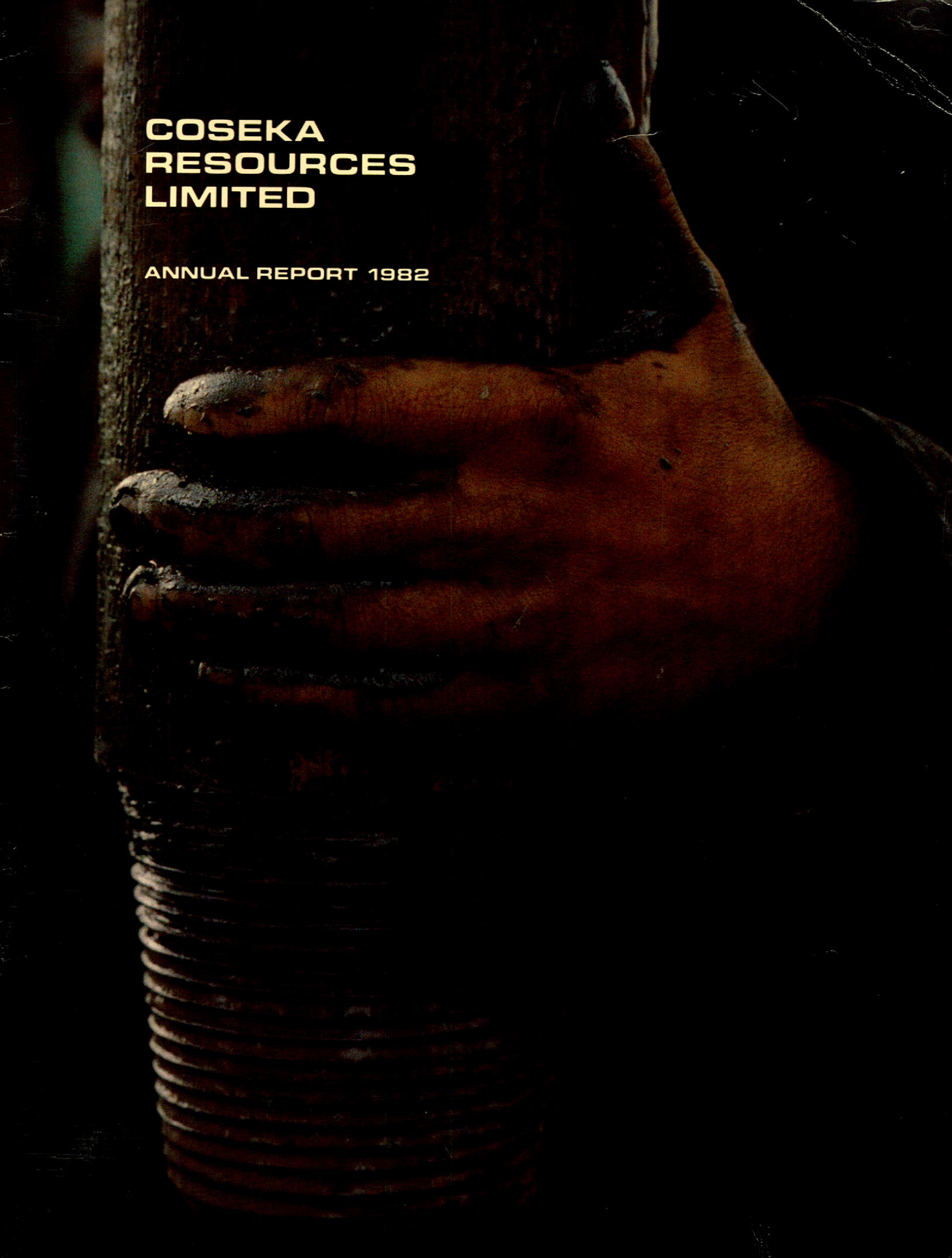
COSEKA RESOURCES LIMITED

ANNUAL REPORT 1982



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Annual Meeting

The annual general meeting of shareholders of Coseka Resources Limited will be held at the Westin Hotel, Calgary, Alberta, at 10 a.m. on April 26, 1983.

A new decade . . . renewed vigor

Coseka Resources Limited was born more than a decade ago in a climate of challenge and excitement.

In 1969 a group of 12 investors formed a small Vancouver-based mining company and acquired a gold-silver property in Montana. By mid-1972 this company, Niseka Mining Ltd., had merged with Coin Canyon Mines Limited and with The Cariboo Gold Quartz Mining Company Limited to form Coseka Resources Limited.

It soon became evident, however, that Coseka's destiny was not in mining. After years of taking energy security for granted, Canadians were learning that their storehouse of petroleum and natural gas was fast depleting. Young, aggressive Coseka threw itself into the vital national campaign to restock that storehouse. Later, the Company expanded into the United States.

Coseka's ensuing spectacular growth — from total assets in 1972 of $3.4 million to today's $361 million — is convincing testimony of its success.

Now, Coseka's second decade brings exciting new challenges. Peter R. Kutney, chairman and chief executive officer, one of the original 12 investors, has attracted and molded a team of managers and technical professionals which is determined to continue Coseka's tradition of achievement. We have implemented new financial and exploration strategies which will take us through a consolidation stage. Later, with a solid base in place, we will take aim at a second period of prolonged growth.

We're into a new decade . . . with renewed vigor.

Cover

Coseka Resources Limited remains a leader in the Glauconite channel sands oil play in southern Alberta. Photographer Gerald Kitchen has reduced the action, noise and excitement of an oil discovery at a Coseka well to the essential elements of the event — human flesh, cold drillstem steel and black, gummy crude.

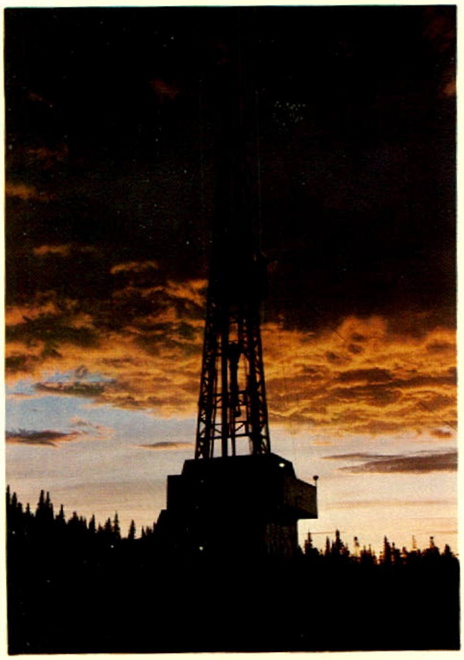
Annual Report

Copies of the Company's 1982 Annual Report may be obtained by contacting the office of the Company at:
Coseka Resources Limited,
Fifth Floor,
300 Fifth Avenue S.W.,
Calgary, Alberta T2P 3C4.
Telephone (403) 261-3610.

Metric Conversion

	To convert from:	To:	Multiply by:
Oil and gas liquids	barrels (bbls.)	cubic metres (m^3)	.159
Natural gas	thousands of cubic feet (mcf)	cubic metres (m^3)	28.174
Sulphur	long tons (2,240 pounds)	tonnes (t)	1.016
Land	acres	hectares	.405

Financial & Operating Highlights



Sun sets at the natural gas discovery well at Thunder, in northeastern British Columbia.

Financial ($000's)	**17 Months to December 31, 1982**	12 Months to July 31, 1981
Gross Revenue	**60,680**	32,882
Cash Flow from Operations	**26,392**	15,238
* Per Common Share $ (Basic)	**2.12**	1.23
Net Income	**5,288**	5,877
* Per Common Share ¢ (Basic)	**28.7**	40.6
Working Capital (Deficiency)	**(5,794)**	23,469
Exploration, Development and Other Capital Expenditures	**108,541**	89,225
Drilling Funds Expenditures	**69,634**	37,283
Total Assets	**361,233**	288,417
Per Common Share $	**31.34**	25.02
Long-Term Debt	**192,472**	143,663
Shareholders' Equity	**90,746**	88,538
Per Common Share $	**7.87**	7.68
Shares Outstanding (000's)	**11,526**	11,529

Operations		
Gas Production (Before Royalties)		
Canada — MMcf	**10,765**	9,177
U.S.A. — MMcf	**3,813**	1,800
Total — MMcf	**14,578**	10,977
Total — MMcf Per Day	**28.1**	30.0
Oil and Condensate Production (Before Royalty)		
Canada — Thousand Bbls	**246.3**	172.4
U.S.A. — Thousand Bbls	**126.7**	61.8
Total — Thousand Bbls	**373.0**	234.2
Total — Bbls Per Day	**720**	641
Sulphur Production (Before Royalties)		
Canada — Long Tons	**34,055**	35,432
Land Holdings — Net Acres	**935,060**	1,260,694

* *Basic weighted average number of shares issued during fiscal year (1982) 11,525,818 common shares, (1981) 11,414,289 common shares.*

Message from the Chairman and President

Peter R. Kutney,
Chairman and Chief Executive Officer

To The Shareholders:

In the past year-and-a-half, North America endured its worst economic recession since the 1930s. The impact on the energy sector was particularly punitive. The decline in industrial activity and consumer demand not only eliminated all sales growth but also sharply reduced consumption of oil and natural gas, thus, creating product surplus.

The natural gas surplus in Canada was intensified by government restrictions on exports. At the same time, during the political negotiations over Canada's energy pricing agreement, Alberta's oil production was partially shut-in.

Uncertainties

Industry uncertainties were compounded by the National Energy Program, which provoked a major industry restructuring in the midst of the economic recession. The Program introduced new taxes and subsidy schemes which favor Canadian-owned companies. High interest rates throughout the second half of 1981 and virtually all of 1982 substantially raised financing costs for exploration and development activities.

All in all, the industry has experienced an extremely difficult period of survival and adjustment since mid-1981. This timeframe coincides with the extended fiscal period reviewed in this Annual Report. (The July year-end has been changed to a calendar year-end for consistency with other oil and gas companies as well as to facilitate compliance with the reporting requirements of government regulatory agencies.)

Despite the depth of the economic malaise, and industry uncertainties as a result of national and international energy policies, Coseka Resources Limited, on a relative basis, performed remarkably well.

Financial Performance

Gross revenues for the 17 months ended December 31, 1982, totalled \$60.7 million — a considerable improvement over the 12-month period ended July 31, 1981.

Cash generated from operations was \$26.4 million, compared with \$15.2 million in the previous fiscal period. As a Canadian-owned company, Coseka qualifies for the maximum funding support provided by the National Energy Program, which has become a new cash source for exploration and development drilling in Canada.

Earnings for the 1982 fiscal period were \$5.3 million, or 29 cents per share, compared with \$5.9 million, or 41 cents per share. Profits were reduced in 1982 by an increased charge for depletion and depreciation, following a review by independent engineering consultants of the Company's oil and gas reserves. In addition, the Company changed its method of calculating depletion of U.S. assets to reflect only proven reserves.

Book value assets at year-end totalled \$361 million, with approximately one-third of these assets being located in Canada and two-thirds in the United States.

Industry Outlook

The energy sector will continue to be plagued by uncertainties during the next year or two, suggesting a slow and cautious return to more encouraging times. The severe economic

'Despite the depth of the economic malaise . . . the Company's medium and longer-term outlook is most encouraging.'

Robert E. Adams, President

and energy policy disruptions since mid-1981 have taken their toll.

A key uncertainty is the timing and magnitude of economic recovery. A strong North American renewal of industrial activity and consumer spending is required to deplete product surpluses, especially for natural gas, where oversupply could persist for another two years. The resolution of world oil prices and supply will depend on the ability of OPEC nations to enforce production cutbacks to erase surpluses. If that strategy is successful, world oil prices could return to higher levels after a temporary downward adjustment. The likelihood of a short-lived oil price decline presents Canada with a temporary opportunity to adjust its domestic price to world levels, as the United States and other leading industrial nations have already done. This would enable Canada to reduce its federal deficit substantially and set the economy on a healthy recovery course.

Company Outlook

The medium and longer-term outlook is most encouraging, as Coseka emerges from the most difficult fiscal period in its brief 10-year history.

During the first nine years of its life, the Company was aggressive and showed steady growth in assets and positive cash flow. Gross revenue increased from approximately $35,000 in fiscal 1972 to the current level of $60.7 million.

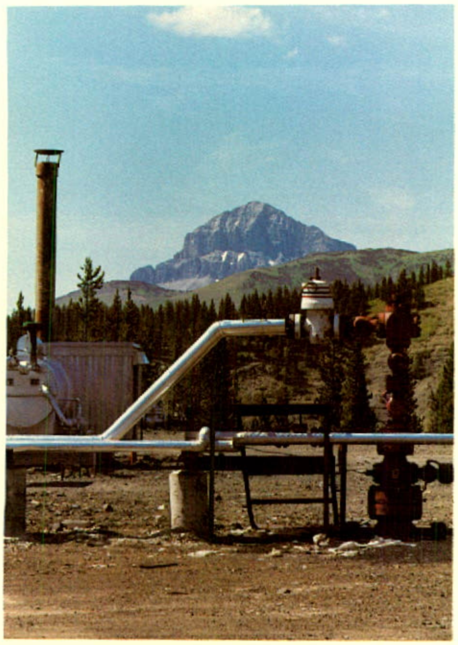
Over half the Company's debt can be attributed to its commitment to the Douglas Arch natural gas project in Colorado and Utah. Although an aggressive drilling program has been carried out over the last three years, less than 25 percent of the deeper horizons of the 162,000-net acre property has been developed to date. Because of the widespread geographical distribution of the Company's acreage (a gross area of approximately 2,500 square miles), pipeline connections have come slowly.

Plan changed

Commencing in the latter part of 1982, the Douglas Arch exploration and development plan was revised in order to maximize near-term cash flow. We will concentrate all near-term drilling to areas adjacent to existing pipelines and to shallow objective zones recently identified by the Company's new exploration techniques. Production potential from these zones is equal to, if not superior to, the deep Dakota formation, one of the two deep formations which until now have been our prime drilling targets. At the same time, drilling and completion costs are one-third of those of a Dakota well.

During the latter part of 1983 we expect to be in a position to aggressively drill the shallow gas horizons. As this program develops, we expect that the Douglas Arch property will be in a position to carry its own financing costs.

The North American market for natural gas will continue to go through short-term adjustments. The current softening in prices should firm as the economy revives and the present "gas bubble" in the United States is utilized. The demand for natural gas after 1985 is expected to increase significantly, which will further strengthen our Douglas Arch investment and Canadian exports. The recent National Energy Board approval of the KannGaz export project will



Majestic Crowsnest Mountain towers in the distance over a gas production facility at Coleman, Alberta.

result in a cash flow increase and should act as an exploration incentive. Our Company is one of the largest contributors of shut-in gas reserves in this 125 million cubic feet per day export project. KannGaz should come on stream in the fall of 1984.

Top priority

In Alberta, we intend to continue our aggressive exploration program for new oil discoveries and anticipate steady production improvements. The Glauconitic river channel oil play is the Company's top exploration priority. In late 1982, the Company made its best-ever Glauconitic pool discoveries at Little Bow South. Production from Little Bow South began at the end of 1982 and additional wells will come on production during the second quarter of 1983.

Also in 1982, the Company participated in a major new gas discovery in northeastern British Columbia within six miles of existing pipeline capacity. Coseka has a 10 percent position in the discovery well and a 16.5 percent average position in lands immediately adjacent. The potential of this discovery on Company lands is measured in hundreds of billion cubic feet. With the National Energy Board's conditional approval of the Dome Petroleum Limited LNG export project from the West Coast, and having regard to the stated British Columbia government policy of maximizing the B.C. content of natural gas to be so exported, a market for this gas should be available in the not-too-distant future.

In 1982 our financial position was strengthened with the infusion of $20 million of new capital through the convertible debenture issued to Bramalea Limited, our controlling shareholder.

Financial factors

During 1983, the following factors, among others, will contribute to a further improvement in our financial position. The Douglas Arch properties will move to a development mode, and for the most part, revenue will be sufficient to fund financing costs. In southern Alberta, our Little Bow South Glauconite channel sands project will add significantly to cash flow as production increases. Interest rates have declined to more acceptable levels, and we have also made administrative and overhead cost reductions that will save more than $1 million per year.

As a result of these changes and other plans, the Company once again by early 1984 will be in a financial position to resume its aggressive growth pattern.

Finally, on behalf of shareholders and the Board of Directors, we extend our gratitude to employees for their dedicated contributions during this consolidation period.

Peter R. Kutney
Chairman of the Board
Chief Executive Officer

Robert E. Adams
President

March 28, 1983
Calgary, Alberta

Canadian Operations

Lloyd D. Driscoll,
Senior Vice President of
Canadian operations

During the reporting period, activity on producing properties was restricted to infill drilling programs which were required to provide additional deliverability for natural gas contracts or to delineate reserves.

Glauconite Channel Sands

The Company's southern Alberta Glauconite channel sand play has yielded significant increases to reserves. During the reporting period, 20 wells were drilled, of which 13 were oil wells, one was a gas well and six were dry holes. These wells account for 17 percent of Coseka's net oil production for the 17-month period, even though the bulk of them were drilled during the final six months of the period.

The latest success comes from the Little Bow South area where four wells drilled since August 1982 accounted for 174 barrels per day net to Coseka. The Company's average working interest in these four wells is 57 percent. Another six wells, in which the Company's average working interest is 69 percent, are expected to begin production during the second quarter of 1983. Drilling to date has delineated recoverable proven oil reserves of 0.9 million barrels and proven plus probable reserves of 2.25 million barrels net to Coseka.

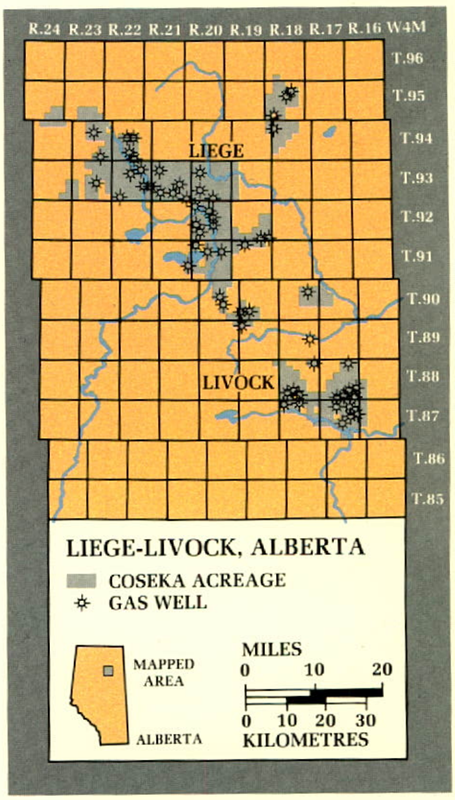
Other drilling in this play has been at the North Taber, Turin, Shouldice and Retlaw prospects.

Coseka's successful efforts to tap these oil reserves, formed in the sandbars of ancient rivers, began in July 1979 with a discovery at Little Bow. The Company has drilled a total of 73 wells throughout the region on this play — 36 oil wells, 15 gas wells, one water disposal well and 21 dry holes.

Liege-Livock

Natural gas production began August 19, 1982 from one of three fields at Liege, in northcentral Alberta, where Coseka has reserves. The gas is sold to Pan-Alberta Gas Ltd.

In January 1983, an important first step was taken toward placing the Company's two other Liege properties and its two properties at nearby Livock-Saleski on stream. The National Energy Board approved an export licence for the KannGaz group




CANADIAN LOCATIONS
COSEKA LOCATIONS
Alberta
N.E. British Columbia
Thunder Creek
GRANDE PRAIRIE
Mitsue E.
North Mitsue
Liege
Livock
Fir
EDMONTON
Strachan
CALGARY
Tilley
Bantry
Medicine Hat
Hatton
Little Bow
Taber North
Coleman
S.W. Saskatchewan
ATLANTIC OCEAN
Hopedale Block
Offshore Labrador
Labrador
GULF OF ST. LAWRENCE
Nfld.
P.E.I., Offshore
Hibernia
60°
56°
52°
48°

'The Glauconite channel sand play has yielded significant increases to reserves.'

Accounting department employees review some production projections at the Calgary head office.

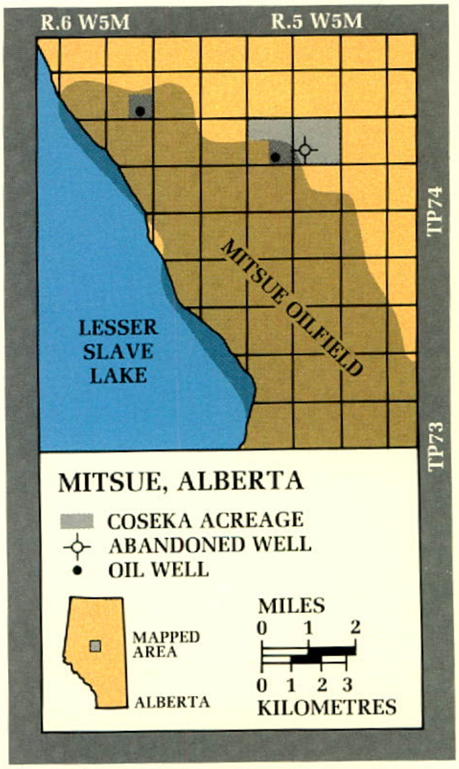
of producing companies, of which Coseka is a major participant. The Company's share would be nine million cubic feet per day, most of it from Liege and Livock-Saleski. Production is expected to begin in late 1984.

Mitsue

The Company's two successful wells on the edge of the Mitsue oilfield in northcentral Alberta were placed on a 60-day constraint-free production test in late 1982. Since the wells produced at 1,000 and 150 barrels of oil per day respectively during the production test, and since each has been restricted to an allowable production quota of 60 barrels per day, they will remain shut-in until the over-production period is equalized. Coseka has a 50 percent working interest in the first well. In the second well, Coseka has a 50 percent working interest before payout and a $33^{1}/_{3}$ percent working interest after payout.

Bellis-Whitecourt

In June 1982, the Company increased natural gas reserves by 15 billion cubic feet when it acquired a 62.9 percent working interest in reserves at Bellis, Alberta, and a 50 percent working interest in reserves at Whitecourt, Alberta. The Company has since constructed production facilities at both projects. Whitecourt began production in June and Bellis began production in September, both under Pan-Alberta Gas Ltd. contracts.



Oil sands

Ten wells were drilled on this project in 1981 at a cost of $390,000 net to Coseka. The Company consequently earned a 25 percent working interest in more than 32,000 gross acres of oil sands in this area near Fort McMurray, Alberta. An independent geological report has now been received and the economic potential of these reserves are being evaluated.

Geologists and geophysicists use maps, seismic data and down-hole tests to assess an exploration prospect.

Colexcan

The Company has now spent $10.42 million of its $15.75 million commitment as a participant in the Colexcan Project, a $60 million, five-company program exploring and developing 2.5 million net acres held by Columbia Gas Development of Canada Ltd. in Western Canada, the East Coast offshore, the Gulf of St. Lawrence, and the Arctic Islands.

Coseka will earn a seven percent net acreage position (175,000 net acres). The project began January 1, 1980 and has been extended through 1984.

At year-end, 32 wells have been drilled: 10 oil and 11 gas wells in Alberta and British Columbia; 10 dry holes, seven in Alberta, two offshore Prince Edward Island and one in the Arctic Islands; and one suspended well offshore Labrador. Fourteen of these wells were drilled during the 17-month reporting period: seven oil wells, two gas wells and four dry holes in Alberta; and one dry hole at Banks Island in the Arctic Islands.

A well may be drilled on the Hopedale tract during 1983, and it was announced early this year that Colexcan has taken a 17 percent interest in an East Coast program exploring 13 million acres under exploration agreements granted by the Federal Government to BP Exploration Canada Ltd. Coseka's net acreage position in these BP Exploration lands will be 155,728 acres.

Drilling funds

The exploration stage for the Company's two public drilling funds has been completed.

Of the 77 wells drilled to year-end 1982 under the Coseka 81-82 Oil and Gas Partnership, four are oil wells, 49 are gas wells, 10 are gas wells yet to be completed, 13 are dry holes and one is a suspended well. Cumulative production to the fund before royalties to December 31, 1982 was 28,770 barrels of oil and 36.24 million cubic feet of natural gas.

Of significance to the Partnership is the August 1982 commencement of production of 16 million cubic feet of natural gas per day from the Liege gas field. Coseka and the 81-82 Partnership each has a two percent interest in this production.

Switchboard operator at the head office reception area keeps busy sorting and directing calls to executives and technicians.

Both the Coseka 80-81 Oil and Gas Partnership and the 81-82 Partnership have interests in properties in the Liege-Livock-Saleski region of north-central Alberta which are dedicated to the KannGaz export project. (See Liege-Livock on page 5.)

As a result of the uncertainty caused by the recent crude oil pricing cuts by the OPEC nations, the independent engineering evaluations of the Company and the Limited Partners' share of assets developed by the Coseka 80-81 and 81-82 Oil and Gas Partnerships, as of December 31, 1982, have not been completed. These assets will be re-evaluated once a rational future pricing forecast is developed.

The Company participated in the Coseka-Corvette Limited Partnership, a private drilling fund undertaken late in calendar year 1981 with Corvette Resource Management Ltd. of Calgary and other investors. The Company paid $1.4 million for seven percent of the $20 million Partnership.

A multi-zone gas discovery at Thunder Creek, in the foothills of northeastern British Columbia, drilled under the Coseka-Corvette program, has been assessed by independent engineering consultants to have recoverable reserves of 40.7 billion cubic feet of gas over the wells' assigned 960-acre area. Coseka's interest in the well is 10 percent after payout. In other lands adjacent to the discovery well, the Company has a 16.5 percent interest. At Fir, in northcentral Alberta, reserves have been discovered that are calculated by independent engineering consultants at 23.5 billion cubic feet over a 640-acre tract. Also, approximately 230,000 long tons of sulphur can be recovered from this Upper Devonian reef. Coseka's total interest is 7.5 percent.

The program also drilled four other gas wells and two dry holes on a total of eight properties.

Expo Program

The Company is in the third year of a $38 million exploration program with Expo Oil N.L. of Australia. The Company and Expo each earn 50 percent of the program's net working interest in leases acquired and wells drilled. At year-end, the U.S. component of the program had yielded 12 oil wells, two gas wells and 19 dry holes. The U.S. program has accumulated 152,274 gross acres and 63,000 net acres. In Canada, the program has yielded one gas well and three dry holes and accumulated 20,701 gross acres and 5,483 net acres, all in Alberta.

United States Operations

Emory L. Sampson,
President, Coseka Resources
(U.S.A.) Limited.

Douglas Arch

The Douglas Creek Arch is Coseka's major United States property. For six years, the Company has taken a determined long-term approach to development of the natural gas reserves on its land tract of 162,796 net acres and has now attained the capability to deliver gross production of approximately 20 million cubic feet per day to pipeline.

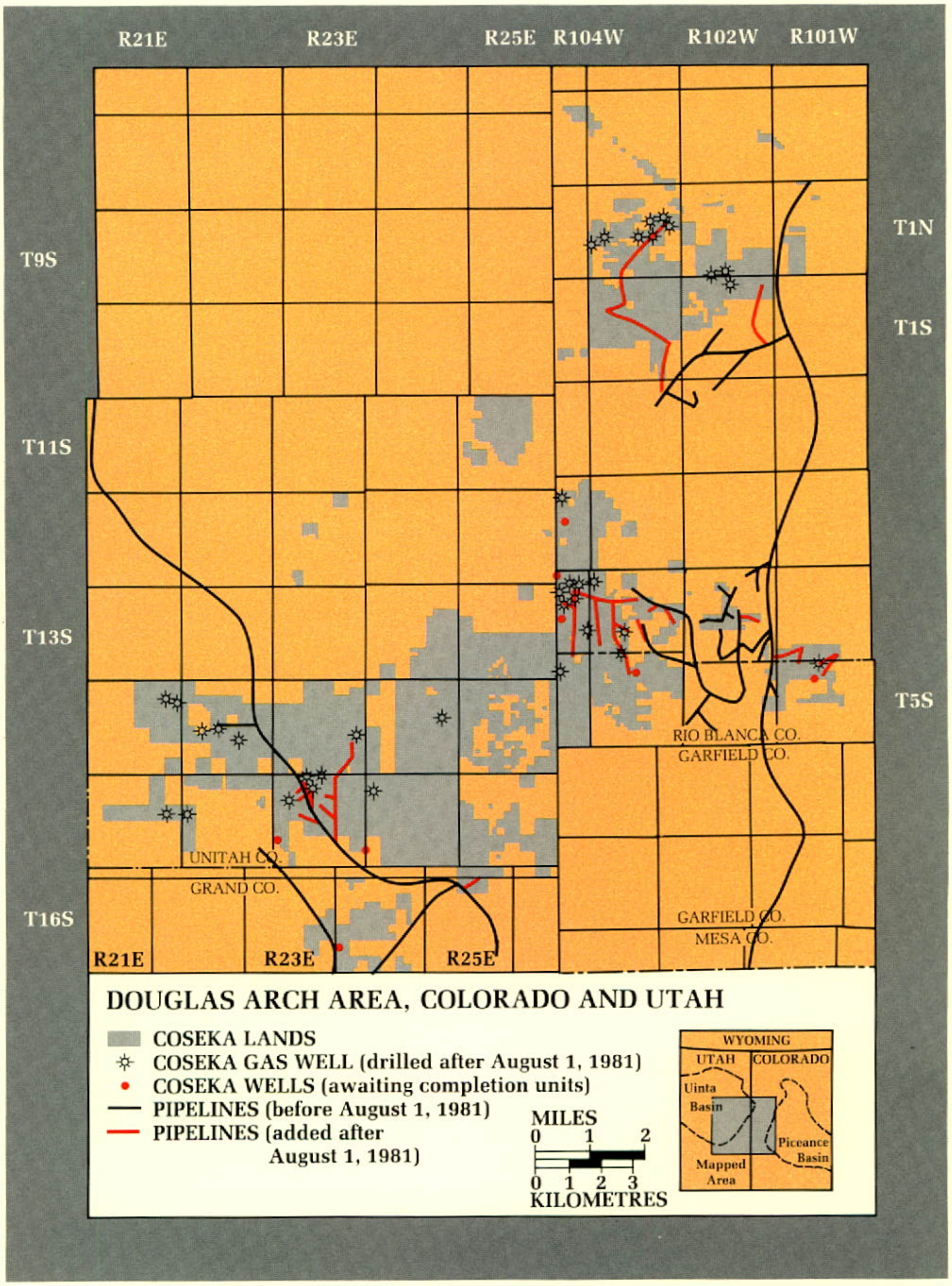
This capability, while considerable, is below earlier expectations. Therefore, the Company has embarked on a new development strategy that will increase cash flow at a faster rate and cut drilling costs per well by about two-thirds by concentrating all drilling to areas adjacent to existing pipelines and to shallow zones identified by the Company's new exploration techniques.

This approach is expected to increase gross productive deliverability to pipelines to 30 million cubic feet per day in 1983.

One of the shallow drilling objectives, the Dark Canyon formation, was

'. . . a new Douglas Arch strategy will increase cash flow at a faster rate and cut drilling costs per well.'

Engineers in the Douglas Arch properties discuss a drilling decision as a rig roars in the background.



delineated with a discovery well in the Pine Springs Federal Unit Area. This well tested at an initial potential rate of 1.9 million cubic feet per day. Geologic information indicates this gas-bearing sandstone reservoir may extend over a large area containing significant reserves at relatively shallow drilling depths. The potential shown by the Dark Canyon discovery

Coseka Resources (U.S.A.) Limited president leads a planning session with some department heads in the Denver, Colorado, office.

has prompted the Company to undertake exploration studies to define additional reservoir targets in the numerous shallow Tertiary and Upper Cretaceous-age sandstones that extend across Coseka's lands.

During the 17-month reporting period, Coseka drilled 67 wells, bringing to 210 the total number in which Coseka has participated. Of the 67 wells, 55 tested the Dakota formation, nine tested the Mancos "B" zone, and one well each tested the shallower Mesaverde, Castlegate and Dark Canyon formations. The drilling resulted in 36 wells capable of commercial production. Another eight are awaiting a completion unit.

Ninety-four wells are connected to pipeline. Forty-seven wells were connected during the reporting period and the Company anticipates an additional seven wells will be connected by mid-1983. Thirty-six wells capable of commercial production were awaiting pipeline connection at the end of the reporting period but, before most of these wells can be tied-in, additional reserves must be established in the areas surrounding them.

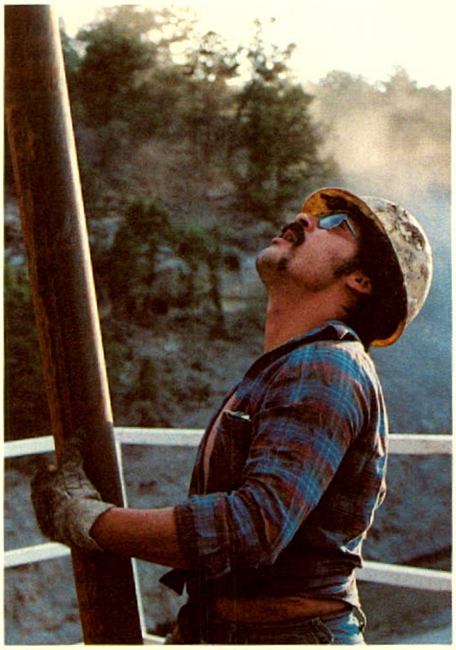
Coseka continues drilling under a Limited Partnership with several large American institutional investors which began January 1, 1981. Under the terms of the agreement, Coseka, as General Partner, uses funds from the Limited Partners to finance the drilling and completion of all wells. Coseka retains a working interest in all wells and, after payout of all funds provided by the Limited Partners, Coseka's retained working interest will increase further.

The Limited Partners have committed U.S.$71 million of which U.S.$10.5 million remains to be spent. The Limited Partners have the option of committing an additional U.S.$47 million later in 1983. Of the 20 million cubic feet per day gross production deliverability developed with funds from Coseka, the Limited Partners and industry participants, Coseka and the Limited Partners share a net production deliverability of 12.7 million cubic feet per day.

The Company projects that gas purchasers will take a minimum of 75 percent of deliverability, a highly-favorable position to Coseka considering the depressed state of natural gas markets.

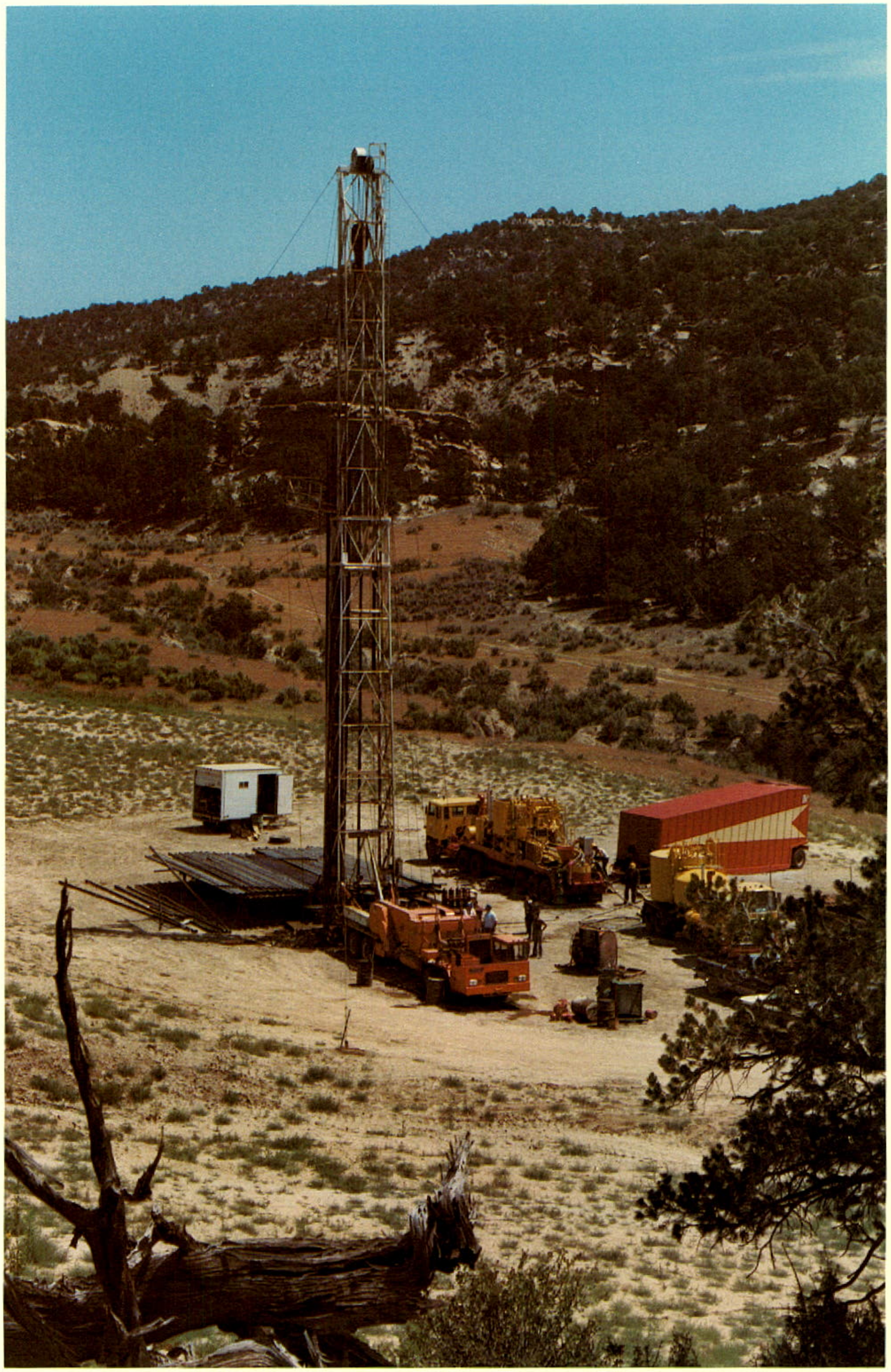
Other U.S. Projects

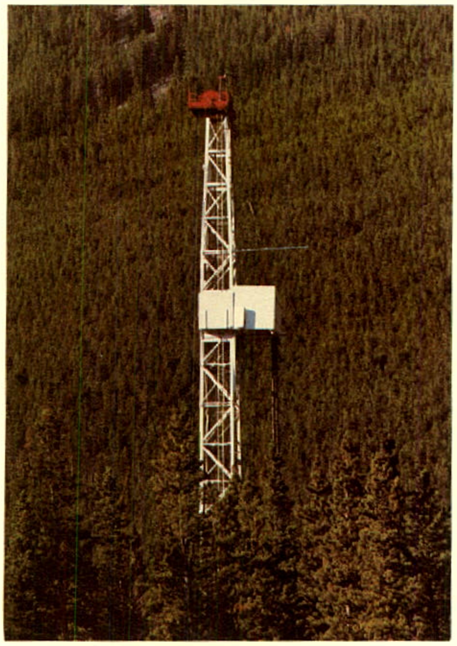
Outside the Douglas Creek Arch, Coseka drilled or participated in 75 gross wells, with the Company's average working interest being 15 percent. Forty-six of these wells were completed as oil or natural gas wells.



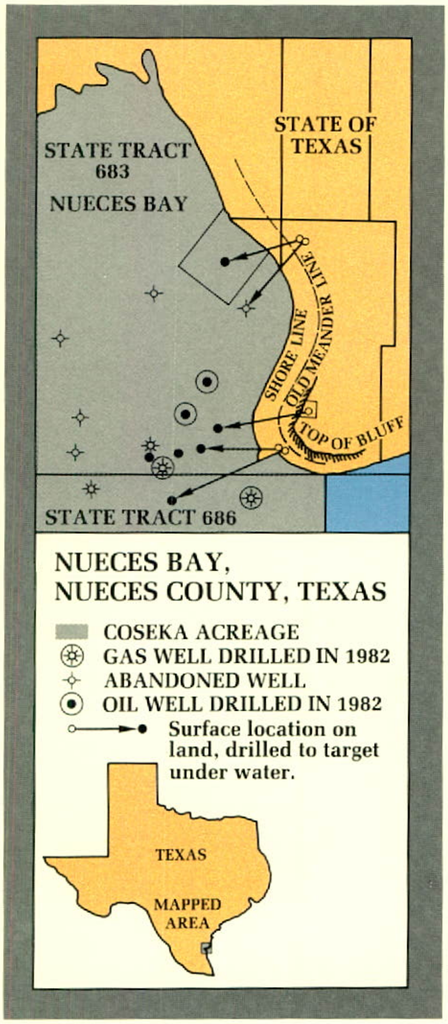
Roughneck swings a length of pipe on a drilling rig in the Douglas Arch.

A workover rig perches over a Company well in the vast, arid Douglas Arch.



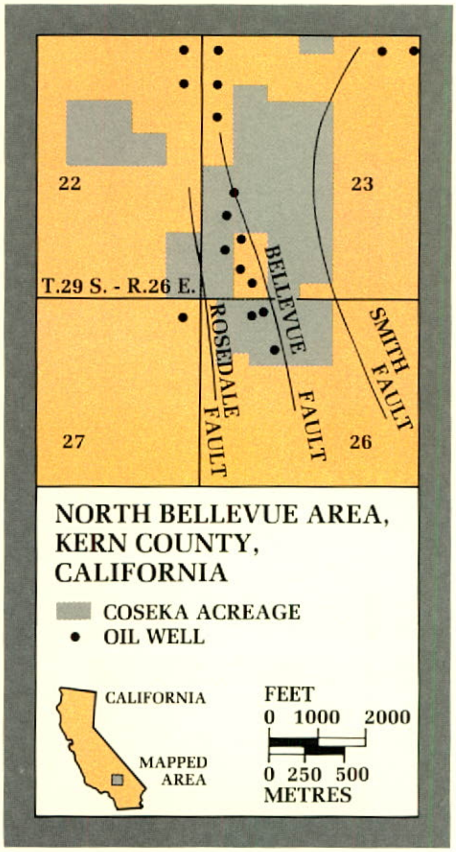


A drilling rig rises from the midst of a dense evergreen forest.



Nueces County

Along the Texas Gulf Coast, Coseka has a 10 percent working interest in a four-well development and one-well deep pool exploration drilling program at the Nueces Bay properties, Nueces County, Texas. Three wells have been completed and are producing a total of 136 barrels of oil and 1.4 million cubic feet of natural gas per day.



Kern County

At Kern County, California, the Company participated in five wells which evaluated and expanded production from the multi-sandstone Miocene-age Stevens formation. Coseka has a 17.5 percent working interest in two successful development wells which together produce 175 barrels of oil and 140 thousand cubic feet of natural gas per day and a 24 percent working interest in a successful exploration well that has tested 80 barrels of oil per day. The other two wells were dry holes.

The noise and action that characterize a rig in operation are stopped forever by the photographer's lens.

Brazos-Grimes

In Brazos and Grimes counties, Texas, the Company has working interests varying from 2.4 percent to 6.4 percent in five successful development and exploration wells. Gross production from these wells is 700 barrels of oil, 53 barrels of natural gas liquids and 11.3 million cubic feet of natural gas per day.

Appling

At Appling, Texas, Coseka has a 15.6 percent working interest in a natural gas well which tested 1.4 million cubic feet of natural gas and 14 barrels of natural gas liquids per day.

Duval County

The Company has acquired approximately 6,900 gross acres (4,800 net acres) of leases from the Duval County Ranch Company, owners of a 147,000-acre ranch located across northwestern Duval and northeastern Webb counties, Texas. This position and the establishment of a good business relationship with the ranch affords the Company the opportunity to establish an excellent operating position in South Texas. The Company intends to develop a large lease base in the South Texas downdip, also referred to as the Expanded Wilcox play. The magnitude of potential reserves here is demonstrated by nearby drilling results. Immediately northeast of the ranch, various companies have established gas production in the Seven Sisters field with rates per well of up to 19 million cubic feet per day. Twenty wells are now drilling or being completed in the field. The Company will participate in at least one well in 1983.

Development

Development drilling occurred at various other Company properties including East Athens and Simsboro, Louisiana, and Cottonwood Creek, Wyoming. The drilling ensured that additional reserves developed exceeded reserves produced during the year.

Operating and Financial Results

A crew of maintenance workers keep this natural gas production facility in peak condition.

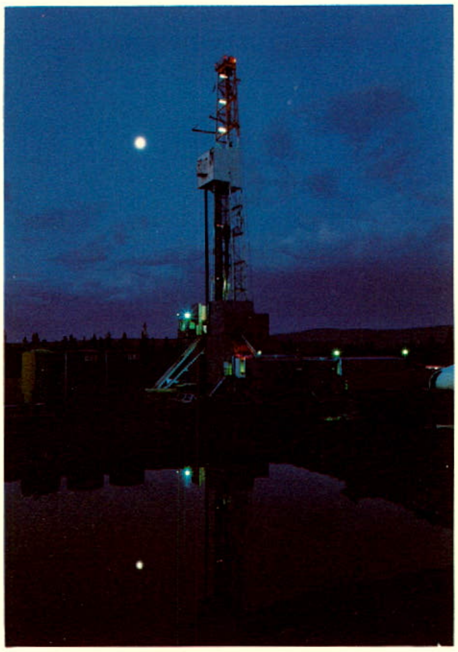
Reserves

The Company's oil, natural gas and natural gas liquids reserves, before royalties and tax deductions, are summarized below. The Canadian reserve assessments were completed by an independent petroleum consultant in July of 1982, with an effective date as of April 1, 1982. The United States reserve assessments, for properties other than the Douglas Arch, were completed by an independent petroleum consultant with an effective date as of January 1, 1982. The Company employed a U.S.-based independent petroleum consultant to reappraise the Douglas Arch reserves and this assessment was completed with an effective date as of October 1, 1982.

With the exception of 2.25 million barrels of proven plus probable oil reserves attributable to a new oil discovery made by the Company in late 1982, all the reserve estimates set out below have been determined by independent petroleum consultants.

In total, the natural gas reserves set forth below represent a 24.1 percent reduction in Company reserves reported in the previous annual report; 15.7 percent due to a reduction in Canadian reserves, and 8.4 percent due to a reduction in U.S. reserves. Almost the entire reduction in U.S. reserves can be attributable to a reduction in assigned Douglas Arch probable reserves by the new independent consultant. Approximately 3.1 percent of the total reduction is due to net dispositions (i.e., acquisitions less pipeline sales and a partial sale of an interest in one Canadian gas field), while the remaining approximately 13 percent reduction was due to reappraisals by the independent consulting firms.

	Natural Gas	**Oil & Natural Gas Liquids**	**Sulphur**
	(Bcf)	(000's Bbls.)	(000's Long Tons)
CANADA			
Proven	225.28	2,526.1	482.5
Probable	70.07	3,042.8	140.0
Total	295.35	5,568.9	622.5
U.S.A.			
Proven	82.91	504.9	—
Probable	33.76	205.3	—
Total	116.67	710.2	—
GRAND TOTAL	412.02	6,279.1	622.5

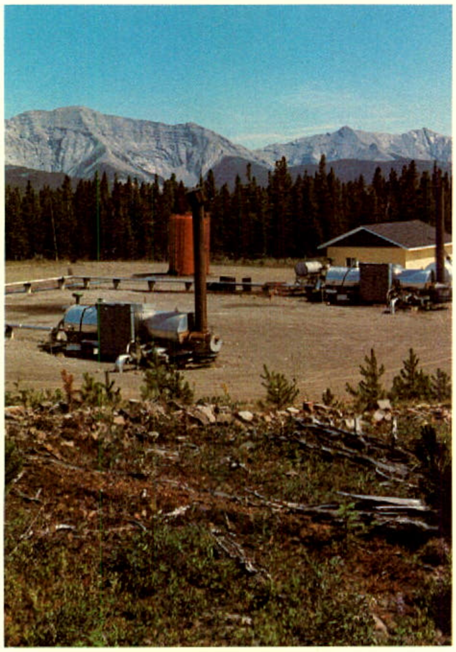


Dusk falls and paints a melancholy blue over this moonlit drilling rig.

Landholdings

(Acres)

	Gross	Net
CANADA		
Alberta	1,161,996	211,017
British Columbia	261,804	33,228
Saskatchewan	132,998	50,518
Arctic Islands	440,876	9,324
Northwest Territories	85,193	1,810
Prince Edward Island	3,700,000	38,850
East Coast	13,631,119	157,741
Canada Total	19,413,986	502,488
UNITED STATES		
California	413	72
Colorado	207,321	94,253
Kansas	68,802	13,641
Kentucky	673	173
Louisiana	8,142	562
Montana	105,556	41,237
Nebraska	1,208	1,208
North Dakota	41,531	5,604
New Mexico	160	160
Oklahoma	30,039	7,471
Oregon	9,753	1,805
South Dakota	7,262	7,262
Texas	78,037	29,163
Utah	126,500	92,329
Wyoming	12,222	1,727
U.S. Total	697,619	296,667
INTERNATIONAL	271,809	135,905
GRAND TOTAL	20,383,414	935,060



This gas facility in the foothills of southern Alberta is one of several operated by the Company.

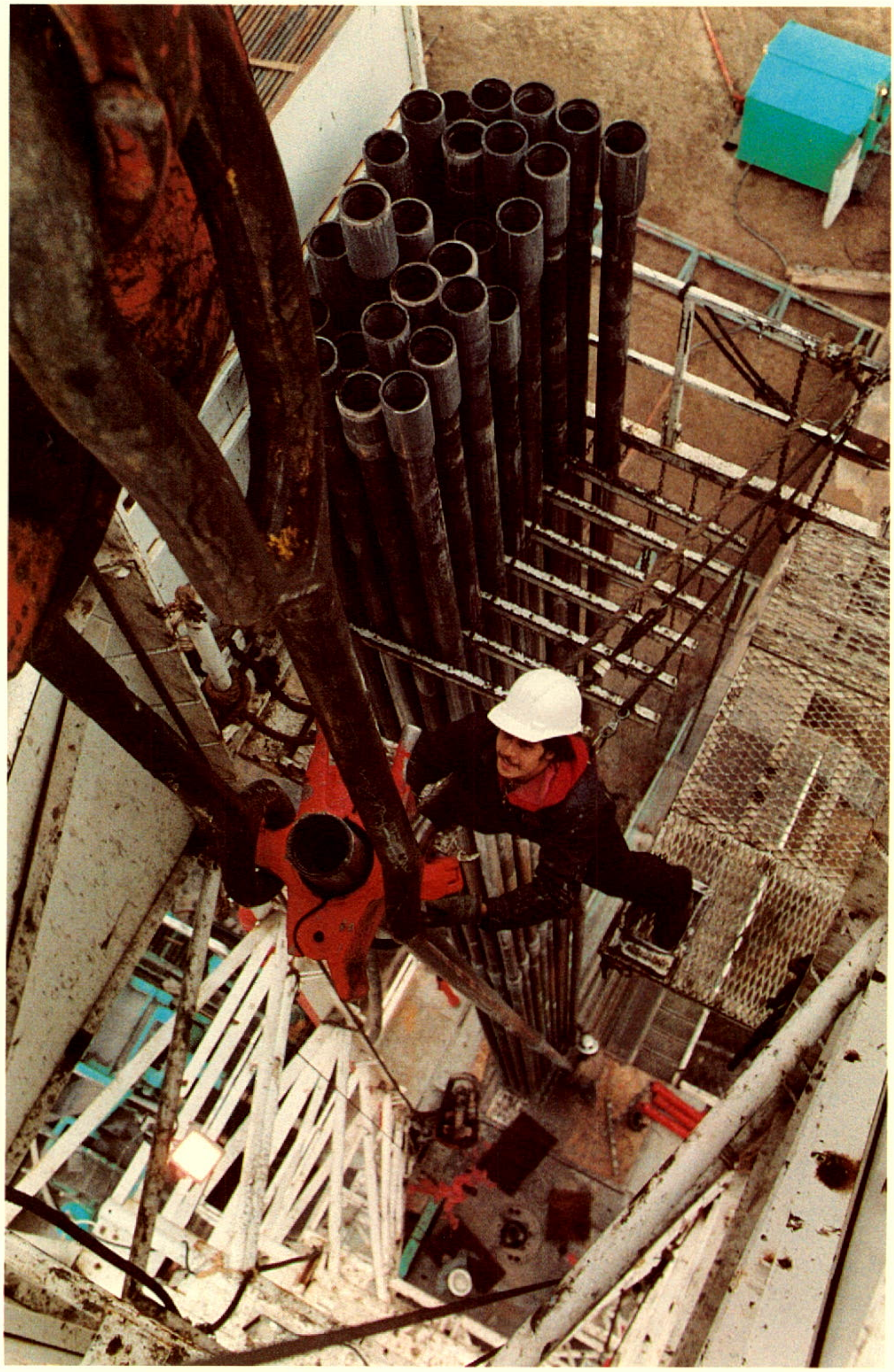
Natural Gas, Crude Oil & Natural Gas Liquids Production

(Before Royalties)

	1982	1981	% Change
Natural Gas — Mcf per day			
CANADA			
Alberta	**15,708**	18,683	(16)
British Columbia	**1,540**	2,206	(30)
Saskatchewan	**3,534**	4,253	(17)
	20,782	25,142	(17)
U.S.A.	**7,361**	4,933	49
Total	**28,143**	30,075	(6)
Crude Oil & Natural Gas Liquids — Bbls per Day			
CANADA	**476**	472	1
U.S.A.	**244**	169	44
Total	**720**	641	12

Average Prices Received

	1982	1981	% Change
Natural Gas — $ per Mcf (Can. dollars)			
CANADA			
Alberta	**$ 2.53**	$ 2.46	3
British Columbia	**1.57**	1.10	43
Saskatchewan	**0.62**	0.50	24
U.S.A.	**3.85**	2.96	30
Crude Oil & Natural Gas Liquids — $ per Barrel (Can. dollars)			
CANADA	**$30.65**	$15.85	93
U.S.A.	**31.62**	33.16	(5)



A rig hand, secured by a safety line high over the drilling platform, pushes a length of pipe into position.

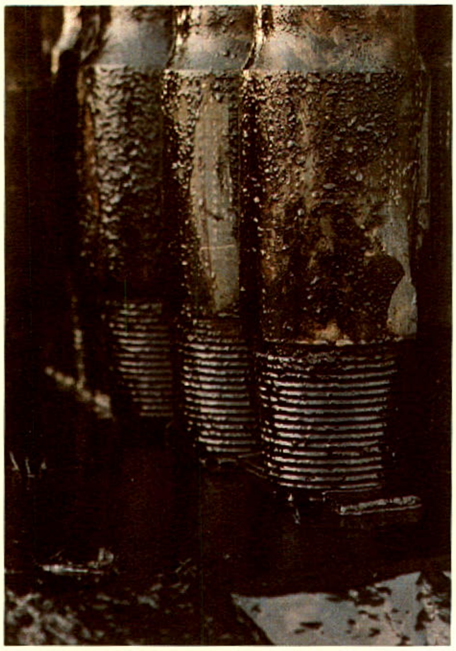
Drilling Summary

17 Months To December 31, 1982

	Exploration		Development		Total		Total 12 Months Ending July 31, 1981	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Canada								
Gas	21	4.074	120	33.100	141	37.174	155	27.78
Oil	6	.871	18	7.473	24	8.344	38	8.65
Dry	23	3.275	5	1.537	28	4.812	25	3.35
Suspended	1	.250	1	.500	2	0.750	3	0.12
Sub Total	51	8.470	144	42.610	195	51.080	221	39.90
United States								
Gas	20	13.82	39	19.16	59	32.98	99	51.39
Oil	6	2.02	25	3.17	31	5.19	17	3.66
Dry	37	10.86	15	9.26	52	20.12	17	3.65
Sub Total	63	26.70	79	31.59	142	58.29	133	58.70
TOTAL	114	35.17	223	74.20	337	109.37	354	98.60

Trading Record For 17-Month Period

	Common			Convertible Preferred		
	Share Volume	Price Range		Share Volume	Price Range	
		High	Low		High	Low
Three months ending October 31, 1981	**1,131,385**	**$18.00**	**$10.00**	**145,817**	**$ 9.00**	**$ 6.00**
Three months ending October 31, 1980	2,257,668	27.50	17.75	77,095	13.50	10.62
Three months ending January 31, 1982	**578,600**	**14.50**	**9.00**	**124,210**	**8.25**	**6.62**
Three months ending January 31, 1981	2,597,394	27.50	21.50	207,228	13.37	11.50
Three months ending April 30, 1982	**340,978**	**10.62**	**5.87**	**75,225**	**6.50**	**5.12**
Three months ending April 30, 1981	1,144,687	22.75	19.50	137,370	12.50	9.12
Three months ending July 31, 1982	**910,574**	**6.75**	**3.15**	**86,810**	**5.25**	**3.80**
Three months ending July 31, 1981	1,382,882	23.75	14.62	97,730	11.37	8.37
Three months ending October 31, 1982	**2,257,107**	**4.85**	**3.15**	**268,570**	**4.90**	**3.65**
Three months ending October 31, 1981	1,113,385	18.00	10.00	145,817	9.00	6.00
Two months ending December 31, 1982	**823,464**	**5.75**	**3.60**	**123,575**	**6.37**	**4.80**
Two months ending December 31, 1981	428,024	14.50	10.37	99,010	8.25	6.50



Analysis of Gross Income

	($000's)		
	1982	**1981**	**% Change**
CANADA (Canadian Dollars)			
Sales:			
Oil and Natural Gas Liquids	**$ 7,551**	$ 2,732	176
Natural Gas	**22,951**	18,442	24
Sulphur	**1,643**	1,138	44
Gross Product Sales	**32,145**	22,312	44
Royalty Expense	**3,723**	4,711	(21)
Petroleum and Gas Revenue Tax	**2,167**	792	174
Net Product Sales	**26,255**	16,809	56
Royalty Revenue	**41**	38	8
Net Oil and Gas Sales	**$26,296**	$16,847	56
U.S.A. (U.S. Dollars)			
Sales:			
Oil and Natural Gas Liquids	**$ 3,263**	$ 1,240	163
Natural Gas	**11,973**	4,483	167
Gross Product Sales	**15,236**	5,723	166
Royalty Expense	**4,095**	1,439	185
Net Product Sales	**11,141**	4,284	160
Royalty Revenue	**42**	2	2,000
Net Oil and Gas Sales	**$11,183**	$ 4,286	161

Coseka owns 29.5 percent of Wharf Resources Ltd.'s outstanding common shares. Wharf Resources has a participating interest in a large scale gold-silver heap leaching operation located at Landusky, Montana, from which 32,242 ounces of gold was produced during 1982. Production will begin in 1983 at Wharf's Annie Creek, South Dakota, gold property.

Wharf has received State of South Dakota approval to mine and leach approximately 500,000 tons of ore per year at Annie Creek. The expected initial annual gold yield from this production is approximately 18,000 ounces.

The project is unique in that it involves large-scale open pit mining of relatively low-grade gold ore, which is stacked on an impermeable pad and spray-leached with a weak cyanide solution. Wharf was involved in pioneering this process for large tonnages of run-of-the-mine gold ore.

Wharf owns 100 percent of the Annie Creek project. Capital cost of the project, including pit production equipment, haulage trucks, crushing equipment, metal recovery plant and buildings, will be approximately U.S. $4.5 million if all equipment is purchased. The equipment is being sized for a 750,000-ton per year operation in the event it is decided to apply for an amendment to the operating permit to allow an expanded operation.

Internal Wharf evaluations and independent engineering evaluations place the project's operating costs at between U.S. $225 and U.S. $250 per ounce of gold.

Based on all drill results to date and detailed pit designs, the fully-diluted proven open pit ore reserves are 5.25 million tons (cut-off grade of 0.02 ounces per ton), at a gold concentration of 0.042 percent, and a silver concentration of 0.15 ounces per ton; plus a fully-diluted mineral inventory (probable and possible) of 6.73 million tons, at a gold concentration of 0.038 ounces per ton, for a total of approximately 12 million tons. Using a 0.01 ounce cut-off grade yields a total mineral inventory of 16.1 million tons at a gold concentration of 0.033 ounces per ton.

The Annie Creek ore grade is approximately 40 percent higher than the ore being processed at Wharf's Landusky operation, where this mining and processing method was first used.

The year 1982 was the third successive year of full-scale operation at Landusky. Gold production was 32,242 ounces, compared with 13,400 ounces during 1981. Silver production also increased during 1982 to 87,000 from 26,000 ounces during 1981.

The improved production was due to an increase in ore tonnage mined and leached, more precise pit designs and improved grade control, installation of newer and more efficient equipment and improved leaching techniques, arrived at by experimentation.

It is estimated that the operator of the Landusky operation, Pegasus Gold Ltd., should recover all past exploratory and development expenditures during the 1983 operating year and, accordingly, Wharf's future net interest in operating profits should increase from the current 18.4 percent to approximately 37 percent.

At the Bald Mountain, South Dakota property, in which Wharf has a 50 percent interest with Homestake Mining Company, drilling has indicated open pit reserves of approximately 9.9 million tons, with a grade of 0.041 ounces of gold per ton of ore. There was no activity at Bald Mountain during the past fiscal year, and production techniques and a timetable will be influenced by results at Annie Creek, which adjoins Bald Mountain.

No work was carried out at the Wells-Barkerville, British Columbia, gold property during the past year.

At Golden Messenger, Montana, drilling in the fall of 1981 of 7,940 feet on 32 drill sites, indicated an eliptical area in the Golden Messenger zone that is 1,200 by 800 feet and open on two sides. To a depth of 100 feet, there are 7.7 million tons of rock and 3.85 million tons of ore which is mineralized at an estimated 0.04 ounces of gold per ton. There is an additional zone called the Little Dandy with about 2 million tons of similar mineralization. Plans for the year include 4,000 feet of drilling to delineate the Golden Messenger and Little Dandy zones.

Five-Year Summary

Financial ($000's)	**17 Months to December 31, 1982**	Fiscal 1981	Fiscal 1980	Fiscal 1979	Fiscal 1978
Gross Revenue	**60,680**	32,882	24,530	17,042	13,019
Cash Flow from Operations	**26,392**	15,238	11,682	8,321	6,689
* Per Common Share $ (Basic)	**2.12**	1.23	1.11	0.82	0.72
Net Income	**5,288**	5,877	4,937	3,620	3,489
* Per Common Share ¢ (Basic)	**28.7**	40.6	47.1	35.7	37.4
Working Capital (Deficiency)	**(5,794)**	23,469	(8,250)	16,676	6,505
Exploration, Development and Other Capital Expenditures	**108,541**	89,225	32,076	18,332	14,816
Drilling Funds Expenditures	**69,634**	37,283	3,312	8,124	20,512
Total Assets	**361,233**	288,417	158,790	99,171	74,119
Per Common Share $	**31.34**	25.02	14.00	9.77	7.33
Long-Term Debt	**192,472**	143,663	52,259	42,923	26,952
Shareholders' Equity	**90,746**	88,538	61,881	36,100	32,296
Per Common Share $	**7.87**	7.68	5.46	3.56	3.19
Shares Outstanding (000's)	**11,526**	11,529	11,341	10,150	10,101

Operations					
Gas Production (Before Royalties)					
Canada — MMcf	**10,765**	9,177	9,383	8,534	8,008
U.S.A. — MMcf	**3,813**	1,800	1,201	961	698
Total — MMcf	**14,578**	10,977	10,584	9,495	8,706
Total — MMcf per Day	**28.1**	30.0	28.9	26.0	23.9
Oil and Condensate Production (Before Royalties)					
Canada — Thousand Bbls	**246.3**	172.4	97.6	65.6	59.5
U.S.A. — Thousand Bbls	**126.7**	61.8	80.0	57.6	54.5
Total — Thousand Bbls	**373.0**	234.2	177.6	123.2	114.0
Total — Bbls per Day	**720**	641	486	338	312
Sulphur Production (Before Royalties)					
Canada — Long Tons	**34,055**	35,432	22,163	18,669	18,934
Land Holdings — Net Acres	**935,060**	1,260,694	744,809	349,630	302,300

* *Basic weighted average number of shares issued during fiscal year (1982) 11,525,818 common shares, (1981) 11,414,289 common shares.*

Coseka Resources Limited Summary of Significant Accounting Policies

General

Coseka Resources Limited is incorporated under the laws of the Province of British Columbia and operates primarily in Canada and the United States.

The financial statements of the Company are prepared on the historical cost basis of accounting in accordance with principles generally accepted in Canada and conform in all material respects with International Accounting Standards.

Principles of Consolidation

The consolidated financial statements include the accounts of all companies in which the Company holds a majority interest. These companies are accounted for using the purchase method and the results of their operations are included in the consolidated statement of earnings from the date of acquisition. The excess of cost over book value of acquisitions is allocated at the date of acquisition to the assets acquired in order to reflect their fair value.

The Company's 29.5 percent investment in an affiliated company is recorded in the consolidated financial statements using the equity method of accounting whereby the investment is recorded at cost and adjusted thereafter to include the Company's share of earnings computed by the consolidation method.

The consolidated financial statements also include the Company's proportionate share of those activities which are conducted jointly with other parties.

Foreign Exchange

Foreign currencies have been translated to Canadian dollars using current rates of exchange for current assets, current liabilities and long-term debt, historical rates of exchange for property, plant and equipment and average rates for the period for revenues and expenses, except for depletion and depreciation which are translated at historical rates. Foreign exchange gains and losses, to the extent that they have been realized, are included in the consolidated statement of earnings.

Inventories

Inventories, which are carried at the lower of cost and net realizable value, represent materials and equipment to be used in the Company's oil and gas operations.

Property, Plant and Equipment

The Company follows the full-cost method of accounting for petroleum and natural gas properties whereby all costs of exploration and development of oil and gas reserves are capitalized. Costs include amounts for land acquisition, geological and geophysical expenses, carrying charges of non-producing properties, costs of drilling wells and overhead charges related to these activities. Costs of acquiring certain unproved properties in the United States are excluded from capitalized costs to be depleted until the Company determines whether or not reserves are attributable to the properties or impairment in value has occurred.

Capitalized expenditures are accumulated in separate cost centres for Canada, the United States and offshore areas. Costs in Canada and the United States are depleted using the unit of production method based on estimated recoverable reserves of oil and natural gas as determined primarily by independent engineering consultants. Costs associated with offshore areas are amortized on a straight-line basis over a ten year period.

The Company's investment in other plant and equipment is recorded at cost and is depreciated on a straight-line basis over their anticipated useful lives.

Deferred Revenue

Revenues received under take-or-pay provisions of gas sale contracts are deferred and taken into income as reserves committed under the contracts are delivered to the purchasers.

Auditors' Report

To the Shareholders of
Coseka Resources Limited:

We have examined the consolidated balance sheet of Coseka Resources Limited as at December 31, 1982 and the consolidated statements of earnings, retained earnings and changes in financial position for the seventeen month period 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 seventeen month period then ended in accordance with generally accepted accounting principles applied, except for the accounting changes described in Note 2, on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells

Calgary, Alberta
March 4, 1983

Chartered Accountants

Consolidated Balance Sheet

as at December 31, 1982 (with comparative figures as at July 31, 1981)

	1982	1981
	(In thousands)	
Assets		
Current assets		
Cash and short-term deposits	**$ 3,113**	$ 17,630
Accounts receivable	**36,746**	36,834
Inventories	**6,272**	5,411
Other	**235**	350
	46,366	60,225
Long-term investments (note 1)	**4,969**	4,360
Property, plant and equipment (note 2)	**309,898**	223,832
	$361,233	$288,417
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 34,908**	$ 28,210
Current portion of long-term debt	**17,252**	8,546
	52,160	36,756
Long-term debt (note 3)	**192,472**	143,663
Deferred revenue	**4,141**	2,779
Deferred income taxes	**21,714**	16,681
	270,487	199,879
Shareholders' Equity		
Capital stock (note 4)		
Preferred shares	**19,993**	19,995
Common shares	**46,069**	46,153
	66,062	66,148
Retained earnings	**24,684**	22,390
	90,746	88,538
	$361,233	$288,417

On Behalf of the Board:

Peter R. Kutney, Director

Robert E. Adams, Director

See summary of significant accounting policies and accompanying notes to consolidated financial statements.

Consolidated Statement of Earnings

for the 17 months ended December 31, 1982 (with comparative figures for the 12 months ended July 31, 1981)

	1982	1981
	(In thousands)	
Revenue	**$60,680**	$32,882
Direct Expenses		
Royalties (net of royalty tax credit)	**8,785**	6,509
Petroleum and gas revenue tax	**2,167**	792
Operating expenses	**10,222**	4,101
	21,174	11,402
Net revenue from operations	**39,506**	21,480
Other Expenses		
Administration	**4,241**	1,612
Interest	**8,873**	4,630
	13,114	6,242
Funds generated by operations	**26,392**	15,238
Depletion and depreciation	**15,802**	4,200
Share of loss (earnings) of affiliated company	**269**	(165)
Earnings before income taxes	**10,321**	11,203
Deferred income taxes	**5,033**	5,326
Earnings for the period	**$ 5,288**	$ 5,877
Earnings per share (note 4)	**$ 0.29**	$ 0.41

See summary of significant accounting policies and accompanying notes to consolidated financial statements.

Consolidated Statement of Retained Earnings

for the 17 months ended December 31, 1982 (with comparative figures for the 12 months ended July 31, 1981)

	1982	1981
	(In thousands)	
Retained earnings, beginning of period:		
As previously reported	**$ 22,807**	$ 18,714
Prior years' cost-of-service adjustment (note 8)	**(417)**	(417)
As restated	**22,390**	18,297
Earnings for the period	**5,288**	5,877
Adjustment to the value of previously issued shares (note 4)	**(1,010)**	—
Cost of issuance of preferred shares (net of deferred income taxes of $542,000)	**—**	(542)
	26,668	23,632
Dividends paid on preferred shares	**1,984**	1,242
Retained earnings, end of period	**$ 24,684**	$ 22,390

See summary of significant accounting policies and accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

for the 17 months ended December 31, 1982 (with comparative figures for the 12 months ended July 31, 1981)

	1982	1981
	(In thousands)	
Sources of Working Capital		
Funds generated by operations	**$ 26,392**	$ 15,238
Issuance of capital stock	**18**	21,897
Additional long-term debt	**71,102**	96,896
Petroleum incentive program receipts	**6,673**	—
Deferred revenue	**1,362**	1,311
	105,547	135,342
Uses of Working Capital		
Additions to property, plant and equipment	**108,541**	89,225
Repayment of long-term debt	**22,293**	9,833
Additions to long-term investments	**800**	2,169
Dividends paid on preferred shares	**1,984**	1,242
Adjustment to the value of previously issued shares (note 4)	**1,010**	—
Other	**182**	340
	134,810	102,809
Working capital (decrease) increase	**(29,263)**	32,533
Working capital (deficiency), beginning of period:		
As previously reported	**24,283**	(8,250)
Prior years' cost-of-service adjustment (note 8)	**(814)**	(814)
As restated	**23,469**	(9,064)
Working capital (deficiency), end of period	**$ (5,794)**	$ 23,469

See summary of significant accounting policies and accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1982

1. Long-Term Investments

	1982	1981
	(In thousands)	
Investment in Wharf Resources Ltd.		
Shares at cost	**$1,248**	$1,248
Losses since acquisition	**(333)**	(64)
	915	1,184
Advances	**272**	581
	1,187	1,765
Due from directors and officers	**6,349**	2,501
Less current portion included with accounts receivable	**3,636**	478
	2,713	2,023
Other	**1,069**	572
	$4,969	$4,360

The market value of shares in Wharf Resources Ltd. at December 31, 1982 was $14,534,000.

Amounts due from directors and officers consist primarily of non-interest bearing secured advances arising from participation in the Executive Share Purchase Plan and Company-sponsored drilling funds. These amounts are due as follows:

		(In thousands)
Year ending December 31,	1983	$3,636
	1984	1,787
	1985	276
	1986	276
	1987	276
Subsequent to	1987	98
		$6,349

2. Property, Plant and Equipment

	1982			1981
	Cost	Accumulated Depletion and Depreciaton	Net	Net
		(In thousands)		
Property and production facilities	**$335,285**	**$27,044**	**$308,241**	$222,830
Other property and equipment	**2,693**	**1,036**	**1,657**	1,002
	$337,978	**$28,080**	**$309,898**	$223,832

Transactions during the period consisted of:

	1982	1981
	(In thousands)	
Balance at beginning of period	**$223,832**	$138,823
Land and lease acquisitions	**9,278**	8,408
Exploration and development costs	**62,069**	64,884
Petroleum incentive program receipts	**(6,673)**	—
Other property and equipment	**990**	490
Capitalized charges - Interest	**27,484**	11,555
- Other	**8,720**	3,872
Depletion and depreciation	**(15,802)**	(4,200)
Balance at end of period	**$309,898**	$223,832

In 1982 changes were made to the method of calculating depletion. The net effect of these changes has no material impact on the financial results of the current period or prior years.

The changes related to:

(a) Costs of acquiring certain unproved properties in the United States have been excluded from capitalized costs to be depleted until it is determined whether or not reserves are attributable to the properties or impairment in value has occurred; and

(b) Costs related to offshore properties have been separately identified and are now being depleted on a straight-line basis over a 10- year period. Previously, costs related to offshore activities were included in the Canadian cost centre.

3. Long-Term Debt

	1982	1981
	(In thousands)	
Bank loans	**$121,158**	$ 75,009
Income debentures	**36,003**	43,566
Participating debentures	**18,441**	18,523
Convertible debentures	**20,000**	—
Notes payable	**14,122**	15,111
	209,724	152,209
Less current portion	**17,252**	8,546
	$192,472	$143,663

Bank loans are secured by oil and gas properties or assignments of production and bear interest at rates determined on a formula basis. The effective rate at December 31, 1982 was 12.6 percent (1981 - 21.1 percent).

Income debentures are secured by assignments of Canadian and United States oil and gas properties and bear interest at a rate determined on a formula basis. The effective rate at December 31, 1982 was 7.1 percent (1981 - 11.5 percent). The debentures are repayable in annual instalments of $6,359,000 commencing February 1, 1982.

Participating debentures are secured by assignments of United States oil and gas properties and bear interest at 9 percent plus an amount based on revenues from certain wells. The debentures are due in 2001.

Convertible debentures are secured by a first floating charge on the assets of the Company and are payable to an associated company, Bramalea Limited. The debentures bear interest at a rate of 13.75 percent and are convertible on the basis of $10 per share up to December 1984 and, subject to the trading performance of the Company's shares, at $11 per share thereafter.

Notes payable bear interest at 10 percent until 1985 at which time the rate will be based on the U.S. prime rate. The notes are repayable in annual instalments of $2,341,000.

United States dollar obligations of $137,634,000 are included above in the amount of $169,207,000 Canadian.

Principal repayments of long-term debt are due as follows:

	(In thousands)
Year ending December 31, 1983	$ 17,252
1984	26,056
1985	22,585
1986	22,646
1987	20,146
Subsequent to 1987	101,039
	$209,724

4. Capital Stock

PREFERRED SHARES

Authorized - 8,000,000 shares with a par value of $10 each

Issued and Fully Paid - seven percent cumulative redeemable convertible preferred shares - Series A

	1982		1981	
	Shares	**Amount** (In thousands)	Shares	Amount (In thousands)
Balance at beginning of period	**1,999,500**	**$19,995**	—	$ —
Issued for cash	—	—	2,000,000	20,000
Converted to common shares	**200**	**2**	500	5
Balance at end of period	**1,999,300**	**$19,993**	1,999,500	$19,995

Preferred shares are convertible into common shares at a rate of one preferred share to 0.417 common shares up to June 30, 1985 and at a rate of one preferred share to 0.348 common shares thereafter up to June 30, 1990.

COMMON SHARES

Authorized — 30,000,000 shares of no par value

Issued and Fully Paid — common shares

	1982		1981	
	Shares	**Amount** (In thou sands)	Shares	Amount (In thousands)
Balance at beginning of period	**11,529,463**	**$46,153**	11,341,355	$43,167
Issued under employee stock option plan	**3,300**	**18**	67,900	591
Cancellation of prior issue of shares	**(6,800)**	**(104)**	—	—
Issued under Executive Share Purchase Plan	—	—	120,000	2,390
Issued on conversion of preferred shares	**83**	**2**	208	5
Balance at end of period	**11,526,046**	**$46,069**	11,529,463	$46,153

At December 31, 1982, 765,000 shares were reserved for the exercise of employee stock options. Of this amount, options have been exercised in respect of 342,700 shares and options in respect of 275,000 are outstanding. Stock options are exercisable at prices ranging from \$5.51 to \$10.12 per share (being the prices established at the time of issuing such options) and expire during the years 1983 to 1986. Terms and conditions relating to the remaining reserved shares have still to be established.

The shareholders of the Company at a meeting held on November 30, 1981 approved amendments to the terms of the Executive Share Purchase Plan ("the Plan") to provide for an adjustment to the value of the stock issued under the terms of the Plan. The amount of this adjustment has been included in the Statement of Retained Earnings.

Earnings per share are calculated after the deduction of dividends on preferred shares and are based on the weighted monthly average number of common shares outstanding during each period (1982 - 11,525,818; 1981 -11,414,289).

5. Segmented Information

The Company's business is the exploration for and development of oil and gas reserves. This activity comprises a single business segment. Geographic segment information is presented below:

	1982			
	Canada	United States	Offshore	Total
		(In thousands)		
Net revenue from operations	\$ 24,936	\$ 14,570	\$ —	\$ 39,506
Operating profit (loss)	\$ 18,048	\$ 2,383	\$ (968)	\$ 19,463
Share of loss of affiliated company				(269)
Interest expense				(8,873)
Deferred income taxes				(5,033)
Earnings for the period				\$ 5,288
Identifiable assets	\$109,230	\$241,261	\$ 8,708	\$359,199
Other assets				2,034
Total assets				\$361,233

	1981			
	Canada	United States	Offshore	Total
	(In thousands)			
Net revenue from operations	$ 17,281	$ 4,199	$ —	$ 21,480
Operating profit	$ 14,195	$ 1,473	$ —	$ 15,668
Share of earnings of affiliated company				165
Interest expense				(4,630)
Deferred income taxes				(5,326)
Earnings for the period				$ 5,877
Identifiable assets	$103,064	$180,018	$ 2,888	$285,970
Other assets				2,447
Total assets				$288,417

6. Remuneration of Directors and Officers

The aggregate direct remuneration paid by the Company to its directors and senior officers as defined in the Company Act, British Columbia, during 1982 was $930,000.

7. Related Party Transactions

The Company has sponsored several oil and gas drilling partnerships to which it provides management and technical services. Directors and officers are among the partnership participants. Compensation paid to the Company for services provided to the partnerships amounted to $1,845,000 in 1982 (1981 — $681,000).

The Company participates with certain senior management personnel in joint ventures to develop and produce natural gas reserves. Amounts received by management personnel under these arrangements, the terms of which correspond to industry standards, totalled $1,123,000 in 1982 (1981 — $899,000).

8. Commitments and Contingencies

(a) A decision of the Public Utilities Board of Alberta has resulted in an additional assessment of $814,000 in respect of gas processing charges related to prior years. This amount, net of deferred income taxes of $397,000, has been included in the Statement of Retained Earnings as a prior period adjustment.

(b) The Company is contingently liable with respect to pending litigation and claims which arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of the Company.

9. Change of Year End and Comparative Amounts

The Company has changed its year end from July 31 to December 31. Certain amounts provided for the purposes of comparison have been reclassified to conform with the current period's presentation.

Corporate Information

10 Years Service . . .

Ten years ago Peter Kutney, as president, and Toni Phillips (right), as his secretary, comprised two-thirds of Coseka's Vancouver head office, while Marie McLeod (left) was all-round Girl Friday in the Company's two-person Calgary operations office. Here they are today in the reception area of Coseka's two-floor head office in the heart of Calgary's oil patch. Peter is chairman and chief executive officer, Toni is his secretary and an assistant corporate secretary of the Company and Marie is office manager.

Coseka Resources Limited

Board of Directors

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**Benjamin Swirsky
Bramalea Limited
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*Chairman of the Board
**Members of the Audit Committee

Officers

Peter R. Kutney
Chairman of the Board
Chief Executive Officer

Robert E. Adams
President

Lloyd D. Driscoll
Senior Vice President

Frederick J. Birks
Vice President, Land
Corporate Secretary

William F. Turnbull
Vice President, Exploration

Norman E. Tymchyshyn
Treasurer and Controller

Toni Phillips
Assistant Secretary

R. Ardelle Lane
Assistant Treasurer

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Main Branch
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McLaws & Company
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Stock Exchange Listings
Toronto Stock Exchange
Vancouver Stock Exchange
Montreal Stock Exchange

Coseka Resources (U.S.A.) Limited

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Frederick J. Birks
Lloyd D. Driscoll
Kenneth E. Field
Peter R. Kutney
Emory L. Sampson

Officers
Emory L. Sampson
President

Frederick J. Birks
Vice President
Corporate Secretary

Lloyd D. Driscoll
Vice President

Norman E. Tymchyshyn
Controller

Edwin C. Hines
Treasurer

Bill Falder
Assistant Secretary

Sara Little
Assistant Secretary

Toni Phillips
Assistant Secretary

R. Ardelle Lane
Assistant Treasurer

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