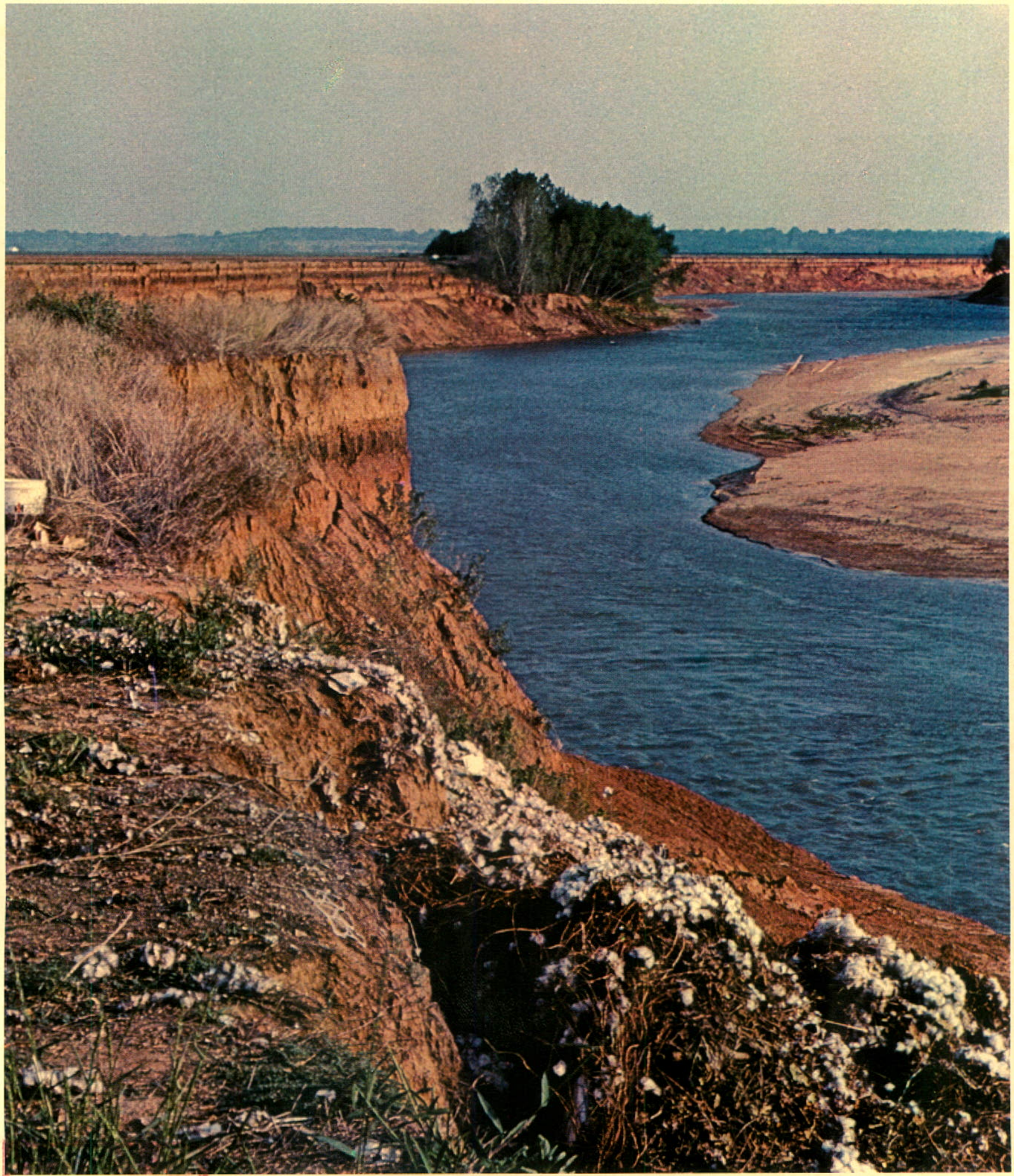
NEW FRONTIER PETROLEUM CORPORATION



ANNUAL REPORT 1982

NEW FRONTIER PETROLEUM CORPORATION

Board of Directors

Left: Jan M. Koeman *Centre Left: Adolf A. Petancic* *Centre Right: J. Michael Mackey* *Right: George O. M. Stewart*

Cover Photo: Brazos River, Texas

New Frontier Petroleum Corporation

SUITE 1230-800 WEST PENDER STREET
VANCOUVER, B.C. V6C 2V6
TELEPHONE (604) 684-6811

February 22, 1983

FOR IMMEDIATE RELEASE

PRODUCTION ALLOWABLES AND RESERVES INCREASED

New Frontier Petroleum Corporation (New Frontier) has been advised by the Alberta Energy Resources Conservation Board (the Board) that net reserves and production allowables for New Frontier's Rainbow South Field interests in Alberta have been increased.

Net reserves to 3.814 million barrels of oil, an increase of approximately 37.5% from the previous net reserves of 2.476 million barrels of oil.

Production allowables for the field will increase from 1,100 barrels per day to 2,000 barrels per day, effective April 1. New Frontier has approximately 35% of the field production or production capability of 700 barrels per day to New Frontier's interest. Based on current oil prices, New Frontier will net revenue of approximately $6,000,000 (Cdn) per year from its share of the production allowable, a significant increase fron current annualized net revenue of $3,500,000 (Cdn).

In order to effectively produce the pool, newly designated Rainbow South Keg River N pool by the Board, New Frontier and its partners anticipate drilling another well. The well will test both the Muskeg and Keg River formations and any oil produced from a successful well will command world oil prices.

At the present time New Frontier is producing oil from four wells in the Rainbow field, 6-22, 16-15, 11-21, and 6-21. Two of those wells, 16-15 and 6-22, are completed as dual wells from the Muskeg and the Keg River formations, with 6-21 and 11-21 producing from the Muskeg.

New Frontier is a resource company with oil, gas and mineral interests in Canada and the U.S.A. Traded on the Vancouver Stock Exchange (NFR) and NASDAQ (NFEX.F)

NEW FRONTIER PETROLEUM CORPORATION

Per:

J. Michael Mackey
President

PLEASE NOTE

The First Run of the Annual Report contains a mistake on Page 1 under the Heading:

Corporate Profile

HIGHLIGHTS
Financial

	July 1, 1981 to June 30, 1982
Sales/Revenue — should read	4,504
Total Income Less Royalties — should read	3,283

These figures are correctly shown in the Auditors Report Page 11 Consolidated Statement of Income of the Annual Report.

Corporate Profile

New Frontier Petroleum Corporation (New Frontier) is a Vancouver based company with oil, gas and mineral interests in Canada and the United States. New Frontier's head office is in Vancouver, B.C. with U.S. oil and gas operations in Houston, Texas and a mineral exploration office in Greenwood, B.C.

Since 1978 New Frontier has participated in the drilling of 34 wells of which 25 have been completed as oil or gas wells. New Frontier has steadily increased it's revenue and has built a solid asset base of productive oil and gas properties.

HIGHLIGHTS

Financial

(in thousands of dollars Cdn.)

	July 1, 1981 to June 30, 1982	July 1, 1980 to June 30, 1981	Year ended Oct. 31 1980	1979
Sales/Revenue	2,058	2,457	1,740	1,478
Total Income Less Royalties	1,409	1,875	1,200	893
Net Income (loss) before extraordinary items	(1,556)	(895)	93	244
Net Income (loss)	(8,907)	(895)	93	244
Earnings per share				
Income (loss) before extraordinary items per share	(0.15)	(.09)	.020	.058
Income (loss) for the year per share	(0.85)	(.09)	.020	.058

OPERATIONS

Amalgamation Approved

The amalgamation of New Frontier Exploration Inc., Transcolt Resources Corporation, Kelly Petroleum Inc., and Oneida Resources Corporation to form New Frontier Petroleum Corporation was approved by the Supreme Court of B.C. on January 12, 1982. The amalgamation enabled the four companies to consolidate their oil and gas interests in Canada and the U.S. and their mineral interests in Canada under one corporate umbrella, increasing the combined financial base, streamlining corporate operations, and reducing overhead.

Agreement With Fairmont Gas & Oil Corporation

New Frontier acquired all of the assets and assumed the outstanding liabilities of Fairmont Gas & Oil Corporation by agreement effective May 1, 1982. The assets included approximately 2,000 acres in Karnes County South Texas on which two wells are presently producing a third just completed and the fourth well scheduled for drilling before year end. Current net revenue to New Frontier is $75,000 (U.S.) per month, from this acreage.

Rainbow South Revenue

Revenue from New Frontier's prolific oil wells in the Rainbow South Field Alberta, Canada, increased during 1982 as a result of the dual completion of two of the company's producing Keg River wells and more realistic Federal and Provincial pricing policies. Net revenue to New Frontier is $250,000 (Cdn.) per month.

Brazos/Burleson Revenue

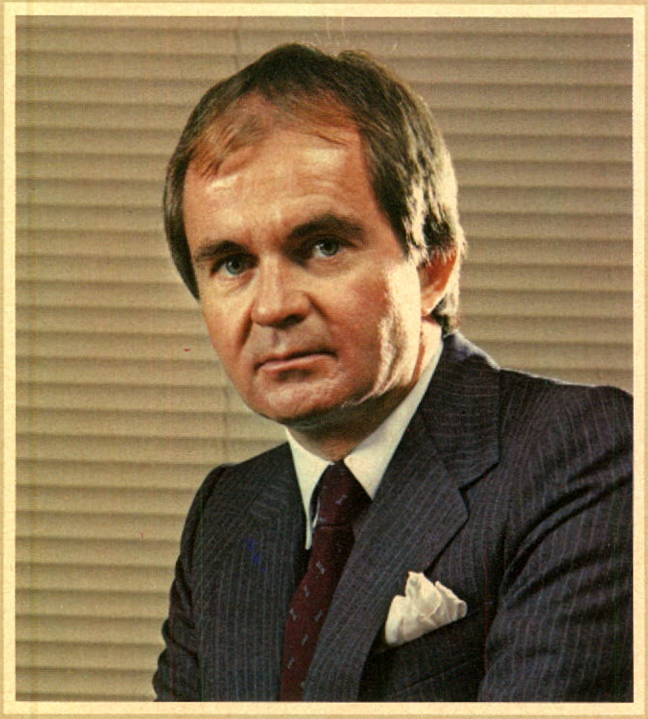
In Brazos/Burleson Counties Texas ten productive gas wells are connected to the pipeline gathering facilty providing New Frontier with potential net revenue of $200,000 (U.S.) per month.

Reserves

Engineering evaluations prepared by independent engineering firms state the net oil and gas reserves to New Frontier are as follows:

	Oil Stock Tank Barrels	Gas Cubic Feet
Proved Producing	1,839,291	13,655,565,000
Proved Developed and Undeveloped	1,077,900	28,277,400,000
Probable Additional Secondary and Tertiary Recovery Rainbow Field Alberta	843,000	153,000,000
	3,760,191	42,085,965,000

President's Message



Mr. J. Michael Mackey,
President

New Frontier Petroleum Corporation and it's predecessor companies first became involved in the oil and gas business in 1978. Success was immediate with two major discovery wells being completed in the Rainbow South oil field in Alberta. Since that date two more wells have been completed in the field and production revenue from the four wells continues to provide New Frontier with it's major source of income. A fifth well will be drilled this winter.

New Frontier next entered into oil and gas exploration in the U.S. The first well in the Brazos/Burleson field was drilled and completed in 1979 and since that date New Frontier has successfully participated in ten gas wells in that field, with earned interests ranging from 23.5% to 50% in 5,250 acres. All ten wells are presently connected to a pipeline gathering system. In addition to the existing wells, a number of infill and offset locations remain to be drilled.

In 1982 we entered into an agreement with Fairmont Gas & Oil Corporation (U.S.) whereby we acquired 100% of the shares of that company. The major asset being a 2,000 acre tract in Karnes County South Texas where we have successfully completed two Carrizo Sands gas wells and a Pettus Sand oil well. We are now drilling a Lower Wilcox test known as the B. P. Green #4 on the same acreage tract where we have been joined by industry partners from Texas and Alberta as well as a number of public companies.

New Frontier's path to success has not always been easy. We entered into several disastrous programs in Kansas and in Texas. These were undertaken in late 1980 and abandoned in 1981/2 resulting in a $7.3 million (Cdn) write off. As a result the board of directors removed the then president and his staff in early 1981 and instituted our present policy of not embarking on any projects which the company cannot comfortably handle within its cash flow and financial capabilities.

The cornerstone of our corporate philosophy is to participate in only those prospects where New Frontier can acquire a significant position and where success will impact positively on our revenue and reserve position.

We have streamlined our operations. Our head office in Vancouver, B.C. supervises Canadian exploration and development activities as well as those of our American subsidiary. In the United States we have an office in Houston under the capable direction of Jack C. Stevenson a geologist and geophysicist with 20 years experience in the oil and gas industry. Mr. Stevenson heads a small but efficient technical staff which is directing a lease acquisition and drilling program in the South Texas and Gulf Coast areas. We intend to exploit our expertise in developing and generating prospects such as that in Karnes county where we have had significant success to date.

This acquisition program is aimed primarily at the Wilcox, Vicksburg and Frio productive trends. A typical prospect in which New Frontier will participte will have potential for multi formations and be located so that if successful immediate production and revenue will result. We will not drill for shut in gas or oil. With the trend both in Canada and the U.S. to shorter term leases; acquiring a large acreage position can be a liability rather than an asset. We do not intend to acquire any leases of less than 3 year primary term unless a prospect is defined and scheduled for drilling. We also intend to participate with industry partners in the drilling of prospects which we acquire and define. The Deep Porter Prospect (B.P. Green #4 well) presently drilling is an example of our ability to attract industry partner participation in attractive prospects generated by ourselves.

New Frontier had it's start in Canadian oil and gas exploration and does not intend to ignore Canadian prospects. However, the economics of return are still greater for participation in prospects in the U.S. Recent changes in Federal and Provincial government tax royalty structures have improved the Canadian situation and are a factor in the increased revenues which we receive from our Rainbow South Oil fields. The incentives also encouraged us and our partners to undertake the dual completion of two wells, 16–15 and 10–22 further increasing production revenues. We now receive 75% of world price for our initial discovery wells and world price for the two wells completed as dual producers this summer.

New Frontier plans a pattern of steady growth within the bounds of prudent corporate fiscal responsibility. We intend to maintain a low debt to equity ratio. We, along with the majority of the oil and gas industry were guilty in late 1980 and early 1981 of overexpansion based on oil and gas price projections which have not been proven correct. We will not make that mistake again.

Oil and gas stocks in general have been out of favour since 1980 with most investors, and that, coupled with a decline in economic activity both in Canada and the U.S. has led to a decline in the price of New Frontier's shares.

We are encouraged by recent signs of a return of investor interest in oil and gas stocks and by indications of increasing economic activity in 1983. Also, despite many predictions, oil and gas prices have not drastically declined and we project a firming trend for domestic oil and gas prices in the U.S. and Canada throughout the 1980's. It is important for both our countries to develop their domestic supplies of oil and gas and avoid dependence upon potentially unstable foreign producers. There are increased indications that the governments of both countries are pursuing policies to encourage domestic oil and gas producers. We feel that there is ample opportunity for an aggressive, efficiently run company to exploit hydrocarbon reserves in the U.S. and Canada and accordingly we do not have any plans to participate in offshore ventures.

On behalf of the board of directors I would like to thank all our shareholders for their support without which New Frontier would not have enjoyed the success it has had. Our management team looks forward to 1983 which we project will be our most successful year to date.

J. Michael Mackey
President

Exploration and Development Review

New Frontier has an exploration and development strategy which is designed to maximize cash flow to the company. One criterion is to participate only in prospects which have ready access to oil and gas markets. Another cornerstone of New Frontier's strategy is to participate in prospects where we have a meaningful presence. We do not believe in participating in a number of small scattered prospects. This leads only to increased administrative and related costs. Rather, we concentrate on developing significant prospects; examples being the Rainbow South, Brazos/Burleson County and Karnes County fields.

We believe the results of our operations to date speak for themselves with participation in 34 wells of which 25 have been successfully completed as commercial wells. This is a significant success ratio as the majority of the wells drilled were wildcats.

Mr. Jack C. Stevenson,
President of U.S. Subsidiary and Manager U.S. Operations

South Texas

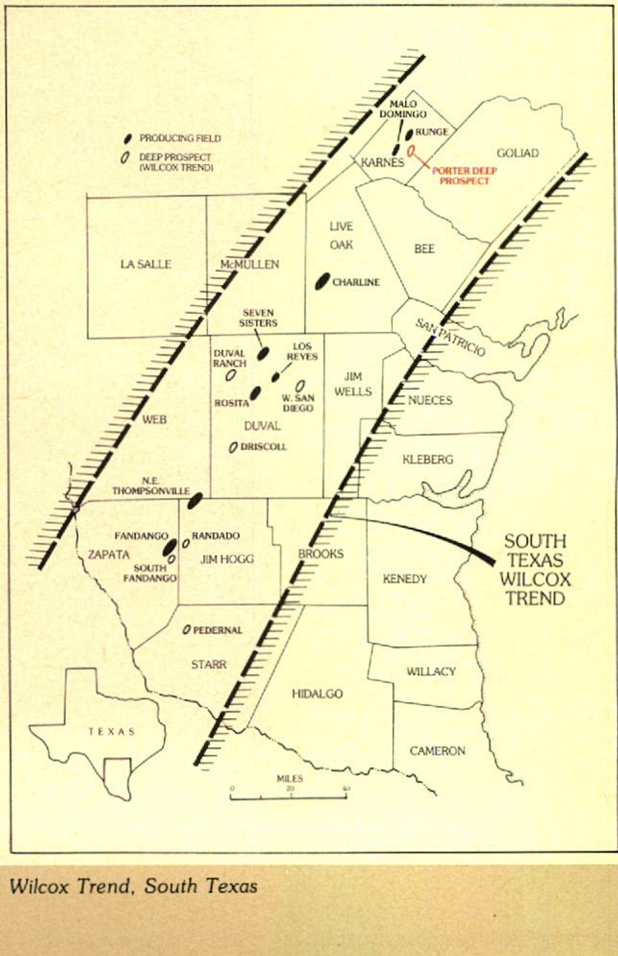
New Frontier has drilled and completed two successful gas/condensate wells, the B.P. Green #1 and #2, on its 2,000 acre tract in Karnes County, South Texas. Combined production from the two wells provides New Frontier with a net monthly revenue after royalty and operating costs of approximately $75,000 (U.S.) per month to New Frontier.

A third well, the B.P. Green #3, a 4,100 foot Pettus Sand test offsetting an old oil producer in the South Porter field, was completed in early November and is scheduled to be producing by the end of that month.

The fourth well, B.P. Green #4, will be drilled to 12,500 feet and test several potential pay zones in addition to the primary target, the Lower Wilcox formation. New Frontier has a number of farmout partners on this prospect and is retaining a 12.5% working interest in the well which will increase to a 13.775% net revenue interest after payout. The farmees include private Alberta and Texas oil interests as well as Fairmont Gas & Oil Corporation which has the same working and net revenue interests as New Frontier. Fairmont is also participating with New Frontier in other joint venture projects in South Texas.

Approximately two miles north of the well location are the Malo Domingo and Runge East fields where a number of highly productive wells have been discovered and are producing from the Lower Wilcox. The B.P. Green #4 is scheduled to commence drilling in late November and would be completed early in 1983. If successful, up to five wells could be drilled to the Lower Wilcox adding substantially to New Frontier's gas/condensate reserves.

Our experienced technical team has acquired expertise in South Texas over the years and is working on an



Wilcox Trend, South Texas

ongoing lease acquisition and exploratory drilling program to develop oil and gas reserves in the producing trends of the Lower Tertiary Sandstones of the South Texas Gulf Coast. The Karnes County prospect mentioned above is an example of the type of lease acquisitions New Frontier plans to make. The program is designed to acquire multi-formation potential leases aiming primarily at the Wilcox, Vicksburg and Frio productive trends. Another factor in developing prospects in this area is that in 1980, the latest year for which data is available, over 600 wildcats were completed successfully in South Texas, 500 as gas discoveries with a success ratio of completions to dry holes of 64%.

The trend map indicates the areas in which we intend to be active. Througout those areas the economics of production from the Wilcox, Frio and Vicksburg Sands are excellent. In addition to the multiplicity of prospective reservoirs throughout each zone, there are excellent shallow reservoirs which would also be evaluated by wells drilled.

Brazos/Burleson Counties, Texas

New Frontier has earned interests ranging from 23.5% to 50% in 5,250 acres in Brazos/Burleson Counties with ten productive gas wells presently on stream. There was a severe curtailment problem in the field during the spring and summer of 1982, drastically reducing anticipated revenue. The operator has entered into a new enduser contract which we anticipate will result in greater utilization of the production capacity. Full utilization of the fields productive capacity would give New Frontier net revenue after royalty and operating costs of approximately $200,000 (U.S.) per month. This can increase with additional demand if economic conditions improve. There is room on the acreage for considerable infill and offset drilling.

Rainbow South Field Alberta, Canada

New Frontier has interests ranging from 30% to 70% in four oil wells on its 1,920 acre Rainbow South property. Two of the wells, 16–15 and 6–22 are dual completion wells producing from the deep Keg River formation and the shallower Muskeg formation. The other two wells, 10–22 and 11–21, produce from the Muskeg formation. Overlying the two oil formations is the Sulphur Point gas formation which is currently shut in pending market outlet.

New Frontier's present share of production is averaging 500 barrels of oil per day producing net revenue after royalties and operating costs to New Frontier of approximately $250,000 (Cdn.) per month.

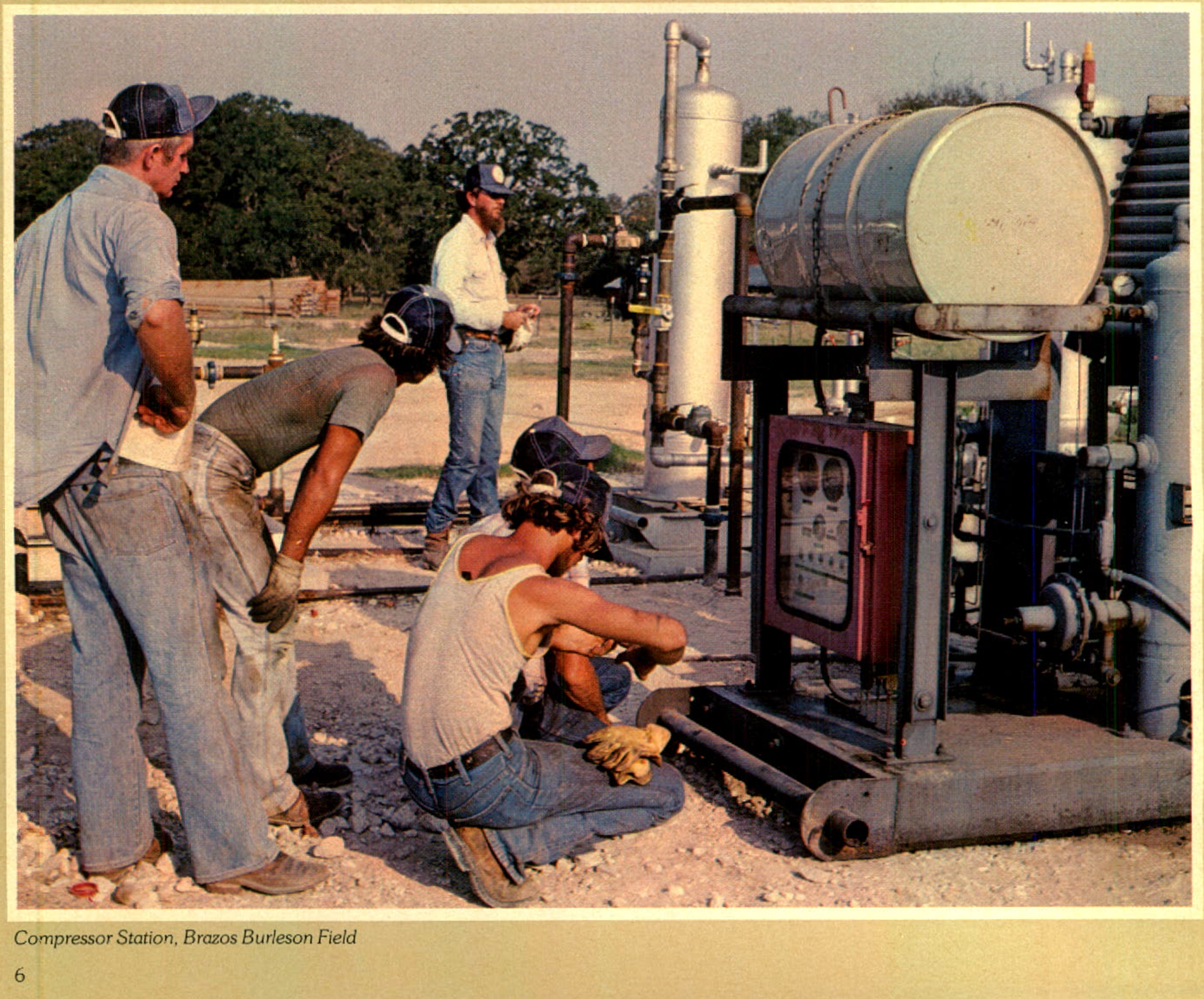
The recent improvement in Federal and Provincial government pricing policies is a factor in the drilling of a fifth well 6-21 scheduled to commence in late November and be completed in early 1983.

Mineral Interests

In addition to our oil/gas interests New Frontier has a number of mineral properties in B.C. We have well located claims in the Boundary District of B.C. where recent gold discoveries have confirmed the presence of strata form gold rich massive sulphides. Consideration is being given to an active exploration program on the property.

Other properties held by New Frontier include a silver/lead/zinc prospect near Houston, B.C.; the Oro Denoro, a gold/silver/copper prospect with proven tonnage; the Tam O'Shanter, a large open pit prospect with potential in a well-regarded gold/copper belt and the Bergette, a large low-grade copper/molybdenum prospect.

Corporate Offices, U.S. Subsidiary, Houston, Texas



Compressor Station, Brazos Burleson Field

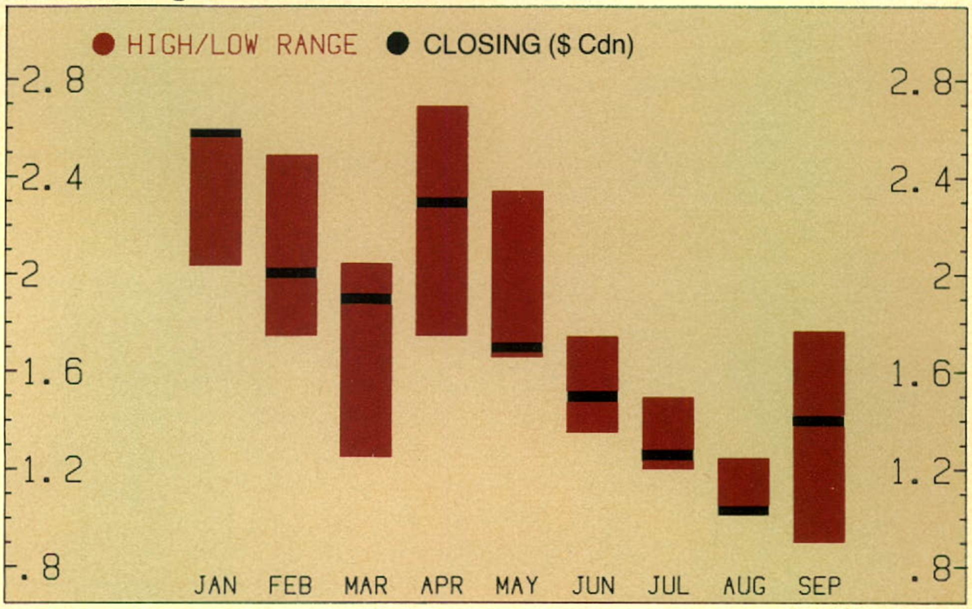
Market Commentary

As the accompanying graphs show New Frontier's shares have decreased in price along with other oil and gas companies since the height of the speculative oil and gas market in the last quarter of 1980. The graphs show a firming in price trend since the 1982 bottom.

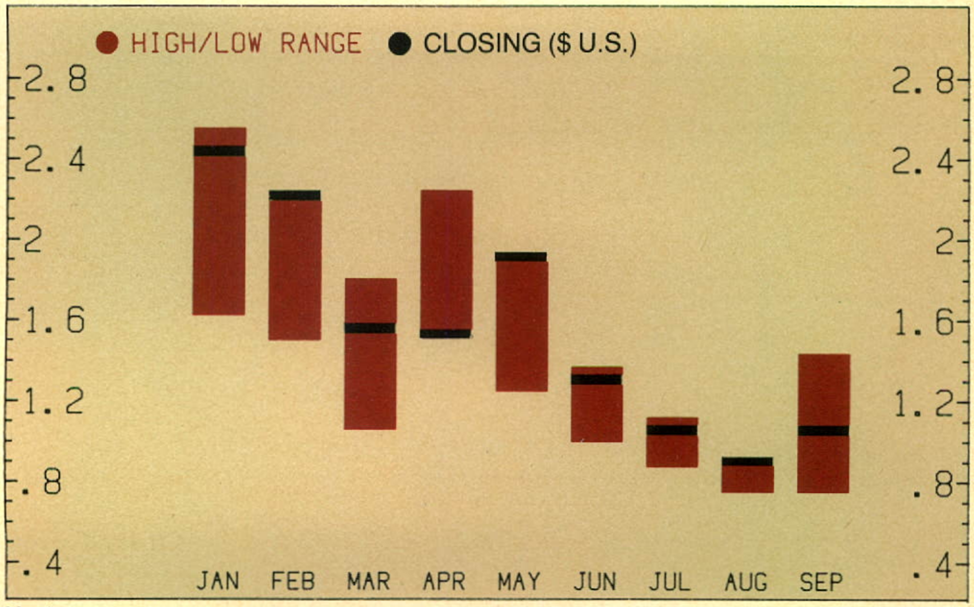
Investor interest is returning to the oil and gas sector and along with New Frontier's increasing net revenue and excellent exploration prospects the upward price trend should be maintained through 1983.

New Frontier's shares are quoted on the Vancouver Stock Exchange and the NASDAQ system in the U.S.

Stock Trading Performance

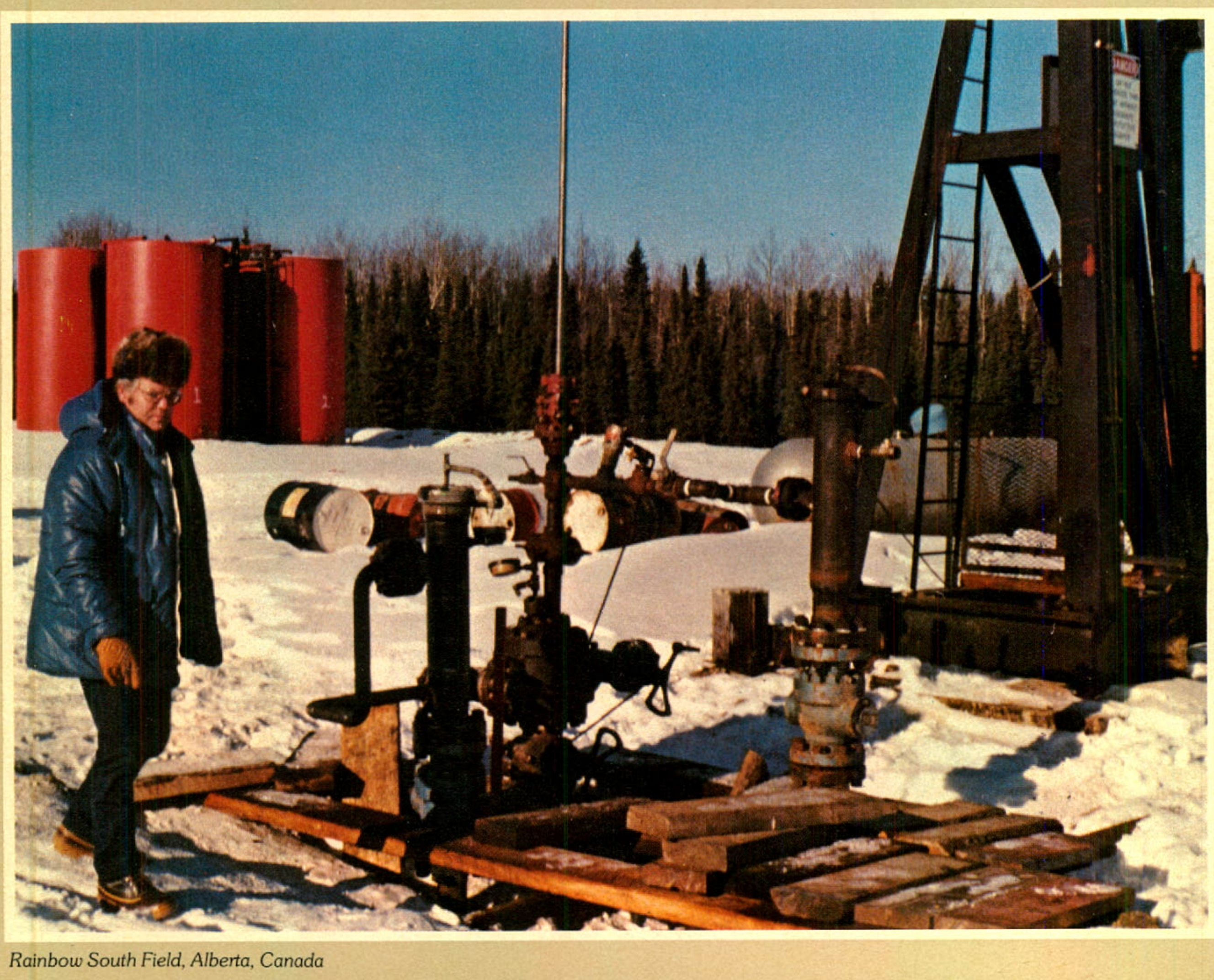


Vancouver Stock Exchange



Nasdaq

Tank Battery, Jesse Moore #3 & #5, Brazos Burleson Field



Rainbow South Field, Alberta, Canada

Auditors' Report

To the Shareholders
New Frontier Petroleum Corporation

We have examined the consolidated balance sheet of New Frontier Petroleum Corporation as at June 30, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company as at June 30, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
October 29, 1982

Ellis, Foster & Company
Chartered Accountants

Consolidated Balance Sheet

June 30, 1982

EXHIBIT A

	1982	Comparative 1981 (Unaudited)
ASSETS		
CURRENT		
Cash	$ 438,199	$ 747,451
Accounts receivable	878,056	496,573
Note receivable	219,294	268,512
Prepaid expenses	8,383	19,745
	1,543,932	1,532,281
PROPERTY AND EQUIPMENT (Note 3)	24,192,478	25,390,463
DEFERRED INCOME TAXES (Note 1)	—	46,378
	$25,736,410	$26,969,122
LIABILITIES		
CURRENT		
Bank indebtedness (Note 5)	$ 9,683,816	$ 3,558,002
Accounts payable and accrued liabilities	1,226,469	2,678,748
Short term debentures (Note 6)	459,948	—
Loan payable	1,632,094	—
Agreement payable	137,000	100,000
	13,139,327	6,336,750
AGREEMENT PAYABLE, net of principal due within on year	—	60,000
MINORITY INTERESTS	228,446	245,000
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 7)	24,222,462	23,273,822
RETAINED EARNINGS (DEFICIT) — Exhibit B	(11,853,825)	(2,946,450)
	12,368,637	20,327,372
	$25,736,410	$26,969,122

APPROVED BY THE DIRECTORS

Director

Director

Consolidated Statement of Income

Year Ended June 30, 1982

EXHIBIT C

	1982	Comparative 1981 (Unaudited)
INCOME		
Sale of petroleum and natural gas	$ 4,504,561	$ 2,457,100
Less royalties	1,341,489	833,762
	3,163,072	1,623,338
Processing revenue	109,567	119,962
Interest and other income	10,749	131,223
	3,283,388	1,874,523
EXPENSES		
Production	648,986	411,739
General and administrative	1,731,151	993,159
Interest	1,416,313	372,132
Depreciation and amortization	210,974	107,249
Depletion	790,574	467,100
Write down of acquisition, exploration and development costs of petroleum and natural gas properties to net realizable value	17,900	446,038
	4,815,898	2,797,417
INCOME (LOSS) BEFORE OTHER ITEM, INCOME TAXES AND EXTRAORDINARY ITEMS	(1,532,510)	(922,894)
OTHER ITEM		
Gain (loss) on sale of assets	(23,005)	(3,424)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	(1,555,515)	(926,318)
Income taxes — deferred (reduction)	—	(30,434)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	(1,555,515)	(895,884)
EXTRAORDINARY ITEMS		
Acquisition, exploration and development cost of petroleum and natural gas properties and mineral claims abandoned net of minority interests — $16,554 (1981 — $Nil) (Note 4)	7,305,482	—
Deferred income taxes (Note 1)	46,378	—
	7,351,860	—
NET INCOME (LOSS) FOR THE YEAR — Exhibit B	$(8,907,375)	$ (895,884)
EARNINGS PER SHARE		
Income (loss) before extraordinary items	$(0.15)	$(0.09)
Net income (loss) for the year	$(0.85)	$(0.09)

NEW FRONTIER PETROLEUM CORPORATION

Consolidated Statement of Changes in Financial Position

Year Ended June 30, 1982

EXHIBIT D

	1982	Comparative 1981 (Unaudited)
WORKING CAPITAL DERIVED FROM		
Proceeds from sale of equipment	$ 143,886	$ 85,095
Proceeds from issuance of share capital	948,640	7,345,668
Minority interests and investments in subsidiary company	—	245,000
	1,092,526	7,675,763
WORKING CAPITAL APPLIED TO		
Operations		
Loss before extraordinary items — Exhibit C	1,555,515	895,884
Items not involving working capital		
Depreciation	(210,974)	(107,249)
Depletion	(790,574)	(467,100)
Loss on sale of assets	(23,005)	(3,424)
Cost of properties written down	(17,900)	(446,038)
Incorporation costs written-off	(5,560)	—
Deferred income tax reduction	—	30,434
	507,502	(97,493)
Acquisition, exploration and development costs of petroleum and natural gas properties and mineral claims	7,076,334	12,181,052
Purchase of office equipment, leasehold improvements and other assets	239,616	120,818
Principal reduction of agreement payable	60,000	80,000
	7,883,452	12,284,377
INCREASE (DECREASE) IN WORKING CAPITAL POSITION	(6,790,926)	(4,608,614)
WORKING CAPITAL (DEFICIENCY), beginning of year	(4,804,469)	(195,855)
WORKING CAPITAL (DEFICIENCY), end of year	$(11,595,395)	$ (4,804,469)

NEW FRONTIER PETROLEUM CORPORATION

Consolidated Statement of Retained Earnings

Year Ended June 30, 1982

EXHIBIT B

	1982	Comparative 1981 (Unaudited)
RETAINED EARNINGS (DEFICIT), beginning of year	$ (2,946,450)	$ (2,050,566)
NET INCOME (LOSS) FOR THE YEAR — Exhibit C	(8,907,375)	(895,884)
RETAINED EARNINGS (DEFICIT), end of year — Exhibit A	$(11,853,825)	$ (2,946,450)

NEW FRONTIER PETROLEUM CORPORATION

Notes to the Consolidated Financial Statements

June 30, 1982

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Operations

On January 12, 1982, the Company was formed as a result of the amalgamation of the operations of New Frontier Petroleum, Inc., Transcolt Resources Corporation, Kelly Petroleum Inc. and Oneida Resources Corporation in a transaction accounted for using the pooling of interest method of accounting whereby the financial statements are presented as if the companies had been combined since their inception. The Company is incorporated under the laws of the Province of British Columbia, Canada.

b) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned United States subsidiaries, PetroMac Energy, Inc., N. F. Oil & Gas, Inc., Transcolt Resources, Inc., Kelly Resources, Inc. and Fairmont Gas & Oil Corporation together with the accounts of a majority-owned Canadian subsidiary, Bulkley Silver Resources, Inc.

c) Foreign Currency Translation

Amounts recorded in foreign currency are translated to Canadian dollars as follows:

1) Current assets, liabilities and long-term debt at year end exchange rates
2) Other assets at historical rates of exchange
3) Income and expenses at the average rate of exchange throughout the year.

d) Property and Equipment

Mineral Claims

The amounts shown for mineral claims represent all acquisition, exploration, development and associated administrative costs to date and do not necessarily reflect present or future values. The Company defers these costs and amortizes them over the useful life of the properties upon commencement of commercial production or writes off the costs to operations if the properties or prospects are abandoned or allowed to lapse.

e) Property and Equipment

Petroleum and Natural Gas Properties

The Company follows the full-cost method of accounting which provides that all costs incurred in connection with the exploration for and the acquisition and development of oil and gas reserves, including non-productive costs, be capitalized. No gains or losses are recognized upon the sale or other disposition of petroleum and natural gas properties except in extraordinary transactions.

Depletion of costs capitalized on projects put into commercial production is recorded using the unit of production method based on estimated proven reserves as determined by independent engineers.

Cost centres whose carrying values exceed their estimated net realizable value are written down to that net realizable value in the period that such determinations are made.

Exploration and development costs are allocated to the following cost centres:

1) Canada, and
2) United States of America

f) **Depreciation**

The Company claims depreciation on its tangible assets at rates varying between 10% and 20% on a straight-line basis.

g) **Income Taxes**

The Company follows the tax allocation method of accounting for all timing differences between taxable income and accounting income. Under this method, a provision for deferred income tax would be made on the excess of the deductions taken for income tax purposes over the related depletion, depreciation and other charges recorded in the accounts.

Deferred income tax debits resulting from timing differences and losses for income tax purposes have not been recognized in the accounts of the consolidated Company as there exists no reasonable assurance that these timing differences will be reversed in future periods. Deferred income tax debits from prior periods have been written-off to extraordinary items in the current year.

2. ACQUISITION OF SUBSIDIARY

Effective May 1, 1982, the Company, through its newly incorporated wholly-owned subsidiary, PetroMac Energy, Inc., acquired 100% of the outstanding shares of Fairmont Gas & Oil Corporation, a United States company. The transaction has been accounted for on the purchase method with the results of operations included in these financial statements from date of acquisition.

Details of the acquisition are as follows:

Net assets acquired, at assigned values:

Petroleum and natural gas properties ($2,800,000 U.S.)	$3,413,760
Accounts payable and accrued liabilities	278,018
	$3,135,742

The consideration given was $1,828,800 cash and $1,306,942 in the form of a loan payable to the vendor.

3. PROPERTY AND EQUIPMENT

The following assets are presented at cost, net of accumulated depletion, depreciation or amortization.

	1982	Comparative 1981
a) Mineral Claims		
Canada	$ 1,038,741	$ 772,188
b) Petroleum and Natural Gas Properties		
Canada	6,533,498	6,608,651
United States of America	12,277,572	14,498,570
c) Oil and Gas Equipment	3,269,419	2,487,327
d) Pipeline and Gathering Systems	838,171	821,725
e) Other Assets	235,077	202,002
	$24,192,478	$25,390,463

The proceeds from the sale of petroleum and natural gas are derived from cost centres as follows:

	1982	1981
Canada	$2,403,671	$1,948,720
United States of America	2,100,890	508,380
	$4,504,561	$2,457,100

4. EXTRAORDINARY ITEM

During the current year, costs capitalized to certain petroleum and natural gas properties, amounting to $7,305,482 have been written-off as a substantial portion of the Company's cost centre was abandoned.

5. BANK INDEBTEDNESS

The bank loans are payable on demand and bear interest at rates varying from prime plus one percent to prime plus one and a half percent. The loans are secured by a general assignment of book debts, a specific assignment of all revenue emanating from the sale of petroleum and natural gas in Canada and the United States, by assignment of the Company's interest in certain properties in the Rainbow South area, Alberta, Canada and in the Brazos and Burleson Counties, Texas, U.S.A. and by the guarantees of certain directors and other individuals and companies.

6. SHORT TERM DEBENTURES

	1982	1981
Due by February 28, 1982 and convertible into common shares of the Company at $5.875 per share, at any time, at the option of the holder	$201,808	$
Due by May 31, 1982 and convertible into common shares of the Company at $3.50 per share, at any time, at the option of the holder	258,140	
	$459,948	$ —

Both debentures bear interest at prime plus one percent and are secured by an assignment of the Company's interest in certain properties located in Alberta together with a general assignment of the remaining assets of the Company.

7. SHARE CAPITAL

a) The Company's authorized share capital is 50,000,000 common shares without par value. At June 30, 1982 the issued capital of the Company was as follows:

	1982		1981	
	Shares	Amount	Shares	Amount
For cash	7,464,190	$19,018,967	6,786,590	$18,070,327
For properties .	1,421,061	1,946,800	1,421,061	1,946,800
For services ...	33,965	74,459	33,965	74,459
For debt conversion	728,366	1,641,297	728,366	1,641,297
For exploration expenditure conversion	1,247,829	1,489,875	1,247,829	1,489,875
For other....	16,078	51,064	16,073	51,064
	10,911,489	$24,222,462	10,233,884	$23,273,822

b) As of June 30, 1982, 2,833,105 common shares of the Company have been reserved as follows:

	Number of Shares
1) Incentive options granted to its employees at prices ranging from $1.25 to $2.00 per share until June 1, 1985	25,000
2) Unexercised conversion options granted to short term debenture holders (Note 6) ..	108,105
3) Subsequent to the year end 1,000,000 units, of the Company were sold at a price of $1.25 each. Each unit consisted of one share of the Company and two Series "A" warrants entitling the holder to purchase one additional common share for each two warrants at a price of $1.27 per share and expire on February 7, 1983	2,000,000
4) In consideration for a guaranteed minimum subscription of the units referred to in 3) above, the underwriter has been granted 200,000 non-transferable Series "B" warrants entitling the holder to purchase up to 100,000 shares of the Company at a price which is 15% higher than the average trading price on the date to be determined by the Exchange, and expire on February 7, 1983	100,000
5) For continuing to guarantee a certain line of credit referred to in Note 5, the Company has issued non-transferrable share purchase warrants to certain corporations and directors of the Company entitling the holders to purchase up to 450,000 shares of the Company at $1.50 per share until April 1, 1983..........	450,000
6) Pursuant to an employment contract a director of a subsidiary company has been issued an option to acquire shares of the Company at prices ranging from $1.50 to $1.75 per share until February 28, 1984	150,000
	2,833,105

8. REMUNERATION OF OFFICERS, DIRECTORS AND SENIOR OFFICIALS

No direct remuneration was paid to the officers, directors or senior officials during the year (1981 - $39,750). An amount of $227,996 (1981 - $71,883) was paid to a legal firm in which two directors are principals for administrative, secretarial services, office rent and professional services. No directors' fees were paid during the year.

9. RELATED PARTY TRANSACTION

The Company has entered into an agreement with the legal firm in which two directors are principals wherein the legal firm will provide certain management and consulting services. The agreement was entered into on June 1, 1982 for a five year period and provides for remuneration of $1,125,000 (U.S.) during the term of the agreement. The above amount is the minimum fee payable and is to be revised annually based upon the United States Consumer Price Index. The agreement also calls for further payments contingent upon the attainment of certain profits over and above the base year of 1982.

In the event that the management and consulting services are deemed not to be satisfactory by the Company, the agreement calls for the payment of $350,000 (U.S.) if the services are terminated during the first year, $300,000 (U.S.) during the second year, $250,000 (U.S.) during the third year, $200,000 (U.S.) during the fourth year and $150,000 (U.S.) during the fifth year in full and final settlement of claims against the Company for wrongful termination.

10. COMMITMENTS AND CONTINGENCIES

a) The Company has been named as defendant in two class action suits filed in the Federal District Court of South Texas. The plaintiffs in both actions have filed to have the amalgamation referred to in Note 1 set aside and to claim for damages sustained due to the amalgamation. It is management's opinion that these suits are without merit and are being defended.

b) The Company has also been named as a co-defendant with respect to an automobile accident in the United States. The Company's legal counsel are unable to predict the outcome of the claim, however, should the Company lose the claim, management is of the opinion that any court awards would be covered by insurance policies held by the Company.

Corporate Data

Directors

Jan M. Koeman	Businessman
J. Michael Mackey	Lawyer
Adolf A. Petancic	Lawyer
George O. M. Stewart	Geologist

Officers

Adolf A. Petancic — Chairman
J. Michael Mackey — President
George O. M. Stewart — Vice-President
Jan M. Koeman — Secretary

Head Office

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U.S. Office

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Houston, Texas 77084, U.S.A.
Telephone: (713) 578-0099

Registrar and Transfer Agents

National Trust Company Limited, Vancouver, B.C. and Toronto, Ontario.

National Bank of North America, New York, N.Y.

Legal Counsel

Paul, Weiss, Rifkind, Wharton & Garrison
New York, N.Y.

Porter & Clements
Houston, Texas

McLaws & Company
Calgary, Alberta

Bankers

The Royal Bank of Canada
Vancouver, British Columbia

Capital Bank, N.A.
Houston, Texas

Subsidiary Companies

PetroMac Energy, Inc.
Fairmont Gas & Oil Corporation
N.F. Oil & Gas, Inc.
Transcolt Resources, Inc.
Kelly Resources, Inc.
Bulkley Silver Resources, Inc.

Shares Listed

NASDAQ: Trading Symbol **NFEXF**
Vancouver Stock Exchange: Trading Symbol **NFRV**

Annual General Meeting

The annual general meeting of the shareholders of New Frontier Petroleum Corporation will be held in the Kent Room of the Hotel Georgia, 801 West Georgia Street, Vancouver, B.C. on December 15, 1982 at 10:00 A.M.

NEW FRONTIER PETROLEUM CORPORATION
1230-800 West Pender Street, Vancouver, B.C. V6C 2V6

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