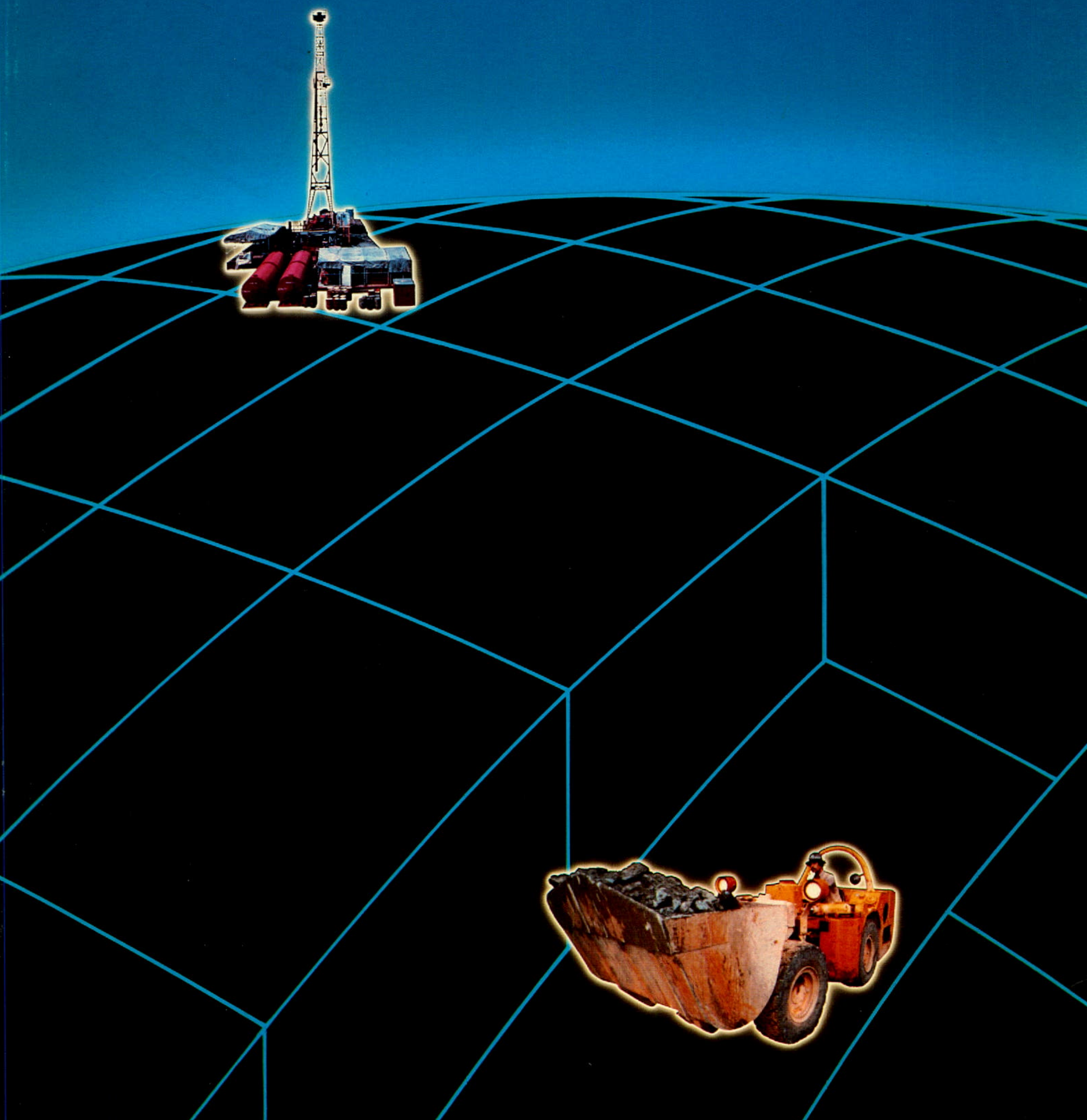
Asamera Inc. Annual Report 1982



Contents

Corporate Information

Corporate Headquarters
Suite 2100, 144 Fourth Avenue S.W.
Calgary, Alberta, Canada T2P 3N4
Telephone (403) 269-5521

Transfer Agent
The Canada Permanent Trust Company
Calgary, Alberta and
Toronto, Ontario, Canada
The Royal Bank and Trust Company
New York, New York, U.S.A.

Stock Exchange Listings
The Toronto Stock Exchange (ASM)
Toronto, Ontario, Canada
The American Stock
Exchange Inc. (ASM)
New York, New York, U.S.A.

Announcement of Annual Meeting
The Annual Meeting of Shareholders will be held at 10:00 a.m. (MDT) on April 29, 1983 in the Glenview Room at the Calgary Convention Centre Calgary, Alberta, Canada

Additional Information
Copies of the Annual Report on Form 10-K filed with the Securities and Exchange Commission of the United States are available without charge to shareholders by writing to the Manager, Corporate Relations of the Corporation

Auditors
Clarkson Gordon
Chartered Accountants
Calgary, Alberta, Canada

Company Profile

Asamera Inc., with its corporate head office in Calgary, Alberta, Canada, is an independent international organization whose major activities are the exploration and production of oil and natural gas, the exploration for and the mining of minerals in various countries, and the refining and marketing of petroleum products in the United States. Operations are carried out directly and through subsidiaries and affiliates.

Financial Highlights

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981
Gross Income	**$449,241,000**	$470,593,000	$352,407,000
Net Income	**$ 3,597,000**	$ 9,693,000	$ 5,733,000
Net Income Per Common Share	**$ 0.12**	$ 1.11	$ 0.57
Cash Flow from Operations	**$ 37,919,000**	$ 36,677,000	$ 27,066,000

To the Shareholders

1982 was a very active and successful year for Asamera. Both our petroleum and mineral divisions had significant exploration discoveries and each also made an attractive asset acquisition.

Two oil discoveries were made in South Sumatra, Indonesia, one of which, the Ramba field, rates as the single largest discovery in Asamera's history. As of this date, ten wells have been drilled in the two fields. Each well has been an oil producer and, accordingly, each well has increased the size of the fields. Exploration and delineation drilling will continue throughout 1983.

At December 31, 1982, eight wells had been completed and tested in the two new fields. A determination of reserves based on these wells by an outside consulting firm assigned nearly 30 million barrels of proven reserves under primary production. These proven reserves should be increased in 1983 as a result of additional drilling which is extending the areal extent of the fields.

Production is expected to begin shortly from the central portion of the Ramba field. The initial rate will be limited to approximately 5,500 barrels of oil per day by the existing six inch pipeline capacity of 7,000 barrels of oil per day and an existing production level of approximately 1,500 barrels of oil per day. The initial productive capacity of the approximately 2,000 acres in this central portion of the field should be at least 20,000 barrels of oil per day. Studies are underway to design and install the pipeline facilities required to produce these new fields at their maximum efficient rate, once they are fully developed.

Asamera (South Sumatra) Ltd. has a 60 per cent interest in these fields.

The Mining Division substantially increased its North American mineral reserves in 1982.

An exploration project near Wenatchee, Washington, has to date discovered mineable gold reserves of approximately two million tons at an approximate average grade of .1 ounces of gold per ton in two ore zones called the B and B West reefs. A prefeasibility study is nearing completion which should lead to a production decision during the second quarter.

Subsequent to the year end, exploration drilling some 800 feet north of the B and the B West reefs encountered what appears to be a major new ore zone. Three holes out of seven drilled contained ore intersections of 105 to 160 feet with assayed grades ranging from .118 to .341 ounces of gold per ton, while a fourth hole contained 140 feet of ore with a grade of 1.36 ounces of gold per ton and within this 140 foot interval a 50 foot section had visible gold which assayed 2.98 ounces of gold per ton—an extremely high grade. Stepout drilling is underway.

Asamera was also active in the acquisition area. Taking advantage of our favourable financial position, two attractive resource properties were acquired.

In the Quirk Creek area of Alberta, Canada, Asamera acquired approximately 23.7 billion cubic feet of gas, 1.1 million barrels of liquids, 107,000 long tons of sulphur and 23.6 per cent interest in a 90 million cubic feet per day gas plant. This acquisition significantly increased our North American hydrocarbon reserves.

Last December, Asamera acquired the Gooseberry Mine located near Reno, Nevada. With this acquisition, we obtained proven reserves of 607,000 tons containing an average grade of .23 ounces of gold and 9.71 ounces of silver per ton. The ore body also has probable and possible reserves and is open in at least two directions. The acquisition has a fully operable 350 ton per day plant which with minor modifications should be in operation within six months.

Income for the year ended December 31, 1982, was U.S. $3.597 million before provision for preferred share dividends compared with a restated, unaudited income of U.S. $9.693 million for the same period last year. Cash flow from operations was $37.919 million, up slightly from 1981 cash flow of $36.677 million. These financial results reflect a change in the method of accounting for oil and gas expenditures. Asamera now uses the full cost method of accounting for all oil and gas expenditures whereas, previously, Production Sharing and Technical Assistance Contracts were accounted for in a manner which reflected the terms of the agreements and all other oil and gas expenditures were accounted for under the successful efforts method of accounting. This change allows Asamera to use one method of accounting for all its oil and gas operations and makes our accounting both more understandable and more consistent with many other Canadian oil and gas companies of comparable size. The change to this method of accounting resulted in adjustments to determination of cash flow from operations because of the method of accounting for different types of expenditures under Production Sharing and Technical Assistance agreements.

All Asamera business segments did not fare so well in 1982. For the first four months, our U.S. refining and marketing operations suffered from poor margins that existed throughout the U.S. industry during that period. Margins improved through the late spring, summer and early fall but again eroded substantially in November and December with the result that this segment's contribution to operating profit for the full year decreased from $8.6 million to $2.2 million. This sector has had a disappointing trend in earnings over the past three years which is a reflection of general industry conditions. While Asamera has fared better than many refiners, this is small consolation.

Our refining sector has many positive factors. The refinery is modern and efficient, its Denver location is in a growth area of the United States, and with the recent Indonesian oil discoveries, Asamera will soon be in the enviable position of having crude production levels to equal its refinery capacity. Nevertheless, we are not planning to expand this segment of our business.

Our small industrial division continues to be adversely affected by the sluggish Canadian economy and reported a small operating loss in 1982. Early in the year, Asamera sold its 60 per cent interest in Certified Rentals Ltd. leaving Mandem, a distributor of light industrial equipment, the only operation in our Industrial Division.

To better handle our increasing level of activities, we have changed our organizational structure slightly and made several senior management appointments. R.G. Welty retained his title of Chairman and Chief Executive Officer but relinquished the title of President to Frank W. McCamus, formerly Senior Vice President of Operations, who became President and Chief Operating Officer. Senior Vice Presidents were also appointed for each of our functional areas. Michael C. Pick became Senior Vice President Oil and Gas Exploration and Ralf M. Kleine became Senior Vice President Minerals.

1982 saw decreases in world crude oil and refined product prices and it appears that this trend will continue in 1983. While lower oil prices naturally will result in lower profits per barrel, Asamera will more than offset this decrease with increased production from its recent discoveries.

1983 should begin a period of major growth for Asamera when its Sumatran oil discoveries and United States gold acquisitions are brought on stream. With the increased cash flow expected over the next few years, we will also be looking for attractive acquisitions in natural resource assets.

Asamera's strategy is to increase its involvement in exploration and production of natural resources. While we are attempting to obtain a better geographical balance, particularly in increasing our North American reserves, we will continue to be an internationally oriented company.

While the times are now unsettled in many respects, Asamera firmly believes that the longer term demand for natural resources will be strong. Our objective is to build, both by exploration and acquisition, a solid base of quality reserves in oil, gas and minerals from which we will be able to meet that demand.

Our progress in 1982 is attributable to the capabilities and outstanding efforts of Asamera employees throughout the world. To them we extend our sincere appreciation. Asamera also wishes to acknowledge the continued assistance and cooperation of Pertamina, the Indonesian state oil corporation. We have worked together for over twenty years and Asamera looks forward to working in Indonesia for many years to come.

R.G. Welty
Chairman and Chief
Executive Officer

F.W. McCamus
President and Chief
Operating Officer

February 28, 1983

Oil and Gas

Drilling, North Sumatra.

Indonesia

South Sumatra

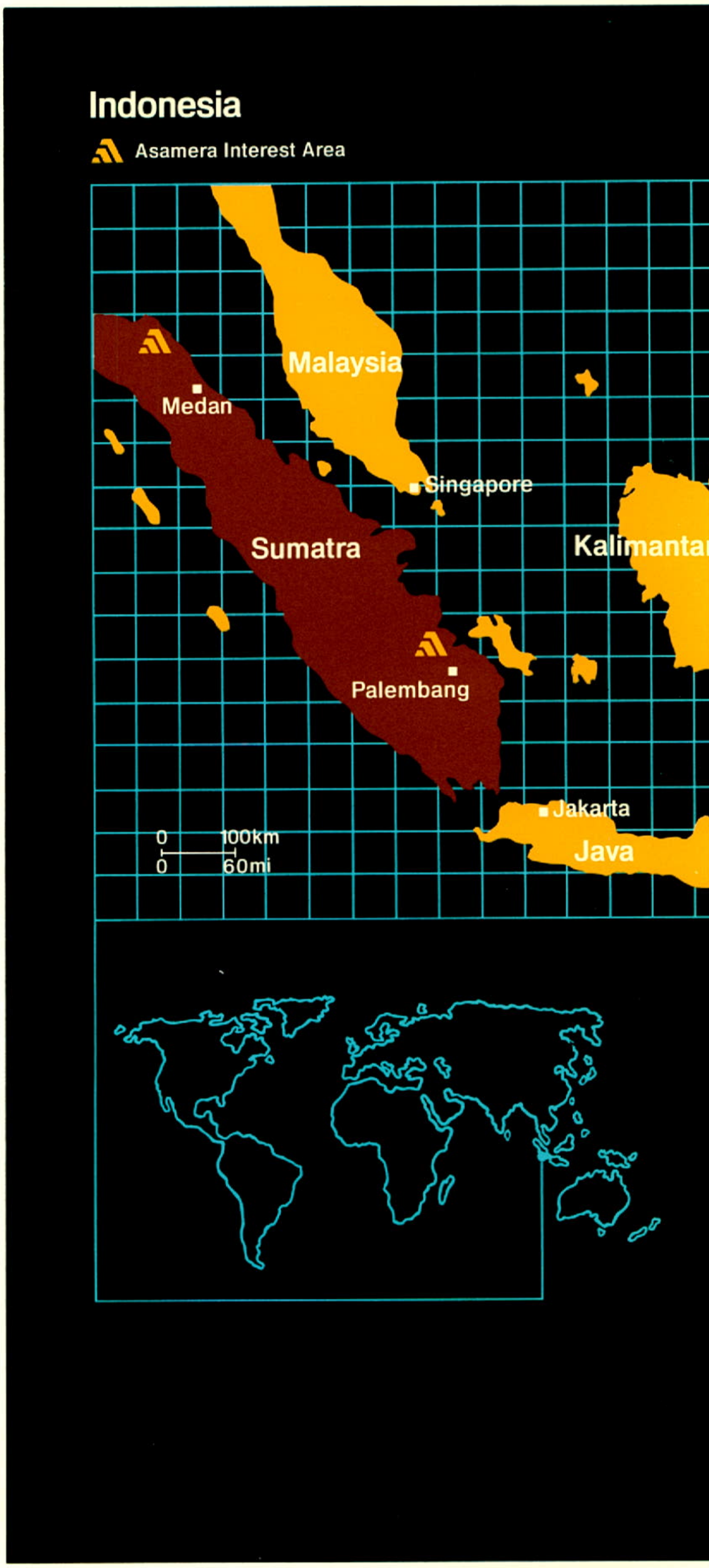
In the Corridor Block of South Sumatra, Asamera made two major oil discoveries of significant proportions in 1982, one of which, Ramba, ranks as the single largest discovery in Company history. The two discoveries represent a culmination of geological reinterpretation and new seismic programs undertaken by Asamera in the last three years in the Corridor Block.

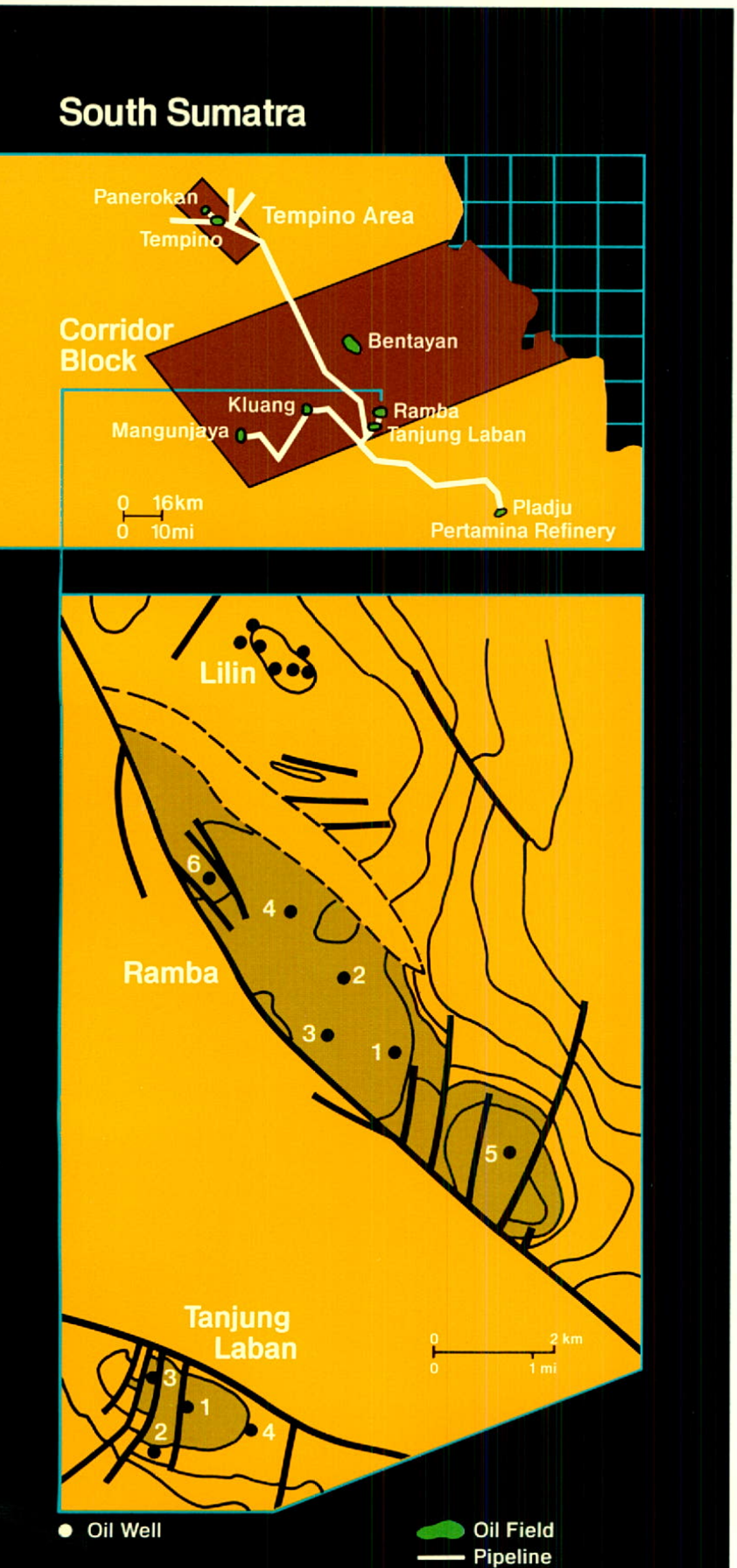
In July of 1982, an exploratory well, Tanjung Laban-1, tested several oil bearing zones in the Talang Akar and Batu Raja Formations. The well had 79 feet of oil pay in the Talang Akar sands and 68 feet of oil pay in the Batu Raja limestone. The well flowed at a stabilized rate of 1,232 barrels of oil per day through a one-half inch choke.

In September, Ramba-1, another exploratory well, tested an oil-bearing zone in the Batu Raja limestone. This well had 79 feet of oil pay and yielded a flow rate of 1,720 barrels of oil per day on a one-half inch choke.

By year end, four wells had been completed at Ramba and four at Tanjung Laban. The two fields are located on separate structures four miles apart.

Two additional wells were completed at Ramba early in the first quarter of 1983. Single flow rates of as high as 2,400 barrels of oil per day on a one-half inch choke have been recorded in the Ramba field. The Batu Raja limestone formation is a prolific reservoir elsewhere in Indonesia but the discoveries are the first significant production from this type of formation in South Sumatra.





Pipeline construction, Ramba Field, South Sumatra.

Drilling to date on Ramba has revealed dimensions of approximately six by one and one-half miles incorporating at least 4,000 productive acres. No water has been encountered in the Batu Raja limestone formation. The two most recent stepout wells, Ramba-5 and Ramba-6, located one and one-half miles southeast and two and one-half miles northwest respectively from the discovery well, also have productive Talang Akar sandstone underlying the limestone. These are the first such indications in the Ramba field. The limits of the field have yet to be determined and additional drilling will be conducted to fully delineate the Ramba structure.

Additional drilling will also be undertaken on the Tanjung Laban field which to date incorporates about 1,400 productive acres. The limits of the field have not yet been established.

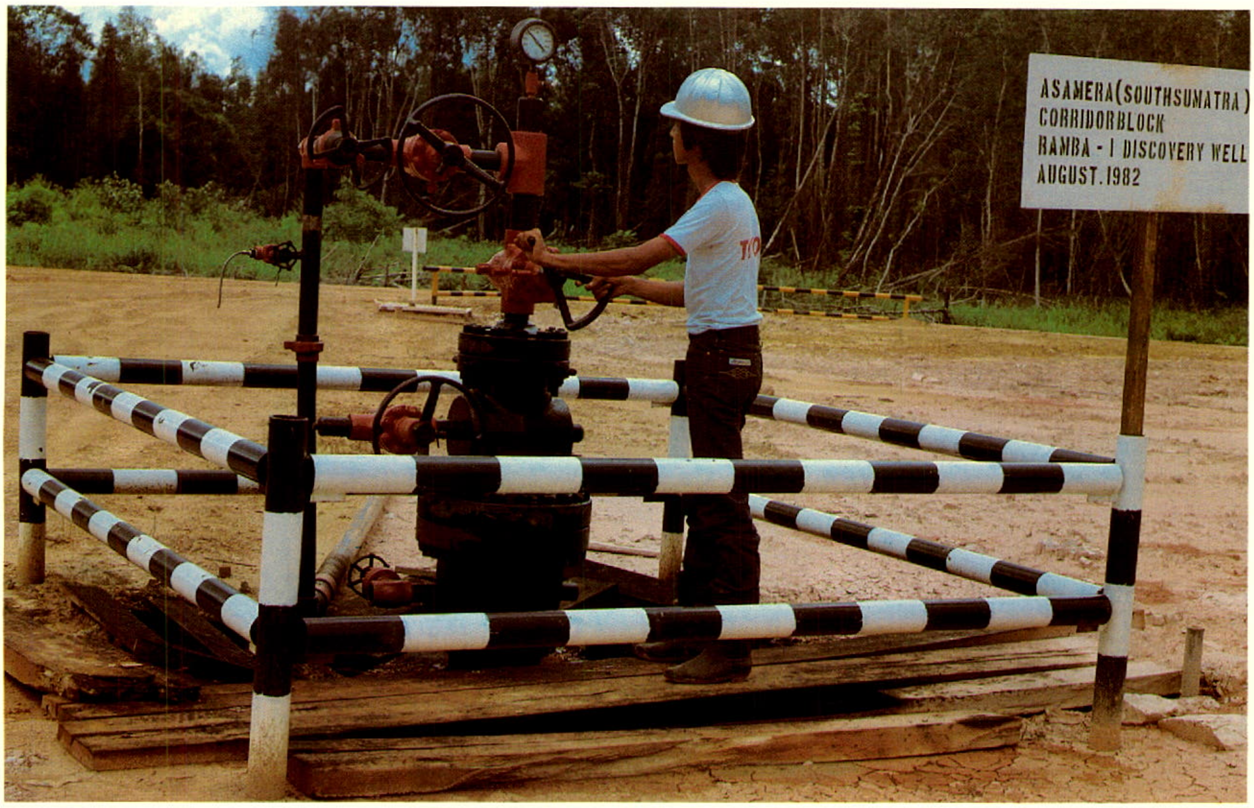
Repairs to an existing six inch pipeline have been undertaken which will enable throughput to be increased to about 7,000 barrels of oil per day. Negotiations with Pertamina, the Indonesian state oil corporation, are underway to permit rehabilitation of an existing eight inch pipeline that together with the six inch line could allow production to reach an aggregate of about 20,000 barrels of oil per day from the Corridor Block.

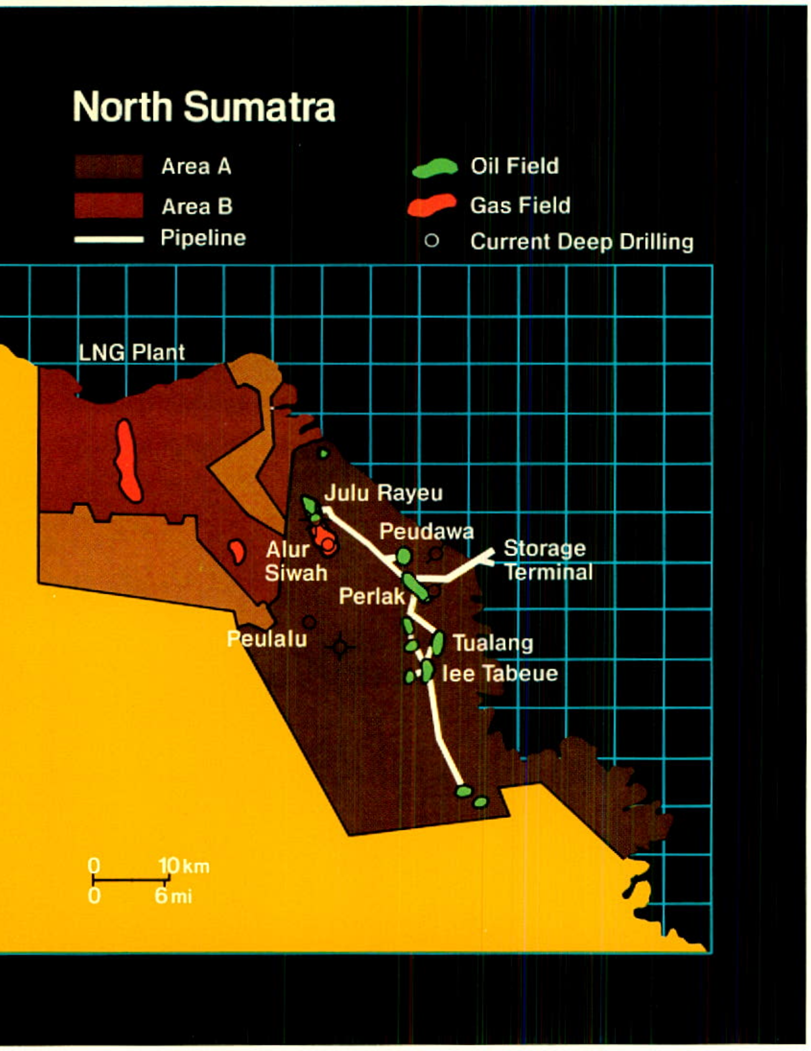
A development plan for the central portion of the Ramba field encompassing 2,000 acres has been presented to Pertamina. Drilling has demonstrated a productive capability from the central portion considerably in excess of existing pipeline capacity. Full development of the Ramba and Tanjung Laban fields will require the provision of new pipeline facilities. Engineering studies to determine the appropriate size and configuration of such a pipeline are underway.

The development of the Bentayan field, which contains a high pourpoint crude oil, is proceeding and is projected to be on stream in the fourth quarter of 1983. A suitable blend crude supplied by Pertamina from the Tempino Block should enable production to reach 1,500 - 2,000 barrels of oil per day.

Two rigs were active in 1982 drilling fourteen exploratory/delineation wells and three development wells. Of these, eleven were oil producers and one discovered gas. A successful workover program which maintained production levels was carried out in the Kluang field.

Ramba-1 discovery well, South Sumatra.





Average production from South Sumatra during 1982 was 2,317 barrels of oil per day compared with 1,327 barrels of oil per day for the previous year. Most of the increase resulted from extended testing of individual wells in the two new fields.

Plans for the Corridor Block in 1983 include an intensive program of seismic interpretation, regional geophysical studies and prospect mapping. A six month seismic program will start in the second quarter. Major engineering efforts will be concentrated on development of the Ramba and Tanjung Laban reservoirs including pressure maintenance studies, completion of the Bentayan pilot plant, and design and construction of new pipeline facilities.

Asamera is a 60 per cent participant and operator of the Corridor Block.

North Sumatra

In Area "A" of North Sumatra, Asamera's 1982 operational program focused on two objectives: to increase shallow oil production and to explore for deeper reservoirs.

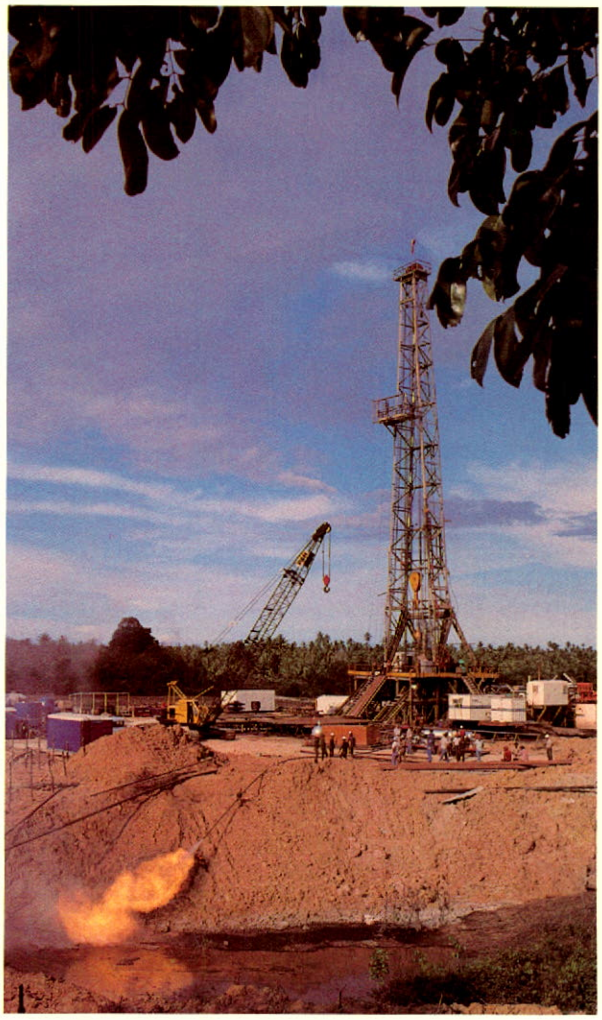
Five deep exploratory tests and one delineation well were drilled during 1982 in the search for additional gas/condensate reserves. A delineation well, Alur Siwah-8, drilled as a stepout to a 1976 gas discovery, successfully extended the field one and one-half miles to the north. The well yielded, on test, an aggregate flow of 21.9 million cubic feet of gas per day. A second stepout well, Alur Siwah-7A, was drilling in early 1983 at a location one mile south of the field. Two exploratory wells were drilled on a regional structural trend called Peulalu twelve miles long by three miles wide and located in the western part of Area "A". Both wells encountered a significant thickness of carbonate although the prospective section in the first well was wet. The second well, Peulalu-3, encountered quantities of gas and condensate on a drill stem test and was being tested at year end.

During 1982, Asamera also drilled ten shallow wells in Area "A". Five exploratory delineation wells were dry; five development wells were completed as oil producers in the Julu Rayeu, Peudawa, and lee Tabeue fields.

A seismic program conducted during the latter half of the year will be used to establish prospects for 1983. Included in this program was a high resolution survey designed to look for subtle structural and stratigraphic traps in the shallow oil area. This seismic technique gives much improved definition of shallow features. Interpretation and evaluation of results is presently underway.

Asamera also initiated a comprehensive geological and geophysical study of Area "A" to better interpret the regional geology and hydrocarbon plays in the area. An aerial radar survey was also conducted over the entire block. This project is intended to highlight surface features and anomalies that may indicate potential hydrocarbon traps.

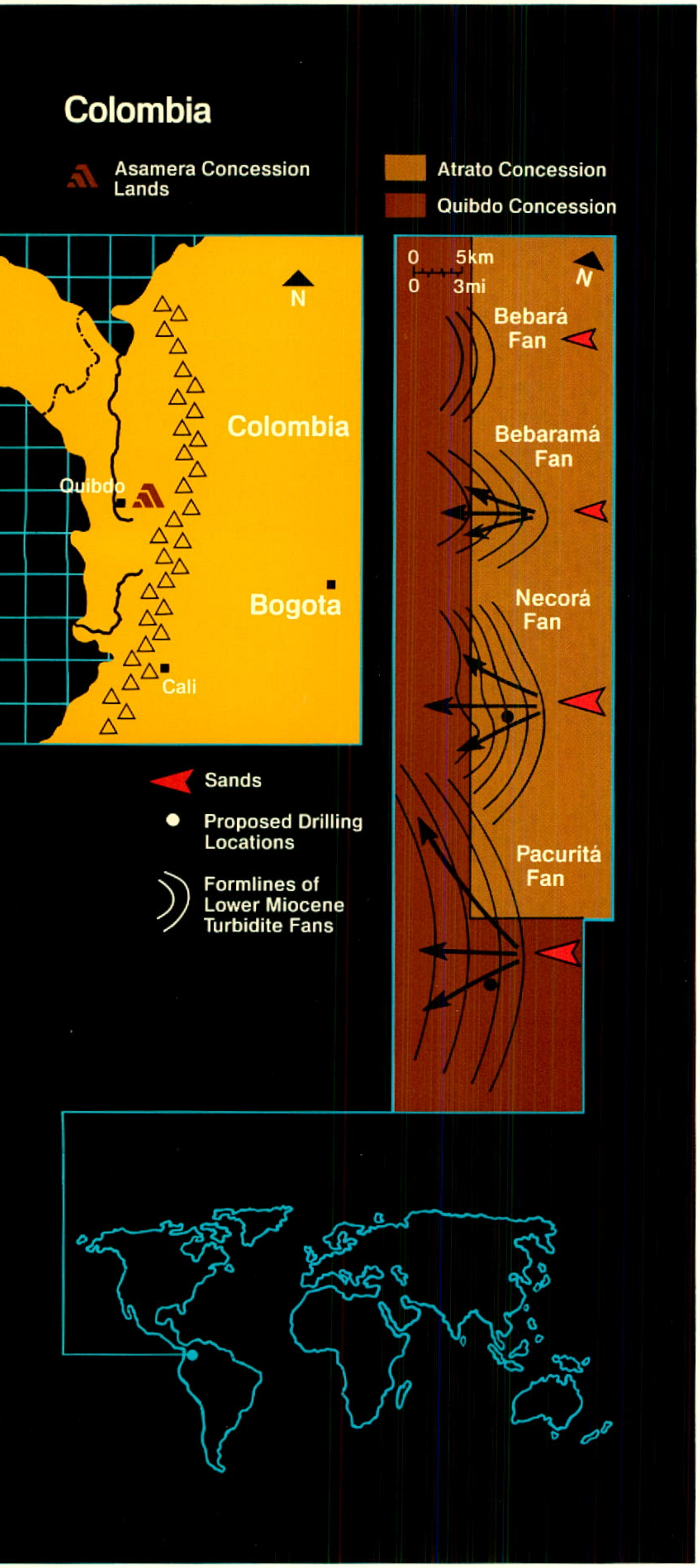
The average daily oil production for 1982 was 6,454 barrels of oil per day compared with 6,906 barrels of oil per day for 1981.



Testing Alur Siwah-8 gas well, North Sumatra.

Plans for Area "A" in 1983 include additional seismic plus a minimum of two rig years of exploratory and development drilling. Seismic work will be directed along the Perlak Anticline and the Peulalu structural trend. Along the Perlak Anticline, effort will be directed at finding adequate resolution along structure to locate additional shallow oil prospects, while at Peulalu, efforts are aimed at better defining the major structural feature.

Asamera is operator and a 60 per cent participant in Area "A".



Colombia

Asamera holds a 100 per cent interest in two adjacent Association Agreement areas in western Colombia. The Atrato area, awarded to the Company in 1981, and the Quibdo area, awarded in 1982, together encompass 497,000 acres.

A study of the eastern margin of the Atrato basin indicated that major stratigraphic traps may exist updip from a live oil show drilled in 1954. Encouraging results were obtained from geological and geophysical work undertaken on both areas in 1982. These studies suggest the existence of a number of major stratigraphic traps on a regional trend. These comprise a series of submarine fans similar in origin to reservoirs in producing oil fields in the Ventura Basin of Southern California and in the Frigg/Brae Complex of the northern sector of the North Sea.

Seismic operations, Atrato, Colombia.

Drilling shot holes for seismic survey, Quibdo, Colombia.

Based on these results, Asamera plans to drill a 6,500 foot test well in the Atrato area in 1983. A proposed drilling location in the Quibdo area is currently undergoing additional confirmatory seismic work, the results of which should be available early in the second quarter.

Australia

Asamera holds a 50 percent interest in Permit WA-165-P which was obtained in July 1981, covering 900,000 acres in the Perth Basin, offshore Western Australia.

The first year commitment of 600 miles of seismic survey was successfully completed in late 1982. Results were being interpreted at year end. The shooting of an additional 600 miles of seismic survey is planned to commence in late 1983.

During the third quarter of 1982, Asamera participated in an exploratory well on Permit WA-110-P, offshore northwestern Australia. The well, Vlaming Head-1, reached a total depth of 6,785 feet after penetrating almost 1,400 feet of porous but water-bearing sands. The well was subsequently plugged and abandoned. A geophysical review of the acreage has not revealed any further prospects with significant potential; consequently, the permit will be surrendered to the West Australian government in early 1983.

North Sea

Asamera Oil (U.K.) Ltd., a wholly-owned subsidiary, holds interests varying from 23.0 to 11.5 per cent in Licence P.142 located in the southern North Sea, British sector.

Asamera participated in a gas discovery well during fiscal 1976.

During 1982, Asamera participated in a stepout well three and one-half miles southeast of the discovery location. The well reached total depth of 9,968 feet after encountering the sand reservoir at an unexpectedly low structural position. A gas pay section was found but determined to be of noncommercial thickness and the well was plugged and abandoned.

A 180 mile seismic survey was undertaken jointly with the operator of an adjoining block, and additional data was acquired through trade. Extensive reprocessing of old records has led to significant improvement in data and interpretation.

Natural gas prices from this part of the North Sea make this project uneconomic at present, but the situation is being closely monitored.

United States

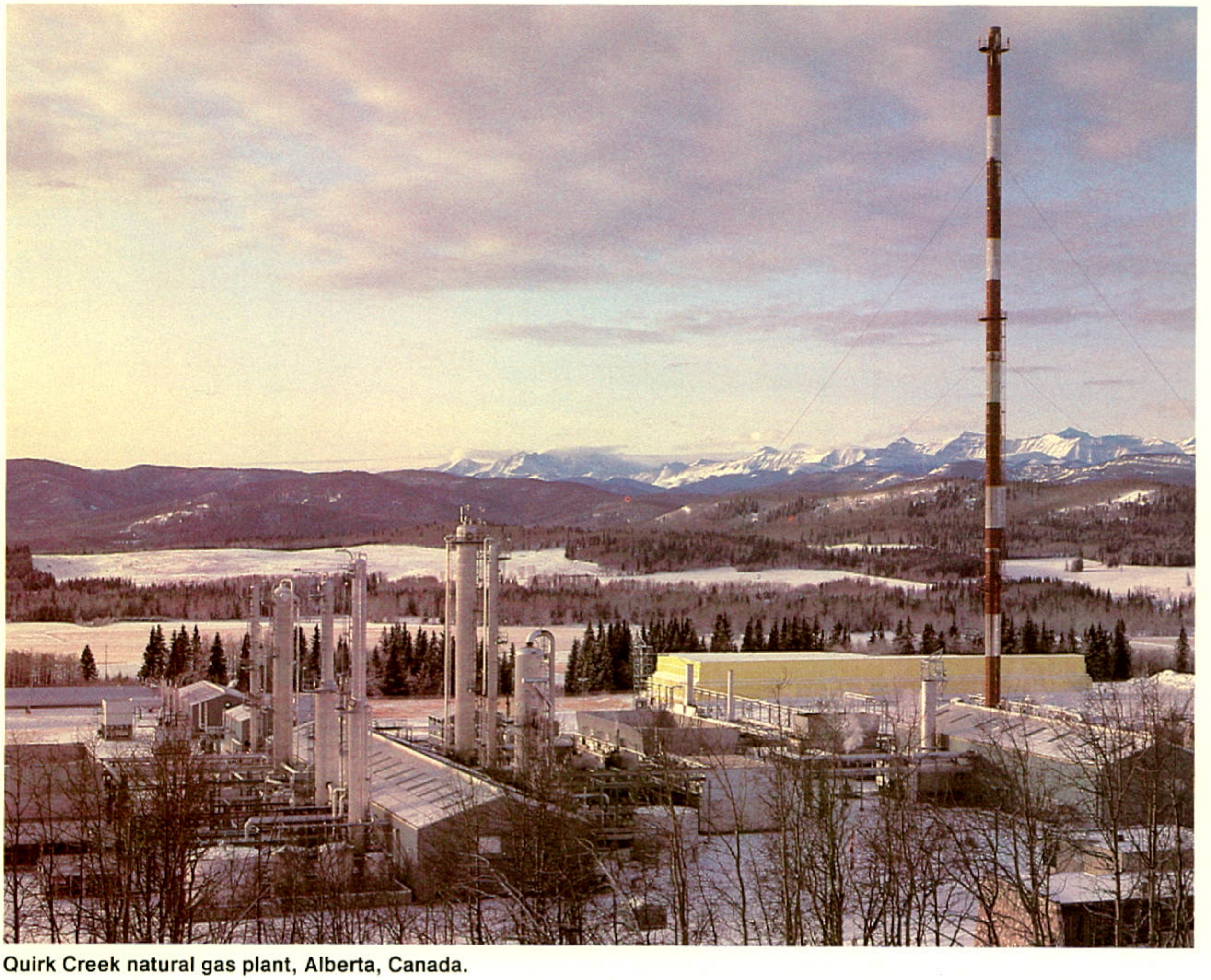
Asamera's current exploration activities in the United States involve operations in the Rocky Mountain and Gulf Coast areas.

During 1982, Asamera participated in the drilling of 23 wells, resulting in seven oil wells and four gas wells. A successful farmout agreement was reached on Asamera's acreage offshore Willacy Co., Texas. Two gas wells have been completed and will be on production in the first quarter of 1983. A direct offset to Asamera's Wilcox well in Montgomery Co., Texas had an initial flow rate of one million cubic feet of gas per day and should be on production in the first quarter of 1983; Asamera's working interest is 44.4 per cent.

In early 1982, a 12.5 per cent interest in approximately 25,000 gross acres in the Lower Tuscaloosa Trend in Louisiana was purchased. A number of prospects have been developed through a geophysical and geological program. An additional seismic program is proposed for early 1983.

Additional drilling and exploration programs are being undertaken on staff generated prospects and plays in Texas and the Rocky Mountains.

Production for the twelve months ended December 31, 1982 totalled approximately 116,000 barrels of oil, and 205 million cubic feet of gas. The major portion of the oil was produced from the Altamont-Bluebell field in Utah. Net gas production increased substantially from last year primarily due to production from new wells in Texas and Colorado. Remaining oil and gas production is from fields in Louisiana, Nebraska, North Dakota and Oklahoma.


Quirk Creek natural gas plant, Alberta, Canada.

Canada

During 1982, Asamera acquired an interest in a producing gas field at Quirk Creek, Alberta. The properties comprise 23,800 gross acres (8,400 net acres) of which 10,240 gross acres (3,686 net acres) are productive.

Asamera's interest in proven natural gas reserves before royalty at Quirk Creek, all of which are under contract, is estimated at 23.7 billion cubic feet. Related recoverable natural gas liquids and sulphur reserves are estimated to be 1,132,000 barrels and 107,000 long tons respectively. Also included in the purchase was a 23.6 per cent interest in a natural gas processing plant at Quirk Creek.

Asamera is also co-operator and General Partner of the KanAmera Oil and Gas Program, a three-year exploration and development project initiated in late 1979. During 1982, the program participated in the drilling of eight wells resulting in two oil wells and one gas well. In 1983, the program will concentrate on development of properties acquired during the last three years.

Egypt

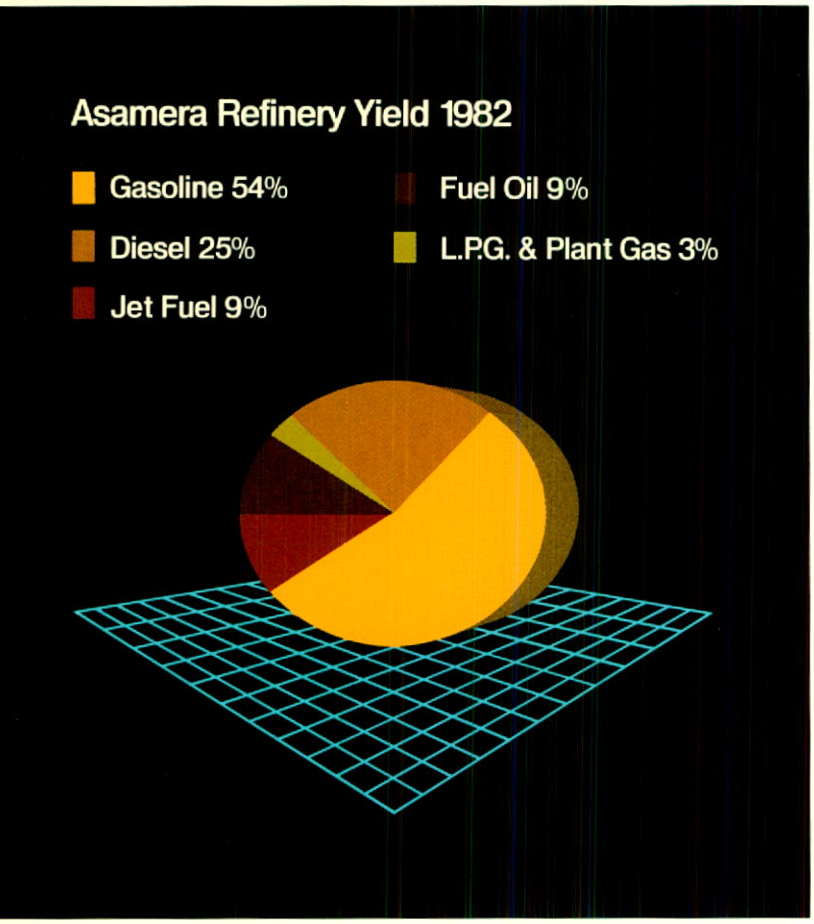
Asamera holds a 23.7 per cent non-operating interest in the Hurghada concession located onshore the western margin of the Red Sea. After two mandatory land relinquishments, one of 138,000 acres in 1980 and another of 120,000 in 1982, the area now comprises approximately 236,000 acres. The main areas of interest comprise a stratigraphically complex unit of sands and carbonates with varying amounts of shale. These beds occur below the main Miocene evaporite succession which is regionally prevalent in the Gulf of Suez area.

Following the importation of a drilling rig, an exploratory well, El Esh Mellaha-1, was spudded in the second quarter of 1982 and drilled to total depth of 6,565 feet. The well penetrated thin oil-and-gas-bearing sands and tested up to 730 barrels of oil per day with no water. Prolonged production testing was sufficiently encouraging to warrant delineation drilling. The first stepout well, El Esh Mellaha-2, located one-half mile northwest of the discovery, encountered several of the hydrocarbon-bearing sands previously penetrated, but reservoir quality was not as favourable. Oil flows were at a rate of 75 to 100 barrels per day. A new carbonate unit yielded oil at the rate of 225 barrels per day. El Esh Mellaha-3, a delineation well located one-half mile southwest of the discovery was drilled late in the year. Although hydrocarbon indications were present in beds stratigraphically equivalent to the reservoirs at El Esh Mellaha-1, they were determined to be non-commercial. The well was plugged and abandoned in early 1983.

Exploration activity was also conducted in other parts of the concession. Two shallow exploratory wells were drilled near the southern boundary but both were dry and abandoned. A third, drilled at Myos Hormos, three miles south of El Esh Mellaha on a separate culmination of the Mellaha structural trend, was also unsuccessful.

A new seismic program of 110 miles is currently underway. This program is intended as a final evaluation of the concession area.

Asamera refinery, Denver, Colorado.



Asamera's refining and marketing operations experienced a turbulent year in 1982 as margins ranged from poor in the early part of the year to good through mid-year, but deteriorated again towards year end. This reflects a continuation of a recurring cyclical pattern which has emerged in the industry since decontrol of crude oil in January 1981. As a result, the refining and marketing segment reported reduced profits in 1982.

Asamera was successful in 1982 in expanding its crude oil acquisitions at the lease level. This helps to insure a stable supply of crude oil at competitive prices which over the longer term is less subject to the vagaries of the spot crude oil markets. Purchases of this type currently account for over one third of the refinery's feedstock. Asamera also opened a regional marketing office in Tulsa, Oklahoma in 1982 which will allow greater diversification in the marketing of products into the mid-continent and Gulf Coast regions of the United States.

In spite of a declining national demand, refinery crude throughput exceeded the 1981 level and as a result, combined sales of refined products exceeded that of previous years. Asamera's retail operations sold 81,575,000 gallons of gasoline in 1982, a modest decline from the previous year. This decline is partly due to the closure of ten retail outlets in 1982, leaving a total of ninety-five outlets in operation. Asamera is continuing its program of selective closure of unprofitable retail operations while opening in areas that can be directly supplied by the Denver refinery.

During 1982, the refinery yield consisted almost 90 per cent of higher margin, lighter, refined products including gasoline, diesel and jet fuel. In 1983, Asamera will be looking to further improve on this favourable mix and has initiated studies directed at upgrading the remaining bottom of the barrel. In particular, an assessment of the applicability of the RCC technology for the Denver facility is underway.

Aerial photo. Gooseberry Mine and Mill, Nevada.

Headframe, Gooseberry Mine, Nevada.

United States

Nevada

In late 1982, Asamera acquired the former gold and silver producing Gooseberry Mine in Storey County, 24 miles from Reno, Nevada. Asamera obtained an established underground mine, complete with a superior surface installation including a 350-ton per day crusher/concentrator and all ancillary equipment. Under the purchase agreement, Asamera paid U.S. $3 million on closing and committed to an additional U.S. $6 million to be paid in ten equal annual installments without interest. Asamera reserved to the seller a net profits interest ranging from 15 to 30 per cent depending on the price of gold.

The Gooseberry ore body is in a quartz-carbonate vein system along an east-west trending, steeply-dipping, normal fault. The ore body, primarily sulphides with some free gold, has proven and probable reserves of some 607,000 tons with an estimated head grade of 0.23 ounces of gold and 9.71 ounces of silver per ton. Vein width averages from 3 to 12 feet. The vein system is still open along strike and at depth and full exploration may reveal additional reserves.

Mine rehabilitation and plant upgrading were begun in late 1982, with a goal of initiating production at a throughput rate of 300 tons per day by mid-1983 and 350 tons per day by year end. Rehabilitation of the shaft is nearing completion. Other underground activity includes development of shaft bottom spill pockets and new loading pockets, driving of an exploration raise from the 800 to 400 foot levels, and subsurface handling facility rehabilitation. On surface, cleaning and minor retuning of the mill has been completed.

Underground rehabilitation and upgrading will ensure a consistent and efficient flow of ore to the mill. Changes to the milling circuit, while relatively minor, will reduce unit costs and improve the recovery of gold and silver.

Stockpiling of ore is due to commence in the latter part of the first quarter of 1983 to provide material for an expected restart of the mill around mid-year. During 1984, development of new levels will be undertaken and engineering feasibility of mill expansion to 500 tons per day will be completed.

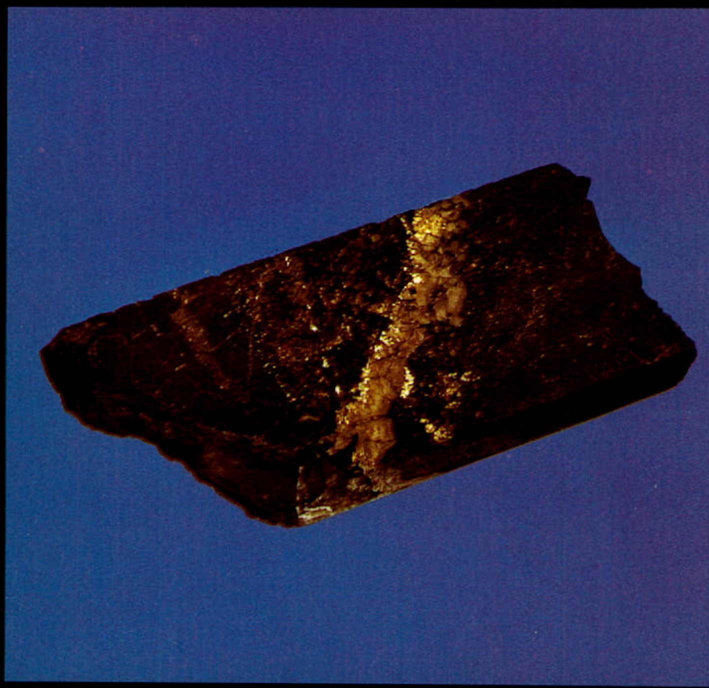
Washington

Exploration operations continued at the Wenatchee, Washington gold project, in which Asamera has a 51 per cent interest. The ore body at this site, which occurs in a carbonaceous, arkosic sandstone, is essentially homogeneous in nature, and should therefore be mineable by relatively low-cost methods.

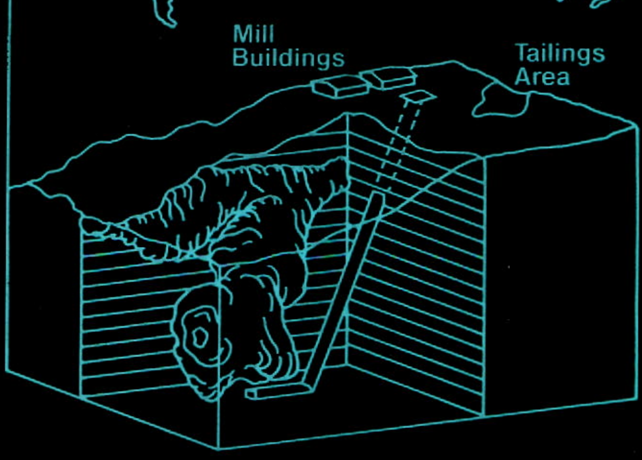
Activity during 1982 centered around dewatering, percussion drilling, and diamond drilling. The first stage of drilling successfully confirmed previously discovered reserves in the upper B reef zone. Second phase drilling focused on a new zone in the lower B West reef. The lower B West reef, at year end, has been demonstrated to extend for over 350 feet on strike and is still open towards the north and south. The width of the new ore body in many areas exceeds 200 feet and has a depth, where tested, of over 300 feet. Surface drilling to further delimit the dimensions of the ore body is currently underway, and additional exploration will be conducted for possible extensions.

Drilling has disclosed a mineable ore deposit of approximately one and one-half million tons grading 0.12 ounces of gold per ton at a cutoff grade of 0.04 ounces of gold per ton, or the equivalent

High grade drill core, North Zone, Wenatchee, Washington.



Wenatchee Gold Project



of approximately two million tons at 0.10 ounces of gold per ton at a lower cutoff grade of 0.02 ounces of gold per ton.

Initial metallurgical studies show that a recovery of at least 88 per cent is obtainable by flotation, and studies by environmental consultants indicate that mine development should not encounter any major environmental problems.

Early in 1983, an 800 foot stepout to the north of the B and B West reefs encountered what appears to be a major new ore zone. Drilling is continuing.

The shape of the ore body appears to lend itself to bulk mining and as a result, operating costs are expected to be both reasonable and more controllable. Environmental monitoring and engineering/metallurgical studies are in progress and are expected to be completed by the end of the first quarter of 1983. Initial results of a prefeasibility study are encouraging, and construction plans for a mill in the 1,000 - 2,000 tons per day range are being formulated. If conditions remain favourable, a production decision is expected during the second quarter with possible initial production by late 1984.

Mexico

Operations at both Mexican mines were temporarily suspended in mid-1982 due to low silver prices. Key staff has been retained at both mines, and both the mines and their plants can be restarted within a short period of time.

Asamera has made a substantial commitment to its Mexican operations in the past several years, both in terms of technical expertise and investment dollars. The Company is anxious to carry its commitment through to a natural and profitable conclusion, and is carefully evaluating economic and political factors prior to a decision to restart the production facilities.

Jalisco

Minera San Pedro Analco S.A. de C.V., Asamera's 49 per cent owned Mexican mining affiliate, produced 80,673 ounces of silver and 96 ounces of gold during seven months of operation in 1982. At the Esperanza mine, exploration continued to provide positive results, and reserves now total 476,000 tons at 4.73 ounces of silver per ton mineable by underground methods. Total indicated reserves at the mines in the San Pedro area now total 937,000 tons with 4.2 ounces of silver and minor amounts of gold per ton.

A successful exploration/development program in 1982 delineated a new area of mineralization with dimensions of approximately 500 by 250 feet. This area has potential as an open pit mine and further exploration is planned to determine the feasibility of an expanded mining operation.

Guerrero

Minera Barones S.A., another 49 per cent owned Mexican mining affiliate, produced 23,087 ounces of silver and minor amounts of gold in five months of operation during 1982. Ore reserves at year end are estimated at 170,000 tons of proven and probable ore and with a silver content of 8.50 ounces per ton.

Canada

Yukon

During 1982, field work on the Prism Joint Venture, in which Asamera now holds a 21.25 per cent working interest after acquiring a proportionate share of a former partner's interest, showed encouraging results in the search for high grade silver, lead, and zinc mineralization. At Prism, silver occurs in irregular pinch and swell veins varying from several inches to several feet in width in a carbonate host rock. Several rich new showings were discovered throughout the year and one of these may extend the main zone by as much as 650 feet. Preliminary metallurgical studies yielded recoveries of silver of about 90 per cent.

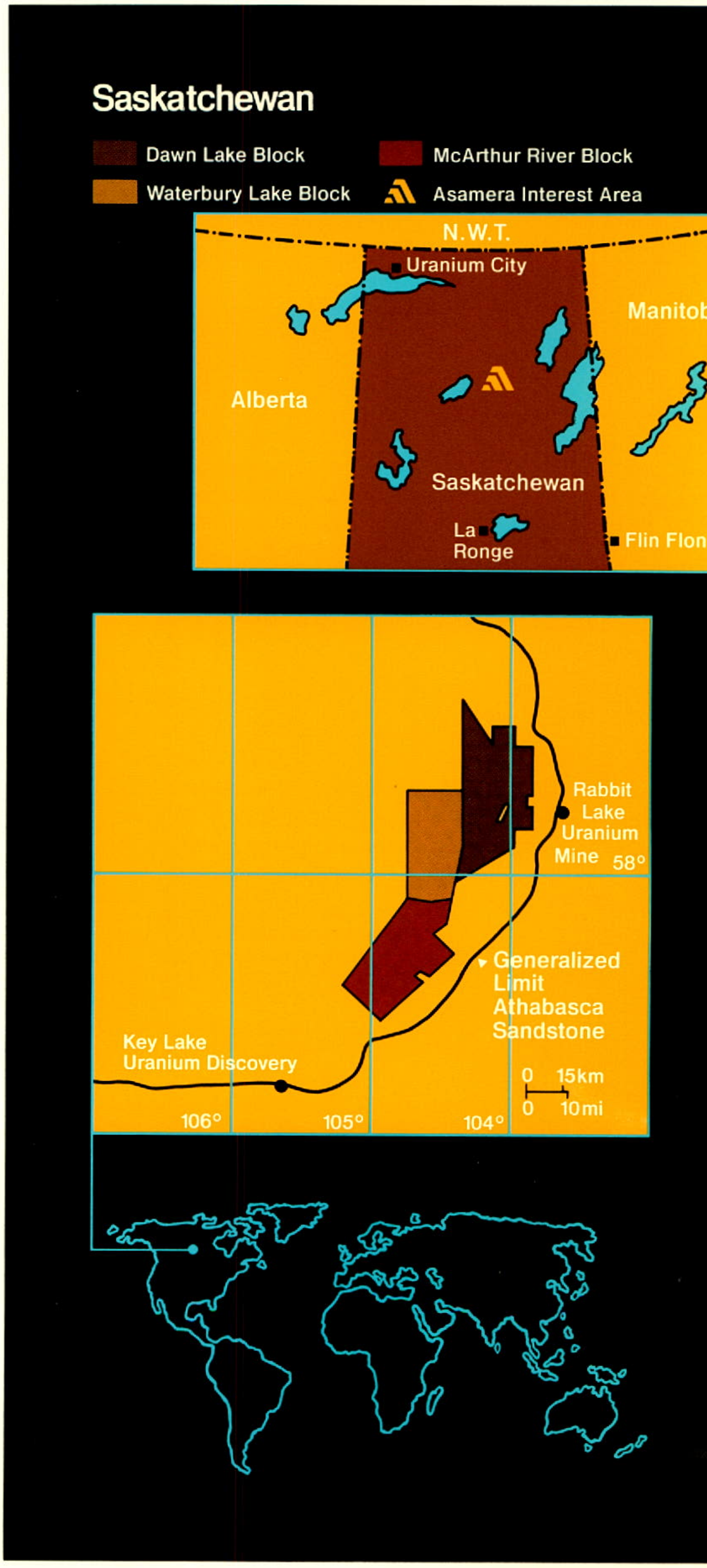
Ontario

In 1982, Asamera concluded detailed geological and geophysical surveys on the 1,200 acre Jack Lake gold property in Northern Ontario. These surveys showed that gold occurs as free gold or with other minerals in irregular quartz veins. A diamond drill program is planned for 1983.

Saskatchewan

Asamera's uranium exploration efforts in Northern Saskatchewan continued to yield major encouragement during 1982.

In the Dawn Lake Joint Venture, in which Asamera holds a 26.9 per cent interest, an independent geostatistical consulting firm calculates an increase in reserves in 1982 to 41 million pounds of uranium. The average grade of the reserve is 1.5 per cent or 30 pounds per ton.



Much of this mineralization is concentrated in four high-grade pods which contain values of up to 500 pounds per ton. These pods occur over a strike length of 10,000 feet and range in depth from 300 to 500 feet. Regional drilling and geophysical surveys continued to encounter favourable results at a number of locations throughout the 382,420 acre property, and evaluation of the potential of these areas is ongoing.

In 1982, Asamera sold its 11.9 per cent interest in the adjacent 229,840 acre Waterbury Lake property to Japanese investors for cash plus a carried interest. This joint venture project although in a much earlier stage of exploration has also encountered significant uranium which reflects well on the long term value of Asamera's carried interest.

During 1982, Asamera increased its interest from 12.5 to 15.1 per cent in a third Saskatchewan joint venture, the 319,274 acre MacArthur River property. This resulted under a reversionary arrangement from a previous farmout agreement.

Limited drilling by the operator at the head of a glacially dispersed radioactive boulder train on this property encountered values of up to ten pounds of uranium per ton. The 1983 program will include a search for high grade mineralization felt to be associated with such encouraging initial values.

Industrial Division

During the first quarter of 1982, Asamera Inc. sold its 60 per cent interest in Certified Rentals. The sale of Certified Rentals left Mandem, a distributor of a wide range of industrial, municipal, construction and engineered products, as the sole remaining component of Asamera's Industrial Division. A depressed Canadian economy continued to have a serious effect on Mandem's operations, and the Division experienced a loss for the year.

A number of measures were instituted in the past year aimed at strengthening Mandem. Reductions in inventory and operating costs, consolidation of two Toronto branches into a single facility, and a focus on new products to complement existing lines have all combined to improve Mandem's ability to take advantage of an expected gradual economic recovery in Canada.

Management's Discussion and Analysis of Results of Operations and Financial Condition

(Tabular Amounts in Thousands of U.S. Dollars)

Effective December 31, 1981, the Company changed its fiscal year end from March 31 to December 31. Consequently, the fiscal period ended December 31, 1981 includes only nine months of operations. For comparative purposes, management has included unaudited results of operations for the twelve month period ended December 31, 1981.

At December 31, 1982, the Company retroactively adopted the full cost method of accounting for its worldwide petroleum and natural gas interests. Financial information for prior periods has been restated as a result of this change in accounting. Further information regarding the change is set out in Note 3 to the consolidated financial statements.

Results of Operations

The Company's results of operations by business segment were as follows:

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
Petroleum				
Refining and marketing	**$ 2,233**	$ 8,596	$ 5,217	$13,992
Exploration and production	**8,546**	9,103	7,184	11,391
Minerals	**1,744**	2,845	(622)	3,409
Industrial products	**(580)**	1,709	1,595	2,074
Total operating profit	**11,943**	22,253	13,374	30,866
Net unallocated revenues and expense	**(2,434)**	835	1,448	(2,229)
Interest expense	**(8,619)**	(9,524)	(7,288)	(8,554)
Minority interests	**—**	(69)	(105)	(142)
Income taxes	**2,707**	(3,802)	(1,696)	(7,505)
Net income	**$ 3,597**	$ 9,693	$ 5,733	$12,436

Petroleum Refining and Marketing

The nine month period ended December 31, 1981 reflects results of petroleum refining and marketing operations after the January 1981 decontrol of crude oil and refined products in the United States. Upon decontrol, the price of previously controlled crude oil rose to meet higher crude oil prices which had already been established for uncontrolled crude oil. The market for refined products was slower to react resulting in a narrowing of gross margins. The situation was further aggravated by a growing reduction in demand for refined products due to energy conservation and a weakening of the United States economy.

During 1982, the Company experienced a further reduction in profitability as demand for refined products continued to decline without commensurate reductions in the price of crude oil. Although refining and marketing profitability recovered somewhat during mid-year, by the end of 1982, the industry was once again experiencing an extreme narrowing of refined product margins.

Petroleum Exploration and Production

The following table illustrates the major factors contributing to petroleum exploration and production profitability.

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
Proceeds from crude oil and natural gas production, net of lifting costs	**$36,064**	$27,792	$21,710	$27,847
Royalties on crude oil, natural gas and natural gas condensate production	**3,390**	3,272	2,449	2,904
Depreciation and depletion expense	**(32,935)**	(21,120)	(16,561)	(19,751)
Other	**2,027**	(841)	(414)	391
Operating profit	**$ 8,546**	$ 9,103	$ 7,184	$11,391

The majority of production revenues for all periods under review resulted from operations carried out in areas held under Production Sharing and Technical Assistance agreements in Indonesia. Under the terms of these agreements, the Company is entitled to recover, through the sharing of production, costs which it has incurred in its capacity as a contractor. Because of a higher level of exploration and related costs during the current year, the Company received an increased share of production proceeds. Aggregate gross production levels from these areas and related selling prices did not change materially in 1982.

Royalty income from areas in Indonesia which were farmed out in previous years remained relatively unchanged during the periods under comparison.

Minerals

The Company is participating in a number of exploratory mineral projects and is also involved in assessing the productive and economic potential of properties where the existence of minerals has already been established. Should the results of the exploration or assessment work be positive, the Company has the option of realizing a return on its investment by disposing of all or a part of its interest in the project at various stages or alternatively by seeing the project through to actual production.

During 1982, the Company exchanged its interest in the Waterbury Lake uranium property in northern Saskatchewan, Canada, for cash and a one per cent carried working interest through to production. The consideration received, net of related costs, accounted for the majority of current year mineral segment profitability.

The profitability of this segment during the twelve months ended March 31, 1981 and December 31, 1981, resulted primarily from the sale in January 1981, of an interest in a placer gold property in Alaska.

Industrial Products

In January 1982, the Company reduced its involvement in the machinery and equipment distribution business by selling its 60 per cent interest in Certified Rentals Ltd. The sale left Mandem as the sole remaining component of the Company's industrial segment. During 1982, Mandem incurred a small operating loss as a result of a continued weak Canadian economy.

Net Unallocated Revenues and Expense

Net unallocated revenues and expense was negatively affected during the twelve months ended December 31, 1982 by a lesser amount of investment and other income.

Interest Expense

The Company's interest expense during 1982 resulted primarily from long term debt associated with its United States refining and marketing operations and an acquisition, during the current year, of certain Canadian natural gas producing properties. Interest expense also resulted, but to a lesser extent, from short term debt used to finance accounts receivable and inventories.

Although both short and long term borrowings increased during the current year, lower interest rates resulted in a net decrease in total interest expense.

Income Taxes

Decreased profitability of the Company's United States refining and marketing operations resulted in a net provision for income tax recovery during the twelve months ended December 31, 1982.

Liquidity and Capital Resources

Source of Funds

The Company derived its funds from the following sources during the periods under comparison.

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
Operations	**$37,919**	$36,677	$27,066	$38,903
Long term debt	**26,218**	1,377	407	983
Share capital	**9,851**	29,236	29,222	117
Other	**7,879**	701	701	1,565
	$81,867	$67,991	$57,396	$41,568

Cash flow from operations during the current year remained relatively unchanged when compared with the prior twelve month periods. Long term debt incurred during 1982 relates primarily to the acquisition of certain Canadian natural gas producing properties. Funds were also derived from the issuance of $12,000,000 (Canadian) of 12 per cent Series B Second Preferred Shares in October 1982 and $35,000,000 (Canadian) of 8¾ per cent Series A Second Preferred Shares in April 1981.

Capital and Other Spending

The table below illustrates capital and other spending by the Company.

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
Capital spending				
Petroleum				
Refining and marketing	**$ 1,155**	$ 3,365	$ 3,151	$ 6,776
Exploration and production	**79,101**	33,394	28,034	18,642
Minerals	**8,129**	3,524	2,530	1,929
Industrial products	**35**	1,043	532	1,409
Other	**887**	924	422	863
Other spending				
Reduction in long term debt	**7,201**	6,356	4,212	7,003
Dividends	**5,079**	3,989	2,738	2,513
Other	**1,939**	6,948	6,488	(53)
	$103,526	$59,543	$48,107	$39,082

The increase in capital and other spending during the current year resulted mainly from the acquisition of certain Canadian natural gas producing properties for $30,000,000 (Canadian) and from increased oil and gas exploration, primarily in Indonesia.

Financial Position

Although capital and other spending exceeded sources of funds during the current year, the Company had positive working capital of $9,885,000 at December 31, 1982. Working capital amounted to $31,544,000 and $22,255,000 at December 31, 1981 and March 31, 1981 respectively.

The Company's capital budget for 1983 will be kept flexible in light of current world crude oil price uncertainties. At present, proposed capital expenditures for 1983 total $76,000,000. Of this amount, $34,000,000 relates to resource exploration activities. The majority of the balance relates to resource developmental activities. The Company expects other spending to remain relatively unchanged during 1983.

The Company anticipates that its cash flow from operations during 1983 will be sufficient to fund a major portion of proposed expenditures. Additional debt or equity financing will be incurred during 1983 to finance certain petroleum and mineral development costs.

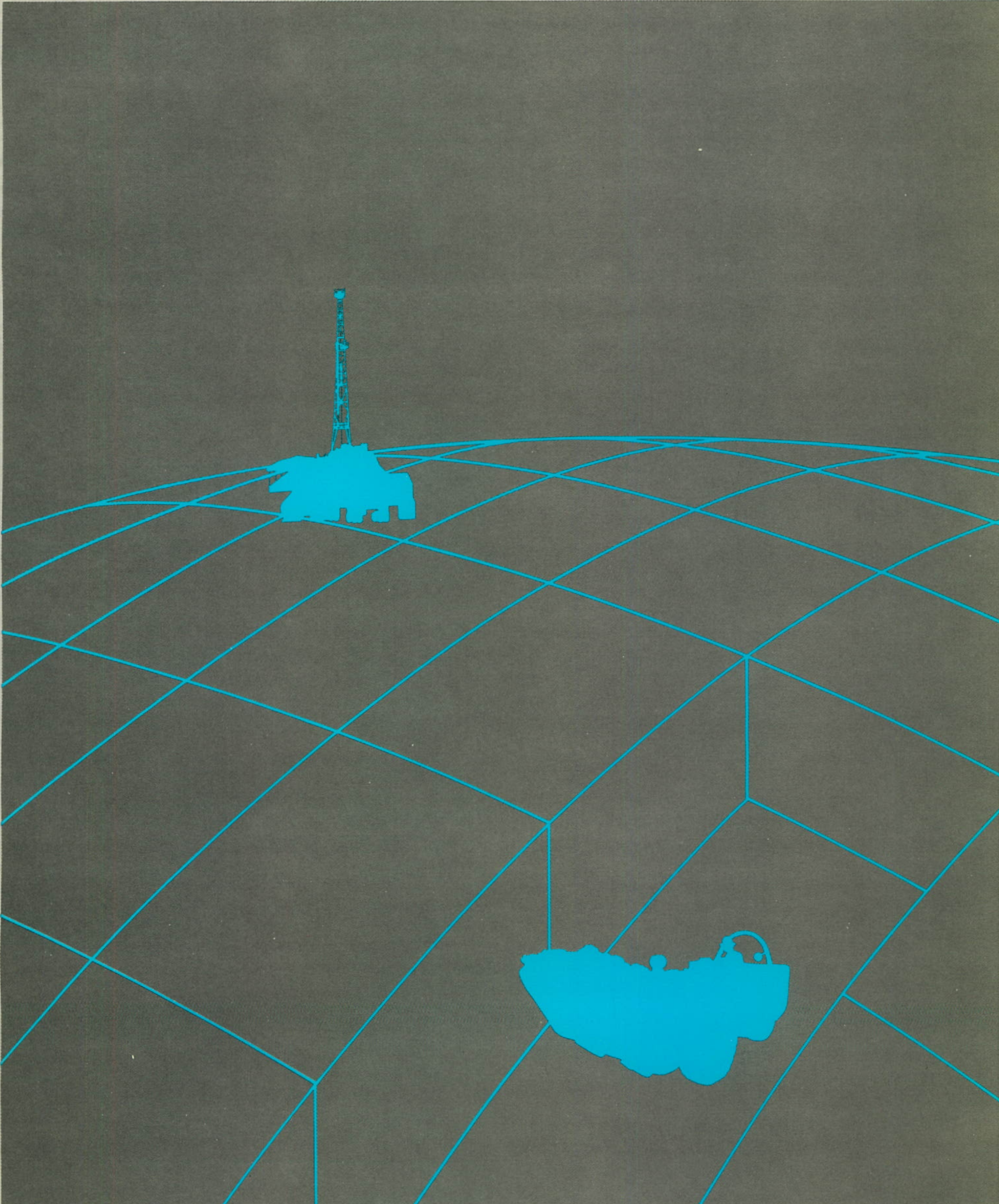
At December 31, 1982, the Company's long term debt to equity ratio was .37 to 1.00.

Inflation

Inflation has a considerable impact on the results of operations as the Company is not always able to immediately recover higher costs from its customers due to market constraints. The cost of replacing assets including reserves has increased substantially and depreciation and depletion are not always adequate to finance their replacement.

The financial statements included in this Annual Report have been prepared on a historical basis. The Company intends to provide, in its 1983 Annual Report, additional disclosures associated with Current Cost Accounting recommendations issued by the Canadian Institute of Chartered Accountants which become effective in 1983.

Asamera Inc.
Consolidated Financial Statements



Asamera Inc.
Consolidated Balance Sheets
(Thousands of U.S. dollars)

	December 31 1982	December 31 1981 (Restated)
Assets		
Current assets		
Cash and short term investments (Note 5)	**$ 18,356**	$ 42,771
Accounts receivable	**52,954**	41,239
Inventories (Note 6)	**36,350**	47,048
Prepaid expenses	**828**	1,123
	108,488	132,181
Investments in affiliated and other companies (Note 7)	**7,502**	6,447
Property, plant and equipment (including oil and gas properties accounted for under the full cost method of accounting) (Note 8)	**298,178**	217,564
Less accumulated depreciation, depletion and amortization	**154,791**	121,912
	143,387	95,652
Supply and distribution rights	**731**	908
	$260,108	$235,188

See accompanying notes to consolidated financial statements

	December 31 1982	December 31 1981 (Restated)
Liabilities		
Current liabilities		
Bank indebtedness (Note 9)	**$ 31,675**	$ 27,345
Accounts payable and accrued liabilities	**57,579**	60,966
Income taxes payable	**272**	966
Current maturities of long term debt	**8,416**	6,552
Current portion of deferred income taxes	**661**	4,808
	98,603	100,637
Long term debt (Note 10)	**41,845**	24,276
Deferred revenue	**5,563**	—
Deferred income taxes	**(265)**	2,141
Minority interests	**—**	703
Contingent liability (Note 11)		
Shareholders' Equity		
Share capital (Note 12)		
Series A Second Preferred Issued—1,535,087 shares	**29,124**	29,124
Series B Second Preferred Issued—1,043,478 shares	**9,720**	—
Common Issued—1982—7,066,150 shares; —1981—7,176,850 shares	**3,559**	3,490
Contributed surplus	**14,713**	15,969
Retained earnings	**57,246**	58,848
	114,362	107,431
	$260,108	$235,188

On behalf of the Board

Director

Director

See accompanying notes to consolidated financial statements

Asamera Inc.

Consolidated Statements of Income

(Thousands of U.S. dollars except per share data)

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
		(Restated) (Unaudited)	(Restated)	(Restated)
Revenues				
Refined petroleum products	**$368,299**	$383,489	$288,573	$328,168
Crude oil, natural gas and minerals	**56,198**	46,067	32,244	41,936
Machinery and equipment	**18,928**	33,142	24,918	31,055
Investment and other income	**5,816**	7,895	6,672	4,479
	449,241	470,593	352,407	405,638
Expenses				
Costs and operating	**383,037**	394,348	298,418	330,637
Selling, general and administrative	**19,033**	26,770	18,903	21,880
Depreciation, depletion and amortization	**37,662**	26,387	20,264	24,484
Interest (Note 13)	**8,619**	9,524	7,288	8,554
Minority interests	**—**	69	105	142
Income taxes (Note 14)	**(2,707)**	3,802	1,696	7,505
	445,644	460,900	346,674	393,202
Net income for the period	**$ 3,597**	$ 9,693	$ 5,733	$ 12,436
Net income per common share (Note 15)	**$ .12**	$ 1.11	$ .57	$ 1.68

See accompanying notes to consolidated financial statements

Asamera Inc.
Consolidated Statements of Retained Earnings

(Thousands of U.S. dollars except per share data)

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
		(Restated) (Unaudited)	(Restated)	(Restated)
Retained earnings at beginning of period				
As previously reported	**$51,138**	$47,733	$50,086	$41,073
Adjustment to conform to the full cost method of accounting	**7,710**	6,043	6,399	5,489
As restated	**58,848**	53,776	56,485	46,562
Dividends—Preferred	**(2,776)**	(1,516)	(1,516)	—
—Common	**(2,303)**	(2,473)	(1,222)	(2,513)
Net income for the period	**3,597**	9,693	5,733	12,436
Cost of preferred share issue	**(120)**	(632)	(632)	—
Retained earnings at end of period	**$57,246**	$58,848	$58,848	$56,485
Cash dividends per common share (in Canadian funds)	**$ .40**	$ .40	$ .20	$ .40

Asamera Inc.
Consolidated Statements of Contributed Surplus

(Thousands of U.S. dollars)

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
		(Unaudited)		
Contributed surplus at beginning of period	**$15,969**	$18,543	$18,543	$18,543
Excess of cost over original par value of common shares repurchased	**(1,256)**	(2,574)	(2,574)	—
Contributed surplus at end of period	**$14,713**	$15,969	$15,969	$18,543

See accompanying notes to consolidated financial statements

Asamera Inc.
Consolidated Statements of Changes in Financial Position
(Thousands of U.S. dollars)

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981 (Restated) (Unaudited)	Nine Months Ended December 31 1981 (Restated)	Twelve Months Ended March 31 1981 (Restated)
Source of Working Capital				
From operations				
Net income for the period	**$ 3,597**	$ 9,693	$ 5,733	$12,436
Add items not affecting working capital				
Depreciation, depletion and amortization	**37,662**	26,387	20,264	24,484
Deferred taxes	**(2,329)**	(388)	116	920
Other	**(1,011)**	985	953	1,063
Cash flow from operations	**37,919**	36,677	27,066	38,903
Long term debt	**26,218**	1,377	407	983
Deferred revenue	**5,563**	—	—	—
Share capital issued	**9,851**	29,236	29,222	117
Proceeds from sale of real property	**2,316**	701	701	1,565
	81,867	67,991	57,396	41,568
Application of Working Capital				
Property, plant and equipment expenditures				
Land, buildings and equipment	**2,077**	5,332	4,105	9,048
Petroleum and natural gas properties	**79,101**	33,394	28,034	18,642
Mineral properties	**8,129**	3,524	2,530	1,929
Reduction in long term debt	**7,201**	6,356	4,212	7,003
Dividends	**5,079**	3,989	2,738	2,513
Share capital repurchased	**1,318**	2,684	2,684	—
Investment in affiliated companies	**262**	2,776	2,826	(315)
Other	**359**	1,488	978	262
	103,526	59,543	48,107	39,082
Increase (decrease) in working capital	**(21,659)**	8,448	9,289	2,486
Working capital at beginning of period	**31,544**	23,096	22,255	19,769
Working capital at end of period	**$ 9,885**	$31,544	$31,544	$22,255
Analysis of Changes in Components of Working Capital				
Cash and short term investments	**$ (24,415)**	$26,209	$22,876	$ 6,994
Accounts receivable	**11,715**	1,520	3,271	10,941
Inventories	**(10,698)**	3,039	1,261	5,148
Prepaid expenses	**(295)**	(437)	(421)	1,292
Bank indebtedness	**(4,330)**	(13,395)	(12,341)	(7,753)
Accounts payable and accrued liabilities	**3,387**	(8,905)	(9,548)	(8,759)
Income taxes payable	**694**	(367)	(383)	34
Dividends payable	**—**	—	1,251	(17)
Current maturities of long term debt	**(1,864)**	(657)	344	(3,672)
Current portion of deferred income taxes	**4,147**	1,441	2,979	(1,722)
Increase (decrease) in working capital	**$ (21,659)**	$ 8,448	$ 9,289	$ 2,486

See accompanying notes to consolidated financial statements

Asamera Inc.
Notes to Consolidated Financial Statements

(Tabular amounts shown in thousands of United States dollars, except share and per share data)

1. Significant accounting policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada which do not differ in any material respect from accounting principles generally accepted in the United States in relation to these financial statements except as set out in Note 4.

(a) Consolidation

The consolidated financial statements include the accounts of all subsidiaries. All significant intercompany accounts and transactions are eliminated. The cost of purchased subsidiaries is allocated to net assets based upon their fair value as at date of purchase. The Company's proportionate share of the accounts of its joint ventures are included in the consolidated financial statements.

(b) Foreign exchange

The Company follows the policy of reporting in United States dollars since substantially all of its operations are transacted in this currency. Accounts kept in other currencies have been translated to United States dollars on the following basis: current assets (other than inventories) and liabilities and non-current liabilities at exchange rates prevailing at the date of the balance sheet, non-current assets and inventories at the exchange rates prevailing when acquired and revenues and expenses at the average rate of exchange for the year except for depreciation, depletion and amortization, which are at the average historical rates of the related assets. Translation adjustments are included in income.

(c) Inventories

Inventories are carried at the lower of cost determined on a first-in, first-out basis and net realizable value.

(d) Investments in affiliated and other companies

Investments in affiliated companies are accounted for on the equity basis since the Company has significant influence in their operations. Investments in other companies are carried at the lower of cost and estimated realizable value.

(e) Land, buildings and equipment

The costs of acquisition and renewals and betterments of a permanent nature pertaining to land, buildings and equipment are capitalized. Regular maintenance and repair costs are expensed. Costs incurred under periodic maintenance programs required by refinery processing facilities are expensed over the estimated period of benefit, generally twelve to twenty-four months. Depreciation and amortization is provided, principally on the straight-line method, over the estimated useful lives of the assets at effective annual rates varying from 4 to 33 per cent.

(f) Oil and gas properties and related equipment

The Company follows the full cost method of accounting. All costs incurred to explore for and develop petroleum and natural gas reserves, whether productive or non-productive, are capitalized in cost centres on a country-by-country basis and are depleted under the unit of production method based upon proved reserves of crude oil and natural gas. Costs accumulated in cost centres where exploration activity has ceased and recoverable reserves have not been found are written off. Proceeds from normal dispositions of oil and gas properties and related equipment are credited to the appropriate cost centre.

(g) Mineral properties and related equipment

Costs relating to the exploration for minerals are accounted for on a project basis. Such costs are capitalized pending the outcome of exploration in each project area. Costs pertaining to non-producing projects are expensed at the time the project is deemed to be non-productive.

(h) Supply and distribution rights

Supply and distribution rights are recorded at cost and are being amortized on a straight-line basis over their estimated useful lives of five to seven years.

(i) Deferred revenue

Deferred revenue represents natural gas production payments received under "take or pay" contracts. These amounts will be included in revenue when the gas to which the payments relate is delivered at the option of the purchaser.

(j) Interest

Interest on debt related to the construction or development of major capital assets is capitalized as part of the related asset until such asset is ready for use.

(k) Income taxes

The Company follows the tax allocation method of accounting under which income taxes are provided at current rates on income for the year after elimination of permanent differences between accounting and taxable income. Investment tax credits are reflected as reductions in income tax expense in the year utilized.

2. Comparative financial information

Effective December 31, 1981, the Company changed its fiscal year end from March 31 to December 31. As a result, the fiscal period ended December 31, 1981 includes nine months of operations. For comparative purposes, management has included herein unaudited results of operations for the twelve month period ended December 31, 1981.

Certain reclassifications have been made in the financial statements for the twelve and nine months ended December 31, 1981 and the twelve months ended March 31, 1981 to conform with current classifications.

3. Change in accounting and restatement of prior periods

On December 31, 1982, the Company retroactively adopted the full cost method of accounting for its petroleum and natural gas interests. Prior to this, petroleum and natural gas operations conducted under production sharing and technical assistance arrangements were accounted for in a manner which closely reflected the terms of the related agreements. Such operations represent a substantial portion of the Company's petroleum and natural gas interests. All other petroleum and natural gas operations were accounted for under the successful efforts method of accounting.

The Company believes that the full cost method is preferable for the following reasons:

(a) it continues to reflect the underlying economics of operations conducted under production sharing and technical assistance arrangements;

(b) it allows the Company to utilize one method of accounting for all its petroleum and natural gas activities; and

(c) it makes the Company's accounting consistent with many other Canadian oil and gas companies of comparable size.

Financial statements for prior periods have been adjusted to reflect this change with the result that earnings increased by $7,456,000 ($1.06 per share) for the twelve months ended December 31, 1982; $1,667,000 ($0.22 per share) for the unaudited twelve months ended December 31, 1981; $1,311,000 ($0.17 per share) for the nine months ended December 31, 1981 and $910,000 ($0.12 per share) for the twelve months ended March 31, 1981.

The change also resulted in net increases in property, plant and equipment of $15,878,000 and $8,845,000 deferred income taxes of $712,000 and $1,135,000 and retained earnings of $15,166,000 and $7,710,000 as at December 31, 1982 and 1981 respectively.

4. Differences from accounting principles generally accepted in the United States

The Company follows the policy as set out in Note 1(j) of capitalizing interest on debt related to the construction or development of major assets. Statement 34 of the United States Financial Accounting Standards Board requires the capitalization of interest that theoretically could have been avoided had such construction or development expense not been incurred. The effect of this difference in accounting principles for the twelve months ended December 31, 1982 would have been to increase reported net income by $1,107,000 ($0.16 per share). The effect on prior periods would not have been material.

5. Cash and short term investments

	1982	1981
Cash	**$11,507**	$ 8,031
Term deposits	**6,817**	34,708
Marketable securities (market value 1982—$33,000; 1981—$32,000)	**32**	32
	$18,356	$42,771

6. Inventories

	1982	1981
Industrial machinery and equipment	$ 5,105	$11,042
Crude oil and refined products	28,794	34,204
Petroleum related materials and supplies	2,451	1,802
	$36,350	$47,048

7. Investments in affiliated and other companies

Investments in affiliated and other companies include notes receivable from affiliated companies of $5,395,000 and $5,462,000 as at December 31, 1982 and 1981 respectively, repayable on demand. Income from affiliated companies, accounted for on the equity basis, is included in investment and other income on the consolidated statements of income.

8. Property, plant and equipment

	1982		1981	
	Cost	Net Book Value	Cost	Net Book Value
			(Restated)	
Land, buildings and equipment				
Land	$ 3,668	$ 3,668	$ 4,685	$ 4,685
Buildings	4,830	2,974	6,446	4,683
Equipment	54,650	39,732	55,073	42,977
Aircraft	1,786	469	1,784	705
Leasehold improvements	701	594	559	238
Construction in progress	1,746	1,746	2,061	2,061
Oil and gas properties and related equipment	214,984	78,467	139,187	32,574
Mineral properties and related equipment	15,813	15,737	7,769	7,729
	$298,178	$143,387	$217,564	$ 95,652

9. Bank indebtedness

The Company and certain of its subsidiaries have available, for general corporate borrowing purposes, bank lines of credit in both United States and Canadian funds. Details of such lines of credit at the end of the fiscal periods and the utilization thereof during the fiscal periods are shown below in the respective currencies.

	Twelve Months Ended December 31 1982	Nine Months Ended December 31 1981
Bank lines of credit		
U.S. dollar lines	$50,000	$33,000
Canadian dollar lines	7,500	12,000
Maximum outstanding borrowings		
U.S. dollar lines	39,636	21,976
Canadian dollar lines	5,695	7,904
Weighted average borrowings		
U.S. dollar lines	17,227	10,908
Canadian dollar lines	4,543	5,359
Weighted average interest rate on borrowings		
U.S. dollar lines	15.3%	18.8%
Canadian dollar lines	16.3%	20.1%

At December 31, 1982, $40,000,000 of United States dollar lines of credit and all of the Canadian dollar lines of credit were secured by certain accounts receivable and inventories having a book value of $59,481,000. An agreement relating to $40,000,000 of United States dollar lines of credit includes requirements with respect to working capital and shareholder's equity, and limitations on borrowings, investments, payments of dividends, redemptions of capital and sales of assets by the borrowing company, Asamera Oil (U.S.) Inc. The agreement also provides for a commitment fee of ½ of 1 per cent per annum on the unused portion of the credit.

10. Long term debt

	1982	1981
Bank loans maturing March 31, 1988. Interest is payable monthly at the lender's prime rate plus 1¼ per cent (effective rate of 12¼ per cent at December 31, 1982)	**$24,929**	$ —
Bank loan ($24,000,000 Canadian) maturing March 9, 1992. Interest is payable monthly at the lender's prime rate plus ¾ of 1 per cent (effective rate of 13¼ per cent at December 31, 1982)	**19,466**	—
Bank loans (originally maturing December 31, 1984 to March 31, 1987) repaid on June 30, 1982 with the proceeds of a new long term bank loan maturing March 31, 1988. Interest was payable monthly at the lender's prime rate plus 1¼ per cent (effective rate of 13 15/16 per cent at December 31, 1981)	**—**	25,513
Bank loans, mortgages, promissory notes and other indebtedness repayable over periods to 1993, at interest rates varying with bank prime rates or between 7 and 11¼ per cent	**5,866**	5,315
	50,261	30,828
Less current portion	**8,416**	6,552
	$41,845	$24,276

An agreement relating to the bank loan of $24,929,000 at December 31, 1982 includes requirements with respect to working capital and shareholder's equity, and limitations on borrowings, investments, payment of dividends, redemption of capital and sales of assets by the borrowing company, Asamera Oil (U.S.) Inc.

Approximately $46,850,000 of long term debt outstanding at December 31, 1982 is secured by certain real estate, equipment and oil and gas properties having a book value of $64,412,000. The balance of long term debt is unsecured.

The aggregate amounts estimated to be required in each of the next five fiscal years to meet debt obligations outstanding at December 31, 1982 are as follows: 1983—$8,416,000; 1984—$6,273,000; 1985—$6,818,000; 1986—$7,544,000; 1987—$8,444,000.

11. Contingent liability

On October 7, 1980, the Company's wholly owned subsidiary, Asamera Oil (U.S.) Inc., filed an application with the Office of Hearings and Appeals of the United States Department of Energy (OHA) requesting exception and temporary exception relief with respect to the failure of the Department of Energy's entitlements and other regulatory programs to substantially equalize the average crude oil cost of Asamera with that of other refiners. In response to this application, the OHA granted immediate, temporary relief on October 16, 1980 in the amount of $1,522,000. The basis for computing the relief was the crude oil cost disparity experienced by Asamera in July 1980.

On November 5, 1980, an application for further temporary relief was filed with the OHA since an exception for permanent relief had not been granted. Temporary relief in the amount of $758,000 was then granted in November 1980 by the OHA.

On January 15, 1981 the Department of Energy (DOE) issued a proposed decision and order denying Asamera's application for further relief. The basis for the denial was (i) the OHA's preliminary determination that the entitlements program was not meant to be a vehicle to equalize crude costs for all refiners, and (ii) the OHA's preliminary conclusion that Asamera's crude cost disadvantage was the result of crude oil quality, location and market factors, rather than of the entitlements program. Because management was of the opinion that it had sufficiently demonstrated that its ability to compete in the marketplace was seriously jeopardized by the entitlements and other DOE regulatory programs, it filed for a preliminary injunction in United States District Court to require the DOE to grant continued relief. An injunction was granted on January 26, 1981 requiring the DOE to rehear Asamera's request for permanent relief and to continue, on the same basis as previously granted, relief to Asamera until a decision was issued following such rehearing. On April 9, 1981 the OHA reheard Asamera's request for exception relief; however, as of February 25, 1983, a final decision had not been issued by the OHA.

Based on the January 26, 1981 injunction, which required the DOE to continue temporary relief until a further decision is made on Asamera's application for permanent relief, Asamera recognized additional temporary relief of $7,045,000. Until a final decision is issued by the OHA and all appeals are concluded, the total amount of permanent exception relief which will ultimately be realized cannot be determined. The temporary relief of $9,325,000, which included $7,045,000 of court-ordered relief, was recognized as a reduction of crude oil costs in the consolidated financial statements for the twelve months ended March 31, 1981.

12. Share capital

(a) At December 31, 1982, the Company had authorization to issue an unlimited number of common and preferred shares of no par value.

(b) On May 28, 1981, the Company issued by way of a private placement, 1,535,087 8¾ per cent Series "A" second cumulative convertible preferred shares of the Company for aggregate consideration of $35,000,000 (Canadian). The Series "A" shares will be convertible, at the option of the holders thereof, into common shares of the Company prior to April 12, 1988 on a one-for-one basis. Dividends on the preferred shares are payable quarterly at an annual rate of $1.995 (Canadian) per share. The Series "A" shares are redeemable by the Company under certain conditions and at prices varying between $22.80 and $23.94 (Canadian) per share after April 12, 1984.

(c) On October 7, 1982, the Company issued by way of a private placement, 1,043,478 12 per cent Series "B" second cumulative convertible retractable preferred shares and 100,000 warrants for aggregate consideration of $12,000,000 (Canadian). The Series "B" shares will be convertible at the option of the holders thereof, into common shares of the Company, prior to October 31, 1990, on the basis of one common share for each 1.15 preferred shares. Dividends on the preferred shares are payable quarterly at an annual rate of $1.38 (Canadian) per share. The Series "B" shares are redeemable by the Company under certain conditions and at prices varying between $11.50 and $11.96 (Canadian) per share after November 1, 1985. The holders of the Series "B" shares will have the option of requiring the Company to redeem on December 1, in each of the years 1987 to 1991, up to 20% of the Series "B" preferred shares outstanding on August 31, 1987 at a price of $12.88 (Canadian) per share. The warrants entitle the holders thereof to purchase 100,000 common shares of the Company prior to October 1, 1985, at a price of $13.225 (Canadian) per share.

(d) On August 25, 1981, the Company distributed to its shareholders notice of its intention to acquire, through the facilities of The American Stock Exchange and The Toronto Stock Exchange, up to 370,000 of its common shares. During the twelve month purchase period ended September 6, 1982, 354,400 common shares were repurchased under this program.

(e) At December 31, 1982, 349,650 common shares of the Company's share capital were reserved under a stock option plan. All outstanding options are to employees and officers or former officers, of whom 2 are directors. Options to purchase shares are granted at the market value as of the date of granting. Options outstanding at December 31, 1982 expire at various dates between 1990 and 1991.

A summary of changes in shares under option during the three fiscal periods ended December 31, 1982 is as follows (share prices in Canadian dollars):

	Twelve Months Ended December 31 1982	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
Shares under option at beginning of period	**255,665**	213,940	179,315
Share options granted at exercise prices of			
—$ 8.25 to $ 9.63	**248,515**		
—$11.63 to $15.75		198,415	
—$17.75 to $23.37			46,900
Less			
Share options exercised	**16,800**	9,000	10,500
Share options expired or cancelled	**236,465**	147,690	1,775
Shares under option at end of period	**250,915**	255,665	213,940
Shares under option to directors and officers	**150,600**	144,950	132,450
Shares under option exercisable at end of fiscal period	**239,665**	188,665	167,040
Exercise price of shares under option exercisable	**$ 9.56 to $14.75**	$ 9.56 to $15.75	$ 9.56 to $20.87

13. Interest

Details of interest incurred on long term and other debt and the amounts thereof which were capitalized or expensed are as follows:

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
		(Unaudited)		
Interest incurred on				
Long term debt	**$ 5,865**	$ 6,883	$ 5,187	$ 6,094
Other debt	**2,852**	3,465	2,599	3,242
	8,717	10,348	7,786	9,336
Less interest capitalized	**98**	824	498	782
Interest expensed	**$ 8,619**	$ 9,524	$ 7,288	$ 8,554

14. Income taxes

Details of income tax expense are as follows:

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
		(Restated) (Unaudited)	(Restated)	(Restated)
Current				
Federal	**$ —**	$ 378	$ 382	$ (53)
Provincial	**—**	110	110	(6)
Foreign	**3,618**	5,669	4,051	4,923
	3,618	6,157	4,543	4,864
Deferred				
Federal	**(750)**	(341)	(179)	268
Provincial	**—**	(73)	(52)	33
Foreign	**(5,575)**	(1,941)	(2,616)	2,340
	(6,325)	(2,355)	(2,847)	2,641
Income tax expense	**$(2,707)**	$ 3,802	$ 1,696	$ 7,505
Effective income tax rate	**—**	28%	23%	38%

Deferred income taxes are provided for timing differences between taxable income and income reported for financial statement purposes. The sources of the timing differences which gave rise to deferred income taxes and the tax effects are shown below:

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
		(Restated) (Unaudited)	(Restated)	(Restated)
Allowances to reduce certain inventory to last-in, first-out basis	**$(1,979)**	$ 125	$ (484)	$ 2,434
Crude oil entitlements receivable	**—**	1,048	—	1,700
Investment tax credits	**(321)**	(478)	(1,031)	(2,276)
Accelerated depreciation	**950**	959	751	833
Tax operating loss carry forward	**(4,077)**	(4,790)	(3,943)	(2,039)
Other	**(898)**	781	1,860	1,989
Total	**$(6,325)**	$(2,355)	$(2,847)	$ 2,641

The effective income tax rates differ from the normal Canadian income tax rate of 48.8 per cent (47 per cent—twelve and nine months ended December 31, 1981 and twelve months ended March 31, 1981) as a result of the following:

	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
		(Restated) (Unaudited)	(Restated)	(Restated)
Expected income tax expense	**$ 434**	$ 6,375	$ 3,541	$ 9,439
Foreign rate differentials	**(307)**	529	1,389	1,836
Foreign income not expected to be subject to income taxes in the foreseeable future	**(2,908)**	(3,058)	(2,405)	(1,675)
Investment tax credits	**(321)**	(478)	(1,031)	(2,276)
Losses for which no tax benefits have been recorded	**—**	261	132	—
Other	**395**	173	70	181
Income tax expense	**$(2,707)**	$ 3,802	$ 1,696	$ 7,505

At December 31, 1982, the Company had operating loss carry forwards for income tax purposes of approximately $23,100,000, of which $2,200,000 expires in 1987, $3,600,000 in 1995, $8,700,000 in 1996 and $8,600,000 in 1997.

15. Net income per common share

Net income per common share is computed by dividing net income, less preferred dividends, by the weighted average number of common shares outstanding during the respective periods which were as follows:

	Weighted Average Shares Outstanding
Twelve months ended December 31, 1982	7,076,817
Twelve months ended December 31, 1981 (unaudited)	7,367,033
Nine months ended December 31, 1981	7,358,006
Twelve months ended March 31, 1981	7,389,500

The convertible preferred shares referred to in Note 12(b) and (c) do not have a dilutive effect on net income per common share. The dilutive effect on net income per common share of the shares under option referred to in Note 12(e) is not material.

16. Lease commitments

At December 31, 1982, the aggregate amounts estimated to be required to meet operating lease commitments are as follows: 1983—$1,742,000; 1984—$2,220,000; 1985—$2,180,000; 1986—$2,042,000; 1987—$1,760,000; thereafter—$3,511,000.

17. Business segments

The Company has three principal business segments as confirmed by the Board of Directors: Petroleum, Minerals and Industrial Products. The petroleum segment is divided into "Exploration and Production" and "Refining and Marketing". "Exploration and Production" includes the exploration for, development of and production of crude oil and natural gas reserves; "Refining and Marketing" includes the refining of crude oil and the wholesale and retail marketing of refined petroleum products; "Minerals" includes the exploration for, development of and production of mineral reserves; "Industrial Products" includes the distribution of light to medium sized industrial machinery and equipment.

"Operating profit (loss)" represents revenues less direct operating, selling, general and administrative expense and depreciation, depletion and amortization.

The following tables summarize the Company's revenues, operating profit (loss), total assets, depreciation, depletion and amortization expense and capital expenditures by (a) business segment and (b) geographic area.

(a) Information by business segment	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
		(Restated) (Unaudited)	(Restated)	(Restated)
Revenues				
Petroleum				
Refining and marketing	**$368,299**	$383,489	$288,573	$328,168
Exploration and production	**53,784**	41,852	32,202	37,762
Minerals	**2,414**	4,215	42	4,174
Industrial Products	**18,928**	33,142	24,918	31,055
	443,425	462,698	345,735	401,159
Investment and other income	**5,816**	7,895	6,672	4,479
Total revenue	**$449,241**	$470,593	$352,407	$405,638
Operating profit (loss)				
Petroleum				
Refining and marketing	**$ 2,233**	$ 8,596	$ 5,217	$ 13,992
Exploration and production	**8,546**	9,103	7,184	11,391
Minerals	**1,744**	2,845	(622)	3,409
Industrial Products	**(580)**	1,709	1,595	2,074
Total operating profit	**11,943**	22,253	13,374	30,866
Net unallocated revenues and expenses	**(2,434)**	835	1,448	(2,229)
Interest expense	**(8,619)**	(9,524)	(7,288)	(8,554)
Minority interests	**—**	(69)	(105)	(142)
Income taxes	**2,707**	(3,802)	(1,696)	(7,505)
Net income	**$ 3,597**	$ 9,693	$ 5,733	$ 12,436
Identifiable assets at end of period				
Petroleum				
Refining and marketing	**$101,969**	$110,382	$110,382	$107,545
Exploration and production	**122,514**	71,038	71,038	49,871
Minerals	**17,984**	8,462	8,462	6,766
Industrial Products	**9,865**	20,807	20,807	19,802
Other	**7,776**	24,499	24,499	8,736
Total assets	**$260,108**	$235,188	$235,188	$192,720
Depreciation, depletion and amortization				
Petroleum				
Refining and marketing	**$ 3,885**	$ 4,220	$ 2,952	$ 3,843
Exploration and production	**32,935**	21,120	16,561	19,751
Minerals	**35**	41	41	—
Industrial Products	**159**	409	254	393
Other	**648**	597	456	497
Total depreciation, depletion and amortization	**$ 37,662**	$ 26,387	$ 20,264	$ 24,484
Capital expenditures				
Petroleum				
Refining and marketing	**$ 1,155**	$ 3,365	$ 3,151	$ 6,776
Exploration and production	**79,101**	33,394	28,034	18,642
Minerals	**8,129**	3,524	2,530	1,929
Industrial Products	**35**	1,043	532	1,409
Other	**887**	924	422	863
Total capital expenditures	**$ 89,307**	$ 42,250	$ 34,669	$ 29,619

(b) Information by geographic area	Twelve Months Ended December 31 1982	Twelve Months Ended December 31 1981 (Restated) (Unaudited)	Nine Months Ended December 31 1981 (Restated)	Twelve Months Ended March 31 1981 (Restated)
Revenues				
Indonesia	**$ 49,018**	$ 42,081	$ 32,983	$ 35,920
United States	**374,883**	393,260	292,332	337,662
Canada	**26,180**	35,755	27,467	31,991
Other	**(840)**	(503)	(375)	65
Total revenue	**$449,241**	$470,593	$352,407	$405,638
Operating profit (loss)				
Indonesia	**$ 12,011**	$ 12,712	$ 9,413	$ 11,758
United States	**(2,023)**	8,608	3,078	17,473
Canada	**2,265**	1,596	1,469	1,916
Other	**(310)**	(663)	(586)	(281)
Total operating profit	**11,943**	22,253	13,374	30,866
Net unallocated revenues and expenses	**(2,434)**	835	1,448	(2,229)
Interest expense	**(8,619)**	(9,524)	(7,288)	(8,554)
Minority interests	**—**	(69)	(105)	(142)
Income taxes	**2,707**	(3,802)	(1,696)	(7,505)
Net income	**$ 3,597**	$ 9,693	$ 5,733	$ 12,436
Identifiable assets at end of period				
Indonesia	**$ 66,719**	$ 57,636	$ 57,636	$ 42,276
United States	**130,715**	129,732	129,732	120,455
Canada	**46,558**	29,148	29,148	26,115
Other	**16,116**	18,672	18,672	3,874
Total assets	**$260,108**	$235,188	$235,188	$192,720
Depreciation, depletion and amortization				
Indonesia	**$ 25,312**	$ 17,777	$ 14,283	$ 17,574
United States	**10,905**	8,072	5,647	6,426
Canada	**1,445**	538	334	484
Total depreciation, depletion and amortization	**$ 37,662**	$ 26,387	$ 20,264	$ 24,484
Capital expenditures				
Indonesia	**$ 38,282**	$ 24,645	$ 19,956	$ 12,992
United States	**13,709**	13,139	11,159	12,763
Canada	**26,554**	4,061	2,680	3,767
Other	**10,762**	405	874	97
Total capital expenditures	**$ 89,307**	$ 42,250	$ 34,669	$ 29,619

Auditors' Report

To the Shareholders of Asamera Inc.

We have examined the consolidated balance sheets of Asamera Inc. as at December 31, 1982 and 1981 and the consolidated statements of income, retained earnings, contributed surplus and changes in financial position for the twelve months ended December 31, 1982, the nine months ended December 31, 1981 and the twelve months ended March 31, 1981. Our examinations were 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 1981 and the results of its operations and the changes in its financial position for the twelve months ended December 31, 1982, the nine months ended December 31, 1981 and the twelve months ended March 31, 1981 in accordance with accounting principles generally accepted in Canada applied, after giving retroactive effect to the change in the method of accounting for petroleum and natural gas interests as explained in Note 3 to the consolidated financial statements, on a consistent basis.

Clarkson Gordon

Chartered Accountants

Calgary, Canada
February 28, 1983

Comment on Differences in Canadian-United States Reporting Standards

In the United States, reporting standards for auditors require the expression of an opinion qualified as being subject to the outcome of significant uncertainties affecting the consolidated financial statements such as the uncertainty referred to in the attached consolidated balance sheets as at December 31, 1982 and December 31, 1981 and as described in Note 11 to the consolidated financial statements. The opinion in our above report is expressed in accordance with Canadian standards and is not qualified with respect to, and provides no reference to, this uncertainty since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements.

Clarkson Gordon

Chartered Accountants

Calgary, Canada
February 28, 1983

Supplemental Oil and Gas Information

The following supplemental oil and gas information has been prepared in accordance with Statement 69 of the United States Financial Accounting Standards Board (FASB). The Company has adopted early application of Statement 69 as encouraged by the FASB and is of the opinion that a standardized method of valuing discounted net cash flows from proved oil and gas reserves is more informative than previously required Reserve Recognition Accounting disclosures.

Certain prior period amounts have been restated as a result of the change in accounting outlined in Note 3 to the consolidated financial statements.

Capitalized Costs Relating to Oil and Gas Producing Activities

	December 31 1982	December 31 1981
	(Thousands of U.S. Dollars)	
Proved oil and gas properties	**$199,610**	$134,305
Unproved oil and gas properties	**15,374**	4,882
	214,984	139,187
Accumulated depreciation, depletion and amortization	**136,517**	106,613
Net capitalized costs	**$ 78,467**	$ 32,574

Costs Incurred in Oil and Gas Property Acquisition, Exploration, and Development Activities

	Twelve Months Ended December 31 1982	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
	(Thousands of U.S. Dollars)		
Property Acquisition Costs			
Proved properties			
United States	**$ 210**	$ —	$ —
Canada	**24,365**	—	—
	24,575	—	—
Unproved properties			
United States	**1,133**	1,988	809
Canada	**56**	39	288
Other	**65**	3	36
	1,254	2,030	1,133
Exploration Costs			
Indonesia	**32,412**	16,781	6,945
United States	**2,738**	3,510	2,548
Canada	**237**	126	444
Other	**10,533**	831	154
	45,920	21,248	10,091
Development Costs			
Indonesia	**5,856**	2,788	6,160
United States	**1,455**	1,962	1,217
Canada	**41**	6	41
	7,352	4,756	7,418
Total	**$79,101**	$ 28,034	$ 18,642

"Property acquisition costs" include the capital cost of acquiring oil and gas properties. "Exploration costs" include the costs of drilling exploratory wells, geological and geophysical expenses and the carrying costs of undeveloped properties. "Development costs" include costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas.

Results of Operations for Producing Activities

The Company's results of operations for oil and gas producing activities (including royalty interests) were as follows:

	Twelve Months Ended December 31 1982	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
	(Thousands of U.S. Dollars)		
Revenues			
Indonesia	**$46,871**	$29,842	$34,487
United States	**4,226**	2,359	3,202
Canada	**2,687**	1	73
	53,784	32,202	37,762
Production costs			
Indonesia	**(11,226)**	(6,625)	(4,822)
United States	**(1,834)**	(1,966)	(1,870)
Canada	**(911)**	(12)	(26)
	(13,971)	(8,603)	(6,718)
Depreciation, depletion and amortization			
Indonesia	**(25,302)**	(14,283)	(17,574)
United States	**(6,459)**	(2,270)	(2,165)
Canada	**(1,174)**	(8)	(12)
	(32,935)	(16,561)	(19,751)
Income tax expense			
Indonesia	**(3,606)**	(4,050)	(4,892)
United States	**2,250**	632	540
Canada	**(362)**	—	—
	(1,718)	(3,418)	(4,352)
Results of operations from producing activities (excluding corporate overhead and interest costs)			
Indonesia	**6,737**	4,884	7,199
United States	**(1,817)**	(1,245)	(293)
Canada	**240**	(19)	35
	$ 5,160	$ 3,620	$ 6,941

Supplemental Oil and Gas Information

Reserves

The estimated proved crude oil and natural gas reserves of the Company, as set out on pages 51 and 52, represent the Company's ownership interest after deduction of royalties and before participation interest of the host government under production sharing and technical assistance contracts in Indonesia. The major portion of the Company's estimated proved reserves underlies areas covered by such contracts.

The Company's interests in Indonesian crude oil reserves at December 31, 1982 were based on a report of Gaffney, Cline & Associates (S'pore) Pte. Ltd., petroleum exploration and development advisers. Indonesian reserves of natural gas at December 31, 1982 and of crude oil and natural gas at December 31, 1981 and at March 31, 1981 were determined by the Company's engineering staff and were based in part on the Company's analysis, and in certain instances, on analyses received from independent consultants.

The Company's interests in United States reserves at December 31, 1982 and 1981 and at March 31, 1981 were based on reports of Jerry R. Bergeson and Associates, Incorporated, petroleum consultants.

The Company's interests in Canadian reserves purchased during the twelve months ended December 31, 1982 were based on a report of NRG Engineering Ltd. Other Canadian reserves at December 31, 1982 and 1981 and at March 31, 1981 were determined by the Company's engineering staff and were based in part on the Company's analysis and on analyses received from third parties; either from independent consultants or from a partner of the Company.

Although the Company does have an interest in undeveloped natural gas reserves in the North Sea, no commercial market has or is expected to develop in the predictable future. The estimated quantity of the Company's share of such natural gas reserves, which have not been included in the reserve table, amount to 89,781 million cubic feet.

All third party analyses utilized by the Company were subjected to review by the Company's engineering staff in conjunction with such other information as was currently available. Proved reserves cannot be measured exactly and all reserve estimates are therefore subject to revision.

Proved reserves are defined to be those estimated quantities of oil and condensate, gas and natural gas liquids which geological and engineering information indicate with reasonable certainty are recoverable in future years from known reservoirs under existing economic and operating conditions, as of the date the estimate is made. Proved reserves include proved developed and proved undeveloped reserves. Proved developed reserves are those that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are those that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for production. Proved undeveloped reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled.

Quantities of reserves relating to royalty interests have not been included in the reserve table as such reserve information is unavailable to the Company.

Estimated Crude Oil Reserves
(Thousands of standard tank barrels)

	Indonesia	United States	Canada	Total
Proved developed and undeveloped reserves				
At April 1, 1980	16,562	250	13	16,825
Changes during twelve months ended March 31, 1981				
Revisions of previous estimates	(847)	156	(10)	(701)
Extensions, discoveries and other additions	1,906	25	22	1,953
Sales of reserves in place	—	(28)	—	(28)
Production	(1,744)	(78)	—	(1,822)
At March 31, 1981	15,877	325	25	16,227
Changes during nine months ended December 31, 1981				
Revisions of previous estimates	(29)	63	(4)	30
Extensions, discoveries and other additions	1,543	99	15	1,657
Farmout of interests in reserves	(4,719)	—	—	(4,719)
Production	(1,444)	(55)	—	(1,499)
At December 31, 1981	11,228	432	36	11,696
Changes during twelve months ended December 31, 1982				
Revisions of previous estimates	(2,325)	(75)	(9)	(2,409)
Purchases of reserves in place	—	16	646	662
Extensions, discoveries and other additions	16,971	33	8	17,012
Production	(1,921)	(116)	(23)	(2,060)
At December 31, 1982	23,953	290	658	24,901
Proved developed reserves				
At March 31, 1981	5,262	325	25	5,612
At December 31, 1981	4,776	432	36	5,244
At December 31, 1982	8,960	290	658	9,908

Estimated Natural Gas Reserves

(Millions of cubic feet)

	Indonesia	United States	Canada	Total
Proved developed and undeveloped reserves				
At April 1, 1980	64,980	668	1,170	66,818
Changes during twelve months ended March 31, 1981				
Revisions of previous estimates	(696)	(155)	(376)	(1,227)
Extensions, discoveries and other additions	—	95	1,482	1,577
Sales of reserves in place	—	(213)	—	(213)
Production	—	(132)	(17)	(149)
At March 31, 1981	64,284	263	2,259	66,806
Changes during nine months ended December 31, 1981				
Revisions of previous estimates	(3,624)	41	(486)	(4,069)
Extensions, discoveries and other additions	—	579	1,065	1,644
Production	—	(67)	(8)	(75)
At December 31, 1981	60,660	816	2,830	64,306
Changes during twelve months ended December 31, 1982				
Revisions of previous estimates	(1,080)	(49)	(44)	(1,173)
Purchases of reserves in place	—	122	18,688	18,810
Extensions, discoveries and other additions	7,800	500	—	8,300
Production	—	(205)	(869)	(1,074)
At December 31, 1982	67,380	1,184	20,605	89,169
Proved developed reserves				
At March 31, 1981	13,684	263	2,106	16,053
At December 31, 1981	9,840	816	2,353	13,009
At December 31, 1982	8,760	1,184	20,145	30,089

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Crude Oil and Natural Gas Reserves

The following standardized measure of discounted future net cash flows was computed using year-end prices and costs, and year-end statutory tax rates. Royalty deductions were based on laws, regulations and contracts existing at the end of the fiscal period.

Because of the inexactness associated with estimating reserve quantities, future production streams and future development and production expenditures, together with the assumptions applied in valuing future production, the Company cautions against simplistic use of the future net cash flow data.

	December 31 1982	December 31 1981	March 31 1981
	(Thousands of U.S. Dollars)		
Indonesia			
Future cash inflows	**$ 501,107**	$ 376,974	$ 475,188
Future production costs	**(53,106)**	(61,498)	(123,519)
Future development costs	**(41,986)**	(15,608)	(13,801)
Future income tax expense	**(209,852)**	(151,332)	(171,036)
Future net cash flows	**196,163**	148,536	166,832
Ten per cent annual discount for estimated timing of cash flows	**(60,723)**	(58,614)	(65,819)
Standardized measure of discounted future net cash flows	**$ 135,440**	$ 89,922	$ 101,013
United States			
Future cash inflows	**$ 13,265**	$ 17,136	$ 12,468
Future production costs	**(7,160)**	(9,255)	(8,417)
Future income tax expense	**—**	—	—
Future net cash flows	**6,105**	7,881	4,051
Ten per cent annual discount for estimated timing of cash flows	**(1,060)**	(1,816)	(991)
Standardized measure of discounted future net cash flows	**$ 5,045**	$ 6,065	$ 3,060
Canada			
Future cash inflows	**$ 71,756**	$ 6,951	$ 5,485
Future production costs	**(18,100)**	(2,906)	(1,440)
Future income tax expense	**(20,291)**	—	—
Future net cash flows	**33,365**	4,045	4,045
Ten per cent annual discount for estimated timing of cash flows	**(13,884)**	(2,564)	(2,780)
Standardized measure of discounted future net cash flows	**$ 19,481**	$ 1,481	$ 1,265

	December 31 1982	December 31 1981	March 31 1981
	(Thousands of U.S. Dollars)		
Total			
Future cash inflows	**$ 586,128**	$ 401,061	$ 493,141
Future production costs	**(78,366)**	(73,659)	(133,376)
Future development costs	**(41,986)**	(15,608)	(13,801)
Future income tax expense	**(230,143)**	(151,332)	(171,036)
Future net cash flows	**235,633**	160,462	174,928
Ten per cent annual discount for estimated timing of cash flows	**(75,667)**	(62,994)	(69,590)
Standardized measure of discounted future net cash flows	**$ 159,966**	$ 97,468	$ 105,338

The following table sets out principal sources of change in the standardized measure of discounted future net cash flows during the respective periods.

	Twelve Months Ended December 31 1982	Nine Months Ended December 31 1981	Twelve Months Ended March 31 1981
	(Thousands of U.S. Dollars)		
Sales of crude oil and natural gas produced, net of production costs	**$ (36,064)**	$ (21,710)	$ (27,847)
Net changes in prices and production costs	**(23,852)**	5,454	49,599
Changes in estimated future development costs	**(12,304)**	(2,772)	(17,860)
Extensions, discoveries and improved recovery, less related costs	**165,015**	27,278	23,316
Purchases of reserves in place	**31,483**	—	—
Sales of reserves in place	**—**	(45,055)	(471)
Development costs incurred during the period	**7,352**	4,756	7,418
Revisions of previous quantity estimates	**(28,934)**	(5,623)	(7,110)
Accretion of discount	**18,906**	20,776	20,247
Net change in income taxes	**(59,422)**	10,836	(1)
Other	**318**	(1,810)	(41,999)
Net increase (decrease)	**62,498**	(7,870)	5,292
Beginning of period	**97,468**	105,338	100,046
End of period	**$ 159,966**	$ 97,468	$ 105,338

Selected Consolidated Financial Data

(Thousands of U.S. Dollars except per share amounts)

	Twelve Months Ended December 31 1982	Nine Months Ended December 31 1981*	Twelve Months Ended March 31 1981*	Twelve Months Ended March 31 1980*	Twelve Months Ended March 31 1979*
Revenues	**$449,241**	$352,407	$405,638	$290,797	$182,866
Net income (loss)	**3,597**	5,733	12,436	14,600	(48)
Net income (loss) per common share	**0.12**	0.57	1.68	1.98	(0.01)
Cash dividends per common share (Canadian dollars)	**0.40**	0.20	0.40	0.40	0.30
Total assets	**260,108**	235,188	192,720	165,780	122,949
Working capital	**9,885**	31,544	22,255	19,768	13,389
Long term debt	**41,845**	24,276	28,081	34,101	22,346
Shareholders' equity	**114,362**	107,431	78,530	68,490	56,081
Cash flow from operations	**37,919**	27,066	38,903	39,819	19,835
Capital expenditures					
Petroleum and natural gas	**79,101**	28,034	18,642	16,155	14,849
Mineral (including Mexican silver property investments)	**8,292**	5,017	2,513	1,570	1,844
Land, buildings, plant and equipment	**2,077**	4,105	9,048	25,486	10,288

*Restated—see Note 3 to consolidated financial statements.

Quarterly Financial Data

(Thousands of U.S. Dollars except per share amounts)

Unaudited quarterly financial data is summarized in the following tables.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Twelve months ended December 31, 1982					
Revenues	**$113,465**	**$109,779**	**$126,725**	**$ 99,272**	**$449,241**
Costs and expenses	**112,775**	**109,048**	**122,681**	**101,140**	**445,644**
Net income after adjustment	**690**	**731**	**4,044**	**(1,868)**	**3,597**
Adjustment for change in accounting	**(2,036)**	**(1,229)**	**(3,067)**	**(1,124)**	**(7,456)**
Net income (loss) before adjustment	**$ (1,346)**	**$ (498)**	**$ 977**	**$ (2,992)**	**$ (3,859)**
Net income (loss) per common share after retroactive adjustment	**$ .01**	**$ .01**	**$ .49**	**$ (.39)**	**$ .12**
Nine months ended December 31, 1981					
Revenues	$111,576	$126,336	$114,495		$352,407
Costs and expenses	110,662	123,497	112,515		346,674
Net income after adjustment	914	2,839	1,980		5,733
Adjustment for change in accounting	(368)	(297)	(646)		(1,311)
Net income before adjustment	$ 546	$ 2,542	$ 1,334		$ 4,422
Net income per common share after retroactive adjustment	$ .09	$ .29	$ .19		$ .57
Twelve months ended March 31, 1981					
Revenues	$ 86,049	$ 95,727	$105,676	$118,186	$405,638
Cost and expenses	83,529	93,139	102,308	114,226	393,202
Net income after adjustment	2,520	2,588	3,368	3,960	12,436
Adjustment for change in accounting	399	(1,101)	148	(356)	(910)
Net income before adjustment	$ 2,919	$ 1,487	$ 3,516	$ 3,604	$ 11,526
Net income per common share after retroactive adjustment	$ .34	$ .35	$ .45	$ .54	$ 1.68

For further details regarding the change in accounting, see Note 3 to the consolidated financial statements.

Market Information

At March 1, 1983 there were approximately 11,500 holders of record of the Company's common shares which are traded on The American Stock Exchange and The Toronto Stock Exchange.

Market Price by Quarter on the American Stock Exchange (US Funds)

	Twelve Months Ended December 31, 1982		Twelve Months Ended December 31, 1981	
	High	**Low**	High	Low
First	**$11¾**	**$ 7⅝**	$17¾	$14⅜
Second	**9**	**6¾**	16¼	13¼
Third	**10½**	**6⅝**	14¾	8½
Fourth	**13¼**	**9⅝**	13⅞	9⅛

Market Price by Quarter on the Toronto Stock Exchange (Canadian Funds)

	Twelve Months Ended December 31, 1982		Twelve Months Ended December 31, 1981	
	High	**Low**	High	Low
First	**$14⅛**	**$ 9⅛**	$21⅛	$17⅜
Second	**11**	**8¾**	19	16⅜
Third	**13**	**8**	17¾	10
Fourth	**16¼**	**11⅞**	16½	10¾

Cash Dividends per Common Share by Quarter (Canadian Funds)

	Twelve Months Ended December 31, 1982	Twelve Months Ended December 31, 1981
First	**20¢**	20¢
Second	**—**	—
Third	**20¢**	20¢
Fourth	**—**	—

The payment of dividends of common shares is subject to the holders of the Series A and Series B Second Preferred Shares receiving a dividend per share of $1.995 (Canadian) and $1.38 (Canadian) per annum respectively. Please refer to Note 12 to the consolidated financial statements.

Dividends paid by the Company to non-residents of Canada are subject to a withholding tax at the rate of 25 per cent. The Canada-US. Tax Convention reduces this rate to 15 per cent on dividends payable to United States security holders.

Directors

D.G.H. Bowman, Q.C. ‡
Barrister and Solicitor;
Partner, Stikeman, Elliott,
Robarts & Bowman,
Toronto.

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Canarim Investment Corporation
Ltd., Vancouver.

D.M. Cannon
Mining Consultant,
Cannon Engineering Ltd.,
Vancouver.

J.S. Houssian ‡
President,
Intrawest Properties Ltd.,
Vancouver.

S.P. King*
Petroleum Consultant,
S.P. King Consultants Ltd.,
Calgary.

F.W. McCamus
President and
Chief Operating Officer,
Asamera Inc., Calgary.

H.N. Stewart*
Financial Consultant,
H.N.S. Consultants Ltd.,
Calgary.

J.N. Tennant
Barrister and Solicitor;
Partner, Lawson, Lundell
Lawson & McIntosh,
Vancouver.

R.G. Welty*
Chief Executive Officer
and Chairman,
Asamera Inc., Calgary.

‡ Audit Committee
* Executive Committee

Officers and Senior Management

Robert Welty
Chief Executive Officer
and Chairman

Frank McCamus
President and
Chief Operating Officer

Ralf Kleine
Senior Vice President
Minerals

Michael Pick
Senior Vice President
Oil and Gas Exploration

Larry Thiessen
Senior Vice President
Finance and Administration

Keith Cameron
Vice President Administration,
Controller and Treasurer

Douglas Rae
Vice President
Legal and Secretary

Clifford Watts
Vice President
Drilling and Production

Victor Tanaka
General Manager
Minerals, Canada

Jane De Cheverry
Assistant Controller

Maurice Lack
Manager, Geophysical Services,
Oil and Gas

Peter Maynes
Manager, Corporate Relations

Marlene Rodrigues
Assistant Secretary

John Stout
Manager, Geological Services
Oil and Gas

Asamera Oil (Indonesia) Ltd. & Asamera (South Sumatra) Ltd.

(both wholly-owned)

Bill Cooper
President
Les Beddoes
Vice President Exploration
William Doddy
Vice President Finance and Administration
Tom Hickox
Vice President Operations
Michael Bruce
Manager of Finance
Tom Kalan
Manager of Exploitation
Chuck Myers
Manager of Engineering
Yoso Soedibyo
Manager of Personnel and Administration
Henry Watlington
Corporate Secretary

Asamera Oil (U.S.) Inc.

(wholly-owned)

Terry Gallagher
President
Will Narva
Senior Vice President Finance and Administration
Ed Schroeder
Senior Vice President Operations
Elwood Amen
Vice President Retail Sales
Homer Austin
Vice President Production
Bob Humbert
Vice President Refining
Kent Johnson
Vice President Supply and Distribution
Royce Kline
Vice President Wholesale Sales and Transportation
Tom Wood
Controller
Jack Guthrie
Treasurer

Asamera Minerals (U.S.) Inc.

Ed Morrow
General Manager, Minerals

Overseas Management, A Division of Asamera Oil (U.S.) Inc.

Bill McBride
General Manager

Minera San Pedro Analco S.A. de C.V.

(49% owned)

Salvador Vazquez
Administrative Manager and Controller

Minera Barones S.A.

(49% owned)

Ruben Rodriguez
President

Mandem, A Division of Asamera Inc.

Flemming Jesperson
Vice President and General Manager
Bob Penston
Vice President Finance

Other Operating Subsidiaries:

Asamera Far East Private Ltd.
Asamera Oil (U.K.) Ltd.
Asamera Petroleum Corp.
Asamera Pipeline Inc.
Gasamat Oil Corp. of Colorado

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PRINTED IN CANADA

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