecting	\$ —	\$ 500
Access and road construction	—	(350)
Consulting fees	—	200
Drilling	(1,630)	—
Travel and vehicle operation	—	996
	(1,630)	1,346
Balance beginning of year	37,926	36,580
Written off to deficit	(36,296)	—
Balance end of year	\$ —	\$ 37,926
DEFERRED EXPLORATION AND DEVELOPMENT COSTS END OF YEAR	\$ —	\$ 56,287

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 1980

	1980	1979
WORKING CAPITAL PROVIDED BY		
Issue of capital stock — for cash	\$3,461,438	\$ 262,500
— for interests in mineral properties	126,000	1,875
Share subscriptions received	—	3,500
Net proceeds on sale of fixed assets	3,094	2,472
Operations — net earnings for the year net of non-working capital items	216,572	—
	3,807,104	270,347
WORKING CAPITAL APPLIED TO		
Interest in mineral properties — for capital stock	126,000	1,875
Interests in oil and gas properties	1,704,122	159,187
Exploration and development costs, net of recoveries	7,151	18,392
Acquisition of fixed assets	41,251	6,549
Share issue costs	107,511	—
Operations — net loss for the year net of non-working capital items	—	20,974
	1,986,035	206,977
INCREASE IN WORKING CAPITAL FOR THE YEAR	1,821,069	63,370
WORKING CAPITAL (DEFICIENCY) BEGINNING OF YEAR	7,213	(56,157)
WORKING CAPITAL END OF YEAR	\$1,828,282	\$ 7,213

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1980

1. ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements include the assets, liabilities and operations of the company's wholly-owned subsidiaries:

I.P. Metals Ltd.
Atlin Milling Corporation (inactive)

(b) Deferred Costs and Values

The company is engaged in the exploration and development of natural resource properties and has established a policy of deferring costs relating to exploration projects until such time as the projects are put into commercial production, sold or abandoned. Interests in properties and deferred costs are recorded at cost and are not intended to reflect present or future worth.

(c) Amortization of Cost of Interests in Properties

Certain of the company's interests in oil and gas properties have attained commercial production providing revenue to the company. The costs of producing interests will be amortized against future revenue over the estimated future production life of the property.

(d) Transactions in Foreign Currencies

Transactions in foreign currencies are recorded in the accounts of the company in Canadian dollars at rates prevailing at the date of the transaction. Current assets and liabilities in foreign currencies have been converted to Canadian dollars using the exchange rates at the date of the balance sheet. Other foreign assets and liabilities have been converted at rates in effect at the time the relevant transactions took place.

(e) Sale of Interests in Resource Properties

Under the terms of agreements by which the company has sold interests in various properties, the company is entitled to receive shares in the acquiring companies over a period of time and as approved by regulatory authorities at stated levels of exploration expenditure. The company records the revenue from the sales as the shares are received, at the shares' then fair market value.

(f) Share Issue Costs

The company has adopted a policy of writing off all costs relating to the issuance of capital stock to the deficit account.

(g) Costs of Unsuccessful Oil and Gas Wells

The company has adopted a policy of writing off all costs relating to dry holes to the deficit account.

2. INVESTMENTS

The investments are common shares of public companies which were purchased or acquired in consideration for interests in properties and are carried at fair market value on the day they were acquired. A nominal value of \$1 has been placed on shares to be received pursuant to resource property transactions. At the period end, the market value of the investments owned and due to the company was approximately \$665,000.

3. FIXED ASSETS

Fixed assets are recorded at cost. Depreciation of fixed assets has been recorded in the accounts of the company on the straight-line basis over their estimated useful lives as follows:

Equipment	— five years
Leasehold improvements	— five years

Details of fixed assets are as follows:

	Cost	Accumulated Depreciation	Net Book Value	
			1980	1979
Equipment — data processing	\$18,020	\$ 4,404	\$13,616	\$ 4,659
Leasehold improvements	1,772	709	1,063	1,418
Office equipment	5,248	1,028	4,220	—
Automotive equipment	19,884	3,977	15,907	—
	<u>\$44,924</u>	<u>\$10,118</u>	<u>\$34,806</u>	<u>\$ 6,077</u>

4. INTERESTS IN MINERAL PROPERTIES (CANADA)

- (a) Slocan Mining Division, B.C. — Jim and Dan Claims

The company acquired the property for the following consideration:

Cash paid		\$ 9,000
Shares — Issued	112,000 shares	126,000
To be issued	263,000 shares	
	<u>375,000 shares</u>	

The shares issued were valued at market value at the time of issue. The shares to be issued are subject to the company's realization from the property

\$135,000

- (b) Utica Mine Dumps Joint Venture, Slocan Mining Division, B.C.

The company entered into joint venture undertakings for the processing of ore dumps on the "Utica claims". The interest has been sold and the \$1,500 cost has been written off to the deficit account.

5. INTERESTS IN OIL AND GAS PROPERTIES

- (a) The company has acquired various interests in oil and gas properties in the U.S.A. The properties are recorded at their retained costs to the company after optioning off portions of its interests in some cases.
- (b) The shareholders have approved the granting, to a company controlled by a director, of a carried working interest calculated as 5% of the company's working interest in all oil and gas properties drilled and placed into production after June 20, 1980. Approval by the regulatory authorities has not been granted to date.
- (c) Subsequent to the year end, the company negotiated an agreement to acquire a 25% working interest in a 21,802 acre prospect in the State of Utah, U.S.A. at a cost of \$256,584 (Canadian \$) and a 10% working interest in a 1,129 acre property and three wells to be drilled in the State of Ohio, U.S.A. at a cost of \$55,000 (U.S. \$).

6. CAPITAL STOCK

- (a) Details of capital stock are as follows:

Authorized

5,000,000 common shares without par value

Issued and fully paid

	Number of Shares	Net to Treasury
For cash	1,658,108	\$5,172,674
For mineral properties	173,250	207,125
	<u>1,831,358</u>	<u>\$5,379,799</u>

- (b) During the period the company issued shares as follows:

	Number of Shares	Net to Treasury
For cash	509,858	\$3,336,938
For cash pursuant to a directors' option plan (\$3,500 paid in 1979)	83,000	128,000
For mineral properties	112,000	126,000
	<u>704,858</u>	<u>\$3,590,938</u>

- (c) The company may be required to issue up to 263,000 shares under the terms of a property agreement relating to the Jim and Dan mineral claims.
- (d) The company has granted stock options to a director to acquire up to 25,000 shares. Subsequent to the year end the option was exercised for \$127,500 cash.

Subject to shareholders' and regulatory bodies approval the company proposes to grant the following options to directors:

- 30,000 shares at \$6.50 per share
- 60,000 shares at \$12.50 per share

- (e) Subject to approval of regulatory bodies the company is proposing to offer its shareholders one right for every share held. Five rights and \$15 cash will grant the shareholder the right to purchase one share and one non-transferrable warrant of the company. The warrants will grant the shareholders the right to purchase one share for \$18 cash.

7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable to directors and senior officers, as defined by the British Columbia Companies Act to include the five highest paid employees, was \$31,045 for the period ended December 31, 1980. In addition, management, consulting and public relations fees and office rentals of \$24,550 were paid to companies controlled by directors.

8. EARNINGS PER SHARE

Earnings per share figures are based on shares issued and allotted at the end of the period, since weighted averages are impractical to calculate. The basic earnings per share for the period amounted to \$.10 (\$.02 loss per share for the 1979 fiscal year).

9. OPERATIONS BY GEOGRAPHICAL SEGMENT

A summary of revenue by geographical segment for the year ended December 31, 1980 is as follows:

	Canada	U.S.A.	Total
Oil and gas production	\$ —	\$73,067	\$ 73,067
Sale of interests in resource properties	265,748	41,805	307,553
Loss on sale of investments	(13,505)	—	(13,505)
Interest	38,063	—	38,063
Mineral royalties	7,000	—	7,000
Amortization of cost of producing interests	—	(15,754)	(15,754)
	<u>\$297,306</u>	<u>\$99,118</u>	<u>\$396,424</u>

Administration expenses relate to the operation of the company as a whole and are not allocated by segment.

10. INCOME TAXES

No provision for income taxes has been recorded due to the availability for application against current and future earnings of prior years' losses and previously incurred exploration and development costs.

11. RELATED PARTY TRANSACTIONS

The company has sold interests in various of its oil and gas properties. Some of these sales are to companies with common management and have been made for amounts approximately equal to the company's cost. Revenue received, if any, on these transactions will be realized when shares of the acquiring companies, which are part of the proceeds, are received (Note 1(e)).

The company acquired a mineral property from a company controlled by directors (Note 4(a)).

The company has paid amounts to directors for services rendered (Note 7).

12. ACCOUNTS PAYABLE

Included in accounts payable is a net balance of \$116,650 due on purchases and sales of oil and gas interests. This amount is net of \$458,513 due from the sale of portions of the interests acquired.

