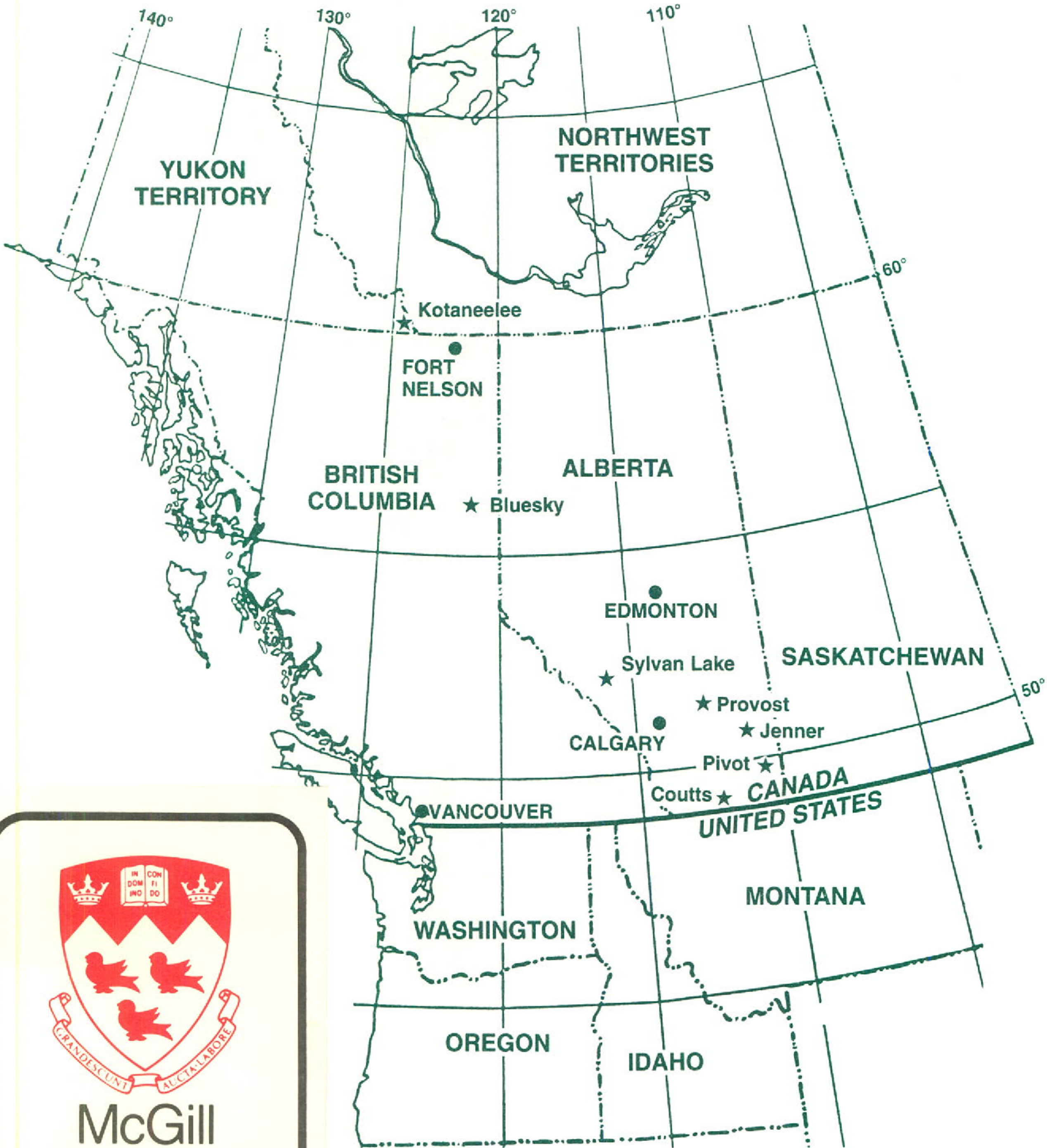
CANADA SOUTHERN PETROLEUM LTD.

1993
ANNUAL REPORT



of current CSP activity

TO OUR SHAREHOLDERS:

Canada Southern incurred a net loss of $613,000, or five cents a share, on total revenues of $2.22 million in the fiscal year ended June 30, 1993, as compared to the loss of $1.43 million (12 cents a share) on revenues of $1.86 million in the prior year.

This year's improved results are attributable, first, to the *tripling* of proceeds from our carried-interest properties, which benefitted from last year's income-reducing capital expenditures. Second, we had *no* abandonments or write-downs in 1993, as compared to $365,000 in the prior-year period.

Overall, the company posted a 19% increase in operating revenues, coupled with a 14% decrease in costs and expenses. However, in spite of those favorable changes, the Kotaneelee litigation continued to be a drain on the company's resources, and was the principal reason for our loss.

On balance, though, it is fair to say that fiscal 1993 was a productive and successful year for your company, during which it participated in drilling nine wells in British Columbia—seven potential oil wells and two dry holes. This was primarily infill drilling initiated by the new operator of the Peejay and Weasel areas; and, although it did not result in any significant new reserves, it should help to maintain production rates in these mature fields.

In addition, subsequent to June 30, two wildcat wells have been drilled on "new lands" in Alberta that were acquired in our ongoing program to increase Canada Southern's landholdings. One of these wells was a dry hole; the other, drilled in August, resulted in a gas discovery in which we have a 20% working interest. It is anticipated that at least five more wildcats will be drilled on these lands in the current year.

Our primary operating area continues to be northeastern British Columbia, where we have acquired over 10,000 gross acres of new lands over the past five years. We expect at least two wildcat wells to be drilled on new prospects this coming winter.

Last April, your company sold its 38% equity interest in Probe Exploration Inc. for $984,000, recording a modest gain on the sale. However, we have continued our association with Probe in various ventures; and, as a result, we have joint interests in a number of prospects in south-central Alberta, principally in the Jenner, Provost, and Pivot areas. During this summer, a number of drilling sites were seismically defined, and at least three wells should be drilled before the end of 1993.

In addition to the lands held jointly with Probe, two of our other Alberta prospects have attracted interest, and the company has been approached by companies interested in seismic options that could lead to drilling at no expense to Canada Southern.

Your company is continuing to acquire additional acreage on prospects delineated by the exploration staffs of Canada Southern and its partners. In general, the improved economic environment for the smaller oil companies in western Canada has caused an increase in land prices. Nonetheless, we completed our most successful land purchase this September, when, together with Probe, we were able to acquire 7 of the 13 parcels for which we bid at a sale of Crown Lands in Alberta.

According to Government reports, the Kotaneelee field produced 17.9 billion cubic feet of gas from two wells during fiscal 1993—which equates to almost 50 million cubic feet per day—and the field is continuing to produce consistently at about the same rate. We feel the field's performance over the past two years supports our contention that further development is warranted. *There also are areas of the Kotaneelee structure that remain untested*; and, if developed portions of the field perform up to potential, further exploration certainly would be justified.

Considerable progress has been made in moving the Kotaneelee litigation toward trial, although the process certainly has not been as expeditious as we would have liked. A fairly detailed review of that situation can be found in the enclosed 10-K Report [see Legal Proceedings, pp. 19 & 20], but we also think it appropriate to caution all shareholders that:

- the discovery process is still continuing
- the company's attorneys now expect (but cannot guarantee) that a trial will be *requested* before the end of the year
- we cannot determine when a trial might be scheduled, when it might be completed, or how long an appeal might take
- although this lawsuit could be settled out of court, *there have been no substantive discussions to date*, and the company's policy is not to comment on proposals, discussions, or other activities that may lead to a settlement

In conclusion, please note that your Board of Directors has decided to change the fiscal year-end from June 30 to December 31 to conform to industry practice. This change is effective immediately, so your next annual report actually will cover the period July 1 through December 31, 1993.

Respectfully submitted,

J. Horne

Charles J. Horne
President

Calgary, Alberta
October 22, 1993

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 **June 30, 1993**

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

(Title of Class)

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.

[X] 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 [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant was $69,932,762 at September 1, 1993.

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, 12,432,491 shares outstanding as of September 1, 1993.

DOCUMENTS INCORPORATED BY REFERENCE
NONE

Unless otherwise indicated, all dollar figures set forth are expressed in Canadian currency. The exchange rate at September 1, 1993 was $1.00 Canadian equaled U.S.$.7537.

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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, gas and mineral interests in Canada and Australia 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

Since 1988, the Company has been acquiring oil and gas leases by participating in British Columbia Crown Sales. This has resulted in 10,707 gross acres (5,702 net acres) on seven projects being purchased. The prospects are being evaluated by seismic and drilling. Three wells have been drilled resulting in an oil discovery which is now on production, a potential oil well and one dry hole. Two more wells are planned for early 1994.

The Company has working* and carried interests** in several producing oil and gas fields in northeast British Columbia. These fields, developed in the 1950's and 1960's, have been the Company's principal source of revenue. The major working interests and unit interests in these fields are operated by Canadian Natural Resources Ltd. (CNRL) and Imperial Oil. Petro Canada is the operator of our carried interest lands.

The carried interest lands are in the Ekwan, Jackfish, Clarke Lake, Flatrock, Buick Creek, Siphon and Wargen fields. The Company retains a 21.25 percent carried interest with a right to convert to a 21.25 percent working interest in these fields. As of June 30, 1993, there were 32 gas wells in these fields which are producing wells or wells considered to be capable of production. Interests in some of these wells is less than 21.25 percent because of "pooling" or side agreements. During the year ended June 30, 1993, the operator received production proceeds of $4,038,841 and made gross capital expenditures of $107,295. Net proceeds paid to the Company during

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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.

fiscal 1993 were $821,708. Costs of $13,746 incurred in fiscal 1992 were recovered out of 1993 proceeds. At June 30, 1993, no capital costs remained to be recovered out of proceeds.

CNRL operates the lands which include a working interest in the Peejay and Weasel fields. As of June 30, 1993 the Company held approximately 19,072 gross acres (5,108 net acres) in this area.

The Peejay and Weasel fields were unitized more than 20 years ago when a waterflood pressure maintenance program was instituted. The Company owns interests in the following units:

	Unit Acreage	CSP Percentage
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 the area in 10 oil wells (2.64 net wells) and 10 gas wells (2.28 net wells) not included in these units.

The Company's share of oil and gas sales and related lease operating costs during the year ended June 30, 1993 were as follows:

	Sales	Lease Operating Costs
Ex-Permit 224 (including Peejay Units #1&#3)	$ 555,968	$270,404
Ex-Permit 178 (including Weasel Unit #2)	497,079	226,841
Flatrock Area	47,244	26,434
Paradise Area	40,621	21,972
Other	78,306	27,607
	$1,219,218	$573,258

YUKON TERRITORY - THE KOTANEELEE FIELD

One of the Company's principal assets is a 30 percent 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 50 million cubic feet per day. Anderson Exploration Ltd. acquired all of Columbia Gas Development of Canada interests in Canada, effective December 31, 1991. This includes the Kotaneelee field of which Anderson Oil & Gas Inc. (formerly Columbia Gas) is the operator. 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 ended June 30, 1993 amounted to 17.916 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 of the carried interest and the amount of the carried interest account.

At present, the Company does not receive any cash payments but is credited with 30 percent of the gross revenues until a like percent of the working interest costs, exclusive of any interest expense, are recovered by the operator, following which 30 percent of gross revenues (net of gross overriding royalties*) less 30 percent of current working interest costs will be paid to the Company. Gross overriding royalties amount to approximately 5% to the Canadian Federal government for the first three years of production (and 10% thereafter), and 4.06% to certain individuals. The operator has reported to the Company development costs totalling approximately $87,000,000 and, of that amount, approximately $65,000,000 remained to be recovered at June 30, 1993. It is expected that the Company will begin to receive proceeds from the Kotaneelee field in approximately five years, based upon present prices. The period before payment to the Company begins may be shorter or longer than five years, depending on prevailing market conditions and the results of the litigation. Under ordinary circumstances, increased natural gas prices would result in a shorter period to payout.

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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.

Delays in securing markets for Kotaneelee gas increased the anticipated length of the period before payout to the Company of its carried interest in this field. Accordingly, reserves relating to Kotaneelee were eliminated, effective as of April 1, 1988, for the purpose of computing depreciation and depletion. As mentioned above, sales of Kotaneelee gas under new contracts began in February 1991 and field reserves related to production subsequent to payout were reinstated for accounting purposes.

ARCTIC ISLANDS

As of June 30, 1993, the Company held working and carried interests in 178,360 gross acres (39,074 net acres) in the Sverdrup Basin, located in the Arctic Islands.

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

Marketing of Bent Horn Production

Panarctic received Federal government regulatory 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 in 1985. Through December 31, 1992, approximately 1.9 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 1993, Panarctic expects to make two shipments of Bent Horn oil amounting to approximately 300,000 barrels. The Company has a 5 percent carried interest in the area which has not yet reached payout status. The timing of payout is uncertain.

NORTHWEST TERRITORIES PROPERTIES

The Company's most significant interest in the Northwest Territories is in the Celibeta field in which the Company has an interest in 1,594 gross acres (717 net acres). No activity took place in this area during the fiscal year ended June 30, 1993.

ALBERTA

The Company has acquired through participation in Crown land sales and other transactions interests in thirteen oil and gas prospects in Alberta. The Company has working interests ranging from 10 to 100 percent in a total of 17,440 gross (7,809 net) acres. Five of the prospects have been drilled resulting in one potential oil well, two potential gas wells and one abandoned oil well and one dry hole.

AUSTRALIA

The Company has an interest in 115,645 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 at June 30, 1992. Magellan Petroleum Australia Limited (MPAL) is presently operator of this property. Benjamin W. Heath and C. Dean Reasoner, directors of the Company, are also directors of MPAL.

PROBE EXPLORATION INC.

On January 18, 1990, the Company acquired 3,670,070 shares of Probe Exploration Inc. (Probe) common stock for 282,312 of the Company's Limited Voting Shares valued at $818,705. On March 8, 1991, the Company acquired an additional 1,250,500 Probe shares for 73,559 Limited Voting Shares valued at $198,609. Probe is a Calgary-based oil and gas exploration company.

The Company also loaned $500,000 in cash to Probe in exchange for promissory notes secured by all the assets of Probe.

On April 27, 1993, the Company sold its 4,920,570 shares of Probe for $984,114. In May 1993, the Company purchased a 50 percent interest in certain seismic data held for sale by Probe. This purchase in the aggregate amount of $112,000, together with cash payments by Probe, reduced the amount of the interest-bearing Probe promissory notes due the Company to $330,000 at June 30, 1993.

(b) Financial Information about Industry Segments.

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) Narrative Description of the Business.

The Company was incorporated in 1954 under the Canada Corporations Act. In October 1979, it became subject to the Canadian Business Corporations Act and, effective June 4, 1980, was continued under the Nova Scotia Companies Act.

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. 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 June 30, 1993, the Company's share of unrecouped expenditures were as follows:

British Columbia:	
Ex-permit 149	$3,364,140
Yukon and Northwest Territories:	
Ex-permit 1007 (Kotaneelee)	19,800,814
Ex-permit 2713 (Celibeta)	321,418

*See Item 3 - Legal Proceedings.

Two blocks in British Columbia (Ex-permits 178 and 224), in which the Company's interest is 27.75%, have reached payout status and were converted to working interests.

(i) Principal Products.

The Company has interests in the production of limited quantities of crude oil, natural gas and natural gas liquids and the majority of the Company's interests are carried 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 in fiscal 1993 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 Petro Canada to a company owned by 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 employs five persons, 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. Some of the Company's funds are invested in U.S. Treasury bills.

All of the Company's revenues are attributable to its operations in Canada except for interest on the U.S. Treasury bills. 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 outside the United States and are subject to certain risks involved in the ownership and development of such foreign property interests. These risks include but are not limited to those of: nationalization; expropriation; confiscatory taxation; native rights; changes in foreign exchange controls; currency revaluation; unrealistic royalty terms; export sales restrictions; limitations on the transfer of interests in exploration licenses; and other laws and regulations which may adversely affect the Company's properties, such as those providing for conversion, proration, curtailment, cessation or other forms of limiting or controlling production of, or exploration for, hydrocarbons. Thus, an investment in the Company represents an exposure to risks in addition to those inherent in United States 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 was deregulated effective June 1, 1985. Since that date, the price of oil has been 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.

On November 1, 1986, the price of natural gas in interprovincial trade was deregulated and is now 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. In the 1980's the Government of Canada revised its combination of specific taxation measures and incentives several times.

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 Canada 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 fiscal 1993, Crown royalties averaged approximately 13 percent on gas sales and 16 percent on oil sales.

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

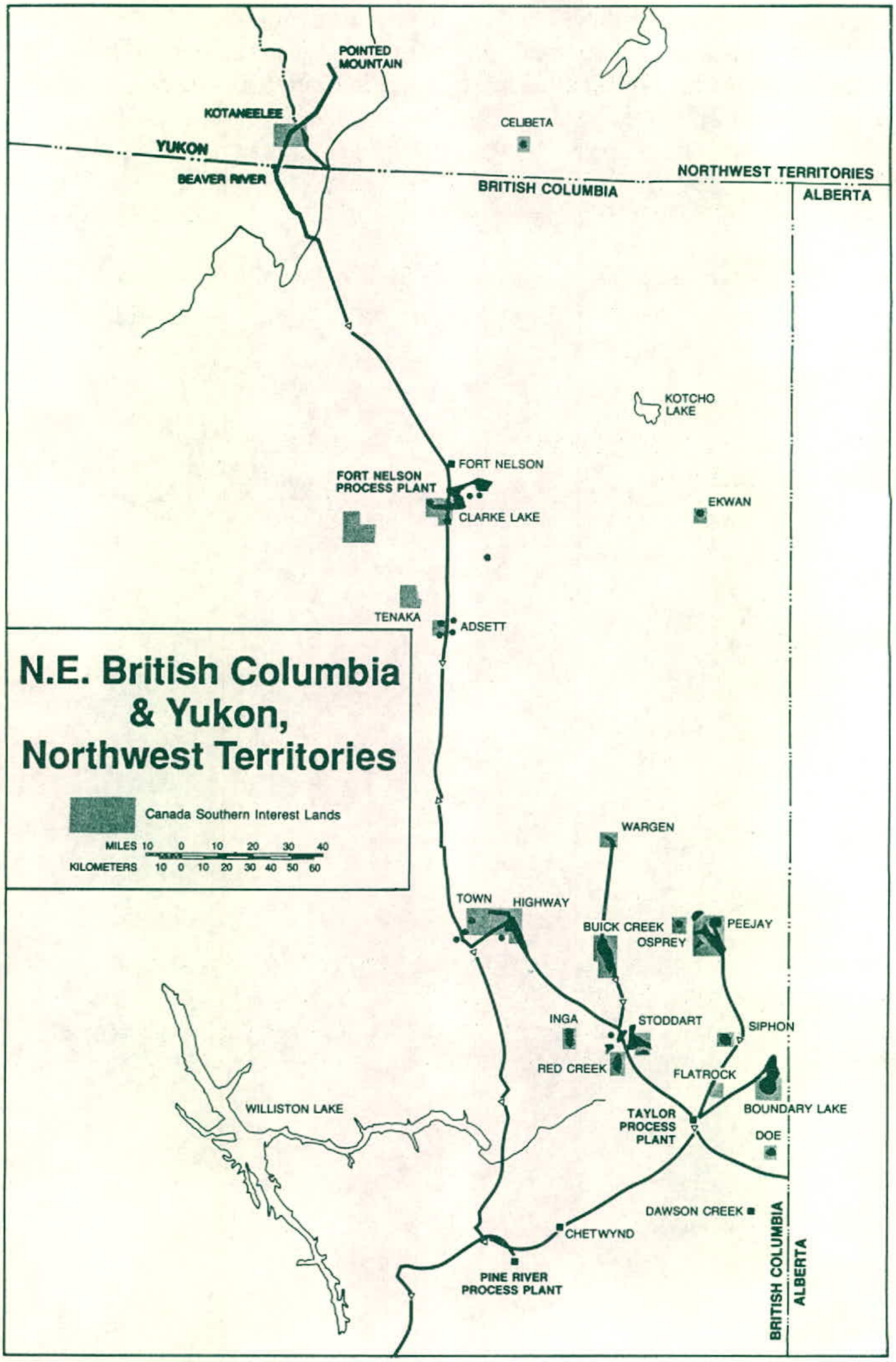
Not applicable.

Item 2. Properties.

Part of the information in response to this item and to the Securities Exchange Industry Guide 2 is contained in the Supplemental Information on Oil and Gas Activities. See Item 8. Financial Statements and Supplementary Data.

A principal asset of the Company is its 30 percent 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. See map on page 16. 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.



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

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

Not applicable.

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

Year ended	Average Sales Price		Average Production Costs	
June 30,	Oil (per bbl.)	Gas (per mcf.)	Oil (per bbl.)	Gas (per mcf.)
1993	$21.60	$1.26	$7.70	$.47
1992	20.29	1.19	5.07	.45
1991	27.66	1.27	5.49	.33

(3.) Productive Wells and Acreage as of June 30, 1993.

Gross Wells		Net Wells	
Oil	Gas	Oil	Gas
55	67	11.42	12.14

	Gross and Net Developed Acres	
	Gross Acres	Net Acres
Alberta	2,289	253
British Columbia	43,255	7,151
Yukon Territory	3,350	1,005

(4.) Undeveloped Acreage.

Except for its producing properties or those capable of production in Alberta, British Columbia and the Yukon Territory, the Company's interests are in undeveloped acreage in Canada and Australia. Total gross undeveloped acreage in Canada was 296,430 and the total net undeveloped acreage in Canada was 71,895 as of June 30, 1993.

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

Gross and Net Petroleum Acreage as of June 30, 1993

	Gross Acres	Net Acres
Canada:		
British Columbia:		
Carried Interests	34,742	7,383
Working Interests	77,335	15,536
Overriding Royalty Interests	3,964	219
Total British Columbia	116,041	23,138
Alberta:		
Working Interests	17,440	7,809
Yukon & Northwest Territories:		
Carried Interests	33,482	10,283
Arctic Islands:		
Carried Interests	133,260	37,257
Working Interests	45,100	1,817
Total Arctic Islands	178,360	39,074
Total Canada	345,323	80,304
Australia	115,645	90
TOTAL	460,968	80,394

(5.) Wells Drilled During Last Three Fiscal Years

	Gross		Net	
	Productive	Dry	Productive	Dry
Canada:				
1993	9	2	1.483	.602
1992	-	-	-	-
1991	3	1	.331	.030
Australia:				
1993	-	-	-	-
1992	-	1	-	.001
1991	1	-	.001	-

(6.) Present Activities.

The Company participated in the drilling of two wells in Alberta since June 30, 1992. One well was completed as a potential gas well (CSP 20% W.I. Before Payout and 10% W.I. After Payout), the second well, in which the Company had a 15% W.I. at casing point, was abandoned.

(7.) 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, i.e., 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 field and damages. The defendants have contested the claim and the Company is pursuing discovery and trial. 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 applied to the Court to permit amendment of its statement of claim to join other parties and to elaborate on its claim for a reduction of the carried account to zero. A hearing on this application is scheduled for November 17, 1993.

There remain 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*. 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.

Effective December 31, 1991, Anderson Exploration Ltd. (Anderson) acquired all of Columbia Gas Development of Canada 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 in the United States, became contractually liable to Anderson in the legal proceeding described above.

The working interest owners have entered into contracts under which Kotaneelee gas is being sold. The Company believes that it is too early to determine the impact, if any, that these new contracts may have on the status of the above cases.

Discovery in these cases is continuing and it is expected that a trial date will be requested of the Court in the last quarter of 1993.

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

Not applicable.

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, the principal exchanges in Canada and the United States, respectively.

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

1991	1st quarter	2nd quarter	3rd quarter	4th quarter
High	2.95	2.80	4.00	5.75
Low	2.52	2.45	2.31	3.70

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*
High	6.25	7.00	7.63
Low	3.15	5.00	5.13

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

1991	1st quarter	2nd quarter	3rd quarter	4th quarter
High	2 1/2	2 1/2	3 1/2	5 1/4
Low	2 1/8	2 3/16	2	3 3/16

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*
High	5 1/4	5 3/8	5 3/4
Low	2 9/16	4 13/32	4 3/8

* through September 1, 1993.

(b) Approximate Number of Holders of Limited Voting Shares at September 1, 1993.

Title of Class	Approximate Number of Record Holders
Limited Voting Shares, par value $1.00 per share.	8,100

(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 ($14,998,817) at June 30, 1993 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 would be subject to Canadian income tax withholding at a 15 percent rate.

Item 6. Selected Financial Data.

The following selected consolidated financial information of the Company insofar as it relates to each of the five fiscal years in the period ended June 30, 1993 has been extracted from the Company's consolidated financial statements.

	Year ended June 30,				
	1993	1992	1991	1990	1989
Operating revenues	$ 2,060,509	$ 1,545,782	$2,671,570	$ 1,740,331	$ 1,450,920
Total revenues	$ 2,219,612	$ 1,862,882	$3,132,147	$ 2,300,628	$ 2,036,188
Net income (loss)	$ (613,055)	$(1,431,487)	$ 426,029	$ (820,682)	$(1,181,175)
Net income (loss) per share	$(.05)	$(.12)	$.03*	$(.07)	$(.10)
Working capital	$ 3,749,956	$ 3,925,857	$4,859,742	$ 4,649,412	$ 5,566,844
Total assets	$14,104,646	$14,593,110	$16,085,764	$15,580,704	$15,376,459
Shareholders' Equity:					
Limited Voting Shares	$12,405,269	$12,345,825	$12,345,825	$12,272,266	$11,989,954
Capital in excess of par value	16,333,855	16,247,717	16,247,717	16,122,667	15,586,274
Accumulated deficit	(14,998,817)	(14,385,762)	(12,954,275)	(13,380,304)	(12,559,622)
	$13,740,307	$14,207,780	$15,639,267	$15,014,629	$15,016,606
Average number of outstanding shares	12,362,577	12,345,825	12,294,900	12,120,251	11,989,954
Exchange rates: ($1 Can. expressed in $U.S.):					
Year-end	$.7801	$.8340	$.8757	$.8593	$.8357
Average	$.8013	$.8606	$.8660	$.8505	$.8317
Range	$.7768-$.8458	$.8929-$.8292	$.8811-$.8501	$.8650-$.8288	$.8475-$.8064

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* Under U.S. generally accepted accounting principles, 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.

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

(1) Liquidity and Capital Resources.

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

The Company's cash and cash equivalents ($3,496,116 at June 30, 1993), 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 both on a short-term and long-term basis. During the fiscal year, the Company made no drawings under its bank line of credit.

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 over the next twelve months will be approximately $300,000. In addition, substantial expenses may be incurred in connection with the litigation involving the Kotaneelee gas field.

(2) Results of Operations.

Fiscal Year Ended June 30, 1993 vs. 1992.

The net loss for fiscal 1993 was $613,055 (5 cents per share) compared to a 1992 net loss of $1,431,487 (12 cents per share). The improvement in results is due to a 19 percent increase in revenues, coupled with a 14 percent 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 percent in 1993. Oil sales decreased by 16 percent due to a 21 percent decrease in unit sales, partially offset by a 7 percent increase in the average price of oil per barrel. Gas revenues increased by 13 percent as a result of a 8 percent increase in units sold and with gas prices averaging 5 percent higher.

Proceeds under carried interest agreements tripled in fiscal 1993 over 1992. Capital costs in 1992 were deducted from proceeds in 1992. Revenues in 1993 benefitted from the 1992 capital expenditures.

Interest and other income was 50 percent lower in 1993, as compared to 1992, due to reduced amounts invested and lower rates of return on funds invested.

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

A foreign exchange gain of $135,817 in 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 1993 compared to a charge of $364,802 in 1992.

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

The income relating to Probe Exploration Inc. in 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.

Fiscal Year Ended June 30, 1992 vs. 1991

The net loss for 1992 was $1,431,487 (12 cents per share) compared to net income of $426,029 (3 cents per share) for 1991. Most of the change was attributable to decreased revenues, particularly proceeds from carried interests, which were adversely affected by expenditures by the operators of the properties.

Operating revenues were 42 percent lower in fiscal 1992 as compared to 1991. Oil and gas sales were down by 22 percent. Oil revenues decreased 29 percent due to a 27 percent decrease in prices and a 3 percent decrease in unit sales. Gas revenues remained unchanged with a 10 percent increase in units sold, offset by a 9 percent decrease in average gas prices.

Interest and other income was 31 percent lower for fiscal 1992 as compared to fiscal 1991, due to reduced amounts invested and lower rates of return on investment.

General and administrative expenses were 12 percent higher in fiscal 1992 than in fiscal 1991, primarily because of Kotaneelee litigation expense. Lease operating costs were 8 percent lower because of lower production levels. Depreciation and depletion expense was 7 percent higher as the effect of these lower production levels were offset by lower estimated reserves.

During the 1992 fiscal year, the Company realized an exchange gain of $96,623 compared to a foreign exchange loss of $41,585 in fiscal 1991. These items reflect the relative weakness or strength of the Canadian dollar versus the U.S. dollar. Certain short term investments are in U.S. treasury bills.

In fiscal 1992, the Company recorded writedowns of $364,802 relating to Australian petroleum properties and Canadian mineral properties.

During fiscal 1992, the Company initiated a provision for site restoration costs of $63,696 in accordance with the Canadian Institute of Chartered Accountants requirement to accrue clean-up costs.

In fiscal 1992, the Company recorded a charge of $65,765 to reflect (a) the Company's share of Probe Exploration Inc.'s ("Probe") net loss and (b) the amortization of the excess cost over the Company's interest in Probe's net assets at acquisition dates, which excess is considered attributable to Probe's oil and gas properties. The comparable amount in fiscal 1991 was a credit of $13,438.

Item 8. Financial Statements and Supplementary Data

AUDITORS' REPORT

To the Board of Directors
Canada Southern Petroleum Ltd.

We have audited the accompanying consolidated balance sheets of Canada Southern Petroleum Ltd. as of June 30, 1993 and 1992, and the related consolidated statements of operations and accumulated deficit and cash flows for each of the three years in the period ended June 30, 1993. Our audits also included the financial statements schedules listed in the Index at Item 14(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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 consolidated financial position of Canada Southern Petroleum Ltd. at June 30, 1993 and 1992, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1993 in accordance with accounting principles generally accepted in Canada. Also in our opinion, the related financial statements schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

ERNST & YOUNG

Calgary, Canada
September 13, 1993

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 at June 30, 1993 and 1992 and as described in Note 8 of the consolidated financial statements. The above report dated September 13, 1993 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
September 13, 1993

Chartered Accountants

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

CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian dollars)

	June 30, 1993	June 30, 1992
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 3,496,116	$ 3,568,975
Accounts and interest receivable	245,747	471,992
Prepaid insurance and other	206,408	206,524
Total current assets	3,948,271	4,247,491
Investment in and/or loans to Probe Exploration Inc. (Note 3)	330,000	1,325,612
Oil and gas properties (full cost method) (Note 4)	9,805,092	8,996,536
Other assets (Note 4)	21,283	23,471
	$14,104,646	$14,593,110
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 125,191	$ 182,588
Accrued liabilities	73,124	139,046
Total current liabilities	198,315	321,634
Reserve for future site restoration	166,024	63,696
Shareholders' equity:		
Limited Voting Shares, par value $1 per share (Note 5) Authorized - 100,000,000 shares Outstanding - 12,405,269 and 12,345,825 shares, respectively	12,405,269	12,345,825
Contributed surplus	16,333,855	16,247,717
	28,739,124	28,593,542
Accumulated deficit	(14,998,817)	(14,385,762)
Total shareholders' equity	13,740,307	14,207,780
Contingencies and commitments (Note 8)		
	$14,104,646	$14,593,110

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT
(Expressed in Canadian dollars)

	Year ended June 30, 1993	1992	1991
Revenues:			
Oil and gas sales	$ 1,219,218	$ 1,270,498	$ 1,637,097
Proceeds under carried interest agreements	841,291	275,284	1,034,473
Interest and other income	159,103	317,100	460,577
	2,219,612	1,862,882	3,132,147
Costs and expenses:			
General and administrative	1,984,342	2,021,927	1,791,649
Lease operating costs	573,258	464,943	507,800
Depletion and depreciation	425,653	366,566	343,376
Foreign exchange losses (gains)	(135,817)	(96,623)	41,585
Abandonments and writedowns	-	364,802	-
Provision for future site restoration	102,327	63,696	-
Rent	52,610	43,293	35,146
(Income) loss relating to Probe Exploration Inc.	(169,706)	65,765	(13,438)
	2,832,667	3,294,369	2,706,118
Income (loss) before income taxes	(613,055)	(1,431,487)	426,029
Income taxes (Note 6)	-	-	-
Net income (loss)	(613,055)	(1,431,487)	426,029
Accumulated deficit - beginning of year	(14,385,762)	(12,954,275)	(13,380,304)
Accumulated deficit - end of year	$(14,998,817)	$(14,385,762)	$(12,954,275)
Average number of shares outstanding	12,362,577	12,345,825	12,294,900
Income (loss) per share based on weighted average number of shares outstanding during the period	$(.05)	$ (.12)	$ .03

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended June 30,		
	1993	1992	1991
Cash Flows from Operating Activities:			
Net income (loss)	$ (613,055)	$(1,431,487)	$ 426,029
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Writedowns	-	364,802	-
Depreciation and depletion	425,653	366,566	343,376
Site restoration	102,327	63,696	-
Equity adjustment relating to Probe Exploration Inc.	(169,706)	65,765	(13,438)
Other	20,907	28,167	34,568
	(233,874)	(542,491)	790,535
Change in assets and liabilities:			
Accounts and interest receivable	226,245	(1,976)	(80,347)
Prepaid insurance and other	116	3,596	(16,646)
Accounts payable	(57,397)	(260,613)	(107,340)
Accrued liabilities	(65,922)	135,750	(12,238)
Net cash provided by (used in) operations	(130,832)	(665,734)	573,964
Cash Flows from Investing Activities:			
Additions to oil and gas properties and other equipment	(1,129,723)	(391,394)	(480,205)
Sale of Probe Exploration, Inc. shares	984,114	-	-
Purchase of seismic data	(112,000)	-	-
(Advances to) repayments from Probe Exploration Inc.	170,000	-	(100,000)
Net cash used in investing activities	(87,609)	(391,394)	(580,205)
Cash Flows from Financing Activities:			
Exercise of options	145,582	-	-
Decrease in cash and cash equivalents	(72,859)	(1,057,128)	(6,241)
Cash and cash equivalents at beginning of period	3,568,975	4,626,103	4,632,344
Cash and cash equivalents at end of period (Note 2)	$3,496,116	$ 3,568,975	$4,626,103

During the past three years there were no charges incurred for interest expense or income taxes.

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, 1990	12,272,266	$12,272,266	$16,122,667	$28,394,933
Shares issued to acquire additional interest in Probe (Note 3)	73,559	73,559	125,050	198,609
Balance at June 30, 1991 and 1992	12,345,825	12,345,825	16,247,717	28,593,542
Exercise of stock options (Note 5)	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

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
June 30, 1993

1. Summary of significant accounting policies

Accounting principles

The Company prepares its accounts in accordance with accounting principles generally accepted in Canada which conform in all material respects with accounting principles generally accepted in the United States.

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, gas and mineral properties

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.

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.

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

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.

Oil and gas sales are reported net of royalties paid. The amount of royalties for the three years ended June 30, 1991, 1992 and 1993 were $411,748, $301,860 and $248,038, respectively.

Future site restoration

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 tax allocation method of 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 converted 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.

Restatement

Certain prior year financial information has been restated to conform to the 1993 presentation.

(Expressed in Canadian dollars)

2. Cash and cash equivalents

	June 30, 1993	June 30, 1992
U.S. Treasury bills	$1,145,121	$1,781,180
Canadian bankers acceptances	1,904,252	1,209,460
Term deposit - Bermuda	219,054	208,258
	3,268,427	3,198,898
Cash	227,689	370,077
	$3,496,116	$3,568,975

Note: Cash equivalents are carried at cost which approximates market value.

3. Investment in and loans to Probe Exploration Inc.

The Company acquired interests in Probe Exploration Inc. (Probe) in January 1990 and March 1991 by issuance of 355,871 Company shares valued at $1,017,314, based upon closing market prices on the dates of issuance. The investment in Probe was accounted for by the equity method. At June 30, 1992, the carrying value of the investment was $825,612, exceeding the equity in Probe net assets by $286,904, which excess was attributable to oil and gas properties.

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 demand notes bearing interest at the Royal Bank of Canada prime rate (6%) at June 30, 1993 plus one percent per annum and collateralized by a majority of the assets of Probe. At June 30, 1993, Probe had retired $170,000 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 $330,000. In connection with the sale of its Probe shares, the Company agreed that it would not demand payment on the Probe notes prior to July 1, 1994 unless Probe is in default for more than ninety days or any other default, as defined, occurs.

(Expressed in Canadian dollars)

4. Oil, gas and mineral properties and equipment

	Cost	Accumulated Provisions and Writedowns	Net Book Value
1993			
Oil and gas properties-developed	$15,238,452	$5,545,362	$9,693,090
Oil and gas properties-undeveloped	1	-	1
Seismic data and mineral rights	112,001	-	112,001
	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
1992			
Oil and gas properties-developed	$14,119,277	$5,122,743	$8,996,534
Oil and gas properties-undeveloped	223,803	223,802	1
Mineral rights	143,726	143,725	1
	14,486,806	5,490,270	8,996,536
Equipment	48,288	24,817	23,471
	$14,535,094	$5,515,087	$9,020,007

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 a 1985 stock option plan, the Company is authorized to grant certain key employees and others options to purchase up to an aggregate of 400,000 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. At June 30, 1993, the following options were outstanding under the plan and were granted to certain officers, employees, directors and consultants of the Company.

Expiry Date	Option Price per share	Number of shares
May 8, 1995	2.25	15,000
March 18, 1996	2.55	27,222
October 13, 1997	4.06	275,000
		317,222

(Expressed in Canadian dollars)

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

Effective March 19, 1991, options on 66,666 shares were granted to consultants to replace an equivalent number which expired. The option price was $2.55, the market price on the date of grant and the options are exercisable for five years from the date of grant.

During fiscal 1993, options on 107,500 shares with an option price of $3.90 expired without exercise and options on 275,000 shares with an option price of $4.06 were granted. Also, options on 20,000 shares at $2.25 per share and 39,444 shares at $2.55 per share, an aggregate of $145,582, were exercised.

At the 1992 Annual General Meeting, the shareholders approved a new stock option plan. Under its terms, the Company is authorized to grant options to purchase up to an aggregate of 600,000 limited voting shares at prices based on the market price on the date of grant. The options are exercisable for five years from the date of grant. At June 30, 1993, the following option grants made on December 9, 1992 to certain consultants, the only grants under the 1992 plan, were outstanding:

Expiration Date	Option Price per share	Number of shares
December 8, 1997	$3.45	50,000

There were no other changes in stock options during the three years ended June 30, 1993.

(Expressed in Canadian dollars)

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:

	1993	1992	1991
Provision for income taxes based on combined basic Canadian federal and provincial income tax rate of 44.34% (1992-44.34%, 1991-43.95%)	$(271,829)	$(634,721)	$187,282
Utilization of net operating loss carryforward	-	-	(299,345)
Federal resource allowance	-	-	(47,965)
Non-deductible crown charges	88,408	122,259	163,045
(Income) loss of investee company	75,248	29,160	(5,906)
Nondeductible legal fees	-	-	3,191
Other	4,822	6,415	(302)
Unrealized tax loss	103,351	476,887	-
Actual provision for income taxes	$ -	$ -	$ -

At June 30, 1993, the Company had net operating losses for financial reporting purposes of approximately $613,055 which are available to be carried forward to future periods.

At June 30, 1993, 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	$6,377,000
Earned depletion	2,182,000
Undepreciated capital costs	664,000
Capital losses (can only be used against future years' capital gains)	229,000
	$9,452,000

(Expressed in Canadian dollars)

6. Income taxes (Cont'd)

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

In February 1992, the Financial Accounting Standards Board issued Statement Number 109, "Accounting for Income Taxes", effective for fiscal years beginning after December 15, 1992. The Company plans to adopt the provisions of the standard for U.S. generally accepted accounting principles for the year ended June 30, 1994. Management does not expect this standard to have a material impact on the consolidated financial position of the Company for the year ended June 30, 1994.

Under Statement 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. Prior to the adoption of Statement 109, income tax expense was determined using the deferral method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated.

Income (loss) under U.S. generally accepted accounting principles, in total, and per share based on average number of shares outstanding during the period, for the three years ended June 30 is as follows:

	1993		1992		1991	
	Total	Per share	Total	Per share	Total	Per share
Income (loss) before income taxes and extraordinary item	$(613,055)	$(.05)	$(1,431,487)	$(.12)	$426,029	$.03
Income taxes	-	-		. -	(299,345)	(.02)
Income (loss) before extraordinary item	(613,055)	(.05)	(1,431,487)	(.12)	126,684	.01
Extraordinary item - utilization of net operating loss carryforward			-	. -	299,345	.02
Net income (loss)	$(613,055)	$(.05)	$(1,431,487)	$(.12)	$426,029	$.03

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 June 30, 1993 and 1992.

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 (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, 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 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 field and damages. The defendants have contested the claim and the Company is pursuing discovery and trial. 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 applied to the Court to permit amendment of its statement of claim to join other parties and to elaborate on its claim for a reduction of the carried account to zero. A hearing on this application is scheduled for November 17, 1993.

There remain 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*. 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.

8. Litigation (Cont'd)

Effective December 31, 1991, Anderson Exploration Ltd. (Anderson) acquired all of Columbia Gas Development of Canada 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 lawsuit. Columbia's previous parent, The Columbia Gas System, Inc., which has filed for bankruptcy in the United States, became contractually liable to Anderson in the legal proceeding described above.

The working interest partners have entered into contracts under which Kotaneelee gas is being sold. The Company believes that it is too early to determine the impact, if any, that these contracts may have on the status of the above cases.

General and administrative expenses include $899,362, $863,443 and $770,301 for legal fees and expenses for the years ended June 30, 1993, 1992 and 1991, respectively.

9. Related party transactions

Directors' fees and other compensation paid to directors who are officers of the Company amounted to 1993 - $207,475 (1992-$201,090, 1991 - $186,425). Of these amounts, 1993 - $50,000 (1992-$46,000, 1991 - $42,000) were directors' fees.

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 amounted to U.S. 1993 - U.S.$135,000 (1992 -U.S.$138,000, 1991 - $130,000).

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 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.

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.

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

	Oil (bbls)	Gas (bcf)
Proved reserves:		
June 30, 1990	532,951	21.069
Revisions of previous estimates	59,738	25.647
Production	(41,994)	(1.558)
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	(154,033)	.415
Production	(34,767)	(1.419)
June 30, 1993	343,200	32.742
Proved developed reserves:		
June 30, 1991	550,695	45.158
June 30, 1992	532,000	33.746
June 30, 1993	343,200	32.742

In 1991, oil and gas reserves were revised upward as price increases improved the economics of development of certain areas. Also, in 1991, Kotaneelee field reserves were reinstated as proved reserves as discussed under Item I - Business - Yukon Territory - The Kotaneelee Field.

Effective April 1, 1988, Kotaneelee field reserves, were eliminated from estimated net quantities of proved gas reserves based upon the anticipated length of the period before payout to the Company of its carried interest in that field. Sales of Kotaneelee gas under new contracts began in February 1991 and field reserves were reinstated at that time.

(2.) Results of oil and gas operations:

	1993	1992	1991
Income:			
Oil and gas sales	$1,219,218	$1,270,498	$1,637,097
Proceeds under carried interest agreements	841,291	275,284	1,034,473
	2,060,509	1,545,782	2,671,570
Costs and expenses:			
Production costs			
- lifting costs	573,258	464,943	507,800
- wellhead taxes	-	-	-
Abandonments and writedowns	-	221,077	-
Depletion and depreciation	425,653	366,566	343,376
Income tax expense*	-	-	-
	998,911	1,052,586	851,176
Net income (loss) from operations	$1,061,598	$ 493,196	$1,820,394

* For the purposes of preparing this table only, the Company considered that the Company realized no benefits for the fiscal years ended June 30, 1993 and 1992 and a benefit of $1,091,930 for the fiscal year ended June 30, 1991 from carryforward of exploration, development and lease acquisition costs not claimed in prior years.

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

	1993	1992	1991
Exploration	$760,872	$295,071	$365,515
Development	368,005	90,170	95,588

* Excluding costs relating to carried interests but including $ 0, $19,252 and $23,324 for exploration in Australia in 1993, 1992 and 1991, respectively.

(4.) Capitalized costs:

See the consolidated balance sheets and Note 4 for capitalized costs relating to the Company.

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

	(In thousands of dollars) 1993	1992	1991
Future cash inflows	$51,563	$54,650	$ 71,292
Future development and production costs	(18,356)	(19,153)	(17,507)
	33,207	35,497	53,785
Future income tax expense*	(7,288)	(8,885)	(15,384)
Future net cash flows	25,919	26,612	38,401
10% annual discount	(13,508)	(14,748)	(21,246)
Standardized measure of discounted future net cash flows	$12,411	$11,864	$ 17,155

* Reflects tax benefit for the years ended June 30, 1993, 1992 and 1991, respectively, from carryforward of exploration, development and lease acquisition costs, undepreciated capital costs and book earned depletion of $9,223,000, $12,834,055 and $12,282,106.

Current prices used in the foregoing estimates were based upon selling prices at the wellhead in June of each fiscal year. Current costs were based upon estimates made by consulting engineers in June of each fiscal year.

(6.) Changes in the standardized measure during the year:

	(In thousands of dollars) 1993	1992	1991
Changes due to:			
Prices and production costs	$(175)	$(1,274)	$ (159)
Future development costs	(38)	(99)	(249)
Sales net of production costs	(1,488)	(1,081)	(2,164)
Development costs incurred during the year	368	87	96
Net change due to extensions, discoveries and improved recovery	28	14	0
Revisions of quantity estimates	(1,633)	(7,874)	12,651
Accretion of discount	1,460	2,092	819
Net change in income taxes	1,597	2,519	(3,838)
Other	428	325	163
Net change	$ 547	$(5,291)	$ 7,319

* The major part of the revision in 1991 relates to the reinstatement of Kotaneelee reserves. The revision in 1992 is a result of the increased capital costs at Kotaneelee, which extend the period before payout of the carried interest.

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

None.

PART III

Item 10. **Directors and Executive Officers of the Company.**

(a) Directors.

Name	Age	Date Present Term of Office Expires	Length of Service as a Director	Other Offices Held with Company
Benjamin W. Heath	79	Annual Meeting 1997	Since 1956	None
Charles J. Horne	67	Annual Meeting 1993	Since 1984	President
M. Anthony Ashton	58	Annual Meeting 1994	Since 1989	Vice President-Exploration
C. Dean Reasoner	76	Annual Meeting 1995	Since 1986	None
Eugene C. Pendery	55	Annual Meeting 1996	Since 1986	None

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

(b) Executive Officers.

Name	Age	Office	Length of Service in this Office	Other Positions Held with Company
Charles J. Horne	67	President	Since 1980	Director
M. Anthony Ashton	58	Vice President - Exploration	Since 1988	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.

(c) Identification of Significant Employees.

None.

(d) Family Relationships.

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

(e)(1) Business Experience*.

Directors.

Mr. M. A. Ashton, Vice President-Exploration since 1988, is a professional petroleum geologist with over thirty years experience in exploration projects in western Canada and the United States. He has been a director of Com-Tek Resources, a Colorado corporation, since 1980, and was elected a director of the Company in 1989. Mr. Ashton had been self-employed as a consulting geologist for more than five years prior to 1988.

Mr. Benjamin W. Heath is President and a director of Coastal Caribbean Oils & Minerals, Ltd., a director of Magellan Petroleum Corporation, and Chairman of the Board of MPAL. His tenure in all of these positions has been in excess of five years.

Mr. Charles J. Horne has been an employee of the Company and its predecessor since 1950, was elected Vice President in 1976, President in 1980 and a director in 1984.

Mr. Eugene C. Pendery is President and a director of Recycled Plastic Products, Inc. He was President of Car Care Investments, Inc., a Colorado corporation engaged in the construction and operation of retail car care centers from 1986 to 1990. He was also President and a director of Tellis Gold Mining Company, Inc. from 1986 to July 1990. All of these companies are located in Colorado.

Mr. C. Dean Reasoner has been a member of the law firm of Reasoner, Davis & Fox, Washington, D.C., for more than five years. The firm and its predecessor firms have been retained by the Company for many years. He is a director of Coastal Caribbean Oils & Minerals, Ltd., Magellan Petroleum Corporation and MPAL.

* All of the named companies are engaged in oil, gas or mineral exploration and/or development except where noted.

(e)(2) Directorships.

See subparagraph (1), above.

(f) Involvement in Certain Legal Proceedings

None.

(g) Promoters and Control Persons

None.

Item 11. Executive Compensation.

(b) Summary Compensation Table

(a) Name and Principal Position	Annual Compensation (b) Year	(c) Salary ($)	Long Term Compensation Awards (g) Options/SARs (#)	(i) All Other Compensation ($)
Charles J. Horne, President	1991	71,925		9,500*
	1992	74,090	-	12,000*
	1993	76,225	75,000	6,250*

*Payment in lieu of Pension Plan Contribution

(c) Options/SAR Grants

Individual Grants (a) Name	(b) Options/ SARs Granted (#)	(c) % of Total Options/SARs Granted to Employees in Fiscal Year	(d) Exercise or Base Price ($/Sh)	(e) Expiration Date	Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (f) 5% ($)	(g) 10% ($)
Charles J. Horne	75,000	48%	4.06	10/13/97	84,000	186,000

(d) Aggregated Option/SAR Exercises in 1993 and June 30, 1993 Option/SAR Values Table

(a)	(b) Shares Acquired On Exercise (#)	(c) Value Realized ($)	(d) Number of Unexercised Options/SARs at June 30, 1993 Exercisable	Unexercisable	(e) Value of Unexercised In-The-Money Options/SARs at June 30, 1993 ($) Exercisable	Unexercisable
Charles J. Horne	-	-	75,000	-	108,000	-

(e) Long-Term Incentive Plan ("LTIP") Awards Table

Not applicable.

(f) Defined Benefit or Actual Plan Disclosure

All employees who were eligible for a contributory pension plan have now reached retirement age as specified in the plan and are receiving benefits. Consequently, the plan has been discontinued. Mr. Horne receives annual benefits of $35,816.

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 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 recoveries for possible future grants to persons who may include officers and directors of the Company. See Item 3 for a discussion of the litigation.

(g) Compensation of Directors.

Messrs. Heath and Pendery receive directors' fees of $25,000 each per year.

(h) Employment Controls and Termination of Employment and Change-in-Control Arrangements.

Not applicable.

(j) Additional Information with Respect to Compensation Committee and Insider Participation in Compensation Committee

The entire board of directors is the compensation committee. Charles J. Horne and M. A. Ashton are directors and the President and Vice-President, respectively of the Company. Mr. C. Dean Reasoner, a director, is a partner in the law firm of Reasoner, Davis & Fox which received U.S. $135,000 for legal services in fiscal 1993.

Mr. Benjamin W. Heath, a director, and Mr. Reasoner also serve as directors of Coastal Caribbean Oils & Minerals, Ltd. ("CCO") and Magellan Petroleum Corporation ("MPC"). Reasoner, Davis & Fox also renders services to CCO and MPC.

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

(a) Security Ownership of Certain Beneficial Owners.

The Company knows of no person or group that owns beneficially more than 5% of the outstanding Limited Voting Shares of the Company.

(b) Security Ownership of Management.

The following table sets forth information as to the number of shares of the Company's Limited Voting Shares owned beneficially on September 1, 1993 by directors of the Company and by all officers and directors of the Company as a group:

Name of Individual or Group	Amount and Nature of Beneficial Ownership		Percent of Class
	Owned	Under Option	
M. Anthony Ashton	0	35,000	*
Benjamin W. Heath	734	50,000	*
Charles J. Horne	11,017	75,000	.01
Eugene C. Pendery	0	70,000	.01
C. Dean Reasoner	8,962	0	*
Directors and Officers as a Group (a total of 8)	27,469	267,222	.02

* The percent of class owned is less than 1%.

(c) Changes in Control.

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

Item 13. Certain Relationships and Related transactions.

(a) Transactions with Management and Others.

None.

(b) Certain business relationships.

Reasoner, Davis & Fox

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, during the fiscal year ended June 30, 1993 amounted to $135,000 (U.S.).

Royalty Interests

The following directors have royalty interests in certain of the Company's oil and gas properties (present or past) which were received directly or indirectly from the Company: Mr. C. Dean Reasoner, an interest of from 1.772% to 2%; Mr. Benjamin W. Heath, an interest of from 1.772% to 2%; and a trust in which Mr. Heath has a 54.4% beneficial interest, an interest of from 7.603% to 7.8%. In each case, the applicable percentage depends on the property on which the royalty is to be paid.

During the year ended June 30, 1993, the Company and third-party operators and/or owners of properties made payments pursuant to these royalties for the benefit of Mr. Reasoner and Mr. Heath in the amounts of $14,536 and $29,984, respectively.

(c) Indebtedness of management

No officer or director was indebted to the Company or any subsidiary in an aggregate amount that exceeded $60,000 at any time since July 1, 1992.

(d) Transactions with promoters.

None.

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.

	Page Reference
Auditors' Report	26
Consolidated balance sheets at June 30, 1993 and 1992	27
For each of the years in the three year period ended June 30, 1993:	
Consolidated statements of operations and accumulated deficit	28
Consolidated statements of cash flows	29
Consolidated statements of Limited Voting Shares and contributed surplus	30
Notes to consolidated financial statements	31-39

(2) Consolidated Financial Statement Schedules.

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

Schedules for three years ended June 30, 1993:

V - Properties and equipment
VI - Accumulated depletion and depreciation

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

(3) Exhibits.

The following exhibits are filed as part of this report:

Item Number.

3. Articles of Incorporation and By-Laws.

Company's letters patent are incorporated herein by reference to Exhibit "A" of Company's Form 10-K for the fiscal year ended June 30, 1972.

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.

New Articles of Association of the Company (otherwise known as By-Laws), adopted December 19, 1990, filed as exhibit 3 to Report 10-K for the fiscal year ended June 30, 1991 is incorporated herein by reference.

4. Instruments defining the rights of security holders, <u>including indentures.</u>

None.

9. <u>Voting trust agreement.</u>

None.

10. <u>Material contracts.</u>

(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 herewith.

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

Not applicable.

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

None.

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

Not applicable.

16. <u>Letter re change in certifying accountant.</u>

Not applicable.

18. Letter of change in accounting principles.

None.

19. Previously unfiled documents.

None.

22. Subsidiaries of the Company.

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

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

None.

24. Consents of experts and counsel.

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

25. Power of attorney.

Not applicable.

28. 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 filed September 27, 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 September 27, 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 September 27, 1990 is incorporated herein by reference.

(d) Amended Statement of Claim filed on March 12, 1990 against Amoco Canada Petroleum Company Ltd., Amoco Production Company, Dome Petroleum Limited, Columbia Gas Development of Canada Ltd., Mobil Oil Canada Ltd., Esso Resources Canada Limited and Amoco Canada Resources Ltd. in the Court of Queen's Bench of Alberta Judicial District of Calgary, Alberta, Canada filed as Exhibit 28(e) to Form 10-K filed September 27, 1990 is incorporated herein by reference.

29. Information from reports furnished to state insurance regulatory authorities

Not applicable.

(b) Reports on Form 8-K.

None.

CANADA SOUTHERN PETROLEUM LTD.
Three years ended June 30, 1993
(Expressed in Canadian dollars)

SCHEDULE V - PROPERTIES AND EQUIPMENT

	Balance at beginning of year	Additions	Sales, retirements and abandonments	Balance at end of year
1993:				
Oil and gas properties	$14,119,277	$1,240,877	$ 9,701	$15,350,453
Mineral properties	1	-	-	1
Equipment	48,288	846	780	48,354
	$14,167,566	$1,241,723	$10,481	$15,398,808
1992:				
Oil and gas properties	$13,957,838	$385,241	$223,802	$14,119,277
Mineral properties	143,726	-	143,725	1
Equipment	62,093	6,153	19,958	48,288
	$14,163,657	$391,394	$387,485	$14,167,566
1991:				
Oil and gas properties	$13,496,735	$461,103	$ -	$13,957,838
Mineral properties	143,726	-	-	143,726
Equipment	49,499	19,103	6,509	62,093
	$13,689,960	$480,206	$ 6,509	$14,163,657

SCHEDULE VI - ACCUMULATED DEPLETION AND DEPRECIATION

1993:				
Oil & gas properties	$5,122,743	$422,619	$ -	$5,545,362
Equipment	24,817	3,035	781	27,071
	$5,147,560	$425,654	$ 781	$5,572,433
1992:				
Oil & gas properties	$4,759,128	$363,615	$ -	$5,122,743
Equipment	36,836	2,951	14,970	24,817
	$4,795,964	$366,566	$14,970	$5,147,560
1991:				
Oil and gas properties	$4,423,115	$336,013	$ -	$4,759,128
Equipment	33,285	7,363	3,812	36,836
	$4,456,400	$343,376	$ 3,812	$4,795,964

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: September 27, 1993

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: September 27, 1993

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

Dated: September 27, 1993

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

Dated: September 27, 1993

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

Dated: September 27, 1993

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

Dated: September 27, 1993

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

Dated: September 27, 1993

CANADA SOUTHERN PETROLEUM LTD.

Canadian and U.S. Ticker Symbol: CSW

DIRECTORS

M. Anthony Ashton
Vice President-Exploration
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.

OFFICERS

Charles J. Horne
President

M. Anthony Ashton
Vice President-Exploration

F. Betsy Shaw
Vice President

Evelyn D. Scott
Secretary-Treasurer

EXECUTIVE OFFICES

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Calgary, Alberta T2G 0P6
Telephone: (403) 269-7741

TRANSFER AGENTS

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

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

AUDITORS

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 the U.S., as shown above. Other enquiries may be directed to Canada Southern's Executive Offices in Calgary, or, if more convenient, to the Company, c/o G & O'D Inc., 241 Main Street, Hartford, CT 06106. Telephone: (203) 525-1202.

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