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Canada Southern Petroleum Ltd. 1983 Annual Report And Form 10-K

Canada Southern Petroleum Ltd.

1983 Annual Report

PRESIDENT'S REPORT

Fellow Shareholders:

We are pleased to report that, notwithstanding reduced revenues from oil and gas sales and an increase in petroleum revenue taxes, your company earned a modest profit of $455,412, or 5¢ a share, in fiscal 1983 as compared to a net loss of $515,106 (6¢ a share) in the prior year. This can be attributed primarily to substantially higher revenues from the carried interest agreements covering our producing properties in northeastern British Columbia.

We have received numerous shareholder inquiries regarding the status of our Kotaneelee gas field, which, we regret to report, remains shut-in in spite of last year's rather optimistic pronouncements by other interested parties. This situation is more than slightly complex, but the essential factors are as follows:

- At present, and for the forseeable future, the only likely market for Kotaneelee gas is in the U.S.
- Over the past three years, there have been gas surpluses in some parts of the U.S. Many experts believe this so-called "gas bubble" will dissipate when U.S. industrial output increases; but, at present, we are confronted with *substantially* reduced demand for natural gas in the U.S.
- As we see it, U.S. import approval has not been granted primarily because American authorities believe Canadian gas has been overpriced for the U.S. market. The American contention is that, even at the lowest price now permitted by the Canadian Government ($3.40 U.S. per thousand cubic feet at the border), the ultimate *delivered* price to the consumer is significantly higher than the price of gas available from a number of U.S. sources. (However, a comparison of wellhead prices in both countries indicates that this contention is not necessarily true).
- Apparently, the would-be purchaser cannot justify an immediate *need* for the Canadian gas; and that, of course, makes it all but impossible to justify the higher price to the U.S. authorities.

To summarize, the sale of Canadian gas to U.S. markets has become a highly political and controversial subject; and the Kotaneelee situation must be viewed within that context. We remain hopeful that this apparent impasse will be resolved, but, at present, it simply is not possible to determine when (or if) U.S. import approval will be granted given the current pricing structure and the reduced demand for natural gas in the United States.

We also have received inquiries as to the effect of the Canada Oil and Gas Act ("COGA"), a federal statute that became effective on March 5, 1982. Basically, this act required all companies holding interests in "Canada Lands"—i.e., all areas under the jurisdiction of the Federal Government—to renegotiate their agreements with the Federal Government. The new exploration agreements ("EA's") have a maximum duration of five years; are renegotiable for an additional five-year term; require the drilling of at least one well under each agreement; and require the surrender of 50 percent of the acreage held at the end of the five-year period. Moreover, the Federal Government retains the right to a 25 percent net carried interest in all Canada Lands.

At the outset, it should be noted that the provisions of COGA do *not* apply to the Kotaneelee Field. The situation with respect to our other interests in northwestern Canada (see 10-K Report, page 4) is somewhat more complex, but we are pleased to report that COGA's effect on our producing properties will be minimal. Indeed, the fact that additional drilling will be conducted by Northcor Energy Ltd. suggests that the net result of COGA probably will be favorable to Canada Southern in these areas.

As regards the Arctic Islands, it obviously would have been difficult for the more than 70 interest-holding companies (with widely scattered interests) to negotiate individual EA's with the Federal Government. Therefore, Panarctic Oils Ltd. (the only company actively operating in the Arctic Islands) agreed to negotiate new EA's on behalf of all the Arctic Island interest holders. Subsequently, Panarctic negotiated 20 EA's covering over 35 million acres, and concurrently negotiated a series of 20 operating agreements, one for each EA.

Pursuant to those agreements, Canada Southern now has working and carried interests in seven EA's—six offshore, one onshore—as well as carried interests in three other onshore EA's. The net effect of all this, however, is minimal; and I commend to your specific attention the Arctic Islands Acreage Summary on page 14 of the 10-K Report.

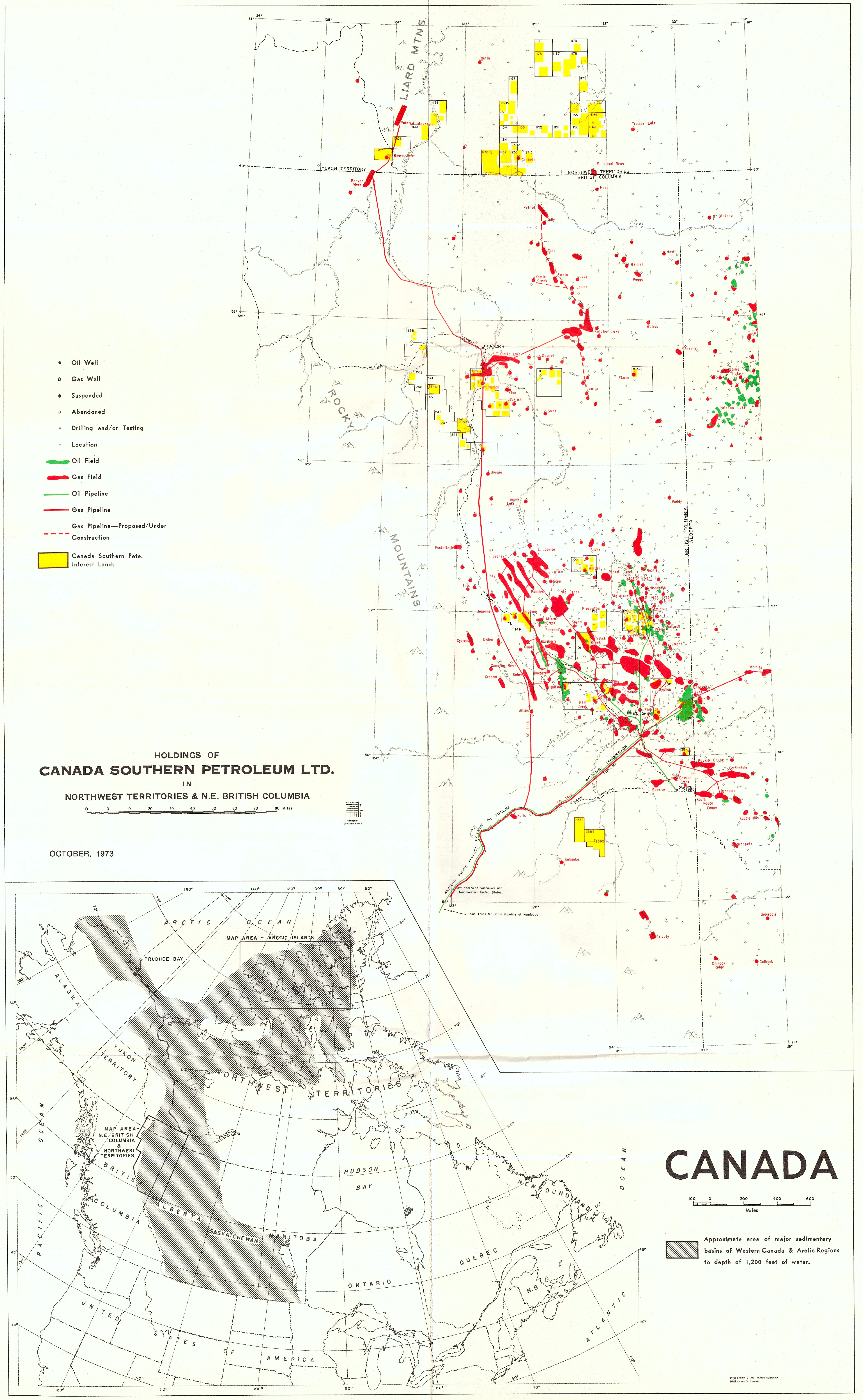
In conclusion, it is encouraging to report that the sponsors of the Arctic Pilot Project (which is headed by the Canadian national oil company, Petro-Canada) are continuing to explore world markets for Arctic LNG, which would be shipped in ice-breaking tankers. Moreover, the Polar Gas Project—which contemplates natural gas pipelines from the MacKenzie Delta/Beaufort Sea area *and* from the Arctic Islands to southern markets—intends to file its application to construct the pipelines with the Canadian National Energy Board during the first half of 1984.

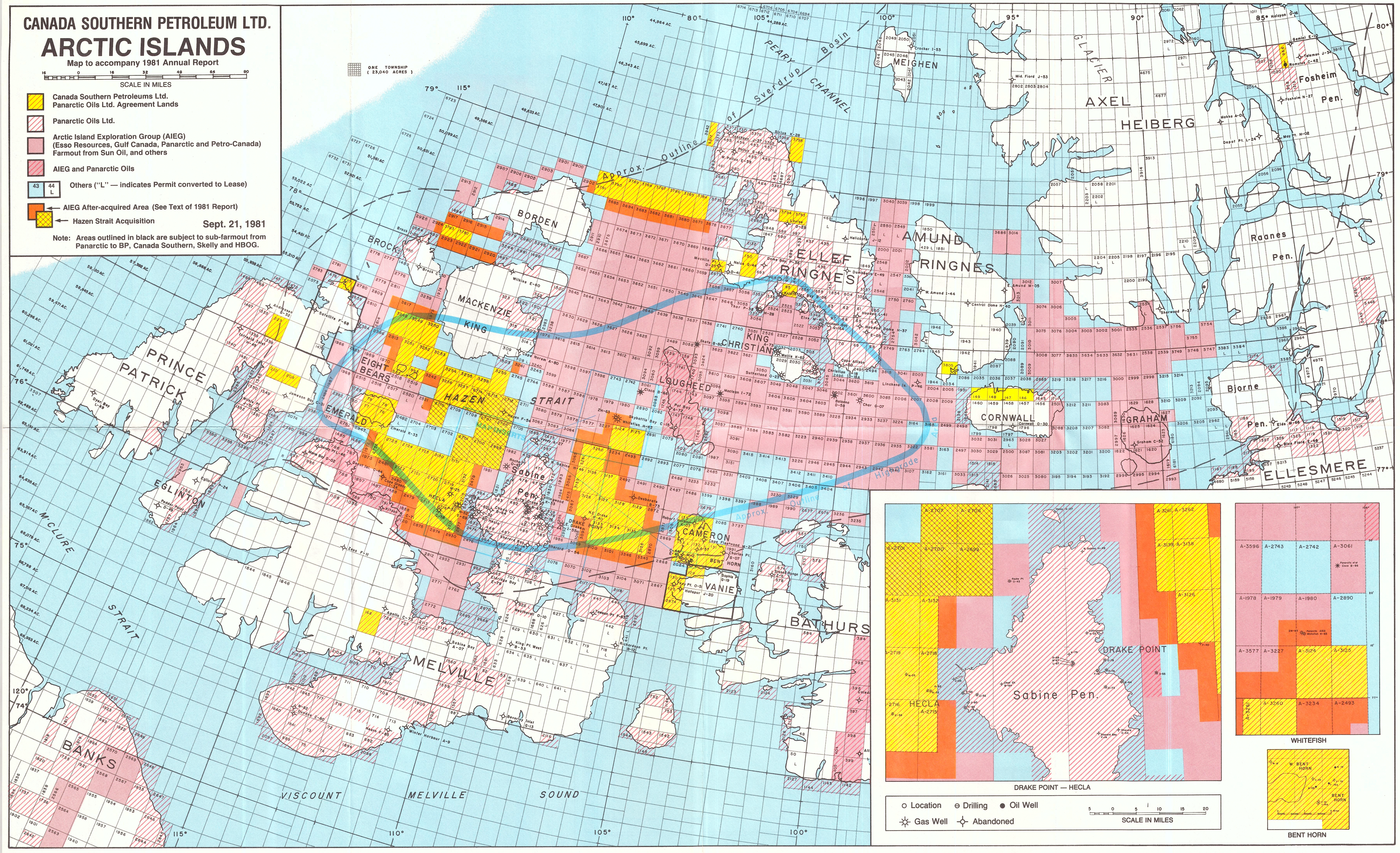
Respectfully submitted

Charles J. Horne

Charles J. Horne
President

Calgary, Alberta
October 15, 1983


HOLDINGS OF
CANADA SOUTHERN PETROLEUM LTD.
IN
NORTHWEST TERRITORIES & N.E. BRITISH COLUMBIA
10 0 10 20 30 40 50 60 70 80 Miles
OCTOBER, 1973
Oil Well
Gas Well
Suspended
Abandoned
Drilling and/or Testing
Location
Oil Field
Gas Field
Oil Pipeline
Gas Pipeline
Gas Pipeline—Proposed/Under Construction
Canada Southern Pete. Interest Lands
LIARD MTNS
YUKON TERRITORY
NORTHWEST TERRITORIES
BRITISH COLUMBIA
ALBERTA
ROCKY
MOUNTAINS
FT. NELSON
FT. ST. JOHN
DAWSON CREEK
WESTCOAST TRANSMISSION
WESTERN PACIFIC PRODUCTS & CRUDE OIL PIPELINE
Pipeline to Vancouver and Northwestern United States.
Joins Trans Mountain Pipeline at Kamloops
CANADA
100 0 200 400 600
Miles
Approximate area of major sedimentary basins of Western Canada & Arctic Regions to depth of 1,200 feet of water.
ARCTIC OCEAN
MAP AREA - ARCTIC ISLANDS
PRUDHOE BAY
ALASKA
YUKON TERRITORY
NORTHWEST TERRITORIES
MAP AREA - N.E. BRITISH COLUMBIA & NORTHWEST TERRITORIES
BRITISH COLUMBIA
ALBERTA
SASKATCHEWAN
MANITOBA
HUDSON BAY
ONTARIO
QUEBEC
NEWFOUNDLAND
N.B.
N.S.
PACIFIC OCEAN
ATLANTIC OCEAN
UNITED STATES OF AMERICA


CANADA SOUTHERN PETROLEUM LTD.
ARCTIC ISLANDS
Map to accompany 1981 Annual Report
SCALE IN MILES
Canada Southern Petroleums Ltd. Panarctic Oils Ltd. Agreement Lands
Panarctic Oils Ltd.
Arctic Island Exploration Group (AIEG) (Esso Resources, Gulf Canada, Panarctic and Petro-Canada) Farmout from Sun Oil, and others
AIEG and Panarctic Oils
Others ("L" — indicates Permit converted to Lease)
AIEG After-acquired Area (See Text of 1981 Report)
Hazen Strait Acquisition
Note: Areas outlined in black are subject to sub-farmout from Panarctic to BP, Canada Southern, Skelly and HBOG.
Sept. 21, 1981
ONE TOWNSHIP (23,040 ACRES)
PRINCE PATRICK
EGLINTON
EMERALD
EIGHT BEARS
BROCK
BORDEN
MACKENZIE KING
HAZEN STRAIT
LOUGHEED
KING CHRISTIAN
ELLEF RINGNES
AMUND RINGNES
MEIGHEN
AXEL HEIBERG
CORNWALL
GRAHAM
Bjorne Pen.
Raanes Pen.
Fosheim Pen.
ELLESMERE
Sabine Pen.
CAMERON
VANIER
BATHURST
MELVILLE
BANKS
M'CLURE STRAIT
VISCOUNT MELVILLE SOUND
PEARY Basin
SVERDRUP CHANNEL
Approx. Outline of Sverdrup Basin
DRAKE POINT — HECLA
WHITEFISH
BENT HORN
Location
Drilling
Oil Well
Gas Well
Abandoned
SCALE IN MILES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant To Section 13 Or 15(d)
Of The Securities Exchange Act Of 1934

For The Fiscal Year Ended June 30, 1983 — Commission File Number 1-2793

CANADA SOUTHERN PETROLEUM LTD.

(Exact name of registrant as specified in its charter)

Nova Scotia, Canada (State or other jurisdiction of incorporation or organization)	None (I.R.S. Employer Identification No.)
505 Eighth Avenue, S.W. Calgary, Alberta, Canada (Address of principal executive offices)	T2P 1G2 (Zip Code)

(403) 269-7741
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) Of The Act:

Title of each class	Name of each exchange on which registered
Capital Stock of Canada Southern Petroleum Ltd., par value $1 per share	Boston Stock Exchange Pacific Stock Exchange Toronto Stock Exchange

Securities Registered Pursuant to Section 12(g) Of The Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to the filing requirements for the past 90 days. Yes X. No __.

The aggregate market value of the voting stock held by non-affiliates of the registrant was $43,661,624 at September 1, 1983.

(Applicable Only To Corporate Registrants)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Capital Stock, par value $1.00 per share, 8,992,465 outstanding as of September 1, 1983.

Documents Incorporated By Reference

None

Unless otherwise indicated, all dollar figures set forth are expressed in Canadian currency.

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PART I

Item 1. Business.

The nature of Canada Southern Petroleum Ltd.'s (the Company) business is described at Item 1(c) herein, and a description of its interests in Canada and Australia appears in Item 2 herein.

(a) General Development of Business.

NORTHWEST TERRITORIES-THE KOTANEELEE FIELD

On March 15, 1982, Columbia Gas Development of Canada, Ltd.(Columbia Canada), as operator of the Kotaneelee field, Westcoast Transmission Company Ltd. (Westcoast), and Pan-Alberta Gas Ltd. jointly announced a new contract for the sale of natural gas from western Canada to Texas Gas Transmission Corp. of Owensboro, Kentucky. This contract involves a quantity of 101.2 million cubic feet (MMcf) per day (36.5 billion cubic feet per year) for a term of 15 years. Approximately one-half of this gas will be provided by the Kotaneelee field, in which the Company has a 30 percent carried interest*. When deliveries begin, the Company will be credited with 30 percent of the gross revenues until a like percent of the working interest costs, exclusive of any interest expense, are recovered by the operator; following which 30 percent of gross revenues less 30 percent of current working interest costs will be paid to the Company. Columbia Canada, the operator for the field, had development expenses of approximately $47,000,000 at June 30, 1983. The current export price of the gas is $4.40 (U.S.) per thousand cubic feet at the border for the first 50 percent of the full contract volumes, and until October 1984 volumes of gas in excess of that level are priced at $3.40 (U.S.) per mcf. It is expected that the Company will begin to receive proceeds from Kotaneelee gas within two years after commencement of production from the field assuming a graduated build-up to full production. As described hereafter, the commencement of production of Kotaneelee gas is contingent upon certain approvals being granted by U.S. authorities to import the gas. At the present time, the Company is unable to predict when the requisite approvals will be forthcoming.

Columbia Canada, as operator, submitted a request to the National Energy Board of Canada (NEB), under the Phase I hearings, to amend the existing Columbia Canada export license GL-54 by adding Monchy, Saskatchewan, located on the Canada-U.S. border, as a delivery point for the export of 10 MMcf per day, which has been previously approved under the export license. The NEB approved the sale of Phase I volumes at Monchy which could have commenced on or about November 1, 1982.

The NEB's Phase II hearing commenced on July 13, 1982. Columbia's application requesting amendments to License GL-54 to provide for an increase of the export volume by 41.2 MMcf per day, making the maximum export volume 51.2 MMcf per day from Kotaneelee, was approved March 31, 1983. Also, an extension of the term of the NEB License from December 31, 1987 to October 31, 1992 was approved.

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* "Carried interest" - The right to participate in oil and gas production gross revenues derived from a given well or field after payout of exploration, drilling, completion and operating expenses to the party bearing these costs.

Texas Gas Transmission Corporation filed an application with the Federal Energy Regulatory Commission (FERC) as "Phase I" on July 7, 1982 for authorization to import up to 55 MMcf per day from Canada at Monchy, Saskatchewan. This volume of 55 MMcf would be made up of the 10 MMcf per day from Columbia's License GL-54 and 45 MMcf per day from Westcoast's License GL-41. On July 14, 1982 Texas Gas filed an application with FERC as Phase II requesting authorization to import additional volumes, totalling approximately 46.2 MMcf per day, pursuant to the Columbia and Westcoast contracts. The volume of 46.2 MMcf would be made up of 41.2 MMcf per day from Columbia's amended License GL-54 and 5 MMcf per day from Westcoast's amended License GL-41. The total volume of natural gas awaiting import authorization by FERC is 101.2 MMcf per day which is made up of 51.2 MMcf from Columbia's License GL-54 and 50 MMcf from Westcoast's License GL-41.

No hearings on this application have been scheduled and it is not presently determinable when such hearings may take place. The potential demand in the United States for Canadian gas has been reduced during the last three years because of gas surpluses in some areas of the United States. These surpluses, together with the relatively high cost of Canadian gas, may cause further delays in the importation of gas from the Kotaneelee field into the United States.

OTHER NORTHWEST TERRITORIES PROPERTIES

Under the Canada Oil and Gas Act (COGA), enacted into law on March 5, 1982, all companies holding interests in Canada Lands, which include the Yukon and Northwest Territories and all offshore areas under the jurisdiction of the Federal Government, will generally be required to renegotiate their present agreements with the Government. The new agreements, called "Exploration Agreements" (EA), will have a maximum duration of five years, renegotiable for a further five years, and companies will generally be required to drill at least one well under each agreement and to return 50% of the lands held under each agreement to the Federal Government at the end of the five year period. The Federal Government has a right to a net carried interest of 25% in all Canada Lands. Prior to the production of any well, a production license must be obtained and will be granted only if the production ownership is at least 50% Canadian.

As a result of COGA, most of the Company's carried interests in these properties will now be working interests*, except for the Kotaneelee gas field. Prior to a farmout agreement with Northcor Energy Ltd., the Company, Amoco, Canadian Superior, Columbia Gas, Dome, Esso and Gulf pooled their interests in the Celibeta Bovie Area, N.W.T. As a result of the pooling, the Company has a 15.5664% working interest in 676,248 gross acres or 105,267 net acres. The Company's interest originated from 93,690 gross acres or 40,993 net acres. The Company's interest is subject to a 50% interest to be earned by Northcor by drilling a well, and certain royalties. The Company also has a 45% working interest in an additional 1,594 gross acres surrounding the Celibeta discovery well.

The Company has a 6.69483% pooled working interest in 254,454 gross acres (17,035 net acres) and a 22.5% carried interest in 16,628 gross acres in the Island River area. The pooled lands are subject to an exploration agreement under which Northcor Energy Ltd. has agreed to conduct 200 miles of seismic work and drill a well during the period 1982-1986 in exchange for a 50% working interest in the acreage.

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* "Working interest" - An operating interest under an oil and gas lease.

The Company retains a 22.5% carried interest in 84,540 gross (19,021 net acres) in the Trout Lake area.

ARCTIC ISLANDS

With the passage of COGA and with more than 70 companies holding varying interests scattered throughout the Arctic Islands, it would be difficult for individual companies to negotiate Exploration Agreements (EAs). In view of the fact that Panarctic was the only party actively operating in the Arctic Islands, several parties holding interests in this area requested Panarctic to act as Operator. Panarctic's agreement to assume the Operatorship was conditional upon a new operating agreement being entered into which would supersede the existing Agreements that pertain to physical operations. On behalf of all the Arctic Island Interest Owners, Panarctic agreed to negotiate with the Canada Oil and Gas Lands Administration (COGLA) officials to establish the terms and conditions of the Arctic Islands EAs. Before the EAs were established many of the interest holders elected to upgrade their holdings by surrendering certain former Permits. Canada Southern surrendered its working interest in some 416,280 gross acres (13,486 net acres) as well as 503,916 gross acres (139,807 net acres) of carried interest lands.

In 1982 Panarctic, on behalf of itself and 66 other companies, negotiated 13 EAs relating to offshore interests and 7 EAs relating to onshore interests, covering over 35 million acres, and at the same time negotiated a series of 20 Operating Agreements, one for each EA area. Canada Southern has working and carried interests in six EAs offshore and in one EA onshore; also a carried interest in three EAs onshore.

The exploration agreements call for 17 wells to be drilled offshore and eight wells onshore, over the five year term of the agreements, to earn the right to retain 50% of the lands explored. Panarctic has four rigs available to drill offshore using their ice platform drilling technique and one rig for drilling deep tests on land capable of drilling 24,000 feet.

Possible Marketing of Production

The Arctic Pilot Project (APP) to market liquefied natural gas transported by ice-breaker tankers is identifying world markets while the Canadian National Energy Board (NEB) hearings are temporarily adjourned. At the present time further hearings have not been scheduled.

The Polar Gas Project (to transport natural gas by pipeline from the Mackenzie Delta/Beaufort Sea area and from the Arctic Islands area to southern markets) announced earlier in 1983 that an application would be made to the NEB for approval to construct the pipeline. However, the application has been delayed until 1984 when gas markets and prices in the U.S. have stabilized. The current plan is to file an application with the NEB in the first half of 1984.

AUSTRALIA

The Company has a minor participation in a five year exploration program, which began in 1980, in the Amadeus Basin in the Northern Territory of Australia. To date, six wells have been drilled, of which two have been completed as shut-in gas wells and the others were dry holes.

(b) Financial Information about Industry Segments.

Since the Company is engaged in only one industry, oil and gas exploration and development, this item is not applicable to the Company. See Item 8 for general financial information concerning the Company.

(c) (1) Narrative Description of the Business.

The Company was incorporated in 1954 under the Canada Corporations Act. In October 1979, it became subject to the Canadian Business Corporations Act and, effective June 4, 1980, was continued under the Nova Scotia Companies Act. It is engaged in the exploration for and development of properties containing or believed to contain recoverable oil and gas reserves. At present, many of the properties in which the Company has interests are undeveloped. These interests are in exploratory ventures on properties located in the Northwest Territories and the Arctic Islands in Canada, and the Northern Territory of Australia. The Company also has interests in producing properties in Alberta, British Columbia and the Yukon Territory. Most of this acreage is covered by carried interest agreements, which provide that revenues are not payable to the Company until expenditures by the carrying partners have been recouped from production, and that operating decisions are made by the carrying partners. The Company may, at any time, as to each block or economic unit, elect to convert from a carried interest position to a working interest position by paying its share of the unrecouped expenditures for the unit, i.e., expenditures not recouped from production revenues. At June 30, 1983, unrecouped expenditures (which equal the amounts the Company would be required to pay to convert its carried interests in British Columbia and the Yukon and Northwest Territories to working interests) were as follows:

British Columbia:	
Ex-permit 149	$ 3,117,203
Yukon and Northwest Territories:	
Ex-permits 1007 (Kotaneelee), 1132, 1133	13,351,536
Ex-permits 1136, 2713, 1153	321,418
Ex-permits 1149, 1156	543,911

Two blocks, in which the Company's interest is 27.75%, have reached pay-out status, resulting in revenues to the Company from these blocks of $1,036,908, $830,519 and $1,295,527 for the fiscal years ended June 30, 1981, 1982 and 1983, respectively.

(i) Principal Products.

Although many of the Company's interests are carried interests in undeveloped properties, the Company also has interests in the production of limited quantities of crude oil, natural gas and natural gas liquids.

(ii) Status of Product or Segment.

At present, many of the properties in which the Company has interests are undeveloped and/or nonproducing.

(iii) Raw Materials.

Not applicable.

(iv) Patents, Licenses, Franchises and Concessions Held.

Permits and concessions are important to the Company's operations, since they allow the search for and extraction of any oil, gas and minerals discovered on the areas covered. See the detailed schedule of properties under Item 2, "Properties."

(v) Seasonality of Business.

The Company's business is not seasonal.

(vi) Working Capital Items.

At June 30, 1983, the Company had negative working capital in the amount of $122,864. See the Consolidated Balance Sheet under Item 8 and "Liquidity and Capital Resources", Item 7(1).

(vii) Customers.

Not applicable.

(viii) Backlog.

Not applicable.

(ix) Renegotiation of Profits or Termination of Contracts or Subcontracts at the Election of the Government.

Not applicable.

(x) Competitive Conditions in the Business.

The exploration for and production of oil and gas are highly competitive operations, both internally within the oil and gas industry and externally with producers of other types of energy. The ability to exploit a discovery of oil or gas is dependent upon considerations such as the ability to finance development costs, the availability of equipment, and engineering and construction delays and difficulties. The Company must compete with major companies which have substantially greater resources available to them. Because the majority of Company interests are in remote areas, transportation of oil and gas is much more difficult and costly.

Furthermore, competitive conditions may be substantially affected by various forms of energy legislation currently being considered in the United States and Canada; however, it is not possible to predict the nature of any such legislation which may ultimately be adopted or its effects upon the future operations of the Company. For a discussion of Canadian governmental regulation of the petroleum industry, see Item 1(d) (2), "Risks Attendant to Foreign Operations".

(2) (xi) Research and Development.

Not applicable.

(xii) Environmental Regulation.

Environmental laws and regulations of the jurisdictions in which the Company carries on business have a significant impact on the exploration for and development of natural resources by the Company. To date, the Company has not been required to spend significant sums to comply with environmental laws and regulations. If the Company, however, should decide to convert certain carried interest properties to working interest properties, and such working interest properties reach the stage of commercial development, the Company may be required to make substantial outlays to comply with such environmental laws and regulations. The additional changes in operating procedures and expenditures required to comply with future laws dealing with the protection of the environment cannot be predicted.

(xiii) Number of Persons Employed by Company.

The Company currently employs 5 persons, all of whom are located in Canada. The Company also relies to a great extent on consultants for legal, accounting and administrative services.

(d) Financial Information about Foreign and Domestic Operations and Export Sales.

(1) Identifiable Assets.

	6/30/81	6/30/82	6/30/83
Canada	$9,869,206	$10,215,390	$10,091,103
Australia	123,504	132,423	136,925
Total	$9,992,710	$10,347,813	$10,228,028

All of the Company's revenues are attributable to its operations in Canada. See the financial statements of the Company at Item 8 herein. The balance of the information required under this paragraph is not applicable to the Company.

(2) Risks Attendant to Foreign Operations.

The properties in which the Company has interests are located outside the United States and are subject to certain risks involved in the ownership and development of such foreign property interests. These risks include but are not limited to those of: nationalization; expropriation; confiscatory taxation; changes in foreign exchange controls; currency revaluation; unrealistic royalty terms; export sales restrictions; limitations on the transfer of interests in exploration licenses; and other laws and regulations which may adversely affect the Company's properties, such as those providing for conversion, proration, curtailment, cessation or other forms of limiting or controlling production of, or exploration for, hydrocarbons. Thus, an investment in the Company represents a speculation with risks in addition to those inherent in domestic petroleum exploratory ventures.

The production, sale and export of oil and natural gas in and from Canada and its provinces is regulated by the Federal and provincial governments. The mineral rights in Canada Lands (Federal lands and offshore Canada) and most of the mineral rights in Alberta, British Columbia and Saskatchewan are owned respectively by the Federal and provincial governments and are subject to various regulations governing petroleum and natural gas exploration on, and production from, such lands.

In October 1980, the Canadian Federal Government introduced the National Energy Program ("NEP") providing for increases in the price of crude oil in stages over several years so that the price of domestic crude oil would not exceed 85% of the lesser of the international price or the average price of oil in the United States. In the case of natural gas, the Federal Government proposed to establish a defined price which, after January 31, 1982, would rise with increases in the wellhead price of oil. A stated objective of the NEP is to reduce the rate of escalation of the price of natural gas relative to the price of oil in order to encourage a shift from the use of oil to the use of natural gas.

The NEP included a federal tax on the sale of all natural gas and gas liquids produced in Canada, initially \$0.30 per thousand cubic feet (mcf.), and increasing to \$0.75 per mcf. by January 1, 1983. In addition, the updated NEP created a Petroleum and Gas Revenue Tax (PGRT), effective January 1, 1981, of 8% (16% effective January 1, 1982) on net operating revenues from production of oil and gas in Canada and on royalties which are computed by reference to the amount or value of oil and natural gas production. In computing revenues which are subject to the tax, no deduction is permitted for depletion, depreciation, exploration or development expenses, interest or other financial expenses, inventory and resource allowances, research expenses, and any government royalties, taxes, lease rentals or bonus payments.

On September 24, 1981, the Federal Government and the Government of British Columbia entered an agreement (the "Agreement") relating to energy pricing and taxation in respect of oil and gas produced in British Columbia for the period ending December 31, 1986. This is one of three agreements with each of the Western producing provinces regulating taxes and prices. Under the Agreement, the governments of Canada and British Columbia have agreed not to introduce additional taxes, royalties or levies on the petroleum and natural gas producing industry except as set out in the Agreement. The Agreement recognizes a two-tier pricing arrangement for oil under which the wellhead price per barrel for old oil will increase incrementally from \$21.25 to \$57.75 and for new oil from \$45.92 to \$77.48. Old oil is defined as oil recovered from a pool initially discovered prior to January 1, 1981. New oil is defined as conventional oil from pools initially discovered after December 31, 1980 and incremental oil recovered from pools subject to enhanced recovery schemes (other than waterflood projects) commencing after December 31, 1980. The Agreement provides a ceiling on new oil prices by restricting them to a maximum of 100% of the average cost of imported crude oil. Although no price schedule was established for natural gas, British Columbia will be allowed to adjust prices to insure that producer netbacks will encourage industry activity.

The Federal Government levies a Natural Gas and Gas Liquids Tax on domestic natural gas and liquids and it establishes the Tax at a level which will ensure that the wholesale price of natural gas is effectively at a value equivalent to 65% of the average price of crude oil. During the term of the Agreement, the Tax will not be applied on exports of natural gas from British Columbia.

On May 31, 1982, the Federal Government introduced certain changes to the NEP. Some of the more important changes included: (a) the PGRT was reduced from 16% to 14.67% between June 1, 1982 and May 31, 1983 on both production and royalty revenue; the rate increased back to 16% after May 31, 1983; (b) the Federal Government would provide an annual credit of up to $250,000 to corporate producers to offset PGRT on production revenue after May 31, 1982; (c) the Incremental Oil Revenue Tax equal to 50% on the incremental revenues between the actual revenue received by a person with an interest in production and the revenue which would have been received under the price schedule set forth in the NEP, was suspended between June 1, 1982 and May 31, 1983. The Federal Budget of April 19, 1983 further suspended the Incremental Oil Revenue Tax to May 31, 1984.

The NEP in its present form also includes revisions to the rules respecting earned depletion allowance, new forms of taxes and incentives and a program of graduated incentive payments for entities which have certain Canadian ownership rates as defined by the NEP. The Company has determined that its Canadian ownership rate is less than 50%. At this rate of Canadian ownership, the Company is entitled to receive payments under the Petroleum Incentive Program at an amount equal to 25% of qualifying exploration expenditures in the areas known as the "Canada Lands". Generally speaking, the "Canada Lands" comprise the areas of Canada north of the 60th parallel and those offshore all coasts of Canada. To date, approximately $130,000 has been received by the Company under the Petroleum Incentive Program.

See page 4 for a discussion of the Canada Oil and Gas Act which affects all Company lands in Canada exclusive of those in British Columbia and Saskatchewan.

(3) Data Which Are not Indicative of Current or Future Operations.

Not applicable.

Item 2. Properties.

(a) Substantially all of the Company's interests are in the form of carried interests, interests convertible to working or overriding royalty interests,* and net profits interests. These interests are in exploratory ventures in properties located in the Northwest Territories and the Arctic Islands in Canada, and the Northern Territory of Australia. The Company also has interests in producing properties in Alberta, British Columbia and the Yukon Territory. Geophysical, geological and drilling work on the Company's properties is conducted by the operators under various agreements with the Company. The results of this work are reviewed by Company technical personnel and consultants retained by the Company.

The properties in Australia in which the Company has an interest are undeveloped and nonproducing, and the Company has not incurred significant costs in connection with these properties. All of the information contained in paragraphs (b) (1) through (b) (8), below, applies to the Company's Canadian properties.

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* "overriding royalty" - A fractional interest in the gross production of oil, gas and minerals under a lease, in addition to the usual royalties paid to the lessor, free of any expense for exploration, drilling, development, operating, marketing and other costs incident to the production and sale of oil and gas produced from the lease.

(b) Oil and Gas Operations

The following information has been supplied in compliance with regulations prescribed by the SEC. However, current reserve, production and cost estimates are subject to rapid and unanticipated change. Therefore, these estimates may not accurately reflect future net income to the Company.

The Company has no proved oil and gas reserves in Australia that require disclosure under SEC regulations and no revenues from oil and gas production in that country. All amounts below except for costs, acreage, wells drilled and present activities relate to Canada. Oil and gas reserve data and the information relating to cash flows was provided by D & S Petroleum Consultants (1974) Ltd.

(1.) Estimated net quantities of proved oil and gas reserves:

	Oil (bbls)	Gas (bcf)
Proved reserves:		
June 30, 1980	722,390	64.128
Revisions of previous estimates	(73,660)	(1.144)
Production	(68,681)	(1.540)
June 30, 1981	580,049	61.444
Revisions of previous estimates	75,585	3.607
Extensions, discoveries and other additions	3,564	1.357
Production	(62,353)	(1.373)
June 30, 1982	596,845	65.035
Revisions of previous estimates	29,184	2.343
Production	(63,425)	(1.375)
June 30, 1983	562,604	66.003
Proved developed reserves:		
June 30, 1980	679,740	54.070
June 30, 1981	580,049	61.444
June 30, 1982	596,845	65.035
June 30, 1983	562,604	66.003

(2.) Costs of oil and gas activities*:

	1983	1982	1981
Property acquisition - unproved	$ -	$959,412	$ -
Exploration	339,778	520,191	140,306
Development	2,318	2,624	24,536

* These exclude costs relating to carried interests.

(2.a) Average Sales Price Per Unit and Average Production Costs for Oil and Gas Produced during the Last Three Years.

Year Ended June 30,	Average Sales Price Oil (per bbl.)	Average Sales Price Gas (per mcf.)	Average Production Costs Oil (per bbl.)	Average Production Costs Gas (per mcf.)
1981	$16.11	$1.02	$4.60	$.23
1982	$21.36	$1.52	$5.46	$.30
1983	$27.15	$1.27	$4.35	$.31

(3.) Results of oil and gas operations:

	1983	1982	1981
Income:			
Proceeds under carried interest agreements	$1,498,678	$ 920,452	$1,137,513
Oil and gas sales	174,695	293,045	244,010
	1,673,373	1,213,497	1,381,523
Costs and expenses:			
Production costs			
- lifting costs	60,031	71,393	69,071
- wellhead taxes	219,648	135,064	54,480
Depletion and depreciation	118,081	233,858	231,338
Income tax expense*	-	-	-
	397,760	440,315	354,889
Results of oil and gas operations from producing activities	$1,275,613	$ 773,182	$1,026,634

* For the purpose of preparing this table only, the Company considered that it realized tax benefits of $729,687, $443,224 and $527,584, respectively, during the years ended June 30, 1983, 1982 and 1981, from carryforward of exploration, development and lease acquisition costs not claimed in prior years.

(4.) Standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities during the three years ended June 30.

	(In thousands of dollars) 1983	1982	1981
Future cash inflows	$ 220,159	$ 261,590	$ 243,156
Future development and production costs	(43,567)	(46,727)	(34,055)
	176,592	214,863	209,101
Future income tax expense	(72,907)	(79,645)	(78,241)
Future net cash flows	103,685	135,218	130,860
10% annual discount	(60,271)	(68,523)	(66,315)
Standardized measures of discounted future net cash flows	$ 43,414	$ 66,695	$ 64,545

Current prices used in the foregoing estimations were based upon selling prices at the wellhead in June, 1983. Current costs were based upon estimates made by consulting engineers in June, 1983. Values are predicated upon timely approval by U.S. authorities of import of gas from the Kotaneelee field. The amounts of estimated future net revenues by years is significantly different from previous projections because of unanticipated delays in receiving approval by United States authorities for the importation of Kotaneelee gas. The above amounts were calculated based upon a start-up date of November 1, 1985 for sales of Kotaneelee gas, but the Company has no assurance that that target date will be met.

(5.) Changes in the standardized measure during the year (Information for 1981 is not available):

	(In thousands of dollars) 1983	1982
Changes due to:		
(Prices		
Production costs		
Development costs)	$(28,110)	$ (10,240)
Sales net of production costs	(1,394)	(1,007)
Extensions, discoveries and improved recovery less related costs	-	4,872
Development costs incurred during the year	2	3
Revisions of previous quantity estimates	5,335	9,054
Accretion of discount	(7,723)	1,075
Net change in income taxes	8,609	(1,607)
Other	-	-
Net change	$(23,281)	$ 2,150

* The export price, $4.94 (U.S.) in 1982, has been reduced as discussed in Item 1(a).
** This negative accretion is due principally to the change in the assumed start-up date for Kotaneelee production: April 1,1983 was used in fiscal 1982, November 1, 1985 was used in fiscal 1983.

(6.) Estimates of Reserves Reported to Other Agencies.

Not applicable.

(7.) Net Quantities of Oil and Gas Produced during Last Three Years.

Net quantities of oil and gas produced from properties in Canada in which the Company has interests, after deduction of royalties, for each of the last three fiscal years, are as set forth below:

Year Ended June 30,	Working Interest Properties: Oil (bbls.)	Gas (bcf.)	Carried Interest Properties Oil (bbls.)	Gas (bcf.)
1981	2,247	.230	66,434	1.310
1982	705	.208	61,648	1.165
1983	179	.150	63,246	1.225

(8.) Productive Wells and Acreage as of June 30, 1983.

Gross Wells Oil	Gas	Net Wells Oil	Gas
43	64	10.58	11.70

Gross and Net Developed Acres

	Gross Acres	Net Acres
Alberta	640	40
British Columbia	43,255	7,151
Yukon Territory	3,350	1,005

(9.) Gross and Net Undeveloped Acreage.

Except for its producing properties in Alberta, British Columbia and the Yukon Territory, the Company's interests are in undeveloped acreage in Canada and Australia. Total gross undeveloped acreage is 9,027,175 and the total net undeveloped acreage is 965,106.

Total developed and undeveloped acreage in which the Company has interests is summarized by geographic area in the table below:

Gross and Net Petroleum Acreage as of June 30, 1983

	Gross Acreage in which Interest is Held	Net Acreage Held Under Lease	Held Under Permit	Total
Canada				
British Columbia				
Carried Interests	183,428	27,918	-	27,918
Working Interests	40,826	7,097	-	7,097
Overriding Royalty Interests	6,230	422	-	422
Total British Columbia	230,484	35,437		35,437
Alberta				
Working Interests	640	40	-	40
Yukon & Northwest Territories				
Carried Interests	133,053	-	32,329	32,329
Working Interests	932,296	-	123,019	123,019
Total Yukon & Northwest Territories	1,065,349	-	155,348	155,348
Arctic Islands (see table below.)				
Panarctic Agreements				
Carried Interests	3,098,757	-	701,551	701,551
Working Interests	1,596,889	-	73,736	73,736
Other	30,937	-	5,216	5,216
Total Arctic Islands	4,726,583		780,503	780,503
Total Canada	6,023,056	35,477	935,851	971,328
Australia	3,051,364	-	1,974	1,974
TOTAL	9,074,420	35,477	937,825	973,302

Pursuant to agreements entered into in June, 1966, as amended, and January, 1972, the Company placed its acreage in the Canadian Arctic in a program conducted by Panarctic Oils Ltd. ("Panarctic"), a consortium consisting of the Canadian Federal Government and various oil and mining companies, which is engaged in an extensive exploration program for oil and gas in the Arctic Archipelago. The acreage subject to the Panarctic agreements and the interest retained by the Company at June 30, 1983 are shown in the following table:

		Interests retained by the Company	
Location	Gross Acres	% Interest	Net Acres
Prince Patrick, Emerald, Vanier, Cameron, Ellef Ringnes	786,685	5 (1)	39,338
Eight Bears	57,168	6	3,430
Ellesmere	22,461	15	3,370
Offshore, Sverdrup Basin	[475,158	27	128,965
	[1,757,285	30 (2)	526,448
Total - Carried Interests	3,098,757		701,551
Offshore, Sverdrup Basin Working Interests			
After Acquired	1,074,249	5.4	58,058
Hazen Strait	522,640	3.0	15,678
Total - Working Interests	1,596,889		73,736

---

(1) Does not include the Company's additional interest acquired under a sub-farmout agreement covering permits on Vanier Island.

(2) Area divided into six blocks, each converted to 30.0% carried interest, which may be reconverted to 30.0% working interest at the Company's option.

(10.) Wells Drilled (all exploratory wells).

	Gross		Net	
	Productive	Dry	Productive	Dry
1981	2	3	.39	.46
1982	7	6	.74	.70
1983	-	5	--	.64

(11.) Present Activities.

The only well being drilled on Company-interest properties as of June 30, 1983 was an exploratory well in Australia.

(12.) Delivery Commitments.

None.

Item 3. Legal Proceedings.

Settlement of SEC Civil Action

On November 2, 1981 the Securities and Exchange Commission (the Commission) filed a civil action (No. 81-2640) in the United States District Court for the District of Columbia against the Company, John W. Buckley, a director and former President and Chairman of the Company, Benjamin W. Heath, a director of the Company, C. Dean Reasoner, special counsel to the Company, and four other companies with which Messrs. Heath, Reasoner and Buckley have been affiliated (The Catawba Corporation (Catawba), Coastal Caribbean Oils & Minerals, Ltd., Magellan Petroleum Corporation and Pantepec International, Inc.). On the same date, all the defendants in the action, without admitting or denying the Commission's allegations, entered into consent agreements for the purpose of settling the litigation.

The Commission's complaint alleged that Catawba, a privately held corporation, provided management services to the corporate defendants from early in the 1950's until May 1978 during which time Messrs. Buckley, Reasoner and Heath were the principal operating directors of Catawba and beneficial owners of minority interests of Catawba. Catawba was principally owned by the family of the late William F. Buckley, Mr. John W. Buckley's father. Mr. Heath was a son-in-law of William F. Buckley, and Mr. Heath's family was the beneficial owner of a minority interest in Catawba. The complaint alleged that certain filings made by the above corporate defendants under the Securities Exchange Act of 1934 and the Securities Act of 1933 were materially inadequate and incomplete concerning transactions which accrued to the benefit of Catawba and its shareholders. With respect to the Company, the Commission's complaint included allegations that inaccurate and misleading disclosures were made in filings with the Commission concerning the fees paid to Catawba, royalty payments to Catawba shareholders and various transactions relating to Borealis Exploration Limited (Borealis), a Canadian mining company in which the Company and Catawba had financial interests. With respect to Catawba, the Commission alleged that the Company did not disclose that Catawba billings to the Company and other Catawba clients were calculated to cover costs unrelated to Catawba's servicing of the Company, in addition to a profit.

Pursuant to the settlement agreement, the defendants consented to an injunction against violations of the federal securities laws and certain other equitable relief. Under the Consent, the Company established a Special Committee of the Board of Directors to conduct a full investigation into the relationship between the Company and Catawba, agreements between the Company and Catawba, conflicts of interest between the Company and any of its officers or directors, fees paid to Catawba by the Company; royalty interests granted by the Company to Catawba, its shareholders, or nominees, options granted by the Company to Catawba, the Company's investment in and agreements involving Borealis Exploration Limited; and to take such action as it deemed appropriate following its investigation. The Special Committee is composed of Messrs. Bush and Donlon. The Special Committee engaged independent counsel to assist it in the investigation and was authorized to institute and conduct any legal proceeding or take such action as it deemed appropriate during the course of the investigation.

Under the Consent, the Company also established a Transaction Review Committee of the Board of Directors which will review the terms and conditions of any transactions which the Company proposes to enter into after November 2, 1981 with any officer or director of the Company, with any member of his or her family or with any entity or organization in which one or more officers or directors of the Company has or proposes to have a direct or indirect material interest. The Company agreed in the Consent that it will not enter into any such transaction unless a majority of the members of the Transaction Review Committee determine that the terms and conditions of such transaction are fair to the Company and to its stockholders. The Transaction Review Committee is composed of Messrs. Bush and Donlon and is authorized to retain at the Company's expense any legal counsel or other experts necessary to fulfill its responsibilities.

As part of the settlement agreement with the Commission, Catawba's shareholder-assignees, except for Mr. Heath and Mr. Reasoner, have agreed to relinquish claims to royalties from United Canso Oil & Gas Ltd. (United Canso) and the Company aggregating $500,000 (U.S.) and $100,000 (U.S.) respectively. Mr. Heath and Mr. Reasoner have agreed to comply with an escrow agreement they executed, pursuant to which they each paid $22,500 (U.S.) in cash into an account, which money either will be distributed to satisfy claims alleged by United Canso against Mr. Heath and Mr. Reasoner and others in a pending civil action in Connecticut or, under certain circumstances, to one or more of the following corporations -- the Company, Coastal Caribbean Oils & Minerals, Ltd., Magellan Petroleum Corporation, Pantepec International, Inc. and United Canso. Messrs. Buckley, Heath and Reasoner have undertaken that they will not become officers or directors of Catawba.

Report of Special Committee

On January 21, 1983, the Company filed the Report of the Special Committee (the Report) with the Commission on Form 8-K. The Special Committee reached certain conclusions and made certain recommendations in light of its investigation. Several of those conclusions and recommendations are summarized below for convenience; however, this summary does not purport to be complete. Reference is made to the copy of the Report incorporated in Form 8-K by reference. The following is qualified in its entirety by such reference.

CONCLUSIONS

Relationship with Catawba

1. A court "likely would find that Catawba and the key Catawba personnel were controlling persons of the [Company] until May 1978 and that the [Company] should have made a disclosure to that effect in [its] SEC filings."

2. Catawba's relationship with the Company and the other companies which Catawba served exposed key Catawba personnel to many potential, latent and actual conflicts of interest.

3. Key Catawba personnel appeared to be "motivated to advance what they perceived to be the best interests of the [Company]," and the Special Committee found no evidence that key Catawba personnel made "any deliberate attempt to sacrifice [the Company's] interests for personal benefit or for the benefit of another company."

4. The Company should have "established and followed more stringent procedures for identifying, policing, and disclosing to the investing public the actual and potential conflicts of interest which resulted" from its relationship with Catawba and its key personnel.

5. The Special Committee was unable to conclude that the Company suffered "any demonstrable injury from any failure to recognize or properly handle a conflict of interest situation confronted by any of its officers or directors."

6. The Special Committee was unable to conclude "that the total compensation Catawba received from [the Company] during the relevant period was unfair or unreasonable or unjustified."

7. Catawba should have given fuller, more precise and more accurate information about its fee system to the board of directors of the Company.

8. The statement that Catawba's fees were calculated on a "time devoted" basis was imprecise and possibly was misleading; however information regarding the calculation and method of payment of Catawba's fees was not material information requiring disclosure in the Company's SEC disclosure documents.

9. The Company's SEC disclosure documents should have included discussions of royalties granted by the Company to officers, directors and Catawba personnel.

Transactions relating to Borealis Exploration Limited

10. The Special Committee concluded that none of the transactions whereby the Company acquired or exchanged interests in Borealis was unfair to the Company.

11. With respect to filings made by the Company with the SEC concerning Borealis from 1969-1978, the Special Committee could not eliminate the possibility that certain omitted disclosures were material, but concluded that it was equally possible that such omissions were not material.

12. The Special Committee reported that they "do not believe that Canada Southern's 1979 10-K and Proxy Materials were materially incomplete or inaccurate with respect to Borealis".

SETTLEMENT OF CLAIMS OF THE COMPANY

Catawba has paid the Company $93,229 (U.S.) in return for a general release from the Company to Catawba and its officers, directors and shareholders with respect to all claims arising out of the matters that were the subjects of the Commission's and the Special Committee's investigations. Coudert Brothers, the Company's U.S. counsel during the period investigated by the Special Committee, without any admission of wrongdoing or liability, have reimbursed $12,500 (U.S.) of the fees paid by the Company in return for a general release from the Company.

The Special Committee concluded that the contributions to the Company of Messrs. Buckley, Heath, and Reasoner outweigh any harm the Company suffered as a result of their participation in the Company's affairs. The Special Committee recommended that no action be taken against any individuals, although it did recommend that the Company apply for distribution from escrow accounts funded by Mr. Heath and Mr. Reasoner, if any amounts remain in those accounts at the conclusion of other litigation not involving the Company.

RECOMMENDATIONS

The Special Committee's general recommendations included the following:

1. Amendment of prior SEC filings by the filing of an appropriate Form 8.

2. Strengthening the management role played by the Board of Directors by, among other things, holding regular quarterly meetings in addition to telephonic meetings, maintaining an Audit Committee and requiring senior management to report to the Board of Directors in a comprehensive manner on any significant proposed activities and transactions.

3. Adopting a statement of corporate policy regarding business ethics and conflicts of interest substantially in the form proposed by the Special Committee.

At its meeting held on May 25, 1983, the Board of Directors adopted the Special Committee's general recommendations with the following modifications:

The Directors "acknowledge that employees of Gherardi & O'Donnell Associates, Inc. have in the past, and are anticipated to, and may, continue to serve in the future as officers of the Company, in addition to rendering accounting and administrative services to the Company. In their capacities as officers and as a matter of corporate policy, such persons shall not independently undertake or authorize action on behalf of the Company, other than in fulfilling routine ministerial duties, and, provided such policy is followed, the service of such persons as officers of the Company should not be considered a conflict of interest."

Paragraph 13(b) of the Company's Articles of Association generally provides for indemnification of directors, officers and former directors and officers for legal and other expenses incurred by such persons in connection with the defense of any action arising by reason of their service as a director or officer of the Company, under specified circumstances. In accordance with these provisions, the legal fees of Mr. Heath, a director of the Company, and Mr. Arthur B. O'Donnell, former Vice President of the Company, incurred to date in connection with the investigation of the Company by the Commission have been reimbursed by the Company. Legal fees paid by the Company to an attorney for such individuals for services performed on behalf of the individuals and the Company since the inception of the Commission's investigation in 1978 have amounted to approximately $42,000 (U.S.). The Company has incurred additional fees to other counsel in connection with the investigation. Messrs. Heath and O'Donnell had given individual undertakings to repay to the Company any fees and expenses paid on their behalf in connection with the investigation, in the event that it was ultimately determined that they were not entitled to indemnification. At a directors' meeting on August 29, 1983, it was determined that the above director and former officer were entitled to indemnification in accordance with Paragraph 13(b) of the Company's Articles of Association.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

Item 5. Market for the Company's Common Stock and Related Stockholder Matters.

(a) Principal Markets.

The Company's capital stock, par value $1.00 per share, is traded on the Boston Stock Exchange, the Pacific Stock Exchange, and The Toronto Stock Exchange.

The quarterly high and low closing prices (in Canadian dollars) on The Toronto Stock Exchange during the last two years were as follows:

1981

	3rd quarter	4th quarter
High	12.25	8.50
Low	5.25	5.50

1982

	1st quarter	2nd quarter	3rd quarter	4th quarter
High	6.37	6.75	5.00	6.50
Low	3.30	4.55	3.75	3.90

1983

	1st quarter	2nd quarter
High	6.00	5.62
Low	3.40	3.45

The quarterly high and low closing prices (in United States dollars) on the Pacific Stock Exchange during the last two years were as follows:

1981

	3rd quarter	4th quarter
High	12 1/4	8 1/2
Low	5 1/4	5 1/2

1982

	1st quarter	2nd quarter	3rd quarter	4th quarter
High	5 1/2	5 1/2	4 1/8	5 1/2
Low	3 1/2	2 13/16	3	3

1983

	1st quarter	2nd quarter
High	4 3/4	4 3/4
Low	2 5/8	2 3/4

(b) Approximate Number of Holders of Capital Stock at August 18, 1983.

Title of Class	Number of Record Holders
Capital stock, par value $1.00 per share.	11,200

(c) Frequency and Amount of Dividends.

The Company has never paid a dividend on its capital stock, and it is not the present intention of the Board of Directors to do so in the forseeable future.

Item 6. Selected Financial Data.

A summary of consolidated selected financial data of the Company is as follows:

	Year ended June 30,				
	1979	1980	1981	1982	1983
Revenues	$ 1,748,897	$ 1,984,950	$ 1,541,866	$1,306,313	$ 1,846,292
Net income (loss)	$ 394,474	$ 534,911	$ (250,125)	$ (515,106)	$ 455,412
Net income (loss) per share	$ .04*	$ .06*	$ (.03)	$ (.06)	$ .05*
Working capital (deficit)	$ 821,112	$ 1,286,593	$ 1,386,841	$ (365,641)	$ (122,864)
Total assets	$ 9,240,218	$ 9,903,787	$ 9,992,710	$10,347,813	$10,228,028
Average number of outstanding shares	8,873,619	8,904,427	8,971,234	8,992,465	8,992,465
Stockholders' Equity:					
Capital stock	$ 8,883,465	$ 8,937,965	$ 8,992,465	$ 8,992,465	$ 8,992,465
Capital in excess of par value	14,562,294	14,764,543	14,982,543	14,982,543	14,982,543
Accumulated deficit	(14,551,167)	(14,016,256)	(14,266,381)	(14,781,487)	(14,326,075)
	$ 8,894,592	$ 9,686,252	$ 9,708,627	$ 9,193,521	$ 9,648,933

* Includes $209,000 ($.02 per share), $205,000 ($.02 per share) and $338,000 ($.04 per share) for the years 1979, 1980 and 1983 respectively, for an extraordinary item of tax benefits realized.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(1) Liquidity and Capital Resources.

At June 30, 1983, the Company had negative working capital in the amount of $122,864. This contrasted with negative working capital of $365,641 at June 30, 1982.

Substantially all of the Company's property interests are covered by carried interest agreements, which provide that expenditures are made by the operator and are recouped solely out of revenues from production. Certain of the properties in which the Company has carried interests have reached pay-out status. Proceeds from these carried interests plus revenues from oil and gas sales are the major sources of working capital for the Company.

During fiscal 1982, because the above sources were inadequate to meet the Company's requirements, a line of credit with a Canadian bank was arranged providing for the borrowing of $2,000,000 of principal and an additional $2,000,000 of interest. During fiscal 1983, because revenues increased, the second $2,000,000 line of credit was cancelled, and the bank loan reduced. The Company anticipates that the bank loan will be completely paid off in fiscal 1984 but plans to retain the line of credit to provide funding if needed.

During fiscal 1984, the Company does not expect to make any significant expenditures on its Arctic properties or other properties nor does it expect any revenues from the Kotaneelee Field.

(2) Results of Operations.

1983 vs. 1982

Proceeds under carried interest agreements increased in 1983 because of reduced capital expenditures on the properties subject to these agreements. Capital expenditures are deducted from proceeds as incurred.

Revenues from oil and gas sales were lower in fiscal 1983 because of depressed demand in Canadian markets. Interest income was also lower because funds previously invested were used for acquisitions in fiscal 1983.

The decrease in general and administrative expenses was principally due to reduced legal charges and shareholder expenses.

The petroleum and gas revenue tax increase in fiscal 1983 resulted from the increase in proceeds under carried interest agreements.

1982 vs. 1981

Proceeds from carried interests decreased in 1982 as a consequence of reduced gas sales and new capital expenditures, which are immediately deducted from proceeds. Interest income was lower in fiscal 1982 because funds previously invested were utilized for property acquisitions. Oil and gas sales revenues improved because of higher prices.

Costs and expenses were at virtually the same level in 1982 as 1981 except for petroleum and gas revenue taxes which increased by 150 percent in 1982 to $135,064.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Stockholders

Canada Southern Petroleum Ltd.

We have examined the consolidated financial statements and financial statement schedules of Canada Southern Petroleum Ltd. listed in the accompanying index to financial statements and financial statement schedules (Item 14(a)). Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements and financial statement schedules mentioned above present fairly the consolidated financial position of Canada Southern Petroleum Ltd. at June 30, 1983 and 1982, the consolidated results of operations, the consolidated changes in financial position and the consolidated changes in capital stock and capital in excess of par value for each of the three years in the period ended June 30, 1983 in conformity with generally accepted accounting principles applied on a consistent basis during the period.

ARTHUR YOUNG, CLARKSON, GORDON & CO.

Hartford, Connecticut
September 28, 1983

CANADA SOUTHERN PETROLEUM LTD.
(A Nova Scotia corporation)

CONSOLIDATED BALANCE SHEET
(Expressed in Canadian dollars)

June 30, 1983 and 1982

ASSETS	1983	1982
Current assets:		
Cash	$ 146,759	$ 217,601
Term deposits	-	240,000
Accounts receivable and other	303,722	223,261
Government Petroleum Incentive Grants receivable (Note 1)	5,750	107,789
Total current assets	456,231	788,651
Oil and gas properties using the full cost method (Notes 1 and 2):		
Costs being depleted	6,968,655	5,500,500
Less accumulated depletion	2,200,827	2,087,814
	4,767,828	3,412,686
Costs not being depleted	4,738,422	5,864,481
	9,506,250	9,277,167
Other	265,547	281,995
	$10,228,028	$10,347,813

LIABILITIES AND CAPITAL	1983	1982
Current liabilities:		
Bank loan (Note 3)	$ 400,000	$ 849,000
Accounts payable and accrued liabilities:		
Accounts payable	140,229	117,927
Accrued legal	38,866	187,365
Total current liabilities	579,095	1,154,292
Capital:		
Capital stock, par value $1 per share (Note 5):		
Authorized 15,000,000 shares		
Outstanding 8,992,465 shares	8,992,465	8,992,465
Capital in excess of par value	14,982,543	14,982,543
	23,975,008	23,975,008
Accumulated deficit	(14,326,075)	(14,781,487)
Total capital	9,648,933	9,193,521
	$10,228,028	$10,347,813

On behalf of the Board:
/s/ John W. Buckley, Director
/s/ Benjamin W. Heath, Director

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.
(A Nova Scotia corporation)

CONSOLIDATED STATEMENT OF INCOME (LOSS) AND ACCUMULATED DEFICIT

(Expressed in Canadian dollars)

	Year ended June 30, 1983	1982	1981
Income:			
Proceeds under carried interest agreements (Note 2)	$ 1,498,678	$ 920,452	$ 1,137,513
Interest	22,714	92,816	158,095
Oil and gas sales	174,695	293,045	244,010
Other (Note 4)	150,205	-	2,248
	1,846,292	1,306,313	1,541,866
Costs and expenses:			
General and administrative (Notes 4 and 6)	929,583	1,309,427	1,369,558
Depletion and depreciation (Note 2)	118,081	233,858	231,338
Petroleum and gas revenue tax	219,648	135,064	54,480
Lease operating costs	60,031	71,393	69,071
Rent	63,537	71,677	67,544
	1,390,880	1,821,419	1,791,991
Income (loss) before income taxes and extraordinary item	455,412	(515,106)	(250,125)
Income taxes (Note 7)	338,000	-	-
Income (loss) before extraordinary item	117,412	(515,106)	(250,125)
Extraordinary item - Tax benefit realized from carryforward of exploration, development and lease acquisition costs not claimed in prior years (Note 7)	338,000	-	-
Net income (loss)	455,412	(515,106)	(250,125)
Accumulated deficit - beginning of year	(14,781,487)	(14,266,381)	(14,016,256)
Accumulated deficit - end of year	$(14,326,075)	$(14,781,487)	$(14,266,381)
Average number of shares outstanding	8,992,465	8,992,465	8,971,234
Per share based on average number of shares outstanding during the period:			
Income (loss) before extraordinary item	$.01	$(.06)	$(.03)
Extraordinary item	.04	-	-
Net income (loss)	$.05	$(.06)	$(.03)

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.
(A Nova Scotia corporation)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(Expressed in Canadian dollars)

	Year ended June 30,		
	1983	1982	1981
Source of working capital:			
Income (loss) before extraordinary item	$117,412	$(515,106)	$(250,125)
Extraordinary item - Tax benefit realized from carryforward of exploration, development and lease acquisition costs not claimed in prior years (Note 7)	338,000	-	-
Net income (loss)	455,412	(515,106)	(250,125)
Charges to income not involving outlay of working capital:			
Depreciation and depletion	118,081	233,858	231,338
Other	11,379	11,378	11,377
Working capital (used in) provided by operations	584,872	(269,870)	(7,410)
Exercise of stock options	-	-	272,500
	584,872	(269,870)	265,090
Disposition of working capital:			
Additions to oil and gas properties	364,402	1,590,016	164,842
Less Government Petroleum Incentive Grants (Note 1)	(22,306)	(107,789)	-
Other	-	385	-
	342,096	1,482,612	164,842
Increase (decrease) in working capital	$ 242,776	$(1,752,482)	$100,248
Increase (decrease) in working capital by component:			
Cash	$ (70,842)	$ 141,392	$(45,890)
Term deposits	(240,000)	(1,110,000)	230,000
Accounts receivable and other	80,461	(21,454)	(17,314)
Government Petroleum Incentive Grants receivable	(102,039)	107,789	-
Bank loan	449,000	(849,000)	-
Accounts payable and accrued liabilities	126,196	(21,209)	(66,548)
Increase (decrease) in working capital	$ 242,776	$(1,752,482)	$100,248

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.
(A Nova Scotia corporation)

CONSOLIDATED STATEMENT OF CAPITAL STOCK
AND CAPITAL IN EXCESS OF PAR VALUE

(Expressed in Canadian dollars)

Three years ended June 30, 1983

	Number of shares	Capital stock, $1 par value	Capital in excess of par value	Total
Balance at June 30, 1980	8,937,965	$8,937,965	$14,764,543	$23,702,508
Exercise of stock options	54,500	54,500	218,000	272,500
Balance at June 30, 1981, 1982 and 1983	8,992,465	$8,992,465	$14,982,543	$23,975,008

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.
(A Nova Scotia corporation)
NOTES TO CONSOLIDATED STATEMENTS
(Expressed in Canadian dollars)
June 30, 1983

1. Summary of significant accounting policies

The accompanying consolidated financial statements include the accounts of Canada Southern Petroleum Ltd. (Canada Southern) and its wholly-owned subsidiaries, Canpet Inc. and C.S. Petroleum Limited, hereafter referred to collectively as the Company.

The financial statements are in conformity with both Canadian and United States generally accepted accounting principles.

The Company, which is engaged primarily in one industry, exploration for and development of oil and gas properties, principally in Canada, follows the full cost method of accounting for oil and gas properties, whereby all costs associated with the exploration for and the development of oil and gas reserves are capitalized. Proceeds received from disposal of properties are credited against accumulated costs. Depletion of net costs accumulated in the Canada cost center (excluding the Arctic Islands) is provided on the composite unit-of-production method which is based on estimated recoverable proven reserves. Expenditures incurred in the Arctic Islands have been excluded from the capitalized costs in the Canada cost center to be depleted pending the commencement of payouts, if any, of the Company's interests in this major development project (see Note 2).

Depreciation has been computed for equipment, other than well equipment, by the straight-line method based on estimated useful lives of four to ten years. Depreciation of well equipment and depletion of intangible drilling costs pertaining to producing wells are computed by the unit-of-production method.

Interest costs incurred which are applicable to oil and gas properties not being depleted currently and on which exploration or development activities are in progress are capitalized. Interest costs for the years ended June 30, 1983 and 1982 amounted to $135,697 and $49,000, respectively, all of which were capitalized.

Amounts received or receivable from the Canadian Government as Petroleum Incentive Grants are applied as a reduction in the carrying value of the related oil and gas properties.

Transactions for settlement in U.S. dollars have been converted at average monthly exchange rates. Assets and liabilities in U.S. dollars have been translated at the year-end exchange rate. During the three years ended June 30, 1983, exchange gains and losses have not been significant.

2. Properties

The Company's property interests are located in British Columbia, the Yukon and Northwest Territories, the Arctic Islands and Alberta in Canada, and in Australia.

CANADA SOUTHERN PETROLEUM LTD.
(A Nova Scotia corporation)
NOTES TO CONSOLIDATED STATEMENTS
(Expressed in Canadian dollars)
June 30, 1983

2. Properties (Cont'd)

Oil and gas properties by cost center are as follows:

	1983	1982
Canada:		
Costs being depleted	$6,968,655	$5,500,500
Less accumulated depletion	2,200,827	2,087,814
	4,767,828	3,412,686
Costs not being depleted:		
Arctic Islands	4,601,497	4,300,594
Kotaneelee Area	-	1,431,464
	9,369,325	9,144,744
Australia:		
Costs not being depleted	136,925	132,423
	$9,506,250	$9,277,167

* Effective July 1, 1982, costs relating to Kotaneelee were included in Canada costs being depleted because this field is considered to have proved reserves.

At June 30, 1983, substantially all of the acreage located in British Columbia and the Yukon and Northwest Territories was covered by carried interest agreements. These carried interest agreements provide that revenues are not payable to the Company until expenditures by the operators have been recouped from production. Also, the Company may at any time elect to convert from a carried interest to a working interest by paying its share of the expenditures not recouped by revenues from production. At June 30, 1983, 1982 and 1981, for the carried interest areas that have not reached payout status, the Company would have been required to pay $17,334,068, $16,711,196 and $17,462,708, respectively, to convert all of the carried interests to working interests. Two blocks, in which the Company's interest is 27.75%, have reached payout status. The Company's share of profits from these blocks was $1,295,527, $830,519 and $1,036,908 for the years ended June 30, 1983, 1982 and 1981, respectively, which amounts have been credited to income.

The Company has a 30% carried interest in the Kotaneelee field in the Yukon Territory where four gas wells have been completed. Approval has been granted by the Canadian National Energy Board to export gas from the Kotaneelee field at the rate of 10 million cubic feet per day increasing to 51.2 million cubic feet per day when necessary authorizations and facilities are in place. Application for authorization by United States authorities for importation of this gas has been made. No hearings in this application have been scheduled and it is not presently determinable when such hearings may take place. The potential demand in the United States for Canadian gas has been reduced during the last three years because of gas surpluses in some areas of the United States. These surpluses, together with the relatively high cost of Canadian gas, may cause further delays in the importation of gas from the Kotaneelee field into the United States.

Amounts represented by oil and gas properties in the Arctic Islands and Australia and mineral properties, aggregating $4,970,792 and $4,665,387 at June 30, 1983 and 1982, respectively, are substantially unexplored or undeveloped.

2. Properties and related exploratory and other expenses (Cont'd)

Most of the Company's interests in the Arctic Islands are subject to carried interest agreements with Panarctic Oils Ltd. The Company's participation percentages in the carried interests agreements range from 3% to 30%.

The Company has an interest in 3,051,364 gross (1,974 net) acres in the Amadeus Basin in the Northern Territory in Australia. It is a minor participant in a five year exploration program begun in 1980. To date, six wells have been drilled of which two have been completed as shut-in gas wells.

3. Bank loan

The Company has a line of credit for a production loan with a Canadian chartered bank which provides for a loan of $2 million ($400,000 balance outstanding at June 30, 1983).

Amounts due under the terms of this production loan are payable on demand and substantially all of the assets of the Company have been pledged as collateral for the loan.

The interest rate on borrowings is at 3/4% above the bank's prime lending rate.

4. Litigation

On November 2, 1981 the Securities and Exchange Commission (SEC) filed a civil action (No. 81-2640) in the United States District Court for the District of Columbia against the Company, Benjamin W. Heath and John W. Buckley, directors of the Company, C. Dean Reasoner, special counsel to the Company and four other companies with which Mr. Heath, Mr. Reasoner and Mr. Buckley have been affiliated (The Catawba Corporation, Coastal Caribbean Oils and Minerals, Ltd., Magellan Petroleum Corporation, and Pantepec International Inc.). On the same date, all the parties named in the action, without admitting or denying the SEC's allegations, entered into consent agreements for the purpose of settling the litigation which resulted from an investigation ordered by the SEC in April, 1978.

The SEC's complaint alleged that The Catawba Corporation ("Catawba"), a privately held corporation, provided management services to the corporate defendants from early in the 1950's until May, 1978 during which time Mr. Buckley, Mr. Reasoner and Mr. Heath were the principal operating directors of Catawba and beneficial owners of minority interests in Catawba. The complaint alleged that certain filings made by the corporate defendants under the Securities Exchange Act of 1934 and the Securities Act of 1933 were materially inadequate and incomplete concerning transactions which accrued to the benefit of Catawba and its shareholders. With respect to the Company, the Commission's complaint included allegations that inaccurate and misleading disclosures were made in filings with the Commission concerning the fees paid to Catawba, royalty payments to Catawba shareholders and various transactions relating to Borealis Exploration Limited, a Canadian mining company in which the Company and Catawba had financial interests.

(Expressed in Canadian dollars)

4. Litigation (Cont'd)

Pursuant to the settlement agreements, the defendants consented to an injunction against violations of the federal securities laws and certain other equitable relief. Pursuant to its consent, the Company established a Special Committee of the Board of Directors to conduct an investigation of the matters alleged in the complaint and to take such action as it deemed appropriate following its investigation. The Company also established a Transaction Review Committee of the Board of Directors which will review future transactions between the Company and any entity in which any officer or director has a direct or indirect material interest.

The Special Committee concluded that certain of the Company's SEC disclosure documents were deficient in that they (i) failed to identify Catawba and key Catawba personnel as controlling persons of the Company, and (ii) failed to disclose adequately royalties granted by the Company to officers, directors and Catawba personnel. The Special Committee also concluded, however, that its findings must be moderated, because the Company relied substantially on the advice of professionals in these matters. The approximate cost of the Special Committee's investigation was $14,300, $140,600 and $30,700 for the fiscal years ended June 30, 1981, 1982 and 1983, respectively.

Catawba has paid the Company $93,229 (U.S.) (which amount has been included in other income) without admitting any wrongdoing in return for a general release from the Company to Catawba and its officers, directors and shareholders with respect to all claims arising out of the matters that were the subjects of the Commission's and the Special Committee's investigations. (See item 3(a)).

Under the settlement, the Company may be the recipient of additional funds which certain of the defendants have placed in escrow. It is not expected that any payments will be material to the financial condition of the Company.

The Special Committee has made certain recommendations involving the operating procedures of the Board of Directors and potential conflicts of interest in the Company's activities. These recommendations have been adopted by the Company's Board of Directors with a minor modification.

5. Capital and stock options

Stock options outstanding at June 30, 1983 are summarized as follows:

Optionee	Date of grant	Expiration date	Number of shares	Option price Per share	Option price Aggregate	Market price at date of grant Per share	Market price at date of grant Aggregate
Officer	5/11/79	5/10/84	7,500	$ 5.00	$ 37,500	$ 5.00	$ 37,500
Officer and consultants	5/12/80	5/11/85	50,000	14.40	720,000	14.40	720,000
Directors	6/9/81	6/8/86	20,000	12.50	250,000	12.50	250,000
Directors	1/21/82	1/20/87	30,000	5.78	173,400	5.25	157,500
			107,500		$1,180,900		$1,165,000

5. Capital and stock options (Cont'd)

The options granted May 11, 1979 and May 12, 1980 were granted under an incentive option plan covering 300,000 shares adopted by the Board of Directors on December 13, 1978. All options were exercisable on the date of grant. There were 156,000 shares reserved for future option grants at June 30, 1983. During fiscal 1981, officers and employees exercised options on 54,500 shares at $5.00 per share, an aggregate of $272,500, compared with market prices ranging from $13.25 to $18.00, an aggregate of $895,688. During fiscal 1982, an option on 10,000 shares expired as a result of termination of employment.

On June 9, 1981, certain directors of the Company were granted options on 20,000 shares at $12.50 per share for services on various committees. On January 21, 1982, these directors were granted options on an additional 30,000 shares at $5.78 per share. These options are subject to the same terms as options otherwise granted pursuant to the incentive option plan described above.

There were no other changes in stock options during the three years ended June 30, 1983.

Upon exercise of options, the excess of the proceeds over the par value of the shares issued is credited to capital in excess of par value. No charges are made against income in accounting for options.

The letters patent, as supplemented, of the Company provide that no person (as defined) shall vote more than 1,000 shares.

6. Compensation

The Company has a contributory pension plan for all employees which is administered by an insurance company. Benefits payable on retirement to employees are guaranteed by annuities purchased by the insurance company. The Company's policy is to fund pension cost currently, except that total prior service cost for the plan was prepaid in 1979. Contributions by the Company to the pension plan were $30,785, $29,870 and $25,595, for the years ended June 30, 1983, 1982 and 1981, respectively. During 1981, the Company entered into an agreement with five employees which guarantees certain minimum pension contributions by the Company in the event an individual's employment terminates prior to age 60.

Mr. K. E. Noble, former secretary-treasurer, was granted early retirement effective July 1, 1983 under an agreement whereby he will be paid at an annual rate of $37,259 until his normal retirement date, October 1, 1984. Amounts under this agreement will be expensed as paid.

Compensation of directors, for the years ended June 30, 1983, 1982 and 1981 amounted to $118,226, $118,818 and $110,905, respectively. Of these amounts, for the same periods, $44,336, $44,933 and $37,718 were directors' fees.

7. Income taxes and extraordinary item

The amount of income tax expense for fiscal 1983 is higher than the amount computed by multiplying pretax income by the statutory Canadian rate of 48.8% primarily due to the nondeductible petroleum and gas revenue tax.

For the year ended June 30, 1983, the Company realized a tax benefit of $338,000 for Canadian income tax purposes from carryforward of exploration, development and lease acquisition costs not claimed in prior years.

At June 30, 1983, the following amounts remained to be carried forward indefinitely to reduce future taxable income:

Drilling, exploration and lease acquisition costs	$14,145,418
Undepreciated capital costs	472,925
Capital losses (can only be used against future year's capital gains)	154,500
Noncapital losses	116,970

The tax benefits attributable to the above accumulated expenditures will not be reflected in the financial statements until such benefits are realized.

* * * * * * * * *

Item 9. Disagreements on Accounting and Financial Disclosure

None.

Item 10. Directors and Executive Officers of the Company.

(a) Directors.

Name	Age	Date Present Term of Office Expires	Length of Service as a Director	Other Offices Held with Company
John W. Buckley	63	Annual Meeting 1983	Since 1954	President of subsidiary
John W. Bush	73	Annual Meeting 1986	Since 1977	None
Thomas W. Donlon	71	Annual Meeting 1984	Since 1976	None
Benjamin W. Heath	69	Annual Meeting 1987	Since 1956	None
M. A. Reasoner	76	Annual Meeting 1985	Since 1954	None

The Company is aware of no arrangements or understandings between any of the above individuals and any other person pursuant to which any of the above individuals was selected as a director.

(b) Executive Officers.

Name	Age	Office	Length of Service in this Office	Other Offices Held with Company
Charles J. Horne	57	President	Since 1980	None
Kenneth E. Noble *	58	Treasurer and Secretary	Since 1975	None

* Granted early retirement effective July 1, 1983.

All officers of the Company are elected annually by the Board of Directors and serve at the pleasure of the Board of Directors.

(c) Identification of Significant Employees.

None.

(d) Family Relationships.

No family relationships exist among any of the directors and officers named above.

(e) (1) Business Experience.

Directors.

Mr. John W. Buckley, a director, was President of the Company during the period 1954-1980 and Chairman of the Board during the period 1971-1980. He is also President and a director of Canpet, Inc., a wholly-owned inactive subsidiary of the Company, and Pantepec International, Inc., and a former director of Coastal Caribbean Oils & Minerals, Ltd., all of which companies are engaged in oil, gas, and/or mineral exploration and development. Mr. Buckley was also Chairman of the Board of Directors of The Catawba Corporation until his resignation in 1978, a director of Pancoastal, Inc. until October 1980, and President and a director of United Canso Oil & Gas Ltd., until July 1980. See also Item 3, "Settlement of SEC Civil Action".

Mr. Benjamin W. Heath is President and a director of Coastal Caribbean Oils & Minerals, Ltd. and Magellan Petroleum Corporation, President of Coastal Petroleum Company and Chairman of the Board of Magellan Petroleum Australia Limited, all of which companies are engaged in oil, gas and/or mineral exploration. Prior to his resignation in May 1978, he was also President and a director of The Catawba Corporation. Mr. Heath was a director of United Canso Oil & Gas Ltd. until July 1980. See also Item 3, "Settlement of SEC Civil Action".

Mr. M. A. Reasoner is a director and technical advisor to the Company. He was a director, Vice President and General Manager of the Company from 1954 until September 1971.

Mr. Thomas W. Donlon is a director of Pantepec International, Inc. and Norris Oil Co., which companies are engaged in oil and gas exploration and development, was formerly Vice President in charge of foreign production for American Overseas Petroleum, Ltd. until his retirement in 1967, and a director of Pancoastal, Inc. until October 1980.

Mr. John W. Bush is a Vice President of Coastal Petroleum Company. He was Chairman of the Interstate Commerce Commission during President Johnson's administration and served as special advisor to the U.S. Senate Commerce Committee, and for more than five years has been President of the Franklin Service Corporation, a transportation consulting firm in Naples, Florida.

Officers.

Mr. Charles J. Horne has been an employee of the Company since 1950, and was elected Vice President in 1976 and President in 1980.

Mr. Kenneth E. Noble, an employee of the Company since 1955, has served as Treasurer since September 1975 and was elected Secretary in 1980. He was granted early retirement effective July 1, 1983.

(2) Directorships.

See subparagraph (1), above.

(f) Involvement in Certain Legal Proceedings.

Pancoastal, Inc., of which Company Messrs. Buckley and Donlon, directors of the Company, were directors, filed a bankruptcy petition under Chapter 7 of the Federal Bankruptcy Laws on October 16, 1980.

Item 11. Management Remuneration.

(a) Current Remuneration.

The following table sets forth for the fiscal year ended June 30, 1983, the remuneration received by certain officers and directors of the Company whose total remuneration exceeded $50,000 (U.S.), and also by directors and officers as a group:

Name of Individual or Number of Persons in Group	Capacities in which Served	Cash and Cash-Equivalent Forms of Remuneration: Salaries, Fees, Directors' Fees, Commissions and Bonuses	Pension plan Contribution (1)
C. J. Horne	President	$ 58,895	$ 8,988
K. E. Noble	Secretary and Treasurer	64,519	8,947
M. A. Reasoner	Technical Advisor	73,890	---
Directors and Officers as a Group (a total of 7)	Directors, Officers and Technical Advisor	241,640	17,935

(1) Represent amounts paid by the Company to a contributory pension plan which is in effect for all Canadian employees and is administered by an insurance company. All Company contributions to date on behalf of the above-named individuals are fully vested.

(b) Proposed Remuneration.

The following table sets forth for the fiscal year ended June 30, 1983, the estimated annual benefits payable upon retirement to persons and groups described in the table under Item 11(a), assuming retirement at normal retirement dates:

Name of Individual	Estimated Annual Benefits Upon Retirement
C. J. Horne	$38,779
K. E. Noble	34,628*
M. A. Reasoner	12,910
Directors and Officers as a Group (a total of 3)	86,317

* Mr. Noble has taken early retirement under an agreement whereby the Company will continue pension plan contributions on the same basis as if he had remained as a full time employee until his normal retirement date.

(c) Remuneration of Directors.

Messrs. Buckley, Bush, Donlon and Heath receive directors' fees of $5,000 (U.S.) per year plus $500 (U.S.) per meeting of the Board of Directors. In addition, Messrs. Bush and Donlon each receive $5,000 (U.S.) per year for serving on the committees described in Item 3, "Legal Proceedings-Settlement of SEC Civil Action". In June 1981, for serving on the Audit Committee, Messrs. Bush and Donlon each received options to purchase 10,000 shares of the Company's capital stock at a price of $12.50 per share. In January 1982, for serving on the Special Committee and Transaction Review Committee, Messrs. Bush and Donlon each received options to purchase 15,000 shares at a price of $5.78 per share.

(d) Options, Warrants or Rights.

Set forth below is information as to all options to purchase shares of capital stock from the Company which have been granted, exercised and sold since July 1, 1982, and the number of options outstanding at September 1, 1983:

Capital Stock par value $1	K. E. Noble	M. A. Reasoner	Directors and Officers as a Group (a total of 6)
Granted-number of options	--	--	--
Average per-share exercise price	--	--	--
Exercised July 1, 1982 to September 1, 1983 net value realized	--	--	--
Sales during period (shares)	--	8,000	8,000
Outstanding at September 1, 1983: Number of options	7,500	--	57,500
Potential (unrealized) value (1)	--	--	--

(1) Represents market value of shares subject to options less the option price to be paid upon the exercise of such shares on that date.

(e) Termination of Employment.

No information required.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

(a) Security Ownership of Certain Beneficial Owners.

The Company knows of no person or group that owns beneficially more than 5% of the outstanding common stock of the Company.

(b) Security Ownership of Management.

The following table sets forth information as to the number of shares of the Company's Common Stock owned beneficially on September 1, 1983 by each director of the Company and by all officers and directors of the Company as a group:

Name of Individual or Group	Amount and Nature of Beneficial Ownership	Percent of Class
John W. Buckley	47,887	*
John W. Bush	28,000 (1)	*
Thomas W. Donlon	26,000 (1)	*
Benjamin W. Heath	500	*
M. A. Reasoner	24,100	*
Directors and Officers as a Group (a total of 7)	141,537 (2)	1.6

(1) Includes options to purchase 25,000 shares.
(2) Includes options to purchase 57,500 shares
* The percent of class owned is less than 1%.

(c) Changes in Control.

The Company is aware of no contractual arrangements which may at a subsequent date result in a change in control of the Company.

Item 13. Certain Relationships and Related transactions.

(a) Transactions with Management.

Royalty Interests

Prior to the termination of its contact with The Catawba Corporation ("Catawba") on May 31, 1978, the Company was provided with certain financial, technical, administrative and other services by Catawba. Pursuant to this and prior contracts between the Company and Catawba, Catawba holds a 1/64th overriding royalty on each oil, gas or mineral lease, permit or reservation acquired by the Company or its subsidiary during the term of such contracts from July 1954 to October 1978, including the Kotaneelee field discussed under Item 1(a) above. At all relevant times, all of the outstanding shares of capital stock of Catawba were owned by members of the family of the late William F. Buckley, Sr., and by Messrs. Benjamin W. Heath and C. Dean Reasoner. See Item 3 "Legal Proceedings". The Company has been advised that Catawba has assigned interests in such royalty to certain individuals who are directors or officers of the Company; to John W. Buckley, director of the Company and President of the Company until October 1980, an interest of 9.67% to 9.8%; to Benjamin W. Heath, director of the Company, an interest of from 1.772% to 2%, depending on the property on which the royalty is to be paid; and to a trust created under the will of the late Mrs. Benjamin W. Heath (the "Aloise Buckley Heath Trust"), in which Mr. Heath has a 54.4% beneficial interest, an interest of from 7.603% to 7.8%, depending on the property on which the royalty is to be paid.

As part of the settlement of the SEC civil action described in Item 3, Catawba's shareholder-assignees, except for Mr. Heath and Mr. Reasoner, agreed to relinquish claims to royalties from the Company aggregating $100,000 (U.S.) During the year ended June 30, 1983, $19,550 was withheld by the Company and applied against the $100,000. During the same period, the Company made payments totaling $1,492 to a trust for the benefit of Mr. Heath, Mr. Reasoner and the Aloise Buckley Heath Trust, which amount represents all payments made directly by the Company under the overriding royalty.

In addition to the above payments made directly by the Company, the Company understands that additional payments are made to the assignees of Catawba, including Messrs. Heath and Buckley, by third-party operators and/or owners of properties subject to the 1/64th overriding royalty. The Company has been advised by Messrs. Buckley and Heath that each received less than $10,000 in such payments during the past fiscal year.

(b) Certain business relationships.

Not applicable.

(c) Indebtedness of management

No officer or director was indebted to the Company or any subsidiary in an aggregate amount that exceeded $60,000 during the year ended June 30, 1983.

(d) Transactions with promoters.

None.

Item 14. Exhibits, Financial Statements Schedules, and Reports on Form 8-K.

(a) (1) Financial Statements.

The financial statements listed below and included under Item 8, above are filed as part of this report.

	Page Reference
Report of Independent Public Accountants	24
Consolidated balance sheet at June 30, 1983 and 1982	25
For each of the three years in the period ended June 30, 1983:	
Consolidated statement of income (loss) and accumulated deficit	26
Consolidated statement of changes in financial position	27
Consolidated statement of capital stock and capital in excess of par value	28
Notes to consolidated financial statements	29 - 34

(2) Financial Statement Schedules.

The financial statement schedules listed below are filed as part of this annual report.

Schedules for three years ended June 30, 1983:

V - Properties and equipment
VI - Accumulated depletion and depreciation
IX - Short-term borrowings

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

(3) Exhibits.

The following exhibits are filed as part of this report:

Item Number.

3. Articles of Incorporation and By-Laws.

Company's letters patent are incorporated herein by reference to Exhibit "A" of Company's Form 10-K for the fiscal year ended June 30, 1972. Supplementary letters patent sanctioning By-Law No. 8 are incorporated herein by reference to Exhibit 3(d) of Company's Post-Effective Amendment No. 3 to Registration Statement No. 2-29510 (Form S-1). Supplementary letters patent sanctioning By-Law No. 9 are incorporated herein by reference to Exhibit 1 of the Company's Form 8-K for the month of July 1974.

Certificate of Continuance in Province of Nova Scotia, Articles of Continuance under Section 119-B Nova Scotia Companies Act and Certificate of Registration under Nova Scotia Corporation Registrations Act, filed as exhibits 3(a), 3(b) and 3(c), respectively, to Report on Form 10-K for the fiscal year ended June 30, 1982 and incorporated herein by reference.

4. Instruments defining the rights of security holders, including indentures.

None.

9. Voting trust agreement.

None.

10. Material contracts.

All material contracts listed in Item 10 of Forms 10-K for the fiscal year ended June 30, 1981 and for fiscal year ended June 30, 1982 are incorporated by reference.

11. Statement of computation of per share earnings.

See Financial Statements under Item 8, above.

12. Statement of computation of ratios.

None.

13. Annual Report to security holders.

Not applicable.

18. Letter of change in accounting principles.

None.

19. Previously unfiled documents.

None.

22. Subsidiaries of the Company.

Canpet Inc. incorporated in Delaware on August 3, 1973. C. S. Petroleum Limited incorporated in Nova Scotia on December 15, 1981.

23. Published report regarding matters submitted to vote of security holders.

None.

24. Consents of experts and counsel.

Consent of D&S Petroleum Consultants (1974) Ltd.

25. Power of attorney.

Not applicable.

28. Additional exhibits.

Not applicable.

(b) Reports on Form 8-K.

Report of the Special Committee of the Board of Directors of the Company incorporated by reference to the Current Report on Form 8-K filed on January 20, 1983.

CANADA SOUTHERN PETROLEUM LTD.
(A Nova Scotia corporation)
Three years ended June 30, 1983

SCHEDULE V - PROPERTIES AND EQUIPMENT

	Balance at beginning of year	Additions	Sales, retirements and abandonments	Balance at end of year
1983:				
Oil and gas properties	$11,364,981	$342,096	$ -	$11,707,077
Mineral Properties	232,370	-	-	232,370
Equipment	71,514	-	-	71,514
1982:				
Oil and gas properties	9,882,754	1,482,227	-	11,364,981
Mineral Properties	232,370	-	-	232,370
Equipment	71,129	385	-	71,514
1981:				
Oil and gas properties	9,717,912	164,842	-	9,882,754
Mineral Properties	232,370	-	-	232,370
Equipment	71,129	-	-	71,129

SCHEDULE VI - ACCUMULATED DEPLETION AND DEPRECIATION

1983:				
Oil & gas properties	$2,087,814	$113,013	$ -	$2,200,827
Equipment	61,746	5,068	-	66,814
	$2,149,560	$118,081	$ -	$2,267,641
1982:				
Oil and gas properties	$1,859,118	$228,696	$ -	$2,087,814
Equipment	56,584	5,162	-	61,746
	$1,915,702	$233,858	$ -	$2,149,560
1981:				
Oil and gas properties	$1,633,004	$226,114	$ -	$1,859,118
Equipment	51,360	5,224	-	56,584
	$1,684,364	$231,338	$ -	$1,915,702

CANADA SOUTHERN PETROLEUM LTD.

(A Nova Scotia Corporation)

SCHEDULE IX - SHORT-TERM BORROWINGS

Three Years Ended June 30, 1983

	1983	1982	1981
Category of aggregate short-term borrowings	Bank loan	Bank loan	None
Balance at end of period	$400,000	$849,000	
Weighted average interest rate	11.75%	19%	
Maximum amount outstanding during the period	1,123,403	849,000	
Average amount outstanding during the period	948,636 (2)	265,583 (2)	
Weighted average interest rate during the period	14.30% (3)	18.45% (3)	

Notes:

(1.) The bank loan represents borrowings under a line of credit borrowing arrangement which has no termination date but is subject to annual review.

(2.) The average amount outstanding during the period was computed by dividing the total of month-end outstanding principal balances by 12.

(3.) The weighted average interest rate during the period was computed by dividing the total interest expense by the average amount outstanding during the period.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: September 28, 1983

CANADA SOUTHERN PETROLEUM LTD.
(Company)

By /s/ Charles J. Horne
Charles J. Horne
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

By /s/ Charles J. Horne
Charles J. Horne, President

By /s/ Evelyn D. Scott
Evelyn D. Scott, Treasurer,
Chief Financial and Accounting Officer

By /s/ John W. Buckley
John W. Buckley, Director

By /s/ John W. Bush
John W. Bush, Director

By /s/ Benjamin W. Heath
Benjamin W. Heath, Director

By /s/ Thomas W. Donlon
Thomas W. Donlon, Director

By /s/ M. A. Reasoner
M. A. Reasoner, Director

Dated: September 28, 1983

Canada Southern Petroleum Ltd.

CORPORATE PROFILE, 1983

Canada Southern Petroleum Ltd. has been engaged in petroleum exploration ventures for many years, and has acquired substantial interests in largely undeveloped properties in northwestern Canada and the Arctic Islands totaling 6 million gross acres.

Most of the company's acreage is covered by *carried interest* agreements, which enable Canada Southern to participate in oil and gas production revenues derived from a given well or field after payout of exploration, drilling, completion, and operating expenses to the party bearing those costs.

Canada Southern's more promising properties include a 30 percent carried interest in offshore portions of the Arctic Islands Hecla gas field, where independent consultants have estimated the company's share of the proved and probable reserves at 668 billion cubic feet. Approximately 40 miles to the northeast lies the Panarctic Whitefish discovery, a huge structure that extends into four federal exploratory permits in which the company has varying interests. At present, Whitefish is believed to contain over two trillion cubic feet of marketable gas; and Canada Southern's estimated participation in the structure as a whole is 5.7 percent.

The company also holds a 30 percent carried interest in the Kotaneelee gas field in the southeastern Yukon Territory. This partially developed field—at which four wells have been completed to date—is capable of an estimated output of 120 million cubic feet per day, has proved reserves of approximately 250 billion cubic feet, and is connected to a major pipeline system. However, it is not now determinable when this field will be brought into production. (See President's Report, inside front cover).

In Australia, Canada Southern has a small (.08 percent) working interest in a Northern Territory petroleum exploration permit, OP 175, that encompasses approximately 3 million acres in the Amadeus Basin, where oil and gas have been discovered at several locations.

Three years ago, the company's interest in OP 175 enabled it to join a Canadian/Australian consortium known as the Amadeus Joint Venture, which is exploring OP 175 and an adjacent permit, OP 178. Upon completion of this $60 million (Can.) program in 1985, Canada Southern will have a .04 percent interest in the overall exploration area, which then will encompass approximately 6.1 million acres. To date, the Joint Venture has discovered natural gas at two locations—Dingo and Walker Creek—and additional drilling will be conducted in 1984.

A Nova Scotia corporation, Canada Southern has approximately 9 million shares of capital stock outstanding, held by more than 12,000 shareholders of record. The stock is listed on the Toronto Stock Exchange in Canada and on the Boston and Pacific Exchanges in the United States, and has the ticker symbol CSW in both countries.

Note: A color map showing Canada Southern's holdings in northwestern Canada and the Arctic Islands is available in limited quantity, and may be obtained by writing to the company's executive offices in Calgary or to its U.S. investor relations representative.

DIRECTORS

John W. Buckley
President
Pantepec International, Inc.
Sharon, Connecticut

John W. Bush
Consultant
Naples, Florida

Thomas W. Donlon
Petroleum Consultant
Somis, California

Benjamin W. Heath
President
Magellan Petroleum Corporation
Newport Beach, California

M. A. Reasoner
Technical Advisor
Canada Southern Petroleum Ltd.
Calgary, Alberta

U. S. INVESTOR RELATIONS

Howell Public Relations, Inc.
2224 Liberty Street
Allentown, Pennsylvania 18104

OFFICERS

Charles J. Horne
President

F. Betsy Shaw
Vice President

Evelyn D. Scott
Secretary-Treasurer

EXECUTIVE OFFICES

505 Eighth Avenue South West
Calgary, Alberta T2P 1G2

TRANSFER AGENTS

The Montreal Trust Company
15 King Street West
Toronto, Ontario M5H 1B4

First Jersey National Bank
P.O. Box 960
Jersey City, New Jersey 07303

First Interstate Bank
P.O. Box 3667, Terminal Annex
Los Angeles, California 90051

AUDITORS

Arthur Young,
Clarkson, Gordon & Co.
One Corporate Centre
Hartford, Connecticut 06103

CSW

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