

WESTFORT ENERGY LTD.

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ANNUAL INFORMATION FORM
YEAR ENDED DECEMBER 31, 2001

December 21, 2002

ANNUAL INFORMATION FORM

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Item 2. Corporate Structure**2.1 Name and Incorporation (“Westfort” or the “Company”)**

Westfort Energy Ltd. (the Company) was incorporated as Rio Verde Developments Ltd. on March 22, 1977 by Memorandum of Association under the *Companies Act* (British Columbia) which name was changed to Westfort Petroleum Ltd. on April 15, 1978. On September 30, 1982, the Company amalgamated with Prosper Petroleum Ltd. as Westfort Petroleum Ltd. On November 8, 1993, the Company amended its Articles to change its name to Westfort Energy Ltd. and to consolidate the issued and outstanding common shares of the Company on the basis of one common share for each fifteen common shares then issued and outstanding. On November 10, 1993, the Company continued into Alberta under the *Business Corporations Act*. The Company is a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. The common shares of the Company are listed and posted for trading on the Toronto Stock Exchange under the symbol "WT". The main office of the Company is located at 2301 14th Street, Suite 900 Gulfport, Mississippi 39501. The registered office of the Company is located at 210 - 630 4th Avenue S.W., Calgary, Alberta, T2P 0J9.

2.2 Intercorporate Relationships

The Company has two wholly-owned subsidiaries, Westfort Energy (US) Ltd. (WT-US) (formerly, Canadian Delta, Inc.) incorporated under the laws of the state of Mississippi on February 3, 1994 and Segah Petroleum, Inc. (Segah) incorporated under the laws of the state of Mississippi on October 9, 1996.

WT-US was formed by the Company to function as the Company's operating subsidiary for its operations in the United States.

Segah, which was acquired in 1999, is the owner of a 70% undivided working interest in oil, gas and mineral leases covering approximately 2,500 acres in Pickens Field, Madison and Yazoo counties, Mississippi.

Item 3: General Development of the Business**3.1 Three Year Company History**

The Company is engaged in the business of acquiring oil and natural gas leasehold rights and the exploration for and development and production of oil in the state of Mississippi.

During the three years ended December 31, 2001, the Company focused on the exploitation of its Pelahatchie, Pickens and Gillsburg fields in the state of Mississippi, the reduction of overhead and concentration on its core business, the development and production of crude oil.

During 2000, the Company entered into a contract to drill the Karges No. 1 well in the Norphlet formation of the Pelahatchie Field. Drilling activities commenced in December 2000 and continued to June 2001. Numerous drilling problems were encountered. As of December 31, 2001, and to date the well has not been properly tested, completed or abandoned.

In 2002, lawsuits were filed by the Company and the drilling contractor.

3.2 Significant Acquisitions and Significant Dispositions

On March 12, 1999 the Company acquired two workover rigs together with related equipment for the purchase price of US\$225,000. The purchase price was payable in cash of US\$25,000 and 150,000 common shares of the Company valued at US\$50,000 at the time of the purchase and the balance of US\$150,000 in three equal annual installments. At the option of the Company each installment of cash was US\$50,000 or the equivalent number of common shares of the Company based on the average market price for the preceding ten trading days prior to each payment date. Annual payments were made of 77,000 shares in 2001 and 75,757 shares in 2000.

In August 1999, a well drilled to a total depth of 11,800 feet in Pelahatchie Field, the Clifton Rhodes No. 1, was cased in order to be completed in one of several sands which were encountered carrying oil shows.

In September 1999, the Company drilled the Elaine Hilbun 34-1 well in the Gillsburg Field to a total depth of 11,850 feet encountering several Upper and Lower Tuscaloosa sands of Upper Cretaceous Age carrying shows of oil. Production casing was set in the Hilbun well for final completion and production tests. The well was not commercially productive.

On November 12, 1999, working interest owner, Willow Creek Exploration Ltd., sold all its right title and interest in Pelahatchie and Gillsburg fields to Matrix L.L.C. By virtue of this sale, the Company agreed to release certain indebtedness to the Company in return for Matrix L L.C. assuming such indebtedness and obligations under the terms of the operating agreements.

In the first quarter of 2000, the Company drilled an additional well in Pelahatchie Field to a total depth of approximately 11,800 feet to evaluate and test the Lower Cretaceous formations penetrated in the Pelahatchie Deep 18-4 well, with the primary objective being an oil reservoir in the Hosston formation of Lower Cretaceous Age at 11,300 feet. The well produced at a rate of approximately 75 barrels of oil per day and, presently, is producing from two of the Company's wells in the field. The Company reworked six shut-in oil wells and a saltwater disposal well in Pickens Field and commenced production tests. One of the reworked wells was productive at a rate of approximately 65 barrels of oil per day. Presently, there is no production from Pickens Field.

In 2000, the Company entered into an agreement to drill the Karges No. 1 well in the Norphlet formation at a depth of approximately 17,250 feet in the Pelahatchie Field. As partial consideration for the drilling of the well, the drilling contractor was given the right to earn an undivided one-third interest in oil and gas leases covering lands situated in 640 contiguous acres to be selected by the parties around the proposed well but only as to those depths and formations above the top of the Norphlet formation. Drilling commenced in December 2000.

During 2001 the Karges No. 1 well was drilled and logged to a depth of 17,181 feet, and upon logging, was plugged-back and side-tracked with no definitive test having been performed. The well is cased to 17,063 feet in the side-tracked hole and is shut-in.

As of December 31, 2001 and to date the well has not been properly tested, completed or abandoned.

3.3 Trends

The Company's consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. The application of the going concern concept is dependent upon the Company's ability to continue to obtain financing and favorable terms with trade creditors necessary to develop its oil and gas properties. A going concern issue has been expressed by the Company's auditors in each of the three years ended December 31, 2001.

As at June 30, 2002, the Company had a working capital deficiency of \$13,688 and an accumulated deficit of \$14,438,437 and had incurred a net loss of \$1,048,422 for the six months then ended.

As of August 31, 2002, the Company has relocated its corporate office to Gulfport, Mississippi and dismissed all employees except for Norris R. Harris, President and CEO, and an administrative assistant.

Item 4: Narrative Description of the Company

4.1 General

The Company's operations are subject to all the risks normally incidental to the drilling, operation and development of oil and gas properties including encountering unexpected formations or pressures, potential environmental damage, blow-outs, cratering and fires, all of which could result in personal injuries, loss of life and damage to property of the Company and others. In accordance with customary industry practice, the Company is not fully insured against all risks. Although the Company carries insurance for blow-outs, loss of a well and equipment lost subsurface as a result of occurrences other than blow-outs are not covered by insurance. There can be no assurance that the Company will be able to maintain adequate insurance at rates considered reasonable to cover all possible losses from operating hazards. The occurrence of a significant event not fully insured or indemnified against, which results in personal injuries, loss of life,

damage to property of others and environmental damages for which the Company would be liable, could materially and adversely affect the Company's financial condition and results of operations.

The oil and gas business is highly competitive and has few barriers to entry. The Company competes with other oil and gas companies in the search for and obtaining of desirable exploration and development prospects and the purchase of equipment necessary for the completion of wells, as well as in the marketing of any oil and gas that may be discovered. Many of the Company's competitors are larger than the Company and have substantially greater access to capital and technical resources than does the Company and may therefore have a significant competitive advantage. Many of the Company's competitors are capable of making a greater investment in a given area than is the Company, although large and small companies alike are subject to the economics of cost effectiveness.

Substantially all of the Company's property interests are held pursuant to oil, gas and mineral leases from third parties. The Company believes that it currently has satisfactory title to such properties in accordance with standards generally accepted in the oil and gas industry. The Company's properties may be subject to customary royalty interests, production taxes and other burdens, which do not materially interfere with the use of such properties.

At the time of acquisition of undeveloped acreage, a cursory title investigation is conducted. A title opinion from a qualified lawyer is obtained prior to drilling any well. In some cases, drilling may be delayed or cancelled until such time as title issues are resolved. As is customary in the industry, the Company generally acquires undeveloped leases based on title examinations performed by its land personnel, subject to the supervision of the Company's counsel, without obtaining formal title opinions as to each lease, if, in the company's judgment, it would be uneconomical or impractical to do so. If title defects do exist, it is possible that the Company could lose all or a portion of its interest in the leases to which title defects apply.

The availability of a ready market for oil and gas produced by the Company and the price paid by the market for oil and gas depends on numerous factors, including the extent of domestic production of oil and gas by other producers; the regulations of the United States Department of Energy concerning the production, sale and transportation of oil and gas, as well as other governmental mandates; crude oil imports; actions by Organization of Petroleum Exporting Countries; the marketing of competitive fuels; and the proximity, availability and capacity of oil and gas pipelines or other transportation facilities. The fluctuation of oil and gas prices over the past several years has contributed to oil and gas surpluses and shortages resulting in periods of varying drilling activity in the United States. Surplus creates an industry environment with generally reduced costs of drilling and a greater availability of drilling rigs. On the other hand, shortages result in drilling activity increases and the costs of drilling rigs and oil field goods and services escalate. These fluctuations can seriously affect the Company's plan of operations. Prices of oil and gas can affect the following aspects of the Company's business:

- revenues, cash flows and earnings;
- the ability to attract capital to finance operations and the cost of capital;
- the value of the Company's oil and gas properties; and
- the profit or loss incurred in exploring for and developing the Company's reserves.

The oil and gas industry is highly regulated by various levels of government under a wide range of federal and state statutes, rules, orders and regulations. State and federal statutes and regulations require permits for drilling operations, drilling bonds and reports concerning operations. Mississippi, like most states in the United States, has regulations governing conservation matters, including provisions for the unitization or pooling of oil and gas properties, the establishment of maximum rates of production from oil and gas wells and the regulation of the spacing, plugging and abandonment of wells.

The Company's operations are further subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may:

- require that permits be obtained before commencing an operation;
- restrict the substances that can be released into the environment in connection with drilling and production operations;
- limit or prohibit drilling activities on protected areas such as wetlands or wilderness areas; and
- require remedial measures to mitigate pollution from former operations, such as plugging abandoned wells.

Under these laws and regulations, the Company could be liable for personal injury and clean-up costs and other environmental and property damages, as well as administrative, civil and criminal penalties. The Company maintains limited insurance coverage for sudden and accidental environmental damages. However, insurance coverage for environmental damages that occur over time as well as insurance coverage for the full potential liability that could be incurred as a result of sudden and accidental environmental damages, is not available at a reasonable cost. Accordingly, the Company may be subject to liability or may be required to cease production from properties in the event of environment damage. The Company does not believe that it is significantly affected in a different manner by these regulations than are its competitors in the oil and gas industry. There is no assurance that laws and regulations that may be enacted in the future will not adversely affect the Company's acquisition, development and production of oil and natural gas.

Sales of crude oil to unrelated parties for the two years ending December 31, 2001 were as follows:

<u>Year ending December 31,</u>	
<u>2001</u>	<u>2000</u>
(In Canadian Dollars)	
1,067,376	1,481,799

As of December 31, 2001, the Company has ten full time employees with six in production and field operations and four in office and administration positions. The company also retains one independent petroleum consultant.

4.4 Issuers with Oil and Gas Operations

1. Drilling activity during the two years ending December 31, 2001 is summarized as follows:

	<u>Year ending December 31,</u>				
	<u>2001</u>		<u>2000</u>		
	<u>Gross(1)</u>	<u>Net(2)</u>		<u>Gross(1)</u>	<u>Net(2)</u>
Oil wells drilled	1	1	1	1	
Oil wells completed capable of production	0	0		1	1
Dry holes drilled (3)	1	1		0	0

(1) "Gross" wells refer to all wells in which the Company owns a working interest.

(2) "Net" wells refer to the aggregate of the percentage interests of the Company in the gross wells before the deduction of royalty interests.

(3) "Dry" holes refer to wells drilled which are not producing and not capable of production in commercial quantities.

2. In the Pelahatchie Field, the Company owns a 95% undivided working interest in oil, gas and mineral leases on approximately 3,583 acres. In the Gillsburg Field, the Company owns a 50% undivided working interest in oil, gas and mineral leases on approximately 800 acres. In the Pickens Field, the Company owns a 70% undivided working interest in oil, gas and mineral leases on approximately 2,500 acres.

3. All of the Company's wells and leases are in the United States, state of Mississippi.

4. As of December 31, 2001, interests in material properties to which no proved reserves have been attributed are summarized as follows:

<u>Location</u>	<u>Gross Acreage(1)</u>	<u>Net Acreage(2)</u>
Pelahatchie Field Rankin County, Mississippi	3,583	2,580
Gillsburg Field Amite County, Mississippi	800	300
Pickens Field Madison County, Mississippi Yazoo County, Mississippi	2,490	1,307

(1) "Gross Acreage" means the acres of land in which the company has a working interest.

(2) "Net Acreage" means the sum of the products obtained by multiplying the number of gross acres by the Company's percentage working interest therein.

5. Oil and Gas Reserves

The material oil and gas reserves of the Company have been evaluated by Tierney & Associates, Inc., ("Tierney") an independent petroleum consulting firm located in Brandon, Mississippi, pursuant to a report dated December 20, 2002 ("the Tierney Report")

The Tierney Report evaluates the proved and probable oil and gas reserves for properties located in Pelahatchie Field, Rankin County, Mississippi, the Company's major oil and gas property, as of January 1, 2002. In preparing the Tierney Report, Tierney obtained basic information from the Company, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. The extent and character of ownership and the accuracy of all factual data supplied for the independent evaluation, from all sources, was accepted by Tierney as represented and neither title searches nor field inspection were conducted by Tierney.

The following table, based on the Tierney Report, reflects the estimated United States reserves of the Company's crude oil and natural gas, future net revenue (discounted cash flow) and royalties related thereto on the basis of unescalated prices of crude oil of \$16.91 per barrel of oil and \$2.40 per mcf of natural gas at December 31, 2001.

All evaluations of the present net worth of the cumulative net cash flow values (discounted future net revenue) in the Tierney Report are stated after provisions for estimated future capital expenditures, operating expenses and prior to provisions for income taxes, environmental costs, site restoration costs and other indirect costs, and do not necessarily represent the fair market value of the Company's crude oil and natural gas reserves.

		<u>Year ending December 31, 2001</u>				<u>Future Net Revenue</u>				
		<u>Gross Reserves(1)</u>		<u>Net Reserves(2)</u>		<u>Discounted at (6,7)</u>				
		Oil	Gas	Oil	Gas	Total			10%	
15%	20%	(barrels)	(mmcf)	(barrels)	(mmcf)	(In Thousands of US Dollars)				
Proved										
	Producing(3)	52,204	-	25,493	-	289	262	250		
	Undeveloped(4)	3,616,682	3,659,382	2,679,961	2,711,459	39,228	29,975	19,056	5,392	
	Probable(5)	<u>4,789,125</u>	<u>5,022,837</u>	<u>3,304,498</u>	<u>3,465,753</u>	<u>51,539</u>	<u>26,353</u>	<u>19,622</u>	<u>14,903</u>	
	Total	8,458,011	8,682,219	6,009,952	6,177,212	91,056	56,590	38,928	30,535	

(1) “Gross” reserves are defined as the Company’s working interest share before deduction of any royalties owned by others.

(2) “Net” reserves are defined as the total of the Company’s working interest share after deduction of any royalties owned by others.

(3) “Proved Producing Reserves” are defined as those estimated as recoverable under the existing depletion mechanism and under current economic and operating conditions, which have been established by existing production.

(4) “Proved Undeveloped Reserves” (Non-Producing) are defined as those reserves which are estimated to be recoverable under the most likely depletion mechanism and have been identified by geological and/or geophysical control on lands that are undrilled which are directly offset by wells having commercial production in the objective formation and it is reasonably certain the location will be developed; or, from wells that have been drilled and tested but require a relatively large capital expenditure to place the reserves on production, but which are not currently producing due to lack of facilities and/or markets.

(5) “Probable Reserves” are defined as the potential recoverable reserves estimated for undeveloped tracts or zones behind pipe or incremental reserves from producing zones where the potential has been reasonably confirmed by geological and/or geophysical control and engineering data but where available data have been insufficient to establish proof that these reserves would be economically recoverable under current technology and existing market conditions. The estimated present worth of the probable reserves have been risk weighted by 50 percent to account for the probability of obtaining production from such reserves.

(6) Tierney estimates the total capital costs net to the Company to achieve the estimated future net revenue of proved and probable reserves set out in the Tierney Report to be \$14,674,280 to be spent in 2002.

(7) The cumulative net future revenue represents the Company’s share of the cash flow after deduction of all royalties, operating costs and anticipated capital expenditures but before provision for income taxes, environmental costs, side restoration costs and other indirect costs.

7. Reconciliation of gross reserve volumes for the year ending December 31, 2001 is summarized as follows:

	<u>Crude Oil</u> (barrels)	<u>Natural Gas</u> (mmcf)
Reserves at December 31, 2000	31,158,490	33,091,950
Production	(34,281)	-

Acquisitions	-	-
Dispositions	-	-
Discoveries	-	-
Revision of prior estimates	(22,666,198)	(24,409,731)
Reserves at December 31, 2001	8,458,011	8,682,219

8. Quarterly history of crude oil production and prices per barrel for the two years ending December 31, 2001 are summarized as follows:

	<u>2001 Quarter Ending</u>			
	<u>March 31</u>	<u>June 30</u>	<u>Sept. 30</u>	<u>Dec. 31</u>
	(Barrels/Per Barrel of Crude Oil in Canadian Dollars)			
Average daily production volume	215	197	117	163
Average net price	26.22	26.12	24.71	17.99
Royalties paid	9.85	8.23	9.33	7.70
Field operating expenses	32.34	39.11	41.01	42.58
Netback received	(15.97)	(21.22)	(25.63)	(32.29)
Property acquisitions	156,182	162,906	123,005	47,608
Exploration including drilling costs	58,663	78,952	96,441	27,522
Development including facilities	326,885	48,552	36,844	15,247

	<u>2000 Quarter Ending</u>			
	<u>March 31</u>	<u>June 30</u>	<u>Sept. 30</u>	<u>Dec. 31</u>
	(Barrels/Per Barrel of Crude Oil in Canadian Dollars)			
Average daily production volume	182	219	151	174
Average net price	26.54	27.06	30.00	30.24
Royalties paid	13.04	13.26	15.08	14.48
Field operating expenses	38.20	35.18	37.27	28.45
Netback received	(24.70)	(21.38)	(52.05)	(12.69)
Property acquisitions	188,225	195,468	165,339	188,336
Exploration including drilling costs	68,963	98,655	158,996	148,952
Development including facilities	211,547	66,885	55,898	66,854

9. The Company has no material commitments to buy, sell, exchange or transport crude oil and natural gas.

10. The Company has no material current or contemplated exploration or development activities.

Item 5. Selected Consolidated Financial Information

5.1 Annual Information

Year ending December 31,

	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(In Canadian Dollars)		
Net Sales	1,067,376	1,481,799	788,474
Income (loss) from continuing operations			
Total	(4,044,406)	(2,325,528)	(2,601,902)
Per share	(0.06)	(0.04)	(0.06)
Per fully-diluted share	(0.06)	(0.04)	(0.06)
Net income (loss)			
Total	(4,044,406)	(2,325,528)	(2,601,902)
Per share	(0.06)	(0.04)	(0.06)
Per fully-diluted share	(0.06)	(0.04)	(0.06)
Total assets	26,971,570	24,002,376	18,562,301
Long-term financial liabilities	2,152,343	2,051,866	1,086,176
Cash dividends declared per share	-	-	-

5.2 Dividends

There are no legal restrictions to the declaration of dividends. The Company has not declared dividends in the past and does not expect to declare dividends in the future.

The Company's continuing dividend policy is to declare dividends from discretionary cash flow which to date has been none.

5.3 Foreign GAAP

The selected consolidated financial information required in this item 5 has been presented on the basis of Canadian GAAP.

Item 6. Management's Discussion and Analysis

6.1 Form 44-101F2 Disclosure

Item 1: General

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ending December 31, 2001 and 2000. All financial information is expressed in Canadian dollars unless identified otherwise.

OVERVIEW OF 2001

Events surrounding the drilling of the Karges No. 1 well in the Norphlet formation of the Pelahatchie Field, Mississippi, dominated activities in 2001 and caused the Company substantial operational and financial damages. The drilling of this well and the related lawsuits are discussed herein under Items 3; 4: Liquidity and Capital Resources; Results of Operations.

On October 12, 2001, Whitney J. Pansano, Jr. resigned as President, CEO and director due to health conditions. On October 17, 2001, Norris R. Harris was appointed to the board of directors and elected President and Chief Executive Officer.

Based on the condition of the Karges No. 1 well, independent petroleum engineers substantially reduced the proved reserves from the Norphlet formation. As of December 31, 2001, Pelahatchie Field net reserves were 6,009,952 barrels of crude oil and 6,177,212 mmcf of natural gas compared to net reserves of 21,810,943 barrels of crude oil and 22,868,209 mmcf of natural gas as of December 31, 2000.

FINANCIAL REVIEW

Revenue

Crude oil revenues decreased 28% to \$1,067,376 in 2001 from \$1,481,799 in 2000. This decrease was due to normal declines and mechanical problems in keeping wells in production at Pelahatchie, Pickens and Gillsburg fields.

The average oil price per barrel was \$23.41 in 2001 compared to \$28.26 in 2000.

Daily crude oil production averaged 128 barrels in 2001 compared to 179 barrels in 2000.

Royalties

Royalty expense decreased to \$355,792 in 2001 from \$493,933 in 2000. Royalties are approximately 25% of revenues from which they are deducted in the financial statements.

Operating Expenses

Operating expenses increased to \$2,407,444 in 2001 from \$1,791,608 in 2000. This 34% increase, despite a decrease in production, was due to increased field personnel and related costs and workover activity.

General and Administrative Expenses

General and Administrative expenses increased to \$1,634,863 in 2001 from \$1,489,679 in 2000 as a result of increased legal and consulting fees.

Depletion and Depreciation

Depletion and depreciation increased to \$546,000 in 2001 from \$420,340 in 2000 because of the substantial reduction in reserves on which depletion was calculated in 2001.

Site restoration expense is included in depletion and depreciation. At December 31, 2001, estimated future site restoration expense to be accrued over the remaining life of proved reserves is \$384,313.

Income Tax

The Company is not subject to current income tax and has Canadian non-capital losses of approximately \$2,700,000 available to reduce future taxable income.

Net Loss and Cash Flows

Net loss increased 74% to \$4,044,406 in 2001 from \$2,325,528 in 2000. Cash flow used in operations increased 82% to \$3,489,233 in 2001 from \$1,914,633 in 2000.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2002, the Company adopted the Canadian Institute of Chartered Accountants new standard of accounting for options or similar stock based compensation.

Effective January 1, 2002, the Company adopted, on a retroactive basis, the Canadian Institute of Chartered Accountants new standard of accounting for foreign currency translation. The new standard expenses unrealized gains and losses which were previously deferred and amortized. The retroactive adoption of the new standard increased Deficit at January 1, 2002 by \$69,482 and decreased Deficit by \$27,018 at January 1, 2001.

BUSINESS RISKS

The Company is engaged in the exploration for and development and production of crude oil and natural gas which activities are inherently risky with no assurance that hydrocarbon reserves will be discovered and produced economically. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates and currency exchange rates. Operational risks include those risks normally incidental to daily oil and gas field activities, competition, environmental factors, reservoir performance uncertainties, complex regulatory environmental and safety concerns. For a detailed description of business risks see Item 4: Narrative Description of the Company, 4.1 General.

The Company tries to minimize these business risks by the development of a diversified hydrocarbon asset base thus enabling the Company to spread its operations over a larger number of resources. At the same time, the Company focuses on areas in which it has geological and operating expertise.

Item 2: Quarterly Information

	<u>2001 Quarter Ending</u>			
	<u>March 31</u>	<u>June 30</u>	<u>Sept. 30</u>	<u>Dec. 31</u>
	\$	\$	\$	\$
Net sales	500,241	381,154	152,431	33,550
Income (loss) from continuing operations				
Total	(850,766)	(990,883)	(886,844)	(1,315,913)
Per share	(0.01)	(0.02)	(0.01)	(0.02)
Per fully diluted share	(0.01)	(0.01)	(0.01)	(0.02)
Net Income (loss)				
Total	(850,766)	(990,883)	(886,844)	(1,315,913)
Per share	(0.01)	(0.02)	(0.01)	(0.02)
Per fully diluted share	(0.01)	(0.01)	(0.01)	(0.02)
Total assets	27,588,113	27,165,612	27,988,662	26,971,570
Long-term financial liabilities	2,109,416	2,147,699	2,270,577	2,152,343
Cash dividends declared per share	-	-	-	-

	<u>2000 Quarter Ending</u>			
	<u>March 31</u>	<u>June 30</u>	<u>Sept. 30</u>	<u>Dec. 31</u>
	\$	\$	\$	\$
Net sales	269,531	324,631	557,595	230,042
Income (loss) from continuing operations				
Total	(582,766)	(585,224)	(474,879)	(682,659)
Per share	(0.01)	(0.01)	(0.01)	(0.01)
Per fully diluted share	(0.01)	(0.01)	(0.01)	(0.01)
Net income (loss)				
Total	(582,766)	(585,224)	(474,879)	(682,659)
Per share	(0.01)	(0.01)	(0.01)	(0.01)
Per fully diluted share	(0.01)	(0.01)	(0.01)	(0.01)
Total assets	19,229,213	19,250,950	22,580,394	24,002,376
Long-term financial liabilities	1,104,540	1,086,441	993,080	2,051,866
Cash dividends declared per share	-	-	-	-

There are no legal restrictions to the declaration of dividends. The company has not declared dividends in the past and does not expect to declare dividends in the future.

The Company's continuing dividend policy is to declare dividends from discretionary cash flow which to date has been none.

The selected consolidated financial information herein has been presented on the basis of Canadian GAAP.

Items: 3; 4: Liquidity and Capital Resources; Results of Operations

During the year ending December 31, 2000, the Company entered into a contract for the drilling of the Karges No. 1 well in the Pelahatchie Field and paid US\$2,000,000 and issued 3,000,000 shares of Westfort Energy Ltd. common stock to the drilling contractor; in addition, the drilling contractor was given the right to earn a defined interest in the Pelahatchie Field.

Drilling operations commenced in December 2000 and continued until June 2001. Numerous drilling and completion problems were encountered including equipment design, inadequate or improper cementing, casing, sidetracking and logging. As a result of these problems and other conditions the cost of the well increased to over US\$6,000,000. The drilling contractor is holding the Company liable for these costs, which are approximately US\$2,700,000. To date the well has not been properly tested, completed or abandoned.

Management believes the amounts billed do not represent a valid claim against the Company, and accordingly, the Company has not recorded the amounts in its financial statements.

On January 28, 2002, the Company filed a lawsuit against the drilling contractor alleging breach of contract, negligence, gross negligence and fraud and seeking damages of not less than US\$2,000,000, return of the 3,000,000 shares of Westfort Energy Ltd. common stock and other costs and expenses.

On February 19, 2002, the drilling contractor filed a lawsuit against the Company alleging breach of contract, common law fraud and civil conspiracy as well as attorneys' fees.

Although the Company believes its lawsuit has substantial merit and will vigorously plead and defend the lawsuits, the Company may not have the financial resources to do so.

As a result of the drilling of Karges No. 1 well, all of the Company's proved reserves related to the Company's major undeveloped oil and gas property, the Pelahatchie Field, were substantially reduced. The future operations of the Company are dependent upon the successful development of this property and achieving profitable operations. Should the development be unsuccessful or uneconomical, a significant write-down of the carrying value of oil and gas properties would be required in the Company's financial statements.

Through September 30, 2002, the Company entered into the following transactions.

565,000 common shares and warrants were sold for US\$85,000.

An agreement was entered into whereby a company will undertake to restore or improve production at various of the Company's wells to earn a 50% interest in the wells and pay certain liabilities of the Company totaling US\$270,000.

Drilling equipment was sold for US\$100,000 to a company which also will provide the Company with drilling services of US\$170,000 at no charge to the Company.

A commercial office building was sold with net proceeds to the Company of US\$521,977.

The corporate office in Jackson, Mississippi was closed and all employees were terminated. The corporate office was relocated to Gulfport, Mississippi with Norris R. Harris, President and CEO, and an administrative assistant as the sole employees.

The Company has suspended payment to past due creditors, pays royalties, operating costs and administrative expenses in order to maintain positive cash flow while attempting to complete additional financing and development activities. There is no assurance that these activities will be successful.

6.2 Foreign GAAP

The Company's audited consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Item 7: Market for Securities

7.1 Market for Securities

The Company's common shares are listed for trading on the Toronto Stock Exchange under the market symbol "WT". There is no market made in the United States.

Item 8: Directors and Officers

8.1 Name, Address, Occupation and Security Holdings

Name and Address	Office Held and Time as Director or Officer	Principal Occupation	Number of Shares Held and % of Outstanding
Norris R. Harris Long Beach, Mississippi USA	President and CEO, Director since October 2001	President and CEO Westfort Energy Ltd.	Nil
Howell Eugene Gibbons Mobile, Alabama USA	Director since 1993	Partner of Gibbons & Dees, Certified Public Accountants	68,333 0.08%
Mike Muzylowski Vancouver, British Columbia Canada	Director since 1998	Chairman of Tan Range Exploration Corp since 1992. President of Consolidated Calliman Flin Flon Mines Limited since 1995	220,500 0.27%

Officers and directors are elected to serve for one year. There are no known arrangements or understandings between any of the officers or directors and any other person pursuant to which he was selected as officer or director.

8.2 Corporate Cease Trade Orders or Bankruptcies

None

8.3 Penalties of Sanctions

None

8.4 Personal Bankruptcies

None

8.5 Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such a participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making an assignment. Under the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Item 9: Additional Information

9.1 Additional Information

- (1) When the securities of the Company are in the course of a distribution under a preliminary short form prospectus or a short form prospectus, the Company, upon request to the secretary of the Company, will provide: one copy of the Annual Information Form (AIF) of the Company, together with one copy of any document, or the pertinent pages on any document, incorporated by references in the AIF; one copy of the comparative financial statements of the Company for its

most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditor and one copy of the most recent interim financial statements of the Company that have been filed, if any, for any period after the end of its most recent completed financial year; one copy of the information circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular as appropriate; and, one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to provide herein or, at any other time, one copy of any documents referred to herein, provided that the Company may require the payment of a reasonable charge if the request is made by someone who is not a security holder of the Company.

- (2) Additional information including directors' and officers' remuneration and indebtedness, shareholders of the Company's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the Company's management proxy circular which relates to the annual general meeting of shareholders. Additional financial information is provided in the Company's audited consolidated financial statements for the year ended December 31, 2001 which will be contained in the Company's Annual Report to Shareholders.