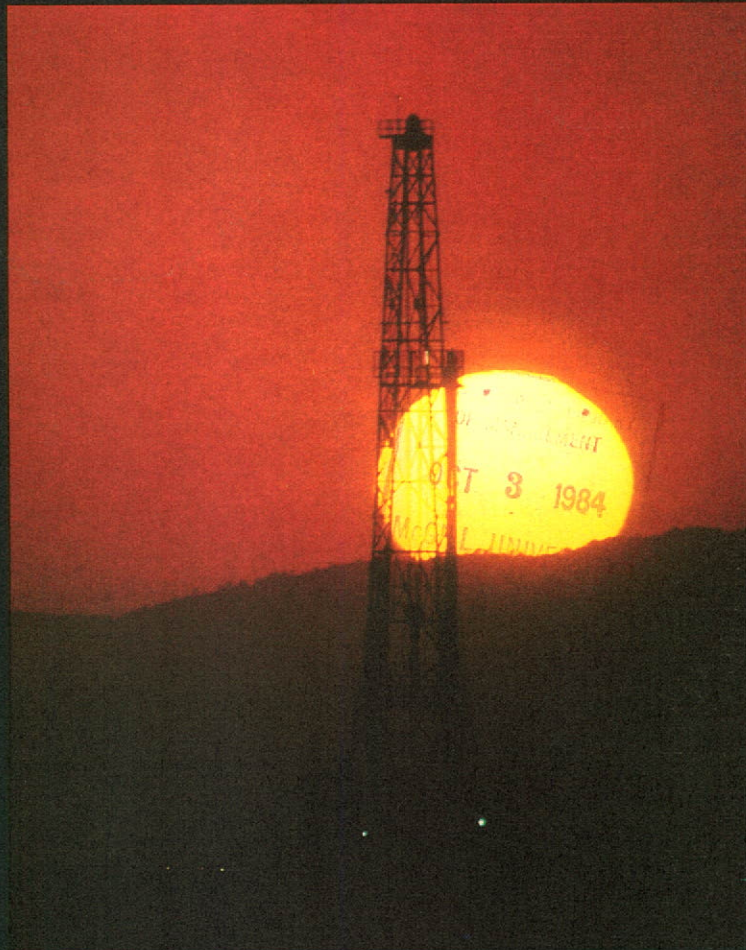


New Frontier Petroleum Corporation



1984 Annual Report

Corporate Profile

New Frontier Petroleum Corporation (New Frontier) is a Canadian natural resource company. The principal business of New Frontier is oil and gas exploration, development and production in the U.S.A. and Western Canada. In addition New Frontier has a significant shareholding in Cater Energy, Inc., a Canadian natural resource company.

New Frontier's head office is located in Vancouver, B.C. and its office for U.S. operations in Houston, Texas. The Company's shares trade on the NASDAQ system in the U.S.A. and the Vancouver Stock Exchange in Canada.

Officers

Adolf A. Petancic — Chairman of the Board
J. Michael Mackey — President
Sau Han (Dorothy) Chin — Secretary

Directors

Sau Han (Dorothy) Chin
J. Michael Mackey
Frank C. Narrow
Adolf A. Petancic
Jack C. Stevenson

Annual General Meeting

The annual general meeting of shareholders will be held in the Shuswap Room, Four Seasons Hotel, 791 West Georgia Street, Vancouver, B.C. on November 2, 1984 at 2:00 p.m.

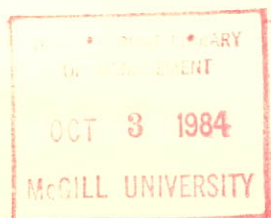
Financial Highlights

In Canadian Dollars

	YEARS ENDED JUNE 30		
	<u>1984</u>	<u>1983</u>	<u>1982</u>
Gross Revenue	\$ 7,341,869	\$ 6,534,961	\$ 4,624,877
Cash Flow (Loss) From Operations	\$ 1,577,619	\$ 2,361,448	\$ (507,502)
Per Share	\$ 0.11	\$ 0.19	\$ (0.05)
Earnings (Loss) Before Extraordinary Items	\$ 227,985	\$ 1,385,723	\$ (1,555,515)
Per Share	\$ 0.02	\$ 0.11	\$ (0.15)
Net Earnings (Loss)	\$ 227,985	\$ 1,385,723	\$ (8,278,495)*
Per Share	\$ 0.02	\$ 0.11	\$ (0.80)*
Total Assets	\$33,064,157	\$26,980,320	\$25,758,212
Shares Outstanding at Year End	14,410,715	14,160,705	10,911,489
Long Term Debt	\$11,090,000	\$ 7,446,670	\$ 9,683,816
Capital Expenditures	\$ 7,201,915	\$ 1,799,361	\$ 6,692,318

*includes extraordinary item, non recurring loss from abandoned U.S. petroleum and natural gas properties.

All amounts in this report are in Canadian dollars, unless otherwise stated.



To Our Shareholders

On behalf of the Board of Directors we are pleased to present the Company's third annual report for the year ended June 30, 1984.

In our 1983 annual report we stated that we intended to increase exploration activities to take advantage of reduced exploration and drilling costs and an anticipated improved oil and gas market in 1985. This policy has resulted in three new oil and gas discoveries; namely the #1 Garza gas discovery, Hidalgo County, Texas, the #1-11 Mississippi Investments oil discovery, Jones County, Mississippi, and the 3-17 oil discovery, Rainbow West, Alberta. In addition, logs of the #1 Boise Southern, Calcasieu Parish, Louisiana, have indicated the presence of economic quantities of hydrocarbons and we expect to test this well before the end of calendar year 1984. We are also acquiring seismic data and an acreage position in the deep Smackover trend of East Texas.

To comply with SEC requirements, we began sending quarterly reports to our shareholders this year. These reports provide our shareholders with more timely disclosure of our affairs. The 1984 Annual Report contains financial and production information required by the Financial Accounting Standards Board (FASB) and complies with SEC regulations.

As a foreign exempt company New Frontier does not require registration under the provisions of the Securities Exchange Commission Act, however, we plan to register under Section 12(g) of the Act, and make 10-K forms available to our shareholders and interested parties.

1984 was our second successive profitable year, however, due to continuing high interest rates, increased production costs, curtailment of the Brazos/Burleson gas field, and a reduction in the Alberta royalty rebate from 75% to 50%, cash flow and earnings were less than expected.

We anticipate that in 1985 development drilling on our new discoveries will result in increased revenues, cash flow, earnings, and reserves. Reserve statistics used in this report are proved only and do not take into account the expanded reserves to be developed by offset locations on our new discoveries and any additional reserves which may be developed by enhanced recovery methods in the Rainbow South Field, Alberta.

Over the past 3 years, our production of gas and oil has more than been replaced by new discoveries.

We wish to acknowledge and thank all our shareholders for their support and encouragement.

On behalf of the Board of Directors

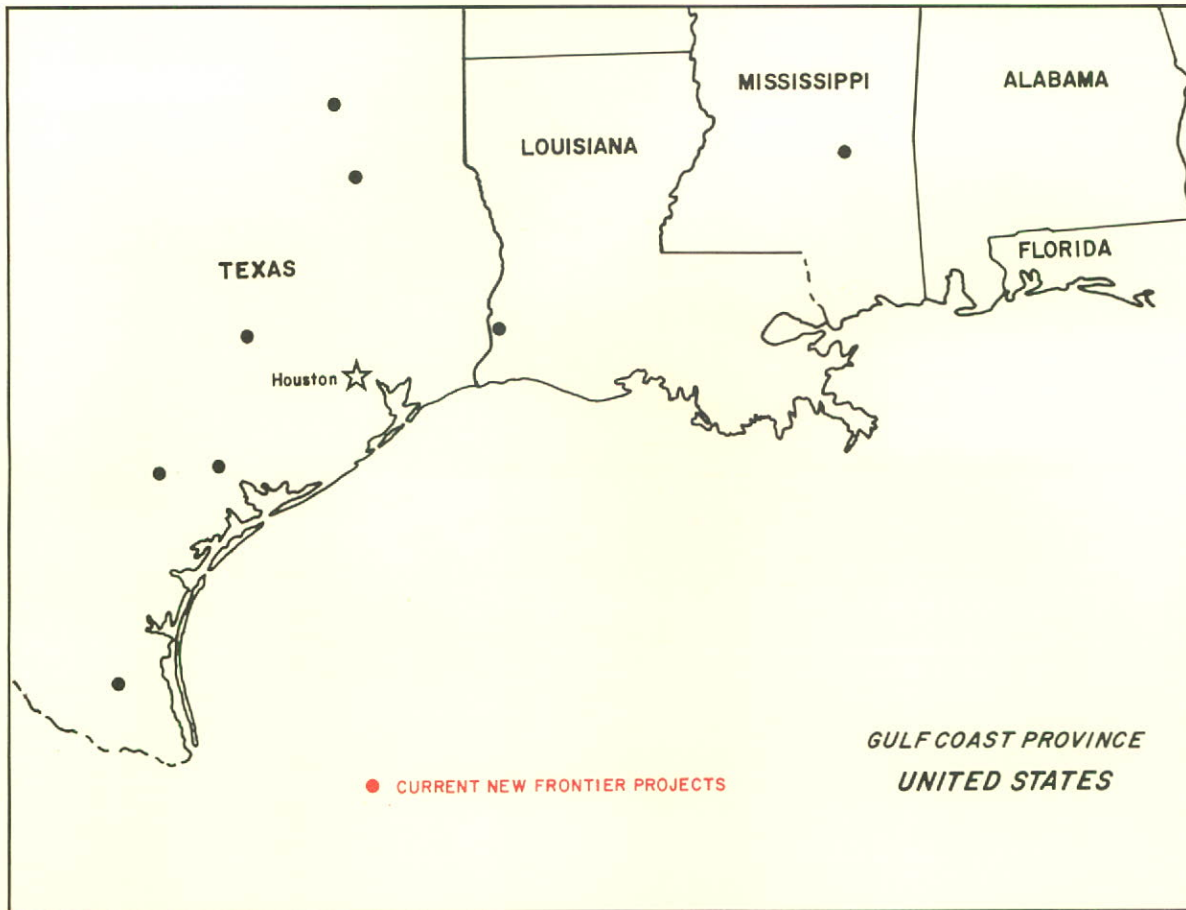


J. Michael Mackey
President



Adolf A. Petancic
Chairman

Petroleum Exploration and Production



Overview

During 1983, New Frontier participated in the drilling of 1 well in Canada and 10 wells in the United States. 5 wells were cased for gas, 2 for oil, 1 was suspended, and 3 were abandoned, for a success ratio of 64%.

This drilling program resulted in 3 new discoveries, 2 oil and 1 gas, and has added significantly to our proven oil and gas reserves.

New Frontier's activity was concentrated on exploration in the United States Gulf Coast region, combining a mix of low to medium risk wildcats with an occasional high risk/high potential play. Historically, the Gulf Coast is an **area of multipay fields and high wildcat success ratios**. Operating problems and pipeline hookup delays are at a minimum, and frequently top prices are paid for new production. New Frontier has interests in the area ranging from 10% to 90% working interest in over 16,000 gross acres.

Last year New Frontier's exploration efforts led to significant discoveries in the San Manuel Prospect, Hidalgo County, South Texas, and the

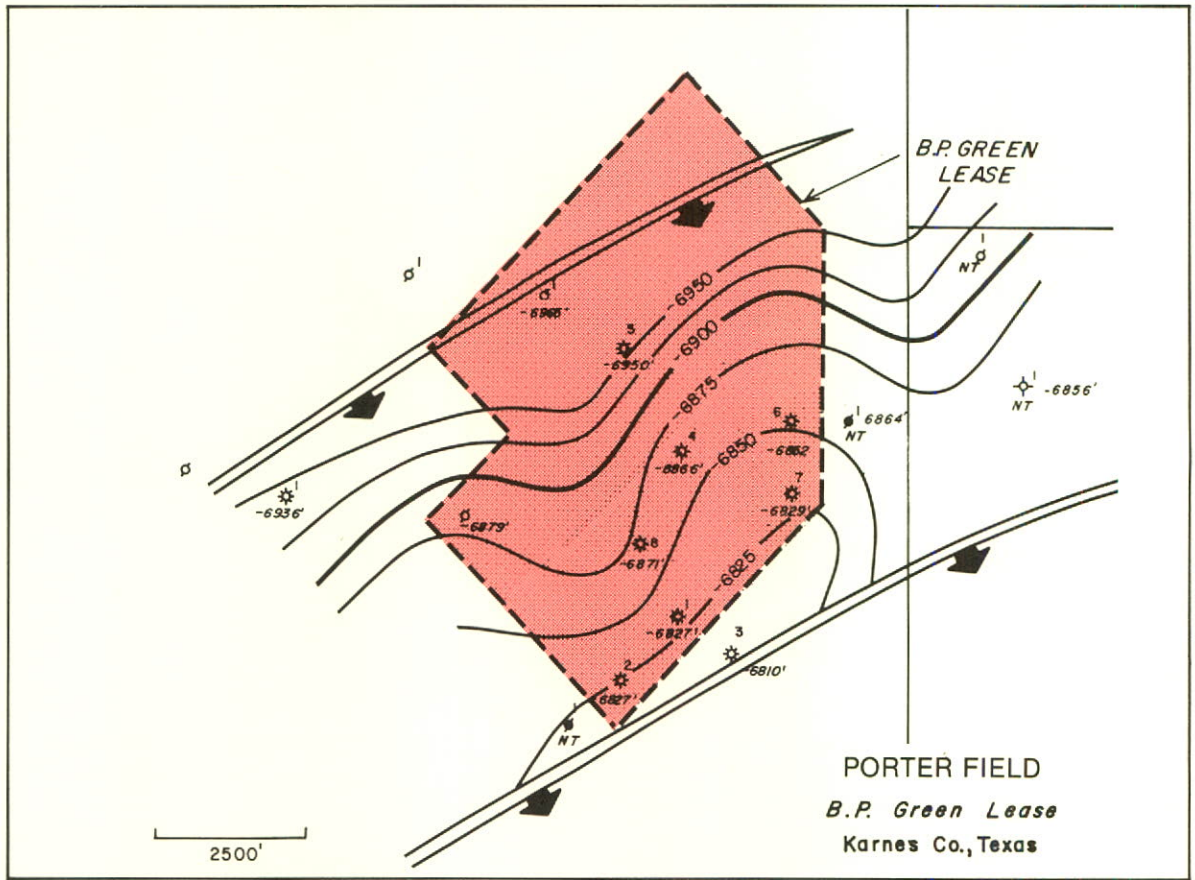
Laurel Field, Jones County, Southeastern Mississippi. The two discoveries will be further exploited by developmental drilling on offset locations in the coming fiscal year.

Unitization was completed in the Keg River "N" pool in the Rainbow South area of Alberta and Canterra Energy Ltd., a company with expertise in secondary and tertiary recovery in the Rainbow Field is now the operator. Further development activity in the "N" pool is likely this drilling season.

Following is a summary of New Frontier's principal areas of current and planned exploration and development activity.

Porter Field, Karnes County, Texas

During 1984, New Frontier drilled 4 new development wells in the Porter Field resulting in a doubling of cash flow from the field. New Frontier has net revenue interests ranging from 45% to 75% in the wells on this 875 acre property.



During 1985, New Frontier will install a low pressure gathering system in the field to increase flow capacity of the wells. Further drilling activity will depend upon reservoir conditions. During 1984, New Frontier was able to sell all gas and condensate produced from the field and this situation should continue in 1985.

New Frontier expects this tract to add significant reserves throughout the next two years as additional locations are drilled and proven. As an example of the potential of this property, producing fields in the area are capable of producing 500,000 barrels of oil per well on 40 acre spacing.

Laurel Discovery, Jones County, Mississippi

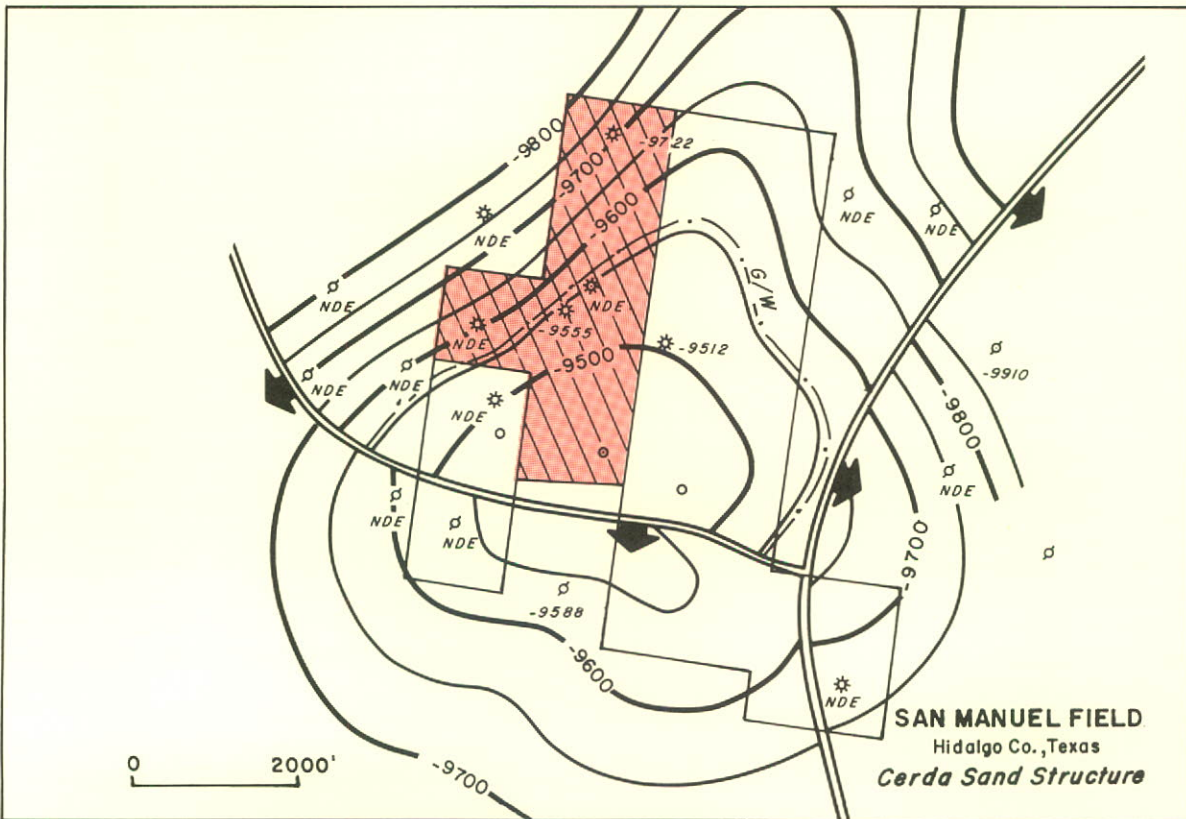
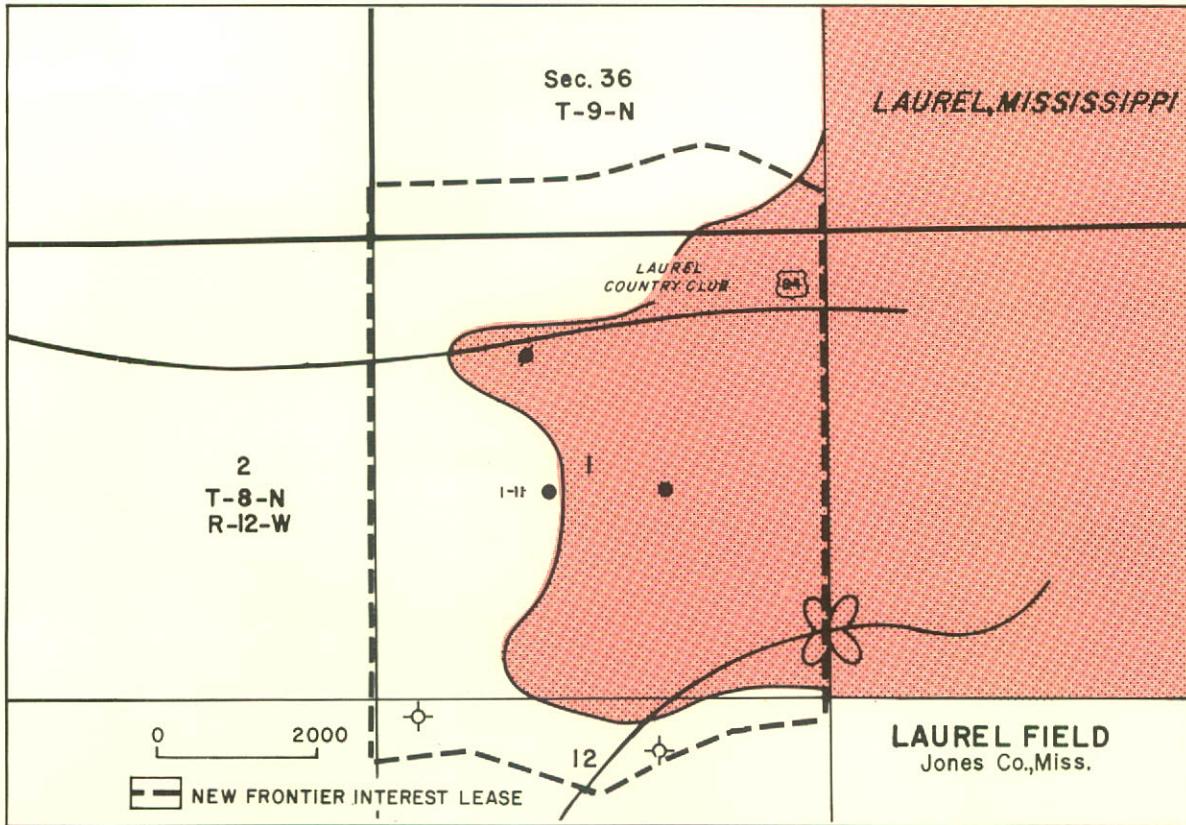
New Frontier has an 18.75% working interest in 800 acres on the west side of the City of Laurel, Mississippi. During 1984, New Frontier participated in drilling of a 12,300' test. Over 20 potentially productive sands were encountered. The well was completed in the Paluxy formation and is currently producing 150 plus barrels of oil per day. There are substantial reserves in the producing sand and several other shallower sands behind pipe. Due to the highly complicated faulting structure, through uplift from a deep-seated salt dome, New Frontier only considers as proven those oil reserves found in the 40 acres surrounding the first well.

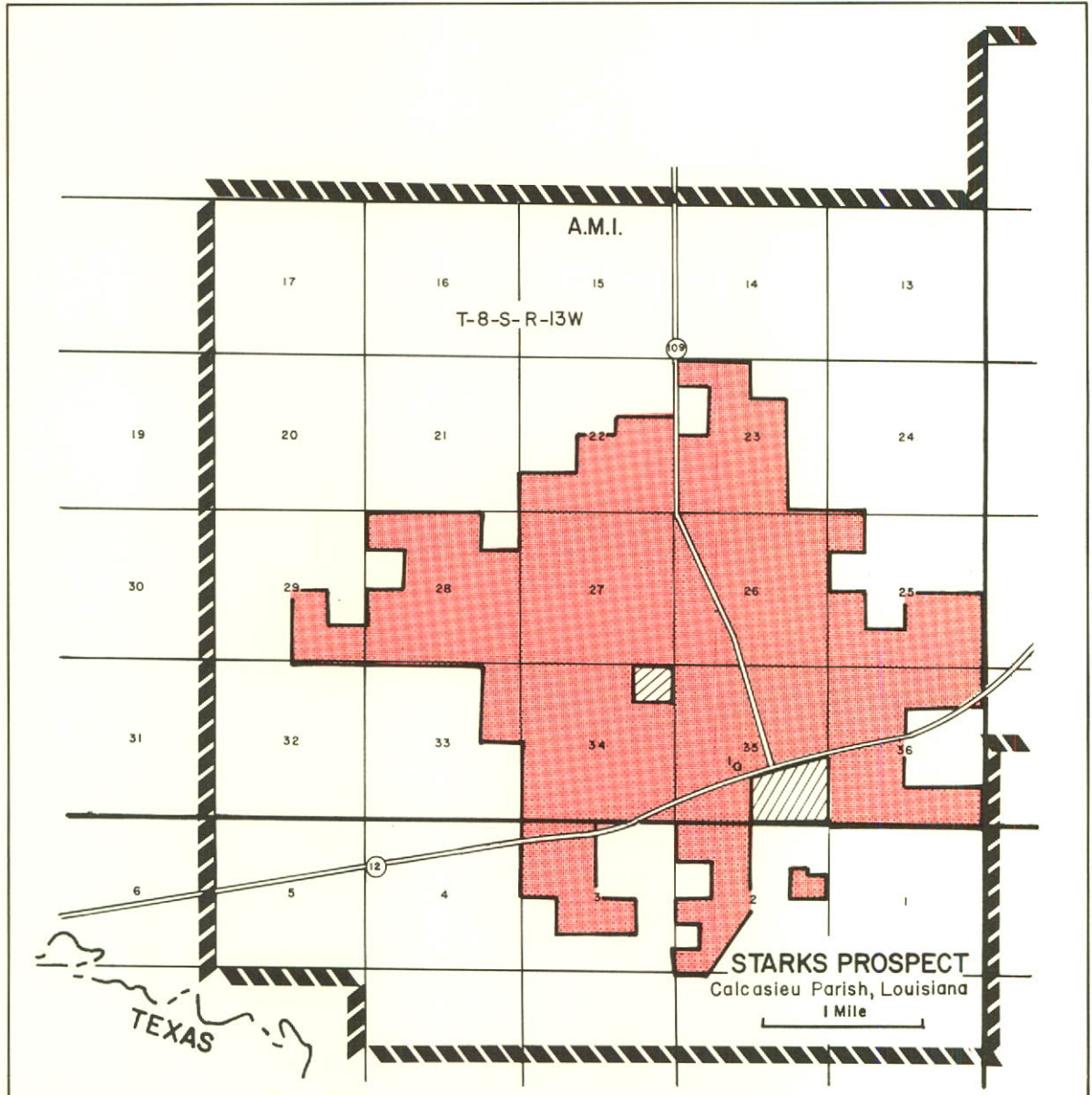
San Manuel Discovery, Hidalgo County, South Texas

New Frontier has a 20% working interest in approximately 1,400 acres in the San Manuel Field, Hidalgo County, Texas. The initial discovery well was completed and flowed 1.5 million cubic feet of gas per day from the Cerda sand. Seismic studies have been completed and have established several additional development locations in the Cerda formation, in addition, a deep structure has been defined. Farmouts have been obtained on additional acreage for development wells.

A recently completed seismic program defined 4-6 additional locations on the tract.

The discovery well established significant gas reserves in the Cerda sand and defined new reserves in several of the shallow Frio sands. It is





anticipated that 2-3 development wells will be drilled this year to the Cerda.

Shallow reserves are also present and will be developed.

Starks Prospect, Calcasieu Parish, South Louisiana

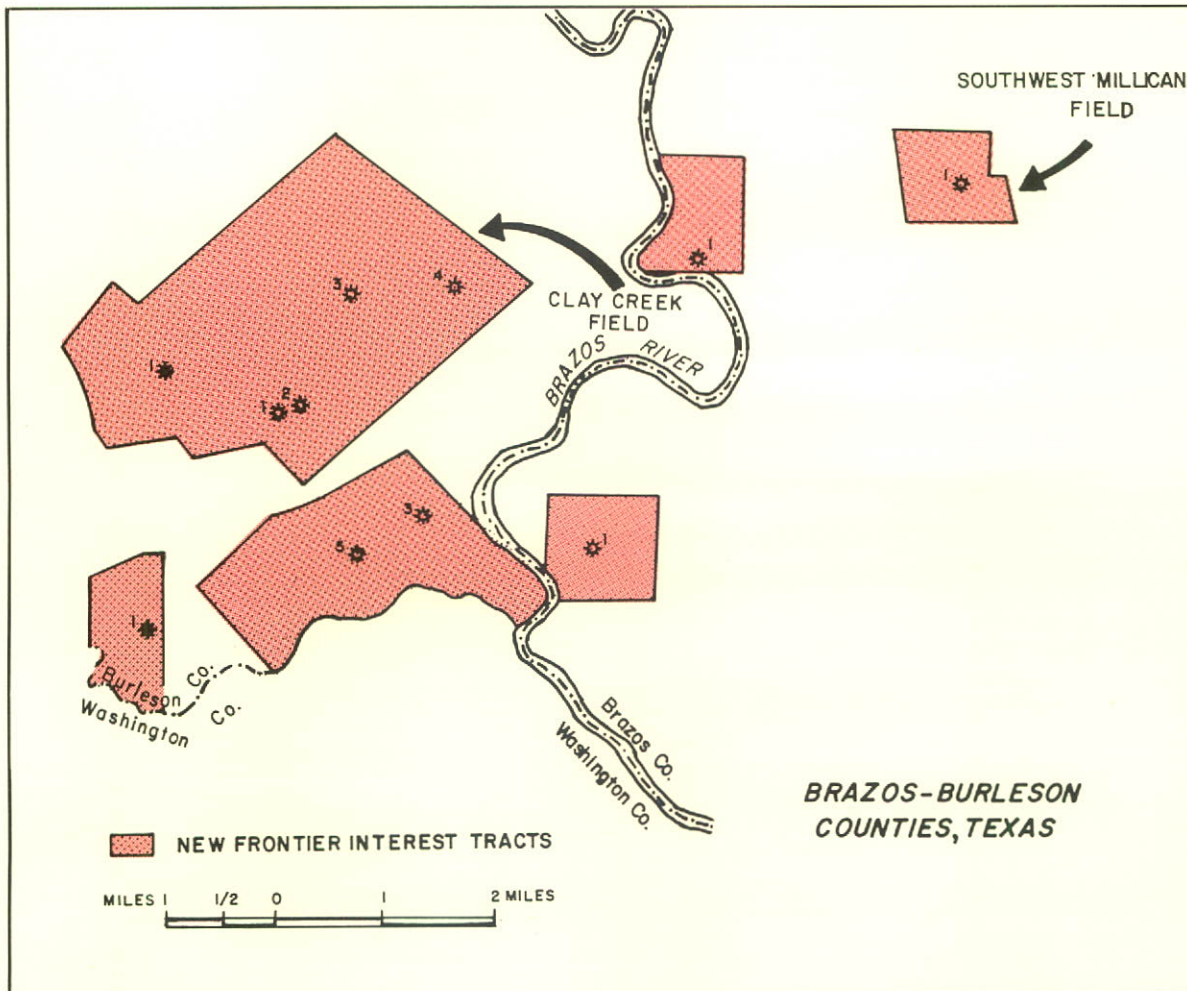
New Frontier participated in the drilling of a 15,500' Wilcox test in the Starks Prospect, Calcasieu Parish, Louisiana. New Frontier has a 12.5% working interest in the prospect which encountered excellent shows and sand development in the middle Yegua sands of the Eocene (11,600'–11,900'). The well was not

completed in those sands due to a problem cement bonding and a collapsed casing.

A \$300,000 (U.S.) seismic program to provide further information has been completed. It is expected that a test of the prospect will be undertaken before year end.

Brazos/Burleson Counties, Texas

New Frontier has working interests ranging from 9.75% to 50% in over 5,000 acres in Brazos/Burleson Counties, Texas. Due to lack of adequate markets for existing production, no drilling was initiated in 1984.



Throughout the year production averaged about 25% of capacity. We anticipated that in the coming fiscal year production will be 50% to 75% of capacity and if economic conditions warrant offset locations may be drilled.

Rainbow South Area, Alberta, Canada

New Frontier has a 30% working interest in the Keg River "N" pool. Four wells have been drilled and successfully completed to date. Reservoir and stimulation studies are being undertaken to determine the feasibility of additional drilling and enhanced recovery programs. New Frontier expects these studies to be finalized in early 1985. Another well or an enhanced recovery operation would add significantly to New Frontier's cash flow.

In addition, New Frontier completed a Muskeg well in the Rainbow West area of Alberta. New Frontier has a 9% working interest in the well which is currently producing 70 barrels of oil per

day. Several offset locations exist but additional drilling will depend on production history from the well.

Mineral Exploration

New Frontier has a 49% to 100% working interest in several precious and base metal prospects in the Province of British Columbia. Previous work carried out by New Frontier and its predecessors have established the merits of these properties, warranting further exploration and development work. These properties have now been optioned to Bulkley Silver Resources Inc. which may earn a 60% working interest in the properties by expending \$700,000 on exploration and development. Upon earning by Bulkley Silver Resources Inc. New Frontier may retain its 40% working interest by contributing 40% of further exploration and development costs, or may retain a 8.5% equity interest, without any obligation for further expenditures.

Reserves

1984 is the first year New Frontier began reporting reserves based on the definitions of the Financial Accounting Standards Board (FASB) concerning "proved" and "unproved" reserves. Only proved reserves, as rigidly defined by the FASB statements, are shown below, therefore, caution should be used in comparing these reserves with reserves reported in prior years. Proved reserves are net to New Frontier after royalties.

The 1983 reserves have been revised in accordance with FASB requirements and are shown below. No provision is made for "probable" reserves since by definition these reserves remain outside the boundaries of the FASB statements. New Frontier's properties contain considerable additional reserves that are undefined at present, e.g., reserves as calculated in the Rainbow South Field are based on an initial recovery rate of 17% of reserves in place, however, experience in the area has shown that enhanced recovery methods may increase recovery to 45%–55% of reserves in place.

The Company's reserves have been calculated by independent petroleum engineers.

New Frontier's Reserves — Proved Only

	1984	1983	1982
United States — as at June 30			
Oil and Natural Gas			
Liquids (barrels)	232,500	183,600	127,500
Natural Gas (MCF)	13,600,000	10,500,000	7,760,000
Canada — as at June 30			
Oil and Natural Gas			
Liquids (barrels)	556,900	581,200	471,100
Natural Gas (MCF)	181,000	192,000	218,000
Total			
Oil and Natural Gas			
Liquids (barrels)	789,400	764,800	598,600
Natural Gas (MCF)	13,781,000	10,692,000	7,978,000

Land Holdings

UNITED STATES

New Frontier's United States land holdings at June 30, 1984 consisted of 16,051 gross (4,200 net) acres. All but 7,326 gross (1,196 net) acres are proven properties. In fiscal 1985, all the remaining properties will be evaluated. We expect to increase our U.S. land holdings in 1985 through exploration projects.

CANADA

New Frontier's Canadian land holdings at

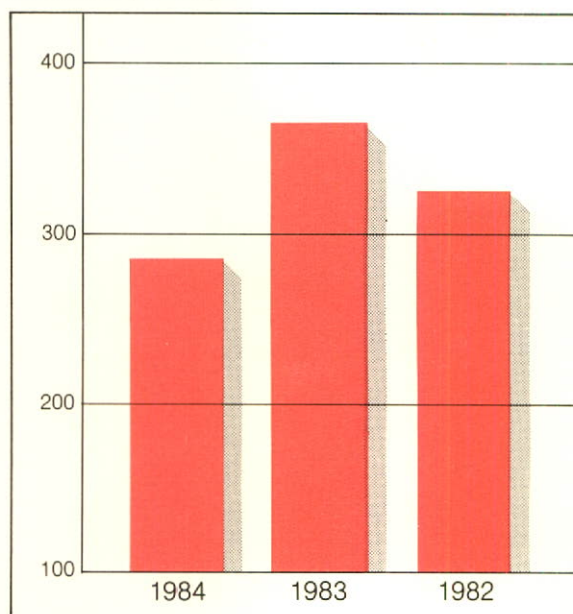
June 30, 1984 consisted of 4160 gross (876 net) acres. All but 960 gross (131 net) acres are proven properties.

DAILY PRODUCTION

The graphs below reflect the daily oil and gas production for New Frontier from its Canadian and U.S. fields for the last three years.

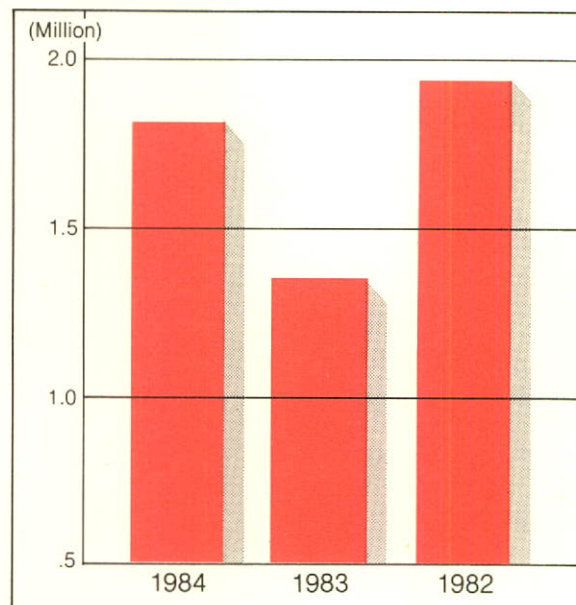
Oil - Barrels

Produced per day



Gas - Cubic Feet

Produced per day



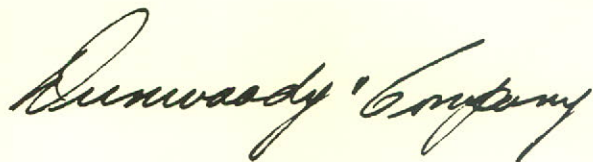
Auditors' Report

TO THE SHAREHOLDERS
NEW FRONTIER PETROLEUM CORPORATION

We have examined the consolidated balance sheet of New Frontier Petroleum Corporation as at 30 June 1984 and the consolidated statements of deficit, income 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 30 June 1984 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.

The 1982 figures were reported on by other auditors.

A handwritten signature in cursive script that reads "Runwaddy Company". The signature is written in dark ink and is positioned above the printed name of the firm.

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
28 August, 1984

New Frontier Petroleum Corporation
Consolidated Balance Sheet
 30 June, 1984

Assets

	<u>1984</u>	<u>1983</u>
CURRENT		
Cash and short term deposits	\$ 349,728	\$1,455,487
Accounts receivable, note 6	1,065,468	454,298
Note receivable	121,835	174,360
Inventory	<u>305,655</u>	<u>—</u>
	1,842,686	2,084,145
LONG TERM INVESTMENTS, note 2	264,916	270,000
PROPERTY AND EQUIPMENT, note 3	<u>30,956,555</u>	<u>24,626,175</u>
	<u>\$33,064,157</u>	<u>\$26,980,320</u>

Liabilities

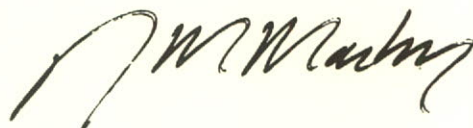
CURRENT		
Accounts payable	\$ 1,353,389	\$ 823,687
Current portion of long term debt	<u>1,950,000</u>	<u>2,908,000</u>
	3,303,389	3,731,687
LONG TERM DEBT, note 4	9,140,000	4,538,670
MINORITY INTEREST	<u>—</u>	<u>251,489</u>
	<u>12,443,389</u>	<u>8,521,846</u>

Shareholders' Equity

SHARE CAPITAL, note 5	28,722,196	28,297,696
ACCUMULATED TRANSLATION ADJUSTMENT, note 9	1,509,809	—
DEFICIT	<u>9,611,237</u>	<u>9,839,222</u>
	<u>20,620,768</u>	<u>18,458,474</u>
	<u>\$33,064,157</u>	<u>\$26,980,320</u>

SIGNIFICANT ACCOUNTING POLICIES, note 1
 REMUNERATION OF OFFICERS, DIRECTORS AND SENIOR OFFICIALS, note 7
 INCOME TAXES, note 8
 CONTINGENT LIABILITIES, note 10
 SUBSEQUENT EVENT, note 11

APPROVED BY THE DIRECTORS:



Director



Director

Consolidated Statement of Income

For the year ended 30 June 1984

	<u>1984</u>	<u>1983</u>	<u>1982</u>
REVENUE			
Sale of petroleum and natural gas	\$ 6,853,798	\$ 6,419,310	\$ 4,504,561
Processing revenue	104,544	97,336	109,567
Interest and other revenue	383,527	18,315	10,749
	<u>7,341,869</u>	<u>6,534,961</u>	<u>4,624,877</u>
EXPENSES			
Royalties	1,735,494	1,227,067	1,341,489
Operating	1,783,397	1,289,983	940,692
General and administrative	1,029,595	803,054	1,187,058
Interest	1,268,240	1,216,435	1,416,313
Depletion and Depreciation	1,349,634	975,725	1,001,548
Write down of petroleum and natural gas properties to net realizable value	—	—	17,900
	<u>7,166,360</u>	<u>5,512,264</u>	<u>5,905,000</u>
INCOME (LOSS) FROM OPERATIONS	<u>175,509</u>	<u>1,022,697</u>	<u>(1,280,123)</u>
OTHER ITEMS			
Gain (Loss) on sale of assets	52,476	—	(23,005)
Gain (Loss) on exchange	—	363,026	(252,387)
	<u>52,476</u>	<u>363,026</u>	<u>(275,392)</u>
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	<u>\$ 227,985</u>	<u>\$ 1,385,723</u>	<u>(1,555,515)</u>
EXTRAORDINARY ITEMS			
Petroleum and natural gas properties abandoned	—	—	(6,676,602)
Deferred income taxes	—	—	(46,378)
	<u>—</u>	<u>—</u>	<u>(6,722,980)</u>
NET INCOME (LOSS) FOR THE YEAR	<u>\$ 227,985</u>	<u>\$ 1,385,723</u>	<u>\$(8,278,495)</u>
EARNINGS PER COMMON SHARE, note 1			
Income (loss) before extraordinary items	<u>\$0.02</u>	<u>\$0.11</u>	<u>(\$0.15)</u>
Net income (loss) for the year	<u>\$0.02</u>	<u>\$0.11</u>	<u>(\$0.80)</u>

Consolidated Statement of Deficit

For the year ended 30 June 1984

	<u>1984</u>	<u>1983</u>	<u>1982</u>
DEFICIT, BEGINNING OF YEAR	\$ 9,839,222	\$11,224,945	\$ 2,946,450
NET INCOME (LOSS) FOR THE YEAR	<u>227,985</u>	<u>1,385,723</u>	<u>(8,278,495)</u>
DEFICIT, END OF YEAR	<u>\$ 9,611,237</u>	<u>\$ 9,839,222</u>	<u>\$11,224,945</u>

Consolidated Statement of Changes in Financial Position

For the year ended 30 June 1984

	<u>1984</u>	<u>1983</u>	<u>1982</u>
SOURCES OF FUNDS			
Operations			
Net income for the year	\$ 227,985	\$1,385,723	\$ —
Items not involving funds			
Depletion and Depreciation	1,349,634	975,725	—
Gain on sale of fixed asset	(52,476)	—	—
	<u>1,525,143</u>	<u>2,361,448</u>	<u>—</u>
Proceeds from long term debt, net of current portion	4,341,488	—	5,081,816
Proceeds from issuance of share capital	424,500	4,075,234	948,640
Proceeds from sale of property and equipment	688,056	148,230	143,886
Reductions in investments, net	426,084	—	—
Reductions in working capital deficiency resulting from disposal of subsidiary	70,078	—	—
	<u>7,475,349</u>	<u>6,584,912</u>	<u>6,174,342</u>
USE OF FUNDS			
Operations			
Loss before extraordinary item	—	—	1,555,515
Items not involving funds			
Depreciation and amortization	—	—	(216,534)
Depletion	—	—	(790,574)
Write-down of petroleum and natural gas properties	—	—	(17,900)
Loss on sale of assets	—	—	(23,005)
	<u>—</u>	<u>—</u>	<u>507,502</u>
Reduction of long term debt, net of current portion	—	543,146	—
Long term investment and advances	—	270,000	—
Acquisition of property and equipment	7,201,915	1,529,361	6,692,318
Foreign exchange translation	86,595	—	—
Reduction of agreement payable, net of current portion	—	—	60,000
	<u>7,288,510</u>	<u>2,342,507</u>	<u>7,259,820</u>
INCREASE (DECREASE) IN WORKING CAPITAL DEFICIENCY	(186,839)	(4,242,405)	1,085,478
WORKING CAPITAL DEFICIENCY, BEGINNING OF YEAR	1,647,542	5,889,947	4,804,469
WORKING CAPITAL DEFICIENCY, END OF YEAR	<u>\$1,460,703</u>	<u>\$1,647,542</u>	<u>\$5,889,947</u>
REPRESENTED BY			
Current assets	\$1,842,686	\$2,084,145	\$1,543,932
Current liabilities	3,303,389	3,731,687	7,433,879
	<u>(\$1,460,703)</u>	<u>(\$1,647,542)</u>	<u>(\$5,889,947)</u>

Notes to Consolidated Financial Statements

30 June, 1984

1. Significant Accounting Policies

The following is a summary of significant accounting policies of the Company:

(a) Operations

On 12 January 1982, the Company was formed as a result of the amalgamation of New Frontier Petroleum Inc., Transcort 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 amalgamated 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 subsidiaries all of which are wholly owned:

Canada
Tatalrose Ranch Ltd.

United States of America
PetroMac Energy, Inc.
N. F. Oil & Gas, Inc.
Transcort Resources, Inc.
Kelly Resources, Inc.
Fairmont Gas & Oil Corporation

(c) Foreign Currency Translation

Commencing with the financial statements for the year ended 30 June, 1984 the Company has adopted the recommendations contained in the Financial Accounting Standards Board Statement No. 52 on Foreign Currency Translation.

The accounts of the foreign subsidiary companies have been translated to Canadian dollars as follows:

- 1) All assets and liabilities at the rate of exchange prevailing at the year end.
- 2) Revenues and expenses at a weighted average rate for the year.

Exchange gains or losses are not included in determining net income but are accumulated and reported as a separate component of shareholders' equity.

(d) Property and Equipment

(i) Mineral Claims

Mineral Claims are recorded at cost, including acquisition, exploration, development and associated administrative costs to date. The Company defers these costs and amortizes them over the useful life of the properties upon commencement of commercial production and writes off the costs to operations if the properties or prospects are abandoned or allowed to lapse.

(ii) 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.

Cost centres whose carrying values exceed their estimated 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
2. United States of America

(e) Depreciation

The Company records depreciation on its tangible assets at rates based on the estimated life varying between 5% and 30% on a straight-line basis.

(f) 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.

(g) Earnings per Share

Earnings per share is calculated based on the weighted average number of shares outstanding during the year.

2. Long Term Investments

	<u>1984</u>	<u>1983</u>
Cater Energy, Inc. Shares (approximately 15%)	\$250,000	—
Cater Energy, Inc. is an oil and gas exploration and production company with monthly income of approximately \$13,000 and assets of \$1,021,975.		
Bulkley Silver Resources Inc. Shares (approximately 1.4%)	14,916	—
During the year the Company's interest in Bulkley Silver Resources Inc. has been reduced from 62.7% to less than 50% as a result of the cancellation of shares issued for certain mineral claims which were reconveyed to the Company. Therefore, the accounts of Bulkley Silver as at 30 June 1984 have not been consolidated in these financial statements.		
Concurrently with the above mentioned transaction, the Company entered into an agreement with Bulkley Silver whereby Bulkley Silver may earn a 60% interest in the mineral claims by expending the sum of \$700,000 on exploration and development.		
Tatalrose Ranch Ltd.		
Shares (1984 - 100%, Note 1, 1983 - 30%)	—	1
Advances	—	269,999
	<u>\$264,916</u>	<u>\$270,000</u>

3. Property and Equipment

	1984 Accumulated depreciation depletion & amortization			1983 Accumulated depreciation depletion & amortization		
	<u>Cost</u>	<u>Net</u>	<u>Cost</u>	<u>Net</u>	<u>Cost</u>	<u>Net</u>
Petroleum and natural gas properties						
Canada	\$ 7,431,934	\$ 1,343,187	\$ 6,088,747	\$ 7,199,312	\$ 914,280	\$ 6,285,032
United States	19,323,082	1,908,530	17,414,552	14,491,510	1,663,816	12,827,694
Oil and gas equipment						
Canada	953,482	183,791	769,691	946,090	129,578	816,512
United States	3,457,078	359,846	3,097,232	3,091,345	227,337	2,864,008
Pipeline and gathering systems						
Canada	220,187	70,983	149,204	400,593	60,473	340,120
United States	348,201	44,989	303,212	313,157	30,568	282,589
Mineral claims						
Canada (note 2)	901,150	—	901,150	937,693	—	937,693
Mining equipment						
Canada	—	—	—	36,902	—	36,902
Other						
Canada	2,667,258	586,874	2,080,384	132,025	71,442	60,583
United States	256,953	104,570	152,383	235,564	60,522	175,042
	<u>\$35,559,325</u>	<u>\$4,602,770</u>	<u>\$30,956,555</u>	<u>\$27,784,191</u>	<u>\$3,158,016</u>	<u>\$24,626,175</u>

4. Long Term Debt

	<u>1984</u>	<u>1983</u>
Demand loan payable in Canadian currency in minimum monthly principal payments of \$150,000 to December 1984, \$175,000 January to December 1985, \$180,000 January to December 1986, \$65,000 thereafter plus interest at prime plus 1¼%. The loan is secured by general and specific assignment of book debts and trust deeds on certain U.S. & Canadian oil and gas properties	\$10,540,000	\$ —
Demand loan payable in Canadian currency revolving in multiples of \$50,000 with interest payable monthly at prime plus 2%. The loan is secured by a first fixed charge on land, buildings, and equipment of the Company's cattle operations, inventory, general assignment of book debts, hydrocarbons and a second floating charge over the assets of the Company	550,000	—
Other demand loans payable The demand loans outstanding as at 30 June 1983 were refinanced during the year.	—	7,446,670
	11,090,000	7,446,670
Less: current portion	1,950,000	2,908,000
	<u>\$ 9,140,000</u>	<u>\$4,538,670</u>

The banks have indicated that, given present business conditions and assuming that security pledged remains adequate, it is unlikely that principal payments in excess of the minimum will be required.

5. Share Capital

The Company's authorized share capital is 50,000,000 common shares without par value and 10,000,000 first preference shares with a par value of \$5.00 each.

Issues of additional common shares during the year are summarized as follows:

	<u>1984</u>		<u>1983</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
For cash	220,010	\$ 352,500	3,041,216	\$ 3,804,834
For settlement of liabilities	30,000	72,000	208,000	270,400
	250,010	424,500	3,249,216	4,075,234
Issued and outstanding, beginning of year	14,160,705	28,297,696	10,911,489	24,222,462
Issued and outstanding end of year	<u>14,410,715</u>	<u>\$28,722,196</u>	<u>14,160,705</u>	<u>\$28,297,696</u>

Share options and purchase warrants exercised accounted for all of the shares issued for cash.

Shares options outstanding as at 30 June 1984

Incentive options for 180,000 shares have been granted to employees at \$3.05 per share to expire on various dates to 28 February 1987

A further 520,000 shares have been reserved for the granting of options to employees' or employees' share option purchase plan at \$3.05 per share, to expire 2 November 1986

Incentive options for 715,000 shares granted to directors at \$3.05 per share under the rules and by-laws of the Vancouver Stock Exchange, to expire 18 November 1984

By a subsequent directors' resolution the above directors and employees incentive options have been cancelled and, subject to approval at the Annual General Meeting of shareholders and by the regulatory authorities, have been replaced with the following:

700,000 shares have been reserved for the granting of directors' options at \$1.10 per share expiring 2 November, 1987.

200,000 shares have been reserved for the granting of employees options at \$1.10 per share expiring 2 November, 1987.

6. Loans to Directors

Loans in the amount of \$228,250 each have been granted to two directors of the Company. The loans are due on 7 March 1985 with interest at the rate of 10% per annum.

7. Remuneration of Senior Officers and Directors

The remuneration paid to senior officers and directors of the Company in 1984 amounted to \$400,902 (1983 — \$390,102) and directors' fees amounted to \$0 (1983 — \$6,457).

8. Income Taxes

No provision for income taxes has been recorded in 1984 or 1983 because taxable income for the years has been eliminated by the application of losses carried forward.

9. Accumulated Translation Adjustment

The Company has adopted the policy described in note 1 for the translation of the financial statements of the U.S. subsidiaries into Canadian dollars. Previously, current assets, current liabilities and long term debt were translated at the year end exchange rates, other assets at historical rates of exchange, income and expenses at the average rate of exchange.

This change in accounting policy was not applied retroactively, and consequently, comparative figures and opening balances have not been restated.

Translation adjustments relate to the following:

Fixed assets	\$1,856,246
Long term debt	(259,842)
Total not involving funds	1,596,404
Translation adjustment affecting working capital	(86,595)
Accumulated translation adjustment	<u>\$1,509,809</u>

10. Contingent Liabilities

The Company has been named as a defendant in an action involving a property interest. It is the opinion of legal counsel that the suit will not result in any liability.

One of the Company's subsidiaries has been named as a defendant in an action involving liabilities arising from a supply contract. The action is being defended on the basis that the contract was not adequately fulfilled.

11. Subsequent Event

See note 5.

SUPPLEMENTARY INFORMATION (unaudited)

The following information has been included to comply with United States Securities and Exchange Commission regulations and is presented in accordance with the guideline issued by the CICA and the FASB in its Statement No. 69.

ESTIMATED QUANTITIES OF PROVED OIL AND GAS RESERVES NET OF ROYALTIES

Crude oil, including natural gas liquids, is expressed in barrels (bbl). Natural gas is expressed in thousands of cubic feet (Mcf).

	Total		Canada		United States	
	Oil	Gas	Oil	Gas	Oil	Gas
Net proved developed and undeveloped reserves						
At January 1, 1982	518,600	8,158,000	388,600	238,000	130,000	7,920,000
Revisions of previous estimate	127,778	—	127,778	—	—	—
Extensions, discoveries and other additions						
Production	(47,755)	(180,000)	(45,255)	(20,000)	(2,500)	(160,000)
At June 30, 1982	598,623	7,978,000	471,123	218,000	127,500	7,760,000
Revisions of previous estimate	—	—	—	—	—	—
Extensions, discoveries and other additions	295,585	3,000,000	235,585	—	60,000	3,000,000
Production	(129,400)	(286,000)	(125,500)	(26,000)	(3,900)	(260,000)
At June 30, 1983	764,808	10,692,000	581,208	192,000	183,600	10,500,000
Revisions of previous estimate	6,119	(1,500,000)	36,119	—	(30,000)	(1,500,000)
Extensions, discoveries and other additions	113,350	5,030,000	24,600	—	88,750	5,030,000
Production	(94,927)	(441,000)	(85,027)	(11,000)	(9,900)	(430,000)
At June 30, 1984	789,350	13,781,000	556,900	181,000	232,450	13,600,000
Net proved developed reserves						
At June 30, 1982	542,123	4,418,000	471,123	218,000	71,000	4,200,000
At June 30, 1983	656,208	4,992,000	581,208	192,000	75,000	4,800,000
At June 30, 1984	689,920	7,261,000	556,900	181,000	130,020	7,080,000

Canadian and United States oil and gas reserve information was compiled by independent petroleum engineers. All independent reserve studies were reviewed by New Frontier's technical staff but are shown as presented by the independent engineers. Proved reserves cannot be measured exactly and therefore all reserve estimates are subject to future revision as conditions change.

Proved reserves are reported for the first time from parameters established by the Financial Accounting Standards Board for the SEC and therefore cannot be compared to prior years in which reserves were estimated from various engineering reports. The quantities represent the net reserves owned by New Frontier after deduction of royalties. The figures presented are believed to be reasonable estimates of the reserves which may be expected to be recoverable commercially at current prices and costs under existing regulatory practice and with existing conventional equipment and operating methods.

New Frontier points out that in many cases, proved reserves are only a small percentage of recoverable reserves under productive properties. Additional reserves may be proved by development drilling. This additional drilling may be dependent on time factors which take into account normal oilfield operating practice, pipeline hookups, seismic surveys, initiation of enhanced recovery operations, etc., or it may be dependent on economic factors which include gas market conditions, sale price of oil and gas, drilling costs. Proven reserves are reported as the lowest probable production from any property.

Using the FASB parameters proved reserves have increased each year since 1982. Proved oil reserves have increased by 66% and proved gas reserves by 59%.

COSTS INCURRED IN OIL AND GAS PROPERTY ACQUISITION, EXPLORATION AND DEVELOPMENT ACTIVITIES

	<u>TOTAL</u>	<u>CANADA</u>	<u>UNITED STATES</u>
1984			
Acquisition of oil and gas properties			
— unproved	\$ 450,911	\$ 8,706	\$ 442,205
— proved	198,899	18,000	180,899
Exploration costs			
— unproved	552,097	—	552,097
— proved	1,231,777	169,834	1,061,943
Development costs	1,686,417	43,474	1,642,943
	<u>\$4,120,101</u>	<u>\$240,014</u>	<u>\$3,880,087</u>

	<u>TOTAL</u>	<u>CANADA</u>	<u>UNITED STATES</u>
1983			
Acquisition of oil and gas properties			
— unproved	\$ —	\$ —	\$ —
— proved	28,545	22,980	5,565
Exploration costs	286,821	—	286,821
Development costs	1,213,995	96,958	1,117,037
	<u>\$1,529,361</u>	<u>\$119,938</u>	<u>\$1,409,423</u>

CAPITALIZED COSTS RELATING TO OIL AND GAS PRODUCING ACTIVITIES

	<u>TOTAL</u>	<u>CANADA</u>	<u>UNITED STATES</u>
1984			
Unproved oil and gas properties	\$ 994,303	\$ —	\$ 994,303
Proved oil and gas properties	25,760,713	7,431,934	18,328,779
Production and other equipment	4,978,948	1,173,669	3,805,279
	<u>31,733,964</u>	<u>8,605,603</u>	<u>23,128,361</u>
Accumulated depreciation, depletion and amortization	3,911,326	1,597,961	2,313,365
Net capitalized costs	<u>\$27,822,638</u>	<u>\$7,007,642</u>	<u>\$20,814,996</u>
1983			
Unproved oil and gas properties	\$ —	\$ —	\$ —
Proved oil and gas properties	21,690,822	7,199,312	14,491,510
Production equipment	4,751,185	1,346,683	3,404,502
	<u>26,442,007</u>	<u>8,545,995</u>	<u>17,896,012</u>
Accumulated depreciation, depletion and amortization	3,026,052	1,104,331	1,921,721
Net capitalized costs	<u>\$23,415,955</u>	<u>\$7,441,664</u>	<u>\$15,974,291</u>

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS AND CHANGES THEREIN RELATING TO PROVED OIL AND GAS RESERVES

The following standardized measure was computed using year-end prices and costs, and year-end statutory tax rates. The 10% discount factor is mandated by FASB Statement No. 69.

The future net cash flow information should be interpreted with considerable caution. Reserve estimates, by their very nature, are inexact and are subject to constant changes and revisions. Also, the future production stream and future development and production expenditures are unpredictable for numerous reasons including government regulations and are, therefore, subject to significant changes.

It should not be assumed that the estimates of the standardized measure of future net cash flows represent fair market value of the reserves or of the oil and gas properties. Also, because of the year end price assumptions a standardized measure does not represent the present value of future cash flows.

THOUSANDS OF DOLLARS	TOTAL	CANADA	UNITED STATES
1984			
Future cash inflows	\$53,997	\$25,443	\$28,554
Future production and development costs	(9,213)	(6,159)	(3,054)
Future income taxes	—	—	—
Future revenue taxes	(649)	(649)	—
Future net cash flows	44,135	18,635	25,500
10% annual discount for estimated timing of cash flows	(17,155)	(8,405)	(8,750)
Standardized measure of discounted future net cash flows	<u>\$26,980</u>	<u>\$10,230</u>	<u>\$16,750</u>
1983			
Future cash inflows	\$47,030	\$28,222	\$18,808
Future production and development costs	(8,056)	(4,783)	(3,273)
Future income taxes	—	—	—
Future revenue taxes	(917)	(917)	—
Future net cash flows	38,057	22,522	15,535
10% annual discount for estimated timing of cash flows	(15,814)	(10,022)	(5,792)
Standardized measure of discounted future net cash flows	<u>\$22,243</u>	<u>\$12,500</u>	<u>\$ 9,743</u>

The following are the principal sources of the change in the standardized measure of discounted future net cash flows.

	1984
Beginning of the year	\$22,243
Sales of oil and gas production net of related costs	(2,669)
Net change in prices and production costs	198
Net change in estimated future development costs	850
Extensions and discoveries net of related costs	6,023
Revisions of previous quantity estimates	(611)
Accretion of discount	1,276
Net change in revenue taxes	185
Other	(515)
End of year	<u>\$26,980</u>

RESULTS OF OPERATIONS FOR PRODUCING ACTIVITIES

For the year ended 30 June 1984

	TOTAL	CANADA	UNITED STATES
1984			
REVENUES	\$6,853,798	\$3,374,265	\$3,479,533
DEDUCT			
Royalties	1,735,494	866,524	868,970
Production costs	1,166,284	342,033	824,251
Exploration expenses	381,854	—	381,854
Depreciation, depletion	1,179,838	504,942	674,896
Income tax expense	—	—	—
	<u>4,463,470</u>	<u>1,713,499</u>	<u>2,749,971</u>
	<u>\$2,390,328</u>	<u>\$1,660,766</u>	<u>\$ 729,562</u>
1983			
REVENUES	\$6,419,310	\$4,215,887	\$2,203,423
DEDUCT			
Royalties	1,227,067	975,041	252,026
Production costs	949,300	463,591	485,709
Exploration expenses	306,314	—	306,314
Depreciation, depletion	917,444	364,246	553,198
Income tax expense	—	—	—
	<u>3,400,125</u>	<u>1,802,878</u>	<u>1,597,247</u>
	<u>\$3,019,185</u>	<u>\$2,413,009</u>	<u>\$ 606,176</u>
1982			
REVENUES	\$4,504,561	\$2,403,671	\$2,100,890
DEDUCT			
Royalties	1,341,489	801,044	540,445
Production costs	648,986	345,146	303,840
Exploration expenses	291,706	—	291,706
Depreciation, depletion	958,634	358,634	600,000
Income tax expense	—	—	—
	<u>3,240,815</u>	<u>1,504,824</u>	<u>1,735,991</u>
	<u>\$1,263,746</u>	<u>\$ 898,847</u>	<u>\$ 364,899</u>

Corporate Information

Stock Exchange Listings:

Vancouver Stock Exchange: NFR
NASDAQ OTC System: NFEXF

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Vancouver, B.C.
V6C 2V6

U.S. Office:

#201–16340 Park 10 Place Drive
Houston, Texas
77084

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Vancouver, B.C. and Toronto, Ontario
National Westminster Bank USA
New York, N.Y.

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New York, N.Y.

Porter & Clements
Houston, Texas

McLaws & Company
Calgary, Alberta

McInnes & Neumann
Vancouver, B.C.

Auditors:

Dunwoody & Company
Vancouver, B.C.

Bankers:

Morguard Bank of Canada
Vancouver, B.C.

Western & Pacific Bank of Canada
Vancouver, B.C.

New Frontier Petroleum Corporation

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