

Norcen 82



Norcen is an energy resource company, whose business is the exploration, development and production of oil and natural gas primarily in the conventional and frontier areas of Canada but also in the United States and internationally. Norcen also owns and operates natural gas distribution systems in the provinces of Ontario and Manitoba, serving over a quarter million customers.

Norcen has 26,737,451 common and 739,540 voting preference shares outstanding, traded on the Toronto and Montreal Stock Exchanges. These equity securities are registered in 23,227 names of whom those with Canadian addresses represent 97.5% of the shares outstanding.

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Annual Meeting

The annual and special meeting of shareholders will be held in Commerce Hall, Commerce Court West, King and Bay Streets, Toronto, Ontario, on Thursday, April 14, 1983 at 10:00 a.m. local time. Shareholders are encouraged to attend the meeting, but those unable to do so are asked to sign and return the form of proxy mailed with this report.

Highlights	1982	1981	Percentage change
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Financial

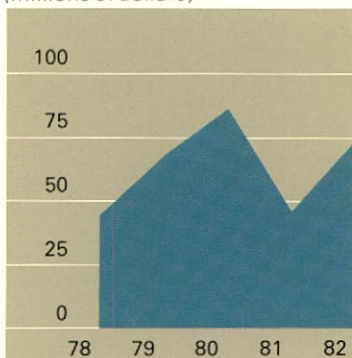
	(millions of dollars)		
Sales and other revenues	\$1,013.2	\$ 833.7	+22%
Funds from operations	\$ 175.9	\$ 122.8	+43%
Income applicable to common shares*	\$ 72.2	\$ 43.2	+67%
Capital expenditures	\$ 276.2	\$ 188.1	+47%
Average number of common shares outstanding	(millions)		
	26.6	26.7	
	(dollars)		
Earnings per common share*	\$ 2.71	\$ 1.62	+67%
Dividends per common share	\$ 1.00	\$ 1.00	
Market price per common share			
High	\$ 35.25	\$ 34.25	
Low	\$ 21.75	\$ 21.00	
Close	\$ 29.13	\$ 26.88	
Volume of trading in common shares	(millions)		
	4.9	4.9	

*excluding extraordinary credit in 1981 of \$8.0 million or \$0.30 per common share

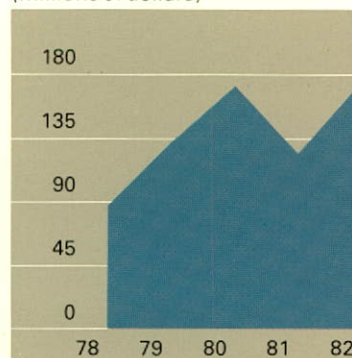
Operating

Oil and gas production	(thousands of barrels per day)		
Oil and gas liquids	27.0	24.9	+8%
Natural gas	137.8	131.9	+4%
Gross wells drilled	328	321	
Oil and gas reserves	(millions of barrels)		
Oil and gas liquids	114.3	119.7	-5%
Natural gas	1,133.0	1,127.3	+1%
Gas utilities sales	(billions of cubic feet)		
	155.3	169.2	-8%

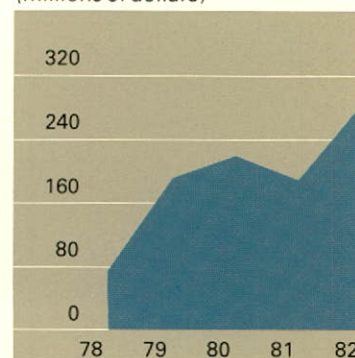
Net income
(millions of dollars)



Funds from operations
(millions of dollars)



Capital expenditures
(millions of dollars)



Higher levels of crude oil and natural gas production as well as increased producer netbacks in the natural resource sector, together with attachment of new customers and colder weather in the gas utilities, combined to provide a substantial boost to Norcen's financial performance in 1982. While income did not rebound to the record level achieved in 1980, nevertheless the financial results achieved in 1982 represent a significant recovery from those of the preceding year which had suffered from the effects of the National Energy Program.

Income applicable to common shares was \$72.2 million or \$2.71 per share in 1982, an increase of 67% over \$43.2 million or \$1.62 per share before extraordinary income a year ago. In 1981 extraordinary income raised final income to \$51.2 million or \$1.92 per share.

Natural resources

Income from the natural resource operations in 1982 amounted to \$55.4 million, an increase of 80% over \$30.7 million a year ago.

Norcen's commitment to aggressive oil and gas exploration and development of Canada's western sedimentary basin continued with success in 1982. There were also major expenditures for exploration of Canada's frontier areas in the Beaufort Sea and offshore the east coast under farmin agreements negotiated during the last several years. Outside Canada, Norcen continued to participate in joint exploration ventures in the U.K. sector of the North Sea and offshore Australia, while at the same time conducting an active program of exploration in the United States.

Exploration success in western Canada, expansion of the fireflood heavy oil project at Bodo in eastern Alberta and an increase in production from the Athabasca oil sands plant have resulted in a significant 23% of Norcen's daily production at 1982 year-end qualifying for the high price of "new oil". In spite of the lower demand for natural gas, due to the lower level of Canadian industrial activity and a weak gas export market, Norcen's production of natural gas in 1982 was 4% greater than in the previous year due principally to commencement of production from the Boyer gas field.

To mitigate the negative impact of energy legislation enacted in 1980 and 1981, the federal and certain provincial governments introduced in 1982 a number of modifications to royalty, pricing, income and other tax measures affecting the Canadian oil and gas industry. These measures provide particular benefits to industry participants such as Norcen, whose investment of funds from operations into further exploration and development is at a high level.

Incentive grants towards capital costs of exploration and development, initiated in 1981, commenced being paid by federal and provincial governments in 1982. These grants are at maximum rates to those companies, including Norcen, whose Canadian ownership and control levels are at least 75%.

In 1982 Norcen increased its common share interest in The Hanna Mining Company of Cleveland, Ohio, from



Edward G. Battle
President and
Chief Executive Officer

Conrad M. Black
Chairman of the Board

8.8% to 20% by subscribing to additional shares from treasury. At the same time Norcen acquired Hanna's interest in Labrador Mining and Exploration Company Limited and Hollinger North Shore Exploration Inc. Subject to certain exceptions, Norcen has agreed not to increase its common share interest in Hanna during the next eight years. The Hanna Mining Company is a leading U.S. independent natural resources company involved in ferrous and non-ferrous minerals and metals, as well as in energy resources including oil, natural gas and coal.

Following the purchase of securities from Hanna, the managements of Norcen, Labrador Mining and Exploration Company Limited and Hollinger Argus Limited commenced to discuss proposals by which Norcen in effect would acquire resource and other assets of the latter two companies for a consideration based on independent valuations. The principal assets, which would provide Norcen with diversification in the natural resource area, include a royalty interest in lands being mined by Iron Ore Company of Canada and a 10¹/₂% common share interest in Iron Ore Company of Canada. Under the proposals management of Norcen would intend to dispose of its interest in Labrador Mining acquired from Hanna. A special committee of directors has been appointed by Norcen's Board of Directors to consider the management proposals and to make its recommendations to the Board. Implementation of the proposals would require government and certain other approvals.

Gas utilities

Income from the gas utility operations in 1982 was \$18.9 million compared with \$14.8 million for the previous year.

Attachment of new customers, principally due to conversions from other energy sources, and colder weather resulted in an increase in gas sales volumes to residential customers. This increase, however, was more than offset by reduced sales volumes to industrial customers due to the severe and widespread reduction in level of economic activity. Overall sales volumes declined from 169.2 billion cubic feet in 1981 to 155.3 billion cubic feet in the year under review.

Capital expenditures

Gross capital expenditures in 1982 totalled \$276.2 million, of which \$245.5 million was for natural resource exploration and development (before deduction of \$83.8 million federal and provincial government incentive payments) and \$30.7 million for gas utility facilities in Ontario and Manitoba. For 1983 gross capital expenditures have been budgeted in the natural resource operations at \$245 million, before deducting incentive payments estimated at \$95 million, and in the gas utilities operations at \$37 million.

Financing

Norcen arranged a 12 year line of credit with several Canadian chartered banks to provide funds for the

acquisition of common stock and other securities from The Hanna Mining Company in 1982, as well as for refinancing its initial acquisition of Hanna in 1981.

In November Northern and Central Gas issued and sold \$30 million, 20 year, 14% Senior Debentures by way of private placement in Canada. Proceeds from this issue were applied to reduce short term debt.

Borrowings under short term credit arrangements at 1982 year-end amounted to \$181.4 million compared with \$173.4 million a year ago. Norcen plans to issue long term capital to reduce its short term debt in 1983.

In appreciation

Edward A. Galvin, who served Norcen and its predecessor companies with distinction as a senior executive from inception in 1954 until 1978, will have reached 70 years of age prior to the annual meeting and accordingly will not stand for re-election to the Company's Board of Directors. Mr. Galvin's initiative and dedicated leadership in the growth and success of Norcen's natural resource operations over a period of almost 30 years are well known, as is his important contribution over those years to the Canadian oil and gas industry. We warmly acknowledge our gratitude to him.

Outlook

Despite the continuing uncertainty regarding world oil demand and international oil prices, which undoubtedly will affect the financial well-being of the Canadian oil and gas industry, management believes that Norcen has excellent prospects of continuing in 1983 to achieve its objectives of a diversified natural resource base and rising earnings.

This belief is founded on Norcen's sound financial position, secure cash flow, established conventional oil and gas reserves, and its broad exploration exposure.

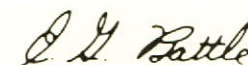
As a corporation over 90% owned and controlled by Canadians, Norcen expects to continue to benefit to the fullest extent from NEP incentive grants and thus be able to increase further its capital spending on oil and gas exploration and development activities.

The success of the heavy oil enhanced recovery program in the Bodo area of Alberta encourages its continuation and expansion. Higher wellhead prices and increased royalty income from the oil sands sublease should also contribute to income growth in 1983.

On behalf of the Board



Conrad M. Black
Chairman



Edward G. Battle
President and
Chief Executive Officer

Natural resources

Income in 1982 of \$55.4 million, an 80% increase over \$30.7 million in 1981

Exploration success continued in the Evi area of northern Alberta

Production of liquid hydrocarbons increased 8% while natural gas sales rose 4%

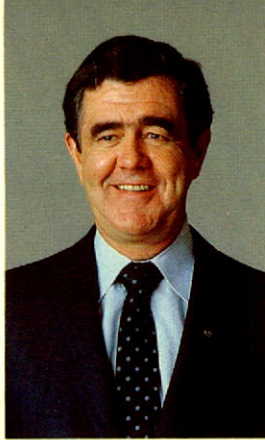
Bodo heavy oil fireflood expansion project was completed late in 1982

Gas sales commenced from the Boyer field with rates of 17 million cubic feet per day expected by mid-1983

Increased participation in Canada's frontier areas

A follow-up well in the North Sea flowed oil at rates totalling 16,000 barrels per day





Donald D. Barkwell
Executive Vice-President

Exploration and development

Western Canada

In 1982, Norcen's capital expenditures for oil and gas activities in western Canada, before receipt of petroleum incentive payments, amounted to \$111.3 million compared with \$91.7 million in the preceding year. Of the amount expended, \$64.9 million was for conventional oil and gas exploration; \$31.8 million to maintain production from existing oil and gas fields and to develop reserves not previously connected to market; and \$14.6 million for exploration and development in heavy oil areas. In 1983, capital expenditures in western Canada are expected to total \$131.6 million.

Oil

In northern Alberta, the Slave Point-Gilwood trend, with the Evi Field being the primary focus, continues to be very active. During 1982 Norcen drilled 25 wells, resulting in 14 oil wells, 10 of which encountered new pools. In Evi, Norcen's productive capacity continues to increase beyond the 1982 average of 445 barrels per day. Late in the year, a 3,040 acre drilling licence, in which Norcen has a 50% working interest, was acquired for \$5 million. The first oil well has been completed on this new acreage which is located immediately south of the Evi Field. Additional seismic and drilling activities are planned for 1983.

An intensive drilling program on the Company's heavy oil properties, primarily in eastern Alberta, continued for the third consecutive year. One of the more successful new pool developments, in the north Bodo area, has been expanded since its discovery in 1979 with the drilling of 11 producers during 1982. The pool characteristics suggest that it could be suitable for an enhanced recovery program.



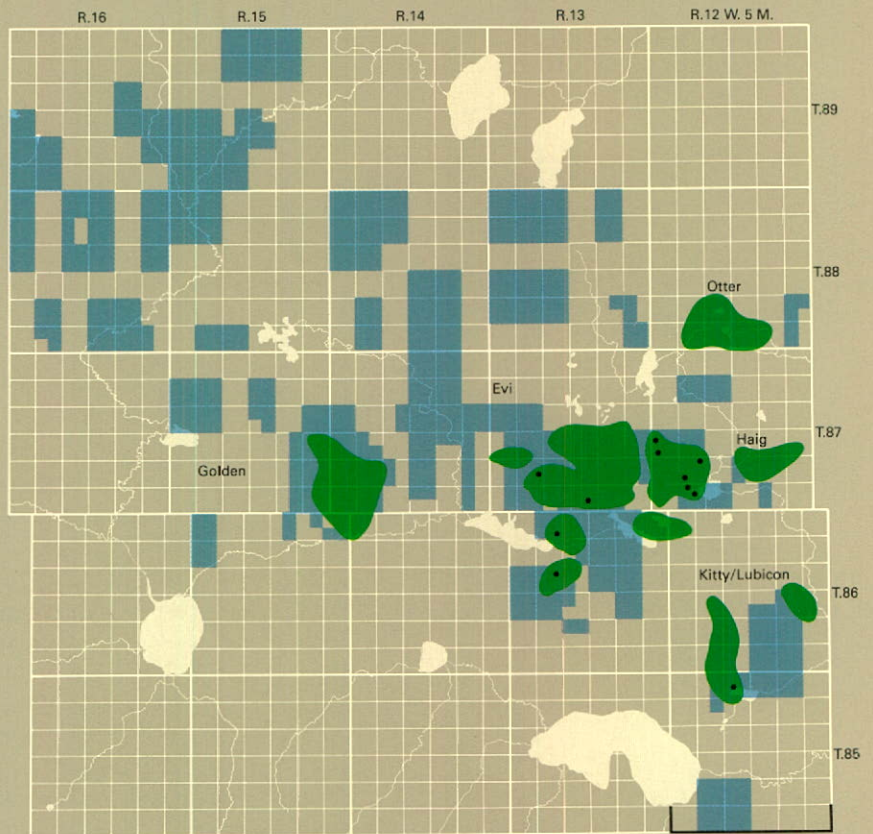
View from the top of an
offshore drilling rig

A dual pumpjack draws oil simultaneously from two formations at the Evi field in northern Alberta
Below left

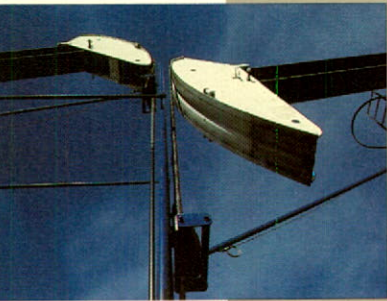
A section of the gathering system at the Boyer gas field in Alberta
Right

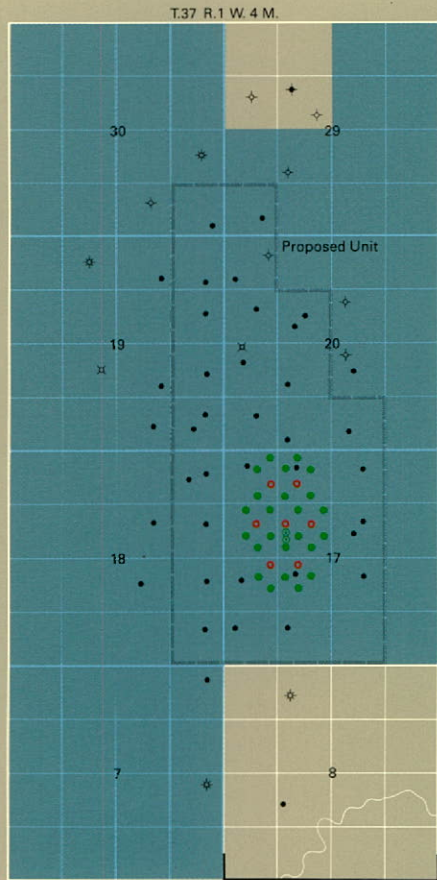


- Norcen land interests
 - Location
 - ⊕ Abandoned well
 - ⊗ Water disposal well
 - Oil well
 - ⊛ Gas well
 - Oil pool
- Bodo fireflood project:
- Observation well
 - Air injection well
 - Oil well
- Boyer gas pipeline:
- 1982 development
 - 1983 development

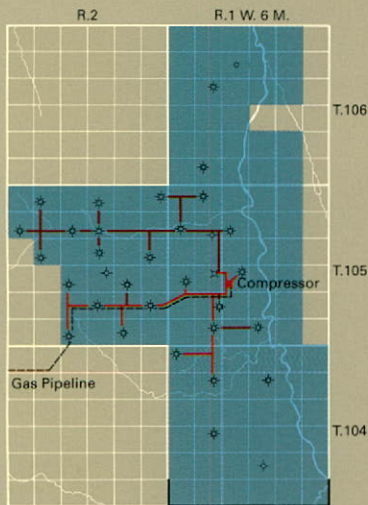


Alberta ▲
Slave Point -
Gilwood Trend





Alberta ●
Bodo 1 mile



Alberta ▼
Boyer 6 miles

Drilling of 21 wells and construction of air injection and production facilities for the Bodo heavy oil fireflood expansion project was completed in December, 1982 at a gross cost of \$16 million. The project consists of a seven-spot injection and production pattern, exploiting only a small portion of the reservoir.

Gas

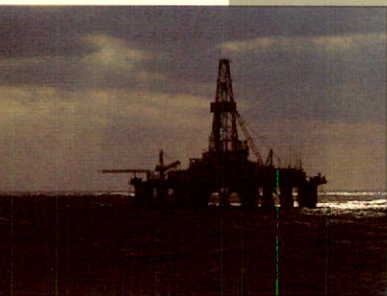
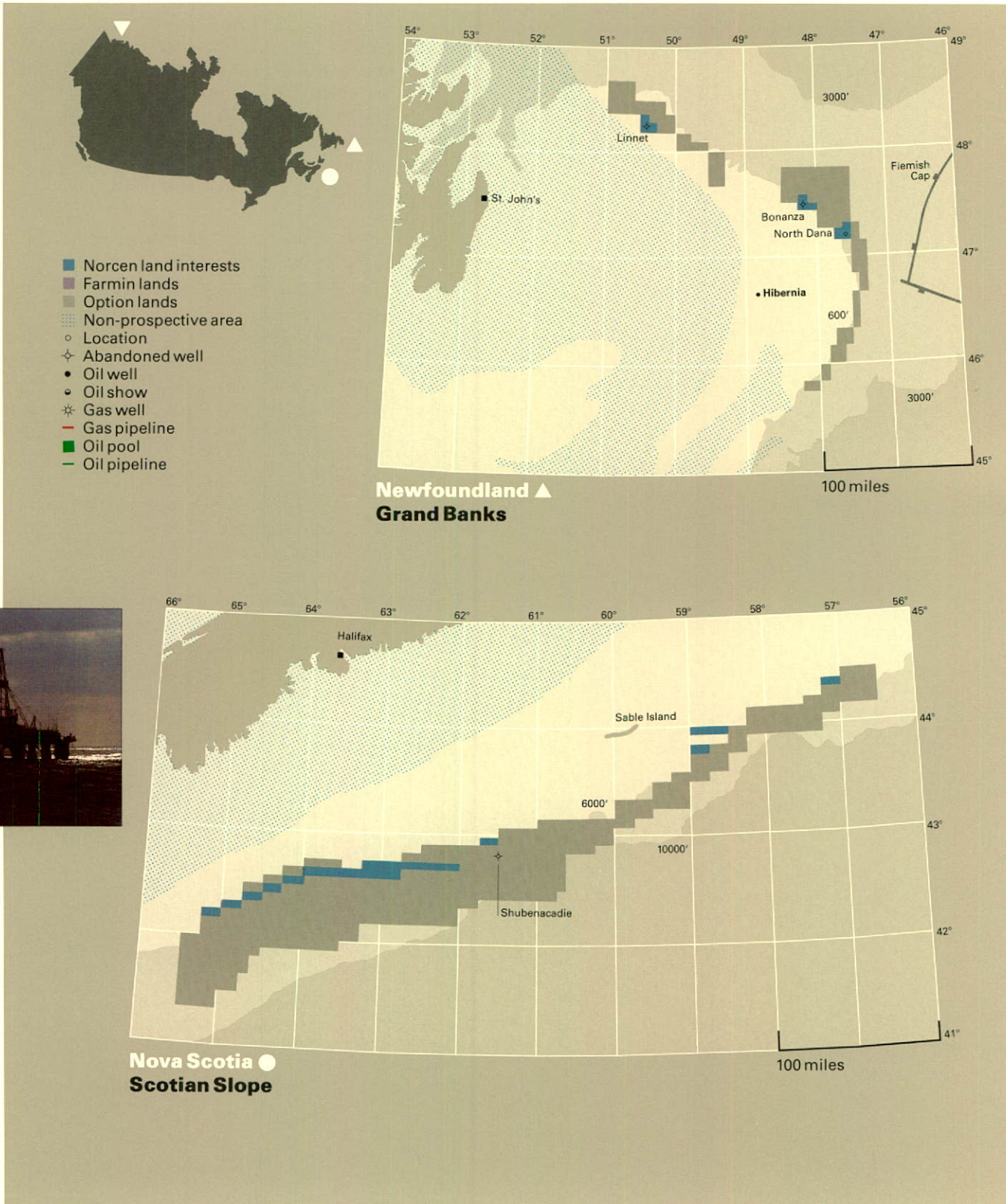
In the Boyer area of Alberta, gas sales commenced in April, 1982. A pipeline gathering system has been constructed and 10 wells are currently producing approximately 10 million cubic feet of gas per day. Norcen's interest in this project is 90%. It is expected that by mid-1983 there will be a total of 25 producing wells, with Norcen's share of production being 17 million cubic feet per day.

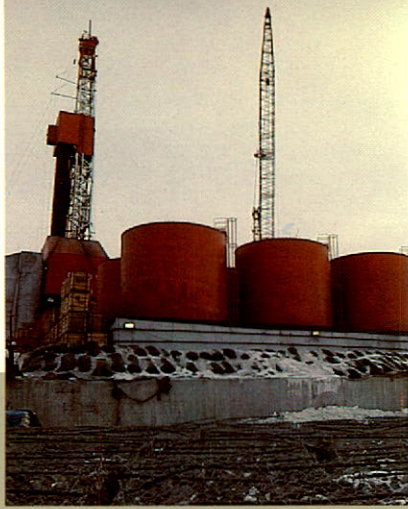
An aggressive exploration program was carried out 120 miles north of Edmonton in the Victor area. A discovery and four follow-up wells have proved up reserves which will be sold to a large industrial gas purchaser under a joint venture agreement. Four of these wells will be tied-in during the spring of 1983 with Norcen's share of the production being about 2.7 million cubic feet of gas per day.

In order to supplement the Company's exploration effort and to evaluate expiring acreage, a 40-well farmout was made of the deeper rights under the Bruce Viking Gas Unit. Of 30 wells drilled to date, 12 are gas completions.

Drilling will continue in '83 on Norcen's farmin offshore Nova Scotia
Below left

The artificial island from which two Tarsiut wells were drilled
Right





Canadian frontier

Exploration activity in the Canadian frontier during 1982 was concentrated in the Beaufort Sea and offshore eastern Canada.

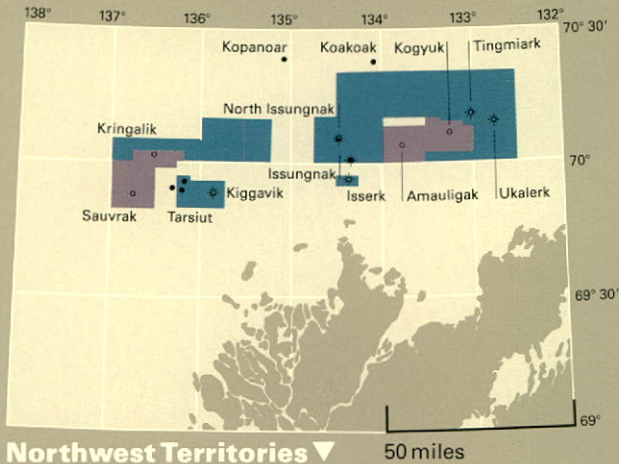
In the Beaufort Sea, three wells were drilled on the Tarsiut acreage. The first, Tarsiut N-44, which earned Norcen a 15.7% interest in 55,000 acres over the structure, tested oil from three horizons at rates of up to 2,000 barrels per day. The well was drilled from a caisson-retained island which also permitted the drilling of a deviated delineation well. This second well, Tarsiut N-44A, also tested oil from two horizons. The third well, Kiggavik A-43, drilled seven miles east of the Tarsiut "island" using a drillship, failed to locate oil but tested gas from one zone at a rate of 15.5 million cubic feet per day.

During 1982, Norcen entered into a major Beaufort Sea agreement with Gulf Canada Resources for the drilling of four wells to earn interests varying from 6.7% to 15.0% in four different structures. Drilling of these wells is expected to commence in 1983.

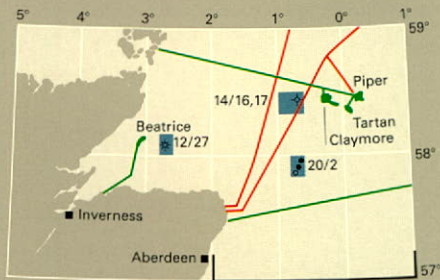
Offshore Newfoundland, the Company is engaged in a drilling program to earn a 10% interest from Mobil Oil Canada and Gulf Canada Resources in three separate structures. The first two earning wells, Linnet E-63 and Bonanza M-71 were abandoned. The other earning well, N. Dana I-43, is currently drilling.

Offshore Nova Scotia, the Company has negotiated a 9.6 million acre farmin from Shell Explorer on the Scotian Slope in water depths greater than 600 feet. The first of the four earning wells, Shubenacadie H-100, in a water depth of 4,920 feet, was abandoned after drilling to a depth of 13,780 feet. It is expected that further drilling will be conducted in 1983.

In the Arctic Islands, Norcen has a 14.1% interest in the Cape MacMillan K-71 well, currently drilling from an ice pad offshore Ellef Ringnes Island.



Northwest Territories ▼
Beaufort Sea



United Kingdom ▲
North Sea



Land

During the year, Norcen maintained its position as one of the largest acreage holders in western Canada where approximately 90,000 acres of new leases and licences were acquired. Earning obligations to complete major land acquisitions in the Beaufort Sea and the east Coast are in progress. Details of the Company's oil and gas holdings appear in the table on page 12.

International

During 1982, Norcen participated in four wells in the North Sea. The 20/2-2 well, drilled as an appraisal to the 1981 discovery, tested oil at a rate of 2,400 barrels per day from the same zone as the initial discovery. In addition, two other zones tested oil at rates of 9,200 barrels per day and 4,400 barrels per day. A second appraisal well, 20/2-3, is currently drilling. A well drilled to extend the limits of the Amethyst gas field in the southern North Sea encountered tight sands and was abandoned. The fourth well, 12/27-1 in the inner Moray Firth, tested gas at a rate of nine million cubic feet per day.

United States

United States exploration expenditures were \$14.5 million in 1982 compared with \$11.1 million in 1981 and a planned \$11.5 million in 1983.

The majority of drilling was in the Rocky Mountain Basins, with other exploratory drilling in California and Texas. Norcen currently holds interests in 1,013,000 gross (242,000 net) acres in the United States.

Production

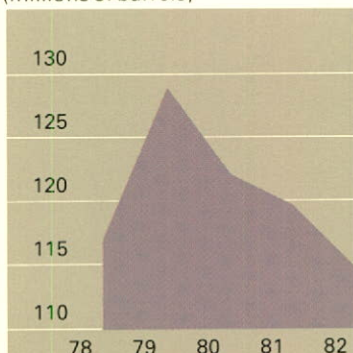
Liquid hydrocarbons

Average daily production before royalties of crude oil, synthetic crude, and gas liquids, was 26,996 barrels, compared with 24,900 barrels in 1981, an increase of 8.4%. Higher production from West Pembina, Evi, Eagle, Weyburn, synthetic crude, and new conventional discoveries, was partially offset by production cutbacks during the spring and natural declines in older fields.

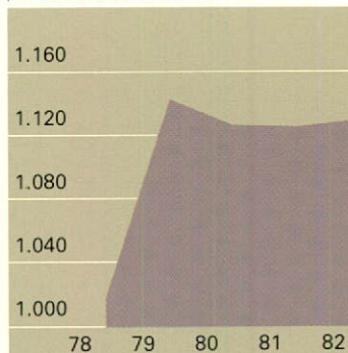
The pricing system for western Canadian liquid hydrocarbon production provides a "Conventional Old Oil Price" (COOP), a "Special Old Oil Price" (SOOP) and a "New Oil Reference Price" (NORP). The accompanying table shows the Company's liquid hydrocarbons production before royalties by categories and the prices received in 1982.

	Barrels per day	Average price per barrel
COOP	20,107	\$23.46
SOOP	2,697	\$31.32
NORP	4,192	\$39.61
	26,996	\$26.75

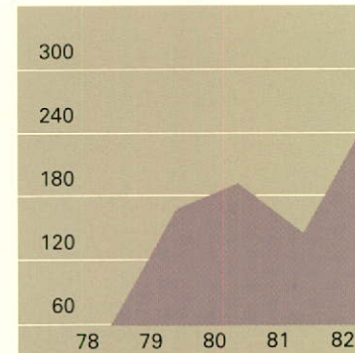
Oil and gas liquids reserves
(millions of barrels)



Natural gas reserves
(billions of cubic feet)



Capital expenditures
(millions of dollars)



Revenue from Norcen's Athabasca oil sands lease, after payment of federal production taxes, increased to \$19.6 million from \$11.1 million in 1981. This was primarily a result of the restoration to world price for this synthetic production. Norcen's revenue is earned as royalty income on plant production revenues. Norcen disagrees with and continues to oppose vigorously the lessee's position that royalties are not payable by it to Norcen on certain amounts received from government in respect of plant production; legal proceedings have been commenced to resolve this matter. The plant was expanded during 1981 to a nominal capacity of 58,000 barrels per day. Production during the year averaged only 34,379 barrels per day, however, due to a fire which severely damaged a portion of the plant in January, 1982.

Production of heavy oil amounted to 2,256 barrels per day in 1982, compared with 2,371 barrels per day in 1981. Marketing problems early in the year and declines in older fields were only partially offset by successful drilling and early production from the Bodo fireflood expansion project. Most of the new wells in the project were put on production for clean-up and evaluation in August, 1982, prior to air injection and ignition which commenced in January, 1983.

Natural gas

Gas production before royalties averaged 137.8 million cubic feet per day compared with 131.9 million cubic feet per day in 1981. Increased sales from Harmattan East Unit and new sales at Boyer offset a decrease in sales primarily due to lower export demand for natural gas.

As a result of wellhead price increases on February 1 and August 1, 1982, the average price received in 1982 was \$2.65 per thousand cubic feet, compared with \$2.34 per thousand cubic feet in 1981.

Sales of solution and gas-cap gas from the Harmattan Elkton Unit, previously re-injected into the formation, should commence by the middle of 1983. Norcen's share of such sales is expected to be approximately 3.5 million cubic feet per day.

Reserves

Estimated reserves before royalties of crude oil, synthetic crude, and gas liquids at December 31, 1982 were 114.3 million barrels compared with 119.7 million barrels a year earlier. Estimated reserves of natural gas before royalties were 1,133.0 billion cubic feet compared with 1,127.3 billion cubic feet at the end of 1981. These figures do not include Norcen's share of reserves of crude oil and natural gas in the Arctic, the Beaufort Sea, the North Sea and oil sands reserves at Cold Lake, Alberta.

Oil and gas land holdings

December 31, 1982

	Leases		Permits, reservations, concessions and licences		Total	
	Gross	Net	Gross	Net	Gross	Net
	(thousands of acres)					
Canada						
Alberta	5,134	2,069	517	212	5,651	2,281
British Columbia	1,305	249	45	15	1,350	264
Saskatchewan	200	98	9	7	209	105
Manitoba	92	34	3	3	95	37
Ontario	3	2			3	2
Canadian Frontier						
Arctic	249	49	3,306	275	3,555	324
Beaufort Sea	96	13	2,041	157	2,137	170
Yukon			1,620	648	1,620	648
Northwest Territories	71	17	133	28	204	45
Offshore East Coast	54	4	962	179	1,016	183
Total Canada	7,204	2,535	8,636	1,524	15,840	4,059
International						
United States	1,013	242			1,013	242
North Sea (U.K.)	349	42			349	42
Adriatic			144	32	144	32
Australia			5,801	1,018	5,801	1,018
Total International	1,362	284	5,945	1,050	7,307	1,334
Total	8,566	2,819	14,581	2,574	23,147	5,393

In addition to the above, royalty interests are held in 2.0 million gross acres and net carried interests in 197,000 gross (13,000 net) acres.

1982 Drilling statistics

	Oil		Gas		Dry		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Western Canada								
Exploration								
Conventional	47	21.3	43	19.1	92	33.8	182	72.4
Heavy Oil	6	3.2	1	0.4	2	1.3	9	4.9
Subtotal	53	24.5	44	19.5	94	35.1	191	77.3
Development								
Conventional	19	8.0	22	11.3	6	3.6	47	22.9
Heavy Oil	44	20.8			4	1.6	48	22.4
Subtotal	63	28.8	22	11.3	10	5.2	95	45.3
Total Western Canada	116	53.3	66	30.8	104	40.3	286	122.6
Canadian frontier	2	0.3	1	0.2	2	0.4	5	0.9
Total Canada	118	53.6	67	31.0	106	40.7	291	123.5
International								
United States	7	1.8	1	0.2	25	6.3	33	8.3
United Kingdom	1	0.1	1	0.1	1	0.2	3	0.4
Australia					1	0.1	1	0.1
Total International	8	1.9	2	0.3	27	6.6	37	8.8
Total	126	55.5	69	31.3	133	47.3	328	132.3

Liquid hydrocarbons production	1982	1981
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(barrels per day before royalties)

Alberta

West Pembina	4,364	2,280
Pembina	2,743	2,924
Countess—Lathom	2,216	2,808
Harmattan	1,290	1,450
Lloydminster	1,187	1,379
Golden	1,046	1,166
Provost—Bodo	974	898
Bigoray	614	428
Swan Hills	546	648
Joarcam	500	506
Evi	445	245
Drumheller	359	314
Others	5,511	5,486
Synthetic crude	2,148	1,552
	23,943	22,084

Saskatchewan

Weyburn	377	261
Royalty interest	421	399
Others	630	718
	1,428	1,378

British Columbia

Eagle	1,175	993
Peejay	221	224
Others	229	221
	1,625	1,438

Total	26,996	24,900
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Natural gas production	1982	1981
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(millions of cubic feet per day before royalties)

Alberta

Harmattan	17.1	9.6
Minnehik-Buck Lake	16.0	13.9
Westlock	12.2	14.6
Crossfield	7.1	8.0
Verger	4.9	5.1
Boyer	4.5	
Ghost Pine	3.8	4.1
Bindloss	2.9	4.1
Big Bend	2.9	3.7
Bruce	2.5	3.6
Others	54.7	54.7
	128.6	121.4

British Columbia

Jedney-Bubbles-East		
Laprise	5.1	5.9
Others	4.1	4.6
	9.2	10.5

Total	137.8	131.9
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Other activities

Norcen's wholly-owned subsidiary, Cigas Products Ltd., is a major marketer of propane and butane in western Canada. Sales were 65.2 million Imperial gallons compared with 61.2 million in 1981. Income improved significantly as a result of improved cost controls, elimination of marginal operations and better margins on propane sales.

In 1982 Coleman Collieries produced and sold 281,521 metric tons of thermal coal to the Japanese market. Early in 1983 Norcen elected to reduce its participating interest in the Obed-Marsh thermal coal project near Hinton, Alberta in consideration for the major interest holder providing all future development capital to bring the project into production late in 1984. The Company holds 114,000 net acres of coal leases.

Average daily throughput of the industrial gas system was 46 million cubic feet per day in 1982, compared with 48 million cubic feet per day the year before. Average price paid by industrial customers increased to \$0.81 per thousand cubic feet compared with \$0.65 for the previous year. Norcen is currently planning a major extension to the system in the Cherhill-Glenevis area, which will allow transportation of Company-owned and third party gas to industrial markets.

An average of 77,100 barrels per day was transported through the Company's oil gathering and transmission systems in 1982, compared with 63,200 barrels per day in 1981. Proven and probable reserves supporting these systems are estimated at 517 million barrels.

Income in 1982 of \$18.9 million compared with \$14.8 million in 1981

9,600 new customers added

Capital expenditures of \$30.7 million compared with \$39.2 million in 1981

\$30 million issue of 14% senior debentures due November 29, 2002

Gas utilities





Jean-J. Leroux
Senior Vice-President
Utilities



The Saskatchewan Wheat
Pool at Thunder Bay,
Ontario, one of Northern
and Central Gas' large
industrial customers

Ontario

Volumes of gas sold declined to 106.9 billion cubic feet from 122.2 billion cubic feet in 1981, as a result of the severe economic recession. Sales to residential and commercial customers increased by 1.2 billion cubic feet due to customer growth and 7% colder weather than last year. Industrial customers' lower production levels resulted in a reduction of 16.5 billion cubic feet in industrial sales volumes. Economic conditions also resulted in a reduction in customer attachments to 6,700 from 8,600 in 1981. Capital expenditures which had been \$32 million in 1981, amounted to \$27.7 million gross in 1982. After deducting Distribution System Expansion Program grants on mains which would not otherwise have been feasible, net capital spending in 1982 amounted to \$24.8 million.

Manitoba

Gas sales volumes increased to 48.4 billion cubic feet from 47.0 billion cubic feet in 1981, due to 17% colder weather than last year. Sales to residential and commercial customers increased by 5.2 billion cubic feet due to colder weather and customer growth. Sales to industrial customers declined by 3.8 billion cubic feet reflecting the adverse economic conditions and temporary plant shut-downs. 2,900 new customers were added in 1982 compared with 5,900 in 1981. The gas distribution franchises for Greater Winnipeg Gas have been renewed for a further 25 years.

Regulation

In Ontario and Manitoba, rate increases were approved to recover increases in gas costs which became effective February 1, 1982, August 1, 1982 and September 1, 1982.

In July 1982, Greater Winnipeg Gas was granted a 13.14% return on a rate base of

\$96.5 million, including a 15.25% return on common equity, based upon a 1981 test year. Greater Winnipeg Gas will file an application in the spring of 1983 to increase rates to recover higher costs incurred, based upon a 1982 test year.

During 1982, a main rate case application by Northern and Central Gas was heard to recover increased costs, requesting a 17% return on common equity and based upon 1983 test year forecast information. Increased rates have been granted on an interim basis effective March 1, 1982 and February 11, 1983, which provide additional revenues on an annual basis of \$4.5 million and \$10.0 million respectively. A decision on the main rate case is expected in March 1983.

Gas supply

To promote more extensive use of natural gas from western Canada, the federal government provides grants under the Canada Oil Substitution Program (COSP) and the Distribution System Expansion Program (DSEP). COSP provides homeowners with up to \$800 for each residential conversion from oil while DSEP provides gas distribution utilities with grants for main

extensions which would not otherwise be feasible. In 1983, DSEP grants will be made available for expansion into new communities as well as for main extensions in existing franchise areas.

Total contracted gas supply at year-end remained unchanged from 1981 at 614 million cubic feet per day.

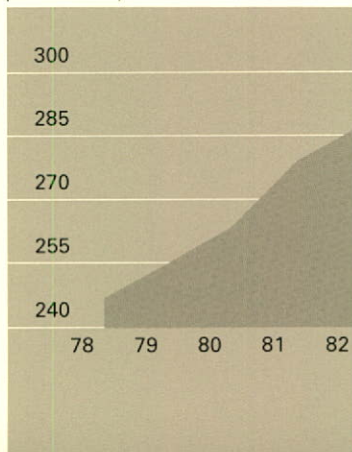
Capital expenditures

Capital expenditures in 1982 were \$24.8 million for Ontario and \$5.9 million for Manitoba, compared with \$32.0 million and \$7.2 million, respectively, for 1981. Capital expenditures for 1983 are expected to be \$28.9 million for Ontario and \$8.4 million for Manitoba.

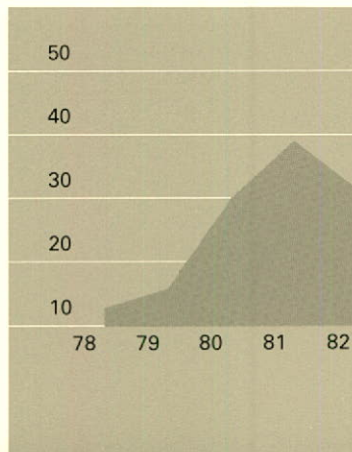
Financing

In November, 1982, Northern and Central Gas sold \$30 million principal amount of 14% senior debentures, due November 29, 2002. The net proceeds were used to reduce short term debt, which was incurred primarily to finance the capital expenditure program in Ontario and Manitoba.

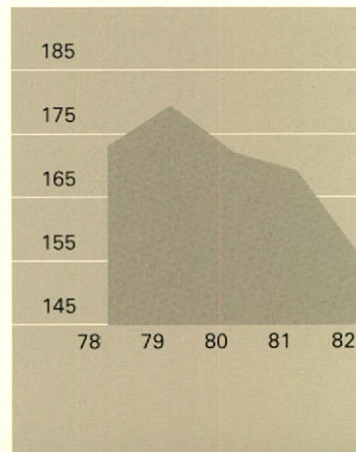
Number of customers
(thousands)



Capital expenditures
(millions of dollars)



Gas sales
(billions of cubic feet)



Norcen's results of operation by business segment for the three years ended December 31, 1982 are set out in Note 9 to the consolidated financial statements.

Sales and other revenues

Natural resource sales revenues increased \$114.7 million (43.7%) before production revenue taxes where an increase of \$26.3 million reduced the net revenue gain to \$88.5 million (36.2%). By comparison 1981 revenues had declined 8.2% from 1980 due to reduced oil sands and natural gas production income and the introduction of production revenue taxes. The 1982 improvement was largely due to price increases under the National Energy Program ("NEP") and the energy pricing and taxation agreements between the provinces and the federal government. In addition, production volumes of liquids and natural gas increased 8% and 4% respectively. Neither, however, matched 1980 levels as normal production declines exceeded new additions and the gas export market, particularly to the western United States, remained weak.

Gas utilities revenues in 1982 increased to \$668.3 million compared to \$581.0 million in 1981 and \$480.8 million in 1980. Of the increase \$106.3 million in 1982 and \$91.7 million in 1981 was due to the pass-on of increases in the cost of gas and the federal excise tax introduced under the NEP. Revenues of the Ontario operation were adversely affected by the economic recession in 1982 although the number of residential and commercial customers continued to increase. While weather across the system was 2.3% colder than normal and approximately 12% colder than in 1981 volumes sold declined 13.9 bcf in 1982 to 155.3 bcf. By comparison in 1981 when weather was 8.9% warmer than normal (9.8% warmer than in 1980) volumes sold declined 3.7 bcf.

Cost and expenses

Gas purchases increased \$78.0 million in 1982 and \$97.8 million in 1981 due to increased wellhead prices and the federal excise tax noted above offset by lower volumes.

Production, operations and administration continued to increase in 1982 over 1981 and 1980 due largely to inflation. While the inflation rate abated somewhat in the current year, 1982 reflects the full year effect of the very high inflation rates of 1981 and 1980. In addition, older oil and gas fields while declining in production experience the same or an increasing level of operating cost.

Interest on long term debt increased in both 1982 and 1981. The former increase resulted from new debt undertaken in mid-1982 to finance the acquisition of securities from The Hanna Mining Company ("Hanna"). The latter increase reflects incremental utility long term debt issued in mid-1981. Other financial expense nearly doubled in 1982 as a result of increased short term debt issued in late 1981 and 1982 to finance capital expenditures and the initial purchase of Hanna shares. Average short term interest rates were 15.7% in 1982, 18.8% in 1981 and 13.4% in 1980. While the 1982 rate average reflects the rate decline in late 1982, short term debt averaged \$204.7 million in 1982 compared to \$82.2 million in 1981.

Depreciation and depletion increased \$12.5 million over 1981 due to the impact of higher production revenues. The effective rate of income tax declined to 45.3% in 1982 from 50.7% in 1981 which was up from 35.0% in 1980 as explained in detail in Note 8 to the consolidated financial statements.

Liquidity and capital reserves

Funds are generated from three major sources: (1) from the results of operations, (2) from the issue of long term debt and

equity and (3) from borrowings under demand bank credits.

The following table sets out the principal sources of funds for the indicated periods:

	Year ended December 31		
	1982	1981	1980
	(thousands of dollars)		
From operations	\$175,936	\$122,783	\$171,694
From long term debt and equity	184,713	63,548	27,636
From demand bank credits	7,936	87,528	18,871
	\$368,585	\$273,859	\$218,201

The major change in long term debt in 1982 was a term bank credit of \$151.9 the proceeds of which were used to fund the purchase of shares of Hanna and Labrador Mining and Exploration Company Limited ("Labrador"). Additionally, Northern and Central Gas sold \$30 million of 14% senior debentures in late 1982 the proceeds of which together with \$55 million raised in 1981 were used to fund the capital expenditure program of the gas distribution operations in Ontario and Manitoba.

As at December 31, 1982 short term operating lines of credit totalled \$325.5 million of which \$144.1 million was unused. Depending upon market conditions in 1983 Norcen intends to retire part of its short term debt with long term financing.

Capital and other spending

The total assets of Norcen amounted to \$1,729.6 million at the end of 1982, an increase of \$308.3 million in 1982 and \$198.4 million in 1981.

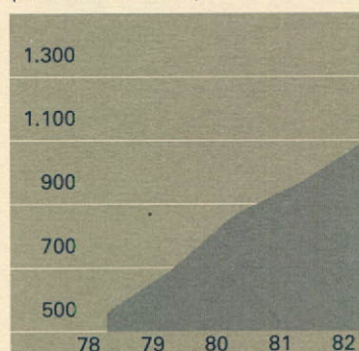
This growth is mainly attributable to capital expenditures of \$276.2 million in 1982, \$188.1 million in 1981 and \$218.6 million in 1980. Capital expenditures are before deducting \$83.8 million in 1982 (\$48.0 million in 1981) in petroleum incentive payments earned under the NEP. The capital expenditure program over the period reflects active exploration and development programs, expansion of a significant position in heavy oil reserves and expansion of the gas distribution system.

In mid-1982 the Company acquired 1,248,013 treasury shares of Hanna at a cost of \$78.1 million which together with shares acquired in late 1981 at a cost of \$34.6 million brought Norcen's holding of Hanna up to 20% of that company. At the same time Norcen acquired Hanna's 20% interest in Labrador and its 40% interest in Hollinger North Shore Exploration Inc. for an aggregate consideration of \$43.6 million. In addition approximately \$93.8 million was distributed to shareholders by way of dividends during the last three years.

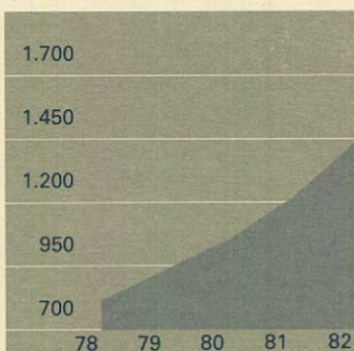
Outlook

Management's discussion of the outlook for the Company is incorporated in the Report to shareholders on page 3 of this report.

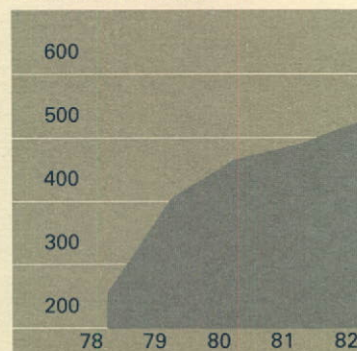
Properties, plant and equipment
(millions of dollars)



Total capitalization
(millions of dollars)



Shareholders' equity
(millions of dollars)



Accounting policies

Financial statements

The Annual Report and the accompanying consolidated financial statements have been prepared by Management and approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applied, except for the change in 1981 in the method of depletion described in Note 3, on a consistent basis and comply with United States disclosure requirements in all material respects. The principles used were those judged by Management to be the most appropriate in the circumstances. Management acknowledges responsibility for the fairness, integrity and objectivity of all financial information contained in the Annual Report including the consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the accounts of Norcen and all of its subsidiaries except those as disclosed in Note 2.

The companies' operations are organized into two classes of business namely, natural resources and gas utilities.

The excess of acquisition costs over underlying value of net assets at date of purchase in respect of natural resource subsidiaries has been included in property costs and is being charged to income in a manner similar to the particular property costs. The excess costs in respect of gas utility subsidiaries are included in "Other assets" and are not being amortized.

Foreign currency translation

Amounts in foreign currency have been translated to Canadian dollars on the following bases: current assets and current liabilities, at the rate of exchange as at the balance sheet date; investments, at the rate of exchange at the date of acquisition; properties, plant and equipment and related depreciation and depletion, at the rate of exchange

at the date of acquisition; long term debt, at the rate of exchange at the date the obligation was incurred; sales and other revenues and costs and expenses, at the average rate of exchange for the respective year. Gains and losses on currency translations are included in income.

Inventories

Gas in storage is carried at cost which includes transportation and storage. Supplies are carried at the lowest of historic cost, replacement cost and net realizable value.

Properties, plant and equipment

Natural resources

Oil and gas properties, in accordance with the full cost method of accounting, include all expenditures related to the exploration and development of oil and gas reserves, whether or not potentially productive, together with the excess of acquisition cost over underlying value of net assets at date of purchase. As set out in Note 3, commencing January 1, 1981 these costs are depleted on the production revenue method based on total estimated future production revenues from proven recoverable reserves. Prior thereto these costs were depleted on the composite unit of production method based on total estimated proven recoverable reserves.

Oil and gas production equipment and related facilities are depreciated over their estimated useful service life on the straight-line method at various rates, the application of which is equivalent to a composite rate of approximately 7.29% (6.68% in 1981, 6.30% in 1980).

Upon retirement or sale of major items of producing property or equipment, the asset accounts are relieved of the cost of such property together with the applicable accumulated depletion or depreciation. The difference between net book value of such items and the proceeds, if any, is charged or credited to income. Proceeds on sale of non-producing properties are credited to asset costs.

Maintenance and repairs are charged to income when incurred and betterments which extend the serviceable life of properties are capitalized.

Gas utilities

Properties, plant and equipment are carried at cost which includes direct costs, overhead attributable to construction and interest on funds used during construction.

Depreciation is provided on the straight-line method at rates approved by regulatory authorities. The application of such rates is equivalent to a composite rate of approximately 3.19% (3.03% in 1981, 2.80% in 1980).

The original cost of property retired is removed from plant accounts and charged to accumulated depreciation, which is credited with the salvage proceeds less removal cost. Under this method, no profit or loss is recognized on ordinary retirements of depreciable property.

Maintenance, repairs and minor renewals are charged to maintenance expense accounts. Renewals and betterments of property are capitalized.

Regulation

Gas utilities rates and revenues are established following public hearings before the respective provincial and federal regulatory authorities. From time to time the authorities grant provisional rate increases which may be subject to refund to customers depending upon the decision of the authorities following a full public hearing. The companies believe that no such refunds will be required.

Income taxes

Natural resources

20 The companies follow the tax allocation method of accounting whereby provisions for income taxes are based on the income reported in the accounts. This method results in the provision of deferred income

taxes to the extent that taxes currently payable have been reduced by claiming depletion and depreciation for income tax purposes in amounts differing from those reported in the accounts.

Gas utilities

The companies' rates and revenues, established for regulatory purposes, include recovery of only such income taxes as are currently payable. Accordingly, the companies provide for income taxes on this basis and do not provide for income taxes which may be payable in future years as a result of current differences in timing of deductions, principally in respect of depreciation and amortization, for financial reporting and income tax purposes. Such income taxes not provided and not recovered in revenues, before applicable minority interests, amounted to \$5,300,000 in 1982, (\$4,100,000 in 1981, \$3,700,000 in 1980), and \$58,800,000 in total to December 31, 1982.

Deferred gas revenues

Amounts received for annual contracted gas volumes not taken by pipeline purchasers are deferred and will be recognized as revenue when deliveries are made over a ten-year period commencing November 1, 1984.

Pension plans

The companies have several pension plans covering most employees. Current costs are provided for, and funded, based upon actuarial estimates. There are no material unfunded liabilities for past service pension benefits.

Earnings per common share

Earnings per common share have been calculated using the weighted monthly average number of common shares outstanding during the year (26,621,000 in 1982, 26,693,000 in 1981, 26,447,000 in 1980). Fully diluted earnings per common share assumes the exercise of all rights to acquire common shares which have a dilutive effect.

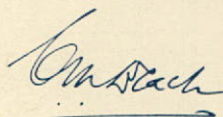
Consolidated statement of income	1982	1981	1980
Sales and other revenues			
Natural resources (net of production revenue taxes of \$44,387,000 in 1982, \$18,126,000 in 1981)	\$ 332,789	\$244,337	\$266,108
Gas utilities	668,250	581,042	480,834
Other (Note 2(e))	12,148	8,378	7,109
	1,013,187	833,757	754,051
Costs and expenses			
Gas purchases	596,176	518,179	420,416
Production, operations and administration	142,513	122,380	106,810
Depreciation and depletion (Note 3)	55,600	43,136	45,288
Interest on long term debt	50,019	41,620	36,637
Other financial expense	35,170	17,769	10,581
Income taxes (Note 8)	55,104	41,739	44,571
Minority interests in subsidiaries	4,309	3,404	3,865
	938,891	788,227	668,168
Income before extraordinary item	74,296	45,530	85,883
Extraordinary item (Note 2(b))		8,048	
Net income	\$ 74,296	\$ 53,578	\$ 85,883
Dividends on preference shares	\$ 2,146	\$ 2,332	\$ 2,391
Income applicable to common shares			
Before extraordinary item	\$ 72,150	\$ 43,198	\$ 83,492
Including extraordinary item	\$ 72,150	\$ 51,246	\$ 83,492
Earnings per common share			
Before extraordinary item			
Basic	\$ 2.71	\$ 1.62	\$ 3.16
Fully diluted	\$ 2.66	\$ 1.61	\$ 3.05
Including extraordinary item			
Basic	\$ 2.71	\$ 1.92	\$ 3.16
Fully diluted	\$ 2.66	\$ 1.91	\$ 3.05

Consolidated balance sheet	1982	1981
Assets		
Current assets		
Cash and deposits	\$ 834	
Accounts receivable and unbilled gas	230,719	\$ 177,683
Inventory of gas in storage and supplies	30,281	28,896
Total current assets	261,834	206,579
Investments (Note 2)	345,191	232,105
Properties, plant and equipment (Note 3)	1,097,899	962,075
Other assets	24,703	20,590
	\$1,729,627	\$1,421,349
Liabilities		
Current liabilities		
Bank indebtedness		\$ 6,319
Accounts payable and accrued charges	\$ 188,112	146,713
Income and other taxes	16,745	8,509
Current maturities on long term debt	40,787	26,774
Current liabilities, excluding demand bank credits	245,644	188,315
Demand bank credits (Note 4)	181,368	173,432
Total current liabilities	427,012	361,747
Long term debt (Note 5)	500,304	364,072
Deferred gas revenues	40,464	20,458
Total liabilities	967,780	746,277
Deferred income taxes	181,598	141,300
Minority interests in subsidiaries (Note 6)	44,306	44,201
Shareholders' equity		
Capital stock (Note 7(a))		
Issued		
First preference shares		
1,435 \$1.06 cumulative redeemable series A (1,605 in 1981)	36	40
82,224 \$1.50 cumulative redeemable series B (101,879 in 1981)	2,056	2,547
Junior preference shares		
655,881 \$2.88 cumulative convertible redeemable 1979 series (715,902 in 1981)	32,138	35,079
94,248 non-cumulative convertible redeemable 1981 series (97,862 in 1981)	4,712	4,893
26,737,451 common shares (26,507,143 in 1981)	238,127	232,845
Retained earnings (Note 7(b))	258,874	214,167
Total shareholders' equity	535,943	489,571
	\$1,729,627	\$1,421,349

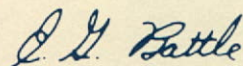
Years ended December 31, 1982,
1981 and 1980
(thousands of dollars)

Consolidated statement of retained earnings	1982	1981	1980
Balance at beginning of year	\$214,167	\$195,703	\$137,321
Net income	74,296	53,578	85,883
	288,463	249,281	223,204
Dividends			
First preference shares— series A	2	2	2
— series B	144	200	232
Junior preference shares— 1979 series	2,000	2,130	2,157
Common shares	26,605	26,712	25,094
Cost of common shares purchased for cancellation in excess of average issue price	838	6,070	
Other			16
	29,589	35,114	27,501
Balance at end of year	\$258,874	\$214,167	\$195,703

Approved by the Board:



Director



Director

Auditors' report

To the shareholders of Norcen
Energy Resources Limited

We have examined the consolidated balance sheet of Norcen Energy Resources Limited as at December 31, 1982 and 1981 and the consolidated statements of income, retained earnings and changes in financial position for each of the three years ended December 31, 1982. 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 each of the three years ended December 31, 1982 in accordance with generally accepted accounting principles applied, except for the change in 1981 in the method of depletion as described in Note 3, with which we concur, on a consistent basis.



Chartered Accountants

Toronto, Canada
February 1, 1983

**Consolidated statement
of changes in financial position**

Source of funds

	1982	1981	1980
Income before extraordinary item	\$ 74,296	\$ 45,530	\$ 85,883
Items not requiring an outlay of funds			
Minority interests in subsidiaries	4,309	3,404	3,865
Deferred income taxes	40,297	30,687	37,095
Depreciation and depletion including amounts charged to other expense accounts	56,570	44,191	45,723
Amortization of finance expense and other deferred charges	1,152	1,644	1,477
Earnings of unconsolidated companies in excess of dividends received	(688)	(2,673)	(2,349)
From operations	175,936	122,783	171,694
Deferred gas revenues	20,006	4,905	7,205
Increase in demand bank credits, net	7,936	87,528	18,871
Increase in long term debt	181,920	55,016	26,000
Issue of preference and common shares	2,793	8,532	1,636
Investments			35,096
Provision for cost of discontinued operations		8,048	
	388,591	286,812	260,502

Application of funds

Expenditures on properties, plant and equipment	276,152	188,119	218,638
Petroleum incentive payments earned	(83,758)	(48,044)	
Retirement of long term debt	45,688	32,935	18,314
Dividends	31,480	31,889	30,477
Investments	112,398	44,044	
Redemption of preference shares	676	1,192	348
Purchase of common shares	1,290	9,060	
Other	6,739	6,632	2,943
	390,665	265,827	270,720

Increase (decrease) in funds \$ (2,074) \$ 20,985 \$ (10,218)

**Changes in components of funds
are represented by:**

Cash and deposits	\$ 834	\$ (5,510)	\$ 2,671
Accounts receivable and unbilled gas	53,036	52,019	28,382
Inventory of gas in storage and supplies	1,385	6,455	6,507
Bank indebtedness	6,319	(6,319)	
Accounts payable and accrued charges	(41,399)	(17,293)	(36,130)
Income and other taxes	(8,236)	(131)	(8,177)
Current maturities on long term debt	(14,013)	(8,236)	(3,471)
Increase (decrease) in funds	\$ (2,074)	\$ 20,985	\$ (10,218)

Notes to consolidated financial statements

Note 1

Accounting policies

The information on pages 19 through 20 presents a summary of the principal accounting policies and is an integral part of these consolidated financial statements.

Note 2

Investments	1982	1981
(a) At equity		
Coleman Collieries Limited ("Coleman") (Note 2(b))		
Shares	\$ 3,346	\$ 2,673
Hollinger North Shore Exploration Inc. ("Hollinger North")		
Shares	3,879	
At cost		
Gaz Métropolitain, inc. ("GMI") (Note 2(c))		
Shares-common	78,874	78,874
-preference	19,931	20,731
Debt (i)	70,833	75,749
The Hanna Mining Company ("Hanna") (quoted market 1982 - \$45,562,000; 1981 - \$28,239,000) (Note 2(d))		
Shares	112,736	34,618
Labrador Mining and Exploration Company Limited ("Labrador") (quoted market - \$38,800,000)		
Shares	39,722	
Long term notes receivable	8,552	11,188
Other investments	7,318	8,272
	\$345,191	\$232,105

(i) Excludes current maturities of \$5,401,000 in 1982 (\$5,195,000 in 1981) and other current accounts which are included in accounts receivable.

(b) Coleman

In accordance with a decision made in 1977 Coleman, 74% owned, ceased mining operations in 1980 on the termination of its metallurgical coal sales contracts. All costs anticipated to be incurred on the discontinuance of Coleman's operations, together with Norcen's investment, were charged as an extraordinary item in the 1977 consolidated statement of income. Included in this charge was \$8,048,000 being Norcen's estimate of costs to be incurred by it on closure. In 1981 Norcen determined that this provision was no longer required and accordingly it was reversed and taken into income as an extraordinary gain.

Since 1977 Norcen has not consolidated the accounts of Coleman for the reasons stated above. In June 1981 Coleman signed an agreement for the delivery of thermal coal which will be supplied by the rewashing

of coal refuse. The contract expires in 1987. Effective January 1, 1981 Norcen has accounted for its investment in Coleman using the equity method.

(c) GMI

In July 1980 and March 1981, Northern and Central Gas Corporation Limited ("N&C") issued exchangeable subordinated debentures, exchangeable into N&C's holding of 10,127,049 GMI common shares (39% interest at December 31, 1982). Both issues confer upon the holders the right to vote the shares subject to exchange during the terms of the issues and prior to exercising the exchange right. As a result N&C no longer has a voting interest in GMI. Norcen commenced, effective January 1981, to account for its investment in GMI by the cost method.

The first issue of \$26 million principal amount of 12% exchangeable subordinated debentures due in 2000 are exchangeable until 1990 by the holders into 3.25 million common shares of GMI. The second issue of \$55,016,000 of 13% exchangeable subordinated debentures redeemable in 1988 are exchangeable at any time during the period into 6,877,049 common shares of GMI. N&C has the option to pay the redemption price in cash or by tendering the common shares of GMI subject to the exchange right.

(d) Hanna

On July 7, 1982, Norcen entered into an agreement with Hanna whereby Norcen increased its common share interest in Hanna from 8.8% to 20% through the purchase of Hanna treasury shares and agreed, subject to certain exceptions, not to increase its interest for an eight year period. These exceptions include rights of Norcen to acquire an additional 0.5% of the outstanding Hanna shares for each of the last six years of the agreement; to maintain its permitted percentage ownership; and to respond to other offers for Hanna shares under stated conditions. Norcen also purchased from Hanna its 40% interest in Hollinger North and its 20% interest in Labrador which has a 36% interest in Norcen.

(e) Other revenue reflected in the consolidated statement of income is comprised of the following:

	1982	1981	1980
Coleman			
Equity in earnings	\$ 673	\$2,673	
Dividends	361		
Hollinger North			
Equity in earnings	15		
GMI			
Equity in earnings			\$5,062
Dividends	6,858	5,705	2,047
Hanna			
Dividends	3,201		
Labrador			
Dividends	1,040		
	\$12,148	\$8,378	\$7,109

Note 3 Properties, plant and equipment	Natural resources	Gas utilities	Total
December 31, 1982			
Cost	\$1,098,883	\$396,144	\$1,495,027
Accumulated depreciation and depletion	307,321	89,807	397,128
Net	\$ 791,562	\$306,337	\$1,097,899
December 31, 1981			
Cost	\$ 937,385	\$ 368,806	\$ 1,306,191
Accumulated depreciation and depletion	262,896	81,220	344,116
Net	\$ 674,489	\$ 287,586	\$ 962,075

The National Energy Program coupled with energy pricing and taxation agreements with the provinces signed in late 1981 has established a five year contractual pricing structure for oil and gas production in Canada. The existence of this pricing structure means that depletion of costs can be related to the value of production in relation to the total value of the reserves. Norcen has concluded that, effective January 1, 1981, it is more appropriate to relate charges for depletion to production revenues than to

production quantities. Estimated future production revenues are based on proven reserves as determined by company engineers and on prices set by energy and pricing agreements limited to 75% of the world price for crude oil. As a result of this change in accounting, the provision for depletion in 1982 is \$6,863,000 or \$0.14 per common share after income taxes (1981 - \$7,315,000 or \$0.15 per common share after income taxes) less than it would have been had it been based on production quantities.

Note 4

Demand bank credits

Norcen and its consolidated subsidiaries have the following obligations under established bank lines of credit of \$325,500,000 at December 31, 1982 (\$210,500,000 at December 31, 1981):

	Average % rate of interest at December 31		December 31	
	1982	1981	1982	1981
Commercial paper (i)	11.2	16.6	\$109,042	\$ 63,460
Bankers' acceptances (i)	11.0	16.7	35,000	50,000
Bank loans - unsecured	12.4	17.2	37,326	59,972
			\$181,368	\$173,432
Natural resources			\$176,443	\$170,168
Gas utilities			4,925	3,264
			\$181,368	\$173,432
Unused lines of credit at December 31			\$144,132	\$ 37,068

(i) Of total lines of credit, up to \$210,000,000 is available to support commercial paper and bankers' acceptance financing.

While demand bank credits are by their terms due within one year and therefore classified as current liabilities, the companies have in the past retired, and anticipate in the future retiring, such obligations through the issue of long term capital, subject to market conditions.

Note 5		
Long term debt	1982	1981
Natural resources		
9 ³ / ₄ % – 11 ¹ / ₄ % secured debentures, 1983-1996	\$ 46,979	\$ 48,537
10 ¹ / ₄ % – 11 ¹ / ₄ % secured notes, 1988	41,735	48,294
Term bank credits (Note 5(a))	151,920	
Notes and purchase agreements	6,659	8,137
	247,293	104,968
Gas utilities		
5 ³ / ₄ % – 11 ³ / ₈ % first mortgage bonds, 1982-1998	124,270	136,501
9 ⁵ / ₈ % – 14% senior debentures, 1991-2002	65,908	37,820
6% subordinated notes, 1987	2,055	2,457
5 ³ / ₄ % – 11 ¹ / ₄ % debentures, 1982-1991	20,592	28,110
12%-13% exchangeable subordinated debentures, 1988-2000 (Note 2(c))	81,016	81,016
	293,841	285,904
	541,134	390,872
Deduct		
Long term debt held for sinking fund purposes	43	26
Current maturities on long term debt	40,787	26,774
	40,830	26,800
	\$500,304	\$364,072

(a) A line of credit aggregating U.S. \$145,000,000 has been established with three Canadian banks which, on maturity in 1986 and at Norcen's option, may be converted into a term loan with semi-annual principal repayments to retire the loan in 1994. As at December 31, 1982 indebtedness outstanding under the bank credit amounted to \$36,000,000 in commercial paper and U.S. \$90,000,000 in Eurodollar advances. Average annual costs on such indebtedness were 11.6% and 10.7% respectively (including applicable fees to the banks).

(b) Of the \$293,841,000 of long term debt of the gas utilities, \$76,234,000 represents amounts owing to N&C by GMi as a result of financings arranged in prior years by N&C for GMi (Note 2(a)).

Securities issued in United States funds mature between 1987 and 1994 and are included above at their Canadian dollar equivalent (1982 – \$199,192,000, 1981 – \$93,117,000) at respective dates of issue except for current maturities which are translated at year-end rates. Repayment of such issues in their entirety at rates of exchange prevailing at year-end would result in additional obligations of \$12,889,000 at December 31, 1982 (\$16,614,000 at December 31, 1981).

Long term debt maturities and sinking fund requirements for each of the four years subsequent to 1983 are as follows:

1984 – \$25,482,000; 1985 – \$23,698,000; 1986 – \$34,058,000; 1987 – \$42,234,000.

Note 6

Minority interests in subsidiaries – preference shares

Preference shares in the amount of \$36,326,000 at December 31, 1982 (\$37,796,000 at December 31, 1981, \$39,553,000 at December 31, 1980) are included in

minority interests. The dividends paid on these shares were \$2,722,000 in 1982 (\$2,838,000 in 1981, \$2,988,000 in 1980).

Note 7

Capital stock

(a) The authorized capital stock of Norcen at December 31, 1982 consists of 1,300,000 first preference shares without par value issuable in series; unlimited second preference shares without par value issuable in series; unlimited junior preference shares without par value issuable in series; and unlimited common shares without par value. The maximum consideration for the issuance of first preference shares is \$132,500,000.

First preference shares, series A and series B (redeemable at Norcen's option at \$27.50 and \$26.50 per share respectively) have voting rights. The Junior Preference Shares, 1979 Series issued at \$50.00 per share, have voting rights, are convertible to September 1, 1983 at \$28.00 per common share and thereafter until September 1, 1987 at \$31.00 per common share and are redeemable at Norcen's option after September 1, 1981 at a premium of \$2.16 over issue price, such premium declining by \$0.36 per annum until September 1, 1987 after which they are redeemable at issue price.

The Convertible Junior Preference Shares, 1981 Series were issued at \$50.00 per share. These shares, which were issued to senior executives pursuant to the terms of the Preference Share Incentive Plan, are non-voting, pay no dividend and become convertible into common shares at \$30.1125 per common share at the rate of 25% of the issue after each of the first four years. The preference shares are automatically redeemed at \$50.00 per share after eight years or earlier in accordance with certain provisions of the

plan. Norcen, under the terms of the plan, made interest free loans to such executives of the full purchase price of the shares. The loans, which are secured by the preference shares, are repayable on redemption or conversion.

Norcen established the Employee Stock Purchase Plan in 1981 and issued 38,384 common shares at \$30.1125 each pursuant thereto. Interest free loans

were made to the employees to enable them to purchase the shares. The loans, which are secured by the common shares, are repayable at an escalating rate over a seven year period with special repayment provisions in the event of retirement or termination.

Changes in Norcen's common and junior preference share capital during the three years ended December 31, 1982 are as follows:

	Common shares		Junior preference shares			
	Number of shares	Amount	1979 Series Number of shares	Amount	1981 Series Number of shares	Amount
December 31, 1979	24,084,210	\$ 159,743	2,161,150	\$ 105,896		
Issued for cash						
Employee savings and investment plan	47,389	1,636				
Incentive stock option plan	713					
Converted						
Preference shares	2,527,482	69,354	(1,415,398)	(69,354)		
December 31, 1980	26,659,794	230,733	745,752	36,542		
Issued for cash						
Employee savings and investment plan	74,770	2,170				
Employee stock purchase plan	38,384	1,156				
Incentive stock option plan	12,025					
Common stock dividends	10,967	313				
Junior preference shares					97,862	\$ 4,893
Converted						
Preference shares	53,303	1,463	(29,850)	(1,463)		
Purchased for cancellation	(342,100)	(2,990)				
December 31, 1981	26,507,143	232,845	715,902	35,079	97,862	4,893
Issued for cash						
Employee savings and investment plan	85,087	2,298				
Incentive stock option plan	70,764					
Common stock dividends	18,742	495				
Redeemed					(3,614)	(181)
Converted						
Preference shares	107,180	2,941	(60,021)	(2,941)		
Purchased for cancellation	(51,465)	(452)				
December 31, 1982	26,737,451	\$238,127	655,881	\$32,138	94,248	\$4,712

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In addition, Norcen redeemed first preference shares during the three years ended December 31, 1982 as follows:

	Series A		Series B	
	Number of shares	Amount	Number of shares	Amount
1980	293	\$8	13,599	\$ 340
1981	160	4	47,529	1,188
1982	170	4	19,655	491

Common shares may be issued as follows:

Conversion of junior preference shares	1,327,709
Incentive stock option plan, of which market growth options were outstanding at December 31, 1982 on 163,450 shares exercisable at a price of \$22.375 expiring in 1984 and on 36,375 shares exercisable at a price of \$30.125 expiring in 1986	553,657
Employee savings and investment plan	353,281
Employee stock purchase plan	611,616
	2,846,263

(b) Dividend restrictions

The indentures and agreements relating to Norcen's long term debt obligations do not limit the payment of dividends by Norcen. However, the indentures and agreements relating to the long term debt obligations of Norcen's principal gas utility subsidiary, N&C, contain various covenants limiting the payment of dividends. Under the most restrictive of these covenants the maximum amount of dividends that may be declared by N&C at December 31, 1982 is \$9,000,000.

Note 8

Income taxes

Deferred income taxes result from timing differences in the recognition of income and expenses for income tax and financial statement purposes. The source of these differences and the tax effect of each are as follows:

	Year ended December 31		
	1982	1981	1980
Exploration and development expenditures and capital cost allowances deducted for income tax purposes in excess of depletion and depreciation	\$38,754	\$28,303	\$48,966
Revenue included in taxable income on the basis of instalment payments received in the year			(11,359)
Adjustments to eliminate effect of intercorporate transactions and differences in pre-acquisition deferred tax amounts	1,320	1,320	1,320
Other items	223	1,064	(1,832)
	\$40,297	\$30,687	\$37,095

The foregoing amounts exclude deferred income taxes of \$5,300,000 in 1982 (\$4,100,000 in 1981, \$3,700,000 in 1980) applicable to the gas utility subsidiaries which are not recorded in the accounts for the reasons outlined in Note 1. These deferred income taxes are primarily based on timing differences between capital cost allowance and depreciation.

The provision for income taxes in the consolidated statement of income varies from the amounts that would be computed by applying the Canadian federal statutory rate of 46% to income before income taxes, other revenue, minority interests and extraordinary item for the following reasons:

	Year ended December 31		
	1982	1981	1980
Income before income taxes and other items	\$121,561	\$82,295	\$127,210
Canadian federal statutory rate of income tax	46.0%	46.0%	46.0%
Computed income tax expense	\$ 55,918	\$37,856	\$ 58,517
Increase (decrease) in income taxes resulting from:			
Non-deductible production revenue taxes	20,418	8,338	
Income tax depletion	(11,685)	(7,797)	(11,763)
Incremental exempt income	(9,489)		
Gas utility capital cost allowance deducted for income tax purposes in excess of depreciation	(3,239)	(3,434)	(3,591)
Provincial income taxes in excess of federal abatement	2,014	1,552	1,706
Effect of differences in pre-acquisition deferred tax amounts	1,320	1,320	1,320
Non-deductible royalties, mineral taxes and other expense, less federal resource allowance and provincial rebates	(18)	2,310	1,041
Other, net	(135)	1,594	(2,659)
Actual income tax expense	\$ 55,104	\$41,739	\$ 44,571
Effective tax rate	45.3%	50.7%	35.0%

Note 9

Financial data by business segment

	Natural resources			Gas utilities		
	1982	1981	1980	1982	1981	1980
Sales and other revenues						
Natural gas distribution				\$668,250	\$581,042	\$480,834
Crude oil	\$ 142,031	\$ 98,208	\$ 83,338			
Oil sands royalty	30,114	12,083	33,660			
Natural gas liquids	31,583	14,709	10,194			
Natural gas	90,098	73,800	79,114			
Sulphur	3,067	2,576	2,216			
Oil and gas transmission, LPG marketing and other	80,283	61,087	57,586			
Petroleum and gas revenue tax	(35,619)	(18,126)				
Incremental oil revenue tax	(8,768)					
	332,789	244,337	266,108	668,250	581,042	480,834
Other	5,290	2,673		6,858	5,705	7,109
	338,079	247,010	266,108	675,108	586,747	487,943
Gas purchases	41,429	34,276	28,163	554,747	483,903	392,253
Production, operations and administration	90,228	77,464	67,722	52,285	44,916	39,088
Depreciation and depletion	44,935	33,926	37,279	10,665	9,210	8,009
Interest and other financial expense	53,838	32,214	21,888	31,351	27,175	25,330
Income taxes	50,690	37,826	40,078	4,414	3,913	4,493
Minority interests	1,570	558	867	2,739	2,846	2,998
	282,690	216,264	195,997	656,201	571,963	472,171
Income before extraordinary item	\$ 55,389	\$ 30,746	\$ 70,111	\$ 18,907	\$ 14,784	\$ 15,772
Identifiable assets at December 31	\$1,130,628	\$851,620	\$675,284	\$598,999	\$569,729	\$547,655
Capital expenditures	\$ 161,716(i)	\$100,914(i)	\$188,447	\$ 30,678	\$ 39,161	\$ 30,191

(i) Net of petroleum incentive payments earned of \$83,758,000 in 1982 and \$48,044,000 in 1981.

Note 10

United States accounting principles

Norcen follows Canadian accounting principles which are different in some respects from those applicable

in the United States and from practices prescribed by the United States Securities and Exchange Commission ("SEC"). These differences would have affected income applicable to common shares as follows:

	Year ended December 31		
	1982	1981	1980
Income applicable to common shares before extraordinary items based on Canadian accounting principles	\$72,150	\$43,198	\$83,492
Foreign currency translation adjustment on long term debt (i)	3,725	2,246	(894)
Application of SEC prescribed full cost method net of related deferred income taxes (ii)	246	(9,891)	(3,763)
Amortization of excess cost of minority shares in 1975 reorganization (iii)	(601)	(525)	(900)
Extraordinary item (iv)		8,048	
Income applicable to common shares based on United States accounting principles	\$75,520	\$43,076	\$77,935
Earnings per share before extraordinary item			
Canadian	\$ 2.71	\$ 1.62	\$ 3.16
United States	\$ 2.84	\$ 1.61	\$ 2.95

(i) Under United States accounting principles long term debt in foreign currency would be translated at the rate of exchange in effect at year end whereas Norcen has followed the practice of translating these amounts at their historical rate of exchange.

(ii) Norcen accounts for its exploration and development expenditures under the full cost method on a world-wide basis. This adjustment reflects the country-by-country full cost method prescribed by the SEC.

(iii) A corporate reorganization in 1975 was accounted for in the manner of a pooling of interests. Under United States accounting principles, it would have

been accorded purchase accounting treatment.

Accordingly, the cost of the minority shares over their underlying book value of \$16,900,000 would have been included in properties, plant and equipment. (iv) In 1981 the reversal of a provision for costs of discontinued operations of Coleman was classified as an extraordinary item. Under United States accounting principles, this adjustment would not have been an extraordinary item.

The cumulative effect of the application of the above noted United States accounting principles on retained earnings would be as follows:

	December 31		
	1982	1981	1980
Retained earnings based on Canadian accounting principles	\$258,874	\$214,167	\$195,703
Write-off of unrealized exchange losses on long term debt	(12,889)	(16,614)	(18,860)
Application of SEC full cost method	(31,451)	(31,697)	(21,806)
Amortization of excess cost of minority shares in 1975 reorganization	(6,211)	(5,610)	(5,085)
Other (i)	(20,920)	(20,920)	(20,920)
Retained earnings based on United States accounting principles	\$187,403	\$139,326	\$129,032

(i) Cumulative effect of income accruing to the minority interests prior to the date of the 1975 reorganization, net of the excess cost of the minority shares, would not have been credited to retained earnings.

Note 11

Exploration and production activities

Norcen has capitalized property acquisition, exploration and development costs pertaining to its Canadian and foreign oil and gas operations as follows:

	December 31	
	1982	1981
Properties		
Canada	\$ 749,188	\$671,129
Foreign (i)	98,395	72,805
Production equipment	170,132	142,056
	1,017,715	885,990
Accumulated depreciation, depletion and amortization	270,888	227,840
Capitalized costs	\$ 746,827	\$658,150

(i) Principal areas of spending have been in Australia, Brazil, Gabon, Oman, Tunisia, the United Kingdom and the United States.

The following table presents information on Norcen's oil and gas producing activities.

	Canada	Foreign	Total
Costs capitalized in the year			
1982			
Property acquisition	\$ 15,112	\$ 865	\$ 15,977
Exploration (i)	49,315	21,635	70,950
Development (i)	41,263	3,535	44,798
Total capitalized	\$105,690	\$ 26,035	\$131,725
1981			
Property acquisition	\$ 4,976	\$ 2,613	\$ 7,589
Exploration (i)	43,863	17,403	61,266
Development (i)	29,843	584	30,427
Total capitalized	\$ 78,682	\$ 20,600	\$ 99,282
1980			
Property acquisition	\$ 72,648	\$ 1,695	\$ 74,343
Exploration	54,197	8,649	62,846
Development	50,391	867	51,258
Total capitalized	\$ 177,236	\$ 11,211	\$ 188,447

(i) Exploration and development costs in Canada are shown net of petroleum incentive payments earned of \$83,758,000 in 1982 (\$48,044,000 in 1981).

	Canada	Foreign	Total
Depreciation, depletion and amortization expense			
1982	\$ 38,104	\$ 4,944	\$ 43,048
1981	29,670	2,337	32,007
1980	33,504	2,315	35,819
Depreciation, depletion and amortization expense per equivalent barrel			
1982	\$ 2.19	\$ 25.88(i)	\$ 2.33
1981	1.73	16.13(i)	1.79
1980	1.83	6.76(i)	1.86

(i) Rate per equivalent barrel includes United States properties only.

	Canada	Foreign	Total
Net revenues from producing oil and gas			
1982			
Revenue (i)	\$250,740	\$ 1,766	\$252,506
Production expenses	46,967	386	47,353
Net revenue	\$203,773	\$ 1,380	\$205,153
1981			
Revenue (i)	\$ 182,016	\$ 1,234	\$ 183,250
Production expenses	39,342	270	39,612
Net revenue	\$ 142,674	\$ 964	\$ 143,638
1980			
Revenue	\$ 207,497	\$ 1,025	\$ 208,522
Production expenses	33,559	146	33,705
Net revenue	\$ 173,938	\$ 879	\$ 174,817

(i) Net of production revenue taxes of \$44,387,000 in 1982 (\$18,126,000 in 1981).

Supplemental information

Quarterly and other financial data

	Quarter				Year
	First	Second	Third	Fourth	
1982					
Sales and other revenues (i)	\$319,816	\$209,492	\$180,398	\$303,481	\$1,013,187
Net income	25,126	15,028	11,905	22,237	74,296
Income per share	0.93	0.54	0.43	0.81	2.71
Dividends paid per common share (ii)	0.25	0.25	0.25	0.25	1.00
Market price per common share (iii)					
High	27	27³/₄	32¹/₂	35¹/₄	
Low	21³/₄	22⁷/₈	25	28¹/₂	
1981					
Sales and other revenues (i)	\$ 260,253	\$ 173,398	\$ 152,637	\$ 247,469	\$ 833,757
Income before extraordinary item	22,771	6,583	3,024	13,152	45,530
Net income	22,771	14,631	3,024	13,152	53,578
Income per share before extraordinary item	0.83	0.22	0.09	0.48	1.62
Dividends paid per common share (ii)	0.25	0.25	0.25	0.25	1.00
Market price per common share (iii)					
High	33 ¹ / ₄	34 ¹ / ₄	32 ³ / ₄	27 ³ / ₄	
Low	28 ¹ / ₂	28 ⁵ / ₈	21	24	

(i) Sales and other revenues have been restated to include the earnings of unconsolidated companies as previously reported.

(ii) United States residents are subject to a 15% withholding tax.

(iii) The market prices are as reported by The Toronto Stock Exchange, which is the principal trading stock exchange of the common shares of the Company.

Summary of Canadian oil and gas producing activities

Reserves as determined by company engineers are stated on a before royalty basis and include proven

remaining reserves together with probable additional reserves reduced by a risk factor, all in accordance with Canadian practice.

The following information is provided in response to United States reporting requirements for which purpose information is to be provided on a proven reserve basis only after deducting royalty interests of governments and others. All of Norcen's proven reserves are developed.

The following table summarizes the changes in quantities of net proven Canadian oil and gas reserves as determined by independent reservoir engineers. Such quantities vary from reserves determined by company engineers primarily due to timing differences in making reserve estimates.

	Year ended December 31				
	1982	1981	1980	1979	1978
	(thousands of barrels)				
Oil and gas liquids					
Beginning of year	79,121	80,103	74,574	69,035	69,136
Revisions of previous estimates	843	5,561	5,777	7,964	1,231
Purchase of reserves in place			5,453	818	185
Extensions, discoveries and other additions	1,042	213	1,676	3,562	4,521
Production	(7,533)	(6,756)	(7,377)	(6,805)	(6,038)
End of year	73,473	79,121	80,103	74,574	69,035
	(millions of cubic feet)				
Natural gas					
Beginning of year	617,663	644,429	576,890	548,550	528,190
Revisions of previous estimates	61,690	(20,578)	42,786	25,750	(4,840)
Purchase of reserves in place	13,393		12,982	34,535	20,437
Extensions, discoveries and other additions	38,149	25,347	47,166	9,263	44,019
Production	(34,006)	(31,535)	(35,395)	(41,208)	(39,256)
End of year	696,889	617,663	644,429	576,890	548,550

Oil and gas liquids at the end of each year include 17.4, 17.2, 17.7, 18.8 and 19.9 million barrels in 1982, 1981,

1980, 1979 and 1978 respectively as Norcen's oil sands royalty interest. The decline in reserves is principally due to production.

Reserve recognition accounting

The following information summarizes the Canadian oil and gas producing activities for the years indicated on the basis of the reserve recognition method of accounting as prescribed by the SEC. Reserve recognition accounting ("RRA") is presented as a supplement to the cost methods historically followed by oil and gas producing companies. Norcen believes that RRA statements generally do not accurately reflect the economic value of oil and gas reserves or the income to be derived therefrom.

RRA attempts to (i) assign a value to proven reserves which is more indicative of the value of the reserves than cost, (ii) reflect additions to proven reserves and changes in valuation of proven reserves in the income statement and (iii) expense all costs of finding and developing additions to proven reserves, including all costs determined to be not productive, during the current period. In order to develop the values for inclusion in the balance sheet and the additions to proven reserves on the income statement, several assumptions are made. The present value information is calculated by applying a per annum discount rate of 10% as stipulated by the SEC to the estimated proven reserves as shown above. Income taxes have been calculated on the taxes payable basis by applying rates and other statutory provisions in effect at January 1.

The basis for the amounts presented includes projected production schedules, forecasted development and production costs and estimates of reserve quantities. Because of the uncertainty inherent in any projections of the future, actual production volumes and development costs may vary from those utilized to calculate the present value of estimated future net revenues. Further, to the extent that the actual cost of capital is different from the prescribed discount rate of 10%, the value of the reserves, as shown, will be different.

In calculating the estimated future net revenues before income taxes at the end of 1982, prices and costs in effect at January 1, 1983 were assumed to be constant, were applied to proven reserves and provision was made for estimated future development expenditures that will be required to produce the reserves.

The estimated future net revenues before income taxes but after petroleum and gas revenue tax and incremental oil revenue tax as at December 31, 1982 expected to be earned in each of the three years subsequent to 1982 and in total for all future years are as follows:

1983	1984	1985	Thereafter	Total
(millions of dollars)				
\$210	\$205	\$205	\$2,348	\$2,968

The present value of estimated future net revenues discounted at 10% based on proven reserves at the end of each year, calculated on the basis outlined above, is as follows:

1982	1981	1980	1979	1978
(millions of dollars)				
\$1,489	\$1,064	\$973	\$907	\$656

The following table summarizes the Canadian oil and gas producing activities for the years indicated on the basis of RRA and was prepared under the assumptions stated above for proven reserves. RRA is based on the recognition of revenue at the time that proven reserves are determined. The summary of oil and gas producing activities on the basis of RRA sets out the present value (discounted at 10% per annum) of the future net revenues expected to be derived at current price and cost levels from the current year's exploration activities and evaluation of proven reserves.

	Year ended December 31			
	1982	1981	1980	1979
	(millions of dollars)			
Additions and revisions to estimated proven oil and gas reserves, net of royalties				
Additions to estimated proven reserves	\$ 38	\$ 22	\$ 37	\$ 36
Changes in prices				
conventional reserves	238	191	184	118
oil sands royalty	(21)	166	(34)	88
Other (i)	165	10	63	55
Revenue taxes	78	(267)	(133)	
Accretion of discount	106	97	91	66
	604	219	208	363
Acquisition, exploration, development and production costs (ii)	212	90	120	71
Additions and revisions to proven reserves over evaluated costs	392	129	88	292
Provision for income taxes	229	69	102	137
Results of oil and gas producing activities on the basis of RRA	\$163	\$ 60	\$(14)	\$155

(i) Includes the effect of revisions in the quantities of reserves and changes in the timing of production.

(ii) Property acquisition costs aggregating \$44 million to December 31, 1982 (\$121 million to December 31, 1981, \$103 million to December 31, 1980, \$45 million to December 31, 1979) have not been included in the summary pending the determination of proven reserves.

The primary financial statements shown elsewhere herein recognize revenue upon the production and sale of Norcen's reserves. For 1982 the profit contribution from the production and sale of oil and gas, before administrative expenses, interest, taxes and minority interests, reflected in the primary financial statements is \$168 million (1981 - \$110 million, 1980 - \$137 million, 1979 - \$103 million).

The following table which was prepared using the assumptions stated above summarizes the changes in the present value of estimated future net revenues from proven reserves including \$300 million in 1982, \$184 million in 1981, \$91 million in 1980 and \$149 million in 1979 applicable to Norcen's oil sands royalty interest.

	Year ended December 31			
	1982	1981	1980	1979
	(millions of dollars)			
Increases				
Net additions and revisions	\$ 604	\$ 219	\$208	\$363
Purchase of reserves in place	14		27	23
Previously projected development costs	11	13	5	
	629	232	240	386
Decreases				
Sales of oil and gas and value of transfers (net of production costs of \$47 million, \$40 million, \$34 million and \$24 million respectively)	204	141	174	135
Net increase	425	91	66	251
Beginning of year	1,064	973	907	656
End of year	\$1,489	\$1,064	\$973	\$907

The present value of the estimated future net revenues from proven reserves as of the end of the year should not be viewed as the amount which might be realized in a sale of the reserves in place, nor as the amount which will be ultimately realized from the properties.

Ten-year summary	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
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Income		(millions of dollars)									
Sales and other revenues											
Natural resources	\$ 332.8	244.3	266.1	208.8	163.0	154.0	134.2	120.6	80.9	59.0	
Gas utilities	668.3	581.0	480.8	434.9	395.9	316.4	279.4	193.3	140.5	114.1	
Other	12.1	8.4	7.1	7.1	6.7	1.2	7.1	5.8	7.4	5.3	
	1,013.2	833.7	754.0	650.8	565.6	471.6	420.7	319.7	228.8	178.4	
Costs and expenses											
Gas purchases	596.2	518.2	420.4	371.6	340.2	285.4	244.9	160.6	112.1	83.2	
Production, operations and administration	142.5	122.4	106.8	87.8	73.7	65.6	58.4	50.2	36.7	31.1	
Depreciation and depletion	55.6	43.1	45.3	37.4	30.6	28.4	26.7	24.4	16.4	15.2	
Interest	85.2	59.4	47.2	43.8	42.5	31.3	40.4	34.6	24.5	21.7	
Income taxes	55.1	41.7	44.6	39.6	31.1	24.9	14.6	18.2	12.6	6.9	
Minority interests	4.3	3.4	3.8	3.7	3.7	0.9	0.8	0.8	0.9	0.6	
	938.9	788.2	668.1	583.9	521.8	436.5	385.8	288.8	203.2	158.7	
Income											
Natural resources	55.4	30.7	70.1	50.6	28.9	27.9	24.2	21.5	13.0	10.2	
Gas utilities	18.9	14.8	15.8	16.3	14.9	7.2	10.7	9.4	12.6	9.5	
	74.3	45.5	85.9	66.9	43.8	35.1	34.9	30.9	25.6	19.7	
Dividends on preference shares											
	2.1	2.3	2.4	3.8	1.3	2.8	3.9	4.1	4.1	4.2	
Income applicable to common shares											
	\$ 72.2	43.2	83.5	63.1	42.5	32.3	31.0	26.8	21.5	15.5	
Funds from operations (millions of dollars)											
Natural resources	\$ 141.6	93.5	145.7	104.9	62.6	53.3	44.0	40.9	31.5	25.5	
Gas utilities	34.3	29.3	26.0	26.7	25.2	14.5	10.9	15.5	16.9	17.3	
	\$ 175.9	122.8	171.7	131.6	87.8	67.8	54.9	56.4	48.4	42.8	
Capital expenditures (millions of dollars)											
Natural resources	\$ 245.5	148.9	188.4	172.7	62.4	34.3	22.8	129.1	33.6	20.6	
Gas utilities	30.7	39.2	30.2	16.9	13.2	10.7	9.9	14.9	17.9	9.3	
	\$ 276.2	188.1	218.6	189.6	75.6	45.0	32.7	144.0	51.5	29.9	

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Capitalization	(millions of dollars)									
Short term debt	\$ 181.4	173.4	85.9	67.0	63.6	37.0	49.6	69.5	37.6	8.0
Long term debt	500.3	364.1	342.0	334.3	357.4	366.2	394.3	376.8	283.5	292.2
Deferred income taxes	181.6	141.3	110.6	73.5	52.2	42.5	42.1	41.2	41.5	33.9
Minority interests	44.3	44.2	45.8	46.5	47.0	46.4	10.9	12.0	12.2	9.8
Shareholders' equity	535.9	489.6	466.8	407.1	255.1	229.0	245.5	225.1	216.0	204.1
	\$1,443.5	1,212.6	1,051.1	928.4	775.3	721.1	742.4	724.6	590.8	548.0
Assets	(millions of dollars)									
Properties, plant and equipment	\$1,097.9	962.1	866.2	693.3	548.6	504.0	487.5	514.4	395.3	354.3
Working capital (deficiency), excluding demand bank credits	\$ 16.2	18.3	(2.7)	7.5	8.1	4.6	15.2	(2.3)	7.5	12.2
Total assets	\$1,729.6	1,421.3	1,222.9	1,045.4	886.7	820.3	823.9	845.4	664.8	612.7
Common shares	(millions)									
Average number outstanding	26.6	26.7	26.4	23.4	22.8	21.3	19.6	19.4	19.4	19.3
	(thousands)									
Number of shareholders	20.9	22.3	24.0	28.8	31.7	32.6	29.9	32.0	33.0	34.3
	(dollars)									
Earnings per share	\$ 2.71	1.62	3.16	2.70	1.86	1.52	1.58	1.38	1.11	0.80
Dividends per share	\$ 1.00	1.00	0.95	0.76	0.72	0.72	0.68	0.68	0.60	0.60
Market price										
High	\$ 35.25	34.25	40.00	34.00	19.50	19.13	13.88	10.38	13.13	12.50
Low	\$ 21.75	21.00	28.00	16.50	14.63	10.38	9.75	8.38	7.25	9.00
Close	\$ 29.13	26.88	31.00	31.88	18.00	18.88	11.88	10.00	8.50	10.88

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Natural resources										
Production (before royalties)										
Crude oil, synthetic crude oil and natural gas liquids	(thousands of barrels per day)									
	27.0	24.9	27.2	26.0	23.2	23.7	23.3	25.8	17.1	16.7
Natural gas	(millions of cubic feet per day)									
	137.8	131.9	149.7	169.3	159.6	162.0	166.0	177.0	134.0	128.0
Sulphur	(thousands of long tons)									
	44.0	39.3	36.9	36.8	20.2	21.6	15.1	23.3	19.3	17.8
Gas gathering and transmission sales	(millions of cubic feet per day)									
	45.8	48.2	53.9	55.0	60.0	65.0	76.0	92.0	143.0	146.0
Oil gathering and transmission throughput	(thousands of barrels per day)									
	77.1	63.2	70.4	73.9	73.6	80.5	83.0	81.4	98.5	110.8
Liquefied petroleum gas sales	(millions of imperial gallons)									
	65.2	61.2	62.8	78.9	78.5	111.6	123.1	110.4	94.8	95.9
Reserves (before royalties)										
Oil and gas liquids	(millions of barrels)									
	114.3	119.7	122.1	129.0	117.3	109.8	118.2	130.7	81.3	79.2
Natural gas	(billions of cubic feet)									
	1,133.0	1,127.3	1,127.4	1,144.9	1,019.9	1,016.2	1,075.4	1,152.8	746.9	773.5
Sulphur	(thousands of long tons)									
	492.0	437.0	489.0	540.0	567.7	498.0	519.6	543.6	305.7	252.0
Oil and gas land holdings	(millions of gross acres)									
	23.1	23.6	30.0	40.5	36.8	28.5	29.1	31.6	30.0	23.4
	(millions of net acres)									
	5.4	5.9	7.1	8.8	8.9	9.3	10.5	11.9	12.3	12.0
Gas utilities										
Gas sales										
Industrial—firm	(billions of cubic feet)									
	50.3	60.8	60.7	59.6	64.1	67.2	66.9	59.7	67.1	64.1
—interruptible	35.2	44.9	45.5	51.4	43.0	42.5	37.2	33.2	39.6	39.8
Commercial	34.7	32.3	33.7	33.8	32.8	27.8	32.2	31.6	28.9	25.5
Residential	35.1	31.2	33.0	34.4	33.6	31.7	33.3	32.3	33.2	30.5
	155.3	169.2	172.9	179.2	173.5	169.2	169.6	156.8	168.8	159.9
Customers at year-end	(thousands)									
	287.4	279.5	263.7	255.2	247.0	242.4	234.7	232.7	231.1	225.8
Employees at year-end										
	(number)									
Natural resources	1,135	1,027	1,045	1,259	1,193	1,153	1,300	1,100	1,133	1,137
Gas utilities	1,090	1,095	1,058	952	975	1,050	1,000	1,050	980	955
	2,225	2,122	2,103	2,211	2,168	2,203	2,300	2,150	2,113	2,092

Directors and officers

Directors

Robert F. Anderson

Cleveland, Ohio
President and
Chief Executive Officer,
The Hanna Mining
Company

Donald D. Barkwell

Calgary, Alberta
Executive Vice-President

Douglas G. Bassett⁴

Toronto, Ontario
President and
Chief Executive Officer,
Baton Broadcasting
Incorporated

Edward G. Battle¹

Toronto, Ontario
President and
Chief Executive Officer

Conrad M. Black¹

Toronto, Ontario
Chairman of the Board and
Chairman of the
Executive Committee,
Chairman,
Argus Corporation Limited

G. Montegu Black^{1,3}

Toronto, Ontario
President and
Chief Executive Officer,
Argus Corporation Limited

Edmund C. Bovey, c.m.¹

Toronto, Ontario
Director of
various companies

Dixon S. Chant^{1,3}

Toronto, Ontario
Executive Vice-President,
Argus Corporation Limited

E. Jacques Courtois, o.c.¹

Montreal, Quebec
Partner, Stikeman, Elliott,
Tamaki, Mercier and Robb
Barristers and Solicitors

Robert Després, o.c.⁴

Quebec City, Quebec
Chairman of the Board,
Atomic Energy of
Canada Limited

Fredrik S. Eaton^{3,4}

Toronto, Ontario
Chairman, President and
Chief Executive Officer,
The T. Eaton Company
Limited

John R. Finlay, o.c.²

Toronto, Ontario
Vice-President,
Argus Corporation Limited

Percy C. Finlay, o.c.⁴

Toronto, Ontario
Senior Partner, Holden,
Murdoch and Finlay,
Barristers and Solicitors
Chairman, Hollinger
Argus Limited, and
Labrador Mining and
Exploration Company
Limited

Edward A. Galvin^{1,3}

Calgary, Alberta
President,
Poco Petroleum Ltd.

Frederick A.M. Huycke o.c.

Toronto, Ontario
Partner,
Osler, Hoskin & Harcourt
Barristers and Solicitors

J. Louis Lebel, o.c.²

Calgary, Alberta
President of Dome
Canada Limited
Counsel to
McLaws and Company
Barristers and Solicitors

Richey B. Love, o.c.²

Calgary, Alberta
Partner, Macleod Dixon
Barristers and Solicitors

Hon. W. John McKeag²

Winnipeg, Manitoba
President,
McKeag Realty Ltd.

F. David Radler^{2,3}

Vancouver,
British Columbia
President,
Sterling Newspapers Ltd.

C. Bruce Ross

Toronto, Ontario
President and
General Manager,
Labrador Mining and
Exploration Company
Limited

Barbara J. Sparrow⁴

Calgary, Alberta
Director, Calgary Chamber
of Commerce, and
Member of the Council for
College of Physicians and
Surgeons for the
Province of Alberta

John R. Yarnell²

Toronto, Ontario
President,
Yarnell Companies Limited

Officers

Conrad M. Black

Chairman of the Board

Edward G. Battle

President and
Chief Executive Officer

Donald D. Barkwell

Executive Vice-President

Barry D. Cochrane

Senior Vice-President

Jean-J. Leroux

Senior Vice-President,
Utilities

Paul H. Palmer

Senior Vice-President,
Administration and
Comptroller

Kenneth L. Colby

Vice-President,
Corporate Affairs

William C. Hennenfent

Vice-President,
Production

Peter Kaye

Vice-President,
Exploration

William T. Kilbourne

Vice-President,
Legal and Secretary

Wilfrid A. Loucks

Vice-President, Minerals

Timothy G. Sheeres

Vice-President, Finance

Gordon B. Singer

Vice-President,
Accounting and Services

Arthur L. Wood

Vice-President, Heavy Oil

Alick S.G. Duguid

Treasurer

Douglas A. Love

Assistant Secretary

Russell G. Rennie

Assistant Secretary

E.M. (Lynne)

Macdonald
Assistant Treasurer

Mart Pedel

Assistant Treasurer

¹Executive Committee

²Audit Committee

³Compensation Committee

⁴Pension Committee

Corporate information

Transfer agents and registrars

Common shares
National Trust Company,
Limited

Toronto, Calgary,
Montreal, Winnipeg and
Vancouver

Canada Permanent Trust
Company
Regina

Morgan Guaranty Trust
Company
of New York, New York

Preference shares
National Trust Company,
Limited
Toronto, Calgary,
Montreal, Winnipeg and
Vancouver

Canada Permanent Trust
Company
Regina

Stock exchange listings and symbols

Toronto and Montreal
stock exchanges

Common Shares: NCN
First Preference Shares,
Series A: NCNPrA
First Preference Shares,
Series B: NCNPrB
Junior Preference Shares,
1979 Series: NCNPrD

Trustees

9³/₄% Secured Debentures
due April 15, 1983
Montreal Trust Company,
Toronto

10¹/₄% & 11¹/₄% Secured
Notes due December 31,
1988

The Royal Trust Company,
Toronto

11¹/₄% Secured
Debentures due August 15,
1996

National Trust Company,
Limited, Toronto

Auditors

Thorne Riddell
Chartered Accountants

Distribution of common shares

As at December 31, 1982

	Shareholders		Number of shares	
	Number	Percent	Number	Percent
			(thousands)	
Alberta	2,037	9.77	1,099	4.11
British Columbia	2,371	11.37	989	3.70
Manitoba	883	4.24	778	2.91
New Brunswick	200	.96	39	.15
Newfoundland	40	.19	21	.07
Northwest Territories	6	.03	1	.01
Nova Scotia	492	2.36	146	.54
Ontario	8,087	38.78	19,603	73.32
Prince Edward Island	51	.25	15	.05
Quebec	2,240	10.74	3,311	12.39
Saskatchewan	434	2.08	67	.25
Yukon	5	.02	1	.01
Total Canadian	16,846	80.79	26,070	97.51
U.S.A.	3,854	18.48	522	1.95
Other foreign	154	.73	145	.54
Total	20,854	100.00	26,737	100.00

Offices

Executive & Registered
4600 Toronto-Dominion
Centre
Toronto, Ontario M5K 1E5
(416) 947-4000

Natural resources
**Norcen Energy
Resources Limited**
Cigas Products Ltd.^{1,5}

**Prairie Oil Royalties
Company, Ltd.**^{2,7}

**Norcen International
Ltd.**^{1,5}
715-5th Avenue S.W.
Calgary, Alberta T2P 2X7
(403) 231-0111

**Coleman Collieries
Limited**^{1,7}
Coleman, Alberta
T0K 0M0
(403) 562-2841

Gas utilities
**Northern and Central
Gas Corporation
Limited**^{4,5}
245 Yorkland Boulevard
Willowdale, Ontario
M2J 1R1
(416) 491-1880

**Greater Winnipeg Gas
Company**^{3,6}
265 Notre Dame Avenue
Winnipeg, Manitoba
R3B 1N9
(204) 988-3711

¹ Alberta company

² Saskatchewan company

³ Manitoba company

⁴ Ontario company

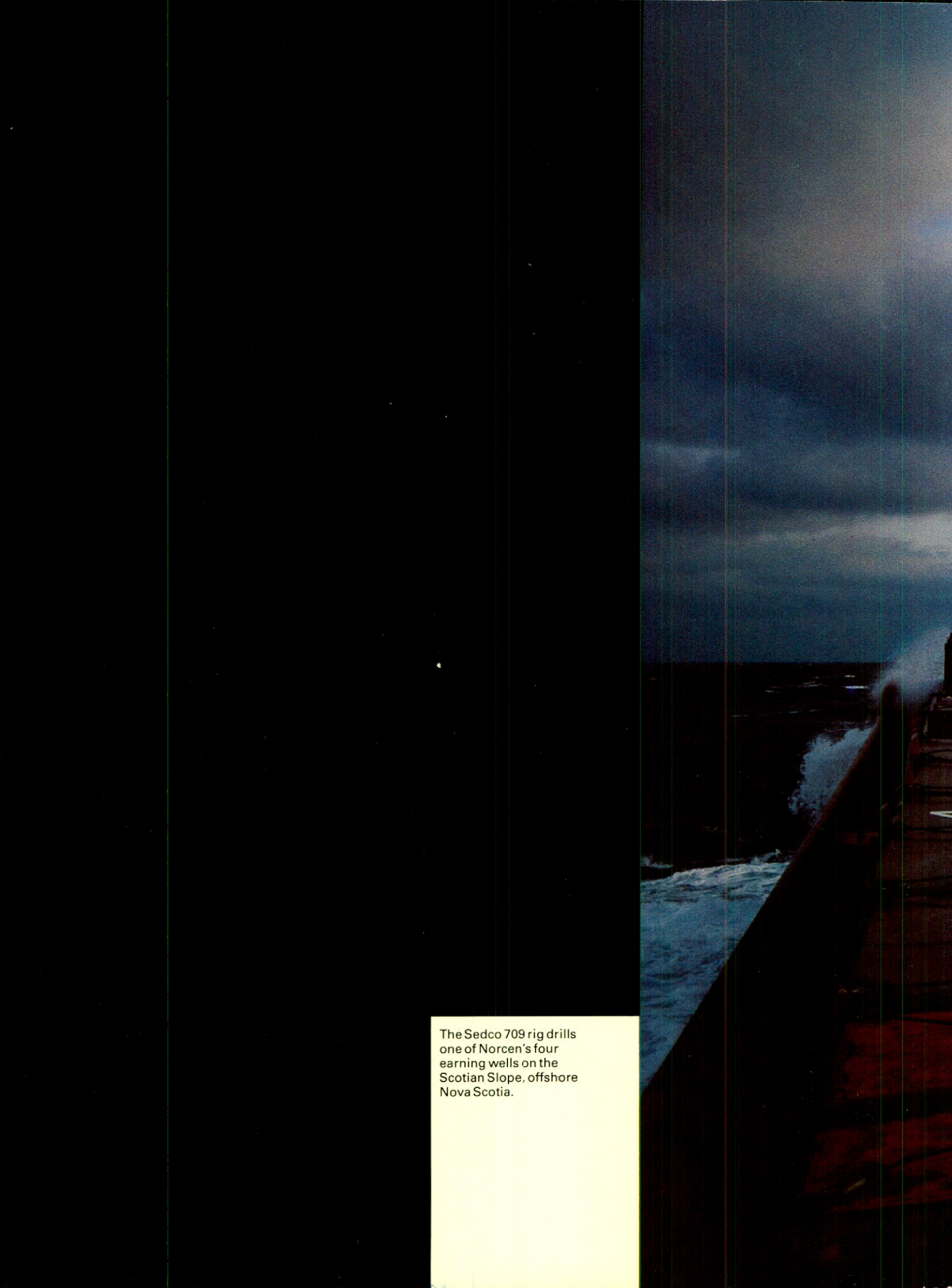
⁵ 100% owned

⁶ More than 99% owned

⁷ 74% owned

10-K Report

A copy of the Company's 10-K report filed with the United States Securities and Exchange Commission will be sent to any registered shareholder upon written request to the Company Secretary.



The Sedco 709 rig drills one of Norcen's four earning wells on the Scotian Slope, offshore Nova Scotia.