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Corrida Oils Ltd.

Annual Report
1982

Company Profile

Corrida Oils Ltd. is a Canadian oil and gas company continued under the laws of Alberta and listed on The Toronto Stock Exchange. Corrida has 33 employees operating from offices in Calgary and Denver. The principal business of the company is to explore for, discover, and produce oil and gas in North America.

Corrida has a Canadian Ownership Rating in excess of 96 percent and is certified to be a Canadian-controlled company by the Petroleum Incentives Administration of the Canadian Government.

Annual General Meeting

The Annual General Meeting of Corrida Oils Ltd. will be held in the Lake Louise Room of the Westin Hotel in Calgary, Alberta, at 11:00 a.m. on June 14, 1983. If you are a shareholder of Corrida and have not received your information circular and proxy for the Annual General Meeting, please contact:

Mr. Craig L. McDonald
Manager of Corporate Affairs
Corrida Oils Ltd.
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Calgary, Alberta, Canada T2P 3S8
Telephone: (403) 234-7188

CORRIDA OILS LTD.

NOTICE OF
ANNUAL GENERAL MEETING OF SHAREHOLDERS
JUNE 14, 1983

TO THE SHAREHOLDERS:

NOTICE is hereby given that the Annual General Meeting of the Shareholders of Corrida Oils Ltd. will be held in the Lake Louise Room, Westin Hotel, Calgary, Alberta, on June 14, 1983, at 11:00 a.m., for the following purposes:

1. To receive and consider the report of the directors and the consolidated financial statements for the fiscal year ended December 31, 1982, and the report of the auditors thereon;
2. To elect directors for the ensuing year;
3. To consider and, if thought fit, approve and authorize a private placement of a first series of Class B Preferred Shares (the "Series 1 Shares") and the subsequent acquisition by the Company of Series 1 Shares in exchange for a second series of Class B Preferred Shares which will be qualified by prospectus.
4. To consider and, if thought fit, confirm without amendment the By-Laws of the Company as adopted May 19, 1983, by the directors of the Company;
5. To appoint auditors for the ensuing year; and
6. To transact such other business as may properly be brought up before the meeting or any adjournment thereof.

Particulars of the matters referred to above are set forth in the accompanying Information Circular.

Shareholders who are unable to attend the meeting in person are requested to date and sign the enclosed form of Proxy and return it in the envelope provided for that purpose.

Only shareholders of record as of May 19, 1983, will be entitled to notice of the meeting.

DATED at Calgary, Alberta on May 20, 1983.

By Order of the Board of Directors

J. RICHARD HARRIS
Chairman

CORRIDA OILS LTD.

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the management of CORRIDA OILS LTD. (the "Company") for use at the Annual General Meeting of the Shareholders to be held on the 14th day of June 1983, and at any adjournment or adjournments thereof. The information contained herein is current as of May 19, 1983, except as otherwise indicated.

The cost of solicitation will be borne by the Company. The solicitation will be primarily by mail, but may also be by telephone, telegraph or oral communication by the directors, officers and regular employees of the Company, at no additional compensation. No remuneration will be paid to any person for soliciting proxies, but the Company may pay, upon request, to certain brokerage firms, fiduciaries, or other persons holding shares in their names for others, the charges entailed for mailing out proxies to the persons for whom they hold shares.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named as nominees in the enclosed form of proxy are both officers and directors of the Company. A shareholder desiring to appoint some other person to represent such shareholder at the meeting may do so by either inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the president or secretary of the Company.

A shareholder who has given a proxy may revoke it either (i) by depositing an instrument in writing executed by the shareholder or his attorney authorized in writing, or if the shareholder is a company, under its corporate seal or by a duly authorized officer or attorney, with the Company at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof or (ii) by depositing it with the chairman of the meeting on the day of the meeting or any adjournment thereof. Upon either of such deposits the proxy is revoked.

EXERCISE OF DISCRETION WITH RESPECT TO PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of direction, such shares will be voted FOR the resolutions identified in items 2, 3, 4, and 5 in the Notice of Annual General Meeting. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the meeting.**

At the time of printing this Information Circular, management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the Notice of Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On May 9, 1983, 6,195,954 common shares without nominal or par value in the capital stock of the Company were issued and outstanding. Each shareholder present in person is entitled to one vote on a show of hands and, upon a poll at which a shareholder is entitled to vote, each shareholder present in person or represented by proxy shall have one vote for each share held by him. The directors have not fixed a record date; therefore, by virtue of the provisions of the Business Corporations Act of Alberta (the "ABCA"), only shareholders at the close of business on May 19, 1983, will be entitled to receive notice of the said meeting.

To the knowledge of the directors and senior officers of the Company, no shareholder beneficially owns, either directly or indirectly, or exercises control or direction over, more than 10 percent of the issued and outstanding common shares of the Company as at May 9, 1983.

ELECTION OF DIRECTORS

The Board of Directors presently consists of five directors. The Board of Directors is to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election, as directors, of the nominees whose names are set forth below, all of whom are now members of the board of directors and have been since the dates indicated. Management does not contemplate that any of the nominees will be unable to serve as a director. Each director elected will hold office until the next Annual General Meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the By-laws of the Company.

The following table and the notes thereto state the names of the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the periods during which they have served as directors of the Company and the approximate number of shares of the Company beneficially owned, directly or indirectly, or controlled or directed by each of them, as at May 9, 1983.

Name and municipality of residence	Position	Present principal occupation and position during the past five years	Number of shares of the Company beneficially owned, directly or indirectly, or controlled or directed (1)
John Richard Harris Calgary, Alberta	Chairman and Chief Executive Officer, Director since June 1, 1981	Chairman and Chief Executive Officer of Corrida (2)	543,186
Robert Byron Henderson Calgary, Alberta	Director since May 19, 1983	Associate, Bennett Jones, Barristers and Solicitors, since June 1981 and prior thereto, Associate Professor of Law, University of Calgary	2,000
Ralph Alexander McKenzie Calgary, Alberta	Senior Vice-President and Chief Financial Officer, Director since October 7, 1981	Senior Vice-President and Chief Financial Officer of Corrida (2)	307,450
Walter Brian O'Donoghue, Q.C. Calgary, Alberta	Director since May 19, 1983	Partner, Bennett Jones, Barristers and Solicitors, since May 1980 and prior thereto, Partner, Burnet, Duckworth & Palmer, Barristers and Solicitors, Calgary	Nil
Frederic Jean Wellhauser Calgary, Alberta	President and Chief Operating Officer, Director since October 7, 1981	President and Chief Operating Officer of Corrida (2)	430,408

(1) The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.

(2) Messrs. Harris, McKenzie and Wellhauser were elected to their present term of office by a vote of shareholders at the past Annual General Meeting of the Company, the notice of which was accompanied by an information circular.

The Company does not have an executive committee. The Company has made application to the Alberta Securities Commission pursuant to the provisions of the ABCA to be relieved of the requirement to appoint an audit committee until not later than June 30, 1983.

REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate remuneration paid or payable during the fiscal year ended December 31, 1982, to the Company's directors and senior officers is set forth below:

	Nature of Remuneration	
	From office, employment and employer contributions (aggregate)	**Cost of pension benefits**
Directors	Nil	Nil
Five senior officers	$663,303	$5,900

Messrs. J. W. Shepardson and R. G. Gould, who are senior officers of the Company, were, as employees, granted stock options under the Company's 1982 Incentive Stock Option Plan.

On July 30, 1982, Mr. Shepardson was granted options, expiring July 30, 1988, to purchase 50,000 common shares of the Company at $0.72 per share and Mr. Gould was granted options, expiring July 30, 1988, to purchase 25,000 common shares of the Company at $0.58 per share. The price range of the Company's common shares in the 30 days preceding July 30, 1982, as established by the trading of board lots on The Toronto Stock Exchange, was $0.60 to $0.79.

On September 10, 1982, Mr. Gould purchased 25,000 common shares of the Company at $0.58 per share pursuant to stock options granted to him under the Company's 1982 Incentive Stock Option Plan. The price range of the Company's common shares in the 30 days preceding September 10, 1982, as established by the trading of board lots on The Toronto Stock Exchange, was $0.77 to $1.40.

On November 26, 1982, Mr. Shepardson was granted options, expiring November 26, 1988, to purchase 16,000 common shares of the Company at $2.98 per share and Mr. Gould was granted options, expiring November 26, 1988, to purchase 10,000 common shares of the Company at $2.53 per share. The price range of the Company's common shares in the 30 days preceding November 26, 1982, as established by the trading of board lots on The Toronto Stock Exchange, was $1.75 to $3.20.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

The Company's directors and senior officers listed below (the "Senior Management") are indebted to the Company to the extent indicated below.

Name and Office	Largest aggregate indebtedness in 1982	Outstanding indebtedness May 9, 1983
J. Richard Harris, Chairman and director	$29,503	Nil
Frederic J. Wellhauser, President and director	$25,815	$35,934
Ralph A. McKenzie, Senior Vice-President and director	$18,088	$22,487

As contemplated in May 1982 by the Company, its principal bank (the "Bank"), and Senior Management, the Company made the above loans to Senior Management to enable them to service personal loans obtained by them from the Bank totalling $1,000,000 to fund the purchase, on short notice and at market price, of all of the shares and warrants of the Company held by HCI Holdings Ltd. ("HCI"), formerly the Company's principal shareholder. Additional personal loans totalling $116,667 were subsequently arranged by Senior Management with the Bank to fund the purchase at market price of the shares of the Company held by a director of HCI. Although Senior Management executed demand promissory notes payable to the bank for the full amount of the loans, the Bank nevertheless required the Company to guarantee these loans and interest thereon until alternative funding arrangements could be made by Senior Management. Interest is payable by Senior Management on their loans from the Company at the variable rate of interest charged to the Company from time to time by the Bank plus a small premium.

Due to difficult financial problems, HCI was unable to fulfill its obligations to invest approximately $11,500,000 in equity and convertible debentures of the Company. Consequently, the Company made a settlement with HCI, believed to be in the best interests of the Company, involving payment by HCI of $2,000,000 to the Bank, at the Company's direction, which sum included the $1,000,000 received by HCI from the Company's Senior Management. This settlement relieved HCI from any further obligations to invest in securities of the Company and released HCI from any further guarantee of any of the Company's obligations to the Bank.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Proposed Financing Arrangements

A. PREAMBLE

The directors and management of the Company are presently considering various financing arrangements which could provide for the contribution of capital into the Company for general corporate purposes. Among these financing alternatives remains the issuance of convertible preferred shares of the Company by way of a private placement. At a Special General Meeting of the Shareholders held on December 8, 1982, approval was received to complete such a private placement within six months from the date of that meeting. Corrida and its financial advisor, a national investment dealer, continue to discuss the private placement with investors. It is therefore necessary for the directors and management of the Company to receive the approval of shareholders to the private placement for a further six months.

The directors and management of the Company propose to offer an as-yet-undetermined number of Class B Preferred Shares Series 1 (the "Series 1 Shares") to investors by way of private placement (the "Private Placement"). The Private Placement will be completed within six months from the date of the Meeting. The Private Placement will be made in a manner which will ensure that no investor who purchases Series 1 Shares or receives Series 2 Shares pursuant to the Private Placement will hold, after conversion, more than 20 percent of the voting shares of the Company.

Among the provisions of the Series 1 Shares will be an acquisition right, which will permit the acquisition by the Company of the Series 1 Shares in exchange for Class B Preferred Shares Series 2 (the "Series 2 Shares") to be issued by the Company in an identical number to the number of Series 1 Shares tendered by the holder. The Series 2 Shares will carry rights and provisions substantially the same as those attaching to the Series 1 Shares. It is proposed that the Series 2 Shares will be qualified for trading by the filing of a prospectus with all appropriate Securities Commissions in Canada. The exchange of Series 1 Shares for Series 2 Shares permits the Company to offer to investors, by way of private placement, Series 1 Shares which would not be qualified for trading, and to assure those investors that they will, within a short period of time, receive Series 2 Shares which would be qualified for trading.

The Series 1 Shares and Series 2 Shares received by an investor will carry the right to convert such shares into common shares of the Company. Based on the present market price of the Company's common shares, if all Series 1 Shares and Series 2 Shares are converted into common shares, the number of common shares issued by the Company upon such conversion would in no circumstance exceed 12,500,000 common shares.

The Series 1 Shares and Series 2 Shares will also carry a right to a stock dividend during the first year after their issuance, which will be paid by the issuance of a maximum of 1,500,000 common shares to the holders of Series 1 Shares and Series 2 Shares.

The Toronto Stock Exchange requires that shareholders approve any private placement which, directly or by conversion, involves the issuance of a number of shares totalling more than 25 percent of the present number of issued shares of the Company. Consequently, approval thereof by the shareholders of the Company is sought herein.

B. RESOLUTION

The shareholders of the Company will be asked to consider and, if thought appropriate, to approve the following resolution:

"(a) The directors of the Company be and they are hereby authorized to issue a first series of Class B Preferred Shares (the "Series 1 Shares") of the Company, to investors by way of private placement (the "Private Placement"), in such number as they in their discretion may deem advisable and having attached thereto rights to convert such Series 1 Shares into common shares of the Company and further having the right to receive dividends payable in cash or in stock of the Company, provided that any and all rights, restrictions, conditions and limitations attaching to the Series 1 Shares shall be on such terms as the directors of the Company in their discretion may deem advisable at the time of the issue of the Series 1 Shares;

(b) The directors of the Company be and they are hereby authorized to create a second series of Class B Preferred Shares (the "Series 2 Shares") having attached thereto rights, restrictions, conditions and limitations which are substantially the same as those which are attached to the Series 1 Shares and on such other terms as the directors of the Company in their discretion may deem advisable at the time of the issue of the Series 2 Shares;

(c) The directors of the Company be and they are hereby authorized to acquire at such time as they consider appropriate all or any of the Series 1 Shares issued pursuant to the Private Placement by issuing in exchange therefor Series 2 Shares having attached thereto rights, restrictions, conditions and limitations substantially the same as those attached to the Series 1 Shares;

(d) The directors of the Company be and they are hereby authorized to reserve for issuance to holders of Series 1 Shares and Series 2 Shares a maximum of 12,500,000 common shares of the Company, issuable at any time on or prior to January 1, 1993, on the conversion of Series 1 or the Series 2 Shares into common shares of the Company, and they are further authorized to reserve for issuance to holders of Series 1 Shares or Series 2 Shares, a maximum of 1,500,000 common shares of the Company, issuable during the first year after the issuance of the Series 1 Shares as stock dividends on such Series 1 Shares and Series 2 Shares."

2. **Confirmation of the Company's By-Laws**

A. PREAMBLE

At the Special General Meeting of Shareholders held December 8, 1982, the Company's shareholders authorized the directors to apply to continue the Company under the ABCA. Subsequently, the Company was continued as a corporation under the ABCA as of January 13, 1983.

Section 98(1) of the ABCA provides that the directors of a corporation may make by-laws that regulate the business or affairs of the corporation. By resolution dated May 19, 1983, the Company's directors adopted by-laws of the Company (the "By-Laws"). The By-Laws comprise By-Law No. 1, which relates generally to the conduct of the business and affairs of the Company, and By-Law No. 2, which relates to the borrowing of money, the giving of guarantees and the giving of security by the Company.

Shareholders may, upon request, obtain a copy of the By-Laws from the Company, or may inspect them during normal business hours at the Company's head office or at The Canada Trust Company's principal offices in Vancouver, Calgary, Toronto, and Montreal.

Section 98(2) of the ABCA requires that the directors submit the By-Laws at the next shareholders' meeting following their adoption for the shareholders' confirmation, rejection, or amendment.

B. RESOLUTION

The shareholders of the Company will therefore be asked to consider and, if thought fit, to approve the following resolution:

"The By-Laws of the Company as adopted May 19, 1983, by the directors of the Company be and they hereby are confirmed without amendment as the By-Laws of the Company."

APPOINTMENT OF AUDITOR

The persons named in the enclosed form of Proxy intend to vote for the reappointment of Price Waterhouse, Chartered Accountants, as auditors of the Company, to hold office until the next annual general meeting of the shareholders.

GENERAL

Management knows of no matters to come before the meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to the management should properly come before the meeting, the proxy will be voted on such matters in accordance with the best judgment of the person voting the proxy.

DATED at Calgary, Alberta on May 20, 1983.

By Order of the Board of Directors

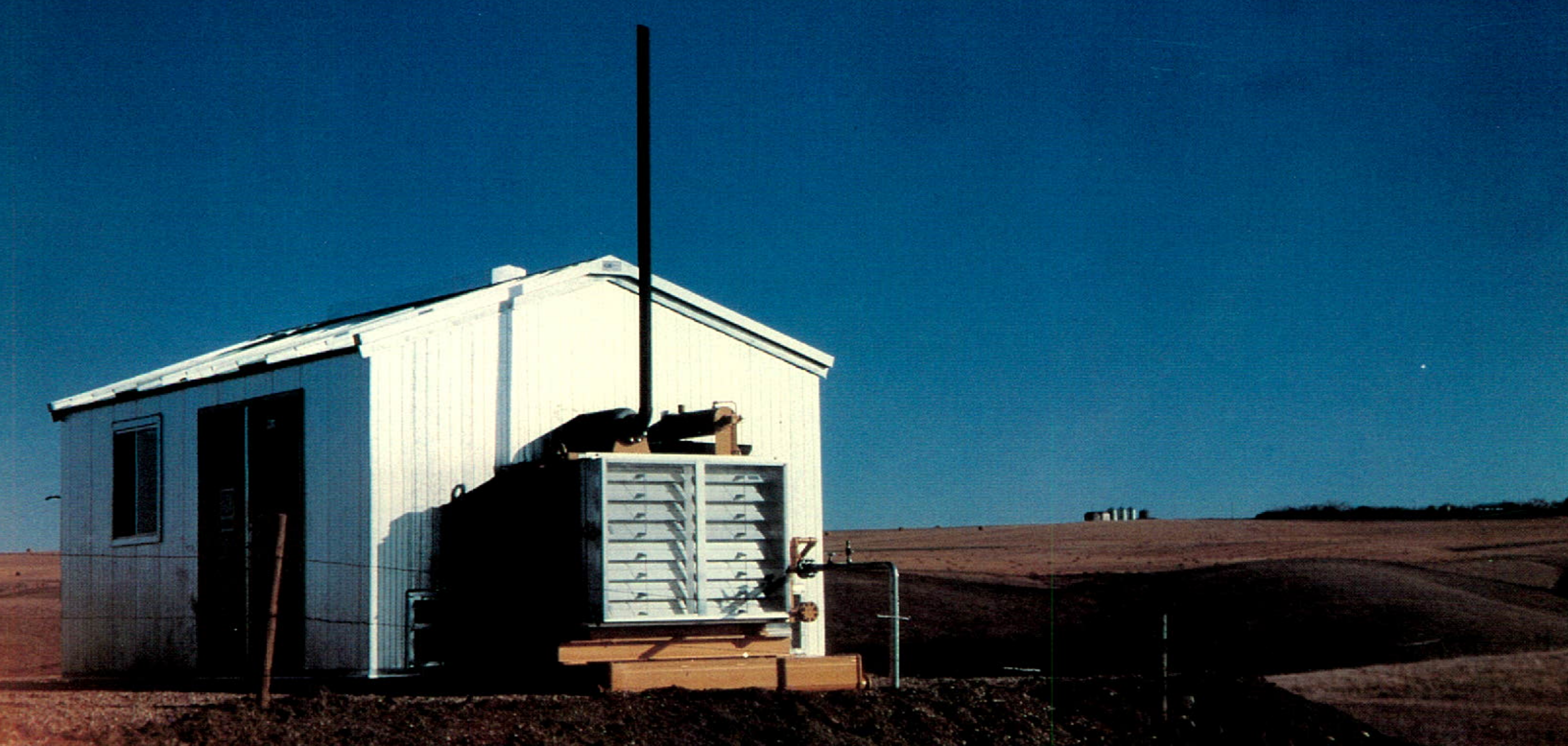
J. RICHARD HARRIS
Chairman

Cal/Oka Printing Ltd.
Calgary, Alberta

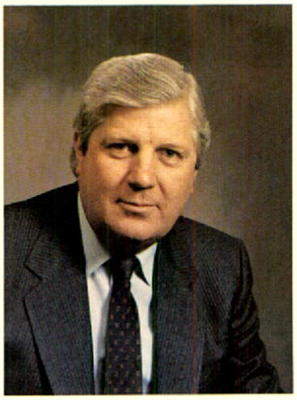
Printed in Canada

Company Highlights

	1982	1981
Financial Data		
Net revenue	**$ 9,857,000**	$ 3,184,000
Net income (loss)	**$ (4,446,000)**	$ (5,543,000)
Per share	**$ (.73)**	$ (1.54)
Cash flow	**$ 1,241,000**	$ 253,000
Per share	**$ .20**	$ .07
Average shares outstanding	**6,080,000**	3,601,000
Working capital (deficiency)	**$ (2,360,000)**	$ (2,905,000)
Total assets	**$77,465,000**	$72,836,000
Long term debt	**$43,260,000**	$35,147,000
Shareholders' equity	**$26,648,000**	$27,056,000
Operation Data		
Undeveloped land, acres	**253,357**	258,683
Productive wells	**39**	35
Production — Oil, barrels per day	**473**	179
— Gas, Mcf per day	**2,983**	855
Proved Reserves — Oil, barrels	**1,584,384**	1,572,440
— Gas, MMcf	**16,603**	14,971



J. Richard Harris, Chairman of the Board



Fred J. Wellhauser, President

Ralph A. McKenzie, Senior Vice-President

• Finance

In the 1982 fiscal year, Corrida's net revenues increased to $9,857,000 as compared to $3,184,000 in 1981. The additional sales, together with improved operating margins, raised the year's cash flow to $1,241,000 from $253,000 and reduced the net loss to $4,446,000 from $5,543,000.

• Reserves

Corrida's net proved reserves of oil increased to 1,584,000 barrels at the end of 1982 as compared to 1,572,000 barrels at the end of 1981, and the net proved reserves of gas increased to 16,603 MMcf from 14,971 MMcf.

• Production

During 1982, Corrida net production was 473 barrels of oil per day and 2,983 Mcf of gas per day as compared to 179 barrels per day and 855 Mcf per day during 1981. At the end of 1982, Corrida owned 20 net oil wells and 19 net gas wells.

• Developments

In January 1982, the shareholders approved a change in the Company's name to Corrida Oils Ltd. and a consolidation of the capital stock on a 3-to-1 basis. The change of name and stock consolidation recognize Corrida's growth through discoveries and acquisitions from only one company with $1,200,000 in assets in early 1981 to the combination of three companies with $77,000,000 in assets in 1982. The combined companies produce a stronger corporation which is better equipped in assets and professional staff to go forward with the primary task of exploring, developing, and producing oil and gas in Canada and the United States.

The 1982 fiscal year was very difficult for the Canadian petroleum industry. Net income was down an average of 33 percent as compared to 1981 as even seasoned and mature companies struggled with declining prices for their product, limited markets, unusually high debt at record interest costs, and the absence of equity.

The 1982 fiscal year was especially trying for Corrida. During March 1982, Corrida was first advised by its then largest shareholder, HCI Holdings Ltd., that HCI would be unable to fulfill certain substantial financial obligations to Corrida as agreed to in July 1981. After extensive negotiations with HCI and with Corrida's bankers, Corrida announced in May 1982 that it had reached agreement with HCI whereby HCI, for a cash payment of $2,000,000 paid at Corrida's direction to Corrida's banker, was relieved of any further obligations to invest in securities of Corrida and was released by Corrida's banker from any further guarantee of any of Corrida's obligations. Concurrently, HCI sold all of its Corrida shares to the senior management of Corrida, and all of its representatives on the board of Corrida resigned.

The cash shortage occasioned by the HCI default placed Corrida in a precarious condition, particularly so since the economic background in Canada had deteriorated to a frightening level. Corrida immediately intensified its programme in both its U.S. and Canadian operations to raise revenues and reduce costs until additional equity could be obtained. The 1982 capital budget for direct exploration and development expenditures was reduced from $13,700,000 to $6,500,000; as the year progressed and the equity was not forthcoming, the budget was finally reduced to $6,100,000.

The Alberta Government announced in April 1982 both a reduction in royalties and additional royalty tax credits, which are of significant benefit to Corrida.

On May 6, 1982, Corrida completed the acquisition of all the remaining shares of Liberty Petroleums Inc. for common shares and Series "B" share purchase warrants of Corrida. The Series "B" warrants were listed for trading on The Toronto Stock Exchange on June 4, 1982, and expired November 20, 1982.

During the 1982 year, Corrida reviewed a number of financial options that would have, if completed, improved the Company's working capital, reduced its debt, and decreased the annual interest expenses. In consultation with its financial advisors, Corrida agreed to offer $15,000,000 of convertible preferred shares to certain

Canadian institutions on a private-placement basis. Management was optimistic that the improvement in inflation, the resulting decline in interest rates, the royalty and tax changes affecting the petroleum industry announced by the governments of Alberta and Canada, the stabilizing petroleum prices, and the positive impact that these factors have had on equity markets, when considered together with the broad base of Corrida's oil and gas assets and exploration and development programs, should have encouraged investors to participate in the private placement. A Special General Meeting of the Shareholders was held in December 1982 to create the preferred shares and authorize the private placement. The issue was priced in February 1983 and, if successful, the private placement would solve Corrida's financing problems that arose in 1982 when HCI was financially unable to completely fulfill its obligations to the Company.

The conversion of the private placement into common shares, and the proposed payment of dividends thereon in the form of common shares during the first year, would involve significant equity dilution. The directors and senior management of Corrida, who together hold approximately 21 percent of its issued and outstanding shares, would not be investing in the private placement and, accordingly, would also suffer a dilution in their holdings. In this connection, it is important to note that, had HCI fulfilled its obligations to invest in common shares and a convertible debenture of Corrida, an immediate, significant dilution would have taken place upon issuance of the common shares at the then prevailing market price, and a further dilution would have occurred assuming conversion of the convertible debenture. Based upon certain assumptions as to the eventual terms of the private placement, in particular the current conversion price, and, after adjusting for the differing amounts of the investments, the dilution associated with the private placement would be more than the dilution would have been had HCI fulfilled its obligations to Corrida.

• Outlook

The principal objective of Corrida will continue to be the exploration and development of new reserves in North America. It is encouraging that the exploration staff of the Company has been capable, even with a restricted budget, in discovering more oil and gas in the past year than Corrida produced. However, the Company will necessarily have to be cautious and judicious in its expenditures until the appropriate equity can be obtained.

The directors and management of Corrida remain confident that solutions to Corrida's financial problems will be found, and the Company thanks its employees and shareholders for their continuing support during a difficult period. The employees have been most supportive of Corrida's active programme to reduce costs and the management is most appreciative of the professional manner in which they have rallied to the Company's call for restraint.

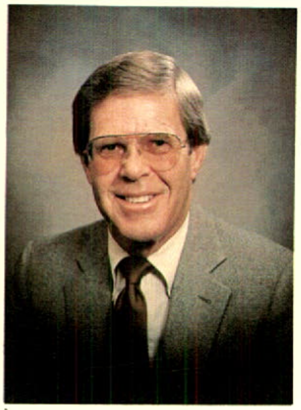
May 16, 1983

On behalf of the Board:

J. Richard Harris,
Chairman of the Board
and Chief Executive Officer

Fred J. Wellhauser,
President
and Chief Operating Officer

Ralph A. McKenzie,
Senior Vice-President
and Chief Financial Officer



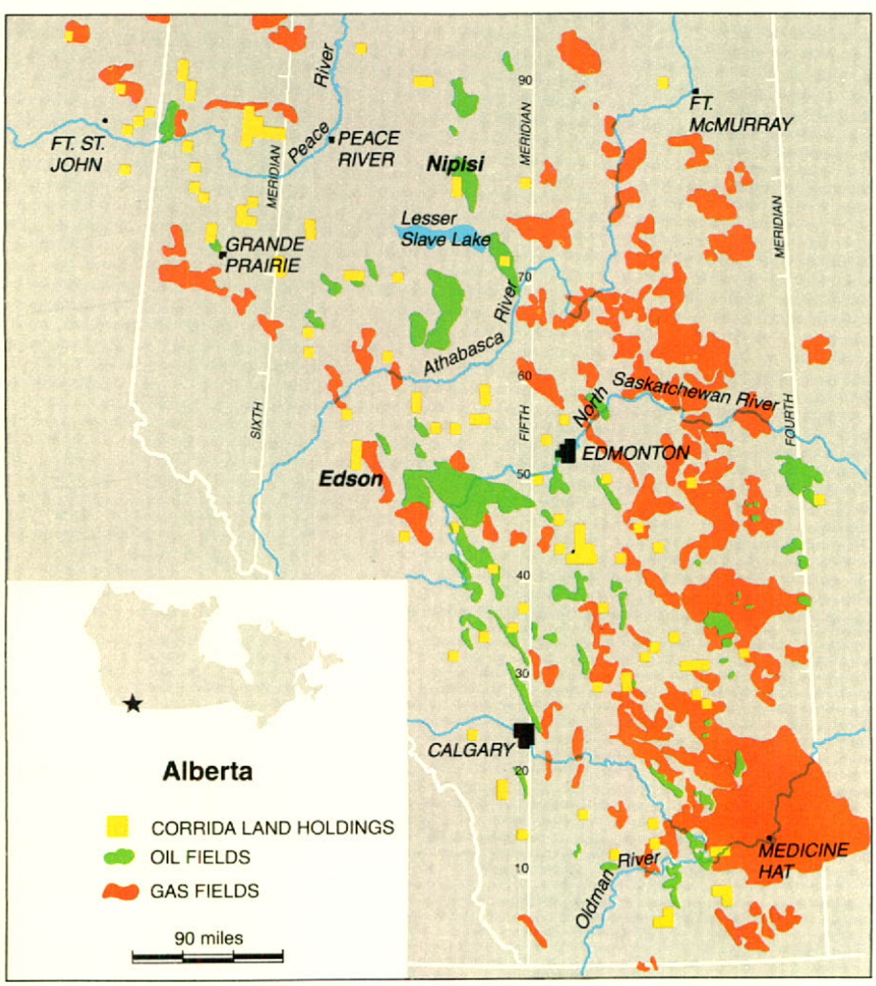
R. G. Gould, Vice-President, Exploration - Canada

At December 31, 1982, Corrida held interests in 435,484 gross acres (51,944 net acres) of undeveloped land in western Canada, mostly in Alberta. During 1982, Corrida participated in the drilling of 8 wells of which 7 wells were successful; at the end of 1982, Corrida had interests in 252 oil wells (5.7 net wells) and 163 gas wells (14.2 net wells). During 1982, net production was 247 barrels of oil and 1,873 Mcf of gas per day compared to 50 barrels and 280 Mcf per day during 1981. Net proved reserves at December 31, 1982, increased to 932,678 barrels of oil and 12,845 MMcf of gas compared to 805,687 barrels of oil and 10,787 MMcf of gas at the end of 1981.

Exploration and development activities during 1983 will be concentrated in finding new reserves of crude oil in Alberta and Saskatchewan. With its high Canadian Ownership Rating, Corrida will benefit from maximum Petroleum Incentive Payments, and in Saskatchewan it will take advantage of the new royalty-free incentives for new discovery wells and adoption of the New Oil Reference Price for newly developed reserves. Corrida expects to participate in the drilling of about 18 exploratory and 2 development wells during 1983 while an additional 10 exploratory wells will be drilled at no cost to the Company. However, this program will remain curtailed until Corrida raises sufficient equity; in the meantime the priority will be placed on developing the current properties to maintain the present cash flow.

The world surplus of crude oil has created a weak market for Canadian oil production, a resultant decline in oil production, and a drop in Corrida's current oil sales. The problem of excess oil productive capacity in Canada is being addressed by the Federal and Alberta governments which have recently authorized additional exports of light and medium domestic crude oil.

Export sales of Canadian natural gas to the United States are being reduced because of lower demand brought on by the recession, conservation and a warm 1982-83 heating season. A decrease in the base price of exported natural gas has been announced by government which, along with a proposed incentive price scheme to encourage the export of more Canadian gas, could revive this important Canadian market. The improving U.S. economy should increase the demand for Canadian natural gas and long term prospects for increased gas sales are very encouraging. In January 1983 the National Energy Board announced approval of the Kanngaz joint venture application to export up to 480 Bcf to the United States over a 12-year period commencing November 1, 1984. Approval to export this gas from Alberta



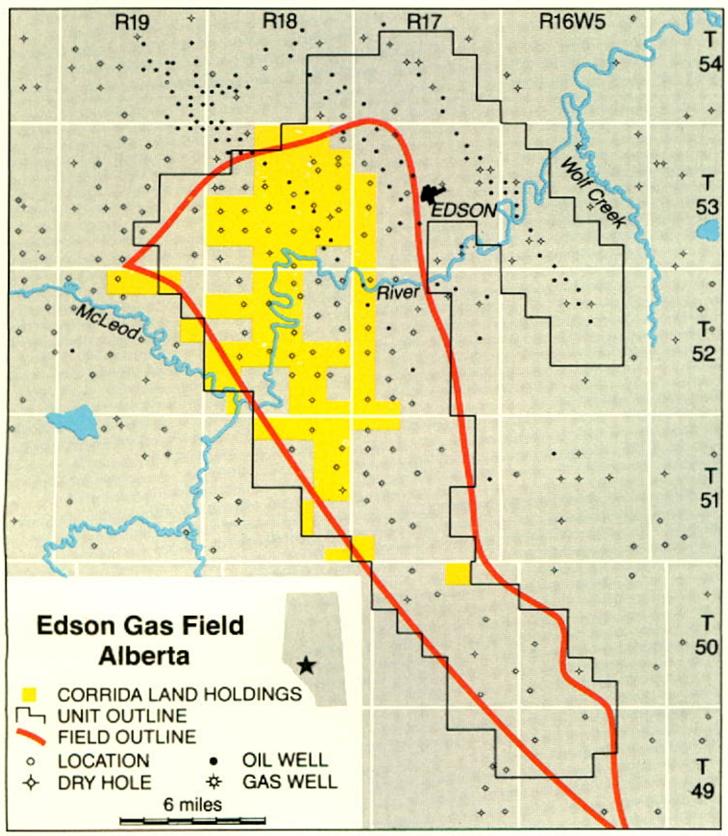
was subsequently granted by the Energy Resources Conservation Board. Further approvals are required from U.S. regulatory bodies before export sales can commence. Corrida, as a participant in the Kanngaz joint venture, anticipates more than a 50 percent increase in its gas sales when export commences.

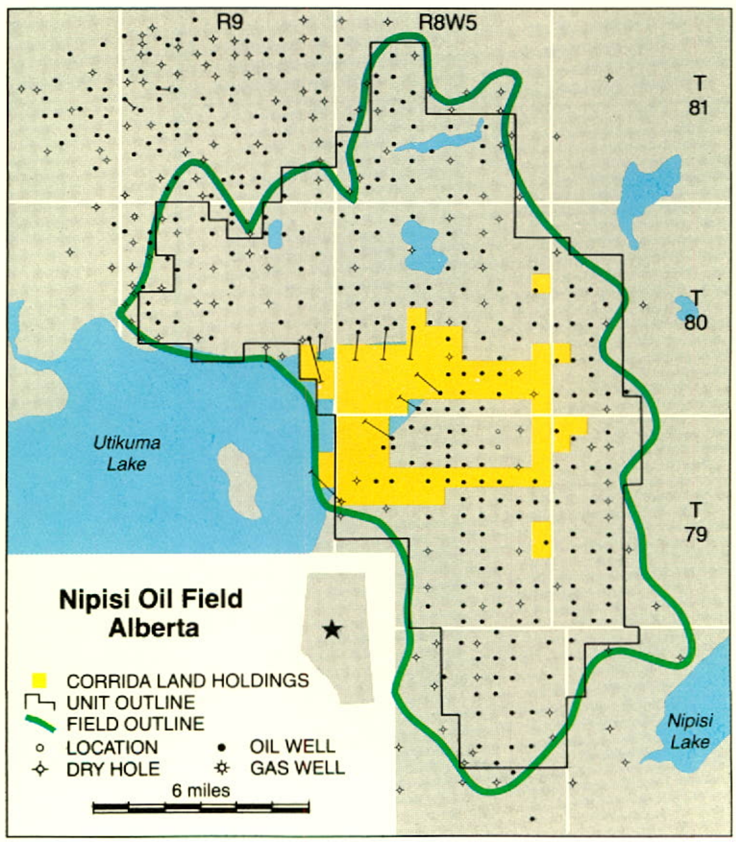
Edson and Nipisi Areas

Two important sources of production revenue for Corrida are the working interests held in the Edson gas field and the Nipisi oil field, both located in central Alberta. The Edson gas field produces from the Shunda formation, a carbonate reservoir of Mississippian age. Corrida has a 2.63 percent working interest in 63 gas wells producing from the Edson Shunda Gas Unit No. 1 plus interests in an additional 7 wells which produce gas condensate from younger Cretaceous sand reservoirs. These wells provided approximately 90 percent of Corrida's 1982 net gas production and about 5 percent of Corrida's net oil and condensate production. Nipisi Gilwood Unit No. 1, in which Corrida has a 0.91 percent working interest, contains 213 oilwells which produce from the Middle Devonian Gilwood sandstone reservoir. During 1982, Corrida's share of production from these wells was about 66 percent of Corrida's total net oil production.

R. G. Gould

Ray G. Gould
Vice-President, Exploration - Canada





Undeveloped Land at December 31, 1982 (1)

	Gross Acres	Net Acres	Appraised Value
Alberta	376,517	49,681	$3,962,060
British Columbia	11,279	739	62,963
Northwest Territories	33,128	492	16,713
Saskatchewan	14,560	1,032	104,645
	435,484	51,944	$4,146,381

Wells Drilled During 1982

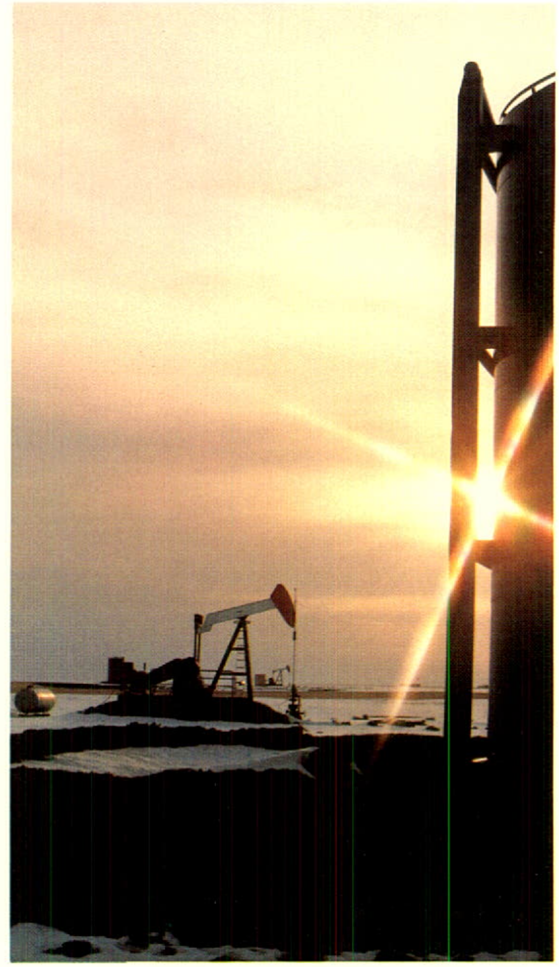
	Oil Wells		Gas Wells		Dry Holes		Total Wells	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory	1	0.15	2	0.07	1	0.25	4	0.47
Development	2	0.39	2	0.45	0	—	4	0.84
	3	0.54	4	0.52	1	0.25	8	1.31

Productive Wells Owned at December 31, 1982

	Oil Wells		Gas Wells	
	Gross	Net	Gross	Net
Alberta	250	5.60	160	13.74
British Columbia	2	0.12	3	0.48
	252	5.72	163	14.22

Production During 1982

	Annual		Daily	
	Gross	Net	Gross	Net
Oil, barrels	156,237	90,029	428	247
Gas, Mcf	1,180,353	683,551	3,234	1,873

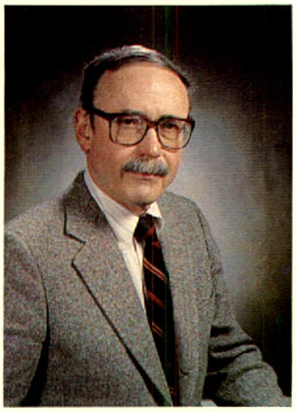


Reserves Remaining at December 31, 1982 (2)

	Proved		Probable		Total		Discounted Present Value	
	Gross	Net	Gross	Net	Gross	Net	15%	20%
Oil, barrels	1,590,074	932,678	498,986	328,663	2,089,060	1,261,341	$10,938,702	$ 8,248,498
Gas, MMcf	19,750	12,845	6,088	3,819	25,838	16,664	15,741,058	11,869,789
							$26,679,760	$20,118,287

(1) Appraised replacement costs by Seaton-Jordan & Associates Ltd., Calgary, independent mineral management consultants.

(2) As appraised by McDaniel & Associates Consultants Ltd., Calgary, independent oil and gas reservoir engineers.

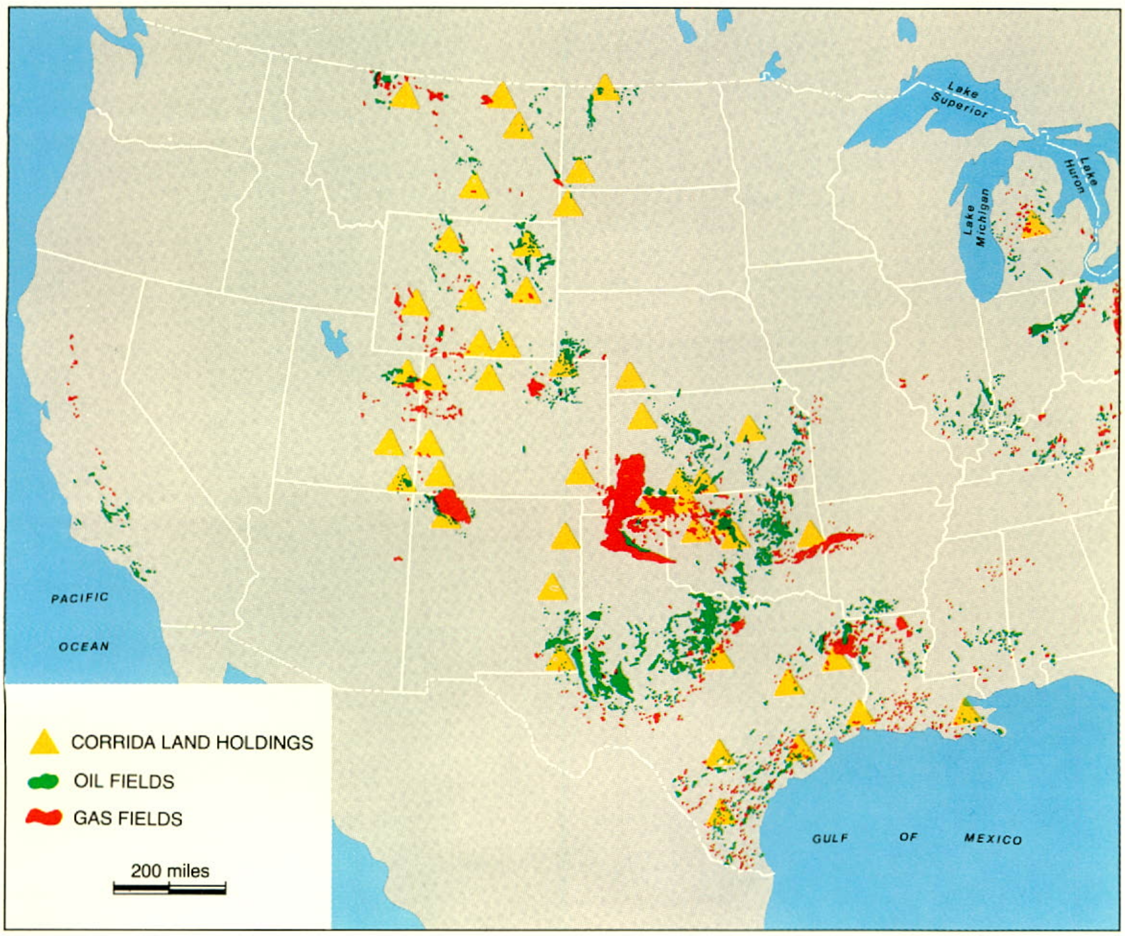


John W. Shepardson,
Vice-President, Exploration - U.S.

At December 31, 1982, Corrida held interests in 1,710,048 gross acres (201,593 net acres) of undeveloped land in 15 states. In keeping with general industry trends, Corrida's investment in 1982 was about one-half the comparable investment in 1981. Corrida participated in the drilling of 28 wells of which 13 wells were successful and farmed out acreage on which 12 additional wells were drilled at no cost to Corrida of which 2 were successful. At the end of 1982, Corrida had interests in 91 oil wells (13.8 net wells) and 46 gas wells (5.1 net wells); net production during the year was 226 barrels of oil per day and 1,110 Mcf of gas per day compared to 129 barrels per day and 575 Mcf per day during 1981. At December 31, 1982, the net proved reserves decreased to 651,706 barrels of oil and 3,758 MMcf of gas from 766,753 barrels of oil and 4,184 MMcf of gas at the end of 1981.

During 1982 and early 1983, the oil and gas industry weathered substantial crude oil price cuts, weak demand and, turmoil in the natural gas markets. Considerable evidence now points to current crude oil price stabilization. It also appears that the long-term outlook for natural gas markets has begun to improve.

In 1983, Corrida will continue development programs for oil in Wyoming and for gas in Texas. Principal search for oil will be in the Big Horn, Powder River, and Williston Basins. Search for gas will be, for the most part, conducted in the Texas Gulf Coast region.

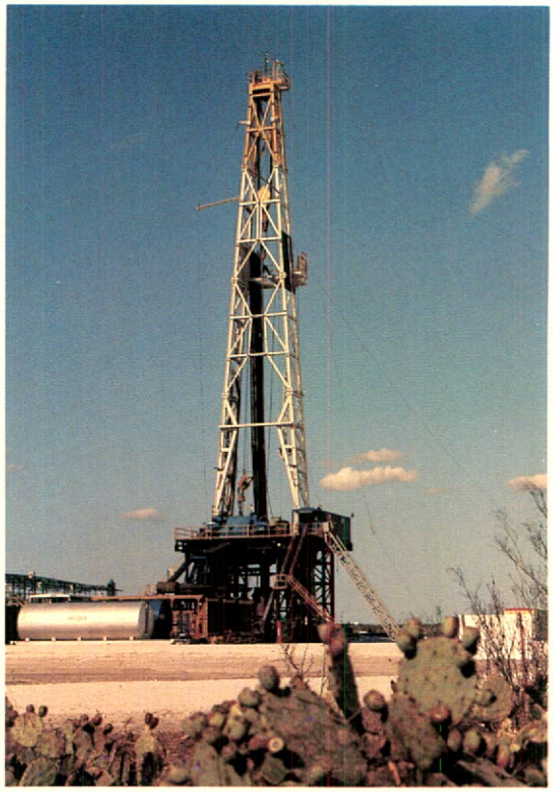


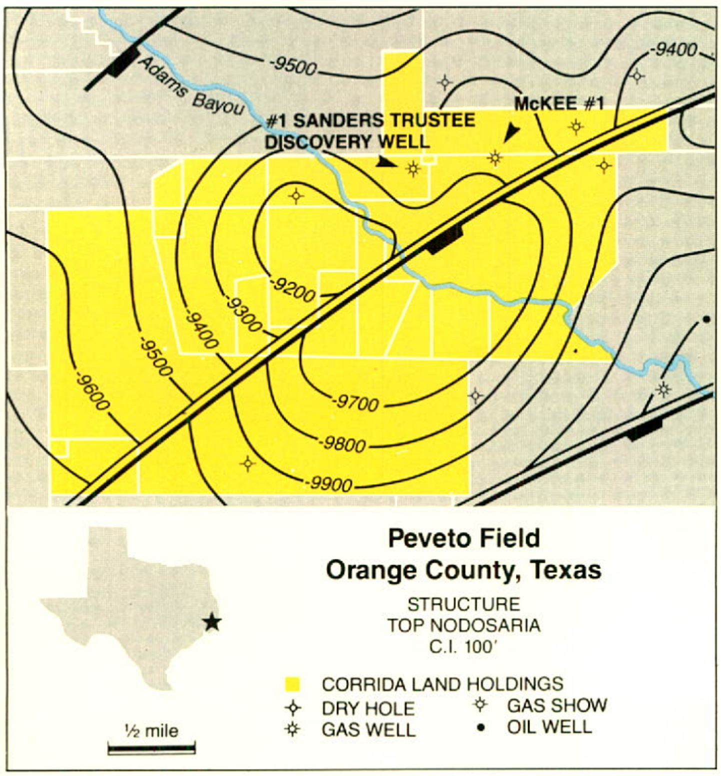
Sligo Prospects

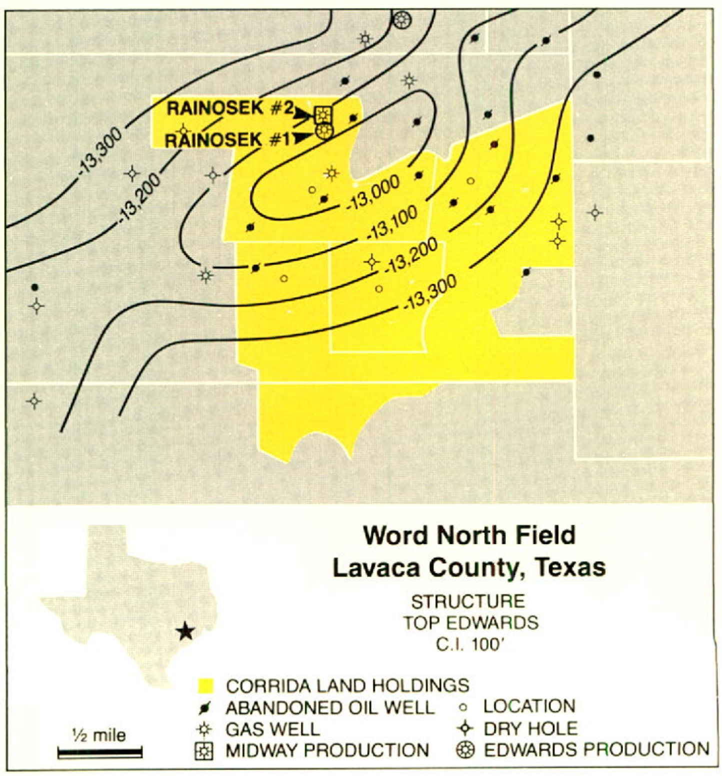
One significant development during 1982 was the drilling of the first well on the deep Sligo Reef (Lower Cretaceous) gas prospects where Corrida has a 7.5 percent interest in 30,000 acres in McMullen County, Texas. The Hubberd #1 was spudded on June 6, 1982, and reached total depth of 21,500 feet in December 1982. The Lower Sligo reef, the main objective, was found tight; however, important gas shows were encountered in the Upper Sligo reef and the Glen Rose formations. Testing of the Upper Sligo reef yielded gas but before the flow could be stabilized for accurate measurement, the well started producing Lower Sligo salt water. The lower section of the hole has developed serious mechanical problems and further tests of the Upper Sligo would have to be carried out in a future offset well.

The Glen Rose formation, above the Sligo, tested, from a 2 foot zone, 1,950 Mcf of gas per day through a 18/64 inch choke with a flowing tubing pressure of 550 psig. Further testing is under way from a 50 foot zone.

The second well, Nueces Minerals #1, 5.5 miles southwest of Hubberd #1, spudded on February 28, 1983, and was drilling below 16,000 feet, towards its Sligo target at 18,000 feet, at mid-May 1983.







Peveto Field

Corrida has a 9.4 percent interest in a 2,300-acre block in Orange County, Texas. The first well, the Sanders Trust #1, was completed in the Nodosaria sand of the Middle Frio formation (Oligocene). The well tested 4,122 Mcf of gas and 216 barrels of condensate per day and is currently producing 2,100 Mcf of gas and 122 barrels of condensate per day.

The second well, the McKee #1, was drilled during April 1983, encountered significant gas in the Nodosaria sand and tested 2,209 Mcf of gas and 168 barrels of condensate per day. The purchaser of the Sanders Trust gas has indicated that it will also purchase the McKee gas; the market connection is expected by June 1, 1983.

Word North Field

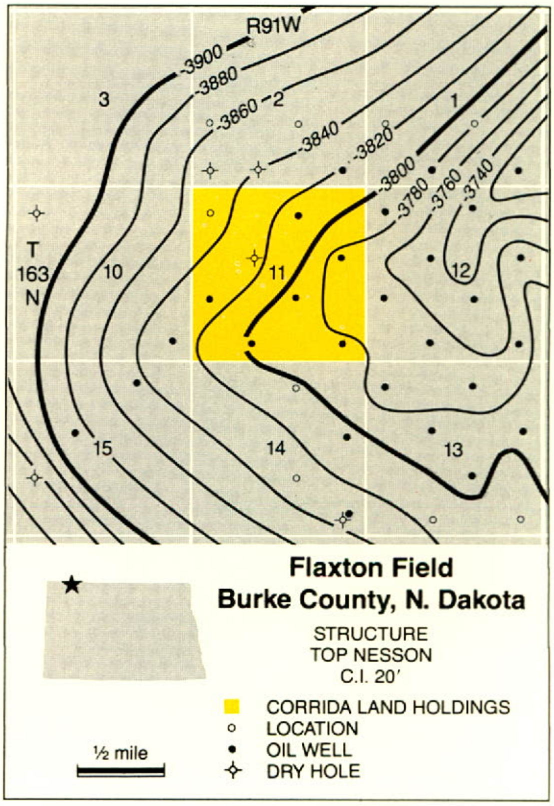
Corrida has a 6.25 percent interest in a 1,024-acre block in Lavaca County, Texas. The first well, Rainosek #1, was completed in the Edwards reef (Lower Cretaceous) and tested 4,250 Mcf of gas and 20 barrels of condensate per day. The second well, the Rainosek #2, was completed in the Midway sand (Paleocene) and tested 1,933 Mcf of gas and 291 barrels of condensate per day; this well should be connected to market in July 1983. Four additional stepout locations have been proposed to be drilled; one Edwards test is expected to begin during the second quarter of 1983. The Edwards gas has been classified as "tight sand" and is priced at $5.77 per Mcf. However, pipeline takes are severely restricted in south Texas, and contract negotiations are now underway to increase pipeline takes at a reduced price for a short-term period.

Flaxton Field

Corrida has a 6.25 percent interest in 640 acres in Burke County, North Dakota. From September 1982 to March 1983, Corrida participated in a seven-well development program. Six wells have been completed as oil producers in the Mission Canyon formation while the seventh well was abandoned. All six wells are currently producing 450 barrels of oil per day. Associated gas is now being flared, but sales of gas are expected to begin in July 1983, at which time additional oil zones with associated gas will be perforated.

John W. Shepardson

John W. Shepardson,
Vice-President, Exploration - U.S.



Undeveloped Land at December 31, 1982 (1)

	Gross Acres	Net Acres	Appraised Value
California	800	200	$ 6,173
Colorado	32,568	9,470	351,325
Kansas	104,099	17,391	1,172,691
Louisiana	5,568	312	76,049
Michigan	166,880	3,546	175,111
Montana	754,388	73,415	4,143,767
Nebraska	75,358	9,355	141,673
Nevada	6,463	2,798	65,920
New Mexico	12,641	3,988	202,206
North Dakota	5,677	709	110,123
Oklahoma	35,839	1,925	430,059
South Dakota	7,950	1,988	50,642
Texas	200,015	23,142	3,990,138
Utah	20,533	4,916	507,622
Wyoming	281,269	48,438	3,761,420
	1,710,048	201,593	$15,184,919

Wells Drilled During 1982

	Oil Wells		Gas Wells		Dry Holes		Total Wells	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory	2	0.24	3	0.35	21	2.81	26	3.40
Development	6	0.28	4	0.18	4	0.26	14	0.72
	8	0.52	7	0.53	25	3.07	40	4.12

Productive Wells Owned at December 31, 1982

	Oil		Gas	
	Gross	Net	Gross	Net
Colorado	1	0.06	—	—
Kansas	3	0.10	—	—
Louisiana	—	—	2	0.15
Montana	3	1.31	—	—
North Dakota	5	0.31	—	—
Oklahoma	24	2.92	21	2.25
Texas	5	0.42	19	1.81
Wyoming	50	8.70	4	0.92
	91	13.82	46	5.13

Production During 1982

	Annual		Daily	
	Gross	Net	Gross	Net
Oil, barrels	104,761	82,396	287	226
Gas, Mcf	531,980	405,246	1,457	1,110

Reserves Remaining at December 31, 1982 (2)

	Proved Developed		Proved Undeveloped		Total		Discounted Present Value	
	Gross	Net	Gross	Net	Gross	Net	15%	20%
Oil, barrels	438,830	346,472	400,317	305,234	839,147	651,706	$12,439,053	$10,855,078
Gas, MMcf	4,162	3,125	853	633	5,015	3,758	6,697,951	5,845,042
							$19,137,004	$16,700,120

(1) Appraised value by Meany & Johnson Energy Corp., Denver, independent oil and gas land services consultants.

(2) As appraised by Ralph E. Davis Associates, Inc., Houston, a member of the Keplinger group of companies, independent petroleum and natural gas consultants.

1982 versus 1981

Corrida's results of operations for 1982 are not directly comparable with those for 1981 because it was not until the acquisitions of companies and properties in late 1981, that Corrida commenced significant operations.

Notwithstanding the severe strain placed on Corrida's resources due to the untimely inability of HCI Holdings Ltd. to completely fulfill its obligations to invest approximately $11,500,000 in securities of the Company, Corrida has succeeded in reducing its loss for the year to $4,446,000, a decrease of approximately 20 percent; increasing its cash flow from operations to $1,241,000, a five-fold increase; and decreasing its working capital deficiency at year-end to $2,360,000, an increase in working capital of $545,000 (compared to a decrease in 1981 of $3,222,000). Notwithstanding substantially increased interest expense in 1982 on increased long-term debt, Corrida achieved the above results by reducing capital budgets; reducing overhead by decreasing salaries of all employees and cancelling certain employee benefits; acquiring the minority's interest in Liberty's operations; deferring principal repayments otherwise due in 1983 to the following year, evidencing the continuing support of the bank; and by receiving the benefits of reduced royalties and royalty tax credits announced by the Alberta government in April 1982.

Capital Resources and Liquidity

Corrida and its financial advisors are continuing their efforts to increase Corrida's equity base. In addition to the proposed private placement of convertible preferred shares, other options are being considered. Except for a rights offering to Corrida's shareholders, which is being contemplated, it is clear that any equity issue would involve significant dilution to Corrida's shareholders, whose acceptance thereof is essential to Corrida's future operations. The share purchase tax credit provision in the Federal budget of April 19, 1983, which would flow tax credits (or, in the case of pension funds, cash) of up to 25 percent of the purchase price through to the investor, should contribute positively to Corrida's efforts to raise equity.

All of Corrida's loans with its bank are current and Corrida believes that the conclusion of the continuing negotiations with the bank, on conversion of bank loans evidenced by demand notes into long-term debt (see Note 6 to the consolidated financial statements), will be perceived, by existing and potential investors in Corrida's shares, as positive.

In the near term the negative impact of soft petroleum prices and demand should be more than offset by reduced interest costs on Corrida's long-term debt; Corrida's weighted average interest rates for 1982 and currently are 15.8 and 10.8 percent, respectively.

Share Data

	1982	1981
The Toronto Stock Exchange		
High	**$ 5.73**	$ 14.25
Low	**$ 0.60**	$ 4.80
Close	**$ 1.25**	$ 5.70
Volume	**2,760,000**	2,212,000
Value	**$5,852,000**	$19,954,000
Net book value per share	**$ 4.31**	$ 4.57
Treasury issues for		
Cash		
Volume	**74,000**	869,000
Value	**$ 43,000**	$ 6,721,000
Oil and gas properties		
Volume	**184,000**	2,375,000
Value	**$2,187,000**	$25,368,000

Consolidated Balance Sheet

	December 31 1982	December 31 1981
ASSETS		
CURRENT ASSETS		
Cash and term deposits	**$ 212,146**	$ 968,496
Accounts receivable		
Trade	**1,706,129**	3,388,022
Other	**1,009,767**	940,267
Current portion of notes receivable	**78,084**	78,084
Prepaid expenses	**241,102**	246,706
	3,247,228	5,621,575
NOTES RECEIVABLE	**310,709**	388,793
PROPERTY AND EQUIPMENT, at cost (Notes 5 and 8)	**88,427,233**	76,898,340
Less accumulated depletion, depreciation and amortization	**15,117,789**	10,072,316
	73,309,444	66,826,024
DEFERRED CHARGES, at cost less amortization	**597,857**	—
	$77,465,238	$72,836,392
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued	**$ 5,607,177**	$ 8,526,143
DEFERRED REVENUE	**1,949,296**	1,254,005
LONG-TERM DEBT (Note 6)	**43,260,442**	35,146,591
MINORITY INTEREST IN SUBSIDIARY (Note 4)	**—**	853,658
SHAREHOLDERS' EQUITY		
Share capital (Note 7)		
Issued and outstanding		
6,181,939 common shares (1981 - 5,923,906)	**37,941,597**	35,903,525
Contributed surplus (Note 9)	**2,000,000**	—
Retained earnings (deficit)	**(13,293,274)**	(8,847,530)
	26,648,323	27,055,995
COMMITMENTS AND CONTINGENCIES (Notes 3, 6, 7 and 10)		
	$77,465,238	$72,836,392

APPROVED BY THE BOARD

J. Richard Harris, Director

Ralph A. McKenzie, Director

Consolidated Statement of Operations and Retained Earnings (Deficit)

	Year Ended December 31	
	1982	1981
REVENUE		
Oil and gas sales less royalties	**$ 7,353,737**	$ 2,788,268
Alberta royalty tax credits	**2,285,182**	188,372
Other	**218,120**	207,840
	9,857,039	3,184,480
EXPENSES		
Production taxes (Note 8)	**1,463,635**	443,921
Operating	**1,290,449**	538,446
General and administrative (Note 5)	**808,828**	424,959
Interest on long-term debt (Notes 5 and 6)	**5,399,297**	2,470,845
Depletion	**4,601,902**	4,760,498
Depreciation and amortization	**545,472**	145,385
Foreign exchange loss (gain)	**168,200**	(46,193)
	14,277,783	8,737,861
Income (loss) before minority interest	**(4,420,744)**	(5,553,381)
Minority's interest in subsidiary's loss (income)	**(25,000)**	10,700
NET INCOME (LOSS) FOR THE YEAR	**(4,445,744)**	(5,542,681)
Retained earnings (deficit) at beginning of year	**(8,847,530)**	(3,304,849)
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	**$(13,293,274)**	$(8,847,530)
Net income (loss) per share	**$ (.73)**	$ (1.54)

Consolidated Statement of Changes in Financial Position

	Year Ended December 31 1982	1981
SOURCE OF WORKING CAPITAL		
From operations		
Net income (loss) for the year	**$ (4,445,744)**	$ (5,542,681)
Add charges not requiring an outlay of working capital (Note 6) and unrealized foreign exchange loss (gain)	**5,687,215**	5,795,358
Funds from operations before undernoted item	**1,241,471**	252,677
Unrealized foreign exchange loss (gain)	**111,481**	(46,193)
Funds from operations (Note 5)	**1,129,990**	298,870
Prepayment for future gas production	**695,291**	352,228
Long-term debt issued	**9,583,973**	28,059,292
Current portion of notes receivable	**78,084**	—
Contributed surplus (Note 9)	**2,000,000**	—
Share capital issued, net of issue expenses	**2,038,072**	31,628,618
	15,525,410	60,339,008
APPLICATION OF WORKING CAPITAL		
Acquisition of minority interest (Note 4)	**2,186,763**	51,331,536
Additions to property and equipment	**10,252,889**	11,593,031
Repayment of long-term debt	**1,943,282**	635,991
Other assets	**597,857**	—
	14,980,791	63,560,558
INCREASE (DECREASE) IN WORKING CAPITAL	**544,619**	(3,221,550)
Working capital (deficiency) at beginning of year	**(2,904,568)**	316,982
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR (Note 3)	**$ (2,359,949)**	$(2,904,568)

Auditors' Report

To the Shareholders of Corrida Oils Ltd.

We have examined the consolidated balance sheet of Corrida Oils Ltd. as at December 31, 1982, and the consolidated statements of operations and retained earnings (deficit), 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 December 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, except for the change, with which we concur, in the method of calculating the estimated realizable value of oil and gas properties as explained in Note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Calgary, Alberta
February 25, 1983,
except as to Note 6 as to which
the date is April 22, 1983

Price Waterhouse
Chartered Accountants

As at December 31, 1982

1. Significant Accounting Policies

Corrida Oils Ltd. and its subsidiaries ("the Company") are engaged in the exploration for, development and production of crude oil and natural gas reserves. Its consolidated financial statements are prepared by management in accordance with accounting principles generally accepted in Canada. The significant accounting policies are summarized below:

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned.

Oil and gas operations

The Company follows the full cost method of accounting under which all costs related to the exploration for and development of oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, rentals on undeveloped properties, costs of drilling both productive and non-productive wells, and interest and foreign exchange losses or gains related to the acquisition and development of individually significant oil and gas properties and equipment as well as overhead related to exploration and development activities. Government grants for exploration and development activities are applied as a reduction of the related capital expenditures. Proceeds on property sales are generally credited to such costs. Costs are capitalized on the basis of one North American cost centre, except for individually significant properties, and are being depleted using the composite unit-of-production method based on estimated proved oil and gas reserves as determined by independent petroleum engineers. Additional depletion is provided if resulting net book values exceed the aggregate of (i) the estimated realizable value based on reports from independent petroleum engineers of unescalated, undiscounted future income from proved oil and gas reserves after recognition of Alberta royalty tax credits but before deduction of income taxes, interest and overhead, (ii) the aggregate value of undeveloped acreage to which no reserves have been attributed as estimated by management having regard to available independent reports as to such values, and (iii) the aggregate value of undeveloped acreage to which probable reserves have been attributed as estimated by management having regard to reports from independent petroleum engineers as to such values.

Oil and gas equipment is depreciated using the composite unit-of-production method. Other capital assets are depreciated at rates estimated to amortize their costs over the useful lives of the assets.

Translation of foreign currencies

Current assets and liabilities are translated at the rate of exchange in effect at the balance sheet date and noncurrent assets and liabilities are translated at historical rates. Operations are translated at average rates except for depletion, depreciation, and amortization, which are translated at historical rates. Resulting gains or losses are included in operations.

Earnings per share

Earnings per share are calculated using the weighted average number of common shares outstanding during the period.

Joint venture accounting

Substantially all exploration and development activities are conducted jointly with others and the consolidated financial statements reflect the Company's proportionate interest in such activities.

2. Change in Accounting

The recognition for the first time in 1982 of the value of the anticipated benefits of the Alberta royalty tax credits, in determining if a provision for additional depletion is required, constitutes a change in accounting policy. The change was adopted because, in the opinion of management, successive legislative modifications to the credit have altered its nature from that of a reduction of income taxes, when it was first introduced, to a reduction of Crown royalties at the present time, which credit is being increasingly recognized as such in reports of independent petroleum engineers. This change in accounting policy has had no effect on the depletion expense for 1982.

3. Corporate Financing and Working Capital Deficiency

The Company incurred a loss of $4,445,744 for the year ended December 31, 1982, and had a working capital deficiency of $2,359,949 as at that date. These consolidated financial statements have been prepared on the basis that the Company will be able to meet its commitments and realize the carried value of its assets in the normal course of business, which ability is dependent upon future events. Based on current negotiations and planned transactions, management is of the opinion that sufficient working capital, to enable the Company to continue operations and meet its commitments as they become due, will be obtained from operations, external financing and/or the sale of certain assets.

4. Acquisition

Pursuant to an offer made on October 15, 1981, to all shareholders of Liberty Petroleums Inc., the Company, by December 31, 1981, had acquired 88 percent of the Liberty shares issued and outstanding (on the basis of one-fourth of a common share and one Series "B" warrant to purchase one-sixth of a common share of the Company for each Liberty share outstanding), by February 15, 1982, had acquired approximately 91 percent, and, on May 6, 1982, acquired, by exercise of the statutory right entitling it to do so, the remaining Liberty shares outstanding on the same basis as in its offer. During 1982 the Company issued an additional 184,273 common shares and Series "B" warrants to purchase 122,006 shares, valued at $2,186,763, to effect the purchase of this minority interest.

5. Property and Equipment

	December 31			
	1982		1981	
	Cost	Net Book Value	Cost	Net Book Value
Oil and gas properties				
Canada	$25,452,884	$19,371,523	$22,512,144	$18,553,590
United States	62,519,396	53,632,146	54,006,424	47,926,907
Other capital assets	454,953	305,775	379,772	345,527
	$88,427,233	$73,309,444	$76,898,340	$66,826,024

Overhead capitalized during 1982, related to exploration and development activities, amounted to $3,105,000 (1981 — $1,287,000). Interest capitalized during 1982, related to the acquisition of undeveloped acreage from the Masek Oil Company of Casper, Wyoming ("Masek"), amounted to $1,098,000 (1981 — $382,000).

6. Long-Term Debt

	December 31	
	1982	1981
Bank production loan U.S. $5,000,000 repayable over seven years in quarterly instalments of U.S. $178,571 commencing September 30, 1984	$ 6,012,500	$ 6,012,500
Bank production loans U.S. $15,500,000 (1981 — U.S. $11,463,000) repayable over 10 years in quarterly instalments of U.S. $387,500 commencing July 31, 1984	18,684,580	13,746,162
Bank production loans repayable over 10 years in quarterly instalments of $112,500 commencing July 31, 1984	4,500,000	4,414,000
Bank production loan revolving to $2,000,000 until August 1, 1983, thereafter repayable over 10 years in equal quarterly instalments commencing July 31, 1984	872,000	—
Bank loans U.S. $10,161,609 evidenced by demand notes	12,325,492	—
First deferred payment U.S. $9,130,310 due to Masek	—	10,973,929
Estimated second deferred payment U.S. $704,303 due to Masek	865,870	—
	$43,260,442	$35,146,591

The bank loans are secured by the general assignment of certain book debts and by oil and gas properties and bear interest, which approximated 15.8 percent on a weighted average basis during 1982 and 11.7 percent as at December 31, 1982, at spreads over prevailing bank prime or London interbank offered rates ranging from ¾ to 1¼ percent. On April 22, 1983, the bank agreed to defer for one year the quarterly principal repayments otherwise due in 1983 totalling $1,579,000; this deferral is reflected herein.

A portion, amounting to U.S. $9,524,000, of the purchase price of a major acquisition in July 1981 of producing oil and gas properties and undeveloped acreage in the United States from Masek was financed by a non-interest bearing first deferred payment due to Masek on March 31, 1982. Imputed interest on this deferred payment during 1982, net of the amount capitalized, amounted to $403,000. This deferred payment was secured by a letter of credit issued by the Company's bank, which was guaranteed by HCI Holdings Ltd., the Company's former principal shareholder. It was to have been financed from proceeds of a private placement of common shares of the Company with HCI and by proceeds of a convertible debenture issued by the Company to HCI. On April 14, 1982, arrangements were made with the bank to refinance the deferred payment from proceeds of bank loans evidenced by demand notes and, by September 30, 1982, the deferred payment was paid in full. This refinancing was also guaranteed by HCI. On May 14, 1982, the Company announced that it had reached an agreement whereby HCI, for a cash payment of $2,000,000, paid at the Company's direction to its bank in reduction of the refinancing, was relieved of any further obligations to invest in securities of the Company and was released by the Company's bank from any further guarantee of any of the Company's obligations. Although the balance of the refinancing, amounting to U.S. $8,161,609, and another loan of U.S. $2,000,000 are evidenced by demand notes, the bank has indicated that it has no present intention of demanding payment thereof. Negotiations are continuing between the Company and the bank to arrange for this debt to be converted to long-term debt. In addition, the Company is continuing its efforts to refinance a major portion of these obligations with other long-term debt and/or equity. Accordingly, no portion of this debt is included in current liabilities.

A secondary recovery project on an oil producing property purchased from Masek in July 1981 was approved by the Minerals Management Service of the U.S. Department of the Interior, Wyoming, in October 1982. The additional purchase price to be paid to Masek in respect of this project is estimated at U.S. $704,303, based upon an evaluation prepared by the engineers of the operator of the property; the actual price to be paid will be based upon an evaluation by an independent engineering consultant whose report is expected shortly. As part of the above negotiations between the Company and the bank, the bank recognizes that this payment to Masek should be incorporated in the debt to be converted to long-term debt. Accordingly, no portion of this estimated liability is included in current liabilities. A maximum of U.S. $1,706,000 may be due to Masek if a secondary recovery project is commenced on a second oil producing property by July 1, 1989, and, if such project results in a specified increase in oil recoverable from the property.

The aggregate repayments required on long-term debt, exclusive of the demand loans and second deferred payment, in each of the next five years are: 1983 — NIL, 1984 — $1,632,000, 1985 — $3,265,000, 1986 — $3,265,000, and 1987 — $3,265,000.

7. Share Capital

By supplementary letters patent dated January 19, 1982, the Company changed its name from MSZ Resources Ltd. to Corrida Oils Ltd., consolidated its authorized and issued shares on the basis of three MSZ for one Corrida share, transferred or continued its jurisdiction from New Brunswick to Alberta, and increased its authorized share capital from 16,666,667 to 50,000,000 common shares without nominal or par value.

At a special general meeting of the shareholders held on December 8, 1982, the shareholders approved increasing the authorized capital of the Company by the creation of 50,000,000 Class A preferred shares with a par value of $1.00 each and 50,000,000 Class B preferred shares with a par value of $1.00 each, both of which became preferred shares without nominal or par value upon continuance of the Company under The Business Corporations Act (Alberta) on January 13, 1983. These preferred shares have preferred class rights as to dividends and return of capital over the common shares of the Company and the Class A preferred shares rank senior as to dividends and return of capital over the Class B preferred shares. The shareholders authorized the directors of the Company to issue the preferred shares from time to time in one or more series and to fix, by way of resolution, the designation, rights, restrictions, conditions, and limitations attaching to the Class A and Class B preferred shares of each series. The shareholders also approved an issue of a first series of convertible Class B preferred shares pursuant to a proposed private placement, as required by the regulatory authorities because of the potential dilution to the existing shareholders. This approval is subject to not more than 10,000,000 common shares being issued upon conversion of the preferred shares and not more than 1,500,000 common shares being issued as a stock dividend on such preferred shares during the period to January 1, 1984. The Company's financial advisors, a national investment dealer, continue to discuss the private placement with interested investors. Should the placement not be made by June 8, 1983, the Company would be obliged by the regulatory authorities to again seek the shareholders' approval of the potential dilution. No preferred shares were issued during 1982.

	Number of Shares	Amount
Corrida issued the following common shares during 1982:		
For acquisition of balance of Liberty shares (Note 4)	184,273	$2,186,763
On exercise of employees' stock options, for cash	73,000	43,040
On exercise of Series "A" warrants which expired April 30, 1982, for cash	75	616
On exercise of Series "B" warrants which expired on November 20, 1982, for cash	6	72
Adjustment for fractional shares on share consolidation	679	—
	258,033	$2,230,491

Share issue expenses during 1982 of $192,419 are not reflected above.

	Expiry Date	Number of Shares	Amount Per Share	Amount Total
As at December 31, 1982, Corrida had reserved for issuance the following common shares:				
For series "D" warrants owned by senior management	June 30, 1984	116,667	$10.05	$1,172,500
For series "C" warrants	October 1, 1984	333,333	9.90 to 10.80	3,400,000
For employees' stock options	1988	342,000	.58 to 2.98	567,670
		792,000	$ 6.49	$5,140,170

Effective July 30, 1982, the Company, with the approval of the regulatory authorities, cancelled outstanding options which were granted to officers and employees of the Company and its U.S. subsidiary (excepting senior management and directors to whom options are not granted), to purchase 118,833 shares at prices ranging from $1.66 to $7.05 per share and established its 1982 Incentive Stock Option Plan under which it granted to December 31, 1982, options to purchase 415,000 common shares, exercisable for six years from the dates of grants, at prices determined at the date of grant ranging from $.58 to $2.98 per share. Options to purchase 342,000 common shares remained unexercised as at December 31, 1982.

Due to the continued uncertainty following the release by the federal government of the summer 1982 budget concerning the deductibility, for income tax purposes, of imputed interest on interest-free loans granted to employees to purchase shares of a company, the Company's directors terminated, effective June 30, 1982, the proposed employee share purchase plan announced on August 25, 1981. No interest-free loans were made and no shares were issued to employees of the Company under the proposed plan. Since the Company agreed in the summer of 1981, as a condition of the employment of its senior management, to grant interest-free loans to enable them to purchase 625,000 shares of the Company, it is continuing its efforts to find a method of providing a substitute plan which would provide them with substantially the same benefits. In September 1982 a shareholder of the Company commenced an action claiming damages of $1,000,000 against each of the shareholder's broker, a regulatory authority, and senior management of the Company. The shareholder has claimed that senior management was negligent in that information provided to shareholders failed to properly disclose that the above shares to be issued to senior management were not in fact issued to them for cash. Although the Company is not named as a party defendant in the action, senior management may be entitled to be indemnified by the Company. Legal counsel has stated in a preliminary opinion that the action would be successfully defended by senior management.

8. Income Taxes

Corrida has accumulated losses for accounting purposes of approximately $9,700,000 which are available for offset against future accounting income when determining provisions for income taxes. Assuming an effective income tax rate of approximately 50 percent, this represents unrecorded potential tax benefits of approximately $4,850,000 which, when recognized, would be reflected in the consolidated financial statements as extraordinary items reducing provisions for deferred income taxes. The Company has accumulated losses for income tax purposes of approximately $23,579,000, resulting primarily from the expensing of intangible drilling costs incurred in the United States; these accumulated losses expire as follows:

1984	$ 32,000
1986	945,000
1987	1,328,000
1994 (United States)	70,000
1995 (United States)	2,438,000
1996 (United States)	8,372,000
1997 (United States)	10,394,000
	$23,579,000

In addition, Corrida has unclaimed costs for income tax purposes of approximately $14,740,000 and $34,981,000 in respect of its Canadian and United States operations, respectively.

Included in property and equipment are costs of acquisition amounting to approximately $14,027,000 as at December 31, 1982, represented primarily by the excess of the ascribed value over the historical cost of net assets acquired on the acquisition of shares in subsidiaries. This excess and the related annual depletion charges are not deductible for income tax purposes. Accordingly, effective income tax rates in periods subsequent to the acquisition dates of these assets will reflect higher tax provisions than otherwise would be required if the net assets had been acquired directly.

Canadian Petroleum and Gas Revenue Tax and United States Windfall Profit Tax are considered to be taxes on production.

9. Related Party Transactions

In connection with the cash payment made by HCI to relieve HCI of any further obligations to invest in securities of the Company, which payment is classified herein as contributed surplus (Note 6), HCI raised 50 percent of the $2,000,000 payment by the sale of all its shares and warrants of the Company to the Company's senior management at market price, and HCI's representatives on the Company's board resigned. Pending alternative funding arrangements being made, the bank required that the Company guarantee personal bank loans aggregating $1,000,000 and interest thereon obtained by the senior officers to fund the purchase of these securities. Each member of senior management has executed appropriate promissory notes secured by all of their shares in the Company and have agreed to repay to it any principal or interest costs it may incur plus a premium. In a subsequent but allied transaction, senior management acquired the personal shares of a former director of the Company, who is an employee of HCI, on substantially the same terms and conditions, thereby raising the Company's guarantee to $1,116,667 and interest thereon. As contemplated by the Company, the bank, and senior management at the time the personal loans were obtained, the Company has made loans to senior management, which together with interest thereon aggregated $71,300 as at December 31, 1982, to assist them to service these personal bank loans. Subsequent to December 31, 1982, $28,300 of this amount was repaid to the Company.

10. Commitments and Contingencies

The Company has annual base rental commitments (before reductions for anticipated sub-leases) for office space in Calgary and Denver of approximately $464,000, $591,000, $570,000, $527,000, and $388,000 for each of the five years ending December 31, 1987.

During 1982 the Alberta government conducted an audit of the Alberta royalty tax credits claimed and received by a subsidiary company during the period commencing October 1, 1979. As a result of the audit, there is a possibility that the subsidiary could be reassessed approximately $747,000 of credits received for the period from October 1, 1979, to February 28, 1981, i.e. prior to its acquisition by the Company. The Company has no reason to believe that a reassessment would be sustained. Any reassessment would be offset, at least to the extent of 30 percent thereof, by indemnities provided by the vendor at the time of acquisition of the subsidiary.

11. Remuneration of Directors and Officers

The remuneration of the five highest paid officers and employees, as well as of employees whose remuneration exceeds $50,000 per year, amounted in 1982 to $1,129,000 (1981 — $394,000, five highest paid officers and employees for approximately six months).

12. Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

13. Segmented Information

	Revenue		Net Income (Loss)		Assets	
	1982	1981	1982	1981	1982	1981
Geographic Areas:						
Canada	$4,951,706	$ 598,291	$ (771,429)	$(1,168,356)	$22,042,113	$22,304,788
United States	4,905,333	2,586,189	(3,674,315)	(4,374,325)	55,423,125	50,531,604
	$9,857,039	$3,184,480	$(4,445,744)	$(5,542,681)	$77,465,238	$72,836,392

Undeveloped Land at December 31, 1982 (1)

	Gross Acres	Net Acres	Appraised Value
Canada	435,484	51,944	$ 4,146,381
United States	1,710,048	201,593	15,184,919
	2,145,532	253,537	$19,331,300

Wells Drilled During 1982

	Oil Wells		Gas Wells		Dry Holes		Total Wells	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Canada	3	0.54	4	0.52	1	0.25	8	1.31
United States	8	0.52	7	0.53	25	3.07	40	4.12
	11	1.06	11	1.05	26	3.32	48	5.43

Productive Wells Owned at December 31, 1982

	Oil Wells		Gas Wells	
	Gross	Net	Gross	Net
Canada	252	5.72	163	14.22
United States	91	13.82	46	5.13
	343	19.54	209	19.35

Production During 1982

		Annual		Daily	
		Gross	Net	Gross	Net
Canada	- Oil, barrels	156,237	90,029	428	247
	Gas, Mcf	1,180,353	683,551	3,234	1,873
United States	- Oil, barrels	104,761	82,396	287	226
	Gas, Mcf	531,980	405,246	1,457	1,110
Total	- Oil, barrels	260,998	172,425	715	473
	Gas, Mcf	1,712,333	1,088,797	4,691	2,983

Reserves Remaining at December 31, 1982 (2)

		Proved		Probable		Total		Discounted Present Value	
		Gross	Net	Gross	Net	Gross	Net	15%	20%
Canada	- Oil, barrels	1,590,074	932,678	498,986	328,663	2,089,060	1,261,341	$10,938,702	$ 8,248,498
	Gas, MMcf	19,750	12,845	6,088	3,819	25,838	16,664	15,741,058	11,869,789
United States	- Oil, barrels	839,147	651,706	—	—	839,147	651,706	12,439,053	10,855,078
	Gas, MMcf	5,015	3,758	—	—	5,015	3,758	6,697,951	5,845,042
Total	- Oil, barrels	2,429,221	1,584,384	498,986	328,663	2,928,207	1,913,047	23,377,755	19,103,576
	Gas, MMcf	24,765	16,603	6,088	3,819	30,853	20,422	22,439,009	17,714,831
								$45,816,764	$36,818,407

(1) See footnote (1) on pages 6 and 10.

(2) See footnote (2) on pages 6 and 10.

Corporate Information

Directors

J. Richard Harris
Chairman of the Board, Corrida Oils Ltd.

Ralph A. McKenzie
Senior Vice-President, Corrida Oils Ltd.

Frederic J. Wellhauser
President, Corrida Oils Ltd.

Officers

J. Richard Harris
Chairman of the Board and
Chief Executive Officer

Frederic J. Wellhauser
President and Chief Operating Officer

Ralph A. McKenzie
Senior Vice-President and
Chief Financial Officer

Raymond G. Gould
Vice-President, Exploration - Canada

John W. Shepardson
Vice-President, Exploration - United States

Walter B. O'Donoghue, Q.C.
Secretary

Senior Personnel

Canada

Delmer A. Crawford
Manager of Engineering

Michael A. Geldert
Manager of Lands

Robert A. Maitland
Controller

Jim C. Mawdsley
Manager of Exploration

United States

Gail L. Allaman
Controller

James C. Brothers
Chief Geologist

Rudolph M. Elvera
Manager of Engineering

Patricia M. Gamroth
Landman

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The Canada Trust Company
Calgary, Montreal, Toronto, Vancouver

Banker

The Royal Bank of Canada

Auditors

Price Waterhouse

Legal Counsel

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