CANADA SOUTHERN PETROLEUM LTD.

1994 ANNUAL REPORT
(Includes Report on Form 10-K)

CANADA SOUTHERN PETROLEUM LTD.

TO OUR SHAREHOLDERS:

I am pleased to report that the Company's lawsuit against the working-interest partners in the Kotaneelee gas field has been scheduled for a six-month trial to commence in September 1996. Because of the estimated length of the trial, September 1996 was the first available date on the court's calendar. Since the lawsuit involves a number of companies, and a large volume of documentation, the court scheduled this date in 1996 to allow adequate time for the parties to prepare for trial.

According to government reports, the Kotaneelee field continues to perform well and produced 16.8 billion cubic feet of gas from two wells during the year 1994. The field is producing approximately 40-50 million cubic feet of gas per day. The Company will receive income from Kotaneelee in approximately three and one half years, based upon present prices and assuming the payout period is not changed as a consequence of the litigation.

Canada Southern sustained a net loss of $1,210,000 or $.10 a share, for the year 1994, as compared to a loss of $977,000 or $.08 a share for the prior year. The Kotaneelee litigation continues to adversely affect the results of operations of the Company. Legal expenses were approximately $929,000 during the year or 77% of this year's loss.

On the adjoining page, there is a more detailed review of operations in 1994 and a discussion of future exploration plans.

*On October 20, 1994, the company's shares began trading on the NASDAQ SmallCap Market using the ticker symbol **CSPLF**. The Company has continued its listings on the Toronto, Boston and Pacific Exchanges, where the ticker symbol is **CSW**.*

We want to thank all of our shareholders for their continued support. The Company is actively pursuing its interest in the Kotaneelee gas field and working toward a favorable outcome for its shareholders.

Respectfully submitted,

C. J. Horne

Charles J. Horne
President

Calgary, Alberta
May 1, 1995

5. IN

REVIEW OF OPERATIONS

The Canadian petroleum industry had eagerly anticipated increased gas demand following the severe winter of 1993-1994. However, the temperate 1994 summer and the very mild 1994-1995 winter has postponed the drilling plans for many gas prospects. This pattern was reflected in the drilling activity on Canada Southern's properties, as there was increased drilling in the early part of 1994 with a subsequent decline in activity. During 1994, all of the 7 oil wells and 2 gas wells drilled on the Company's properties were productive wells.

The most successful of these wells was in the West Peejay field in British Columbia. This field has been produced for many years, without any attempt to explore the field's limits. The recent sale of the field and the appointment of a new aggressive operator resulted in 3 new producing oil wells and an increase of 72,000 barrels in the Company's reserves. These results would indicate that there are further undeveloped reserves, and it is anticipated that more drilling will take place in 1995.

Another B. C. field with new promise is Buick Creek. This field has been a profitable producer for the Company's carried interest account for more than 30 years. In late 1994, a horizontal well was drilled in the field which resulted in a gas producer with daily gas flows of approximately 3.8 million cubic feet per day. As these are carried interest properties, it is not possible to determine the operator's future development program, if the initial production flows are sustained.

The Clarke Lake field in B.C. had been a prolific Slave Point gas producer in the 1960's and 1970's. Canada Southern still holds interests in the field which is being considered for new drilling. If product prices improve, there is an economic incentive for companies to re-evaluate these older oil producing areas using new exploration and development technology. Another B.C. area where activity is expected in 1995 on Canada Southern leases is at Paradise, where the Company has a working interest in two shut-in oil wells.

The most significant acquisition in 1994 was the purchase of a 5% working interest in the Alberta Kitscoty heavy oil field and the related facilities. Oil recovery from this field is being enhanced by steam injection which commenced in October of 1994. Two horizontal holes were drilled for production with the steam being injected through vertical holes. It was anticipated that 3 to 4 months of steam injection would be necessary before the oil would move to the producing wells. Production increased in January 1995 from 60 bpd to 300 bpd. The results of the second horizontal well have not yet been reflected in production. It is estimated that the Company's share of potential reserves from this field is approximately 250,000 barrels.

Progress has also been made in land negotiations on one of the Company's prime prospects acquired in the Peejay - Milligan area with an interest in a shut-in oil and gas well. Successful negotiations should result in the drilling of at least one well and placing the shut-in well on production. There are also other prospects in the area which the Company acquired in prior years through B.C. Crown land sales. Seismic has been purchased which has upgraded two of the prospects to the point where drilling is now warranted.

Canada Southern is continuing its land acquisition program and in late 1994 acquired an interest in 25 sections in Saskatchewan. Two wells were drilled on these properties in early 1995, and, although both were abandoned, indications are that the leases have good oil potential and further seismic is planned for this summer.

The Company is continuing its participation in the B.C. Crown land sales in an effort to increase its holdings on promising prospects at a reasonable cost. In 1994, the optimism prevalent throughout the industry had increased land prices to an unrealistic level. For this reason, Canada Southern postponed requesting lands be posted for sale until price levels were more restrained.

The weak gas prices in the latter half of 1994 also affected activity on the Company's Alberta properties. However, there was a gas discovery on a farmed out lease at Drumheller. The Sylvan Lake well was also re-worked in order to hold the lease and to prepare the well for production; however, plans to put the well on production have been delayed until a better gas market prevails.

The financial burden of the Kotaneelee litigation continues to restrain our exploration activities, but the Company is still examining promising opportunities that can be pursued when cash flow from the Kotaneelee field commences.

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)
[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]**

For the fiscal year ended December 31, 1994

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the transition period from ______________________ to __________________________

Commission file number 1-3793

CANADA SOUTHERN PETROLEUM LTD.

(Exact name of registrant as specified in its charter)

NOVA SCOTIA, CANADA	98-0085412
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
Suite 1410, One Palliser Square 125 Ninth Avenue, S.E. Calgary, Alberta CANADA	T2G OP6
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Limited Voting Shares, $1 (Canadian) per share	Pacific Stock Exchange
	Boston Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

(Title of Class)

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 such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K §229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

☒

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately U.S. $68,000,000 at March 13, 1995.

(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.

Limited Voting Shares, par value $1.00 (Canadian) per share, 12,612,791 shares outstanding as of March 13, 1995.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement of Canada Southern Petroleum Ltd. related to the Annual Meeting of Shareholders for the year ended December 31, 1994, which is incorporated into Part III of this Form 10-K.

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Unless otherwise indicated, all dollar figures set forth are expressed in Canadian currency. The exchange rate at March 13, 1995 was $1.00 Canadian = U.S.$.7069.

PART I

Item 1. Business.

The nature of Canada Southern Petroleum Ltd.'s (the "Company" or "Canada Southern") business is described at Item 1(c) herein, and a description of its oil and gas in Canada appears in Item 2 herein. For additional information regarding the development of the Company's business, see "Properties" and "Supplemental Information on Oil and Gas Activities".

(a) General Development of Business

BRITISH COLUMBIA PROPERTIES

The Company's major source of income is from oil and gas fields in northeast British Columbia. These fields, developed in the 1950's and 1960's produce revenue through both working interest* and carried interest** agreements. The major working interests in these fields are operated by Canadian Natural Resources Ltd. ("CNRL"). Petro Canada is the operator of the Company's carried interest lands.

In addition to the producing properties, since 1988 the Company has acquired a number of leases in northeast British Columbia. To date three wells have been drilled on these lands which resulted in two oil discoveries and one dry hole. Currently, the Company is defining additional prospects by geophysics and two prospects are ready for drilling. Attempts are being made to increase land holdings in the area of these locations before drilling begins.

The carried interest lands are in the Ekwan, Clarke Lake, Flatrock, Buick Creek, Siphon and Wargen fields. The Company retains a 21.25 % carried interest with a right to convert to a 21.25 % working interest in most of these fields. Interests in some of these wells is less than 21.25 % because of pooling or side agreements. As of December 31, 1994, there were 39 gas wells in these fields either producing or capable of production.

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

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

CNRL operates the lands which include the Company's working interest in the Peejay and Weasel fields. As of December 31, 1994, the Company held approximately 18,732 gross acres (4,434 net acres) in this area. The Company owns interests in the following units:

	Unit Acreage	Company %
Peejay Unit #1	4,529	3.1643
Weasel Unit #2	1,569	10.1775
Peejay Unit #3	5,923	15.4136

The Company also holds interests in 10 oil wells (2.64 net wells) and 10 gas wells (2.28 net wells) not included in the above units.

YUKON TERRITORY - THE KOTANEELEE FIELD

The Company's principal asset is a 30 % carried interest in the Kotaneelee gas field located on Ex-Permit 1007 (31,888 gross acres or 9,566 net acres) in the extreme southeastern corner of the Yukon Territory. This partially developed field is connected to a major pipeline system. Three wells have been completed to date and are capable of an estimated output of in excess of 60 million cubic feet per day, the capacity of the field dehydration plant. Present production is approximately 45-50 million cubic feet per day. The operator of the field is Anderson Exploration Ltd., which acquired all of Columbia Gas Development of Canada interests in Canada.

Production at Kotaneelee commenced in February 1991. The Company has requested further details with respect to volumes and prices but the operator has not permitted the Company to disclose such details, citing the litigation between the Company and the operator. Production from the Kotaneelee field for the year amounted to 16.8 billion cubic feet, according to government reports.

In a 1989 application to the National Energy Board, a reserve study by the operator estimated total gas in place at 1.6 trillion cubic feet with proved and probable recoverable reserves of 781 billion cubic feet.

See Item 3 - Legal Proceedings for a discussion of litigation relating to the Kotaneelee field which may affect the status and the amount of the carried interest account.

At present, the Company does not receive any cash payments from production but is credited with 30% of the gross revenues until a like percent of the working interest costs, exclusive of any interest expense, are recovered by the operator. When the deferred costs are recovered, 30% of gross revenues (net of gross overriding royalties*) less 30% of current working interest costs will be paid to the Company. Gross overriding royalties amount to 10% to the Canadian Federal government and 4.06% to certain individuals. The operator has reported to the Company development costs totaling approximately $87,000,000 and, of that amount, approximately $44,000,000 remained to be recovered at December 31, 1994. It is expected that the Company will begin to receive proceeds from the Kotaneelee field in approximately 3 1/2 years, based upon present prices. The period before payment to the Company begins may be shorter or longer than 3 1/2 years, depending on prevailing market conditions and the results of the litigation. (See Item 3. - "Legal Proceedings"). Under ordinary circumstances, increased natural gas prices would result in a shorter period to payout.

ARCTIC ISLANDS

As of December 31, 1994, the Company held working interest in 45,100 gross acres (1,817 net acres) and carried interests in 133,260 gross acres (37,255 net acres) in the Sverdrup Basin, located in the Arctic Islands.

The Hecla, Whitefish, Drake Point, Roche Point, Kristoffer, Romulus and Bent Horn fields have been designated discovery lands ("SDL") by the Federal Government. The Company's interests in the SDL's have been retained pending development.

<u>Marketing of Bent Horn Production</u>

In 1985, Panarctic Oils Ltd. ("Panarctic") received government approvals for a pilot project to move shipments of crude oil from the Bent Horn field by tanker through the Northwest Passage to southern Canada. Through December 31, 1994, approximately 2.2 million barrels of Bent Horn crude had been sold with deliveries being made at northern Canadian and European markets as well as the eastern seaboard market. During the summer and fall of 1994, Panarctic made shipments of approximately 305,000 barrels. The Company has a 5% carried interest in the area which has not yet reached payout status. The timing of payout is uncertain.

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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 under the lease.*

NORTHWEST TERRITORIES PROPERTIES

The Company has an interest in the Northwest Territories in the Celibeta field (1,594 gross acres and 717 net acres). No activity took place in this area during the year.

ALBERTA

The Company has acquired interests in 13 oil and gas prospects in Alberta through participation in Crown land sales and other transactions . One of these prospects was subsequently sold. The Company has working interests ranging from 10% to 100% percent in a total of 25,120 gross (9,148 net) acres. Five of the prospects have been drilled which resulted in one potential oil well, two potential gas wells, one abandoned oil well and one dry hole.

AUSTRALIA

The Company has an interest in 115,596 gross (90 net) acres in the Amadeus Basin in the Northern Territory in Australia. Because of the limited potential of the only remaining property, the Dingo Field, the interest was written down to a nominal value in 1992. Magellan Petroleum Australia Limited ("MPAL") is presently the operator of this property. Benjamin W. Heath and C. Dean Reasoner, directors of the Company, are also directors of MPAL.

(b) <u>Financial Information about Industry Segments</u>.

Since the Company is primarily 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) <u>Narrative Description of the Business</u>.

The Company was incorporated in 1954 under the Canada Corporations Act. In 1979, it became subject to the Canadian Business Corporations Act and in 1980, was continued under the Nova Scotia Companies Act.

The Company is, either in its own right, or through other entities, engaged in the exploration for and development of properties containing or believed to contain recoverable oil and gas reserves and the sale of oil and gas from these properties. Although many of the properties in which the Company has interests are undeveloped, all properties with proved reserves are partially or fully developed. The Company's interests in exploratory ventures are on properties located in Alberta, British Columbia, the Northwest and Yukon Territories and the Arctic Islands in Canada, and the Northern Territory of Australia. A principal asset of the Company is its 30% carried interest in the

Kotaneelee field, a partially developed gas field (See Item 3 - "Legal Proceedings".) The Company also has interests in producing properties in British Columbia and Alberta. 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. Generally, 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 December 31, 1994, the Company's share of unrecouped expenditures were as follows:

British Columbia:	
Ex-permit 149	$ 3,253,000
Yukon and Northwest Territories:	
Ex-permit 1007 (Kotaneelee)*	13,192,000
Ex-permit 2713 (Celibeta)	321,000

**See Item 3 - Legal Proceedings*

(i) Principal Products.

The majority of the Company's interests are carried interests with limited quantities of crude oil, natural gas and natural gas liquids derived from working interests.

(ii) Status of Product or Segment.

At present, some 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, except that sales of natural gas peak during the winter heating season. Exploration and development activities are restricted in certain areas on a seasonal basis because extreme weather conditions affect transportation and the ability to pursue these activities.

(vi) Working Capital Items.

Not applicable.

(vii) Customers.

Substantially all oil production from the Company's properties for the year 1994 was purchased by CNRL, the operator of the majority of the producing properties. Most of the natural gas produced from Company properties was sold by the operator, Petro Canada, to a company owned by certain British Columbia gas producers, Can West Gas Supply Inc.

(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 companies which have substantially greater resources available to them. Because the majority of Company interests are in remote areas, operation of its properties is more difficult and costly than in more accessible areas.

Furthermore, competitive conditions may be substantially affected by various forms of energy legislation which may have been or may be proposed 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 further discussion of Canadian governmental regulation of the petroleum industry, see Item 1(d)(2).

(xi) Research and Development.

Not applicable.

(xii) Environmental Regulation.

In the exploration for and development of natural resources, the Company is required to comply with significant environmental laws and regulations which add to the expense of those activities. The Company has not been required to spend significant sums to comply with clean up laws and regulations. Compliance by the Company with governmental provisions regulating the discharge of materials to the environment or otherwise relating to the protection of the environment are not expected to have a material effect on the capital expenditures, earnings or competitive position of the Company.

(xiii) Number of Persons Employed by Company.

The Company currently has three full time employees, all of whom are located in Canada. The Company also relies to a great extent on consultants for technical, legal, accounting and administrative services.

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

(1) Identifiable Assets.

Substantially all of the Company's operating assets are in Canada.

All of the Company's revenues are attributable to its operations in Canada. See the financial statements of the Company at Item 8 herein.

(2) Risks Attendant to Foreign Operations.

The properties in which the Company has interests are located in Canada 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; native rights; changes in foreign exchange controls; currency revaluation; burdensome 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 an exposure to risks in addition to those inherent in petroleum exploratory ventures.

Canadian Governmental Regulation of the Petroleum Industry

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

The price of all oil is deregulated and the price is determined by negotiation between buyers and sellers. Oil exporters are entitled to enter into export contracts without obtaining the prior approval of the National Energy Board (NEB) provided that the terms of such contracts do not exceed one year in the case of light crude oil and two years in the case of heavy crude oil.

The price of natural gas in interprovincial trade is deregulated and is determined by negotiation between buyers and sellers. In addition, various regulatory agencies throughout Canada are in the course of determining their regulations and policies relating to access to pipelines and distribution networks. It is not certain what effect the decisions of these regulatory bodies will have on the Company.

Exports of natural gas from Canada are regulated by the NEB and the Government of Canada. Exporters are free to negotiate prices with purchasers, although the export price may not be less than the price charged to Canadians for similar types of service in the area or zone adjacent to the export point. Although the NEB will monitor export prices, prior approval of prices is not required. Export contracts must also meet certain other criteria prescribed by the Government of Canada.

Taxes and Government Incentives

In addition to the income tax laws which are applicable to all residents of Canada, the petroleum and natural gas industry is subject to a number of specific federal taxation measures and certain federal incentives.

Land Tenure

Most crude oil and natural gas production in the provinces of Alberta and British Columbia is obtained under leases granted by the governments of these provinces. In general, leases are granted for a minimum initial term of five years and are continued beyond the initial term for those properties which are producing or are capable of producing. Leases may either be purchased from the provincial government or earned by drilling on lands for which the provincial government has granted authorization to conduct drilling operations.

On lands owned by private parties, the land owner may either produce the crude oil and natural gas from the property or, more commonly, enter into a freehold petroleum and natural gas lease which will generally continue as long as oil or gas is produced from the property.

Oil and natural gas interests in Canadian Federal Lands which were held at March 5, 1982, other than certain exempt leases, were required to be converted into Exploration Agreements (EAs) or provisional leases, both of which grant exploration and drilling rights and confer upon the holder the exclusive right to apply for a production license. EAs, which usually required seismic and drilling programs and commitments to use Canadian goods and services, were issued for initial terms of up to five years, and upon expiration were subject to Renegotiation for successive terms not exceeding four years each. Successive terms, if any, were granted under an Exploration License.

Royalties

The ownership of natural resources in Canada may rest with the Government of Canada, the government of a province, an Indian band or a freehold entity. Most of the land and mineral rights in the western provinces are owned by the respective provinces. These provinces will grant the right to produce and sell the natural resources in exchange for certain production royalties, commonly referred to as Crown royalties since they are payable to the province or the "Crown".

Crown royalties are not levied on income as such but essentially represent a carved-out share of the Company's productive properties reserved to the Crown. Such Crown royalties are normally computed by reference to prescribed formulas. The royalty obligation is usually satisfied by the payment by the producer of a dollar value equivalent to the Crown's share of production. During 1994, Crown royalties averaged approximately 16% on gas sales and 14% on oil sales.

(3) Data which Are Not Indicative of Current or Future Operations

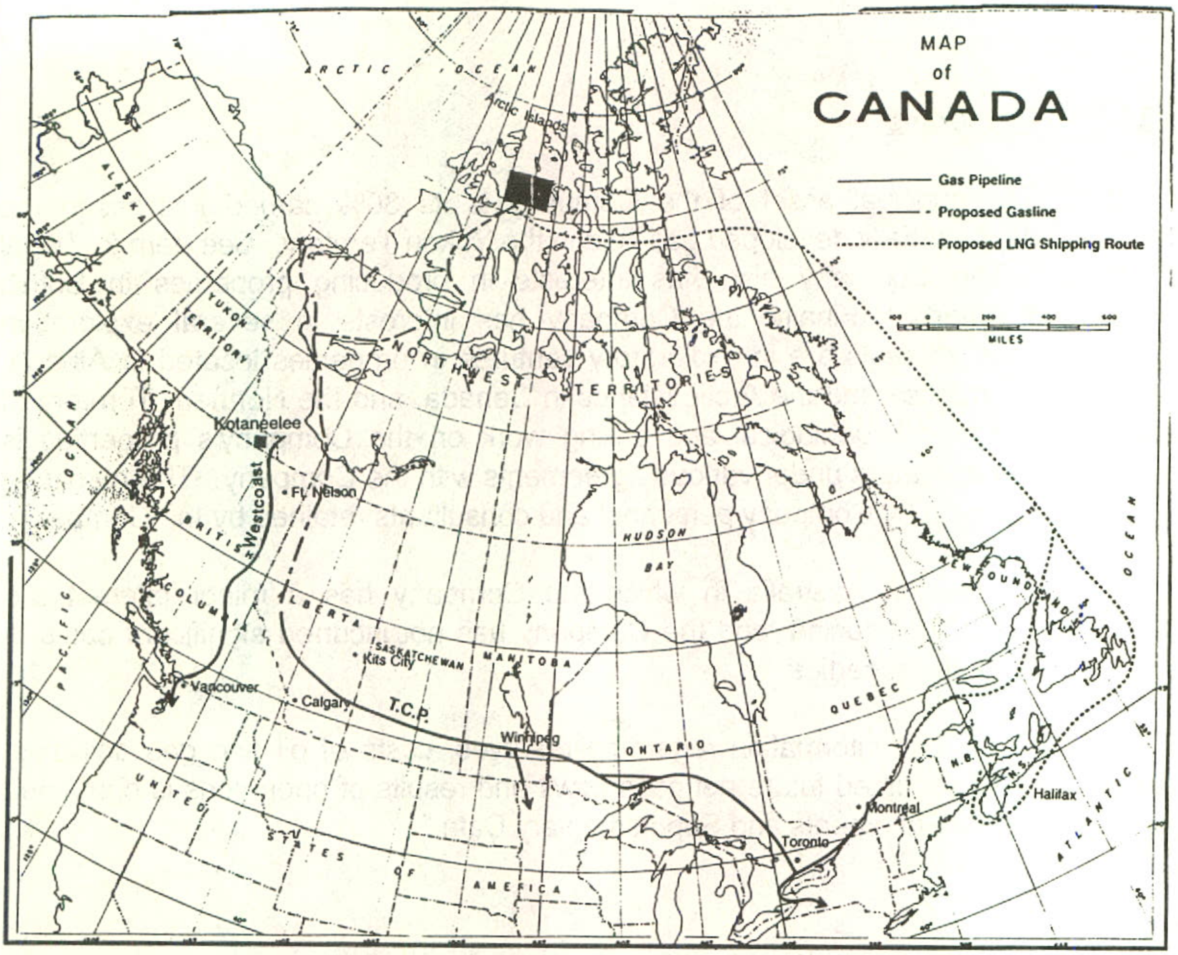
Not applicable.

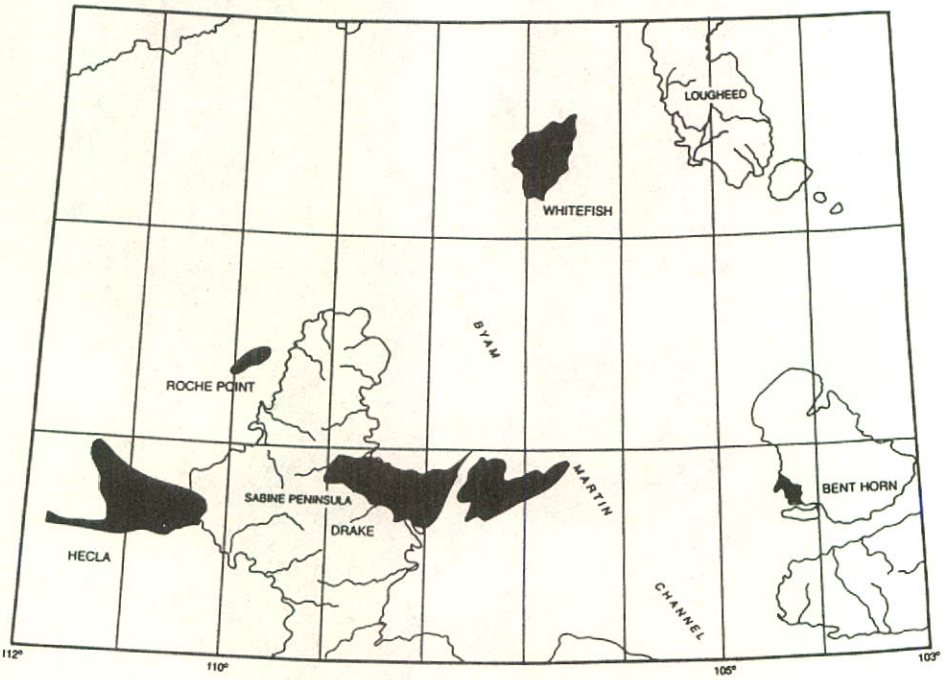
Item 2. Properties.

(a) The principal asset of the Company is its 30% carried interest in the Kotaneelee field, a partially developed gas field in the Yukon Territory. See Item 3. Legal Proceedings. The Company also has interests in producing properties in British Columbia and Alberta. Finally, the Company has interests in several exploration prospects. These interests are in exploratory ventures in properties located in Alberta, the Northwest Territories and the Arctic Islands in Canada, and the Northern Territory of Australia. 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 personnel and consultants retained by the Company.

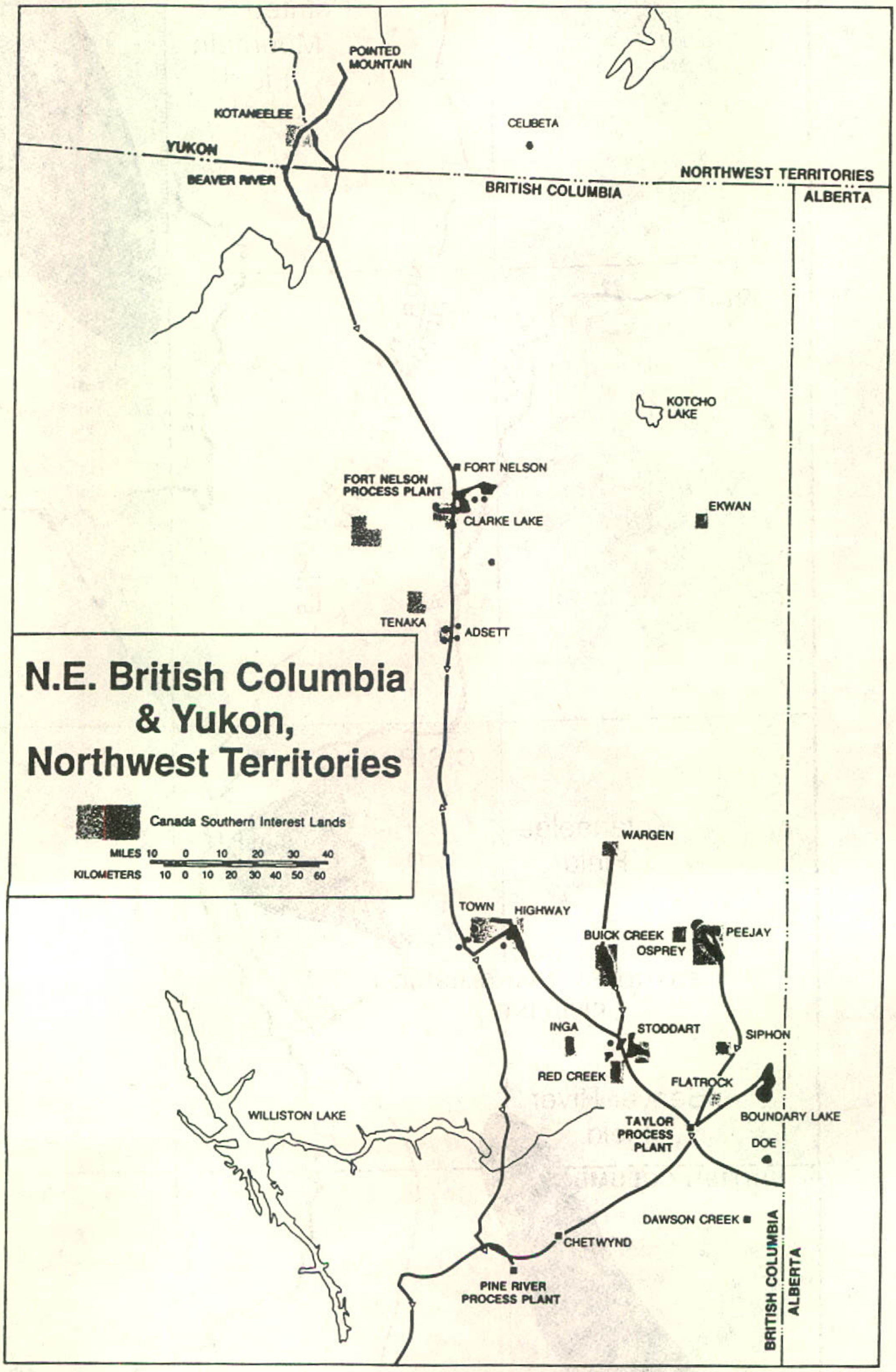
The properties in Australia in which the Company has a minor interest are undeveloped and nonproducing, and the Company has not incurred significant costs in connection with these properties.

(b) (1) The information regarding reserves, costs of oil and gas activities, capitalized costs, discounted future net cash flows and results of operations is contained in Item 8. "Financial Statements and Supplementary Data."

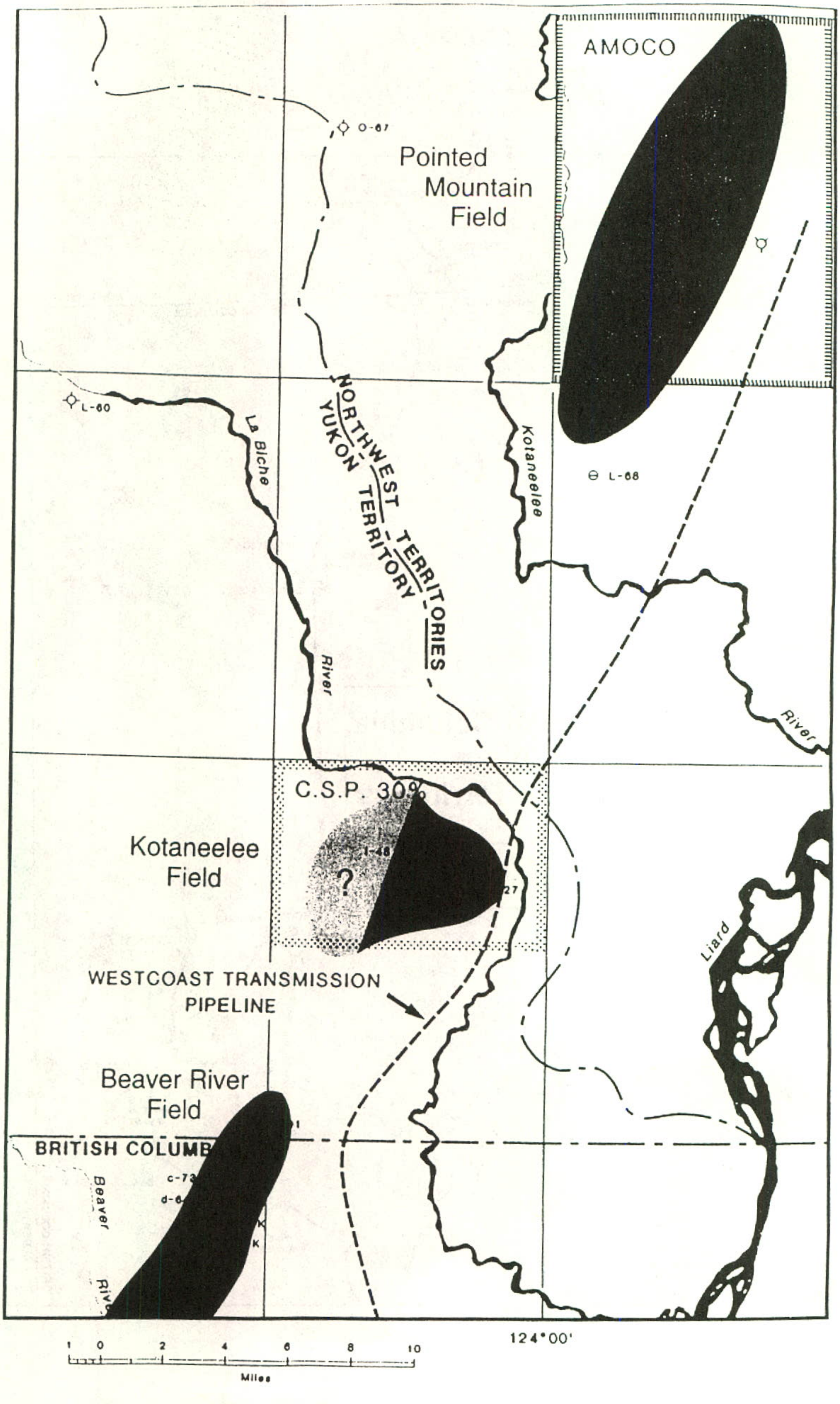




ARCTIC ISLAND FIELDS



N.E. British Columbia
& Yukon,
Northwest Territories
Canada Southern Interest Lands
MILES 10 0 10 20 30 40
KILOMETERS 10 0 10 20 30 40 50 60
POINTED MOUNTAIN
KOTANEELEE
YUKON
BEAVER RIVER
CELIBETA
NORTHWEST TERRITORIES
BRITISH COLUMBIA
ALBERTA
KOTCHO LAKE
FORT NELSON
FORT NELSON PROCESS PLANT
CLARKE LAKE
EKWAN
TENAKA
ADSETT
WARGEN
TOWN
HIGHWAY
BUICK CREEK
OSPREY
PEEJAY
INGA
STODDART
SIPHON
RED CREEK
FLATROCK
BOUNDARY LAKE
WILLISTON LAKE
TAYLOR PROCESS PLANT
DOE
DAWSON CREEK
CHETWYND
PINE RIVER PROCESS PLANT
BRITISH COLUMBIA
ALBERTA



KOTANEELEE FIELD

(2) Reserves Reported to Other Agencies.

Not applicable.

(3) Production

Average sales price per unit and average production cost for oil and gas produced during the last three years are as follows:

	Average Sales Price		Average Production Costs	
Year/Period Ended	Oil (per bbl.)	Gas (per mcf.)	Oil (per bbl.)	Gas (per mcf.)
December 31, 1994	$19.15	$1.69	$7.67	$.59
Dec. 31, 1993 (6 months)	17.67	1.60	8.94	.56
June 30, 1993	21.60	1.26	7.70	.47
June 30, 1992	20.29	1.19	5.07	.45

(4) Productive Wells and Acreage

Productive wells and acreage as of December 31, 1994:

Gross Wells		Net Wells	
Oil	Gas	Oil	Gas
61	71	12.02	12.84

	Gross and Net Developed Acres	
	Gross Acres	Net Acres
Alberta	4,480	682
British Columbia	70,170	17,154
Yukon Territory	3,350	1,005
Arctic Islands	3,060	153
	81,060	18,994

(5) Undeveloped Acreage.

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 December 31, 1994

	Developed Acres			Undeveloped Acres		
	Gross Acres	Net Acres	%	Gross Acres	Net Acres	%
Canada:						
British Columbia:						
Carried Interests	39,508	7,455	18.9	12,211	932	7.6
Working Interests	26,852	5,889	21.9	35,106	9,529	27.1
Overriding royalty interest	3,810	3,810	3.0	-	-	
Total British Columbia	70,170	17,154		47,317	10,461	
Alberta:						
Working Interests	4,480	682	15.2	20,640	8,466	41.0
Yukon & Northwest Territories:						
Carried Interests	3,350	1,005	30.0	31,726	9,757	30.8
Arctic Islands:						
Carried Interests	3,060	153	5.0	130,200	37,102	28.5
Working Interests	-	-		45,100	1,817	4.0
Total Arctic Islands	3,060	153		175,300	38,919	
Total Canada	81,060	18,994		274,983	67,603	
Australia	-	-		115,645	90	.1
TOTAL	81,060	18,994		390,628	67,693	

(6) Drilling activity.

Productive and dry net wells drilled during the following periods (no drilling in Australia):

	Gross		Net	
Year/Period Ended	Productive	Dry	Productive	Dry
December 31, 1994	8	-	1.00	-
December 31, 1993 (6 months)	2	2	.300	.250
June 30, 1993	9	2	1.483	.602
June 30, 1992	-	-	-	-

(7) Present Activities.

There was no drilling activity at December 31, 1994.

(8) Delivery Commitments.

None.

Item 3. Legal Proceedings.

On October 27, 1989, in the Court of Queens Bench of Alberta, Judicial District of Calgary, Canada (the "Canada Court"), the Company filed a statement of claim against Amoco Canada Petroleum Company Ltd., Dome Petroleum Limited and Amoco Production Company (collectively, the Amoco-Dome Group), Columbia Gas Development of Canada Ltd., Mobil Oil Canada Ltd., and Esso Resources of Canada Ltd. seeking a declaratory judgment regarding two issues relating to the Kotaneelee field; (1) whether interest accrued on the carried interest account (the Company maintains it does not), and (2) whether expenditures for gathering lines and dehydration equipment are expenditures chargeable to the carried interest account or whether the Company will be assessed a processing fee on gas throughput (the Company maintains the former position). Mobil, Esso and Columbia Gas have filed answers essentially agreeing to the granting of the relief requested by the Company. Amoco-Dome has now admitted one of two claims, that interest does not accrue on the carried interest account.

On March 7, 1990, the Company filed a statement of claim in the Canada Court against the Amoco-Dome Group, Columbia Gas Development of Canada Ltd., Mobil Oil Canada Ltd. and Esso Resources of Canada Ltd. seeking forfeiture of the Kotaneelee gas field, that the balance of the carried interest account be reduced to zero, damages and other relief for breach of fiduciary and other duties. If fully successful, the Company could recover a 90 percent interest in the Kotaneelee gas field and damages. The defendants have contested the claim and the Company is pursuing a trial which has been scheduled for September 1996. Columbia has filed a counter claim seeking, if the Company is successful in its claims, repayment from the Company of all sums Columbia has expended on the Kotaneelee lands before the Company is entitled to its interest.

The Company amended its statement of claim to join other parties and to elaborate on its claim for a reduction of the carried account. Amoco has filed an amended third party notice claiming indemnity from Columbia, if there is an adjustment of the carried interest account, on the basis of Columbia's gross negligence and willful and wanton misconduct in operating the field. Columbia filed an amended statement of defense to third party notice, alleging that Amoco resisted efforts to put the gas plant back in service and to market the Kotaneelee gas.

There are two claims outstanding against the Company in Alberta as they relate to the initial suit brought by the Company in 1987 against Allied Signal in Florida which was dismissed on the basis of *forum non conveniens* (that Canada is the appropriate place for the litigation). Allied-Signal seeks additional relief against the Company to preclude other types of suits by the Company and to recover the costs of the defense of the initial action. If such claims to seek additional relief are successful, such recoveries could have a material adverse effect on the Company's consolidated financial position, but counsel to the Company advises that such recovery is unlikely.

In 1991, Anderson Exploration Ltd. (Anderson) acquired all of Columbia Gas interests in Canada, including the Columbia interest in the Kotaneelee gas field. Anderson Oil & Gas Inc. is now the operator of the field and is a direct defendant in the Canada Court lawsuits. Columbia's previous parent, The Columbia Gas System, Inc., which has filed for bankruptcy protection in the United States, became contractually liable to Anderson in the legal proceeding described above.

The working interest owners have been selling Kotaneelee gas since February 1991. The Company is unable to determine the impact, if any, that these sales may have on the status of the above cases.

The Company's lawsuit against the working-interest partners in the Kotaneelee gas field has been scheduled for a six-month trial to commence in September 1996. The Court also has scheduled an additional pretrial conference for June 15, 1995. The Court further stipulated that the parties shall certify by January 1996 that they are prepared to proceed to trial in September 1996. Discovery in the case is continuing.

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

Not applicable.

Executive Officers of the Company.

The following information with respect to the executive officers of the Company is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

Name	Age	Office	Length of Service in this Office	Other Positions Held with Company
Charles J. Horne	69	President	Since 1980	Director
M. A. Ashton	59	Executive Vice President	Since 1993	Director

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

The Company is aware of no arrangement or understandings between any of the individuals named above and any other person pursuant to which any individual named above was selected as an officer.

PART II

Item 5. Market for the Company's Limited Voting Shares and Related Stockholder Matters.

(a) Principal Markets.

The Company's Limited Voting Shares, par value $1.00 per share, are listed on The Toronto Stock Exchange and the Pacific Stock Exchange, and was also listed on the NASDAQ SmallCap market during the fourth quarter of 1994.

The quarterly high and low closing prices (in Canadian dollars) on The Toronto Stock Exchange during the calendar periods indicated were as follows:

1992

	1st quarter	2nd quarter	3rd quarter	4th quarter
High	5.38	4.25	3.75	4.50
Low	3.95	3.45	3.40	3.20

1993

	1st quarter	2nd quarter	3rd quarter	4th quarter
High	6.25	7.00	10.50	10.50
Low	3.15	5.00	5.13	7.00

1994

	1st quarter	2nd quarter	3rd quarter	4th quarter
High	8.25	8.125	8.75	9.00
Low	6.75	6.125	6.675	5.75

The quarterly high and low closing prices (in United States dollars) on the Pacific Stock Exchange during the calendar periods indicated were as follows:

1992

	1st quarter	2nd quarter	3rd quarter	4th quarter
High	4 3/4	3 9/16	3 3/16	3 3/4
Low	3 5/16	2 7/8	2 15/16	2 1/4

1993

	1st quarter	2nd quarter	3rd quarter	4th quarter
High	5 1/4	5 3/8	7 3/4	8 3/8
Low	2 9/16	4 13/32	4 3/8	5

1994

	1st quarter	2nd quarter	3rd quarter	4th quarter
High	6 3/8	6 1/8	6 7/8	6 7/8
Low	4 7/8	4 9/16	4 7/8	4 3/8

(b) Approximate Number of Holders of Limited Voting Shares at March 13, 1995.

Title of Class	Approximate Number of Record Holders
Limited Voting Shares, par value $1.00 per share.	7,400

(c) Dividends.

The Company has never paid a dividend on its Limited Voting Shares. Any future dividends will be dependent on the Company's earnings, financial condition, and business prospects. The Company is legally restricted from paying any dividend or making any other payment to shareholders (except by way of return of capital) on the Limited Voting Shares until its accumulated deficit ($16,761,754) at December 31, 1994 is eliminated.

Current Canadian law does not restrict the remittance of dividends to persons not resident of Canada. Under current Canadian tax law and the United States-Canada tax treaty, any dividends paid to U.S. shareholders are currently subject to a 15% Canadian withholding tax.

The United States and Canada signed a protocol to the current income tax treaty between the two countries on August 31, 1994. The protocol significantly reduces the tax withholding rates on cross-border payments of dividends, interest and royalties. The protocol will enter into force when both governments have completed their respective constitutional and statutory procedures and have exchanged instruments of ratification. The withholding rate on direct investment dividends will be reduced from 10% to 5%.

Item 6. Selected Financial Data.

The following selected consolidated financial information (in thousands except per share and exchange rate data) of the Company insofar as it relates to each of the fiscal periods shown has been extracted from the Company's consolidated financial statements. Effective July 1, 1993, the Company changed its year end from June 30 to December 31.

	Year ended December 31,		Six months ended December 31,		Year ended June 30,			
	1994 ($)	1993 ($) (unaudited)	1993 ($)	1992 ($) (unaudited)	1993 ($)	1992 ($)	1991 ($)	1990 ($)
Operating revenues	1,691	1,915	970	1,116	2,061	1,546	2,672	1,740
Total revenues	1,942	2,103	1,044	1,330	2,389	1,797	3,132	2,301
Net income (loss)(*)	(1,210)	(977)	(553)	(189)	(613)	(1,431)	426**	(821)
Net income (loss) per share(*)	(.10)	(.08)	(.04)	(.02)	(.05)	(.12)	.03**	(.07)
Working capital	2,417	3,890	3,890	3,507	3,750	3,926	4,860	4,649
Total assets	13,390	14,484	14,484	14,603	14,104	14,593	16,086	15,581
Shareholders' Equity:								
Capital stock	29,513	19,513	19,513	28,593	28,739	28,594	28,594	28,395
Deficit	(16,762)	(15,552)	(15,552)	(14,574)	(14,999)	(14,386)	(12,954)	(13,380)
	12,751	13,961	13,961	14,019	13,740	14,208	15,640	15,015
Average number of shares outstanding	12,613	12,453	12,522	12,346	12,363	12,346	12,295	12,120
Exchange rates:***								
Year-end	.7129	.7554	.7554	.7841	.7801	.8340	.8757	.8593
Average for the period	.7324	.7757	.7612	.8125	.8013	.8606	.8660	.8505
Range	.7098-7634	.7436-8045	.7512-.7801	.7860-.8387	.7768-.8458	.8929-.8292	.8811-.8501	.8650-.8288

U.S. GAAP Information

Under U.S. generally accepted accounting principles ("GAAP"), the above selected information would be as follows (See Note 6 in Notes to Consolidated Financial Statements):

Net income (loss)	(1,140)	(673)	(249)	(189)	(613)	(1,431)	426	(821)
Net income (loss) per share	(.09)	(.05)	(.02)	(.02)	(.05)	(.12)	.03	(.07)

** Under U.S. GAAP income before income taxes and extraordinary item would have been $426,029 ($.03 per share), income taxes $299,345 ($.02 per share), extraordinary item (utilization of net operating loss carryforward) $299,345 ($.02 per share) and net income $426,029 ($.03 per share). See Note 6 in Notes to Consolidated Financial Statements.

*** Cdn $1.00 = U.S. equivalent

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

(1) Liquidity and Capital Resources.

The Company's cash and cash equivalents ($2,225,882 at December 31, 1994), its $2,000,000 line of credit with a Canadian bank and operating revenues are the Company's principal sources of liquidity. These sources are expected to provide adequate liquidity for 1995 and 1996. During the year ended December 31, 1994, the Company made no drawings under its bank line of credit.

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

The Company is currently evaluating and expects to continue to evaluate oil and gas properties and may make investments in such properties utilizing cash on hand. The Company anticipates that its capital expenditures for land acquisitions and drilling for the fiscal year 1995 will be approximately $600,000. In addition, substantial continuing expenses are expected to be incurred in connection with the litigation involving the Kotaneelee gas field. The expense of the Kotaneelee litigation has been the principal cause of the Company's losses since 1991.

The Company has established a reserve for its potential share of future site restoration costs. The estimated amount of these costs which total $690,000 are being provided on a unit of production basis in accordance with existing legislation and industry practice.

(2) Results of Operations.

Fiscal Year Ended December 31, 1994 vs. 1993

The net loss for 1994 was $1,210,109 ($.10 per share) compared to a net loss of $977,146 ($.08 per share) for 1993. Most of the increase in loss for the 1994 period was attributable to decreased revenues, particularly proceeds from carried interests, which were adversely affected by expenditures that are recouped from revenues.

Oil sales declined by 5% due to a 6% decrease in production and a 1% decrease in the average selling price per barrel. Oil unit sales in barrels ("bbls"), the average price per barrel sold and the average daily production during the periods indicated were as follows:

1994 Sales			1993 Sales		
bbls	Average price per bbl	Average Daily Production bbls	bbls	Average price per bbl	Average Daily Production bbls
34,711	$19.14	95	37,062	$19.27	102

Revenues from gas sales decreased 11%, because of a 41% decrease in units sold, which was partially offset by a 21% increase in the average selling price per mcf. The volumes in million cubic feet, the average price of gas per thousand cubic feet sold and the average daily production during the periods indicated were as follows:

1994 Sales			1993 Sales		
mmcf	Average price per mcf	Average Daily Production mcf	mmcf	Average price per mcf	Average Daily Production mcf
262	$1.76	717	364	$1.46	997

Proceeds from carried interests decreased by 17%. Since the Company is in a carried interest position, the Company is not required to advance any funds for any drilling or other such costs. However, the working interest owners are entitled to recover these costs from future production proceeds. During fiscal 1994, proceeds from these properties decreased due to capital expenditures incurred by the working interest owners, which were recovered from production proceeds.

Interest and other income increased 67% in the current period as compared to last year because of the sale of seismic data for $125,368 in 1994.

General and administrative expenses were 16% higher due in part to employee termination payments in 1994. The current year also includes higher shareholder expenses and other administrative costs related to the Annual and Special Meetings held in June and July 1994. The costs of printing and mailing proxy materials represents a significant portion of the increase. The fiscal year end of the Company was changed from June 30 to December 31 in 1993 and resulted in additional expense for fiscal 1994.

Legal expenses increased 2%. Legal expenses are being incurred primarily in connection with the continuing litigation concerning the Kotaneelee gas field.

Lease operating costs decreased 24%. The prior period had included late billings by the operator of certain properties. The 1994 costs were 49% of oil and gas sales as compared to 59% in the prior year.

Depletion, depreciation and amortization increased 22% primarily due to the amortization of costs related to the seismic data sold during the current year.

A foreign exchange gain of $57,791 was recorded in 1994, compared to a gain of $52,243 in the 1993 period. The change reflects a strengthening of the U.S. dollar as compared to the Canadian dollar for the Company's investments in the United States.

Provision for restoration costs decreased 15% from $89,803 in 1993 due to the decrease in the number of units sold.

Rent expense decreased 7% compared to the prior period which included some additional costs related to the move to new office space in 1993.

Income taxes. No provision for income taxes is required for 1994 because of the current year loss.

<u>Six month period ended December 31, 1993 vs. 1992.</u>

The net loss for the 1993 period was $552,828 ($.04 per share) compared to a 1992 loss of $188,737 ($.02 per share). The increased loss is principally due to a 13% decline in revenues and a 15% increase in costs.

Revenues from operations were 13% lower in 1993 as compared to 1992. Oil revenue decreased by 32% due to a 15 percent decrease in production and a 25 percent decrease in the average selling price per barrel. Gas revenue increased 12 percent despite a 17% decrease in production, which was offset by a 16 percent increase in the average selling price per mcf. Proceeds from carried interests were 11 percent lower due to lower production.

Interest and other income was 10% lower in 1993 because of lower interest rates.

Despite continuing costs associated with the Kotaneelee lawsuit, general and administrative expenses were 3% lower than the comparable 1992 period due to reduced shareholders expense. Rent expense increased 38%, reflecting an increase in Calgary office space.

Lease operating costs increased by approximately $91,000 or 39% reflecting late billings by the operator of certain properties, partially related to prior periods. Depletion and depreciation was 25% lower, due to lower production. The provision for future site restoration was 20% lower due to lower production, partially offset by increased estimated restoration costs.

The foreign exchange gains relate to United States dollar denominated investments. The gains in both periods resulted from the increase in value of the U.S. dollar in relation to the Canadian dollar. In 1993, the Company had a lesser amount invested in U.S. dollar investments.

During the six month period ended December 31, 1992, $132,482 was credited to income to reflect the equity in net income relating to Probe Exploration Inc., which was sold in April 1993.

Fiscal Year Ended June 30, 1993 vs. 1992

The net loss for the fiscal year ended June 30, 1993 was $613,055 ($.05 per share) compared to a 1992 net loss of $1,431,487 ($.12 per share). The improvement in results is due to a 19% increase in revenues, coupled with a 14% decrease in costs and expenses. Despite these favorable changes, the Kotaneelee lawsuit continues to be a drain on Company resources and is the principal reason for the loss reported.

Oil and gas sales were down 7% for the year ended June 30, 1993. Oil sales decreased by 16% due to a 21% decrease in unit sales, partially offset by a 7% increase in the average price of oil per barrel. Gas revenues increased by 13% as a result of a 8% increase in units sold and with gas prices averaging 5% higher.

Proceeds under carried interest agreements tripled in the fiscal year ended June 30, 1993 over 1992. Capital costs in 1992 were deducted from proceeds in 1992. Revenues in 1993 benefited from the 1992 capital expenditures.

The $169,706 of income relating to Probe Exploration Inc. for the fiscal year ended June 30, 1993 has three components, namely;

1. A profit of $32,096 on the sale of Probe.

2. Company's share of Probe's 1993 income prior to the sale - $160,503.

3. A charge of $22,893 reflecting 1993 amortization of the excess cost of net assets acquired by the Company attributable to Probe's oil and gas properties.

Interest and other income was 50% lower for the year ended June 30, 1993, as compared to 1992, due to reduced amounts invested and lower rates of return on funds invested.

General and administrative expenses were 2% lower than last year due to reduced shareholders expense. Lease operating costs were 23% higher due to the change of operator. The new operator was more active in managing the properties. Depletion and depreciation was 16% higher due to declining reserves.

A foreign exchange gain of $135,817 in the fiscal year ended June 30, 1993 compares with a gain of $96,623, in 1992, reflecting the relative strength of the U.S. dollar as compared to the Canadian dollar.

There were no abandonments or writedowns in the fiscal year ended June 30, *1993 compared* to a charge of $364,802 in 1992.

The provision for restoration costs increased by 61%, reflecting the inclusion of a provision for Kotaneelee and the reduced reserves.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Canada Southern Petroleum Ltd.

We have audited the accompanying consolidated balance sheets of Canada Southern Petroleum Ltd. as at December 31, 1994 and 1993, and June 30, 1993, and the consolidated statements of operations and deficit, cash flows and limited voting shares and contributed surplus for the year ended December 31, 1994, the six month period ended December 31, 1993 and for each of the years in the two year period ended June 30, 1993. These financial statements are the responsibility of the Company's management.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Canada Southern Petroleum Ltd. as at December 31, 1994 and 1993, and June 30, 1993, and the results of its operations and the changes in its financial position for the year ended December 31, 1994, the six month period ended December 31, 1993 and for each of the years in the two year period ended June 30, 1993 in accordance with accounting principles generally accepted in Canada.

ERNST & YOUNG

Calgary, Canada
March 3, 1995

Chartered Accountants

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA - U.S. REPORTING CONFLICT

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by significant uncertainties such as that referred to in the attached consolidated balance sheets as of December 31, 1994 and 1993 and June 30, 1993, and as described in Note 8 of the consolidated financial statements. The above report dated March 3, 1995 is expressed in accordance with Canadian reporting standards which do not permit a reference to such an uncertainty in the auditors' report when the uncertainty is adequately described in the consolidated financial statements.

ERNST & YOUNG

Calgary, Canada
March 3, 1995

Chartered Accountants

CANADA SOUTHERN PETROLEUM LTD.
(Incorporated under the laws of Nova Scotia)

CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian dollars)

	December 31, 1994	December 31, 1993	June 30, 1993
Assets			
Cash and cash equivalents (Note 2)	$ 2,225,882	$ 3,555,989	$ 3,496,116
Accounts and interest receivable	286,107	429,497	245,747
Prepaid insurance and other	253,667	213,633	206,408
Total current assets	2,765,656	4,199,119	3,948,271
Investment in and loans to Probe (Note 3)	-	310,000	330,000
Oil and gas properties and equipment (full cost method) (Note 4)	10,624,730	9,974,794	9,826,375
	$13,390,386	$14,483,913	$14,104,646
Liabilities and Shareholders' Equity:			
Current liabilities			
Accounts payable	$ 164,092	$ 191,889	$ 125,191
Accrued liabilities	184,712	116,988	73,124
Total current liabilities	348,804	308,877	198,315
Future site restoration costs	289,928	213,273	166,024
Contingencies (Note 8)	-	-	-
Shareholders' Equity			
Limited Voting Shares, par value $1 per share (Note 5)			
Authorized - 100,000,000 shares			
Outstanding -12,612,791, 12,612,791 and 12,405,269 shares, respectively	12,612,791	12,612,791	12,405,269
Contributed surplus	16,900,617	16,900,617	16,333,855
	29,513,408	29,513,408	28,739,124
Deficit	(16,761,754)	(15,551,645)	(14,998,817)
Total shareholders' equity	12,751,654	13,961,763	13,740,307
	$13,390,386	$14,483,913	$14,104,646

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.

Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)

	Year ended December 31,		Six months ended December 31,		Year ended June 30,	
	1994	1993	1993	1992	1993	1992
		(Unaudited)		(Unaudited)		
Revenues:						
Oil sales	$547,509	$ 574,329	$ 277,596	$ 406,375	$ 703,109	$ 807,023
Gas sales	486,764	548,931	293,363	260,542	516,109	463,475
Proceeds under carried interest agreements	656,303	791,943	399,310	448,658	841,291	275,284
Income (loss) relating to Probe (Note 3)	-	37,224	-	132,482	169,706	(65,765)
Interest and other income	251,713	150,969	73,372	81,506	159,103	317,100
	1,942,289	2,103,396	1,043,641	1,329,563	2,389,318	1,797,117
Costs and expenses:						
General and administrative	1,204,565	1,039,415	600,034	645,600	1,084,981	1,158,485
Legal (Note 9)	928,560	914,310	457,927	442,976	899,361	863,442
Lease operating costs	502,452	664,349	321,994	230,903	573,258	464,943
Depletion, depreciation, and amortization	441,033	363,923	185,026	246,758	425,653	366,566
Foreign exchange (gains)	(57,791)	(52,243)	(45,990)	(129,564)	(135,817)	(96,623)
Abandonments and writedowns	-	-	-	-	-	364,802
Provision for future site restoration costs	76,656	89,803	47,249	59,773	102,327	63,696
Rent	56,923	60,985	30,229	21,854	52,610	43,293
	3,152,398	3,080,542	1,596,469	1,518,300	3,002,373	3,228,604
Loss before income taxes	(1,210,109)	(977,146)	(552,828)	(188,737)	(613,055)	(1,431,487)
Income taxes (Note 6)	-	-	-	-	-	-
Net loss	(1,210,109)	(977,146)	(552,828)	(188,737)	(613,055)	(1,431,487)
Deficit - beginning of period	(15,551,645)	(14,574,499)	(14,998,817)	(14,385,762)	(14,385,762)	(12,954,275)
Deficit - end of period	$16,761,754	$(15,551,645)	$(15,551,645)	$(14,574,499)	$(14,998,817)	$(14,385,762)
Average number of shares outstanding	12,612,791	12,452,860	12,521,985	12,345,825	12,362,577	12,345,825
Net loss per share based on number of shares outstanding	$(.10)	$(.08)	$(.04)	$(.02)	$(.05)	$(.12)

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31,		Six months ended December 31,		Years ended June 30,	
	1994	1993 (Unaudited)	1993	1992 (Unaudited)	1993	1992
Cash flows from operating activities:						
Net loss	$(1,210,109)	$ (977,146)	$ (552,828)	$ (188,737)	$ (613,055)	$(1,431,487)
Adjustments to reconcile net loss to net cash provided by (used in) operating activity:						
Abandonments and writedowns	-	-	-	-	-	364,802
Depreciation, depletion and amortization	441,033	363,923	185,026	246,756	425,653	366,566
Future site restoration costs	76,656	89,803	47,249	59,773	102,327	63,696
Equity adjustment relating to Probe	-	(37,224)	-	(132,482)	(169,706)	65,765
Other	-	2,858	42	18,091	20,907	28,167
	(692,420)	(557,786)	(320,511)	3,401	(233,874)	(542,491)
Change in assets and liabilities:						
Accounts and interest receivable	143,390	24,504	(183,750)	17,991	226,245	(1,976)
Prepaid insurance and other	(40,034)	(12,558)	(7,225)	5,449	116	3,596
Accounts payable	(27,797)	(65,864)	66,698	75,165	(57,397)	(260,613)
Accrued liabilities	67,723	(85,744)	43,863	63,685	(65,922)	135,750
	143,282	(139,662)	(80,414)	162,290	103,042	(123,243)
Net cash provided by (used in) operations	(549,138)	(697,448)	(400,925)	165,691	(130,832)	(665,734)
Cash flows from investing activities:						
Additions to oil and gas properties	(1,090,969)	(991,104)	(365,994)	(472,105)	(1,129,723)	(391,394)
Sale of Probe	-	984,114	-	-	984,114	-
Sale (purchase) of seismic data	-	(112,000)	32,508	-	(112,000)	-
Repayments from Probe	310,000	140,000	20,000	50,000	170,000	-
Net cash from (used in) investing activities	(780,969)	21,010	(313,486)	(422,105)	(87,609)	(391,394)
Cash flows from Financing Activities:						
Exercise of stock options	-	919,866	774,284	-	145,582	-
Increase (decrease) in cash and cash equivalents	(1,330,107)	243,428	59,873	(256,414)	(72,859)	(1,057,128)
Cash and cash equivalents at the beginning of period	3,555,989	3,312,561	3,496,116	3,568,975	3,568,975	4,626,103
Cash and cash equivalents at the end of period (Note 2)	$2,225,882	$3,555,989	$3,555,989	$3,312,561	$3,496,116	$3,568,975

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF LIMITED VOTING SHARES AND CONTRIBUTED SURPLUS

(Expressed in Canadian dollars)

	Number of shares	Limited Voting Shares $1 par value	Contributed surplus	Total
Balance at June 30, 1991 and 1992	12,345,825	$12,345,825	$16,247,717	$28,593,542
Exercise of stock options	59,444	59,444	86,138	145,582
Balance at June 30, 1993	12,405,269	12,405,269	16,333,855	28,739,124
Exercise of stock options	207,522	207,522	566,762	774,284
Balance at December 31, 1993 and 1994	12,612,791	$12,612,791	$16,900,617	$29,513,408

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
December 31, 1994
(Information for the year ended December 31, 1993 and
for the six months ended December 31, 1992 is unaudited)

1. Summary of significant accounting policies

Accounting principles

The Company prepares its accounts in accordance with accounting principles generally accepted in Canada which, except as described in Note 6, conform in all material respects with United States generally accepted accounting principles ("U.S. GAAP").

Change of Fiscal Year

Effective July 1, 1993, the Company changed its fiscal year end from June 30 to December 31.

Consolidation

The consolidated financial statements include the accounts of Canada Southern Petroleum Ltd. and its wholly-owned subsidiaries, Canpet Inc. and C.S. Petroleum Limited.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Oil and gas properties and equipment

The Company, which is engaged primarily in one industry, the exploration for and the 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.

The Company periodically reviews the costs associated with undeveloped properties and mineral rights to determine whether they are likely to be recovered. When such costs are not likely to be recovered, such costs are transferred to the depletable pool of oil and gas costs.

1. Summary of significant accounting policies (Cont'd)

The net carrying cost of the Company's oil and gas properties in producing cost centers is limited to an estimated recoverable amount. This amount is the aggregate of future net revenues from proved reserves and the costs of undeveloped properties, net of impairment allowances, less future general and administrative costs, financing costs and income taxes. Future net revenues are calculated using year end prices that are not escalated or discounted.

Gains or losses are not recognized upon disposition of oil and gas properties unless crediting the proceeds against accumulated costs would result in a change in the rate of depletion of 20% or more.

Depletion is provided on costs accumulated in producing cost centers including well equipment using the unit of production method. For purposes of the depletion calculation, gross proved oil and gas reserves as determined by outside consultants are converted to a common unit of measure on the basis of their approximate relative energy content.

Depreciation has been computed for equipment, other than well equipment, on the straight-line method based on estimated useful lives of four to ten years.

Substantially all of the Company's exploration and development activities related to oil and gas are conducted jointly with others and accordingly the consolidated financial statements reflect only the Company's proportionate interest in such activities.

CANADA SOUTHERN PETROLEUM LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
December 31, 1994
(Information for the year ended December 31, 1993 and for the six months ended December 31, 1992 is unaudited)

1. Summary of significant accounting policies (Cont'd)

Other financial information

	Year ended December 31,		Six months ended December 31,		Year ended June 30,	
	1994	1993	1993	1992	1993	1992
Royalty payments (1)	$191,785	$218,767	$89,140	$118,411	$248,038	$301,860
Interest payments (2)	$ 10,746	$ 10,031	$ 5,041	$ 7,932	$ 10,031	$ 12,507
Large corporation tax payments	$ 7,740	$ 5,678	$ 5,043	$ 3,300	$ 3,935	$ 9,050

(1) Oil and gas sales are reported net of royalties paid.
(2) Bank line of credit charges.

Future site restoration costs

Estimated future site restoration costs are provided on a unit of production basis. The provision is based on current costs of complying with existing legislation and industry practice for site restoration and abandonment.

Deferred income taxes

The Company follows the deferral method of tax allocation accounting whereby the income tax provision is based on pre-tax income reported in the accounts. Under this method, full provision is made for deferred income taxes resulting from claiming deductions at the rates permitted by income tax legislation, which may differ from those used in the accounts.

Foreign currency translation

Transactions for settlement in U.S. dollars have been translated at average monthly exchange rates. Assets and liabilities in U.S. dollars have been translated at the year end exchange rates. Exchange gains or losses resulting from these adjustments are included in costs and expenses.

(Expressed in Canadian dollars)

2. Cash and cash equivalents

Cash equivalents are carried at cost which approximates market value.

	December 31 1994	December 31 1993	June 30, 1993
U.S. Treasury bills	$ -	$ 919,623	$1,145,121
Canadian bankers acceptances	1,748,821	1,903,361	1,904,252
Term deposit - Bermuda	-	223,576	219,054
	1,748,821	3,046,560	3,268,427
Cash	477,061	509,429	227,689
	$2,225,882	$3,555,989	$3,496,116

3. Investment in and loans to Probe Exploration Inc.

The Company acquired interests in Probe Exploration Inc. (Probe) in 1990 and 1991 by issuance of 355,871 original issue shares valued at $1,017,314. The investment in Probe was accounted for by the equity method. On April 27, 1993, the Company sold its 4,920,570 shares for $984,114, recording a profit of $32,096 on the sale.

In 1991, the Company made cash advances of $500,000 to Probe in return for promissory notes. At December 31, 1993, Probe had retired $190,000 of the debt, including $112,000 through the sale by Probe of an interest in certain seismic data to the Company, and the balance due the Company was $310,000. During 1994, Probe fully repaid the loans to the Company.

CANADA SOUTHERN PETROLEUM LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
December 31, 1994
(Information for the year ended December 31, 1993 and for the six months ended December 31, 1992 is unaudited)

4. Oil and gas properties and equipment

	Cost	Accumulated Provisions and Writedowns	Net Book Value
Balance December 31, 1994			
Oil and gas properties-developed	$16,588,005	$6,029,414	$10,558,591
Oil and gas properties-undeveloped	1	-	1
Seismic data	112,000	68,508	43,492
	16,700,006	6,097,922	10,602,084
Equipment	54,900	32,254	22,646
	$16,754,906	$6,130,176	$10,624,730
Balance December 31, 1993			
Oil and gas properties-developed	$15,571,138	$5,696,324	$9,874,814
Oil and gas properties-undeveloped	1	-	1
Seismic data	112,,000	32,508	79,492
	15,683,139	5,728,832	9,954,307
Equipment	49,086	28,599	20,487
	$15,732,225	$5,757,431	$9,974,794
Balance June 30, 1993			
Oil and gas properties-developed	$15,238,453	$5,545,362	$9,693,091
Oil and gas properties-undeveloped	1	-	1
Seismic data	112,000	-	112,000
	15,350,454	5,545,362	9,805,092
Equipment	48,354	27,071	21,283
	$15,398,808	$5,572,433	$9,826,375

Substantially all gas sales were made to CanWest Gas Supply Inc. and oil sales were made to CNRL.

5. Limited voting shares and stock options

The Memorandum of Association (Articles of Continuance) of Canada Southern provide that no person (as defined) shall vote more than 1,000 shares.

Under the terms of the Company's 1985 and 1992 stock option plans, the Company is authorized to grant certain key employees and consultants options to purchase limited voting shares at prices based on the market price of the shares as determined on the date of the grant. The options are exercisable for five years from the date of grant.

(Expressed in Canadian dollars)

5. Limited voting shares and stock options(Cont'd)

Following is a summary of option transactions during 1992, 1993 and 1994 which reflects adjustments of the stock option prices and the number of shares subject to stock options as discussed above:

Options outstanding	Number of shares	Option Prices ($)
June 30, 1991 and 1992	209,166	2.25 - 3.90
Granted	325,000	3.45 - 4.06
Cancelled	(107,500)	3.90
Exercised	(59,444)	2.25 - 2.55
June 30, 1993	367,222	2.25 - 4.06
Exercised	(207,522)	2.25 - 4.06
December 31, 1993	159,700	3.45 - 4.06
Granted	335,000	7.00
December 31, 1994	494,700	3.45 - 7.00
Options reserved for future issuance	238,334	

6. Income taxes

Income taxes vary from the amounts that would be computed by applying the Canadian federal and provincial income tax rates as follows:

	Year ended December 31,		Six months ended December 31,		Year ended June 30,	
	1994	1993	1993	1992	1993	1992
Provision for income taxes based on combined basic Canadian federal and provincial income tax	44.84%	44.84%	44.84%	44.34%	44.34%	44.34%
	$(542,614)	$(438,152)	$(247,888)	$(83,686)	$(271,829)	$(634,721)
Non-deductible crown charges	72,577	78,784	32,234	37,246	88,408	122,259
(Income) loss of Probe	-	(16,681)	-	(58,743)	(75,248)	29,160
Other	1,707	5,371	3,017	3,104	4,822	6,415
Unrealized tax loss	468,330	370,678	212,637	102,079	253,847	476,887
Actual provision for income taxes	$ -	$ -	$ -	$ -	$ -	$ -

(Expressed in Canadian dollars)

6. Income taxes (Cont'd)

At December 31, 1994, the Company had net operating losses for income tax purposes of approximately $1,806,000 which are available to be carried forward to future periods. These losses expire in the following years: 1996 - $209,000; 1999 - $563,000; 2000 - $194,000 and 2001 - $294,000, 2002 - $546,000.

At December 31, 1994, the following oil and gas tax deductions are available to reduce future taxable income, subject to a final determination by taxation authorities.

Drilling, exploration and lease acquisition costs	$7,271,000
Earned depletion	1,975,000
Undepreciated capital costs	1,075,000
Capital losses (can only be used against future years' capital gains)	229,000

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

Under U.S. GAAP, the provisions for income taxes would have differed for the reasons set out below:

In February 1992, the United States Financial Accounting Standards Board issued Statement No. 109, "Accounting for Income Taxes", effective for fiscal years beginning after December 15, 1993. Under U.S. GAAP, the Company would have been required to adopt Statement No. 109 commencing July 1, 1993.

Under Statement No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Under Canadian GAAP and previously under U.S. GAAP, income tax expense is determined using the deferral method. Deferred tax expense is based on items of income and expense that are reported in different years in the financial statements and tax returns and are measured at the tax rate in effect in the year the differences originated.

(Expressed in Canadian dollars)

6. Income taxes (Cont'd)

If Statement No. 109 was adopted, the Company would have had a deferred tax asset of $2,169,085 and $1,835.501 at December 31, 1994 and 1993, respectively, (July 1, 1993 - $1,507,315) primarily representing the excess of available resource deductions for income tax purposes over the recorded value of oil and gas properties together with operating and capital income tax loss carryforwards. As certain of the resource deductions are restricted and the operating loss carryforwards are subject to expire, there is considerable risk that certain of these deductions will not be utilized. Accordingly, the Company would have established a valuation allowance at of $1,795,307 and $1,531,718 at December 31, 1994 and 1993, respectively, (July 1, 1993 - $1,308,859) to recognize this uncertainty. As a result, income taxes for the year 1994 and for the six months ended December 31, 1993, computed in accordance with U.S. GAAP, would have resulted in a credit to the provision of taxes of $69,995 and $303,783, respectively. Of this amount, $198,456 represents the cumulative effect of a change in accounting for income taxes on July 1, 1993.

Net loss under U.S. GAAP, in total, and per share based on average number of shares outstanding during the periods shown is as follows:

	Year ended December 31,				Six months ended December 31,				Year ended June 30,			
	1994		1993		1993		1992		1993		1992	
	Total	Per Share	Total (Unaudited)	Per Share	Total	Per Share	Total (Unaudited)	Per Share	Total	Per Share	Total	Per Share
Net loss under Canadian GAAP before income taxes and extraordinary items	$(1,210,109)	$(.10)	$(977,146)	$(.08)	($552,828)	$(.04)	$(188,737)	$(.02)	$(613,055)	$(.05)	$(1,431,487)	$(.12)
Income tax adjustment	69,995	.01	303,783	.03	303,783	.02	-	-	-	-	-	-
Net loss under U.S. GAAP	$(1,140,114)	$(.09)	$(673,363)	$(.05)	$(249,045)	$(.02)	$(188,737)	$(.02)	$(613,055)	$(.05)	$(1,431,487)	$(.12)

The deficit under U.S. GAAP would have been $16,387,976 and $15,247,862 at December 31, 1994 and 1993, respectively.

7. Line of credit

The Company has a line of credit with a Canadian chartered bank which provides for a revolving loan of $2 million. The interest rate on borrowing is at 3/4% above the bank's prime lending rate. The line of credit is subject to annual review and is secured by a general assignment of accounts receivable and an undertaking to provide security in the form of assignment of future working interest proceeds. No drawings were made under this line during the years ended December 31, 1994, June 30, 1993 and 1992 or the six months ended December 31, 1993.

8. Litigation

On October 27, 1989, in the Court of Queens Bench of Alberta, Judicial District of Calgary, Canada (the Canada Court), the Company filed a statement of claim against Amoco Canada Petroleum Company Ltd., Dome Petroleum Limited and Amoco Production Company (collectively, the Amoco-Dome Group), Columbia Gas Development of Canada Ltd., Mobil Oil Canada Ltd. and Esso Resources of Canada Ltd. seeking a declaratory judgment regarding two issues relating to the Kotaneelee field; (1) whether interest accrued on the carried interest account (the Company maintains it does not), and whether expenditures for gathering lines and dehydration equipment are expenditures chargeable to the carried interest account or whether the Company will be assessed a processing fee on gas throughput (the Company maintains the former position). Mobil, Esso and Columbia Gas have filed answers essentially agreeing to the granting of the relief requested by the Company. Amoco-Dome has now admitted one of two claims, i.e., that interest does not accrue on the carried interest account. The Company's position with respect to these two issues has been used as the basis for assessing whether the carrying value (book value) of the Company's oil and gas properties is appropriate.

On March 7, 1990, the Company filed a statement of claim in the Canada Court against the Amoco-Dome Group, Columbia Gas Development of Canada Ltd., Mobil Oil Canada Ltd. and Esso Resources of Canada Ltd. seeking forfeiture of the Kotaneelee field, that the balance of the carried interest account be reduced, damages and other relief for breach of fiduciary and other duties. If fully successful, the Company could recover a 90 percent interest in the Kotaneelee gas field and damages. The defendants have contested the claim and the Company is pursuing a trial which has been scheduled for September 1996. Columbia has filed a counter claim seeking, if the Company is successful in its claims, repayment from the Company of all sums Columbia has expended on the Kotaneelee lands before the Company is entitled to its interest.

The Company has amended its statement of claim to join other parties and to elaborate on its claim for a reduction of the carried account. Amoco has filed an amended third party notice claiming indemnity from Columbia, if there is an adjustment of the carried interest account, on the basis of Columbia's gross negligence and willful and wanton misconduct in operating the field. Columbia filed an amended statement of defense to third party notice, alleging that Amoco resisted efforts to put the gas plant back in service and to market the Kotaneelee gas.

8. Litigation (Cont'd)

There are two claims outstanding against the Company in Alberta, as they relate to the initial suit brought against Allied Signal in Florida which was dismissed on the basis of *forum non conveniens* (that Canada is the appropriate place for the litigation). Allied Signal seek additional relief against the Company to preclude other types of suits by the Company and to recover the costs of the defense of the initial action. If such claims to seek additional relief are successful, such recoveries could have a material adverse effect on the Company's consolidated financial position, but counsel to the Company advises that such recovery is unlikely.

9. Related party transactions

Fees paid or accrued for legal services rendered to the Company by Reasoner, Davis & Fox, (of which firm Mr. C. Dean Reasoner, a director of the Company, is a partner,) were U.S. $111,000 for the year 1994, for the fiscal years ended June 30, were 1993 - U.S.$135,000, 1992 -U.S.$138,000. Fees for the six months ended December 31, 1993 and 1992 amounted to U.S. $72,000 and $71,000, respectively.

On January 29, 1991, the Company granted interests amounting to an aggregate of seven and 8/10 percent (7.8%) of any and all benefits to the Company after expenses from the litigation in Canada relating to the Kotaneelee gas field to certain of its officers, employees, directors, counsel and consultants. The Company has reserved a two and 2/10 percent (2.2%) interest in such net benefits for possible future grants to persons who may include officers and directors of the Company.

CANADA SOUTHERN PETROLEUM LTD.
SUPPLEMENTAL INFORMATION ON OIL AND GAS ACTIVITIES
(unaudited)

The following information includes estimates which 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 were provided by Paddock Lindstrom & Associates Ltd., independent consultants.

Estimated net quantities of proved oil and gas reserves:

	Oil (bbls)	Gas (bcf)
Proved reserves:		
June 30, 1991	550,695	45.158
Revisions of previous estimates	22,204	(10.239)
Production	(40,899)	(1.173)
June 30, 1992	532,000	33.746
Revisions of previous estimates	(71,533)	.415
Production	(34,767)	(1.419)
June 30, 1993	425,700	32.742
Revisions of previous estimates	31,414	1.642
Production	(16,114)	(.553)
December 31, 1993	441,000	33.831
Revisions of previous estimates	66,488	0.207
Production	(33,888)	(1.081)
December 31, 1994	473,600	32.957
Proved developed reserves:		
June 30, 1992	532,000	33.746
June 30, 1993	425,700	32.742
December 31, 1993	441,000	33.831
December 31, 1994	473,600	32.957

Results of oil and gas operations:

	Year ended December 31, 1994	Year ended December 31, 1993 (unaudited)	Six months ended December 31, 1993	Six months ended December 31, 1992 (unaudited)	Year ended June 30, 1993	Year ended June 30, 1992
Income:						
Oil and gas sales	$1,034,273	$1,123,260	$ 570,959	$ 666,917	$1,219,218	$1,270,498
Proceeds under carried interest agreements	656,303	791,943	399,310	448,658	841,291	275,284
	1,690,576	1,915,203	970,269	1,115,575	2,060,509	1,545,782
Costs and expenses:						
Production costs	502,452	664,349	321,994	230,903	573,258	464,943
Abandonments and writedowns	-	-	-	-	-	221,077
Depletion and depreciation	441,033	363,923	185,026	246,758	425,653	366,566
Provision for future site restoration costs	76,656	89,803	47,249	59,773	102,327	63,696
Income tax expense	-	-	-	-	-	-
	1,020,141	1,118,075	554,269	537,434	1,101,238	1,116,282
Net income from operations	$ 670,435	$ 797,128	$ 416,000	$578,141	$ 959,271	$ 429,500

Costs of oil and gas activities:

	Year ended December 31, 1994	Six months ended December 31, 1993	Year ended June 30, 1993	Year ended June 30, 1992 *
Acquisition costs	$395,144	$120,106	$179,962	$ 52,092
Exploration	252,531	189,400	580,910	242,979
Development	443,294	56,488	368,005	90,170

* Excluding costs relating to carried interests but including $19,252 for exploration in Australia in 1992.

Standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities during the following period (in thousands of dollars):

	Year ended December 31, 1994	Six months ended December 31 1993	Year ended June 30, 1993	1992
Future cash inflows	$56,981	$62,395	$51,563	$54,650
Future development and production costs	(20,796)	(29,097)	(18,356)	(19,153)
	36,185	33,298	33,207	35,497
Future income tax expense*	(6,778)	(7,836)	(7,288)	(8,885)
Future net cash flows	29,407	25,462	25,919	26,612
10% annual discount	(12,890)	(11,040)	(13,508)	(14,748)
Standardized measure of discounted future net cash flows	$16,517	$14,422	$12,411	$11,864

* Reflects tax benefit for the year ended December 31, 1994, for the six months ended December 31, 1993 and for the years ended June 30, 1993 and 1992, respectively, from carryforward of exploration, development and lease acquisition costs, undepreciated capital costs and book earned depletion of $13,519,959, $12,527,669, $9,223,000 and $12,834,055.

Current prices used in the foregoing estimates were based upon selling prices at the wellhead in the last month of each fiscal period. Current costs were based upon estimates made by consulting engineers at the end of each fiscal period.

Changes in the standardized measure during the following periods (in thousands of dollars):

	Year ended December 31, 1994	Six months ended December 31, 1993	Year ended June 30, 1993
Changes due to:			
Prices and production costs	$ (21)	$3,518	$(175)
Future development costs	4	(42)	(38)
Sales net of production costs	(1,188)	(648)	(1,488)
Development costs incurred during the year	443	56	368
Net change due to extensions, discoveries and improved recovery	358	409	28
Revisions of quantity estimates	(214)	(2,641)	(1,633)
Accretion of discount	1,832	1,476	1,460
Net change in income taxes	740	(548)	1,597
Other	141	431	428
Net change	$2,095	$2,011	$547

Item 9. **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

PART III

For information concerning Item 10 - Directors and Executive Officers of the Company, Item 11 - Executive Compensation, Item 12 - Security Ownership of Certain Beneficial Owners and Management and Item 13 - Certain Relationships and Related Transactions, see the Proxy Statement of Canada Southern Petroleum Ltd. relative to the Annual Meeting of Shareholders for the fiscal year ended December 31, 1994, which will be filed with the Securities and Exchange Commission, which information is incorporated herein by reference. For information concerning Item 10 - Executive officers of the Company, see Part I.

PART IV

Item 14. **Exhibits, Financial Statement 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.

(2) Consolidated Financial Statement Schedules.

All 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.

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 are incorporated herein by reference.

Certificate of Constating Article dated December 9, 1994 reflecting the consolidation of the Certificate of Continuance, amended Articles of Continuance and the amended Articles of Association reflecting amendments adopted on July 13, 1994 is filed herewith.

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

None.

9. Voting trust agreement.

None.

10. Material contracts.

(a) Copy of Agreement dated December 31, 1951 between Act Oils Limited and Pacific Petroleums Ltd. is hereby incorporated by reference to Exhibit 13-H to Form C Registration No. 214128 as filed with the Securities and Exchange Commission on May 21, 1958.

(b) Agreement dated January 2, 1952 between Albercan Oil Corporation and Pacific Petroleums Ltd. is hereby incorporated by reference to Exhibit 13-I to Form C Registration No. 214128 as filed with the Securities and Exchange Commission on May 21, 1958.

(c) Agreement dated May 12, 1956 between Registrant and Phillips Petroleum Company is hereby incorporated by reference to Exhibit 13-G to Form C Registration No. 214128 as filed with the Securities and Exchange Commission on May 21, 1958.

(d) Agreements relating to Kotaneelee.

(1.) Copy of Agreement dated May 28, 1959 between the Company et al. and Home Oil Company Limited et al. and Signal Oil and Gas Company filed as Exhibit 10(d)(1) to Report on Form 10-K for the fiscal year ended June 30, 1987 is incorporated herein by reference.

(2.) Copies of Supplementary Documents to May 28, 1959 Agreement (see (1) above), dated June 24, 1959, consisting of Guarantee by Home Oil Company Limited and Pipeline Promotion Agreement, filed as Exhibit 10(d)(2) to Report on Form 10-K for the fiscal year ended June 30, 1987 is incorporated herein by reference.

(3.) Copy of Modification to Agreement dated May 28, 1959 (see (1) above), made as of January 31, 1961, filed as Exhibit 10(d)(3) to Report on Form 10-K for the fiscal year ended June 30, 1987 is incorporated herein by reference.

(4.) Copy of Agreement dated April 1, 1966 among the Company et al. and Dome Petroleum Limited et al. filed as Exhibit 10(d)(4) to Report on Form 10-K for the fiscal year ended June 30, 1989 is incorporated herein by reference.

(5.) Copy of Letter Agreement dated February 1, 1977 between the Company and Columbia Gas Development of Canada, Ltd. for operation of the Kotaneelee gas field filed as Exhibit 10(d) to Report on Form 10-K for the fiscal year ended June 30, 1981 is incorporated herein by reference.

(e) Copy of Agreement dated January 28, 1972 between the Company and Panarctic Oils Ltd. for development of the offshore Arctic Islands gas fields filed as Exhibit 10(e) to Report on Form 10-K for the fiscal year ended June 30, 1981 is incorporated herein by reference.

(f) Stock Option Plan adopted December 3, 1985 filed as Exhibit 3 to Report on Form 10-K for the fiscal year ended June 30, 1986, is incorporated herein by reference.

(g) Stock Option Plan adopted December 9, 1992 filed as Exhibit 10(g) to Report on Form 10-K for the fiscal year ended June 30, 1993 is incorporated herein by reference.

11. <u>Statement re computation of per share earnings.</u>

Not applicable.

12. <u>Statement re computation of ratios.</u>

None.

13. <u>Annual report to security holders.</u>

Not applicable.

16. Letter re change in certifying accountant.

Not applicable.

18. Letter re change in accounting principles.

None.

20. Previously unfiled documents.

None.

21. 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.

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

None.

23. Consents of experts and counsel.

Consents of Paddock Lindstrom & Associates, Ltd. and Ernst & Young filed herewith.

24. Power of attorney.

Not applicable.

27. Financial Data Schedule.

Not applicable.

28. Information from reports furnished to state insurance regulatory authorities.

Not applicable.

99. Additional exhibits.

(a) Complaint of Allied-Signal Inc. in its action against Dome Petroleum Limited, Amoco Production Company, and Amoco Canada Petroleum Company Ltd. filed September 2, 1988 in the Court of

Queens Bench of Alberta, Judicial District of Calgary, Canada, filed as Exhibit 28(b) to Form 10-K for the year ended June 30, 1988, is incorporated herein by reference.

(b) Answer and Counterclaim of Dome Petroleum Limited, Amoco Production Company, and Amoco Canada Petroleum Company Ltd. filed September 21, 1988 in the Court of Queen's Bench of Alberta, Judicial District of Calgary, Canada, which answers the Allied-Signal complaint in (b) above and which names the Company and others as counterclaim defendants, filed as Exhibit 28(c) to Form 10-K filed for the year ended June 30, 1988 is incorporated herein by reference.

(c) Statement of Claim filed on October 27, 1989 against Columbia Gas Development of Canada Ltd., Amoco Production Company, Dome Petroleum Limited, Amoco Canada Petroleum Company Ltd., Mobil Oil Canada Ltd. and Esso Resources of Canada Ltd. in the Court of Queen's Bench of Alberta Judicial District of Calgary, Alberta, Canada filed as Exhibit 28(d) to Form 10-K filed for the year ended June 30, 1990 is incorporated herein by reference.

(d) Amended Statement of Claim, amending the October 27, 1989 Statement of Claim, filed on March 12, 1990 and filed as Exhibit 28(e) to Form 10-K filed for the year ended June 30, 1990 is incorporated herein by reference.

(e) Amended Amended Statement of Claim in the same action, filed on November 17, 1993, filed as Exhibit 28(ii) to Form 8-K dated November 17, 1993 is incorporated herein by reference.

(f) Amended Statement of Third Party Notice by Amoco Canada Production Company Ltd. and Amoco Production Company, filed November 17, 1993 in the same action, and filed as Exhibit 99(f) to Form 10-K for the period ended December 31, 1993, is incorporated herein by reference.

(g) Amended Statement of Defense to Third Party Notice by Anderson Oil & Gas Inc. (formerly Columbia Gas Development of Canada Ltd.) filed January 27, 1994 in the same action, and filed as Exhibit 99(g) to Form 10-K dated for the period ended December 31, 1993, is incorporated herein by reference.

(b) <u>Reports on Form 8-K.</u>

A Report on Form 8-K dated December 15, 1994 was filed to report that the Court of Queens Bench of Alberta Judicial District of Calgary, Alberta, Canada scheduled Canada Southern's Kotaneelee action for a six month trial to begin in September 1996.

SIGNATURES

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

CANADA SOUTHERN PETROLEUM LTD.
(Registrant)

Dated: March 24, 1995

By /s/ Charles J. Horne
Charles J. Horne
President and Chief Executive Officer

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 Registrant and in the capacities and on the dates indicated.

/s/ Charles J. Horne
Charles J. Horne, President and Director

Dated: March 24, 1995

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

Dated: March 24, 1995

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

Dated: March 24, 1995

/s/ M. Anthony Ashton
M. Anthony Ashton, Director

Dated: March 24, 1995

/s/ C. Dean Reasoner
C. D. Reasoner, Director

Dated: March 24, 1995

/s/ Eugene C. Pendery
Eugene C. Pendery, Director

Dated: March 24, 1995

DIRECTORS

M. A. Ashton
Executive Vice President
Canada Southern Petroleum Ltd.
Calgary, Alberta

Benjamin W. Heath
President
Coastal Caribbean Oils & Minerals, Ltd.
Newport Beach, California

Charles J. Horne
President
Canada Southern Petroleum Ltd.
Calgary, Alberta

Eugene C. Pendery
President
Recycled Plastic Products, Inc.
Denver, Colorado

C. Dean Reasoner, Esq.
Partner
Reasoner, Davis & Fox
Washington, D.C.

EXECUTIVE OFFICE

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Telephone: (403) 269-7741

OFFICERS

Charles J. Horne
President

M. A. Ashton
Executive Vice President

Beverly A. Scobie
Treasurer

Kelly B. Johnson
Secretary

TRANSFER AGENTS

American Stock Transfer &
Trust Co.
40 Wall Street, 46th Floor
New York, New York 10005
800-937-5449

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

CHARTERED ACCOUNTANTS

Ernst & Young
1300 Ernst & Young House
707 Seventh Avenue, S.W.
Calgary, Alberta T2P 3H6

All shareholder correspondence relating to stock ownership or address changes, lost stock certificates, and other such matters should be directed to the Company's Transfer Agents in Canada or in the U.S., as shown above. Other inquiries may be directed to Canada Southern's Executive Offices in Calgary, or, if more convenient, to the Company, c/o G&O'D INC, 149 Durham Road, Oak Park-Unit 31, Madison, Connecticut 06443. Telephone: (203) 245-7664

The ticker symbol used on the Toronto, Boston and Pacific Exchanges is **CSW.**

The NASDAQ SmallCap Market uses the ticker symbol **CSPLF**.

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