C

SULPETRO LIMITED

Annual Report 1982

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Highlights

- Proven remaining reserves of crude oil and natural gas liquids increased 23.5 percent and natural gas reserves were 7.3 percent higher.
- The Company entered into an agreement with its principal lender to issue a $100 million Convertible Debenture and to reschedule repayment of the CanDel Oil Ltd. acquisition loan.
- Approval was received from the National Energy Board to export 4.7 billion cubic metres (164 billion cubic feet) of natural gas over an eight-year period.
- Redetermination of reserves at Elmworth-Wapiti is in progress and, as a result of continuing drilling success, reserves under contract are expected to increase by 65 percent.
- Approval was received from the Alberta Energy Resources Conservation Board for natural gas liquids extraction at Elmworth-Wapiti which will enhance the value of Sulpetro's production from this area.
- New Oil Reference Price production capability of approximately 210 cubic metres (1,300 barrels) per day was developed in Alberta.
- Primary heavy oil production from the Irish-Lindbergh field increased to 512 cubic metres (3,223 barrels) per day by year end, and Sulpetro converted to a 21.25 percent working-interest position.
- The Company, through an affiliate, entered into a farm-out agreement in the Sable Island area offshore Nova Scotia whereby up to $35 million of its exploration costs will be paid by another party.

Statistical Highlights

(For the years ended October 31)

FINANCIAL (thousands of dollars)	**1982**	**1981** (Restated)
Gross revenue	**$156,354**	$106,602 (1)
Cash flow from operations	**9,497**	8,411 (1)
Per share	**0.63**	0.55 (1)
Capital expenditures	**112,884**	116,213 (1)

OPERATING		**1982**	**1981**
Gross sales			
— natural gas	thousand cubic metres per day	**2 786**	2 208 (1)
	million cubic feet per day	**98.9**	78.4 (1)
— crude oil and natural gas liquids (NGL)	cubic metres per day	**1 284**	771 (1)
	barrels per day	**8,080**	4,852 (1)
Gross proven reserves			
— natural gas	million cubic metres	**28 337**	26 405
	billion cubic feet	**1,006**	937
— crude oil and NGL	thousand cubic metres	**6 638**	5 374
	thousand barrels	**41,753**	33,819
Landholdings (working interest)			
— gross	hectares	**6 503 035**	4 899 128 (2)
	acres	**16,141,995**	12,105,745 (2)
— net	hectares	**1 763 434**	1 093 391 (2)
	acres	**4,374,739**	2,701,769 (2)
Wells drilled			
— working and royalty-interest		**335**	429 (1)

(1) Includes seven months of CanDel operations.
(2) Excludes IEDC landholdings.

Corporate Comment

We are pleased to report the successful refinancing of the bank loan incurred in the acquisition of CanDel Oil Ltd. (CanDel). Subsequent to year end, the Company concluded an agreement with its principal banker wherein the bank agreed to purchase $100 million of Convertible Debentures to be issued by the Company and to reschedule principal repayments due under the CanDel acquisition loan. The agreement with the bank resulted in a more favourable arrangement for rescheduling Sulpetro's debt than was originally proposed at the time of the public issue of Convertible Preferred shares, which was withdrawn in October.

The new repayment schedule will allow the Company to meet debt service requirements from anticipated cash flows and simultaneously continue a significant capital expenditure program.

Despite a difficult operating and financial environment, the Company increased the total value of its combined reserves and land assets by 12 percent. At October 31, 1981, the value of Sulpetro's proven and probable petroleum and natural gas reserves, discounted at 15 percent, was $1,449 million. Minerals assets and undeveloped petroleum and natural gas lands were valued at $293 million. By October 31, 1982, proven and probable reserves, valued at a 15 percent discount rate, had increased to $1,721 million. The year-end value of Sulpetro's combined reserves and land assets was $1,956 million, discounted at 15 percent.

For the year ended October 31, 1982, consolidated gross revenue was $156.3 million, an increase of 47 percent over that reported in 1981. Cash flow increased by 13 percent to $9.5 million compared to $8.4 million in the previous year. A net loss of $66.8 million was incurred for the 1982 fiscal year, which is mainly attributable to higher interest costs and increased depletion charges associated with the acquisition of CanDel, together with increased payments made under the provisions of the Canadian Federal Petroleum and Gas Revenue Tax.

The Company spent $112.9 million on petroleum and natural gas exploration and development and mining activities during 1982, which is down slightly from $116.2 million recorded in 1981. Capital expenditures net of capitalized items declined by 18 percent. During the year, the Company and its affiliate, Sulbath Exploration Ltd., qualified for Canadian Petroleum Incentive Program payments of $9.9. million.

During 1982, the Company participated in the drilling of 335 wells, a reduction of 94 wells from 1981. The 1982 program resulted in 144 gas wells and 124 oil wells for a success ratio of 80 percent. Of the total wells drilled, the Company retained a royalty interest in 152 wells drilled by others at no cost to the Company, resulting in 76 oil wells and 50 gas wells.

Notwithstanding the decline in drilling activity, proven remaining reserves of crude oil and natural gas liquids (NGL) increased 23.5 percent to 6 638 thousand cubic metres (41.8 million barrels). Proven remaining natural gas reserves at year end were 28 337 million cubic metres (1,006 billion cubic feet), an increase of 7.3 percent after allowing for production and shrinkage from future field extraction of NGL's at Wapiti. The Company's 1982 exploration and development program resulted in new proven gas reserves of 3.142 billion cubic metres (111.5 billion cubic feet) and proven crude oil and NGL reserves of 620.5 thousand cubic metres (3.9 million barrels).

Natural gas sales increased by 26 percent over the previous year to an average of 2 786 thousand cubic metres (98.9 million cubic feet) per day. Crude oil and NGL sales averaged 1 284 cubic metres (8,080 barrels) per day, an increase of 66 percent over 1981. While severe weather conditions in the North Sea resulted in the Buchan field being shut-in approximately one-half of the year, production from the field nevertheless increased by 90 percent to 634 cubic metres (3,990 barrels) per day.

Primary oil production performance from the Irish heavy oil project in eastern Alberta has exceeded expectations and the Company has elected to convert its retained overriding royalty to a 21.25 percent working interest in the project lands. Virtually all of the production qualifies for the New Oil Reference Price (NORP) and, with increasing production from tertiary recovery methods now being implemented, the future cash flow from this project will be substantial. It is anticipated that the output of heavy oil by Sulpetro and other producers will reach a level eventually requiring the construction of a producer-owned upgrading plant in the area.

Subsequent to year end, the Alberta Energy Resources Conservation Board (ERCB) approved Sulpetro's application for a major NGL extraction facility in the Elmworth-Wapiti area of Alberta. A substantial portion of Sulpetro's natural gas reserves have a high NGL content and the economic value of these reserves will be enhanced by maximizing their recovery. Formal issuance of the ERCB approval will be withheld for a period of up to six months, during which time Sulpetro must satisfy the Board that no feasible alternative arrangements can be made for the extraction of these liquids.

In late January, 1983, the National Energy Board (NEB) released its findings on new natural gas export approvals from Canada. The report was very encouraging for the industry in general, and for Sulpetro in particular. The Company received approval from the NEB to export a total volume of 4 652.8 million cubic metres (164.3 billion cubic feet) to its United States customer over an eight-year period commencing November 1, 1983. The Company has an approximate 33 percent working interest in the overall gas supply for the project with the balance to be shared by 34 other producers.

Outlook

In this current period of uncertainty, the critical factor for 1983 will be the price received for our products. World oil prices continue to be subject to downward pressure and anticipated future producer netbacks could be significantly reduced unless governments, through royalties and taxes, allow for the maintenance of an equitable return to the industry. Future natural gas pricing is also receiving considerable industry and governmental attention both in Canada and in the United States. It is to be hoped that a mutually satisfactory pricing agreement can be arrived at in respect of further gas sales to the United States, particularly in view of the recent decision by the NEB to allow additional gas exports.

With lower interest rates and increased product sales, the Company projects a substantial increase in cash flow for 1983. Sulpetro is poised for continued further growth in its existing operations as a result of the following factors:

- Approximately 92 percent of the Company's Canadian gas reserves are sold or committed for sale under gas purchase contracts.
- Redetermination of natural gas reserves in the Elmworth-Wapiti area are expected to increase 1983 sales volumes by 55 percent.
- Upon final United States regulatory approval, Sulpetro's Export II Project will generate substantial incremental cash flow over the eight-year term of the contract.
- Sulpetro has an option agreement with its United States purchaser for the sale of additional gas volumes under its proposed Export III Project. Negotiations to effect such additional sales are now in progress.
- The Company will participate in a number of new oil prospects in Canada during the coming year to follow up on its 1982 drilling program where 38 wells were successfully completed and qualified for NORP pricing. At the end of 1982, the Company had developed 210 cubic metres (1,300 barrels) per day of NORP production capability in Alberta.
- Anticipated capital expenditures for 1983 will be in the range of $70 - $75 million. In addition, approximately $27 million will be expended by others on exploration and development on the Company's Canadian oil and gas properties under the provisions of existing joint-venture agreements.
- Sulpetro is currently negotiating several new joint ventures with others on a portion of its extensive Alberta landholdings. If successfully completed, the effect would be to relieve the Company of further significant capital expenditures while contributing to strong asset growth.

During the next year, management will continue to effect economies wherever possible in the four operating Divisions and will vigorously pursue all opportunities to improve the financial position of the Company.

G. A. Van Wielingen,
Chairman of the Board and
Chief Executive Officer

J. P. Saunders
President and
Chief Operating Officer

February 25, 1983
Calgary, Alberta

Corporate Profile

History

Sulpetro was organized as a private company in 1966 to acquire petroleum and natural gas rights and to explore for, develop and produce, petroleum and natural gas in Canada, with an emphasis on natural gas in Alberta. Sulpetro became a public company in 1979, with an $18 million sale of common shares in Canada.

In December 1975, following ten years of growth, the majority of Sulpetro's proven reserves, together with certain non-producing lands were sold for $102 million, resulting in a profit of $82 million. The sale enabled the Company to reorganize its share capital, redeem the shareholdings of certain investors, and establish voting control in the hands of Canadian shareholders.

To reestablish its Canadian landholding position, Sulpetro embarked on an aggressive program of acquiring undeveloped acreage. This program was successful and enabled the Company to participate in many of the major exploration plays in Alberta, including the acquisition of a major interest in the Elmworth-Wapiti area. Commencing in 1977, Sulpetro initiated a program to obtain sales contracts and regulatory approvals for the direct sale of gas in the export market. In 1980, Sulpetro expanded its operations to the United States and, as a founding shareholder of International Energy Development Corporation (IEDC) S.A., gained access to international exploration.

In April 1981, Sulpetro acquired CanDel Oil Ltd. (CanDel), a company engaged principally in the exploration for, and development of, petroleum and natural gas in Canada and internationally. As a result of the acquisition, the petroleum and natural gas reserves, production and operating revenue of Sulpetro more than doubled, and the properties of CanDel provided new exploration opportunities both in Canada and abroad. The acquisition also provided proven crude oil reserves and production in the United Kingdom sector of the North Sea, and proven crude oil reserves onshore the United Kingdom. CanDel's oil production has complemented Sulpetro's natural gas sales, while its mining and minerals subsidiary provided an entry into the Canadian mining industry.

Canadian Oil and Gas Division

The activities of the Canadian Oil and Gas Division include exploration, development and production of crude oil, natural gas liquids and natural gas in Canada. These efforts, while concentrated in Alberta, have been expanded to include interests in British Columbia, the East Coast Offshore region and the Arctic Islands. The Division also engages in the marketing of natural gas and, today, is the only Canadian producer to export gas directly under contract to United States customers.

During 1983, the Division will continue to seek opportunities to maximize near-term revenue. This policy will include maintaining existing contracted gas deliverability, ongoing exploration of New Oil Reference Price (NORP) oil prospects, continuing development of selected gas properties for the Company's Gas Export II Project and expansion of its heavy oil thermal recovery activities. In addition, the Division is investigating various means by which the rate of production can be increased in fields where production and processing facilities already exist.

Sulpetro's strong land position will be protected during 1983 by the drilling of required commitment wells. To the greatest extent possible, the Division will continue to use joint-venture arrangements to develop its lands.

Sulpetro International
(A Division of Sulpetro Limited)

The International Division is responsible for the Company's petroleum and natural gas activities outside North America and holds interests in petroleum concessions, contracts or permits in various foreign areas. Sulpetro also participates in foreign exploration through its equity interest in the International Energy Development Corporation (IEDC) group of companies. IEDC's interests are concentrated in Africa and Australia.

In 1982, the Division pursued its goal of land acquisition in those countries offering reasonable fiscal policies. In addition to holdings in the United Kingdom, Netherlands and Egypt, land was acquired in Australia, New Zealand and Ireland. During the year, holdings in Indonesia and Colombia were relinquished due to insufficient exploration encouragement.

To minimize cash needs in 1982, the Division farmed out certain holdings. In addition, the direct 6.5 percent interest in IEDC B.V. was sold, reducing Sulpetro's interest in this company to 12.75 percent. IEDC B.V.'s landholdings are mainly in Africa and the Middle East.

The objectives of Sulpetro International for 1983 are to continue to expand its land position, while exploring and developing its existing interests.

United States Division
(Represented by Sulpetro Resources, Inc.)

Sulpetro Resources, Inc. is a wholly owned subsidiary of the Company. It conducts exploration and development activities and has producing interests in the continental United States. Gold Star Drilling Co., its wholly owned subsidiary, operates four drilling rigs and also provides oil field transportation services for the oil industry in Oklahoma and Kansas.

Exploration activities during the year were affected by a lack of joint-venture financing due mainly to the current recession and the reduced demand for petroleum and natural gas products in the United States.

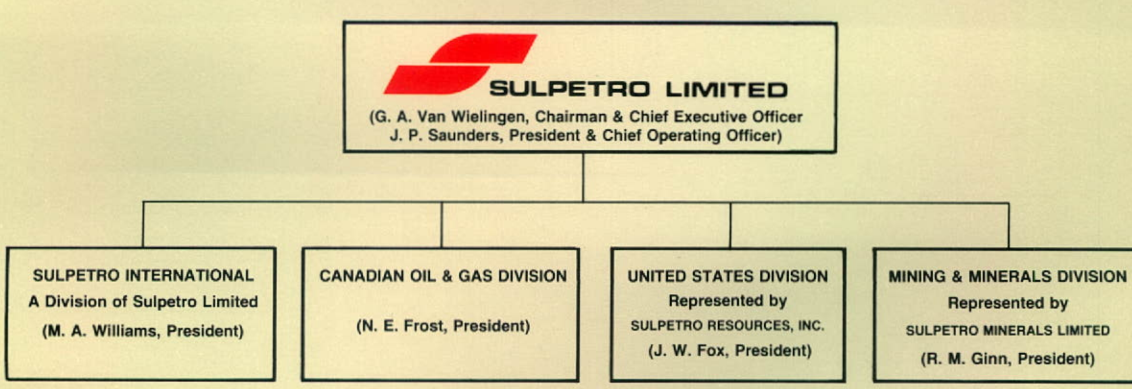
In 1983, Sulpetro Resources will concentrate on drilling existing landholdings where early revenue can be obtained.

Mining and Minerals Division
(Represented by Sulpetro Minerals Limited)

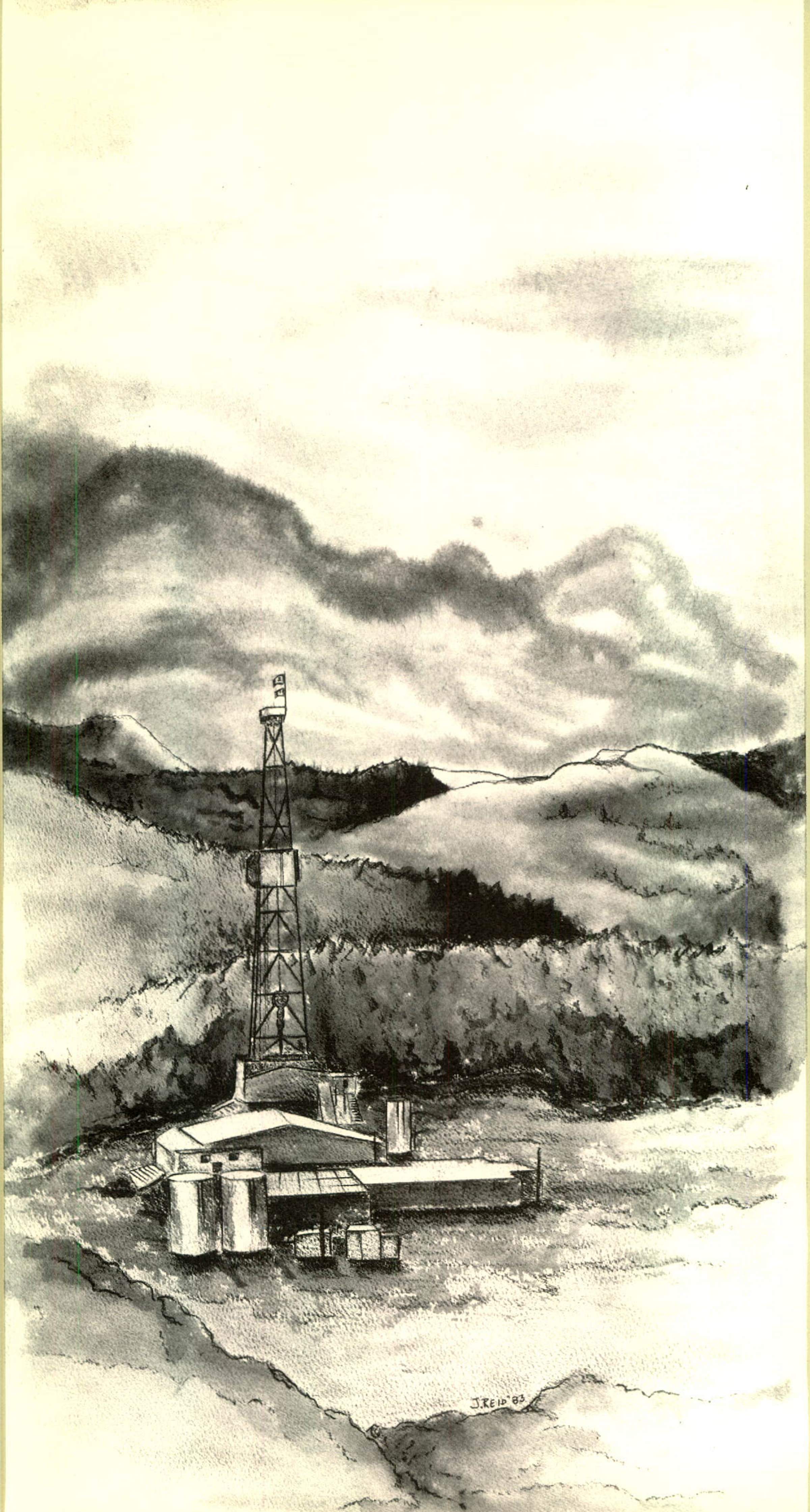
Sulpetro Minerals Limited, a wholly owned subsidiary of the Company, holds claims, licences, concessions and leases in seven provinces of Canada, the Yukon Territory and the Northwest Territories, and operates three field exploration offices and one gold mine. Its objectives are to develop its mining and minerals operations through joint ventures with others.

The long-term plan is to develop interests in the broad spectrum of precious metals, base metals, ferro-alloy metals, coal and industrial minerals. Sulpetro Minerals does not expect its level of activity to increase significantly until there is a substantial improvement in the economy.

In 1983, this Division will continue to meet its exploratory commitments in order to retain its properties, while seeking joint-venture partners to further explore and develop its mineral holdings.



Exploration: Land



Overview

The Company's worldwide petroleum and natural gas landholdings at October 31, 1982, were 6.50 million gross hectares (16.14 million gross acres) and 1.76 million net hectares (4.37 million net acres).

These holdings are comprised of 4.17 million gross hectares (10.38 million gross acres) in Canada, 2.20 million gross hectares (5.44 million gross acres) internationally, and 129 500 gross hectares (320,000 gross acres) in the United States. In addition, Sulpetro has an equity interest in the IEDC group of companies, whose holdings approximate 52 million gross hectares (128 million gross acres).

The Company holds overriding royalty interests in 124 000 gross hectares (309,000 gross acres) of land which entitles it to a percentage of production without obligation to pay any expenses.

Sulpetro participated in the drilling of 335 working and royalty-interest wells in 1982, achieving an 80 percent success ratio.

Petroleum and Natural Gas Drilling Statistics

	Gas Wells		Oil Wells		Dry and Abandoned		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Canada	89	37.10	41	10.40	36	12.20	166	59.70
International (1)	—	—	4	0.50	4	1.40	8	1.90
United States	5	0.86	3	1.07	1	0.74	9	2.67
Total Working Interest — 1982	**94**	**37.96**	**48**	**11.97**	**41**	**14.34**	**183**	**64.27**
Total Royalty Interest — 1982	**50**		**76**		**26**		**152**	
Total Working and Royalty Interest — 1982	**144**	**37.96**	**124**	**11.97**	**67**	**14.34**	**335**	**64.27**
— 1981 (2)	155	27.98	178	19.5	96	20.07	429	67.55

(1) Excludes wells drilled by the IEDC group of companies.
(2) Includes seven months of CanDel operations.

Canada

During 1982, the Division restricted its land acquisition to a number of key areas in Alberta to supplement previous holdings.

Sulbath Exploration Ltd. (Sulbath), a joint exploration company owned by Sulpetro and Consolidated-Bathurst Inc., was responsible for much of the exploration and development activity during the year. Sulbath's programs are currently eligible for maximum Petroleum Incentive Program (PIP) grants.

The Division drilled or participated in 166 working-interest wells, resulting in 89 gas wells and 41 oil wells. Additionally, 152 royalty-interest wells were drilled on Company lands, resulting in 50 gas wells and 76 oil wells.

Thirty-eight wells were drilled that qualify for NORP oil prices including 18 wells in the Irish area. Significant NORP oil wells were located at Ferrier, Garrington, Gold Creek, Gordondale, Pembina and Wembley.

Clyde

Successful delineation and development of this new producing area in northeast Alberta continued during the year. Seven of nine wells were completed as gas wells and will be produced under the existing Pan-Alberta Gas Ltd. (Pan-Alberta) contract.

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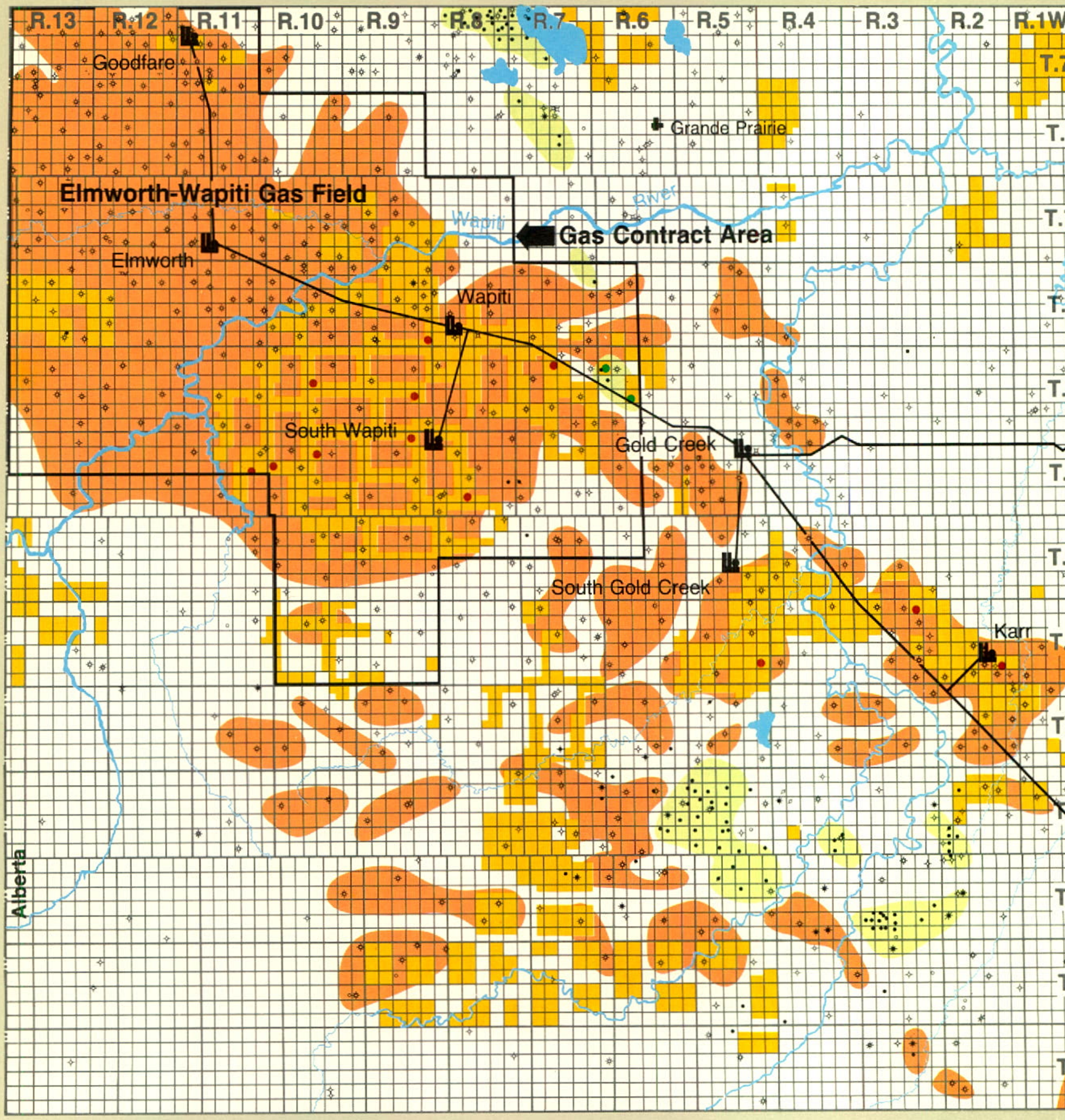
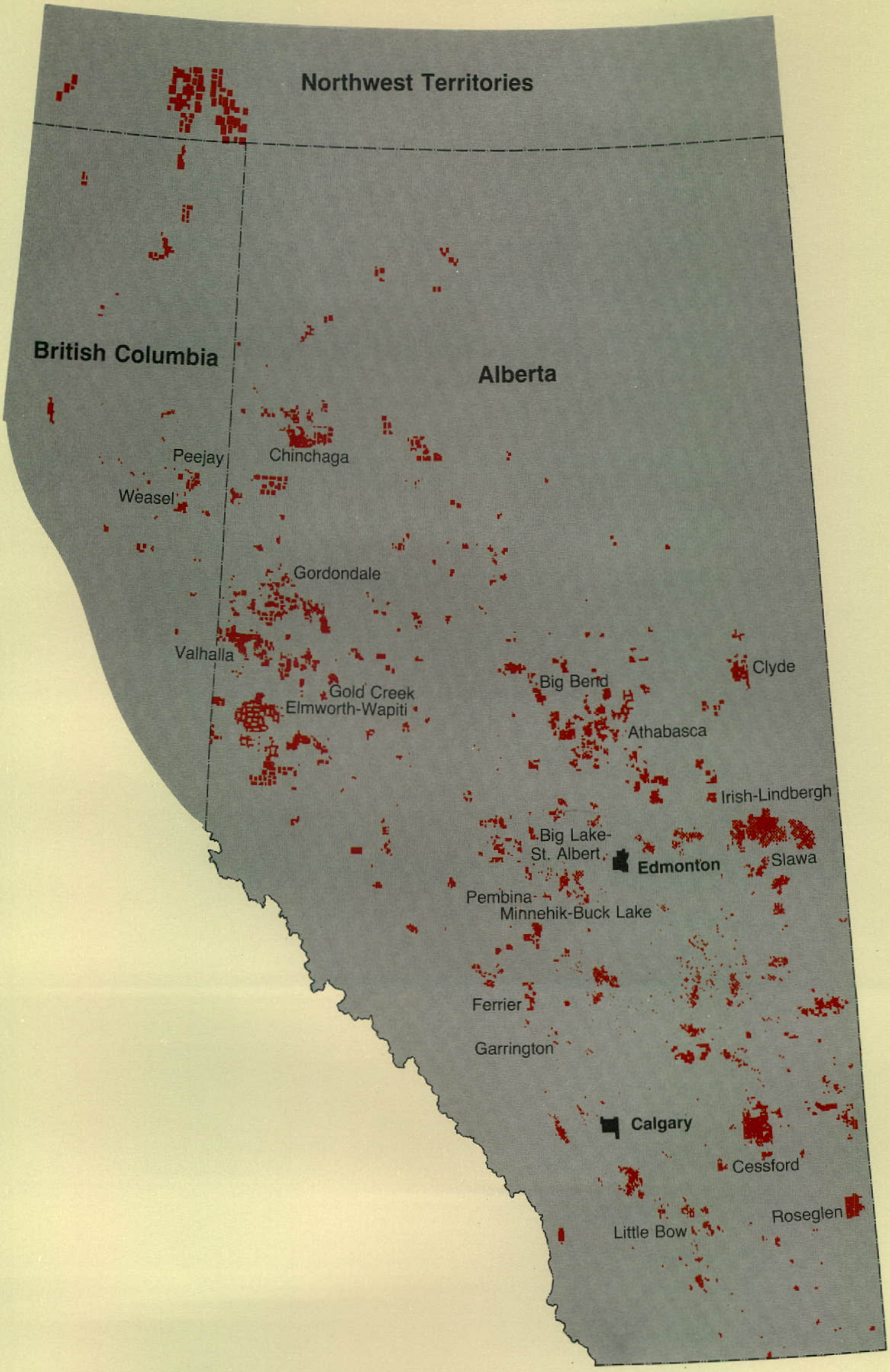
Elmworth-Wapiti



Sulpetro Landholdings
Gas Plant
Gas Pipeline
Gas Field
Oil Field
1982 Sulpetro Oil Well
1982 Sulpetro Gas Well
Oil Well
Gas Well
Suspended
Location
Abandoned

Miles
0 5 10 15 20
0 5 10 15 20 25 30
Kilometres

Western Canadian Landholdings



Elmworth-Wapiti

In order to position itself for a contractual reserve redetermination with its gas purchaser, Sulpetro and its partners conducted a multi-well delineation drilling program. All eleven wells drilled were successful. This drilling, together with the completion of additional zones in wells drilled in previous years, resulted in a substantial increase in Sulpetro's reserves.

Two wells drilled in the extreme eastern portion of the Elmworth-Wapiti gas contract area encountered oil. Sulpetro et al Gold Creek 10-30-68-6 W6M extended the Triassic oil pool thereby increasing the Company's share of production to 46 cubic metres (290 barrels) per day. Another well, Sulpetro et al Wapiti 5-16-68-6 W6M, drilled five kilometres (three miles) southeast of this pool, also encountered commercial gas and oil. Further delineation drilling will occur in this area in 1983.

Ferrier

In west-central Alberta, the Ferrier project was the scene of an active drilling and completion program during 1982. The prime targets included Viking oil and condensate-rich gas in the Glauconite and Ostracod formations.

A total of 14 exploratory wells were drilled and subsequent completions demonstrated commercial success in six of the wells. This program earned Sulpetro a substantial working interest in the Ferrier lands on which NORP oil prospects will be further developed in 1983.

Gordondale South

The Gordondale South project, located in northwestern Alberta, was the focus of significant oil exploration and development over the past 12 months. The six-well program resulted in five NORP oil wells. Continued drilling is planned for the coming year.

Irish

A 14-well gas exploration program in the Irish area of east-central Alberta resulted in 12 successful gas wells. The gas is being marketed through the existing production system.

Slawa

Slawa, in east-central Alberta, was the site of a 20-well drilling program which resulted in 18 gas wells. These lands are under current producing contracts and continued drilling is planned for 1983.

Frontier — East Coast Offshore

Scotian Shelf

The Company participated in a 5 100 kilometre (3,169 mile) seismic survey to detail structures identified from previous surveys on the Sable Island Blocks.

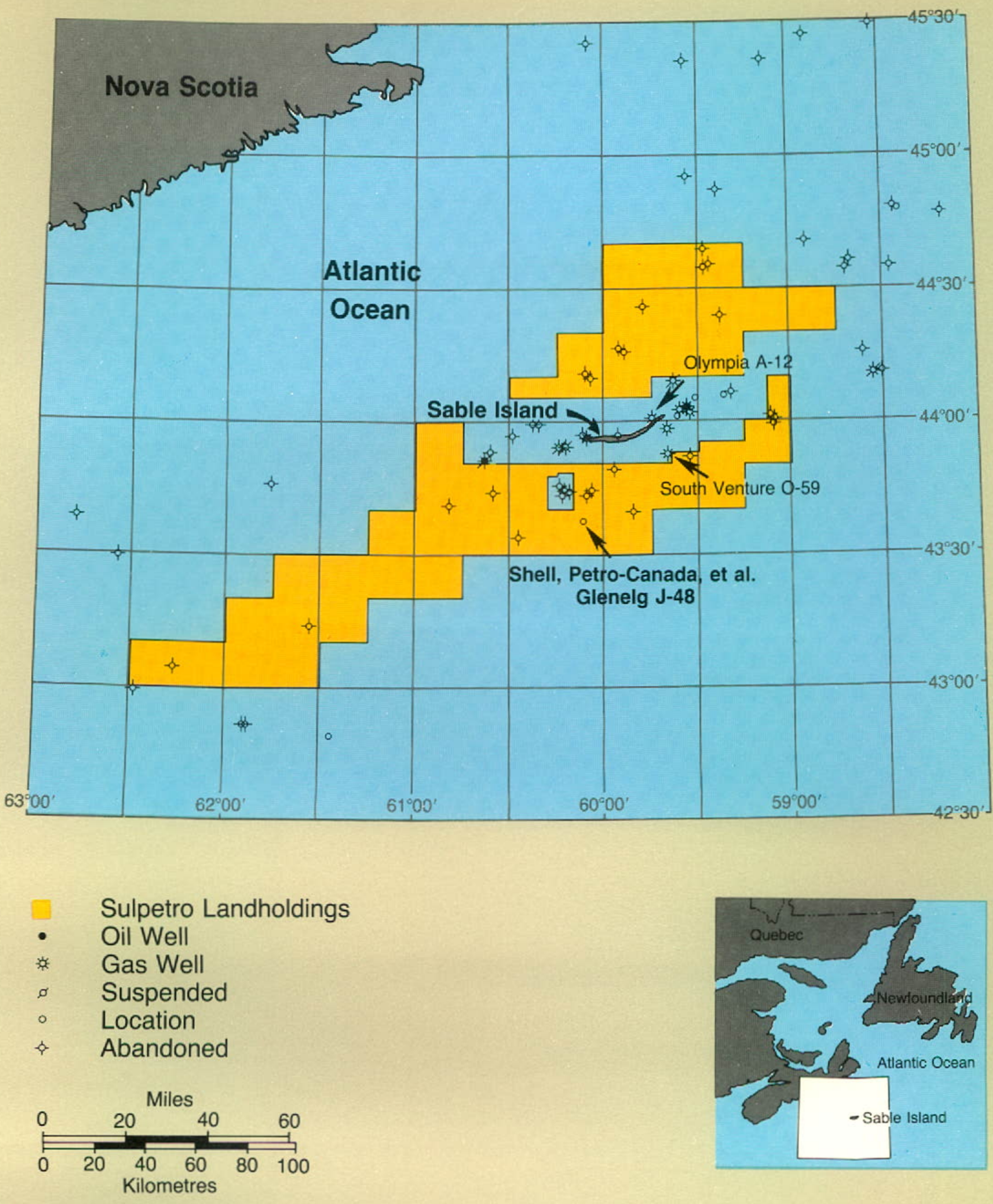
In September, Sulbath entered into a farm-out agreement with Canterra Energy Ltd. (Canterra), for exploration of 0.56 million gross hectares (1.40 million gross acres) and 0.27 million net hectares (0.68 million net acres), located off the East Coast of Nova Scotia. Canterra will spend an estimated $35 million to drill up to a maximum of ten wells to earn one-half of Sulbath's current five percent working interest.

The operator of the project, Shell Canada Resources Limited, plans to drill a minimum of two wells in 1983. The first well, Glenelg J-48, is scheduled to commence drilling in February. It is located approximately 52 kilometres (32 miles) southwest of the Mobil South Venture 0-59 well which has tested individual zones at the rate of more than 364 thousand cubic metres (13 million cubic feet) per day. The Mobil Olympia A-12 well, 56 kilometres (35 miles) northeast of Glenelg, has tested gas at rates of up to 490 thousand cubic metres (17.3 million cubic feet) per day, plus condensate at 75 cubic metres (472 barrels) per day.

Labrador Shelf

As part of a consortium, Sulpetro participated in a 3 456 kilometre (2,148 mile) seismic survey over the South Block in the Labrador-Newfoundland shelf. The data will be processed and interpreted in order to plan the 1983 summer drilling program.

Sable Island



International

United Kingdom — Offshore

In Block 21/1A in the North Sea, a detailed seismic program was conducted north of the Buchan oil field to aid in the delineation of three exploratory prospects. Sulpetro expects to farm out its interest in a well planned for 1983, thereby reducing its interest to seven percent in that part of the Block not covered by the Buchan field.

United Kingdom — Onshore

The Company holds an average 13.7 percent interest in 565 000 gross hectares (1.40 million gross acres) in Southern England. The active exploration program will continue in 1983, with nine exploratory wells planned to be drilled on the Company's holdings.

New Zealand

Sulpetro has an 8.2 percent interest in a 249 000 hectare (616,000 acre) permit located in the Taranaki Basin offshore the North Island of New Zealand. A regional seismic program was completed in 1982. Plans for 1983 include a detailed seismic program and exploratory drilling.

Egypt

Upon the completion of seismic work, the Company farmed out its drilling obligations in the Tanka concession, thereby reducing its working interest to 20 percent.

One well was drilled and abandoned in 1982, and subsequent to year end, two further wells were abandoned. Future drilling on the concession will depend on encouraging geophysical information.

Australia

During 1982, a group headed by Sulpetro was granted an exploration permit covering 1.05 million gross hectares (2.60 million gross acres) in the southeast corner of the Canning Basin in Western Australia. A seismic program will begin in 1983 to select a location for a well to be drilled the following year. The Company is the operator and has an 80 percent interest in the permit.

Ireland

Sulpetro was awarded a 25 percent interest in two blocks covering 49 500 gross hectares (122,000 gross acres) in the Kish Bank Basin offshore Dublin in the Irish Sea. The Company plans to conduct a seismic program in 1983.

Australia

IEDC Landholdings
International Landholdings

International Energy Development Corporation (IEDC) Group of Companies

Sulpetro holds 21.25 percent of the shares of International Energy Development Corporation IEDC S.A. (IEDC S.A.), a Swiss company. IEDC S.A. in turn, holds 60 percent of the shares of International Energy Development Corporation IEDC B.V. (IEDC B.V.) incorporated in the Netherlands, and 100 percent of International Energy Development Corporation of Australia Pty. Ltd. During 1982, Sulpetro sold its 6.48 percent direct ownership of IEDC B.V. and its interest in this company now equates to 12.75 percent, all of which is held through IEDC S.A.

IEDC B.V. participated in the drilling of two wells in 1982. One of the wells was drilled and abandoned on a permit in which IEDC holds a 12.5 percent interest offshore The Congo. The other well, located in the Gulf of Suez on a concession in which IEDC also has a 12.5 percent interest, was drilling at year end.

IEDC Australia participated in four wells in 1982. One of the two wells drilled in the Amadeus Basin was a gas discovery, while the other was dry and abandoned. IEDC Australia had a five percent working interest in both of the Amadeus wells. Two wells were drilled and abandoned in the Canning Basin. As exploration is at an early stage in the Canning, the unsuccessful drilling is not considered discouraging to the overall program.

In 1983, IEDC will continue with its primary objective of evaluating its extensive landholdings which at October 31, 1982 totalled 52 million gross hectares (128 million gross acres) and 8.7 million net hectares (21.4 million net acres). IEDC is active in petroleum exploration in Australia, The Congo, Egypt, Italy, Oman, Sudan, Tanzania and Turkey.

United States

The 1982 drilling program consisted of five wells drilled in Louisiana, two in Texas, and one each in Kansas and Oklahoma. Five wells resulted in gas completions and three were oil successes.

The Company plans to drill four wells in New Mexico and five in Oklahoma in 1983. In addition, discussions are being held with other parties for participation in a Sulpetro-operated joint-venture drilling program.

Sulpetro Resources has acquired a sizeable land position in seven states from which it can farm out or enter into joint ventures with others.

Mining and Minerals

Exploration: Land

Sulpetro Minerals Limited concentrated on strengthening its control of land on which it had already discovered significant mineralization. Surface rights were purchased to provide for access and development of the Cadieux zinc-lead deposit near Ottawa, Ontario.

The company currently holds claims, licences, concessions and leases aggregating 377 000 gross hectares (152,000 gross acres) and 136 000 net hectares (337,000 net acres).

In accordance with a policy of consolidating the company's mineral holdings and preparing for the development of its current prospects, no major land acquisition program is planned for 1983.

Production

Gold production and milling commenced from the Kewagama and O'Brien mines in northwest Quebec. Due to lower gold prices and declining ore grade, the project became uneconomical and operations have been temporarily suspended. An additional portion of the production was stockpiled pending further metallurgical treatment to yield a more valuable product. Sales from Kewagama and O'Brien divisions were 2,700 troy ounces of gold.

At Cobalt, Ontario, silver prices were inadequate to maintain economic production at the Canadaka mine. In April, Sulpetro's silver refinery was sold for $2.1 million and the mine was put on standby. During the year, 142,000 troy ounces of silver were sold.

Development: Reserves

Sulpetro Minerals has proven and probable reserves at its three mines, and varying drill indicated reserves at numerous undeveloped properties. Silver reserves at Canadaka are 180 000 tonnes at 103.7 grams per tonne (200,000 tons at 3.0 oz/ton). At Kewagama, gold reserves are 14 110 tonnes at 7.67 grams per tonne (15,550 tons at 0.224 oz/ton, and 250 000 tonnes grading 5.52 grams/tonne (275,000 tons at 0.161 oz/ton) at O'Brien. Technical and financial planning for implementation of a roasting circuit to remove impurities contained in the Kewagama and O'Brien concentrates is in progress.

Petroleum and Natural Gas Properties

As at October 31, 1982

	Working Interest Lands	
	Gross Hectares	**Net Hectares**
Canada (1, 2)		
Alberta	1 707 049	515 065
British Columbia	63 812	9 140
Eastcoast Offshore (3)	1 601 615	79 234
Northwest Territories (4)	798 334	79 735
Saskatchewan	518	129
Total Canada — Hectares	**4 171 328**	**683 303**
— Acres	**10,380,100**	**1,705,698**
International		
Australia	1 053 500	834 020
Egypt	25 000	12 500
Ireland	49 500	12 380
Netherlands	237 000	12 490
New Zealand	249 100	24 310
United Kingdom — Offshore	23 070	3 190
— Onshore	565 080	77 770
Total International — Hectares	**2 202 250**	**976 660**
— Acres	**5,442,004**	**2,413,356**
United States		
Kansas	15 306	15 117
Louisiana	5 759	2 951
Nevada	47 074	47 074
New Mexico	6 070	4 202
Oklahoma	24 331	11 714
Texas	20 294	15 291
Utah	7 328	4 943
Other	3 295	1 739
Total United States — Hectares	**129 457**	**103 471**
— Acres	**319,891**	**255,685**
Total Working-Interest Lands		
— 1982 — Hectares	**6 503 035**	**1 763 434**
— Acres	**16,141,995**	**4,374,739**
— 1981 — Hectares	4 899 128	1 093 391
— Acres	12,105,745	2,701,769
Total Royalty-Interest Lands		
— 1982 — Hectares	**123 853**	**—**
— Acres	**309,106**	**—**
— 1981 — Hectares	151 094	—
— Acres	375,485	—
Total IEDC Lands		
— 1982 — Hectares	**51 781 286**	**8 652 753**
— Acres	**127,951,558**	**21,380,953**
— 1981 — Hectares	55 328 654	14 591 652
— Acres	136,717,861	36,046,092

(1) Excludes 8 268 610 gross hectares (20,432,672 gross acres); 68 014 net hectares (168,100 net acres) in which Sulpetro has the right to earn pursuant to an Agreement with Columbia Gas Development of Canada Ltd.

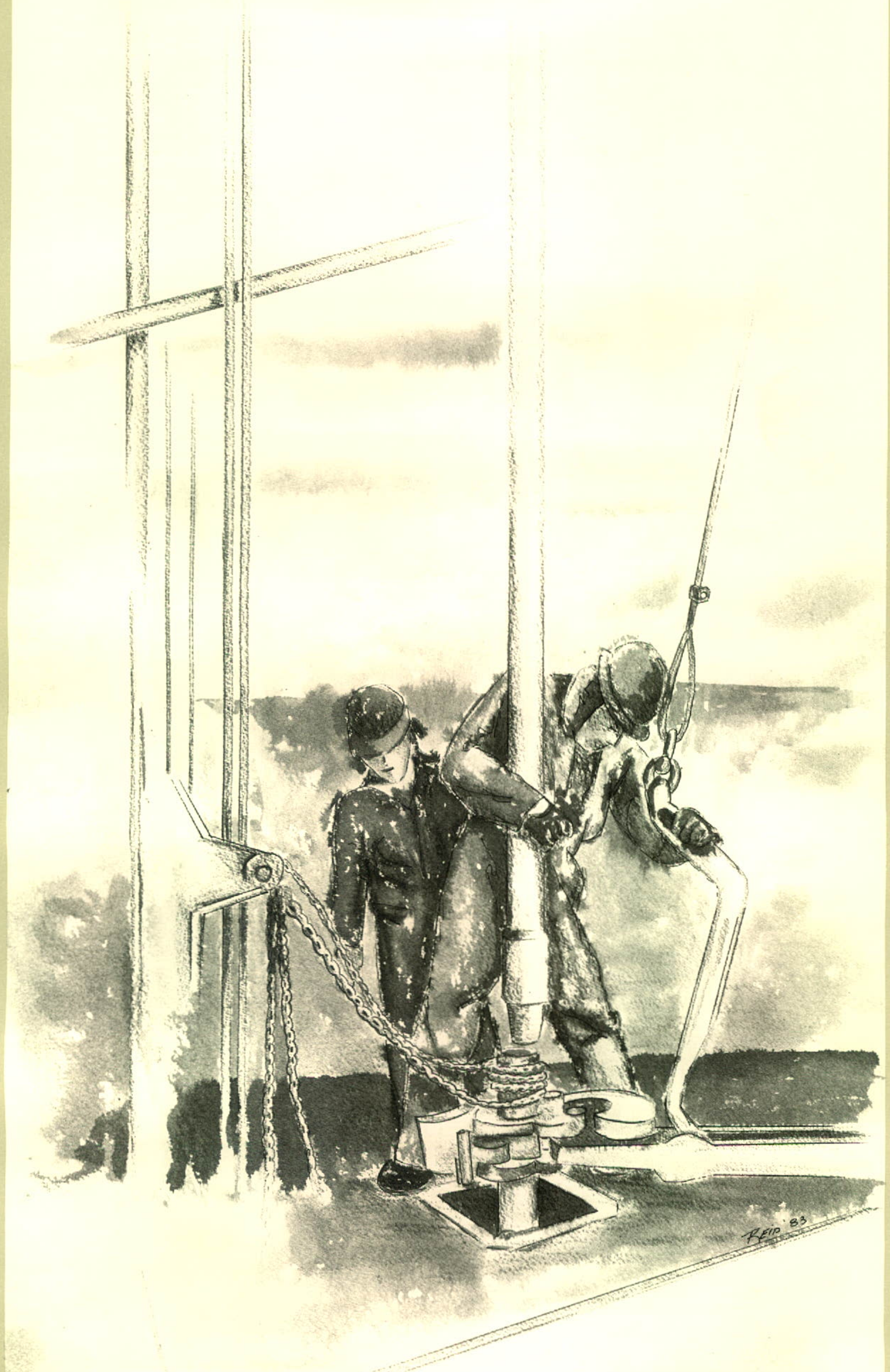
(2) Includes 1 839 881 gross hectares (4,550,325 gross acres); 160 619 net hectares (398,263 net acres) contributed by Sulpetro under the Sulbath Agreement.

(3) Eastcoast Offshore statistics reflect increased acreage acquired as a result of the issuing of Federal Exploration Agreements which replaced expired Lease title documents. These Exploration Agreements expanded Sulpetro's acreage position from 562 863 gross hectares (1,390,817 gross acres) to 1 601 615 gross hectares (3,957,683 gross acres) and from 27 716 net hectares (68,482 net acres) to 79 234 net hectares (195,792 net acres). These Eastcoast Offshore lands formed part of the lands contributed by Sulpetro under the Sulbath Agreement and in September 1982, became subject to the Canterra Energy Ltd. Farm-out Agreement.

(4) Northwest Territory figures reflect anticipated issuance of Exploration Agreements by the Federal Government and are therefore subject to revision.

Conversion factor: one hectare = 2.471 acres

Production



Overview

Sulpetro's petroleum and natural gas production reached record levels in 1982. Continued growth is expected in 1983, despite marketing problems which continue to plague the Canadian petroleum industry.

Properties in Alberta contributed approximately 93 percent of the Company's natural gas production for the year ended October 31, 1982. The most significant of these properties are the Elmworth-Wapiti, Cessford, Valhalla, Roseglen, Minnehik-Buck Lake and Chinchaga fields.

Sales from working-interest properties increased by 26 percent from 2.21 million cubic metres (78.4 million cubic feet) per day to 2.79 million cubic metres (98.9 million cubic feet). A full year's results from properties obtained in the CanDel acquisition, and the commencement of sales from the Clyde, Little Bow and Hoadley areas of Alberta accounted for the increase. In addition, equivalent royalty-interest production was 93 thousand cubic metres (3.3 million cubic feet) of natural gas per day.

Crude oil and NGL production was obtained principally from the Buchan field in the North Sea, the Cessford, Chinchaga, Gold Creek, and Pembina fields in Alberta, and the Peejay field in British Columbia.

Sales of crude oil and NGL increased by 66 percent over the previous year from 771 cubic metres (4,852 barrels) per day to 1 284 cubic metres (8,080 barrels) in 1982.

Natural Gas

Canada

Sulpetro owns an approximate 30 percent interest in 79 000 hectares (197,000 acres) in the Elmworth-Wapiti area of Alberta, which are subject to a reserve-based take-or-pay contract. The biennial contractual redetermination of reserves is in progress. As a result of continued exploration success and excellent production performance, it is anticipated that a substantial increase in contract volumes will be negotiated retroactive to November 1, 1982.

In order to meet the increased delivery requirements, a new gas plant and gathering system was constructed in the South Wapiti area, and the Company-operated Wapiti gas plant was expanded. Sulpetro owns 15 percent of the new plant and 42.5 percent of the Wapiti plant. The South Wapiti plant came on stream shortly after year end and a total of 22 Sulpetro working-interest wells inside the contract area are presently tied in. The Company's net processing capacity in the area is currently 2 250 thousand cubic metres (80 million cubic feet) per day.

Sales under Sulpetro's Gas Export I Project averaged 1 536 thousand cubic metres (54.5 million cubic feet) per day for the year. Sulpetro's share of the gas produced for the project was 29 percent, and was supplied from the Company's wells located in the Valhalla, Chinchaga, Irish, Karr and Amisk areas.

Plans are well advanced for the tie-in of properties included in Sulpetro's Gas Export II Project, and construction of facilities will start immediately after final regulatory approvals for the project are received.

In 1983, deliveries from areas under contract to Pan-Alberta are expected to increase by more than 50 percent to 200 thousand cubic metres (7.1 million cubic feet) per day in accordance with contract terms.

United States

The company has producing interests in Colorado, Louisiana, Oklahoma, Pennsylvania, Texas and West Virginia. Natural gas sales for the year averaged 101 thousand cubic metres (3.6 million cubic feet) per day.

Crude Oil and Natural Gas Liquids (NGL)

International

Buchan

Sulpetro's share of production from the United Kingdom Offshore Buchan oil field averaged 634 cubic metres (3,990 barrels) per day during 1982. The field is produced utilizing a floating production facility from which oil is pipelined to a mooring buoy and then to tankers. Abnormal weather and operational problems caused the field to be shut-in approximately 47 percent of the year. Buchan has shown a capacity to produce in excess of 12 000 cubic metres (75,000 barrels) per day and average daily production for 1983 is expected to be in excess of 7 000 cubic metres (44,000 barrels).

Canada

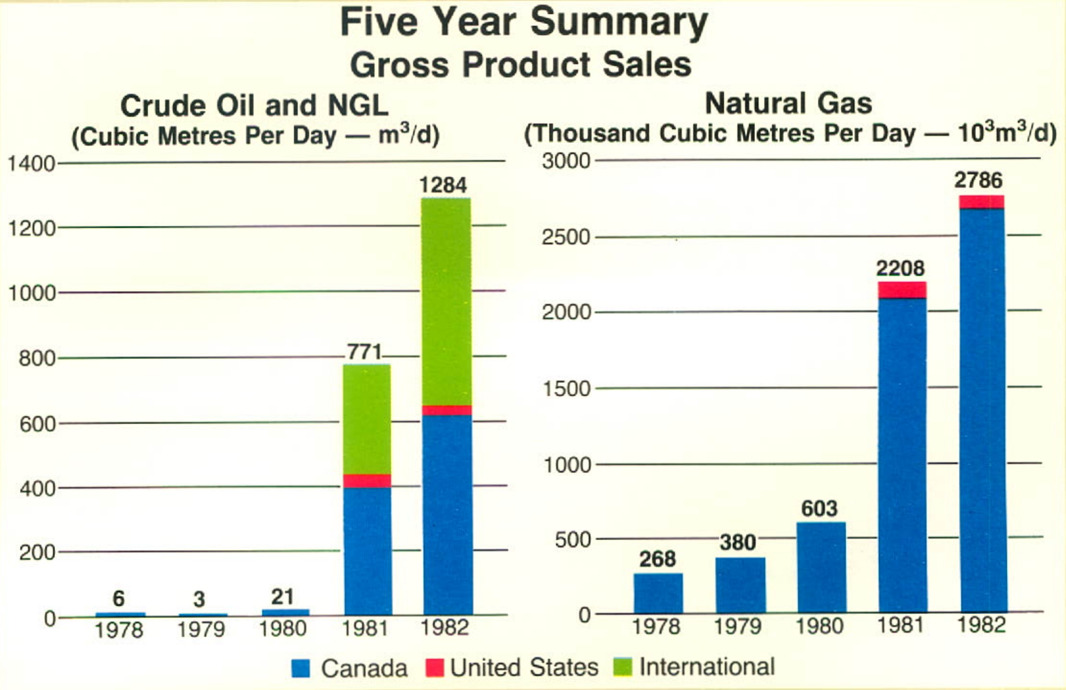
Production in Western Canada averaged 619 cubic metres (3,893 barrels) per day during 1982, a 55 percent increase over the previous year. In addition, equivalent royalty interest production, primarily from the Irish heavy oil area, totalled 24 cubic metres (152 barrels) per day through 1982.

A number of new wells were placed on production during the year. The most significant include NORP oil wells in the Ferrier, Irish, Garrington, Gold Creek, Gordondale, Pembina and Wembley areas of Alberta.

Water injection commenced at Cessford in the Basal Colorado pool, and preparations for a tertiary caustic flood of a portion of this reservoir are under way. Plans for secondary recovery waterflood of the Little Bow and Pembina areas of Alberta are well advanced. These projects will result in increased production to Sulpetro over the next few years, and will increase recoverable reserves substantially.

United States

Crude oil and natural gas liquids sales averaged 30 cubic metres (191 barrels) per day during 1982.



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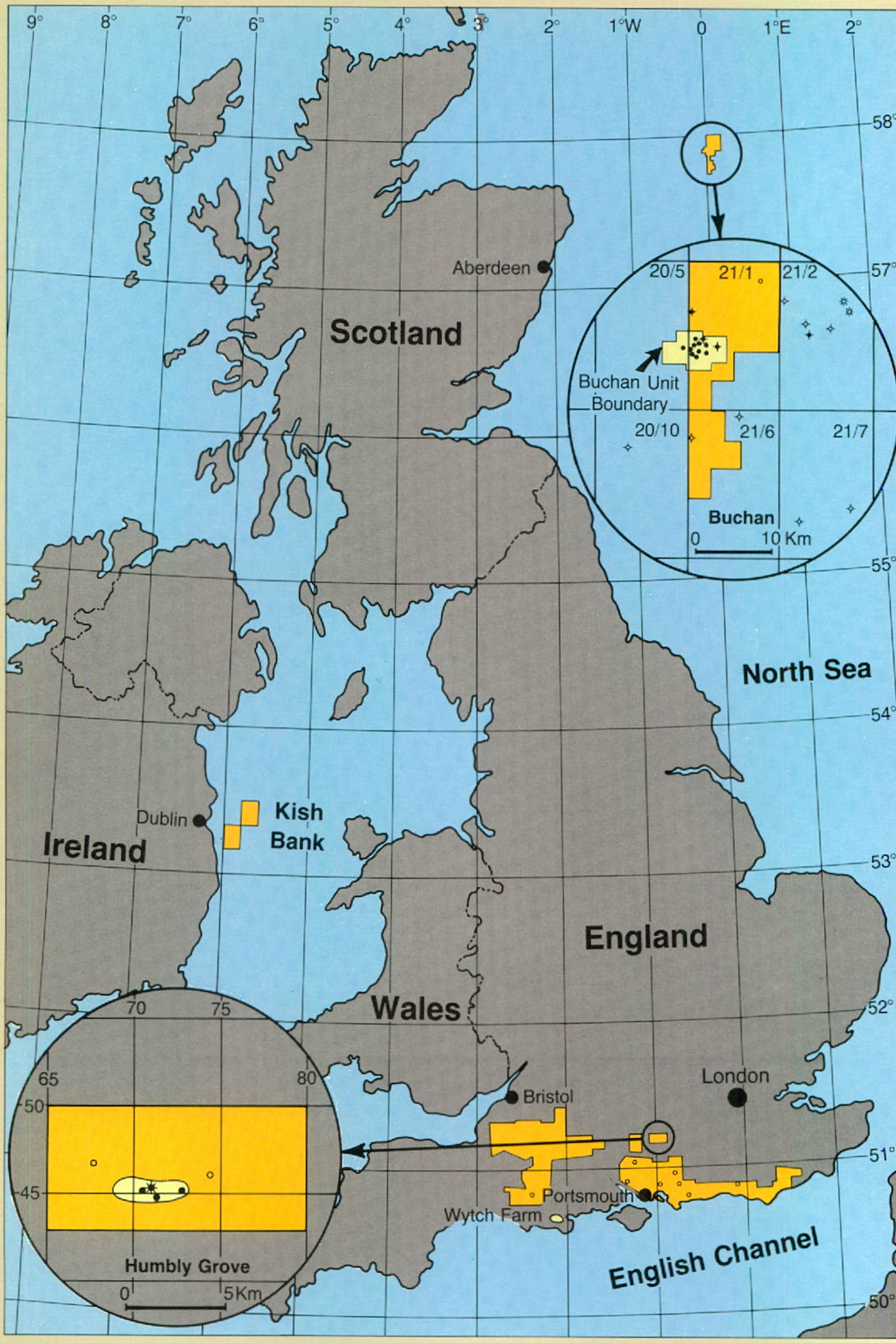
England and Ireland



International Landholdings
Oil Well
Gas Well
Proposed Exploratory Location
Abandoned
Oil Field

Miles
0 50 100
0 50 100 150 200
Kilometres

Natural Gas and Crude Oil Sales Volumes

(For the years ended October 31)

Natural Gas

Thousand cubic metres per day — $10^3m^3/d$

	1982	1981 (1)
Canada		
Elmworth-Wapiti	758	731
Cessford	347	209
Valhalla	168	194
Roseglen	153	110
Minnehik-Buck Lake	144	53
Chinchaga	134	122
Athabasca	125	53
Big Bend	87	49
Irish	72	77
Others	697	499
Subtotal	2 685	2 097
United States	101	111
Total Natural Gas Sales — $10^3m^3/d$	**2 786**	**2 208**
— mcfd	**98.9**	**78.4**

Conversion factor: one 10^3m^3 = 35.494 mmcf

Crude Oil and Natural Gas Liquids (NGL)

Cubic metres per day — m^3/d

	1982	1981 (1)
United Kingdom	635	334
Canada		
Cessford	207	129
Chinchaga	57	60
Gold Creek	38	3
Pembina	38	45
Peejay	36	27
Big Lake-St. Albert	27	22
Weasel	20	9
Elmworth-Wapiti	16	21
Others	180	82
Subtotal	619	398
United States	30	39
Total Crude Oil and NGL — m^3/d	**1 284**	**771**
— barrels/d	**8,080**	**4,852**

(1) Includes seven months of CanDel operations.

Conversion factor: one m^3 = 6.293 barrels

Development

Canada

Heavy Oil

Development continued on Sulpetro's Irish-Lindbergh properties located in east-central Alberta. Pursuant to a farm-out agreement, all costs to date were borne by the farmee, Dome Petroleum Limited (Dome). Payout of Dome's initial investment commitment for tertiary recovery facilities occurred, enabling Sulpetro to convert its overriding royalty interest to a 21.25 percent working interest effective August 1982. By year end it was estimated that Dome had expended a total of $54.4 million on the project.

The farmee is further obligated to carry up to $12.0 million of Sulpetro's share of development costs, which had reached approximately $6.9 million by October 31, 1982. These costs may be recovered from a share of Sulpetro's working-interest revenues.

Construction work was completed on two thermal recovery pilot projects, consisting of a thermal drive pilot and an enriched air combustion pilot. The two pilots were comprised of 54 wells on 162 hectares (420 acres) in Section 18-55-5 W4M. Air injection was initiated in February 1982, followed by liquid oxygen injection six months later. Air injection in the other thermal drive pilot will start in early 1983.

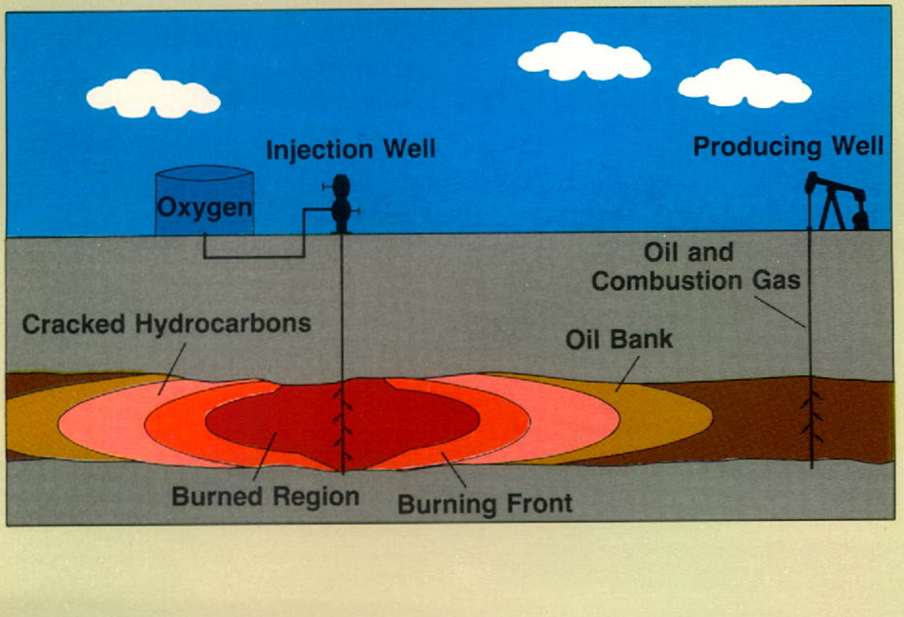
There were 23 exploratory and 57 development wells drilled in 1982 on the farm-out lands. Of the 224 wells drilled to date, 208 are cased and completed as potential oil producers. By year end, a total of 176 wells were producing at an average daily rate of 512 cubic metres (3,223 barrels). Individual wells are capable of daily primary oil production of up to 17.8 cubic metres (112 barrels). Virtually all of the oil production qualifies for NORP pricing.

More than 100 wells will be drilled in 1983, and a second tertiary recovery project is planned for implementation in 1984. It is anticipated that additional projects will be installed every second year, increasing total daily production to approximately 1 860 cubic metres (11,705 barrels) by 1990.

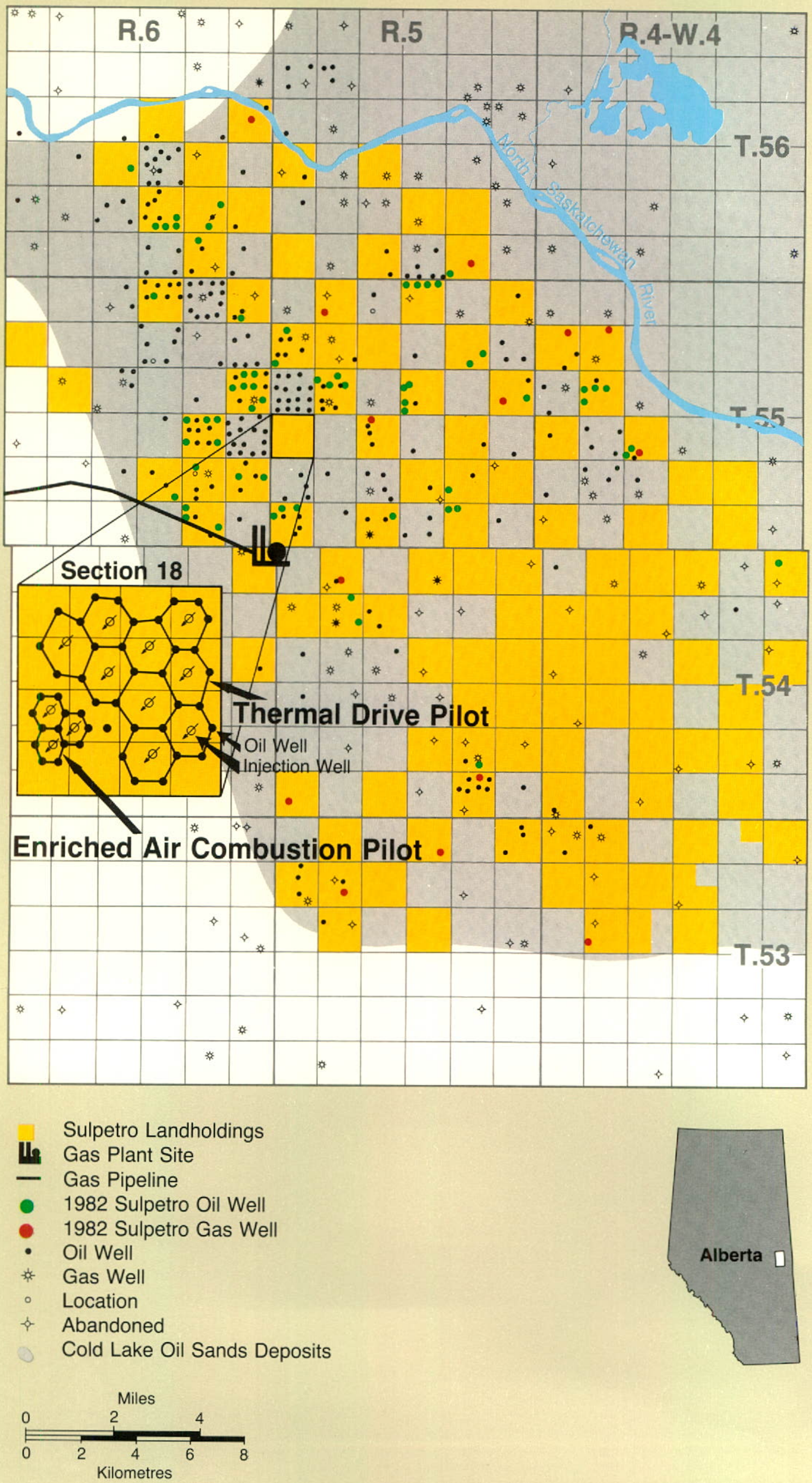
Sulpetro's share of proven primary heavy oil reserves, as estimated by an independent consultant, have doubled over the previous year to 335.3 thousand cubic metres (2.1 million barrels). Additional potential primary reserves are estimated at 702.5 thousand cubic metres (4.4 million barrels), based on an overall primary recovery factor of 3.5 percent of the oil in place. The Company believes the pilot projects will demonstrate a recovery factor of more than 30 percent can be achieved under tertiary recovery methods. Under these circumstances, Sulpetro's share of recoverable reserves from these projects could increase seven to eight fold.

Irish Area

In-Situ Combustion Recovery



Irish-Lindbergh



International

Buchan

A new well, 20/5A-1, was tied into the Buchan production system in late summer. The well is capable of producing at a rate in excess of 3 300 cubic metres (21,000 barrels) per day. Unitization of the field was completed in 1982 and the Company's interest was established at 12.71 percent. Engineering of a gas lift system to increase ultimate oil recoveries from Buchan is scheduled for 1983, along with a review of the field's performance with the Department of Energy to determine whether additional development is required.

Humbly Grove

Three appraisal wells were drilled in 1982, which exhibited the ability to produce at a combined rate of 480 cubic metres (3,000 barrels) per day. One of the wells, Humbly Grove #2, is capable of producing at a rate of about 230 cubic metres (1,450 barrels) per day. Plans for the full development of the field include the drilling of additional infill wells and installation of surface facilities. Development plans will be submitted to the Department of Energy in 1983, with commencement of infill drilling scheduled for the third quarter of 1984, and full production in 1985.

Netherlands

Sulpetro holds a 3.75 percent working interest in the offshore Netherlands Block P/6 gas field, where the production platform jacket and deck were installed in 1982. Commencing early in 1983, four development wells will be drilled from the platform. A pipeline will be laid and production facilities installed during the summer. The field is scheduled to go on stream in early 1984.

Reserves

Overview

At year end, Sulpetro's gross proven remaining and probable additional reserves were estimated to be 37.36 billion cubic metres (1.33 trillion cubic feet) of natural gas, 6.56 million cubic metres (41.27 million barrels) of crude oil and 2.77 million cubic metres (17.40 million barrels) of natural gas liquids.

The majority of the Company's reserves are located in Alberta, with significant crude oil reserves in the United Kingdom.

Consolidated Gross Petroleum and Natural Gas Reserves

As at October 31, 1982

	Crude Oil and NGL		Natural Gas	
	10^3m^3	MB	10^9m^3	Bcf
Proven Reserves October 31, 1981	5 374	33,819	26.4	937
Plus 1982 Additions from drilling and adjustments	1 733	10,883	2.9	105
Less 1982 Sales	(469)	(2,949)	(1.0)	(36)
Proven Remaining Reserves October 31, 1982	**6 638**	**41,753**	**28.3**	**1,006**
Probable Additional Reserves October 31, 1981	1 771	11,145	9.1	323
Plus 1982 Additions (Deletions) from drilling and adjustments	916	5,764	(0.1)	(3)
Probable Additional Reserves October 31, 1982	**2 687**	**16,909**	**9.0**	**320**
Total Proven Remaining and Probable Additional Reserves October 31, 1982	**9 325**	**58,662**	**37.3**	**1,326**

Conversion factor: one 10^3m^3 = 6.293 thousand barrels of oil and ngl
one 10^9m^3 = 35.494 billion cubic feet of gas

Canada

During 1982, Sulpetro's Canadian oil and gas reserves increased substantially due to exploration and development drilling and favorable reservoir performance.

The Company adjusted its estimated reserves in the Elmworth-Wapiti area to reflect projected deep-cut recovery of natural gas liquids. This adjustment resulted in an increase of proven natural gas liquids reserves by 45.5 percent.

During the year, 1.89 billion cubic metres (67.0 billion cubic feet) of proven gas reserves were added, bringing year-end proven remaining gas reserves to 27.77 billion cubic metres (985.6 billion cubic feet). This is an increase of 7.3 percent after allowing for production and adjustment for natural gas liquids recovery at Elmworth-Wapiti.

Although development drilling transferred substantial probable gas reserves to the proven category during 1982, the inventory of probable reserves was maintained.

Proven remaining reserves of crude oil and natural gas liquids increased by 30.2 percent to 5.63 million cubic metres (35.4 million barrels) after deducting 1982 production.

Year-end probable crude oil and natural gas liquid reserves increased by 54.5 percent to 2.02 million cubic metres (12.7 million barrels) over the 12-month period.

International

Buchan

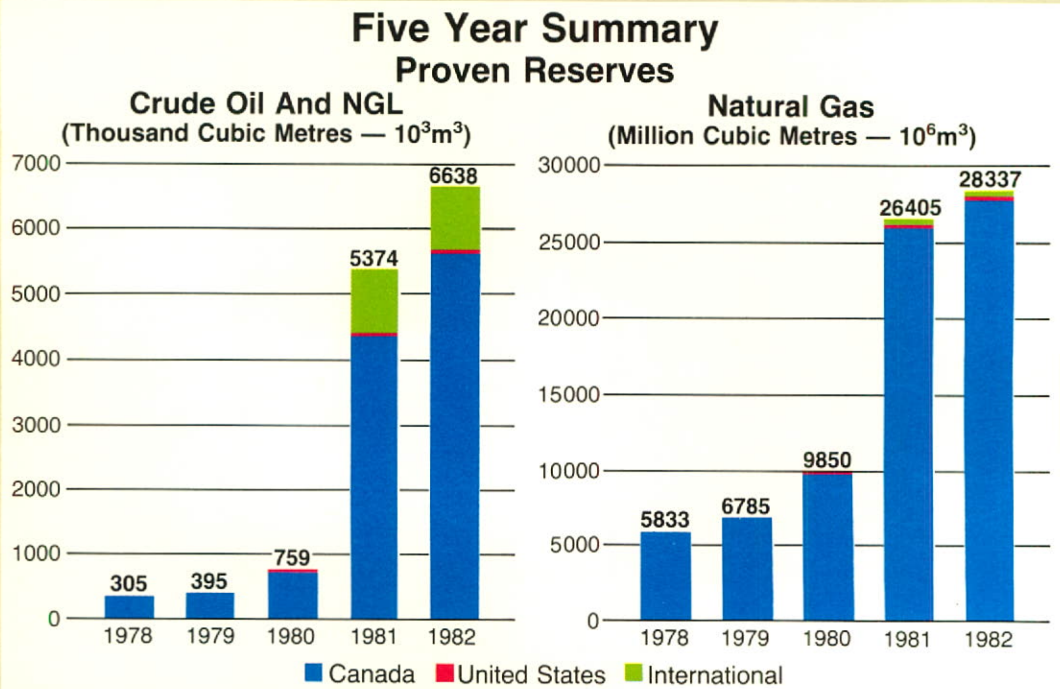
Using production performance and results of additional drilling, independent consultants increased their estimates of recoverable proven reserves for the Buchan and Humbly Grove fields at October 31, 1982. Remaining proven reserves at Buchan, after allowing for production were increased by one million cubic metres (6.3 million barrels) to 5.87 million cubic metres (36.9 million barrels). Sulpetro's share of the remaining proven reserves amount to 746 000 cubic metres (4.7 million barrels). In addition, the consultants increased the estimated probable reserves contained in the field by 186 percent to 4.05 million cubic metres (25.5 million barrels), of which Sulpetro's 12.71 percent share is 515 000 cubic metres or 3.24 million barrels.

Humbly Grove

At Humbly Grove, proven reserves were estimated to have increased to approximately 1.75 million cubic metres (11 million barrels) from 1.1 million cubic metres (7 million barrels) at October 31, 1981. Sulpetro's share of estimated proven reserves at October 31, 1982, is 220 000 cubic metres (1.4 million barrels). Probable reserves attributable to the field remained at about 1.1 million cubic metres (6.9 million barrels), of which Sulpetro's 12.66 percent share is 140 000 cubic metres (880,000 barrels).

United States

Proven remaining reserves of crude oil and natural gas liquids at year end were 36 867 cubic metres (232,000 barrels) and proven remaining gas reserves were 223 million cubic metres (7.9 billion cubic feet).



Gross Petroleum and Natural Gas Reserves by Division

As at October 31, 1982

	Crude Oil (10^3m^3)	Natural Gas Liquids (10^3m^3)	Natural Gas (10^6m^3)
Proven Remaining Reserves			
Canada	3 091.2	2 539.3	27 768
International	953.7	15.9	346
United States	36.9	—	223
Total	4 081.8	2 555.2	28 337
Probable Additional Reserves			
Canada	1 820.3	202.4	8 750
International	651.8	7.9	261
United States	4.4	—	7
Total	2 476.5	210.3	9 018
Proven Remaining and Probable Additional Reserves			
Canada	4 911.5	2 741.7	36 518
International	1 605.5	23.8	607
United States	41.3	—	230
Total	6 558.3	2 765.5	37 355
Total Proven Remaining and Probable Additional Reserves			
1982 — metric	**6 558.3**	**2 765.5**	**37 355**
— thousand barrels	**41,273**	**17,404**	**—**
— billion cubic feet	**—**	**—**	**1,326**
1981 — metric	5 862.8	1 282.2	35 487
— thousand barrels	36,894	8,069	—
— billion cubic feet	—	—	1,260

Conversion factor: one 10^3m^3 = 6.293 thousand barrels of oil and ngl
one 10^6m^3 = 35.494 million cubic feet of gas

Marketing

Natural Gas Markets

Sulpetro has a strong gas contract position with approximately 92 percent of its gas reserves under commitment to gas purchase contracts. Deliveries under Sulpetro's Gas Export I Project were maintained at high levels during the year. However, traditional Canadian purchasers of Sulpetro's gas, the most significant of which is TransCanada PipeLines Limited (TransCanada), continued to experience a weakness in their markets.

In an effort to eliminate further take-or-pay payments, TransCanada proposed an allocation program to the industry. The program, which was agreed to by Sulpetro, reduced the level at which a take-or-pay obligation is incurred under the contracts to 60 percent of the minimum annual contractual obligations. In return, financing was arranged by TransCanada whereby volumes of gas which had been neither taken, nor paid for, over the past two years, were paid for in two installments. Under this allocation program, Sulpetro received an $8 million payment in October 1982, for volumes not taken in the contract year 1980-81 and a $15 million payment in December 1982, for volumes not taken in the contract year 1981-82. A further $2 million will be received in early 1983.

Gas Export Projects

Responding to difficulties encountered in obtaining contracts for new gas discoveries from traditional Canadian purchasers, Sulpetro in 1977 committed itself to directly market a portion of its own natural gas. In 1978, the Company successfully negotiated a natural gas sales contract with Transcontinental Gas Pipe Line Corporation (Transco) and Tennessee Gas Pipeline Co. (Tennessee) in the United States. Regulatory authorizations were obtained and sales commenced in August 1980.

These natural gas export sales contracts allow Sulpetro to produce its natural gas reserves at better rates than could be achieved through traditional arrangements.

Export I

During the year ended October 31, 1982, Sulpetro's Gas Export Project exported a volume of 563 million cubic metres (19.9 billion cubic feet). Since commencement of the project, sales of 1 263 million cubic metres (44.6 billion cubic feet) have been made by Sulpetro to its export customers, Transco and Tennessee. A volume of 606 million cubic metres (21.4 billion cubic feet) is expected to be sold to Transco during the last year of this export project, ending October 31, 1983. This will complete delivery of the entire authorized volume.

Export II

Sulpetro's second project will export up to a total volume of 4 652.8 million cubic metres (164.3 billion cubic feet) of gas to the United States over an eight-year period commencing November 1, 1983. The Company has received permit removal authorization from the Province of Alberta and export approval from the National Energy Board. Authorization to import the gas has been obtained by Sulpetro's customer, Transco, from the Economic Regulatory Agency of the United States.

Maximum daily deliveries under this project will be 2 125 thousand cubic metres (75 million cubic feet) in the initial four years, reducing by 20 percent in each of the final four years. The gas supply will come from eighteen areas which have been contracted to Sulpetro by 34 working-interest partners. The Company has an approximate 33 percent working interest in the overall gas supply.

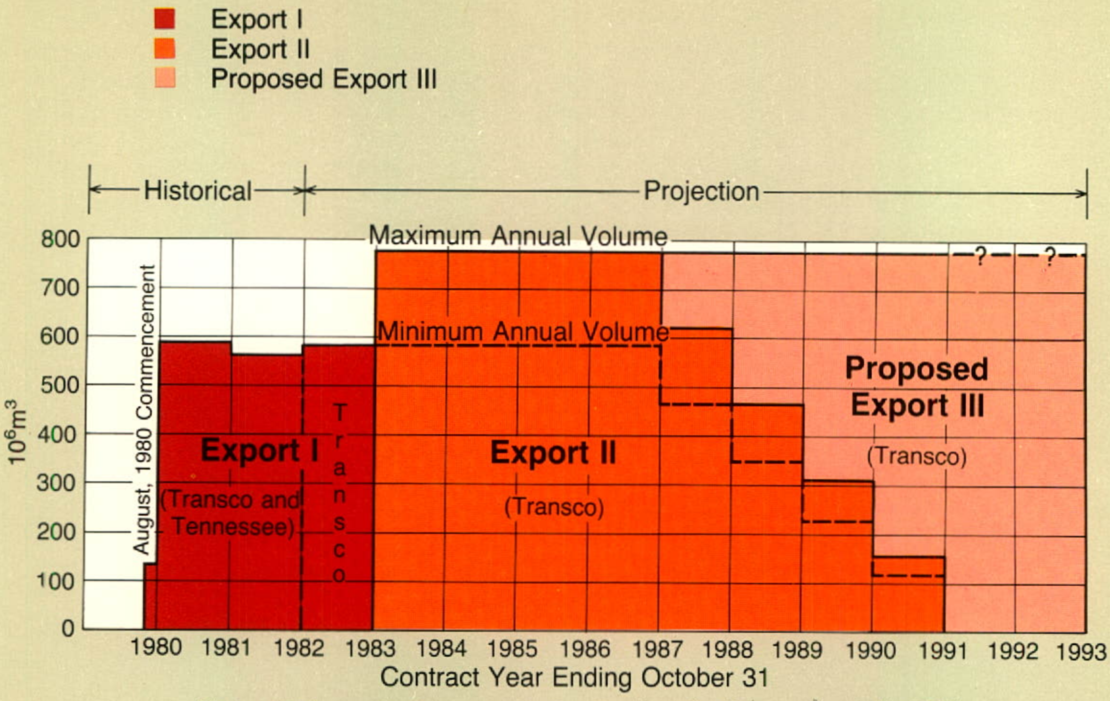
Export III

Pursuant to an option agreement with Transco, Sulpetro will enter into a third gas export contract when adequate new reserves have been developed. This proposed sale would serve to maintain deliveries at a rate which would offset the presently defined declines in the last four years of Export II, as well as extend the period of deliveries beyond 1991.

Sulpetro Export Projects

Niagara Falls Deliveries

(Million Cubic Metres — 10^6m^3)



Note: Sulpetro's Interest in the Project is Approximately 33%

Natural Gas Liquids Markets

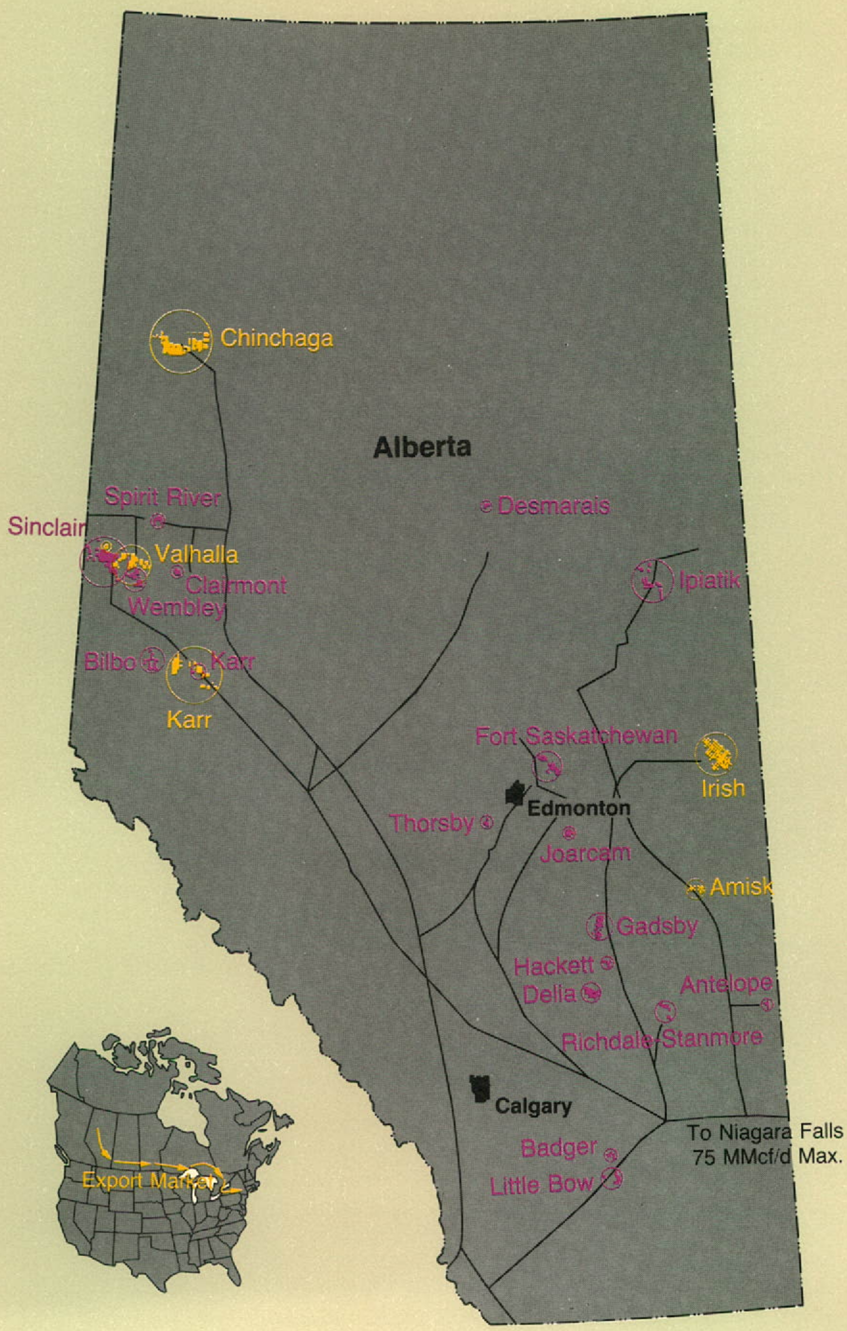
A substantial portion of Sulpetro's natural gas reserves have high natural gas liquids content. Most of these reserves are located in western Alberta, specifically in the Elmworth-Wapiti, Chinchaga, Karr and Valhalla areas. It is the Company's intention to enhance the economic value of these reserves by maximizing recovery of the natural gas liquids and obtaining a market for them.

The first step in the realization of this strategy was taken during 1982 when Sulpetro applied to the ERCB for approval of a major liquids extraction facility in the Elmworth-Wapiti area. The application provided for expansion of the Sulpetro-operated Wapiti plant to process 9.15 million cubic metres (324 million cubic feet) per day of gas starting in 1985, from the combined outputs of the Wapiti and South Wapiti plants. The expansion incorporates deep-cut facilities to increase the capability to recover natural gas liquids, including ethane, from approximately 0.20 thousand cubic metres (1,250 barrels) per day to 2.54 thousand cubic metres (16,000 barrels). Sulpetro's share of this capability will be approximately 21 percent.

Subsequent to year end, the ERCB approved Sulpetro's application to build the Wapiti liquids extraction facility. Formal issuance of the approval will be withheld for a period of up to six months (from January 1983) during which time Sulpetro must satisfy the Board that no feasible alternative arrangements can be made covering the extraction of these liquids.

It is Sulpetro's intention to sell the ethane from the deep-cut facility as a solvent to be used in miscible flood projects in Alberta oil fields and to market the fractionated propane, butane and pentanes plus. Contract negotiations for the sale of these products are under way.

Sources of Gas Supply

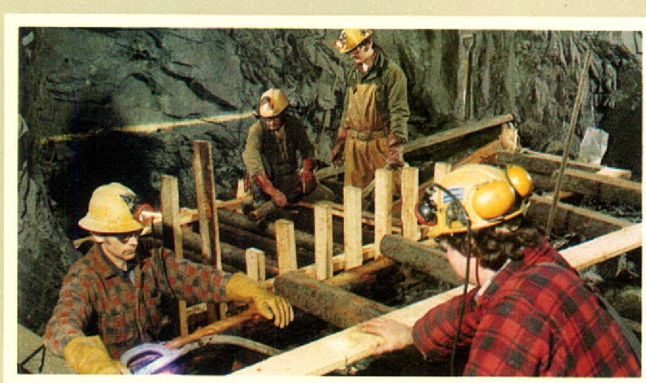


Sulpetro Gas Export #1 Supply Areas
Sulpetro Gas Export #2 Supply Areas
Gas Pipeline

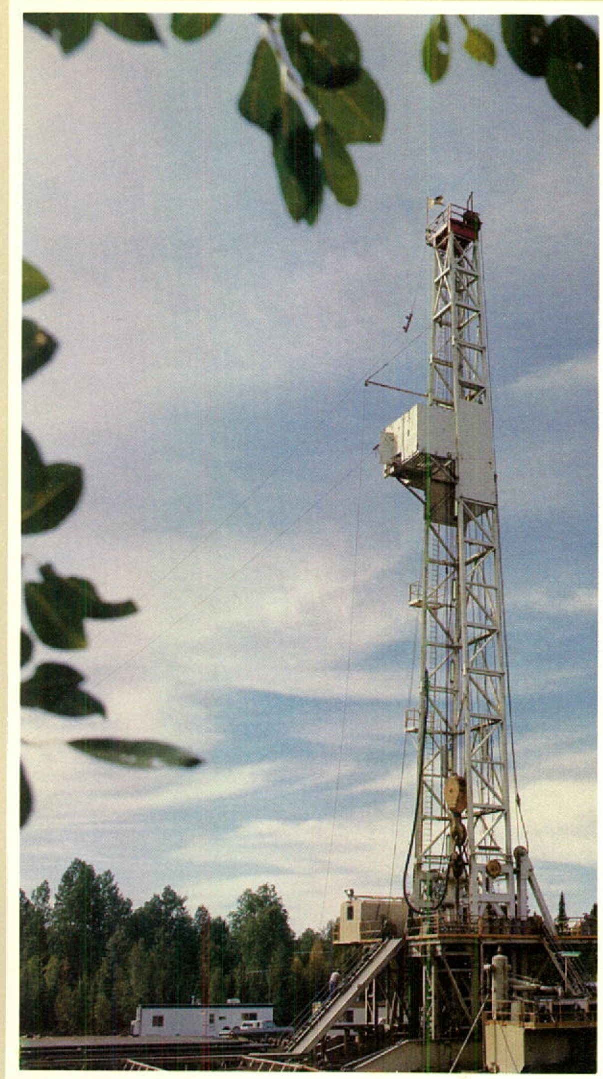
Photo Section

Production platform jacket and deck in the offshore Netherlands Block P/6 gas field.

The Company's head office reception area.



Sulpetro miners engaged in underground construction at the Kewagama Mine, Cadillac, Quebec.

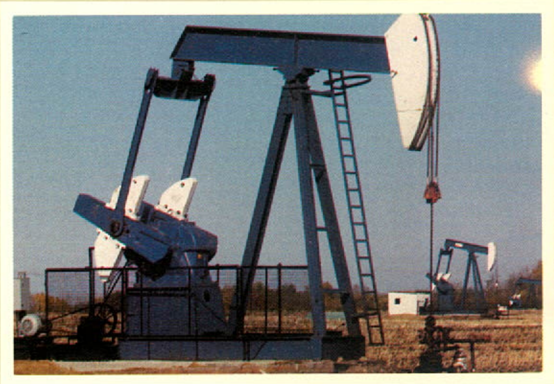


Drilling in the Karr area, south of Grande Prairie, Alberta.

The Irish-Lindbergh Heavy Oil Project near Lloydminster, Alberta.

Pipelining activity for the Irish gas gathering system.

Secretarial work is made easier with up-to-date electronic equipment.



Heavy oil pumping facilities at Irish-Lindbergh.

Operator making a routine tour at the Wapiti Gas Plant.

Senior Operator adjusts gas flow to the Plant.

Explorationists review cross-section log data.

Five-Year Summary

Operations Summary

	1982	1981(1)	1980	1979	1978
Gross Product Sales					
Natural Gas — Thousand cubic metres per day — $10^3m^3/d$					
Canada	2 685	2 097	603	380	268
United States	101	111	—	—	—
Total — $10^3m^3/d$	2 786	2 208	603	380	268
— mmcfd	98.9	78.4	21.4	13.5	9.5
Crude Oil and NGL — Cubic metres per day — m^3/d					
Canada	619	398	21	3	6
International	635	334	—	—	—
United States	30	39	—	—	—
Total — m^3/d	1 284	771	21	3	6
— barrels per day	8,080	4,852	132	19	38
Proven Reserves					
Natural Gas — Million cubic metres — 10^6m^3					
Canada	27 768	25 879	9 670	6 785	5 833
International	346	354	—	—	—
United States	223	172	180	—	—
Total — 10^6m^3	28 337	26 405	9 850	6 785	5 833
Total — bcf	1,006	937	350	241	207
Crude Oil and NGL Thousand cubic metres — 10^3m^3					
Canada	5 631	4 324	727	395	305
International	970	991	—	—	—
United States	37	59	32	—	—
Total — 10^3m^3	6 638	5 374	759	395	305
— mbbls	41,753	33,819	4,776	2,486	1,919
Working Interest Landholdings (2)					
Oil and Gas — Hectares					
Canada					
— Gross	4 171 328	2 696 359	2 165 870	2 204 394	3 375 801
— Net	683 303	696 958	464 049	459 478	669 166
International					
— Gross	2 202 250	2 085 790	—	—	—
— Net	976 660	299 689	—	—	—
United States					
— Gross	129 457	116 979	43 419	—	—
— Net	103 471	96 744	32 805	—	—
Total Hectares					
— Gross	6 503 035	4 899 128	2 209 289	2 204 394	3 375 801
— Net	1 763 434	1 093 391	496 854	459 478	669 166
Total Acres					
— Gross	16,141,995	12,105,745	5,459,153	5,447,171	8,341,779
— Net	4,374,739	2,701,769	1,227,726	1,135,394	1,653,544

Drilling Activity (including royalty-interest wells)
Gas, Oil, D/A (dry and abandoned)

	1982			1981(1)			1980			1979			1978		
	Gas	**Oil**	**D/A**	**Gas**	**Oil**	**D/A**	**Gas**	**Oil**	**D/A**	**Gas**	**Oil**	**D/A**	**Gas**	**Oil**	**D/A**
Canada	139	117	62	152	159	70	123	18	59	101	13	39	91	3	44
International	—	4	4	—	—	5	—	—	—	—	—	—	—	—	—
United States	5	3	1	3	19	21	—	—	—	—	—	—	—	—	—
Total	144	124	67	155	178	96	123	18	59	101	13	39	91	3	44

(1) Includes seven months CanDel statistics for sales and drilling activity. Includes proven reserves and landholdings of CanDel at October 31, 1981.

(2) Excludes IEDC landholdings.

Financial Summary

(thousands of dollars)

	1982	1981 (1) (Restated)	1980	1979	1978
Revenue					
Oil and gas sales	$ 194,354	127,699	23,859	9,549	6,393
Less:					
Royalties	39,749	28,796	6,822	2,854	1,752
Petroleum and Gas Revenue Tax	10,432	5,745	—	—	—
Incremental Oil Revenue Tax	550	—	—	—	—
Supplementary Petroleum Duty	2,289	3,104	—	—	—
	53,020	37,645	6,822	2,854	1,752
	141,334	90,054	17,037	6,695	4,641
Metal sales	2,427	6,972	—	—	—
Contract drilling	4,173	4,087	—	—	—
Interest and other income	8,420	5,489	2,581	593	592
	156,354	106,602	19,618	7,288	5,233
Costs and Expenses					
Cost of sales					
Oil and gas	24,981	12,619	1,945	1,160	439
Metal	1,697	8,086	—	—	—
Contract drilling	5,743	3,717	—	—	—
General and administrative	9,559	8,554	2,997	1,896	1,484
Interest	106,708	65,715	6,022	2,566	2,622
Depletion, depreciation and amortization	62,175	38,363	5,113	2,696	2,029
Loss (gain) on foreign exchange	6,522	393	(3)	88	1,562
Other	1,084	—	—	—	—
	218,469	137,447	16,074	8,406	8,136
Earnings (loss) before income and other taxes	(62,115)	(30,845)	3,544	(1,118)	(2,903)
Income and Other Taxes					
Current (recovery)	(4,485)	(893)	(970)	(409)	(304)
Deferred (recovery)	9,155	(2,811)	1,900	(700)	(750)
	4,670	(3,704)	930	(1,109)	(1,054)
Net Earnings (Loss)	$ (66,785)	(27,141)	2,614	(9)	(1,849)
Funds Provided from Operations	$ 9,497	8,411	9,649	1,987	(570)
Capital Expenditures					
Acquisition of subsidiaries	$ —	624,059	20,156	—	—
Exploration and development	112,884	116,213	37,829	33,745	29,319
	$ 112,884	740,272	57,985	33,745	29,319
Balance Sheet					
Working capital (deficiency)	$ (25,703)	34,248	3,896	3,925	(8,341)
Property, plant and equipment — net	$ 1,003,862	957,340	163,371	106,444	84,938
Long-term debt	$ 809,401	783,100	56,856	48,720	39,917
Deferred income taxes	$ 78,363	69,208	36,358	35,014	27,814
Shareholders' equity	$ 25,809	91,452	74,794	31,691	15,261

(1) Includes seven months of CanDel operations for net earnings, funds and capital expenditures.

Debt Restructuring

An agreement was reached on January 26, 1983, with the Company's principal banker covering the renegotiation of certain terms of the CanDel acquisition loan and the issuance of a $100 million floating rate Convertible Debenture to the Bank. The acquisition loan originally required a repayment of $198 million on May 1, 1983, followed by 32 quarterly payments of approximately $12.5 million each. The revised payment schedule calls for repayments of $67 million on May 1, 1984, $50 million on May 1, 1985, $100 million on May 1, 1986, and 16 quarterly installments of $25 million commencing July 1, 1987. The new repayment schedule was designed to enable the Company to meet debt service requirements from anticipated cash flows and at the same time continue a meaningful program of capital expenditures.

The Convertible Debentures were issued to the Bank on February 15, 1983. The proceeds of the Convertible Debentures will be used to repay the $67 million rescheduled repayment due May 1, 1984, with the balance of $33 million utilized in retirement of other bank borrowings. The Debentures are to be issued in two series of $50 million each, convertible into Class B Common Shares of Sulpetro at $7.50 per share.

For a period of three years following their issue, Series B Debentures may be purchased from the proceeds of an issue of common or non-retractable preferred shares. The Debentures may be redeemed without premium for a period of nine months following their issue and thereafter at the premiums set out in Note 13(a) to the Financial Statements.

Change in Accounting Policy

During 1982, the Company made a change in its accounting policy, retroactively adopting one worldwide cost centre in respect of exploration and development costs capitalized under the full cost method of accounting. This change recognizes the diverse international operations of the Company and provides a better matching of the amortization of the cost of exploration and development with the revenues from production of petroleum and natural gas.

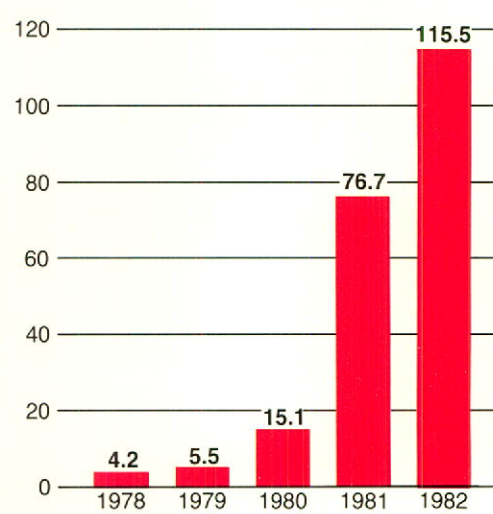
Revenues

Revenues after royalties and production taxes for the year increased 47 percent to $156.3 million from $106.6 million last year. This increase was mainly due to the inclusion of production from the former CanDel properties for the entire year compared to seven months last year, as well as increased production from the Buchan field in the United Kingdom Sector of the North Sea.

Canadian oil and gas sales after royalties and production taxes increased 55 percent to $84.7 million from $54.5 million last year. Royalties on Canadian production increased to $34.1 million from $24.7 million the previous year but declined as a percentage of gross revenue to 26 percent from 29 percent. The Petroleum and Gas Revenue Tax increased to $10.4 million from $5.7 million reflecting the impact of a full year's taxation compared to ten months the previous year as well as an increase in the rate from 8 percent to 11 percent.

Buchan field revenue after royalties and production taxes increased 95 percent to $50.6 million from $25.9 million last year when the field commenced production May 21, 1981.

Net Operating Revenue
(Millions Of Dollars)



Oil and gas sales after royalties in the United States were $5.7 million compared to $7.8 million last year due to reduced volumes of production.

Sulpetro Minerals' revenues of $2.4 million compared to $7.0 million last year was a result of lower prices and significantly lower volumes due to the closure of the silver mine and sale of the smelter at Cobalt, Ontario.

Other income of $8.4 million includes $4.2 million of interest and $3.2 million of overriding royalty income.

Costs and Expenses

Cost of Sales

Oil and gas production expenses increased 98 percent to $25.0 million from $12.6 million last year. The inclusion of 12 months of operations of the former CanDel properties in 1982 accounted for this increase.

The cost of metal sales declined to $1.7 million in 1982 from $8.1 million reflecting the decrease in production activity of Sulpetro Minerals.

The cost of contract drilling operations in the United States increased to $5.7 million from $3.7 million in 1981 as a result of operating four rigs throughout 1982 compared to two rigs the previous year.

General and Administrative Expense

Net general and administrative expenses after capitalization and recoveries increased 12 percent to $9.6 million from $8.6 million in 1981. Administrative costs capitalized during the year totalled $8.7 million compared to $4.8 million the previous year.

Interest

The increase in interest expense to $106.7 million from $65.7 million was due to the following: a small increase in the total debt in 1982; interest calculated on the CanDel acquisition debt for a full year compared to seven months in 1981 and the high levels reached by the prime lending rate throughout most of fiscal 1982. Interest rates paid by the Company during the year have varied from 7⅝ percent on Swiss franc borrowings to 20⅜ percent on U.S. dollar LIBOR borrowings. The Company's overall cost of borrowing at October 31, 1982, was 13¾ percent.

The Company capitalizes a portion of its interest costs incurred during the year with respect to loans used to purchase undeveloped lands. Total interest costs were $134.8 million of which $28.1 million has been capitalized compared to $86.7 million and $21 million respectively in 1981.

The decrease in interest rates in the latter part of 1982 and in 1983 is expected to continue to reduce the interest costs to the Company.

Depletion, Depreciation and Amortization

Depletion expense increased 55 percent to $41.2 million from restated depletion of $26.6 million in 1981. This increase was mainly due to the depletion of the former CanDel properties for 12 months and increased production from the Buchan field.

Depreciation expense increased 88 percent from $8.7 million to $16.4 million primarily as a result of increased production from the Buchan field. Amortization expense increased 50 percent to $4.5 million from a restated $3.0 million in 1981.

Foreign Exchange

Included in the foreign exchange loss was a nonrecurring charge of $5.8 million due to the conversion of U.S. $100 million of long-term debt to Canadian funds. The loan conversion was made to more closely align the Company's U.S. dollar denominated debt with anticipated future U.S. dollar cash flows.

Income and Other Taxes

Canadian and United Kingdom corporate income tax and U.K. Petroleum Revenue Tax totalled $4.7 million for the year ended October 31, 1982, compared to a recovery of $3.7 million the previous year. (See Note 8 to the Consolidated Financial Statements.)

Current Canadian taxes recovered increased to $4.5 million from $0.9 million mainly as a result of an increase in the Alberta Royalty Tax Credit. Canadian deferred taxes recovered declined to $1.0 million from $8.3 million the previous year reflecting reduced losses for tax purposes as a result of the amalgamation of Sulpetro and CanDel on November 2, 1981.

United Kingdom taxes, which were all deferred, increased with higher production revenues to $10.2 million from $5.5 million a year ago.

Loss

The increased loss for the year of $66.8 million ($4.46 per share) compared to a restated loss of $27.1 million ($2.24 per share) in 1981 resulted from the high rates of interest in 1982 and noncash charges associated with the purchase of CanDel.

Changes in Financial Position

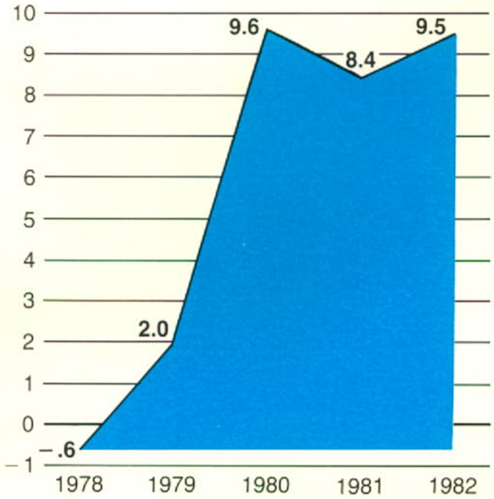
Funds provided from operations increased 13 percent to $9.5 million from $8.4 million in 1981. Before interest expense of $106.7 million, funds generated were $116.2 million compared to $74.1 million in the previous year.

Long-term debt increased by $26.3 million, compared to $675.2 million in 1981. New borrowings of $43.1 million (1981 — $690.5 million) together with a foreign exchange conversion of $5.8 million were partially offset by repayments of $22.6 million (1981 — $15.2 million).

Share capital issued during the year included $1.3 million for Class B Common Shares under the employees' share purchase and stock option plans and $0.6 million of Series Z Stock Dividend Convertible Retractable Preferred Shares. The Series Z Shares were issued to G. A. Van Wielingen and Consolidated-Bathurst Inc. (Bathurst) at prices determined by underwriters. The shares were issued in order to preserve the Company's status as a dividend paying corporation for investment rating purposes. The Company agreed to reduce the share subscription payable by Bathurst

Funds Provided From Operations

(Millions of Dollars)



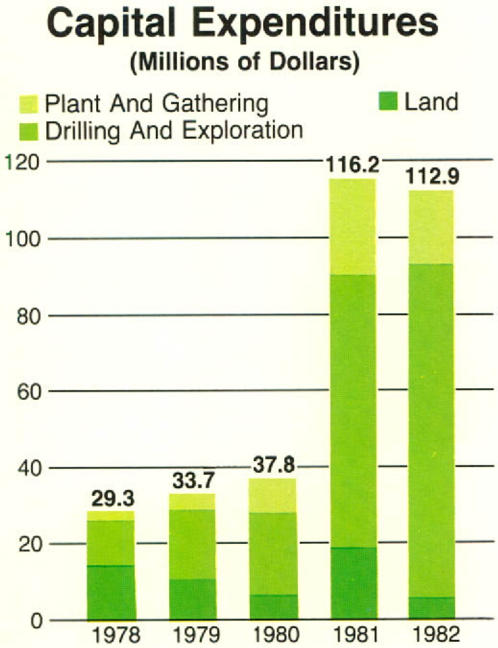
to Sulbath Exploration Ltd. in the amount of $0.5 million, an amount equal to the cost of the 25,000 Series Z Shares purchased by Bathurst.

Reduction of notes receivable included the remaining $5 million of capital stock of Sulbath subscribed for by Bathurst during the year.

Proceeds from disposal of property, plant and equipment includes approximately $1.9 million from the disposal of the mill and smelter facilities; $1.9 million from the participation by the Netherlands state petroleum company in expenditures previously incurred by Sulpetro in the North Sea; and $2.0 million from the farm out of the Company's interest in Egypt.

Prepayment for future gas production included $21.9 million representing take-or-pay monies owing from TransCanada PipeLines for the 1980-81 and 1981-82 contract years when TransCanada's obligation to take gas had been reduced to 80 percent of the contract volumes. These amounts will be included in earnings when the gas is delivered. Under a new agreement TransCanada's obligation to take gas has been reduced to 60 percent of the daily contract quantity from 80 percent effective November 1, 1982.

Capital expenditures for the year totalled $112.9 million compared to $116.2 million in 1981 as follows:



	1982	1981
	(Millions of dollars)	
Oil and gas		
Acquisition costs	**$ 5.7**	$ 19.0
Exploration	**32.1**	37.1
Development	**68.3**	47.7
Mining	**6.6**	5.5
Contract drilling	**.2**	6.9
	$112.9*	$116.2

*Includes capitalized interest, general and administrative costs and foreign exchange of $39.0 million (1981 — $25.8 million) and Petroleum Incentive Payments of $9.9 million (1981 — $6.9 million).

An additional net investment of $7.2 million was made in IEDC compared to $6.6 million invested in 1981. The Company sold its direct interest in IEDC B.V. for proceeds of $2.9 million.

During the year working capital decreased to a deficiency of $25.7 million at October 31, 1982, compared to working capital of $34.2 million at the start of the year.

Quarterly Financial Results 1982 (Unaudited)

	Three Months Ended				Year
	Jan. 31	Apr. 30	July 31	Oct. 31	1982
	(Thousands of dollars except per share amounts)				
Revenue	$ 36,294	36,435	38,943	44,682	**156,354**
Net (loss)	$(13,152)	(13,375)	(26,700)	(13,558)	**(66,785)**
Net (loss) — per share	$ (0.88)	(0.89)	(1.78)	(0.91)	**(4.46)**
Funds (loss) from Operations	$ (381)	1,571	(5,909)	14,216	**9,497**
Share Trading Ranges					
Class B Common Shares					
— High	$ 18.88	16.50	6.25	8.25	**18.88**
— Low	$ 13.25	6.75	4.65	5.13	**4.65**

Quarterly Financial Results 1981 (Unaudited)

	Three Months Ended				Year
	Jan. 31	Apr. 30	July 31	Oct. 31	1981
	(Thousands of dollars except per share amounts)				
Revenue	$11,321	16,117	42,855	36,309	106,602
Net Earnings (loss)	$ 2,722	(3,919)	(8,301)	(17,643)	(27,141)
Net Earnings (loss) — per share	$ 0.19	(0.36)	(0.53)	(1.54)	(2.24)
Funds (loss) from Operations	$ 6,450	2,818	6,767	(7,624)	8,411
Share Trading Ranges					
Class B Common Shares					
— High	$ 25.50	26.75	33.50	30.75	33.50
— Low	$ 21.75	21.00	23.50	17.00	17.00

SULPETRO LIMITED
Consolidated Balance Sheet

October 31, 1982
(with comparative figures for 1981)
(thousands of dollars)

ASSETS

	1982	1981 (Restated)
Current Assets		
Cash and term deposits	$ 1,968	$ 17,322
Accounts receivable	62,878	44,267
Inventories (Note 3)	3,288	5,669
Notes and other receivables (Note 4)	14,882	26,037
Other	350	442
Total current assets	83,366	93,737
Notes and Other Receivables (Notes 4 and 9)	4,081	6,179
Investment in Affiliate — At Equity	16,022	9,550
Property, Plant and Equipment (Note 5(a)) — At Cost	1,110,834	1,006,727
Accumulated depletion, depreciation and amortization	106,972	49,387
	1,003,862	957,340
Other Assets — At Cost	2,490	1,388
	$1,109,821	$1,068,194

LIABILITIES AND SHAREHOLDERS' EQUITY

	1982	1981 (Restated)
Current Liabilities		
Due to bank — secured (Note 6)	$ 26,426	$ 3,395
Accounts payable and accrued liabilities	63,878	46,000
Long-term debt — due within one year (Note 7)	12,660	6,497
Income and other taxes payable	6,105	3,597
Total current liabilities	109,069	59,489
Long-Term Debt (Note 7)	809,401	783,100
Deferred Income Taxes	78,363	69,208
Prepayment for Future Gas Production	42,677	19,944
Minority Interest (Note 9)	44,502	45,001
Shareholders' Equity		
Share capital (Notes 9 and 10)	108,861	107,461
Contributed surplus (Note 10)	3,244	3,501
	112,105	110,962
(Deficit)	(86,296)	(19,510)
	25,809	91,452
	$1,109,821	$1,068,194

Approved on behalf of the Board:

, Director

, Director

SULPETRO LIMITED

Consolidated Statement of Changes in Financial Position

Year ended October 31, 1982
(with comparative figures for 1981)
(thousands of dollars)

	1982	1981
Funds Were Provided From		
Operations	**$ 9,497**	$ 8,411
Issuance of long-term debt	**43,091**	690,484
Issuance of share capital	**1,899**	47,827
Share subscription receivable — current	**(500)**	40,000
Reduction of notes and other receivables	**6,106**	1,039
Sale of property, plant and equipment	**6,792**	5,724
Prepayment for future gas production	**22,733**	3,963
Other — net	**(33)**	(934)
	89,585	796,514
Funds Were Used For		
Acquisition of subsidiary	**—**	624,059
Acquisition of property, plant and equipment	**112,884**	116,213
Investment in affiliate	**7,199**	6,604
Reduction of long-term debt	**22,598**	15,258
Redemption of Convertible Preferred Shares	**—**	2,280
Dividend on Convertible Preferred Shares	**—**	1,748
Increase in notes and other receivables	**4,008**	—
Purchase of Class B Common Shares	**757**	—
Refinancing costs	**2,090**	—
	149,536	766,162
Increase (Decrease) in Working Capital	**(59,951)**	30,352
Working Capital at Beginning of Year	**34,248**	3,896
Working Capital (Deficiency) at End of Year	**$ (25,703)**	$ 34,248

SULPETRO LIMITED
Consolidated Statement of Earnings

Year ended October 31, 1982
(with comparative figures for 1981)
(thousands of dollars)

	1982	1981 (Restated)
Revenue		
Oil and gas sales	**$194,354**	$127,699
Less: Royalties	**39,749**	28,796
Petroleum and Gas Revenue Tax	**10,432**	5,745
Incremental Oil Revenue Tax	**550**	—
Supplementary Petroleum Duty	**2,289**	3,104
	53,020	37,645
	141,334	90,054
Metal sales	**2,427**	6,972
Contract drilling	**4,173**	4,087
Interest and other income	**8,420**	5,489
	156,354	106,602
Expenses		
Cost of sales		
Oil and gas	**24,981**	12,619
Metal	**1,697**	8,086
Contract drilling	**5,743**	3,717
General and administrative	**9,559**	8,554
Interest	**106,708**	65,715
Depletion, depreciation and amortization (Note 5(b))	**62,175**	38,363
	210,863	137,054
Loss before the following	**(54,509)**	(30,452)
Loss on foreign exchange	**6,522**	393
Other	**1,084**	—
Loss Before Income and Other Taxes	**(62,115)**	(30,845)
Income and Other Taxes (Note 8)		
Current (recovery)	**(4,485)**	(893)
Deferred (recovery)	**9,155**	(2,811)
	4,670	(3,704)
Net Loss	**$ (66,785)**	$ (27,141)
Net Loss per Share		
Basic	**$ (4.46)**	$ (2.24)
Adjusted basic	**$ (4.46)**	$ (2.00)

SULPETRO LIMITED

Consolidated Statement of Retained Earnings

Year ended October 31, 1982
(with comparative figures for 1981)
(thousands of dollars)

	1982	1981
Retained earnings (deficit) at beginning of year	**$(23,344)**	$ 9,379
Retroactive adoption of one cost centre in respect of costs capitalized under the full cost method of accounting for oil and gas properties	**3,834**	—
As restated	**(19,510)**	9,379
Deduct		
Loss	**(66,785)**	(27,141)
Dividends on 7% Convertible Preferred Shares	—	(1,748)
Dividends on 14% Stock Dividend Convertible Preferred Shares	**(1)**	—
	(66,786)	(28,889)
Deficit at end of year	**$(86,296)**	$(19,510)

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Sulpetro Limited as at October 31, 1982 and the consolidated statements of earnings, 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 October 31, 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, after giving retroactive effect to the change in the method of depleting the exploration and development costs of petroleum and natural gas properties as explained in Note 1(k) to the financial statements, on a basis consistent with that of the preceding year.

Calgary, Canada
December 15, 1982
(except for Note 13
which is dated January 26, 1983)

Peat, Marwick, Mitchell & Co

Chartered Accountants

SULPETRO LIMITED
Notes to Consolidated Financial Statements

October 31, 1982
(tabular figures in thousands of dollars)

1. Summary of Significant Accounting Policies

The financial statements have been prepared by the Company in accordance with accounting principles generally accepted in Canada ("GAAP") and which are also in conformity with the historical cost accounting standards of the International Accounting Standards Committee. The Company's internal controls have been designed to provide reasonable assurance that assets are safeguarded, and that the financial records are sufficiently reliable to allow preparation of financial statements in accordance with GAAP. Due to the nature of the Company's operations, certain estimates are involved in the preparation of such statements. In the Company's opinion, the financial statements have been prepared within reasonable limits of materiality and within the framework of the significant accounting policies as summarized below:

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include, in addition to the accounts of the Company, the accounts of its wholly-owned subsidiaries Sulpetro Resources, Inc., Sulpetro Minerals Limited, and its 50.005 percent owned subsidiary, Sulbath Exploration Ltd. ("Sulbath").

(b) FULL COST METHOD OF ACCOUNTING

The Company follows the full cost method of accounting for exploration and development expenditures, wherein all costs related to the exploration for and the development of petroleum and natural gas reserves are capitalized on a worldwide cost centre basis. Costs capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and nonproductive wells, overhead related to exploration and development activities, as well as interest and applicable foreign exchange gains or losses related to funds borrowed to acquire nonproducing properties.

Costs capitalized are being depleted on the unit-of-production method based on estimated proven reserves, as determined by Company engineers. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude oil based on the approximate relative energy content of each product, where applicable.

(c) JOINT VENTURE ACCOUNTING

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

(d) REVENUE RECOGNITION

Revenue from petroleum and natural gas production is recognized based on the Company's share of daily production with the exception of revenue from offshore crude oil production (Buchan) which is recognized based on the Company's share of tanker loads lifted.

(e) MINERAL PROPERTIES

Costs related to the exploration for and development of minerals generally are capitalized as incurred. Costs related to projects abandoned are charged to the consolidated statement of earnings at that time. Property acquisition, capitalized mineral exploration and development costs and pre-production costs relating to mineral development are amortized using the unit-of-production method, when production commences.

(f) DEPRECIATION

Depreciation of North American oil and gas plants and equipment is provided by the diminishing balance method at annual rates to amortize the costs over the estimated useful lives as follows:

Lease and well equipment — 10 percent.
Gas plant and related facilities — 4 percent.
Other — 10 percent to 30 percent.

Capital expenditures on production facilities at the Buchan field in the United Kingdom sector of the North Sea are depreciated using the unit-of-production method based on estimated proven reserves as determined by Company engineers.

Depreciation on mining facilities used to process minerals is provided on a straight line basis at rates varying from 10 percent to 25 percent.

Notes cont'd

Summary of Significant Accounting Policies cont'd

(g) TRANSLATION OF FOREIGN CURRENCIES

The Company follows the current - non-current method of accounting for translation of accounts originating in foreign currencies, whereby current assets and current liabilities are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date and non-current assets and long-term liabilities are translated at applicable historical rates. The items in the consolidated statement of earnings are translated at the average rates of exchange prevailing during the year except for depreciation and depletion, which are translated at the same rate as used for the related assets.

Foreign currency transactions are translated into Canadian dollars using the exchange rate in effect on the transaction date.

(h) INCOME TAXES

The Company follows the tax allocation method of accounting for income taxes, whereby deferred taxes are provided to the extent that current taxes have been reduced by claiming capital cost allowances and exploration, development, and lease acquisition costs in excess of the related depletion, depreciation and amortization provided in the financial statements.

(i) PREPAYMENT FOR FUTURE GAS PRODUCTION

Amounts due for annual contracted gas volumes not taken by purchasers are recorded as deferred revenue at the end of contract years in which shortfalls occur. These amounts will be reported as revenue upon the subsequent delivery of gas which will depend on marketing conditions.

(j) EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. Adjusted basic earnings per share, in 1981, were calculated as though the conversion of the 7% Cumulative Redeemable First Preferred Shares, Series A had taken place at the beginning of the year. The calculation of earnings per common share on a fully diluted basis assumes the conversion of all securities and exercise of all stock options which would have a dilutive effect on earnings per share. However, earnings per share on a fully diluted basis are anti-dilutive and therefore are not presented.

(k) CHANGE IN ACCOUNTING POLICY

(i) In 1982, the Company retroactively adopted one cost centre in respect of costs capitalized under the full cost method of accounting for petroleum and natural gas properties. This retroactive change recognizes the diverse international operations of the Company in that all exploration and development costs capitalized are depleted based on the total estimated proven reserves and production as described in Note 1(b). Previously, the Company utilized cost centres including North America, the United Kingdom, the Netherlands and various other countries where operations are conducted. If this policy had continued to be followed, losses for the year ended October 31, 1982, net of income taxes, would have increased by $11.6 million. As a result of this change, previously reported net loss for the year ended October 31, 1981, has been reduced by $3.8 million. The retroactive change has had no effect on earnings or retained earnings prior to October 31, 1980.

(ii) With effect from November 1, 1981, the Company prospectively adopted the diminishing balance method of calculating depreciation on all North American oil and gas plants and equipment. Previously a combination of the straight line method and diminishing balance method was used. This change has not had a material effect on the net loss for 1982.

2. Acquisition of Subsidiary Company

Effective April 3, 1981, the Company acquired 12,254,000 (approximately 92 percent) of the issued and outstanding common shares of CanDel (an oil and gas exploration, development and production company incorporated under the Canada Business Corporations Act) for a total purchase price of $545,939,000. Under a subsequent cash offer extended to August 31, 1981, the Company acquired over 90 percent of the remaining shares of CanDel and exercised its right under Section 199 of the Canada Business Corporations Act to acquire any remaining shares that had not been tendered under the offer bringing the total purchase price to $599,943,000. Effective November 1, 1981, the Company amalgamated with its wholly-owned subsidiary, CanDel, under the provision of The Companies Act (Alberta).

3. Inventories

	1982	1981
Material and supplies at lower of cost and replacement cost	**$3,078**	$5,282
Metals at lower of cost and net realizable value	**210**	387
	$3,288	$5,669

4. Notes and Other Receivables

	1982	1981
From directors, officers and employees — non-interest bearing secured notes as payment for shares and other benefits given under the Company's directors' and employees' benefit plans	**$ 3,467**	$ 2,216
Joint venture receivables	**2,742**	—
Share subscription receivable (Note 9)	**12,754**	30,000
	18,963	32,216
Less amounts due within one year	**14,882**	26,037
	$ 4,081	$ 6,179

5. (a) Property, Plant and Equipment — At Cost

	1982			1981 (Restated)
	Cost	Accumulated Depletion, Depreciation and Amortization	Net	Net
Petroleum and natural gas leases and rights including exploration and development thereon	**$ 897,755**	**$ 73,618**	**$ 824,137**	$786,105
Mineral properties, including net exploration, development, and equipment thereon	**67,653**	**6,190**	**61,463**	58,940
Production and other equipment:				
Gas plants and related facilities	**50,741**	**4,772**	**45,969**	35,834
Lease and well equipment	**81,472**	**18,988**	**62,484**	65,907
Drilling equipment	**4,104**	**591**	**3,513**	3,690
Other, including assets under capital leases at a cost of $2,773,000 (1981 — $2,773,000)	**9,109**	**2,813**	**6,296**	6,864
	145,426	**27,164**	**118,262**	112,295
	$1,110,834	**$106,972**	**$1,003,862**	$957,340

5. (b) Depletion, Depreciation and Amortization

Components of depletion, depreciation and amortization expense in the consolidated statement of earnings are:

	1982	1981 (Restated)
Depletion	**$41,236**	$26,594
Depreciation	**16,454**	8,732
Amortization	**4,485**	3,037
	$62,175	$38,363

Notes cont'd

6. Due to Bank

The amount due to bank of $26,426,000 (1981 — $3,395,000), consists of demand bank loans secured by a general assignment of accounts receivable. Interest expense on the consolidated statement of earnings includes $1,548,000 related to short-term borrowings.

7. Long-Term Debt

At October 31, 1982 and 1981, the following long-term debt was outstanding:

	1982	1981
Bank loans for the purchase of shares of CanDel of $318,000,000 U.S., $177,728,000 Canadian and 69,000,000 Swiss francs. (October 31, 1981 — $454,452,355 U.S. and $52,474,180 Canadian)	**$598,131**	$591,455
Production bank loan of $99,000,000 U.S. (1981 — $79,783,979 U.S.)	**118,122**	94,744
Credit Facility of $35,200,000 U.S. (1981 — $38,400,000 U.S.) bearing interest at ¾ of 1 percent above London Inter-Bank Offered Rate ("LIBOR"). $24,000,000 U.S. is repayable in ten equal semi-annual installments commencing December 31, 1982 and the balance in equal semi-annual installments of $1,600,000 U.S. during the period ending February 28, 1986	**42,532**	46,199
$32,000,000 U.S. (October 31, 1981 — $25,000,000 U.S.) loan with respect to a U.S. Credit Agreement with principal payments in quarterly installments over a ten-year period commencing July 1, 1986	**38,692**	30,161
10⅝% Secured Debentures maturing September, 1992	**15,500**	17,000
U.S. dollar 9% Convertible Subordinated Debentures $1,875,000 U.S. maturing March 1, 1989	**2,196**	2,196
U.S. dollar bank loan of $1,550,025 U.S. (October 31, 1981 — $1,650,000) bearing interest at U.S. base rate plus ¾ of 1 percent is repayable in equal monthly installments over seven years commencing November 15, 1981 and secured by the assignment of certain equipment	**1,873**	1,986
Obligation under capital leases	**2,139**	2,360
Other	**2,876**	3,496
	822,061	789,597
Less amounts due within one year	**12,660**	6,497
	$809,401	$783,100

The bank loan for the purchase of the shares of CanDel was secured by an assignment of the shares of CanDel to November 1, 1981, at which time, as a result of the amalgamation referred to in Note 2, such security was replaced by an undertaking to assign the Company's interest in certain petroleum and natural gas interests. The agreement with the lender provided for (see Note 13), among other things:

(a) the denomination of funds borrowed under the loan in any combination of Canadian dollars, United States dollars and any currency in the London InterBank Market (other than Canadian dollars) and the Company may, at its option, convert outstanding portions of the loan into other authorized currencies,

(b) a maximum loan amount of the equivalent of $596 million Canadian funds,

(c) interest at rates to be determined from time to time at LIBOR plus ¾ of 1 percent, or the U.S. Base Rate plus ⅜ of 1 percent, or the Canadian bank prime rate plus ⅜ of 1 percent,

(d) a payment, at a minimum, equal to drawdowns in excess of $400 million by May 1, 1983, from the proceeds of the sale of assets, long-term fixed rate financing and/or equity issues including Convertible Debentures,

(e) the repayment of the balance outstanding in quarterly installments over a period not exceeding eight years commencing July 1, 1983.

At October 31, 1982, the Company has fixed the maturities and interest rates relating to the \$318 million U.S. portion of the loan at rates from 11⅝ percent to 16⅞ percent for periods from December 29, 1982 to July 1, 1987. Maturities under the Swiss franc 69 million portion of the loan vary from March 12, 1987 to May 11, 1987, at interest rates from 7⅝ percent to $8\frac{5}{16}$ percent. Based on exchange rates in effect at October 31, 1982, the maximum amount of the loan was exceeded by \$9.8 million, and the Company has negotiated, with the lender, a revision to the terms of repayment of the loan for the purchase of the shares of CanDel (see Note 13).

The production bank loans and the Credit Agreement are secured by assignments of certain petroleum and natural gas properties and, in certain circumstances, the production proceeds therefrom. The bank has agreed to defer principal repayments on the production bank loans until November 1, 1983, at which time the terms of repayment with respect to the principal balance then outstanding will be renegotiated to provide for a maximum amortization period of ten years. Interest rates on the production bank loans and Credit Agreement loan are determined from time to time, at LIBOR plus up to 1 percent and U.S. Base Rate plus up to ½ of 1 percent.

The Credit Facility, for the development of the Buchan field, is secured by two Alberta gas fields and the Buchan field.

The 10⅝% Secured Debentures are secured by certain petroleum and natural gas properties and provide for annual sinking fund payments.

The 9% Convertible Subordinated Debentures are convertible at the option of the holder into Class B Common Shares at a rate of 269.22 shares for each U.S. \$5,000 principal amount of Debentures at any time before March 1, 1984. These Debentures are unsecured and are subordinated to all other indebtedness of the Company.

The minimum repayments of long-term debt, including the present value of minimum lease payments in each of the next five years are: 1983 — \$12.7 million, 1984 — \$76.2 million, 1985 — \$76.2 million, 1986 — \$124.4 million and 1987 — \$76.2 million.

The minimum future payments at October 31, 1982, under capital leases are as follows:

1983	\$ 501
1984	501
1985	501
1986	462
1987	341
Later years	946
	3,252
Less imputed interest	1,113
	\$2,139

Of the total annual payments \$58,000 relates to a lease expiring on February 28, 1986; \$173,000 to a lease expiring on March 31, 1987; and \$269,000 to a lease expiring on April 30, 1991.

In accordance with the Company's accounting policy (Note 1), interest of \$28,133,000, (1981 — \$21,025,000) has been capitalized.

8. Income and Other Taxes

Total income and other taxes amounted to \$4,670,000 in 1982, and a recovery of \$3,704,000 (restated) in 1981 and are comprised of the following:

	Canada	United Kingdom	Total
1982			
Corporate income taxes			
Current (recovery)	**\$(4,485)***	**\$ —**	**\$(4,485)**
Deferred (recovery)	**(1,051)**	**5,554**	**4,503**
U.K. Petroleum Revenue Tax Deferred	**—**	**4,652**	**4,652**
	\$(5,536)	**\$10,206**	**\$ 4,670**

Notes cont'd

Income and Other Taxes cont'd

	Canada	United Kingdom	Total
1981 (Restated)			
Corporate income taxes			
Current (recovery)	$ (893)*	$ —	$ (893)
Deferred (recovery)	(8,274)	1,783	(6,491)
U.K. Petroleum Revenue Tax Deferred	—	3,680	3,680
	$(9,167)	$ 5,463	$(3,704)

* After the deduction of the Alberta Royalty Tax Credit.

	1982		1981 (Restated)	
	Amount	**Percent of Pretax Earnings**	Amount	Percent of Pretax Earnings
Computed "expected" tax expense	**$(30,436)**	**(49)%**	$(15,114)	(49)%
Increase in income taxes resulting from:				
Nondeductible royalties, lease rentals and mineral taxes payable to the Crown net of provincial rebates and credits	**11,181**	**18**	9,333	30
Loss on foreign exchange	**2,912**	**5**		
U.K. Corporation Tax	**5,554**	**9**	1,783	6
U.K. Petroleum Revenue Tax — Net	**4,652**	**7**	1,877	6
Petroleum and Gas Revenue Tax	**5,112**	**8**	2,815	9
Amortization of excess of attributed value over book value of assets acquired on purchase of subsidiary companies	**12,336**	**20**	5,324	17
Excess of current expected rate of income taxes over average rate of accumulated deferred income taxes drawn down	**1,791**	**3**	1,844	6
Losses of subsidiary company	**4,648**	**7**	—	—
	17,750	**28**	7,862	25
Decrease in taxes resulting from:				
Tax depletion on Canadian production income	**(694)**	**(1)**	(3,090)	(10)
Resource allowance on Canadian production income	**(12,173)**	**(20)**	(8,162)	(26)
Other	**(213)**	**—**	(314)	(1)
	$ 4,670	**7%**	$ (3,704)	(12)%

Deferred tax credits available in Canada and arising in the year ended October 31, 1982, with respect to the Company's operations in the United Kingdom aggregate $7.5 million.

9. Sulbath Exploration Ltd.

The Company, pursuant to an Agreement effective May 29, 1981, with a shareholder, Consolidated-Bathurst Inc. ("Bathurst"), formed a joint exploration company, Sulbath Exploration Ltd. ("Sulbath"). The Company exchanged certain petroleum and natural gas properties for approximately 51 percent of the capital stock of Sulbath and Bathurst subscribed for approximately 49 percent of the capital stock of Sulbath for $45,000,000, which amount is to be expended in exploration and development activities of Sulbath. The subscription was payable as to $15,000,000 in the Company's 1981 fiscal year, $25,000,000 in 1982 and the balance in 1983 (Note 4). Under the Agreement, Bathurst is entitled to income tax deductions resulting from those exploration and development activities of Sulbath financed by Bathurst's cash contributions. The Agreement provides that Bathurst may elect to exchange its interest in Sulbath for 1,650,000 Class B Common Shares of the Company during the period January 1, 1984 to January 31, 1985. If Bathurst fails to exercise its right, the Company has, during the period February 1, 1985 to January 31, 1988, the option to purchase the interest of Bathurst in Sulbath for either 1,650,000 Class B Common Shares of the Company, or an amount of cash equivalent to the then current market price of such Class B Common Shares. This option is subject to certain conditions, including a condition that the Company must satisfy specified Canadian ownership requirements. Until such time as the option is exercised by either the Company or Bathurst, the minority interest in Sulbath will be reflected in the consolidated balance sheet at cost which includes the subscription price of $45,000,000. In an agreement dated September 14, 1982, the Company, Bathurst and Sulbath agreed that the subscription payable, by Bathurst to Sulbath, would be reduced by Bathurst's subscription to 25,000 14% Stock Dividend Convertible Retractable Class A Preferred Shares, Series Z, of Sulpetro for a cash consideration of $500,000. This amount has been recorded as a reduction of the minority interest in Sulbath. No provision for minority interest in earnings will be made in the consolidated statement of earnings and retained earnings. Upon exercise of the option to acquire 1,650,000 Class B Common Shares of the Company, share capital of the Company will increase by the amount of the subscription price referred to above.

10. SHARE CAPITAL

The share capital at October 31, 1982 and 1981, is as follows:

	1982	1981
14% Stock Dividend Convertible Retractable Class A Preferred Shares, Series Z with a nominal or par value of $20 per share. Authorized and issued 30,000 shares; 1981 — nil	**$ 600**	$ —
Class A Preferred Shares with a nominal or par value of $20 per share. Authorized 25,000,000 shares; issued — nil	**—**	—
Class B Preferred Shares with a nominal or par value of $20 per share. Authorized 25,000,000 shares; issued — nil	**—**	—
Class A Common Shares without nominal or par value. Authorized 3,000,000; issued 2,718,019 shares (1981 — 2,751,353)	**2,862**	2,896
Class B Common Shares without nominal or par value. Authorized 100,000,000 shares (increased from 20,000,000 during 1982); issued 12,255,012 shares (1981 — 12,194,310)	**105,399**	104,565
	$108,861	$107,461

The Class A Common Shares, which are convertible into Class B Common Shares on the basis of one Class B Common Share for each Class A Common Share, have unlimited voting rights while the voting rights of the Class B Common Shares are restricted except in certain circumstances, none of which now exist. The Class A Common Shares rank equally without preference or distinction with respect to the payment of dividends and return of capital with the Class B Common Shares.

Notes cont'd

10. Share Capital — cont'd

During the year, the Company's authorized share capital was increased by:

(a) The creation of 80,000,000 additional Class B Common Shares without nominal or par value;

(b) The creation of 25,000,000 Class A Preferred Shares with a nominal or par value of $20 per share, such shares subject to certain restrictions;

(c) The creation of 20,000,000 additional First Preferred Shares with a nominal or par value of $20 per share bringing the total authorized to 25,000,000 shares; and

(d) The redesignation of the 25,000,000 First Preferred Shares with a nominal or par value of $20 per share as 25,000,000 Class B Preferred Shares with a nominal or par value of $20 per share, such shares subject to certain restrictions.

(e) On September 9, 1982, the Company received a Certificate of Continuance under the Business Corporations Act (Alberta).

During the year, the following share transactions occurred:

(a) 33,334 Class A Common Shares were converted into Class B Common Shares.

(b) 76,750 Class B Common Shares were issued pursuant to share purchase agreements for an aggregate consideration of $1,266,000.

(c) 58,100 Class B Common Shares were purchased by the Company pursuant to an issuer bid for an aggregate cash consideration of $757,000 and the premium on redemption of $257,000 was charged to contributed surplus.

(d) 8,400 Class B Common Shares were issued pursuant to share option agreements for an aggregate cash consideration of $33,000.

(e) 30,000 14% Stock Dividend Convertible Retractable Class A Preferred Shares, Series Z were issued pursuant to an agreement with two major shareholders for an aggregate cash consideration of $600,000.

(f) 142 Class B Common Shares were issued as dividends on the 14% Stock Dividend Convertible Retractable Class A Preferred Shares, Series Z.

SHARE OPTIONS

The following table summarizes transactions during the year ended October 31, 1982 under the share option agreements:

	Class B Common Shares
Balance at beginning of year	721,393
Granted to directors and employees	310,040
	1,031,433
Cancelled or expired	49,801
Exercised	8,400
Balance at end of year	973,232

Options are exercisable, as to Class B Common Shares, at prices ranging from $3.80 to $28.57 on varying dates to August 25, 1986.

11. Comparative Figures

Certain reclassifications have been made to the 1981 comparative figures to conform with the current year's presentation.

12. Business Segment Information

The Company's operations are divided into three business segments. Oil and gas includes the location, development and production, of petroleum and natural gas reserves. Mining includes the location, development, production and smelting, of base and precious metal reserves. Drilling includes rig and related equipment used to perform contracted drilling. The Company operates in various geographic areas.

The following tables summarize, as of October 31, 1982 and 1981, the Company's capital asset position, capital additions and the operating profit for the year.

Oil and Gas Capitalized Costs

	1982			1981 (Restated)		
	Proved Properties	**Unproved Properties**	**Total**	Proved Properties	Unproved Properties	Total
Canada	**$ 768,474**	**$ —**	**$ 768,474**	$677,432	$ —	$677,432
United Kingdom	**174,975**	**—**	**174,975**	174,224	—	174,224
United States	**54,845**	**—**	**54,845**	49,611	—	49,611
Netherlands	**10,818**	**—**	**10,818**	9,868	—	9,868
Other	**—**	**29,964**	**29,964**	3,378	26,918	30,296
	$1,009,112	**$29,964**	**$1,039,076**	$914,513	$26,918	941,431
Accumulated depletion, depreciation and amortization			**100,192**			46,721
			$ 938,884			$894,710

Oil and Gas Capital Additions

	1982			1981 (Restated)		
	Property Acquisition Costs	**Exploration Costs**	**Development Costs**	Property Acquisition Costs	Exploration Costs	Development Costs
Canada	**$4,221**	**$25,336**	**$62,590**	$ 8,698	$26,130	$29,863
United Kingdom	**73**	**1,008**	**(325)**	12	1,769	12,729
United States	**1,432**	**2,157**	**1,755**	9,011	3,209	4,749
Other	**9**	**3,594**	**4,218**	1,284	5,970	356
	$5,735	**$32,095**	**$68,238**	$19,005	$37,078	$47,697

Notes cont'd

Business Segment Information — 1982

	Assets	Capital Expend-itures	Revenue	Operating Profit
	Segment Summary			
Industry				
Oil and gas	$1,043,714	$106,068	$145,552	$120,571
Mining	61,897	6,614	2,454	757
Drilling	4,210	202	4,188	(1,555)
Interest income	—	—	4,160	4,160
	$1,109,821	$112,884	$156,354	123,933
Less:				
Depletion, depreciation and amortization				62,175
Interest				106,708
Other				17,165
				186,048
Loss before income and other taxes				$(62,115)
Geographic				
Canada	$ 838,489	$ 98,757	$ 92,726	$ 77,543
United Kingdom	156,359	751	52,949	42,694
United States	60,697	5,521	10,549	3,551
Netherlands	10,075	2,881	—	—
Other	44,201	4,974	130	145
	$1,109,821	$112,884	$156,354	123,933
Less:				
Depletion, depreciation and amortization				62,175
Interest				106,708
Other				17,165
				186,048
Loss before income and other taxes				$(62,115)

Export sales for the year ended October 31, 1982 total $16,181,000.

Business Segment Information — 1981

	Segment Summary (Restated) Assets	Capital Expenditures	Revenue	Operating Profit
Industry				
Oil and gas	$1,001,557	$103,780	$ 92,377	$ 79,758
Mining	61,154	5,515	7,353	(733)
Drilling	5,483	6,918	4,087	370
Interest income	—	—	2,785	2,785
	$1,068,194	$116,213	$106,602	82,180
Less:				
Depletion, depreciation and amortization				38,363
Interest				65,715
Other				8,947
				113,025
Loss before income and other taxes				$(30,845)
Geographic				
Canada	$ 785,099	$ 70,206	$ 66,450	$ 50,578
United Kingdom	173,214	14,510	26,058	22,643
United States	62,075	23,887	12,306	7,251
Netherlands	9,540	226	—	—
Other	38,266	7,384	1,788	1,708
	$1,068,194	$116,213	$106,602	82,180
Less:				
Depletion, depreciation and amortization				38,363
Interest				65,715
Other				8,947
				113,025
Loss before income and other taxes				$(30,845)

Export sales for the year ended October 31, 1981 total $16,484,000.

13. Subsequent Events

(a) On January 5, 1983, the Company agreed to issue $100 million of Redeemable Convertible Debentures to a Canadian chartered bank ("the Bank"). It is anticipated that this transaction will close on or about February 15, 1983. The proceeds of the issue will be used to reduce the CanDel acquisition loan by $67 million and demand bank loans by $33 million.

The Debentures, which will mature on the tenth anniversary of the closing date, are to be secured by a floating charge on all present and future Canadian assets of the Company. They will not be redeemable for an initial period of five years and then, subject to certain conditions, at a maximum premium of 4.8 percent in 1989 declining to zero in 1993. The agreement provides for a restriction on the payment of dividends on the common shares of the Company, other than stock dividends, if the shareholders' equity is less than $200 million. In addition, for such time as the Bank is the holder of the Debentures, no Class A Common Shares of the Company may be issued without the consent of the Bank.

The Debentures will be issued in two series of an aggregate amount of $50 million each, designated as Series A and Series B.

Notes cont'd

Subsequent Events cont'd

Series A Debentures will bear interest at the Bank's prime rate plus ½ percent and will be convertible into Class B Common Shares of the Company at $7.50 per share.

Series B Debentures will bear interest at the Bank's prime rate plus 1½ percent and will not be convertible into Class B Common Shares of the Company prior to the third anniversary of the closing date unless:

(i) the Company is in default under the Credit Agreement;

(ii) the Company is in default under the Trust Agreement, respecting the Debentures;

(iii) the present restriction on the voting rights attaching to the Company's Class B Common Shares is no longer in effect;

(iv) there is an outstanding offer to acquire all or substantially all of the outstanding shares of the Company.

Under the above events, prior to the third anniversary, the Series B Debentures are convertible at $7.50 per share into Class B Common Shares.

If none of the above events have occurred the Company will be permitted to purchase the Series B Debentures from the proceeds of an issue of shares, other than retractable shares, at any time prior to the third anniversary of the closing date at the following prices:

(i) at par on or prior to the earlier of nine months following the closing date and November 30, 1983;

(ii) at 108 percent after the expiry date in (i) and nine months thereafter;

(iii) at 116 percent after the expiry date in (ii) and nine months thereafter, and

(iv) at 124 percent after the expiry date in (iii) and the third anniversary of the closing date.

Subsequent to the third anniversary of the closing date, the Series B Debentures are convertible into Class B Common Shares of the Company at the lesser of $7.50 or a defined market price of the Class B Common Shares not to be less than $5.00 per share.

(b) On January 26, 1983, the Company's banker agreed, subject to the issue of the Debentures described in Note 13(a) by March 1, 1983, to amend the CanDel acquisition loan to provide for, among other things:

(i) principal repayments of $67 million on or before May 1, 1984, $50 million on or before May 1, 1985, and $100 million on or before May 1, 1986. Should the Canadian dollar equivalent of the outstanding loan at July 1, 1987, exceed $400 million, any excess must be repaid on that date. The balance remaining after such repayments is to be repaid in 16 quarterly installments commencing July 1, 1987. Proceeds of $67 million from the Debenture (Note 13a) will be applied to the first payment.

(ii) deletion of the provisions in the original loan agreement whereby the Company was required to repay amounts in excess of the maximum amount of the loan as a result of foreign currency fluctuations or conversions. The maximum amounts of the loan to be denominated in foreign currencies are U.S. $318.4 million and Swiss francs 69 million. Any future conversions of the foreign currency amounts of the loan must be to Canadian dollars.

(iii) interest payable thereon to be increased on July 1, 1983, to the Canadian bank prime rate plus ⅝ of 1 percent or to the U.S. base rate plus ⅝ of 1 percent or to LIBOR plus 1 percent.

Corporate Directory

Directors

John B. Ballem, Q.C. (4)
Partner
Ballem McDill & MacInnes
Calgary, Alberta

Richard A. N. Bonnycastle (2, 3, 4)
Investor and Financial Consultant
Cavendish Investing (1978) Ltd.
Calgary, Alberta

David J. Butters (2)
Senior Vice President
Shearson/American Express Inc.
New York, N.Y.

Simon Chilewich (1, 2, 3)
Partner
Chilewich Sons & Company
New York, N.Y.

Marshall A. Crowe (3)
President
M. A. Crowe Consultants Inc.
Ottawa, Ontario

Paul Desmarais, O.C.
Chairman and Chief Executive Officer
Power Corporation of Canada
Montreal, Quebec

Dr. Reinhart Freudenberg
General Partner
Freudenberg & Co.
Heidelberg, West Germany

Norman E. Frost
President
Canadian Oil and Gas Division
Sulpetro Limited
Calgary, Alberta

William C. Leuschner (1)
President
Leuschner International Resources Ltd.
Calgary, Alberta

Ross A. MacKimmie, Q.C.
Counsel
MacKimmie Matthews
Calgary, Alberta

Rolf A. Merton (1, 2)
Vice Chairman of the Board
Financial Consultant
Smith Parish, Bermuda

Donald L. Redman
Retired Executive
Calgary, Alberta

James P. Saunders (1)
President and Chief Operating Officer
Sulpetro Limited
Calgary, Alberta

William I. M. Turner, Jr. (1)
Chairman and Chief Executive Officer
Consolidated-Bathurst Inc.
Montreal, Quebec

Gus A. Van Wielingen (1, 2, 4)
Chairman of the Board
and Chief Executive Officer
Sulpetro Limited
Calgary, Alberta

(1) Member of the Executive Committee
(2) Member of the Finance Committee
(3) Member of the Audit Committee
(4) Member of the Compensation Committee

Corporate Officers

Gus A. Van Wielingen
Chairman of the Board
and Chief Executive Officer

James P. Saunders
President and
Chief Operating Officer

Michael A. Williams
Executive Vice President
Finance and Administration

John G. Fletcher
Senior Vice President
Finance

Richard L. Harrop
Senior Vice President
Corporate Development

Robert C. Beattie
Vice President
Legal

Ardley H. Caldwell
Vice President
Human Resources

Wilfred L. Mitzel
Vice President and Treasurer

Gregory L. Osmond
Vice President
Accounting and Control

Margaret A. Nazarchuk
Corporate Secretary

David R. E. Parry
Controller

Canadian Oil and Gas Division

Norman E. Frost
President

Donald J. Bobyn
Group Vice President
Planning and Development

Douglas H. Church
Group Vice President
Production and Operations

Lloyd S. Manz
Group Vice President
Exploration and Land

Denis C. Fonteyne
Vice President
Marketing

Randall S. Marshall
Vice President
Operations

Morley W. Mychaluk
Vice President
Land and Contracts

Russell J. Zaharko
Vice President
Production

International Division

Michael A. Williams
President

Donald M. Ericson
Senior Vice President
Exploration

Martin W. Stewart
Finance Director
Sulpetro (UK) Limited

United States Division

James W. Fox
President

W. Paul Mounce
Vice President
Exploration

Mary Lou Matus
Vice President
Corporate Secretary

Charles D. McLeod
Treasurer

Mining and Minerals Division

Robert M. Ginn
President

H. Leo King
Vice President
Exploration

Graeme M. Gordon
Treasurer and Controller

Joan E. Cattell
Corporate Secretary

Corporate Information

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International Energy Development Corporation of Australia Pty. Ltd.
G.P.O. Box D175
Perth, W.A. 6001
Australia

Bankers
The Royal Bank of Canada
Calgary, Alberta

Auditors
Peat, Marwick, Mitchell & Co.
Calgary, Alberta

Solicitors
Ballem, McDill & MacInnes
Calgary, Alberta

Registrar and Transfer Agent
The Canada Trust Company
Calgary, Alberta

Stock Exchange Listings
Alberta Stock Exchange
Toronto Stock Exchange

Annual Meeting

The Annual Meeting of Shareholders will be held in the auditorium, third floor mezzanine at Bow Valley Square 2, 205 Fifth Avenue S.W., Calgary, Alberta, March 30, 1983, at 10:00 a.m.

Annual Report

Copies of the Company's 1982 Annual Report may be obtained by contacting the Public Affairs Department at Sulpetro Limited, 3200 Bow Valley Square 3, 255 Fifth Avenue S.W., Calgary, Alberta T2P 3G6 (403) 232-1500.

SULPETRO LIMITED
3200 Bow Valley Square 3
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Calgary, Alberta, Canada
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