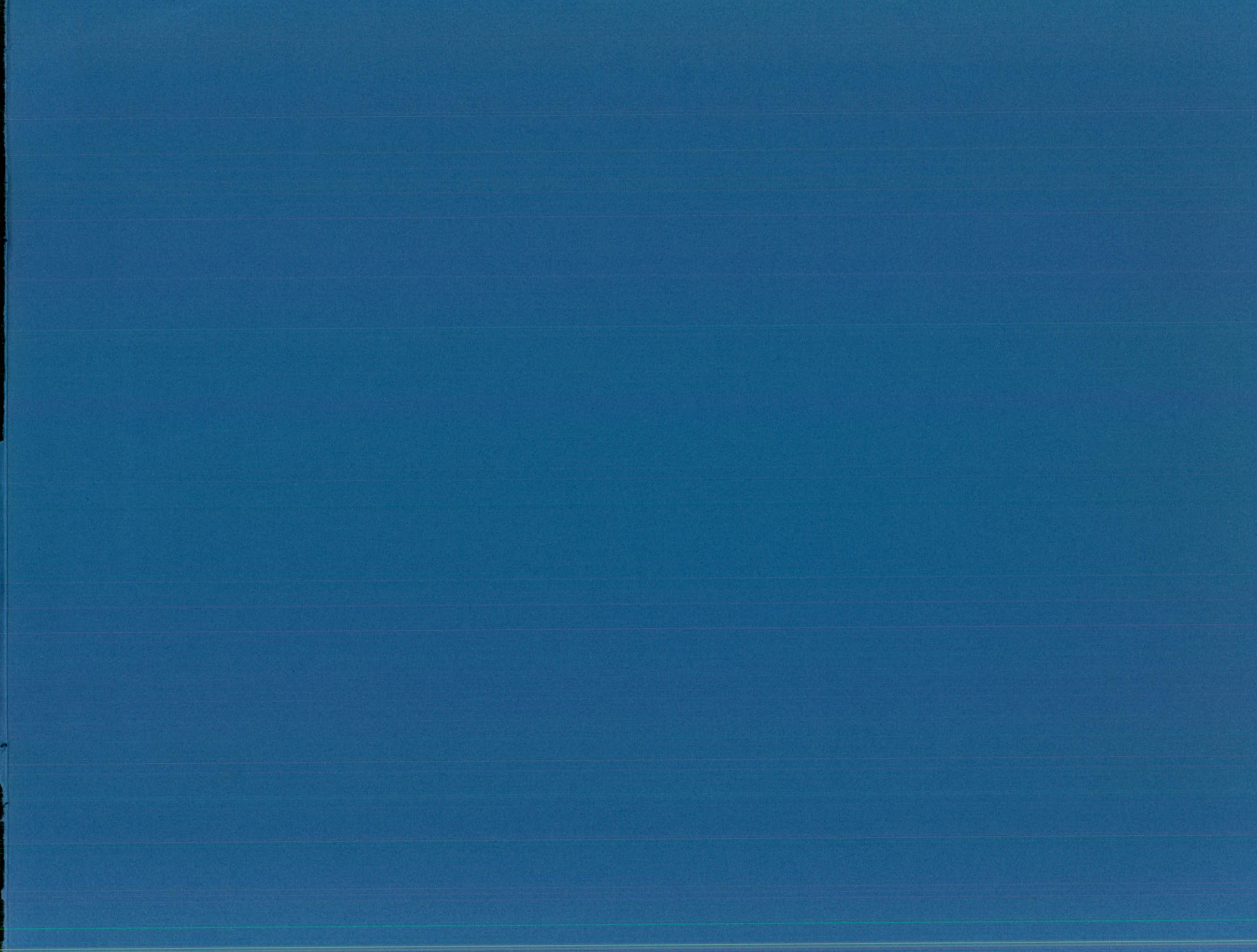




Midcon Oil & Gas Limited

ANNUAL REPORT 1983





MIDCON OIL & GAS LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the annual meeting of shareholders of MIDCON OIL & GAS LIMITED (the "Corporation") will be held in the Adelaide Room, 3rd Floor, Westin Hotel, 145 Richmond Street West, Toronto, Ontario, on Thursday, the 20th day of October, 1983 at the hour of 11:00 a.m., Toronto time, for the following purposes:

1. to receive and consider the Annual Report including the report of the directors and the financial statements of the Corporation for its most recent fiscal year together with the report of the auditors thereon,
2. to elect directors,
3. to appoint auditors and authorize the directors to fix their remuneration, and
4. to transact all other business which may properly come before the meeting or any adjournment or adjournments thereof.

A copy of the above mentioned Annual Report and an Information Circular are enclosed. Shareholders who are unable to be present in person are requested to fill in, sign, date and return the accompanying form of proxy in the envelope provided for that purpose.

DATED at Toronto, Ontario, this 28th day of September, 1983.

T. P. FISCHER
Secretary-Treasurer

MIDCON OIL & GAS LIMITED

INFORMATION CIRCULAR

as of September 28, 1983

SOLICITATION OF PROXIES

This information circular is furnished in connection with THE SOLICITATION BY THE MANAGEMENT OF MIDCON OIL & GAS LIMITED (the "Corporation") of proxies to be used at the meeting of the shareholders of the Corporation (and any and all adjournments thereof) to be held at the time and place and for the purposes set forth in the accompanying notice of the meeting. The solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Corporation at nominal cost. The cost of such solicitation by management will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

THE PERSONS DESIGNATED IN THE ACCOMPANYING FORM OF PROXY ARE NAMED BY MANAGEMENT. A SHAREHOLDER HAS THE RIGHT TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER, TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING AND HE MAY EXERCISE THIS RIGHT BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE COMPLETED PROXY TO THE CORPORATION OR TO THE CHAIRMAN OF THE MEETING PRIOR TO VOTING.

A shareholder who has given a proxy may revoke it either (a) by completing a proxy bearing a later date and depositing it with the Corporation not later than the last business day preceding the day of the meeting or with the chairman of such meeting on the day of the meeting, or (b) by completing written notice of revocation, which must be executed by the shareholder or by his attorney authorized in writing and depositing the notice at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting or with the chairman of the meeting on the day of the meeting. A proxy may only be revoked with respect to matters that have not been acted on prior to revocation.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The only class of voting securities of the Corporation outstanding and entitled to vote at the meeting are common shares. The Corporation has outstanding 4,300,000 common shares, each of which is entitled to 1 vote.

No record date has been fixed for the determination of the shareholders who may vote at the meeting. Accordingly shareholders of record on the list prepared pursuant to the Canada Business Corporations Act as at the time of the meeting shall be entitled to vote thereat.

To the knowledge of the directors and officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or direction over, voting securities carrying more than 10% of the voting rights attached to all shares of the Corporation other than Yellowknife Bear Resources Inc., 20 Queen Street West, Toronto, Ontario which owns of record and beneficially 3,173,216 (73.8%) of the outstanding common shares of the Corporation. Yellowknife Bear Resources Inc. is a public company, the common shares of which are listed on The Toronto Stock Exchange. To the knowledge of the directors and officers of the Corporation there is no person or company who beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of Yellowknife Bear Resources Inc. which carry more than 10% of the voting rights attached to all shares of that company.

No voting securities carrying more than 10% of the voting rights attached to all voting securities of the Corporation or of the subsidiary of the Corporation are beneficially owned, directly or indirectly, or controlled or directed by any proposed director and his associates or affiliates.

ELECTION OF DIRECTORS

The board of directors of the Corporation presently consists of 5 directors 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 unless such authority is withheld. Management does not contemplate that any of the nominees will be unable to serve as a director, but, if that should occur for any reason prior to the meeting the persons named in the accompanying form of proxy reserve the right to vote for another nominee in their discretion unless authority to vote in the election of directors is withheld. Each director elected will hold office until the next annual meeting or until his successor is otherwise duly elected in accordance with the by-laws of the Corporation.

The following table and notes thereto state the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Corporation and any of its significant affiliates now held by them, their principal occupations or employments, the period or periods during which they served as directors of the Corporation and the approximate number of shares of the Corporation and of Yellowknife Bear Resources Inc. and Inter-Rock Oil Co. of Canada Limited beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them.

<u>Name and Principal Occupation</u>	<u>Positions and Offices</u>	<u>Director of the Corporation during the following period or periods</u>	<u>Shares of Yellowknife Bear Resources Inc.</u>	<u>Shares of Midcon Oil & Gas Limited</u>	<u>Shares of Inter-Rock Oil Co. of Canada Limited</u>
J. Douglas Streit, P.Eng., Geologist, President and General Manager of Yellowknife Bear Resources Inc.	Director, Director of Inter-Rock Oil Co. of Canada Limited	July, 1957	50,000	125,853	1
Robert G. Price, Petroleum Engineer Vice-President and Exploration Manager of Yellowknife Bear Resources Inc.	Vice-President, Director and Vice-President of Inter-Rock Oil Co. of Canada Limited	July, 1968	1,001	10	1
*William E. Rearden, Company Executive		July, 1967	3,500	16,000	nil
*C. William Streit Company Executive	President and a Director of Inter-Rock Oil Co. of Canada Limited	July, 1957	21,669	10,500	121
*H. C. Kerr, Q.C., Lawyer		June, 1973	nil	nil	nil

NOTE

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

5,000 shares of the Corporation registered in the name of Mr. Kerr are owned by a corporation which is owned by his family.

All nominees have held the principal occupations indicated for more than 5 years.

*Indicates a member of the audit committee. There is no executive committee of the board of directors.

REMUNERATION OF MANAGEMENT

- The aggregate remuneration paid or payable by the Corporation and its subsidiary during the Corporation's last completed financial year to directors of the Corporation in their capacity as directors of the Corporation and its subsidiary was \$51,500. The aggregate remuneration paid or payable by the Corporation and its subsidiary during the Corporation's last completed financial year to officers of the Corporation in their capacity as officers or employees of the Corporation and its subsidiary who received an aggregate remuneration per person in excess of \$40,000 in that year was nil.

NATURE OF REMUNERATION EARNED

	Directors	Officers	Bonuses	Non-accountable expense all	Estimated Pension Benefits	Others	Total
REMUNERATION OF DIRECTORS							
(A) Number of directors: 5							
(B) Body Corporate incurring the expense							
Midcon Oil & Gas Limited	\$39,500		nil	nil	nil	nil	\$39,500
Inter-Rock Oil Co. of Canada Limited	12,000		nil	nil	nil	nil	12,000
REMUNERATION OF OFFICERS							
(A) Number of officers: 3							
(B) Body Corporate incurring the expense							
Midcon Oil & Gas Limited		\$20,000	nil	nil	nil	nil	20,000
Inter-Rock Oil Co. of Canada Limited		12,000	nil	nil	nil	nil	12,000
TOTALS	\$51,500	\$32,000	nil	nil	nil	nil	\$83,500

2. The estimated aggregate cost to the Corporation and its subsidiary in or in respect of the last completed financial year of all pension benefits proposed to be paid under any pension or retirement plan upon retirement at normal retirement age to the persons mentioned in paragraph 1 was nil.
3. The aggregate of all remuneration payments (other than payments of the type reported under paragraph 1 or 2) made in or in respect of the Corporation's last completed financial year by the Corporation or its subsidiary pursuant to an existing plan to each person referred to in paragraph 1 was nil and, the amount proposed to be made in the future is nil, excluding payments to be made for, or benefits to be received from, the Canada Pension Plan or similar government plan or under a pension or retirement plan of the Corporation or its subsidiary.
4. There are no options to purchase securities of the Corporation or its subsidiary that, since the commencement of the Corporation's last completed financial year, were granted to or exercised by any of the persons mentioned in paragraph 1.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director or officer of the Corporation or its subsidiary, no proposed nominee for election as a director of the Corporation, and none of their respective associates or affiliates is or has been indebted to the Corporation or its subsidiary at any time since the beginning of the last completed financial year of the Corporation.

APPOINTMENT OF AUDITORS

Unless such authority is withheld the persons named in the accompanying form of proxy intend to vote for the appointment of Hilborn Ellis Grant & Co., Chartered Accountants, Toronto, as auditors of the Corporation and the authorization of the directors to fix their remuneration. They or their predecessor firms have been auditors of the Corporation for more than the past 5 years.

MANAGEMENT CONTRACTS

During the last completed fiscal year the Corporation and its subsidiary paid \$20,599 for head office services and accommodation to The J. Bradley Streit Corporation, 20 Queen Street West, Toronto, Ontario, a private company of which J. Douglas Streit and C. William Streit (2 of the directors of the Corporation) are officers, directors and shareholders.

GENERAL

On any ballot that may be called for with respect to the election of directors or the appointment of auditors and the authorization of the directors to fix their remuneration, shares represented by each properly executed proxy appointing the persons named by management in the accompanying form of proxy **WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND FOR THE APPOINTMENT OF AUDITORS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR UNLESS THE SPECIFICATIONS IN THE PROXY DIRECT THE SHARES TO BE WITHHELD FROM VOTING IN CONNECTION THEREWITH.**

The accompanying form of proxy, when properly signed, confers discretionary authority with respect to amendments or variations to matters identified in the accompanying notice of the meeting and other matters that may properly come before the meeting. The management of the Corporation presently knows of no such amendments, variations or other matters to come before the meeting.

The contents of this circular and the sending of it to each director and shareholder of the Corporation and to the auditors of the Corporation have been approved by the directors of the Corporation.

J. DOUGLAS STREIT
President

MIDCON OIL & GAS LIMITED
FORM OF PROXY, SOLICITED BY MANAGEMENT, FOR THE
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON OCTOBER 20, 1983
AND ANY AND ALL ADJOURNMENTS THEREOF

The undersigned shareholder hereby appoints J. Douglas Streit or failing him, R. G. Price, or failing him, T. P. Fischer, or instead of any of them as nominee of the undersigned with full power of substitution to attend, act and vote in accordance with the following specifications for and on behalf of the undersigned at the meeting of shareholders to be held on October 20, 1983 and any adjournment thereof and hereby revokes all proxies previously given in connection with the meeting. The undersigned specifies that the shares registered in the name of the undersigned shall be

VOTED WITHHELD FROM VOTING (OR IF NO SPECIFICATION IS MADE, VOTED) by the nominee in the election of directors,

VOTED WITHHELD FROM VOTING (OR IF NO SPECIFICATION IS MADE, VOTED) by the nominee in the appointment of auditors and the authorization of the directors to fix their remuneration, and

VOTED in the nominee's discretion with respect to amendments or variations to matters identified in the notice of the meeting and other matters that may properly come before the meeting and any and all adjournments thereof.

DATED this day of October, 1983.

.....
Signature of Shareholder

NOTES:

(1) THE PERSONS DESIGNATED IN THE ACCOMPANYING FORM OF PROXY ARE NAMED BY MANAGEMENT. A SHAREHOLDER HAS THE RIGHT TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER, TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING AND HE MAY EXERCISE THIS RIGHT BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE COMPLETED PROXY TO THE CORPORATION OR TO THE CHAIRMAN OF THE MEETING PRIOR TO VOTING.

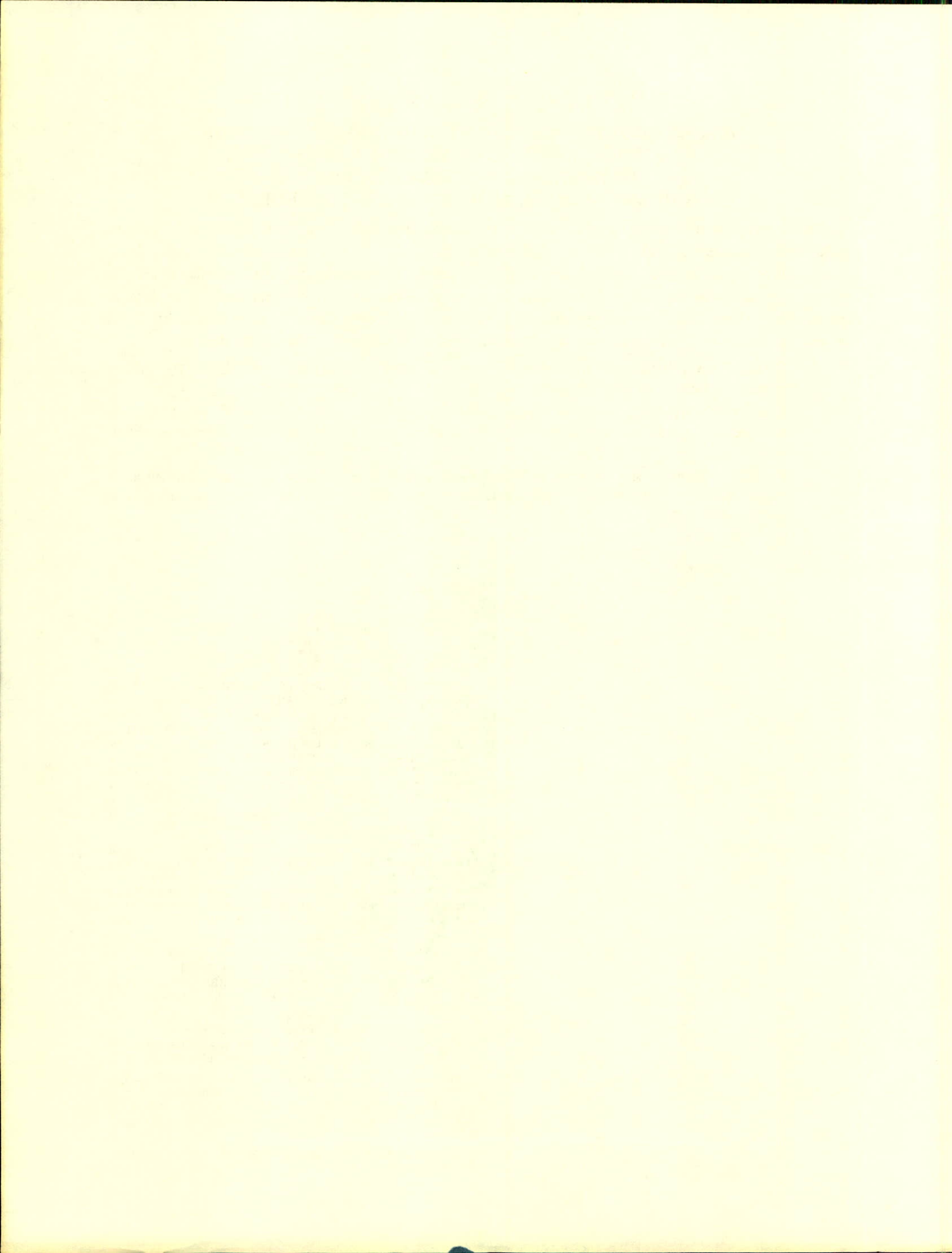
(2) THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED OR WITHHELD FROM VOTING IN ACCORDANCE WITH THE INSTRUCTIONS OF THE SHAREHOLDER ON ANY BALLOT THAT MAY BE CALLED FOR AND, IF THE SHAREHOLDER SPECIFIES A CHOICE WITH RESPECT TO ANY MATTER TO BE ACTED UPON, THE SHARES SHALL BE VOTED ACCORDINGLY.

(3) THIS PROXY CONFERS DISCRETIONARY AUTHORITY TO VOTE WITH RESPECT TO AMENDMENTS OR VARIATIONS TO THE MATTERS IDENTIFIED IN THE NOTICE OF THE MEETING ACCOMPANYING THIS PROXY AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.

(4) IF THIS FORM OF PROXY IS NOT DATED IN THE DESIGNATED SPACE, IT IS DEEMED TO BEAR THE DATE ON WHICH IT WAS MAILED TO YOU BY MANAGEMENT.

(5) PLEASE SIGN EXACTLY AS YOUR NAME APPEARS ON THE PROXY AND DATE THE PROXY. IF THE SHAREHOLDER IS A CORPORATION, THIS PROXY MUST BE EXECUTED UNDER ITS CORPORATE SEAL OR BY AN OFFICER OR ATTORNEY THEREOF DULY AUTHORIZED.

(6) PLEASE ADVISE THE CORPORATION OF ANY CHANGE OF YOUR ADDRESS.





OFFICERS AND DIRECTORS

OFFICERS

J. DOUGLAS STREIT President
R. G. PRICE Vice-President
T. P. FISCHER Secretary-Treasurer

DIRECTORS

H. C. KERR, Q.C. Toronto
C. W. STREIT Toronto
R. G. PRICE Calgary
W. E. REARDEN Toronto
J. DOUGLAS STREIT Toronto

AUDITORS

HILBORN ELLIS GRANT & CO. Toronto, Ontario

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE
Toronto, Ontario

TRANSFER AGENTS

GUARANTY TRUST COMPANY OF CANADA
Toronto and Calgary

EXPLORATION OFFICE

SUITE 4100
350 - 7TH AVENUE S.W.
Calgary, Alberta, Canada T2P 3W5

EXECUTIVE OFFICE

SUITE 2104, BOX 12
20 QUEEN STREET WEST
Toronto, Ontario, Canada M5H 3R3



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To the Shareholders,
MIDCON OIL & GAS LIMITED

Your directors submit for your consideration, the Annual Report of your Company with attached Financial Statements, Balance Sheet and Auditors' Report for the fiscal year ended June 30th, 1983.

For the past 25 years Midcon's principal source of income has been from the sale of Natural Gas from its producing properties in the Etzikom and Medicine Hat areas of southeastern Alberta.

This gas production was owned jointly with Pembina Resources Limited and was sold under low price long term contracts to the City of Medicine Hat and to Western Co-operative Fertilizers Ltd.

On July 1, 1982 Midcon sold its interests in these Etzikom and Medicine Hat gas wells and leases to the City of Medicine Hat for \$14,862,000.00.

Midcon owns a 50% interest in South Alberta Pipelines Ltd. which sold its low pressure gas gathering system to the City of Medicine Hat for \$1,769,000.00 and its high pressure transmission system to Nova, An Alberta Corporation in November 1982 for \$5,662,000.00.

Midcon and Pembina Resources Limited are in the process of winding up South Alberta Pipelines Ltd. which has now disposed of essentially all its assets. Midcon has already

received dividends from South Alberta of \$2,403,215.00 and will receive a further minor payment when the company is wound up.

Midcon which has no corporate debt has reinvested the proceeds of the sale of the aforementioned gas reserves in the purchase of other Canadian Oil and Gas producing properties.

As the first step in this program, Midcon on June 30, 1982 purchased a 0.91627% interest in the unitized Nipisi oilfield (which is operated by Amoco) for \$7,478,999.00. On January 1, 1983 Midcon purchased a 0.56613% interest in the unitized Mitsue oilfield (operated by Chevron Canada) for \$7,212,612.00. After payback of all costs, Allaro Resources is entitled to 5% of Midcon's interest in these Nipisi and Mitsue purchases as a finders fee.

According to the reserve estimates of Amoco and Chevron, the Midcon share of remaining recoverable oil reserves in the Nipisi and Mitsue fields was 2,237,554 barrels as of July 1, 1983. These recoverable reserves could be increased by up to 20% if the tertiary hydrocarbon miscible flood projects already underway in Nipisi and proposed for Mitsue are as successful as indicated by projections of the field operators.

Midcon net production revenue for the fiscal year ended June 30, 1983 which was almost entirely from the Nipisi and Mitsue fields was \$3,826,000.00. This should increase significantly next year because Midcon owned

the Mitsue interest for only the last six months of this period.

It is interesting to note that Midcon net production income for the fiscal year ended June 30, 1982 which was largely from the Medicine Hat — Etzikom natural gas properties which has now been sold was \$2,543,000.00.

EXPLORATION

Midcon is contributing \$250,000.00 per year to a three year old joint exploration and acquisition program managed by Allaro Resources Ltd. and now has a 5.2% interest in this program.

Mr. Alastair H. Ross left the position of President and Chief Executive Officer of both Pembina Resources Limited and Western Decalta Petroleum Ltd. to organize and manage Allaro. He now has commitments of about 5 million dollars per year for this program.

During the first half of 1983, Midcon participated through the Allaro program in 12 oilwells, 2 gas wells and 6 dry holes. The Allaro interests vary from 6.25% to 42% in these wells, averaging about 22%. All of the oilwells qualify for the NORP (New Oil Reference Prices). The gas wells have now proven up a three well pool at Paddle River with reserves of the order of 20 B.C.F. of gas. Midcon now has about a 4% interest in 35 oilwells, 9 gas wells and 142,880 gross acres (27,717 net acres) in this program. Midcon will receive annual initial production revenue of at least \$70,000 per year from this Allaro program when all of the aforementioned oilwells are placed on production.

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U.S. GULF COAST OFFSHORE

At a February 9, 1982 U.S. Federal offshore lease sale, Midcon participated with a 3.3050% share of a successful bid by a group managed by Natomas in the purchase of the West Cameron 284 offshore lease block for \$3,630,000.00 U.S. dollars. The Midcon 3.3050% share of this purchase price was \$119,971.50 U.S. dollars. This lease block is a southeast offset to a producing lease West Cameron 281 in which Midcon's controlling shareholder, Yellowknife Bear Resources Inc., holds an interest. A marine seismic survey run prior to the lease sale indicates a completely separate structure on block 284. Natomas who operate this block plan to drill the initial exploratory well on permit 284 late this year. It will require two exploratory wells to prove up sufficient gas reserves to justify a production platform after which five or six additional wells would have to be drilled before production can start. This program will take two or three years by which time we feel there should be a strong demand for gas in the U.S. market.

Toronto, Ontario
September , 1983.

Respectfully submitted,
On behalf of the Board of Directors,

J. DOUGLAS STREIT,
President.

AUDITORS' REPORT

To the Shareholders of Midcon Oil & Gas Limited

We have examined the consolidated balance sheet of Midcon Oil & Gas Limited as at June 30, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company as at June 30, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
July 28, 1983



Chartered Accountants

**CONSOLIDATED BALANCE SHEET**

June 30, 1983

4

ASSETS			LIABILITIES		
	1983	1982		1983	1982
Current Assets			Current Liabilities		
Term deposits	\$ 4,983,177	\$ 578,809	Bank indebtedness	\$ 74,604	\$ 7,015,104
Sundry receivables	712,517	670,345	Accounts payable and accrued liabilities	355,286	77,766
Income taxes recoverable	—	552,059	Income and revenue taxes payable	1,148,485	—
	<u>5,695,694</u>	<u>1,801,213</u>		<u>1,578,375</u>	<u>7,092,870</u>
Investments			Deferred income taxes	6,723,505	1,103,850
Yellowknife Bear Resources Inc., shares at cost (market value \$1,406,250; 1982 — \$1,012,500)	507,747	507,747	Minority interest	203,615	220,355
Investment in South Alberta Pipe Lines Limited	50,000	1,031,000			
Other shares, at cost	6,001	6,001			
	<u>563,748</u>	<u>1,544,748</u>			
Advances on account of exploration expenses	250,000	62,500	SHAREHOLDERS' EQUITY		
Interest in oil and natural gas properties	16,044,131	10,961,214	Capital Stock		
Accumulated depreciation, depletion and amortization	944,335	1,092,370	Authorized		
	<u>15,099,796</u>	<u>9,868,844</u>	5,000,000 common shares without par value		
Other Assets	3,505	3,505	Issued		
	<u>\$21,612,743</u>	<u>\$13,280,810</u>	4,300,000 common shares	3,353,505	3,353,505
			Retained earnings	9,753,743	1,510,230
				<u>13,107,248</u>	<u>4,863,735</u>
				<u>\$21,612,743</u>	<u>\$13,280,810</u>

Approved on behalf of the Board

Director J. DOUGLAS STREIT

Director WILLIAM E. REARDEN

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended June 30, 1983

	1983	1982
Balance, beginning of year	\$1,510,230	\$ 566,107
Add: Net income for year	9,957,691	1,828,564
Adjustment of prior years' income taxes	-	150,700
Recovery of dividends paid in prior years	5,822	39,859
	<u>11,473,743</u>	<u>2,585,230</u>
Deduct: Dividends paid	<u>1,720,000</u>	<u>1,075,000</u>
Balance, end of year	<u><u>\$9,753,743</u></u>	<u><u>\$1,510,230</u></u>



CONSOLIDATED STATEMENT OF INCOME
Year ended June 30, 1983

**CONSOLIDATED STATEMENT
OF CHANGES IN FINANCIAL POSITION**
Year ended June 30, 1983

	1983	1982		1983	1982
Oil and gas revenue	<u>\$4,313,350</u>	<u>\$2,901,187</u>	Working capital provided by		
Royalties	<u>486,425</u>	<u>357,668</u>	Operations		
Production, processing and transportation	<u>453,935</u>	<u>417,159</u>	Operating income for year before extraordinary items	<u>\$ 1,566,339</u>	<u>\$ 1,828,564</u>
Depreciation, depletion and amortization	<u>815,253</u>	<u>83,091</u>	Items not affecting working capital		
	<u>1,755,613</u>	<u>857,918</u>	Investment in South Alberta Pipe Lines Limited	<u>(12,358)</u>	<u>(561,500)</u>
Other Income	<u>2,557,737</u>	<u>2,043,269</u>	Minority interest in income of subsidiary	<u>48,073</u>	<u>19,331</u>
Investment in South Alberta Pipe Lines Limited	<u>12,358</u>	<u>561,500</u>	Depreciation, depletion and amortization	<u>815,253</u>	<u>83,091</u>
Dividends	<u>18,000</u>	<u>12,000</u>	Deferred income taxes	<u>(286,948)</u>	<u>89,250</u>
Interest	<u>960,344</u>	<u>251,314</u>		<u>2,130,359</u>	<u>1,458,736</u>
	<u>990,702</u>	<u>824,814</u>	Sale of interest in oil and natural gas properties	<u>14,313,518</u>	<u>-</u>
	<u>3,548,439</u>	<u>2,868,083</u>	Proceeds from sale of fixed assets	<u>-</u>	<u>4,914</u>
General and administrative expenses (note 3)	<u>(239,721)</u>	<u>(215,579)</u>	Proceeds on redemption of investments	<u>-</u>	<u>300,000</u>
Interest expense on oil and gas revenues	<u>(240,595)</u>	<u>(3,500)</u>	Dividends from South Alberta Pipe Lines Limited	<u>2,403,215</u>	<u>50,000</u>
Petroleum and gas revenue tax	<u>(237,713)</u>	<u>(232,653)</u>	Adjustment of prior years' income taxes	<u>-</u>	<u>150,700</u>
Income before income taxes, minority interest and extraordinary items	<u>2,830,410</u>	<u>2,416,351</u>	Recovery of unclaimed dividends	<u>5,822</u>	<u>39,859</u>
Income taxes - current	<u>1,502,946</u>	<u>479,207</u>		<u>18,852,914</u>	<u>2,004,209</u>
- deferred (reduction)	<u>(286,948)</u>	<u>89,250</u>	Working capital used for		
Minority interest in income of subsidiary	<u>48,073</u>	<u>19,330</u>	Advances on account of exploration expenses	<u>187,500</u>	<u>91</u>
	<u>1,264,071</u>	<u>587,787</u>	Additions to oil and natural gas properties	<u>7,471,625</u>	<u>7,758,317</u>
Operating income for year before extraordinary items	<u>1,566,339</u>	<u>1,828,564</u>	Payment of dividends to minority interest	<u>64,813</u>	<u>-</u>
Extraordinary items			Dividends	<u>1,720,000</u>	<u>1,075,000</u>
Gain on sale of petroleum and natural gas interests (net of taxes of \$6,419,000)	<u>6,981,495</u>	<u>-</u>	Reduction of deferred income taxes	<u>-</u>	<u>45,200</u>
Share of gain on sale of fixed assets of South Alberta Pipe Lines Limited	<u>1,409,857</u>	<u>-</u>		<u>9,443,938</u>	<u>8,878,608</u>
Net income for year	<u>\$9,957,691</u>	<u>\$1,828,564</u>	Increase (decrease) in working capital	<u>9,408,976</u>	<u>(6,874,399)</u>
Per Share			Working capital (deficiency), beginning of year	<u>(5,291,657)</u>	<u>1,582,742</u>
Income before extraordinary items	<u>\$.36</u>	<u>\$.43</u>	Working capital (deficiency), end of year	<u>\$ 4,117,319</u>	<u>\$ (5,291,657)</u>
Net income	<u>\$2.32</u>	<u>\$.43</u>			
Income before deferred taxes and extraordinary items	<u>\$.30</u>	<u>\$.45</u>			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1983

1. Accounting Policies

a) Basis of consolidation

The consolidated financial statements include the accounts of the company and its subsidiary, Inter-Rock Oil Co. of Canada Limited and the company's proportionate share of the assets, liabilities, revenues and expenses of the Allaro Resources Joint Venture.

b) Investments

The company owns 50% of the issued and outstanding common shares of South Alberta Pipe Lines Limited. The investment is accounted for on the equity basis.

Marketable securities are recorded at cost.

c) Exploration and development costs

Exploration expenditures, non-productive development expenses, dry-hole costs and the carrying charges on properties are charged to expense. Property acquisition costs are capitalized.

d) Depreciation, depletion and amortization

Capitalized costs of oil and gas properties and well costs are charged against earnings on the unit-of-production method using estimated recoverable oil and gas reserves. Depreciation of other plant and equipment is based on the estimated service lives of the assets. Depreciation on production equipment is calculated on the straight line method. Depreciation of other plant and equipment is calculated on the diminishing balance method.

e) Income taxes

The company provides for income taxes on the tax allocation basis whereby the provision for income taxes each year is computed on the basis of depreciation and other charges reflected in the statement of income rather than on the related amounts claimed in the company's income tax returns.

2. Allaro Resources Joint Venture

The company's share of the Allaro Resources Joint Venture as at the year end of the joint venture, December 31, 1982, accounted for on a proportionate consolidation basis is summarized as follows:

Assets	<u>\$419,654</u>
Liabilities	\$ 17,560
Equity	<u>402,094</u>
	<u>\$419,654</u>
Interest income	<u>\$ 6,908</u>
Production income	<u>\$ 15,025</u>

All expenses of the joint venture have been capitalized. Advances subsequent to December 31, 1982 are shown as advances on account of exploration expenses of \$250,000.

3. General and administrative expenses include the following:

	1983	1982
Directors' fees and salaries	\$ 51,500	\$ 49,500
General and office	12,568	22,976
Legal and audit	52,225	33,682
Rent and office services	28,789	24,668
Salaries and fees – management and office	58,632	55,032
Shareholders' reports	11,838	16,617
Transfer and registrar	24,169	13,104
	<u>\$239,721</u>	<u>\$215,579</u>



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4. Contingent Liabilities

The company's transfer agent has refunded all unclaimed dividends declared prior to December 31, 1980. The company is obliged to pay unclaimed dividends providing a claim is made within six years of the date of declaration.

5. Comparative Figures

Certain of the 1982 comparative figures have been reclassified to conform with the current year's presentation.



