NUMAC OIL & GAS LTD.

1983 ANNUAL REPORT

NUMAC

CORPORATE PROFILE

Numac Oil & Gas Ltd. is a diversified Canadian natural resources company. The principal business of the Company is oil and gas exploration, development and production in Western Canada. In addition, Numac has significant interests in a uranium deposit, heavy oil, exploration acreage in the MacKenzie Delta and is also involved in oilfield construction.

The Company is headquartered in Edmonton, Alberta and is listed on the Toronto and American stock exchanges.

OFFICERS

William S. McGregor
President & Managing Director

Donald F. Baker
Vice-President, Engineering

Ronald D. Larmour
Vice-President & Treasurer

Stewart D. McGregor
Vice-President, Corporate Affairs

C. R. S. Montgomery
Vice-President & Secretary

James H. Pletcher
Vice-President, Special Projects

Wilfred J. Wilson
Vice-President, Exploration

DIRECTORS

Olin E. Buker
Consultant
Calgary, Alberta

Hadley Case
Chairman & Chief Executive Officer
Felmont Oil Corporation
New York, N.Y.

Paul F. Little
Vice-President,
Finance & Corporate Development
Union Gas Limited
Toronto, Ontario

Alexander N. MacIver
Barrister & Solicitor
Jackson, Arlette, MacIver & Skitsko
Edmonton, Alberta

Stewart D. McGregor
Vice-President, Corporate Affairs
Numac Oil & Gas Ltd.
Edmonton, Alberta

William S. McGregor
President & Managing Director
Numac Oil & Gas Ltd.
Edmonton, Alberta

W. Darcy McKeough
President & Chief Executive Officer
Union Gas Limited
Chatham, Ontario

Jack W. Robbins
President
Pitcairn Incorporated
Jenkintown, PA

CONTENTS

ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders will be held in the Turner Valley Room of the Westin Hotel, 10135 - 100 Street, Edmonton, Alberta, Canada at 9:00 a.m. on Thursday the 7th day of June, 1984.

HIGHLIGHTS

	1983	1982
FINANCIAL		
Gross Revenue	**$ 44,999,343**	$ 29,607,274
Cash Flow from Operations	**26,210,525**	11,503,898
Earnings before Extraordinary Items	**12,508,985**	3,100,902
Per Share	**.58**	.16
Net Earnings	**12,508,985**	12,351,487
Per Share	**.58**	.63
Weighted Average Shares Outstanding	**21,387,738**	19,640,572
Long-Term Debt	**44,875,310**	61,386,496
Shareholders' Equity	**125,727,176**	89,449,350
Capital expenditures	**43,600,568**	49,789,266
RESERVES — proven and probable		
Oil and Natural Gas Liquids barrels	**18,752,222**	15,039,914
Natural Gas thousands of cubic feet	**229,110,247**	231,168,405
PRODUCTION		
Daily Oil Production barrels	**2,841**	2,031
Daily Gas Production thousands of cubic feet	**8,052**	7,995
LAND HOLDINGS — oil and gas		
Gross Acres	**2,326,473**	2,391,967
Net Acres	**546,100**	541,945

All amounts in this report are in Canadian dollars, unless otherwise stated.
All production and reserve statistics are on a pre-royalty basis, unless otherwise stated.

To Our Shareholders

On behalf of the Board of Directors, I am pleased to present the Company's twenty-first Annual Report. 1983 was a year of record achievements for your Company. The successes of fiscal 1983 are particularly gratifying since they occurred during another generally difficult year for the Canadian oil and gas industry which was marked by a period of declining world oil prices and weak gas markets.

Gross revenue was $44,999,343, an increase of 52% over the corresponding period of 1982. Cash flow increased by 128% to $26,210,525, or, $1.23 per share. Net earnings before extraordinary items increased by 303% to $12,508,985, or, $0.58 per share. These significant improvements in financial performance are primarily attributable to substantial increases in new oil production.

Notable achievements and events of the past year included:

- Canadian oil production averaged 2,664 barrels per day as compared to 1,913 barrels per day in 1982, an increase of 39%.
- The Company's 1983 exploration and development program in Western Canada resulted in the discovery of 4,832,297 barrels of crude oil and natural gas liquids, or, approximately 5 times the amount produced during the year. After production and adjustments to prior years reserves, Canadian crude oil and natural gas liquids reserves increased by 25% to 18,358,850 barrels at December 31, 1983.
- New exploratory successes occurred in the East Peace River Arch area of northwestern Alberta with particularly encouraging results at Sawn and Gift, which areas will be a focus of continued exploration and development activity in 1984.
- The Empress Gas Liquids processing plant was completed on schedule and within budget in mid-1983.
- $24,000,000 was raised through a private placement of common shares on September 1, 1983, thereby enabling the Company to make a significant reduction of long-term debt and close the year with a strong balance sheet.
- On November 30, 1983 the Company's common shares were split on a 2-for-1 basis.
- The Company's Canadian Ownership Rate was established at 76%, thereby assuring continued entitlement to maximum Petroleum Incentive Program payments.

During 1983, further improvements were made by government to the fiscal environment within which we operate. The Alberta government announced in late 1983 that, effective February 1, 1984, the minimum allowable production rate for oil wells would increase from 31.5 barrels per day to 50.3 barrels per day, thereby improving industry cash flow and providing an incentive for new oil exploration. Further, the federal government extended the New Oil Reference Price (the Canadian equivalent of the world price) to all oil discovered after January 1, 1974, and to infill drilling in pools discovered prior thereto. Effectively, all future additions to oil production now qualify for the New Oil Reference Price.

Although these adjustments to energy policy are welcomed, we reiterate our views that a "one price" crude oil pricing system should be implemented. Concurrently, the Petroleum and Natural Gas Revenue Tax should be significantly decreased or eliminated since it is, in effect, a federal royalty on the selling price of our production which, when coupled with provincial royalties, places an unacceptable tax burden on our industry. In view of pending political changes at the federal level, we expect that these and other aspects of energy policy will be given favourable consideration so as to re-establish a vibrant conventional Canadian oil and gas industry with attendant benefits for the Canadian economy as a whole.

Throughout 1984 your Company will continue its policy, embarked upon approximately two years ago, of concentrating exploration efforts on the search for new oil reserves in Canada. As evidenced by significant additions to reserves and increased oil production, the results of this policy have been most rewarding. Further, a solid foundation has been established for continued future growth.

It is with regret that we accepted the resignation of Mr. Ralph A. Bard, Jr. from our Board of Directors effective December 31, 1983. Mr. Bard served as a Director since inception of the Company in 1963 and, as a respected member of the international business community, his wise counsel will be missed. We are, however, pleased to welcome to our Board Mr. Paul F. Little, Vice-President, Finance & Corporate Development, of Union Gas Limited, whose appointment filled the vacancy created by the resignation of Mr. Bard.

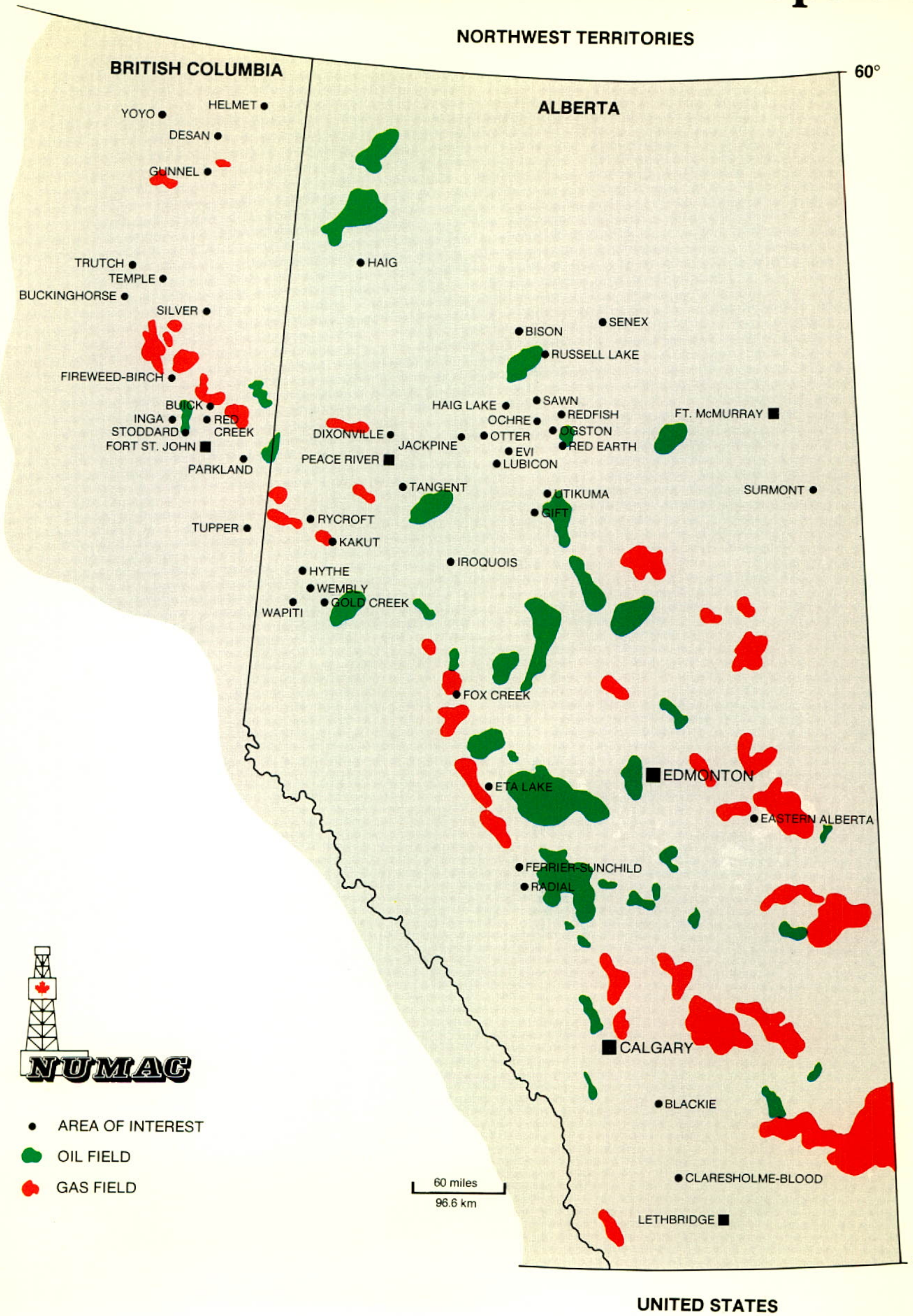
We gratefully acknowledge the continued support of our shareholders and the dedicated efforts of our employees without which our successes could not have been achieved.

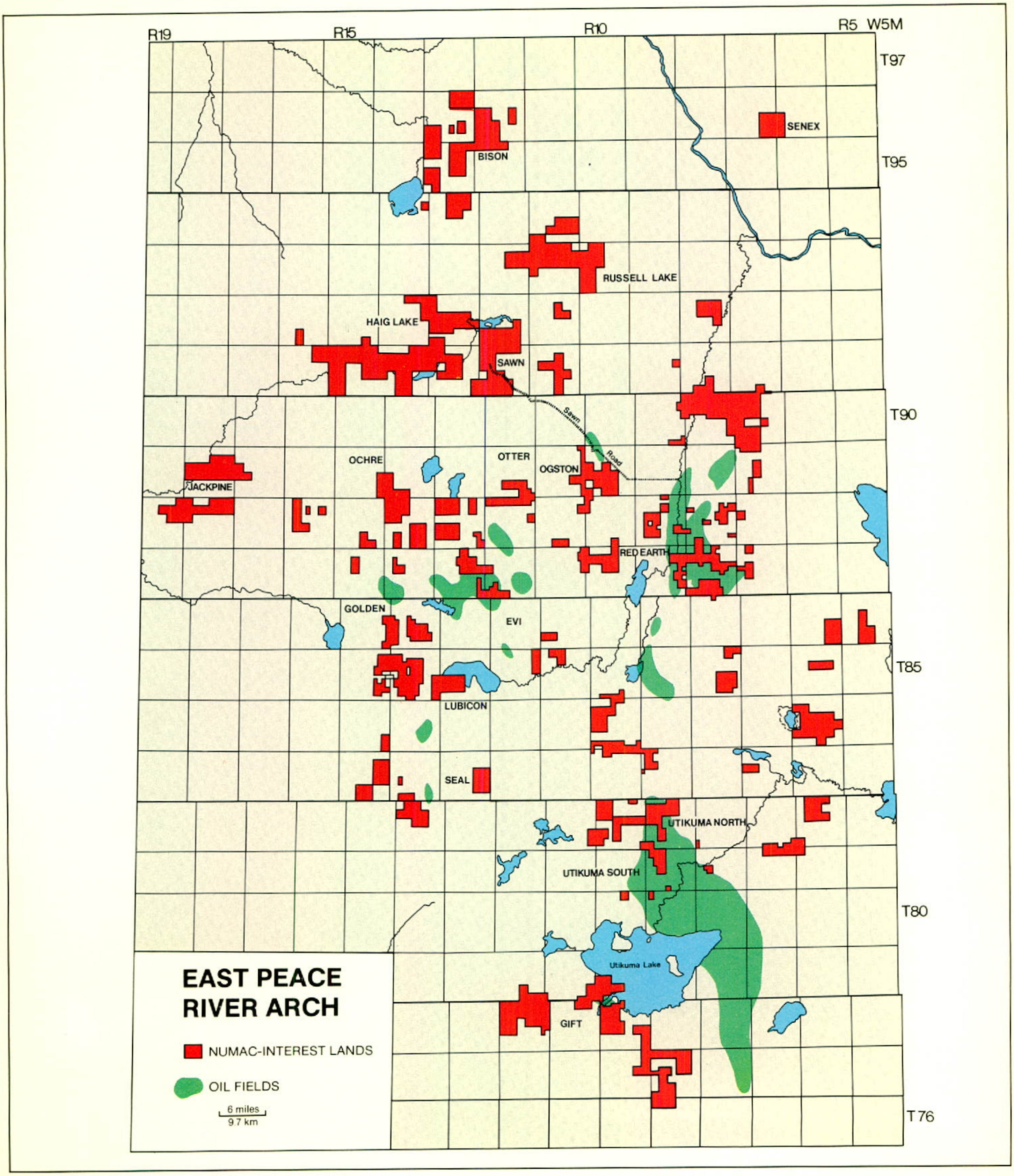
W. S. McGregor

W. S. McGregor
President & Managing Director

Edmonton, Alberta
March 22, 1984

Western Canadian Properties





R19
R15
R10
R5 W5M
T97
T95
T90
T85
T80
T76
BISON
SENEX
RUSSELL LAKE
HAIG LAKE
SAWN
Sawn Road
OCHRE
OTTER
OGSTON
JACKPINE
RED EARTH
GOLDEN
EVI
LUBICON
SEAL
UTIKUMA NORTH
UTIKUMA SOUTH
Utikuma Lake
GIFT
EAST PEACE RIVER ARCH
NUMAC-INTEREST LANDS
OIL FIELDS
6 miles
9.7 km

Petroleum Exploration

OVERVIEW

During 1983 Numac participated in the drilling of 104 wells in Canada, 53 of which were cased for oil, 17 cased for gas and 34 were abandoned for an overall success rate of 67%. This drilling program resulted in significant additions to oil reserves and production, particulars of which are referred to later in this report.

As a result of the introduction of the New Oil Reference Price in late 1981, Numac adopted a policy of concentrating on the exploration for and development of new oil reserves and production.

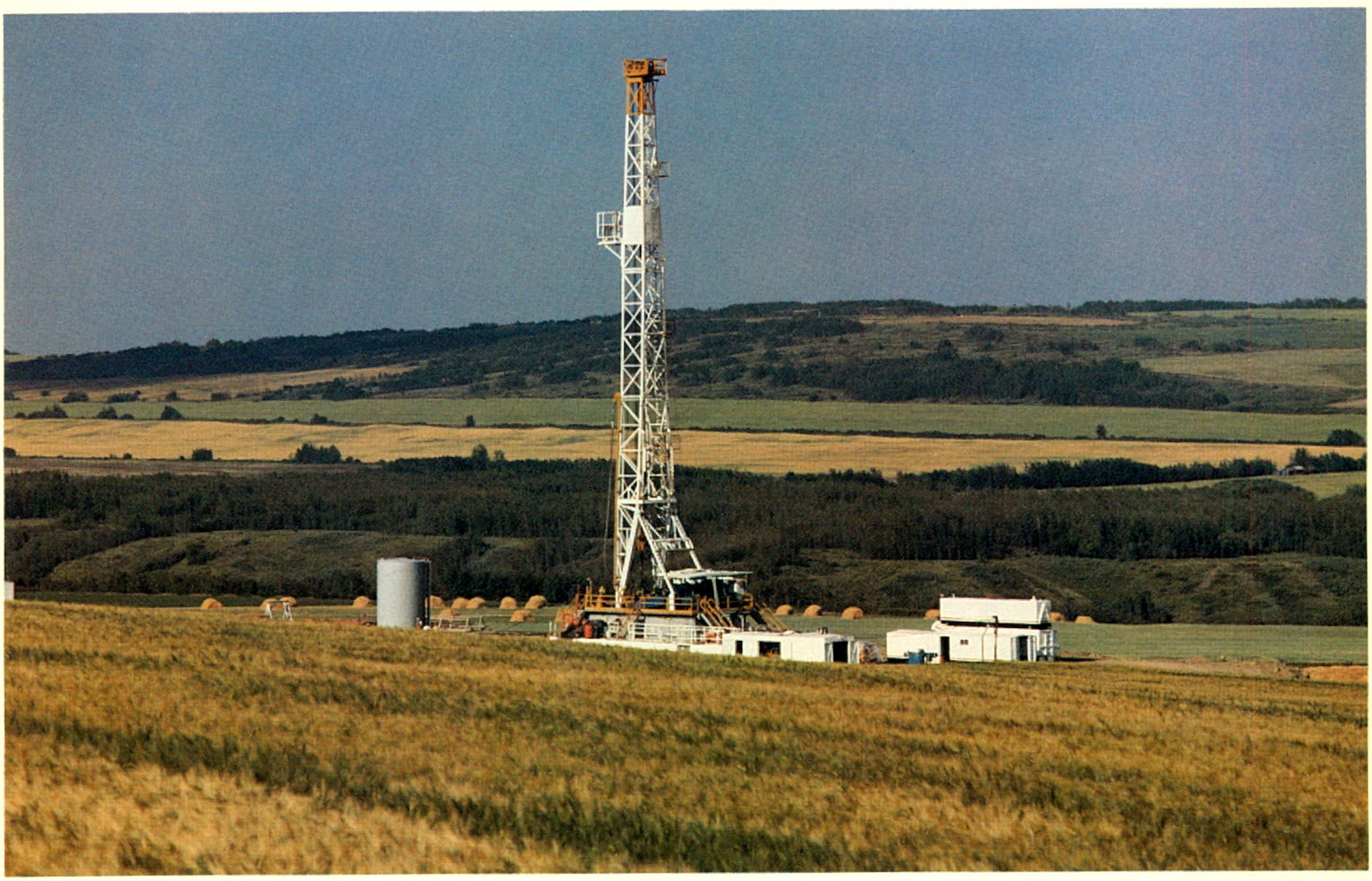
The Company's exploration program has been concentrated in what is referred to as the East Peace River Arch area of northwestern Alberta. This area comprises approximately 350 townships or, 12,500 square miles, part of which is highlighted on the map opposite. The three main oil productive formations in this area are the Granite Wash and Gilwood sands and the Slave Point carbonate. The major oil pools discovered to date are Red Earth, Utikuma, Golden, Evi and Otter. Average recoverable reserves in each of these fields is approximately twenty-one million barrels. Although the area is fast becoming a focus of exploration activity it remains, by industry standards, relatively unexplored.

The oil exploration potential of the area has been amply demonstrated by past and recent exploration successes and we are convinced that it will remain a focal point of exploration and development activities for many years. Our enthusiasm is based upon the vast area of unexplored sediments and the number of potential pay horizons. The Company's land position in this region, consisting of interests in approximately 450,000 gross acres, may well be the best land position of any major or independent oil company.

Numac's aggressive 1983 oil exploration program in the East Peace River Arch was rewarded by significant increases in oil reserves with particular exploratory successes in the Sawn and Gift areas. We look forward to the further delineation of these discoveries and exploratory drilling on other prospects in this area during 1984.

In addition to continuing an active exploration and development program in the East Peace River Arch the Company has and will be expanding its exploration activities to other oil prospective areas including Tangent, Senex, Rycroft and Gold Creek in Alberta and the Desan area of northeastern British Columbia.

Following is a summary of Numac's principal areas of current and planned exploration and development activity.

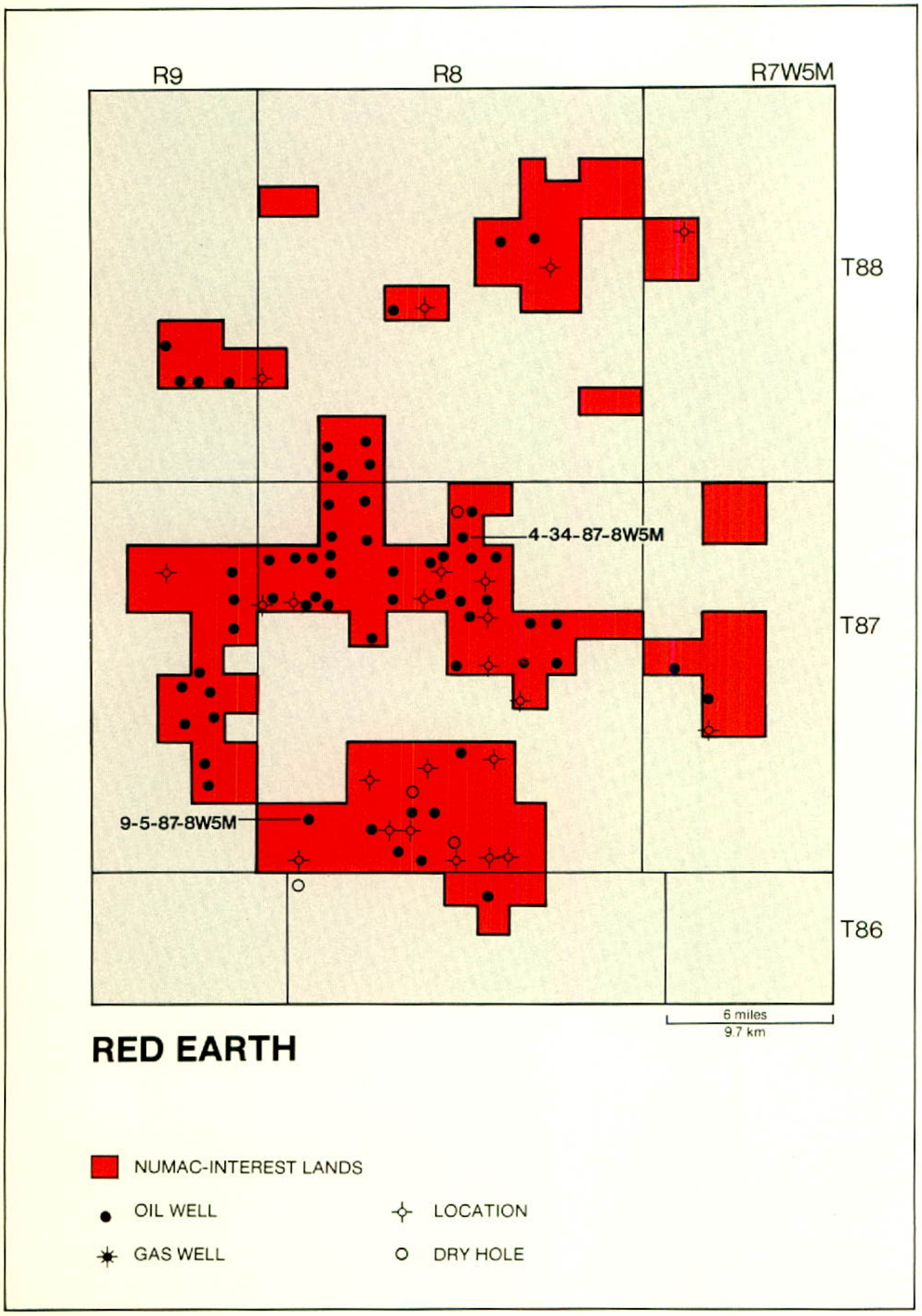


ALBERTA

RED EARTH

During 1983 Numac participated in 13 wells on its Red Earth acreage, 12 of which were completed for oil production. Wells at 14-27, 15-27 and 4-34-87-8 W5M were completed for oil production in both the Slave Point and Granite Wash formations. Additional locations will be drilled in the vicinity of these wells in 1984.

A development program carried out in 1983 to delineate the extent of the Granite Wash oil discovery at 9-5-87-8 W5M resulted in 4 additional Granite Wash wells. Two additional wells have since been completed and several locations will be drilled to further delineate the extent of this new pool.



SENEX

The Company has a 17% working interest in 5,760 acres located approximately 3.5 miles west of a recent significant oil discovery by Amoco Canada Petroleum Company Ltd. which encountered 40 feet of pay in the Keg River formation. This well is producing approximately 750 barrels of oil per day. Amoco has been conducting an aggressive drilling program in the vicinity of its discovery and has licensed a location immediately offsetting Numac's lands. Currently, a seismic program is being conducted by the Company in anticipation of drilling later in 1984. The Company has recently purchased a 33.33% working interest in 5,120 acres located approximately 16 miles north of the Amoco discovery and will be examining additional land acquisition opportunities during the year.

EVI

The Company has working interests from 33.33% to 65% in 8,320 acres at Evi. Numac participated in the drilling of one additional oil well on this acreage during 1983 and a further well is now drilling. The Company currently has interests in 16 producing oil wells at Evi, some of which are dual completions. The productive formations are the Granite Wash and Gilwood sands and the Slave Point carbonate.

RYCROFT

The Company has a 28% working interest in 4,968 acres at Rycroft. An oil exploration program was commenced at Rycroft in 1983 and to date 10 wells have been drilled on this acreage resulting in 9 oil wells and 1 gas well. Average production from these wells is approximately 50 barrels per day from a Triassic formation. Additional locations will be drilled during 1984.

SAWN

Exploration activities at Sawn commenced with the 8-32-91-12 W5M oil discovery of March, 1983. As recently announced, this well encountered a 60 foot gross light gravity oil bearing section of Devonian Slave Point reef. The well, which has been on production since November, 1983, is royalty free for five years and qualifies for the New Oil Reference Price. The Energy Resources Conservation Board has assigned to the well an allowable production rate of 372 barrels of oil per day based upon recoverable reserves of 1,260,000 barrels assigned to the 160 acre spacing unit around the well.

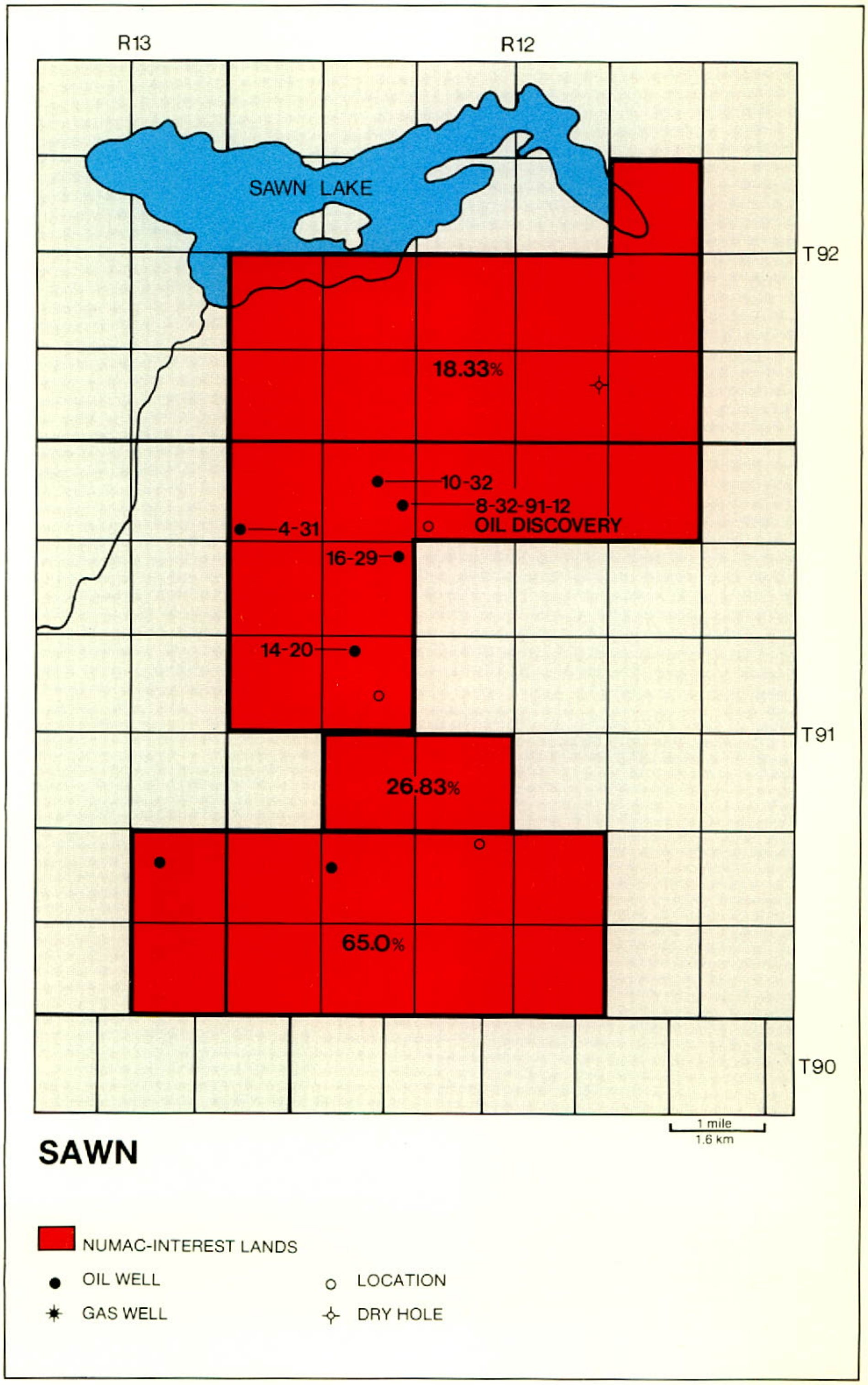
The discovery well was drilled on a 12,800 acre block in which Numac has an 18.33% working interest. To date, 4 additional wells at 14-20, 16-29, 4-31 and 10-32 have been completed for oil production. It is expected that at least eleven additional locations will be drilled during 1984 utilizing three drilling rigs.

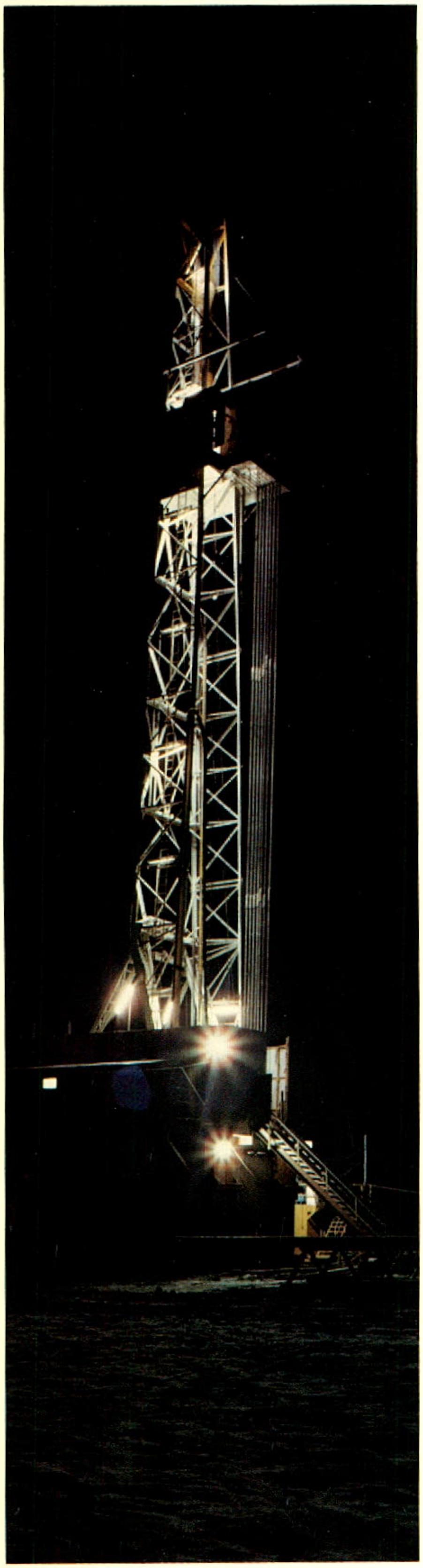
In addition, Numac as operator, has recently cased two wells for oil on a 6,400 acre lease block in which the Company has a 65% working interest. This acreage is located approximately 3.5 miles south of the 8-32 discovery well. A third well is currently drilling. For operational purposes these wells must remain under confidential status. An aggressive drilling program will be conducted on these lands to delineate these discoveries. Other participants in this acreage are Westcoast Petroleum Ltd. and Precambrian Shield Resources Limited who have working interests of 25% and 10%, respectively.

The Sawn Lake road, an all-weather 30 mile road owned and operated by Numac, was completed on schedule and within budget in mid-December 1983. This toll road will provide year-round access for drilling activities in the Sawn area and for the transportation of crude oil production.

Immediately west and northwest of the Sawn acreage Numac has an average working interest of 27% in 42,560 acres in what the Company refers to as **Haig Lake**.

Notwithstanding that drilling results to date at Haig Lake have not resulted in an oil discovery we continue to regard this acreage as oil prospective from several formations. Additional exploratory drilling will be conducted on these lands during 1984.





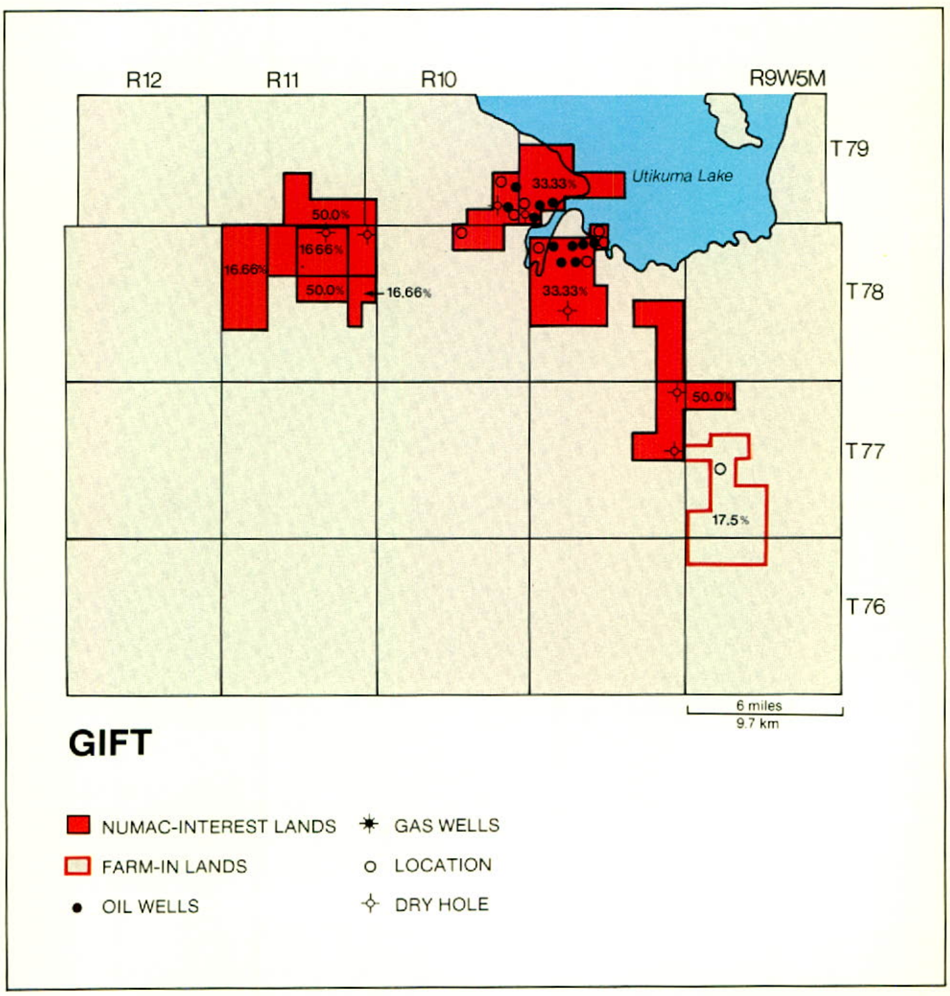
GIFT

In the Gift area, Numac has an average working interest of 35% in 35,360 acres. Further, the Company has the right to earn a 17.5% working interest in 6,400 acres pursuant to a recently completed farm-in agreement.

Numac's 33.33% working interest acreage has proven to be oil productive in the Slave Point, Gilwood and Granite Wash formations. Commencing with a discovery in mid-1983, the Company has since participated in 11 wells at Gift. To date, 6 wells have been completed for production, 1 of which is a dual zone producer. The remaining 5 wells are being completed for oil production, 3 as dual zone producers. A continuous exploration and development program, utilizing at least four drilling rigs, will be conducted on these lands during 1984. Average production from each of the wells completed to date is approximately 160 barrels of oil per day.

Seismic programs are currently being conducted on Numac's 50% and its 16.66% - 50% working interest acreage with a view to exploratory drilling later in 1984. An exploratory test is currently drilling on the Company's farm-in acreage.

All production from Gift qualifies for the New Oil Reference Price and the Company anticipates substantial contributions to cash flow and reserves from this area as existing wells are brought on production and the development and exploration program continues.



UTIKUMA

Exploration activity during 1983 was concentrated on the Company's "Utikuma north" acreage. Numac, as operator, completed 8 wells for oil production on these lands during the year. The Company has now completed 14 oil wells in the Utikuma north field, 10 of which produce from the Granite Wash formation and four from the Slave Point formation. The Slave Point production was established during 1983 and is the first time such production has been encountered in the Utikuma area. Accordingly, the future exploration potential of these lands has been significantly enhanced.

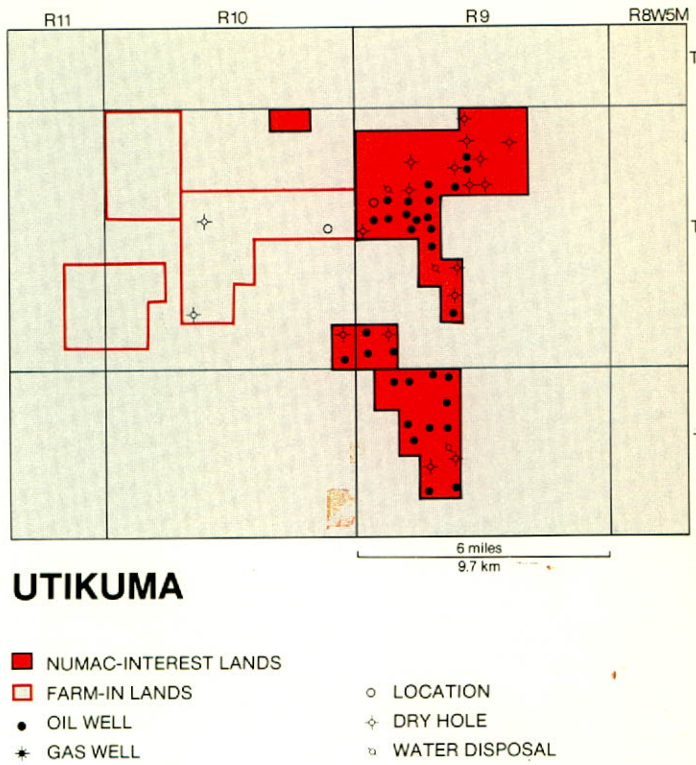
Numac has an average working interest of 40% in 13,920 acres at Utikuma. Further, the Company has the right to earn working interests in 11,200 acres pursuant to farm-in and seismic option agreements. Exploration efforts will be concentrated on evaluating this latter acreage during 1984.

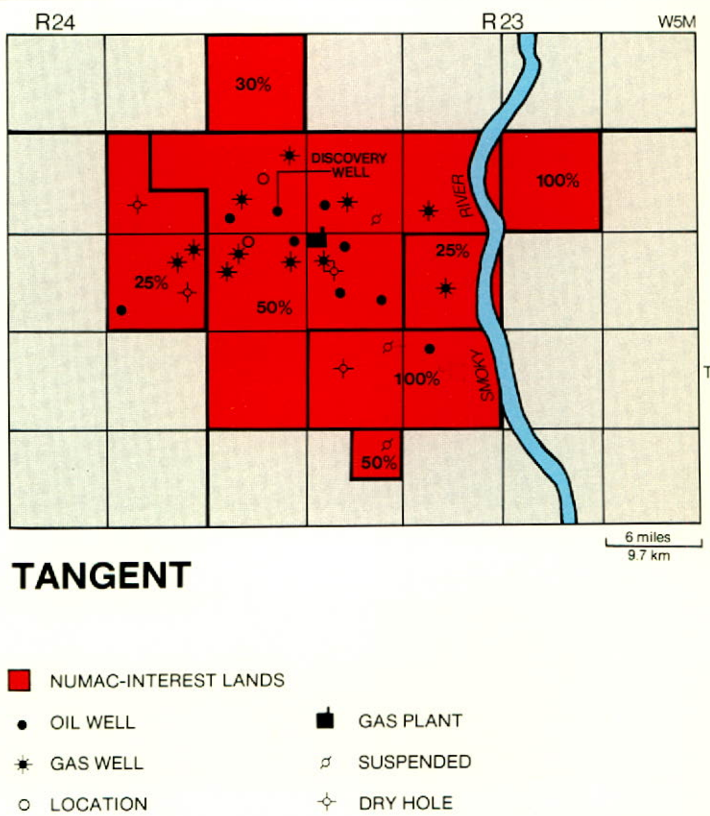
TANGENT

Numac has an average working interest of 54% in 9,120 acres at Tangent. During 1983, Numac as operator, participated in the drilling of 9 wells on this acreage, 6 of which were completed for oil production.

To date, 9 wells have been completed for oil production in the Tangent field. Three of these wells produce from a thick dolomite section in the Wabamun formation and have an average production allowable of 360 barrels of oil per day. The objective of future drilling will be to delineate the dolomite developments at Tangent.

In addition to the oil discoveries at Tangent, 9 wells have been cased for gas. A gas plant, in which Numac has a 50% interest and is the operator, has a capacity of 6 mmcf per day.

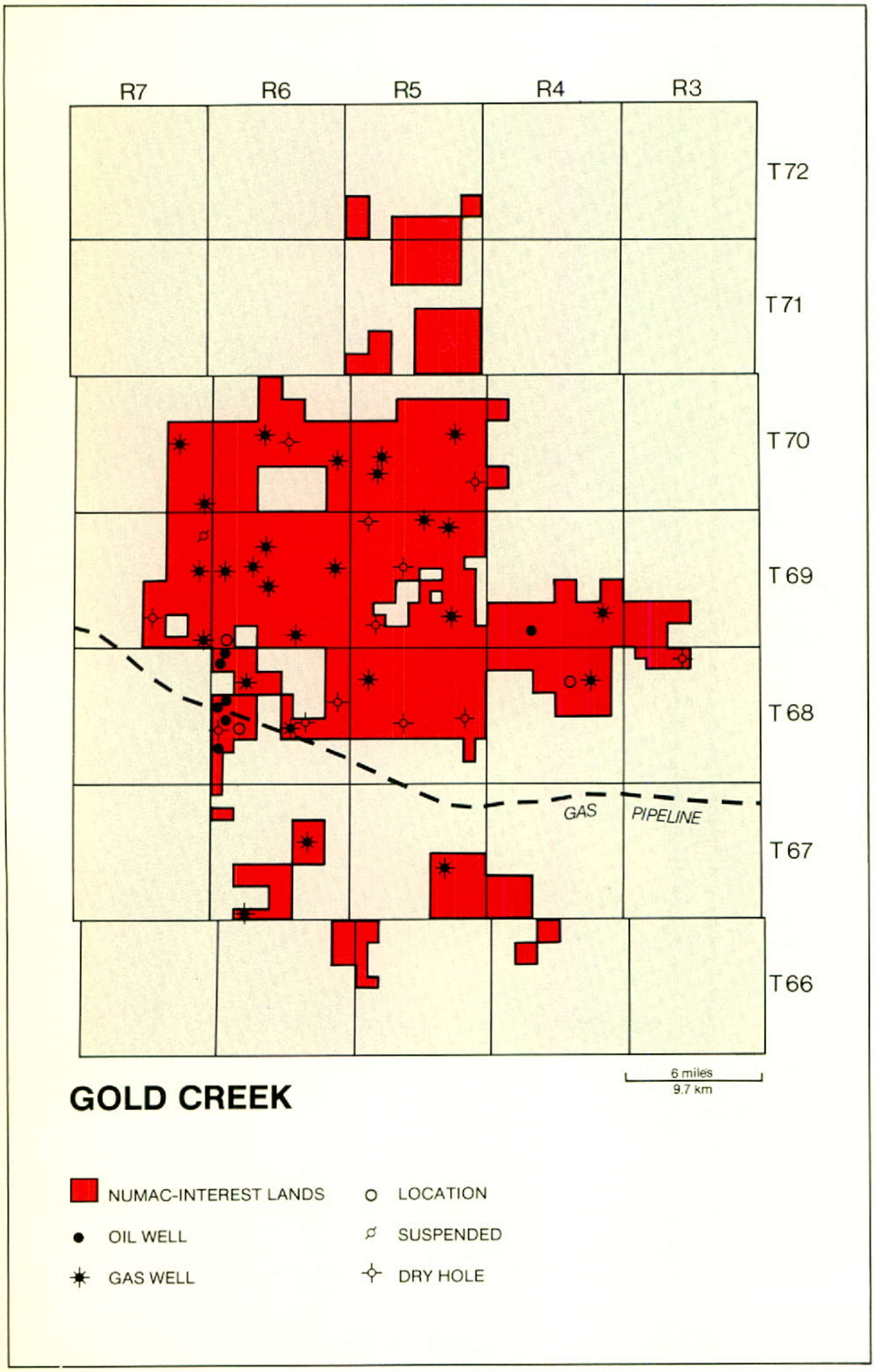




GOLD CREEK

At Gold Creek, in the gas productive Elmworth trend, the Company has interests from 7.5% to 25% in 156,800 acres. Numac has interests in 25 wells which have been cased for gas production from several formations. The most significant gas discovery on this acreage is the 10-34-69-5 W6M well which production tested at a combined daily restricted flow rate of 24.2 mmcf of gas and 1,200 barrels of condensate from 2 zones in the Wabamun formation having a combined pay thickness of 161 feet. A substantial portion of the Gold Creek acreage has been dedicated to a gas purchase contract with ProGas Ltd. Production is dependent upon improved export sales.

Numac has also participated in 7 Triassic oil wells at Gold Creek which are productive in the Charlie Lake formation. Four of these wells were completed in 1983 and additional oil prospective locations will be drilled during 1984.



JACKPINE

At Jackpine, Numac has an average working interest of 58% in 16,640 acres and, pursuant to a farm-in agreement, has the right to earn interests from 16.66% to 25% in an additional 7,040 acres. The Company will participate in at least two exploratory wells on this oil prospective acreage during 1984.

EASTERN ALBERTA

In east central Alberta, Numac has an average working interest of 17.4% in 136,958 acres which is dedicated to a gas purchase contract with TransCanada Pipelines Limited. During 1983, a 19 well drilling program was carried out which resulted in 13 gas wells, 1 oil well and 5 dry holes. The Company now has interests in 113 gas wells and 2 oil wells in this gas contract area. Gas production has been constrained due to currently weak gas markets.

BRITISH COLUMBIA

Numac has, over the years, made a number of significant gas discoveries in British Columbia on its extensive acreage position. These include the Buckinghorse, Buick Creek, Gunnel, Parkland, Red Creek, Temple, Trutch, Tupper and Yoyo areas. However, no drilling activities were undertaken by the Company in British Columbia during 1983 due to lack of natural gas markets. Should markets become available, the Company believes these areas could be readily developed and, accordingly, gas reserves and production substantially increased. For example, the Company anticipates that it could drill at least 30 development wells on its Temple-Trutch-Buckinghorse acreage and thereby substantially increase the productive capability and reserves currently assigned to these lands.

The Company's main gas producing fields in British Columbia are Helmet, Silver, Stoddart and Fireweed. Oil production is from the Birch, Buick Creek and Inga fields.

DESAN

The Desan area of northeastern British Columbia has recently become an area of active oil exploration as a result of a recent significant discovery by Gulf Canada Resources Inc. Production in this play is from shallow Mississippian zones. The Company's Helmet acreage, consisting of 6,188 acres, is in proximity to this play and is being evaluated for drilling. Further, the Company has acquired the right to earn a 25% working interest in 6,524 acres to the northwest of the discovery area pursuant to a farm-in agreement. The first exploratory test on these lands is currently drilling. Numac has recently purchased a 50% working interest in 1,326 acres in proximity to the farm-in acreage.

MACKENZIE DELTA

In 1964 Numac acquired permits covering 270,242 acres in the MacKenzie Delta area of the Northwest Territories. Under a farm-out arrangement with Suncor Inc., Numac has retained a preferred net carried interest in these permits. This means that the Company is entitled to a share of income from initial sales of oil and gas. After recovery of exploration and development costs by Suncor, which do not include recovery of interest or other charges, the Company will have a revenue interest of 20%. An Exploration Agreement respecting future activity on these lands has recently been concluded with the federal government.

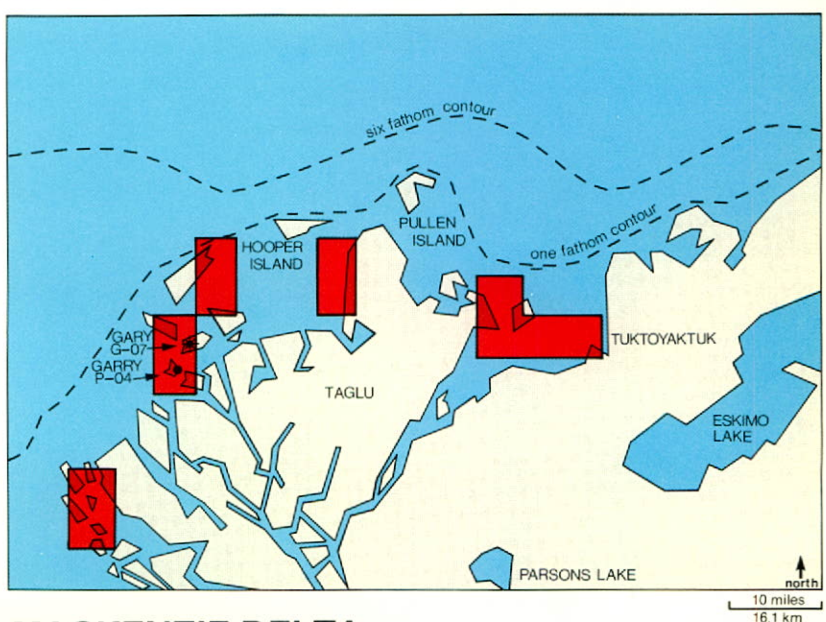
To date, Suncor has drilled 5 exploratory wells on these lands of which 2 were completed as discoveries. The Garry P-04 well tested at the rate of 7,920 barrels of oil per day and cumulative gas flows of 31 mmcf per day. The Garry G-07 well tested cumulative gas flows of 21 mmcf per day.

The MacKenzie Delta has recently become a focus of renewed exploration activity as evidenced by multi-million dollar drilling programs being conducted by Esso Resources Canada Limited et al and Gulf Canada Resources Inc. An extension of the Norman Wells oil pipeline to the MacKenzie Delta is under consideration as a viable method of transporting production from this area.

Although Numac's MacKenzie Delta interests do not presently contribute to cash flow, management considers this asset to be a source of significant future revenue.

UNITED STATES

During the past two years Numac has substantially reduced its commitment to oil and gas exploration in the United States. As of mid-1983 the Company ceased to participate in new exploration programs as we feel the Company can better employ available funds on its many exploration and development opportunities in Canada. Future expenditures in the United States will be confined to exploration and development of prospects previously acquired that appear economically attractive. The producing properties established to date are, however, making a positive contribution to cash flow.



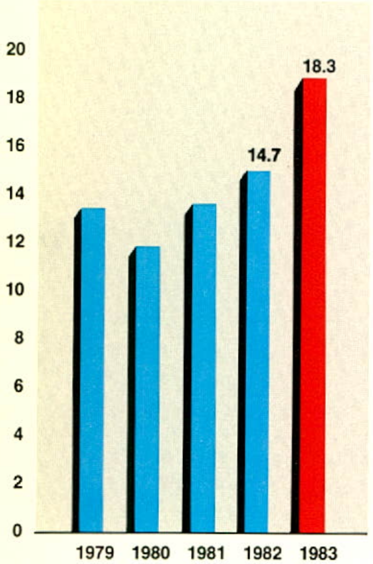
MACKENZIE DELTA

NUMAC-INTEREST LANDS
GAS WELL
OIL AND GAS WELL
LOCATION

Reserves

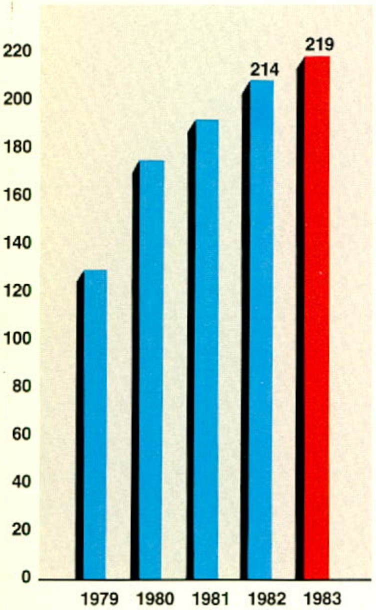
CANADIAN OIL AND N.G.L. RESERVES

MILLIONS OF BARRELS



CANADIAN NATURAL GAS RESERVES

BILLIONS OF CUBIC FEET



CANADA — as at December 31

	1983	1982
Oil and Natural Gas Liquids (barrels)		
Proved	**11,323,478**	9,263,575
Probable	**7,035,372**	5,432,746
Total	**18,358,850**	14,696,321
Natural Gas (mcf)		
Proved	**155,855,551**	153,084,674
Probable	**63,687,196**	61,682,631
Total	**219,542,747**	214,767,305

Numac's Canadian reserves are calculated annually by McDaniel & Associate Consultants Ltd., independent consulting engineers.

1983 marks the fifth consecutive year that the Company has increased its net crude oil reserves, an accomplishment shared by relatively few companies. 1983 exploration and development activities in Canada resulted in the discovery of 4,832,297 barrels of oil reserves. The most significant additions occurred at Sawn, Gift, Red Earth, Utikuma and Tangent. After deducting production for the year and adjustments to prior years reserves, Canadian crude oil reserves increased by 25% to 18,358,850 barrels at December 31, 1983.

Approximately 65% of the Company's oil reserves are classified as "new" oil and 35% as "old" oil. Production from new oil reserves qualifies for the New Oil Reference Price and, compared to old oil, receives favourable royalty treatment.

In accordance with government energy policy the price of old oil is artificially restricted to approximately 80% of the world price. Industry has consistently lobbied for a "one price" oil pricing system and, should future energy policy adopt this recommendation, the asset value of Numac's reserves would be significantly increased.

Due to weak markets for Canadian natural gas the Company continued to de-emphasize gas exploration and as a result year-end gas reserves increased marginally to 219.5 billion cubic feet. At least 95% of gas reserves are new gas which, as compared to old gas, qualifies for favourable royalty treatment.

UNITED STATES — as at December 31

	1983	1982
Oil and Natural Gas Liquids (barrels)		
Proved	**352,926**	297,670
Probable	**40,446**	45,923
Total	**393,372**	343,593
Natural Gas (mcf)		
Proved	**8,945,600**	11,589,900
Probable	**621,900**	4,811,200
Total	**9,567,500**	16,401,100

United States reserves have been calculated by independent consulting engineers. While oil and natural gas liquids reserves increased during 1983 there was a reduction in gas reserves as a result of production and reserve re-determinations.

Production

CANADA

Average daily crude oil production increased by 39% to 2,664 barrels per day in 1983 as compared to 1982 production of 1,913 barrels per day. All additional production is "new" oil and, as such, qualifies for the New Oil Reference Price. Average daily production for the month of December 1983 was 3,772 barrels per day, an increase of 114% over the month of January 1983.

Approximately 38% of Numac's 1983 oil production was old oil and 62% was new oil which receives favourable pricing and royalty treatment. Removal of the artifically low pricing restriction on old oil would have the effect of significantly increasing cash flow, thereby allowing the Company to further expand its new oil exploration program. At year-end approximately 73% of the Company's oil production was new oil and approximately 27% was old oil.

Production during the first several months of 1983 was constrained due to prorationing of Alberta oil production as a consequence of the federal government's policy of importing foreign oil. This situation was subsequently rectified by co-operative efforts between the Alberta and federal governments which resulted in authorization of export sales. There has been recent concern about prorationing in the early part of 1984; however, should this situation occur it is not expected to be as serious as in 1983. Hopefully, the federal government, through the National Energy Board, will move to prevent this ludicrous situation from reoccurring in the future.

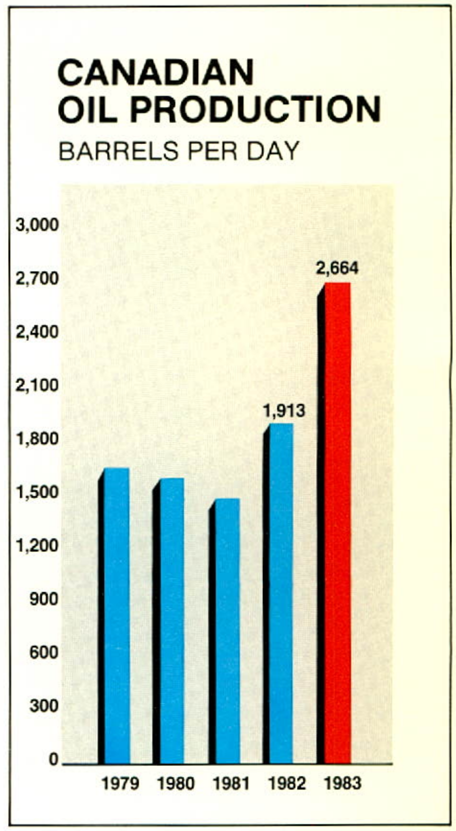
We estimate that the adjustment to the minimum allowable production rate for oil wells referred to in the President's Report will immediately increase the Company's oil production by approximately 150 barrels per day. Further, as a result of the extension of the New Oil Reference Price to infill drilling, we are evaluating such a program in some of our older fields. Preliminary indications are that such a program could add several hundred barrels per day to the Company's daily oil production, commencing later in 1984.

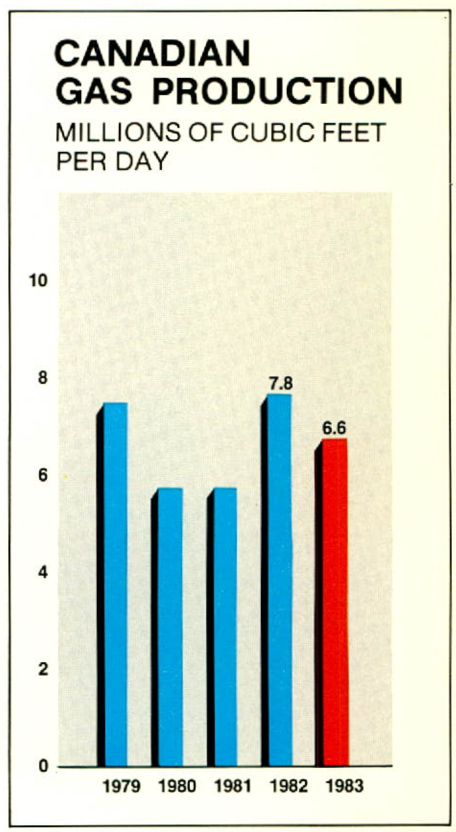
Average daily gas production for the year was 6.6 mmcf per day. Volumes currently being produced are substantially below the Company's productive capacity; however, significant increases in production are primarily dependent upon additional exports to the United States. In our view, export sales could be substantially increased as early as late 1985 or 1986.

UNITED STATES

During 1983 the Northeast Huntsville Field came on stream and, primarily as a result of this development, Numac's 1983 gas production increased to 512 mmcf as compared to 54 mmcf in 1982. Oil production increased to 64,659 barrels as compared to 43,190 barrels in 1982. As mentioned earlier, future activities in the United States will be confined to developing reserves and cash flow from previously acquired prospects that appear economically attractive.

"Numac et al Red E 2-23-87-8 W5M dual-zone oil well."





Land Holdings

CANADA

Interests in petroleum and natural gas and other mineral rights as at December 31, 1983 were as follows:

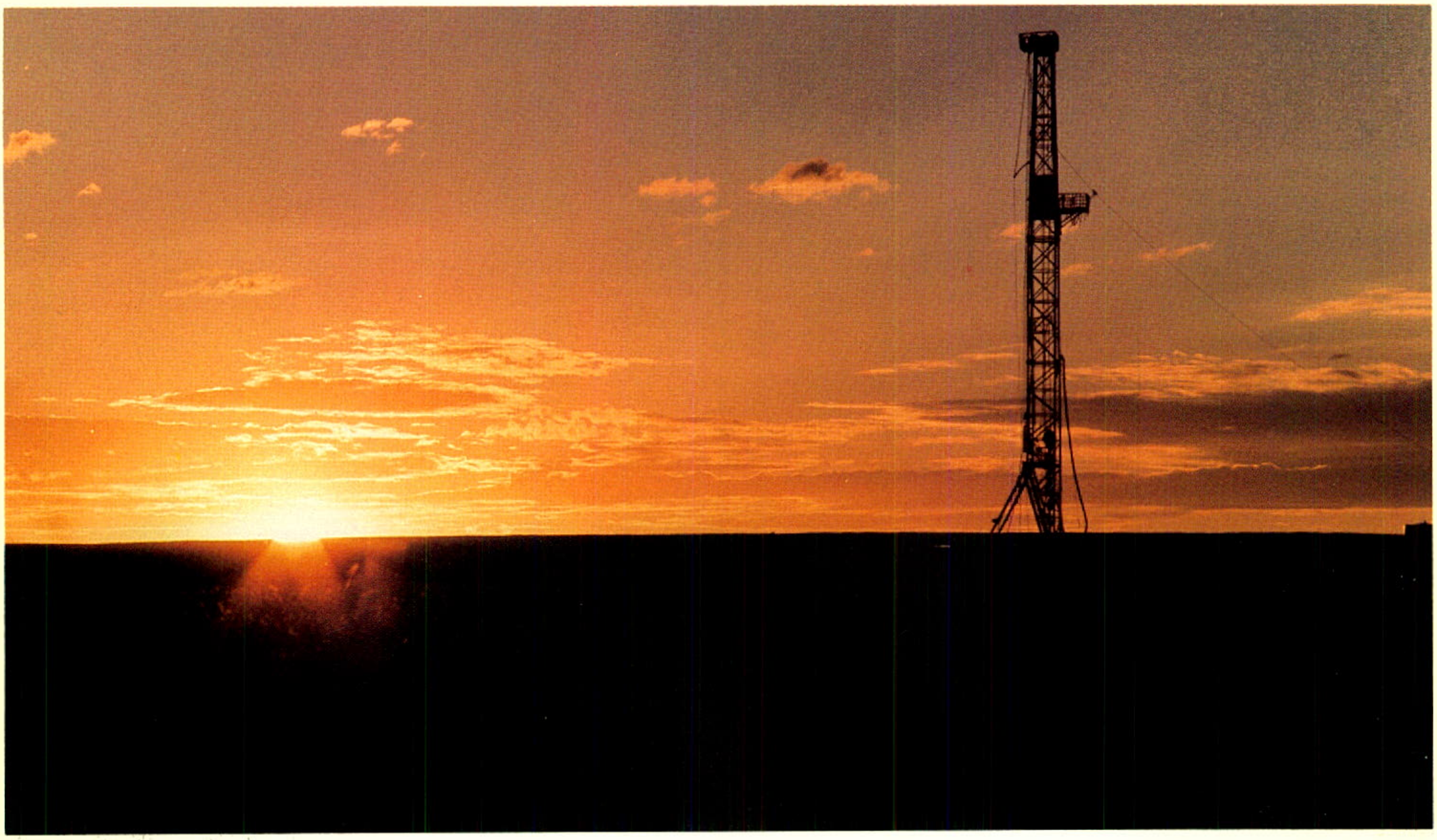
	GROSS ACRES	NET ACRES
Oil and Gas		
Alberta	1,510,734	351,243
British Columbia	378,384	120,972
MacKenzie Delta	270,242	54,048
British North Sea	51,323	433
	2,210,683	526,696
Other Minerals	18,201	3,578
	2,228,884	530,274

During 1983 the Company acquired, pursuant to Alberta Crown lease sales, 102,560 acres (32,258 net acres) for an aggregate bonus consideration of $5,418,330. This compares with 1982 acquisitions of 68,960 acres (31,549 net acres) for an aggregate bonus consideration of $4,153,512. Of the total lands acquired in 1983, 85,920 acres (27,885 net acres) were in the East Peace River Arch area of northwestern Alberta. In addition, the Company negotiated several farm-in agreements whereby it can earn, by drilling, varied interests in 63,840 gross acres in this area.

In 1983, Alberta "deeper rights reversion" legislation became operational whereby Crown oil and gas leases are continued beyond their primary terms only down to the base of the deepest formation of known hydrocarbon accumulation. Previously, all formations, including those below formations of known hydrocarbon accumulation, were continued if the lease contained at least one formation of known hydrocarbon accumulation. The effect of this legislation will be to increase the number of deeper formations available for purchase and to encourage industry to evaluate deeper formations by drilling prior to their reversion to the Crown.

UNITED STATES

Numac's United States land holdings at December 31, 1983 consisted of 115,630 gross (19,402 net) acres which are held by a wholly-owned subsidiary. As previously noted, the Company's future activities in the United States will be confined to these lands and selective acreage in the vicinity thereof.



Additional Activities

OIL SANDS

Surmont is an in-situ oil sands property comprising 119,000 acres located approximately 35 miles southeast of Fort McMurray, Alberta. The property was originally acquired by Numac in 1972 and, after approximately $2 million of exploratory expenditures to substantiate the in-situ reserves and geological characteristics of the property, was farmed-out in 1977 to Gulf Canada Resources Inc. Pursuant to the farm-out agreement Numac received instalment payments exceeding $24 million and retains a 5% net carried interest in the property. Further, Numac has the right to convert the carried interest to a 12.5% participating interest in any or all future oil extraction projects.

Independent consulting geologists estimate the bitumen in place at 20 billion barrels. The property also contains substantial gas reserves which could be used as fuel for in-situ recovery operations.

Numac management are of the view that, having regard to the inherent characteristics of the Surmont property and the favourable fiscal measures recently extended by the provincial and federal governments to other in-situ recovery projects, this property will receive early development consideration.

OILFIELD CONSTRUCTION

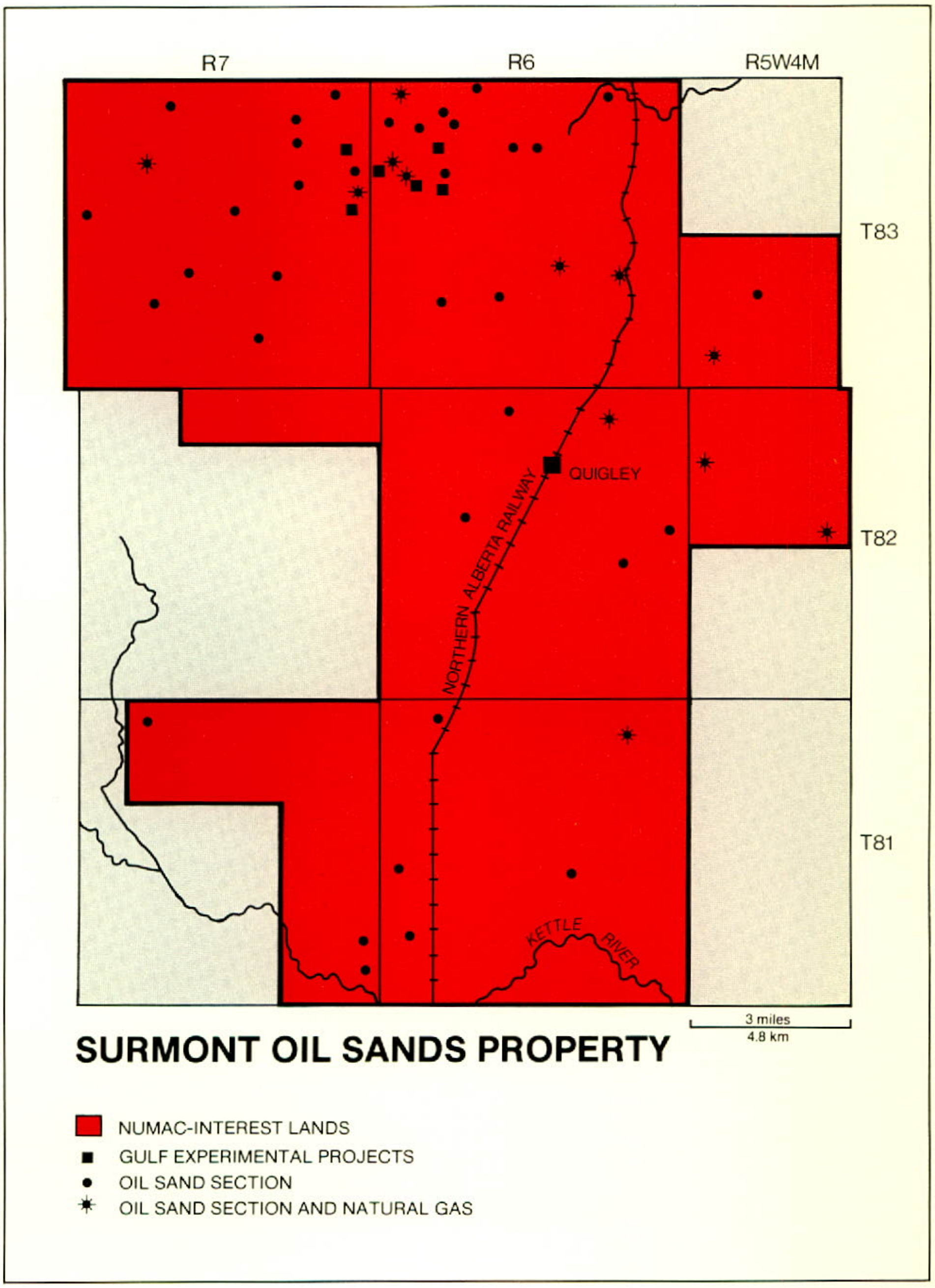
Numac, through its wholly-owned subsidiary McGregor Johanson Contracting Ltd. (MJ), is engaged in oilfield related construction activities. In Alberta these activities include lease preparation, restoration of drilling sites and road building. MJ carries on similar activities, including heavy equipment leasing, in the MacKenzie Delta area of the Northwest Territories.

MJ has consistently contributed to the profitability of Numac and is well positioned to benefit as a result of renewed exploration activity in Alberta and intensified long-term exploration activities now underway in the MacKenzie Delta.

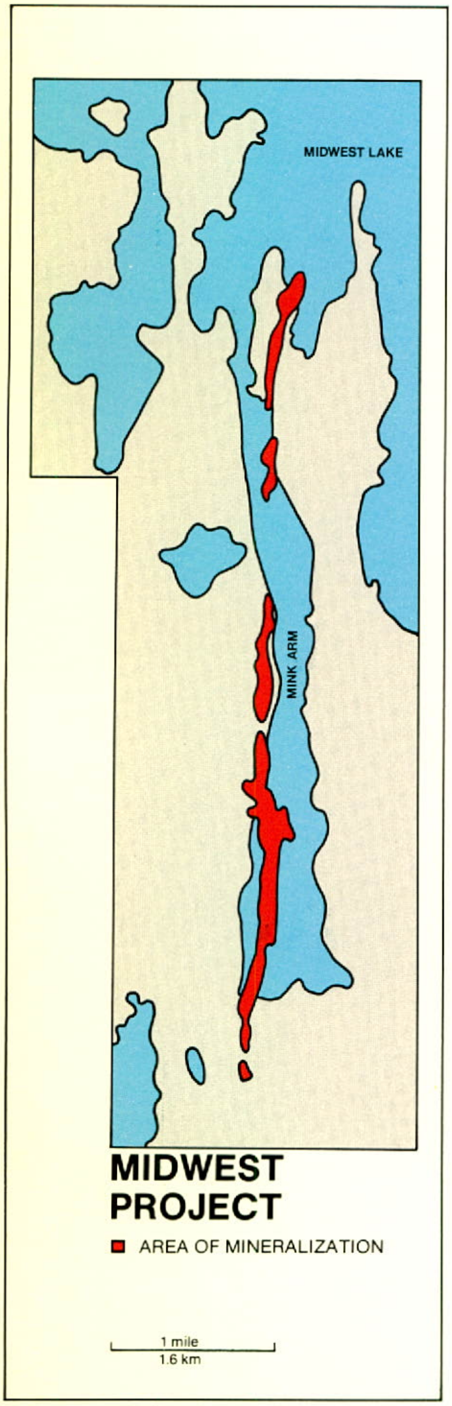
GAS PROCESSING

The Empress Gas Liquids processing plant (EGL) in which Numac has a 5.83% interest was completed on schedule and within budget in mid-1983 at a total cost of $46 million, including interest during construction.

Reduced gas export volumes by both ProGas Ltd. and TransCanada Pipelines Limited has resulted in a one year interim agreement whereby the Empress plant has been temporarily mothballed and the gas processed in the Dome Petroleum Ltd. extraction plants at Empress. This arrangement is advantageous to both Dome and EGL and also results in a reduced cost of extraction for both



ethane and other liquids. If gas export volumes do not increase the interim agreement provides for extension of the term on a year-to-year basis. Since August of 1983, this venture has been making a satisfactory contribution to the Company's cash flow and earnings.



URANIUM

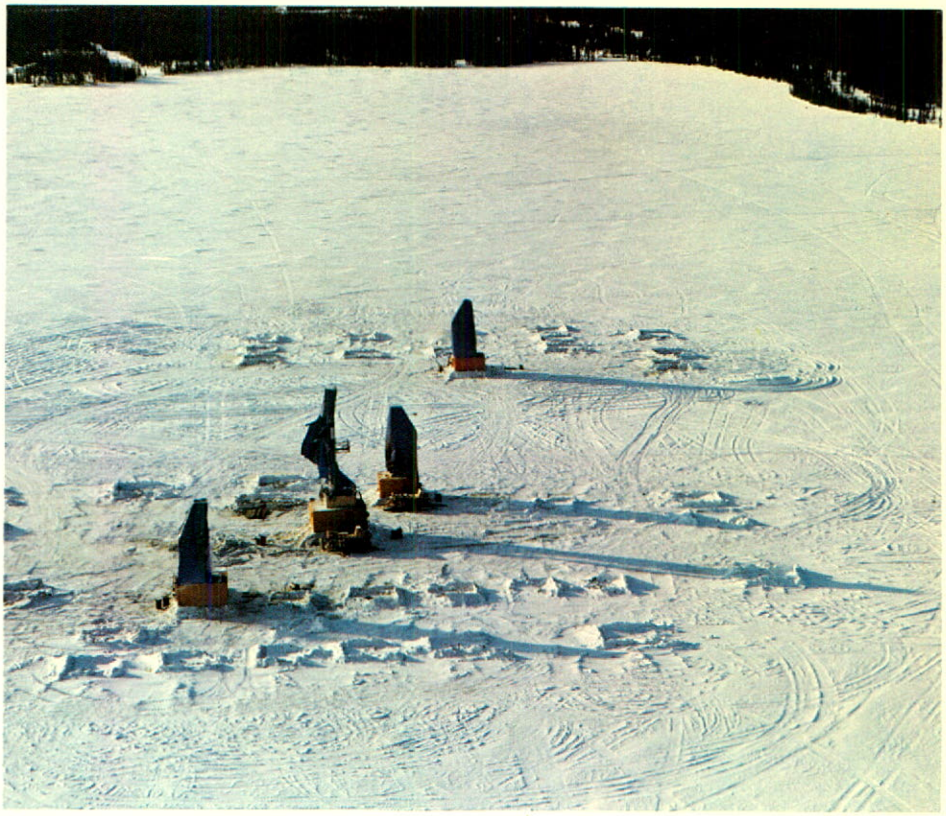
Numac and others, together with Esso Resources Canada Limited, as operator, is a participant in the Midwest Lake uranium deposit located in northern Saskatchewan.

Numac has a 25% interest in the property, consisting of a 10% working interest and a 15% carried interest which is free of interest or other charges. This means that the Company pays 10% of all costs associated with the property and the costs associated with the remaining 15% interest in the property are financed by others. After recovery of exploration and development costs, which does not include recovery of interest or other charges, Numac will have a 25% working interest in the property.

Based on a report by independent consulting geological engineers, the drill-indicated reserves are calculated at 56 million pounds of uranium oxide having an average grade of 1.25%, or, 25 pounds per ton. Determination of a production commencement date is dependant upon world supply and demand for uranium.

MINERALS EXPLORATION

The Company holds a 25% working interest in 2,012 acres of gold prospective mining leases located approximately 35 miles northeast of Yellowknife, Northwest Territories. During 1983, the property was optioned to Pacific Copper Mines Ltd., which company must incur expenditures of $2,000,000 prior to January 31, 1986 to earn a 50% working interest in the property. Upon earning by Pacific Copper, Numac retains, at its option, a 12.5% working interest or a 5% net profits interest. Previous work conducted by Numac on the property to establish the geological merits thereof included trenching, bulk sampling and some diamond drilling.



Midwest Project — Infill drilling.

MANAGEMENT DISCUSSION

Revenue

Crude oil revenues before royalties increased by 61% to $35,633,196 as compared to $22,125,090 in 1982. This substantial increase in revenue was attributable to a 40% increase in oil production, all of which qualified for the New Oil Reference Price. The average price received by Numac for Canadian crude oil in 1983 was $34.18 per barrel as compared to $29.20 in 1982 and $18.76 per barrel in 1981. The reason for the dramatic improvement in 1982 as compared to 1981 was that the New Oil Reference Price was implemented effective January 1, 1982. The improvement from 1982 to 1983 was due to increased volumes of 1983 crude oil production which qualified for the New Oil Reference Price.

On July 1, 1983 the New Oil Reference Price was extended to oil discovered after January 1, 1974, thereby eliminating, for pricing purposes, the category of crude oil referred to as Special Old Oil. Effectively, a two-tier pricing system for crude oil was created which now pertains to oil discovered prior to January 1, 1974 and oil discovered thereafter (old and new oil, respectively). Numac's average selling price for new oil was approximately $40.00 per barrel. After deducting royalties, PGRT and lifting costs, the Company's average cash flow netback was $20.88 per barrel. The corresponding selling price and cash flow netback for old oil was $29.95 and $14.56, respectively. In the event that future changes to energy policy include the extension of the New Oil Reference Price to all crude oil produced in Canada this would have a substantial positive impact on the asset value of Numac's oil reserves and upon cash flow and earnings.

Further improvement in 1983 revenue was constrained by prorationing of Alberta oil production in the first half of the year. Although the possibility exists for further prorationing in 1984, should it occur, it is not expected to be as severe as that experienced in 1983.

Gross natural gas revenues increased by 23% to $8,135,234, primarily due to higher gas prices as well as increased United States gas sales.

The Alberta Royalty Tax Credit received by Numac in 1983 was $4,000,000 as compared to $4,435,646 in 1982. The credit received in 1982 included $435,646 which was applicable to 1981. Numac will continue to qualify for the maximum Alberta Royalty Tax Credit, which has been reduced to $2,000,000.

Primarily as a result of profits realized from the sale of marketable securities, investment income increased to $2,318,826 in 1983 as compared to $477,468 in 1982.

Expenses

Total expenses, exclusive of income and revenue taxes, were $22,837,914, an increase of 8% over the $21,158,604 incurred in 1982.

Operating expenses accounted for $7,915,833 of total expenses, an increase of 69% over 1982. This is primarily due to increased lifting and transportation costs associated with substantially greater volumes of oil production and, to a lesser degree, higher per unit lifting costs associated with increased oil production from less accessible producing areas in northern Alberta.

Administrative expenses totalled $1,797,229 in 1983, an increase of 40% over the $1,286,732 recorded in 1982. This increase was due to inflation and a number of staff additions necessitated by expanded exploration, development and production activities.

Interest expense in 1983 declined by 41% to $5,478,800 as compared to $9,338,655 in 1982. This decline resulted from decreased loan balances and a lower average debt servicing rate in 1983 of approximately 11% as compared to 15.25% in 1982.

Depreciation and depletion increased by 30% to $7,646,052 from $5,862,778 in 1982. Depletion expense was $5,802,914 for 1983 as compared to $4,557,819 in 1982, a result of increased oil and gas production in 1983. Depreciation expense was $1,843,138 as compared to $1,304,959 in 1982 due to investments in additional production facilities in 1983.

The Petroleum and Natural Gas Revenue Tax (PGRT) expense increased to $3,590,433 in 1983 as compared to $2,497,931 in 1982 and $1,072,124 in 1981. The 44% increase in 1983 is attributable primarily to increased oil and gas production. The PGRT is a 12% federal tax on the selling price of oil and gas after deducting lifting and transportation costs. This tax is, in effect, an additional royalty burden and is non-deductible for income tax purposes.

Earnings

Earnings before extraordinary items increased to $12,508,985 as compared to $3,100,902 in 1982. This $9,408,083 increase is primarily the result of substantially higher oil and gas production.

Net earnings were $12,508,985 in 1983 as compared to $12,351,487 the previous year. 1982 net earnings included an extraordinary gain of $9,250,585 from the sale of real estate interests. There were no extraordinary items in 1983.

NUMAC

Capital Expenditures

Gross capital expenditures, before deduction of Petroleum Incentive Program (PIP) payments, amounted to $43,600,568 of which 89% was expended in Canada and 11% was expended in the United States. In accordance with management's policy of concentrating on the Company's exploration and development opportunities in Canada, capital expenditures in the United States decreased by 50% and will be further reduced in 1984.

Based on eligible 1983 capital expenditures of approximately $22.3 million, the Company's entitlement to PIP payments is approximately $6.5 million. PIP payments receivable at December 31,1983 were approximately $5.4 million and relate primarily to the years 1982 and 1983. The Company has qualified for maximum PIP payments since inception of the PIP program and since the Company's Canadian Ownership Rate has recently been established at 76%, it will continue to qualify for maximum PIP payments.

During 1983, the Government of Alberta implemented the Development Drilling Incentive Program whereby cash incentives, based on footage drilled, were provided to industry for the drilling of development wells. The Company received approximately $763,000 pursuant to this program.

Interest capitalized in 1983 amounted to $859,072 of which $703,979 related to the Company's mining properties, and $155,093 related to the Empress Gas Liquids plant prior to completion of construction in mid-1983.

Comparison of Canadian and United States Operations

The following table sets forth results of operations segregated as to Canada and the United States. Thousands of Canadian dollars.

	CANADA			UNITED STATES		
	1983	**1982**	**1981**	**1983**	**1982**	**1981**
Revenue	**$ 39,842**	$ 27,584	$ 20,765	**$ 5,157**	$ 2,023	$ 616
Expenses						
Operating, administration and other	**11,162**	7,226	5,140	**2,141**	1,228	79
Interest	**2,777**	4,606	4,112	**2,702**	4,733	2,435
Depletion and depreciation	**7,010**	5,484	3,942	**636**	379	899
Impairment of assets	**—**	—	—	**—**	—	13,268
	20,949	17,316	13,194	**5,479**	6,340	16,681
Earnings (loss) before income taxes and extraordinary items	**$ 18,893**	$ 10,268	$ 7,571	**$ (322)**	$ (4,317)	$(16,065)
Cash flow from operations	**$ 25,897**	$ 15,441	$ 11,096	**$ 314**	$ (3,938)	$ (1,898)

Pursuant to United States Securities and Exchange Commission (SEC) accounting regulations, a write-down (impairment) of the United States oil and gas properties was provided for in 1981 in the amount of $13,267,784. This write-down resulted from United States proved reserve values, calculated in accordance with SEC regulations for full cost companies being less than the acquisition, exploration and development costs.

Shareholders' Equity

Shareholders' equity increased by 41% to $125,727,176 as at December 31, 1983 as compared to $89,449,350 as at December 31, 1982. Additions to shareholders' equity occurred as the result of a private placement of 1,000,000 common shares on September 1, 1983 which netted $23,375,000 and 1983 net earnings of $12,508,985. Shareholders' equity includes a provision for unrealized foreign exchange losses in the amount of $490,045.

Liquidity

The Company increased its borrowing power as a result of significant increases in its asset base which were primarily attributable to a 25% increase in the Company's conventional crude oil reserves. Notwithstanding this increase in borrowing power, the Company chose to reduce its United States bank line of credit to $7.5 million from $30 million (U.S. funds) during 1983, thereby reducing associated stand-by fees. The Canadian bank lines of credit were maintained at $65 million (Canadian funds).

Cash flow from operations, before interest expense, was 5.0 times total interest costs as compared to 2.0 times in 1982 and 1.9 times in 1981.

The Company's long-term debt to equity ratio improved to .36 to 1 as of December 31, 1983 as compared to .69 to 1 as of December 31, 1982 and 1.16 to 1 as of December 31, 1981.

Management anticipates that 1984 capital expenditures will be funded entirely by internally generated sources of funds.

The Company had no unusual capital commitments at the end of 1983.

Stock Split

Effective November 30, 1983 the Company's common shares were split on a 2-for-1 basis which resulted in 22,720,140 shares outstanding as at December 31, 1983.

Auditors' Report

To the Shareholders of
Numac Oil & Gas Ltd.

We have examined the consolidated balance sheets of Numac Oil & Gas Ltd. as at December 31, 1983 and 1982 and the consolidated statements of earnings and of changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with auditing standards generally accepted in Canada 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, 1983 and 1982 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1983 in accordance with accounting principles generally accepted in Canada applied on a consistent basis.

Deloitte Haskins & Sells

Chartered Accountants

EDMONTON, Alberta
March 9, 1984

CONSOLIDATED BALANCE SHEET

As at December 31, 1983
Canadian dollars

ASSETS

	1983	*1982*
CURRENT ASSETS		
Marketable securities, at cost		
(Market value $5,683,940; 1982 — $7,990,650)	**$ 752,156**	$ 1,561,952
Receivables (Note 1)	**22,848,200**	22,344,893
Inventories, at lower of cost and net realizable value	**727,094**	863,159
Prepaid expenses and deposits	**205,609**	53,908
Total current assets	**24,533,059**	24,823,912
LONG-TERM RECEIVABLES (Note 2)	**4,121,558**	4,140,512
INVESTMENTS	**193,558**	441,329
FIXED ASSETS, AT COST (Note 3)		
Oil and gas properties, full cost basis		
Canada	**169,268,377**	148,668,726
United States	**24,445,180**	21,153,047
Other	**227,169**	227,169
Mining properties	**7,044,875**	6,337,151
Production and other equipment	**32,409,275**	22,639,806
	233,394,876	199,025,899
Less: Accumulated depletion and depreciation	**32,093,009**	24,519,690
	201,301,867	174,506,209
	$230,150,042	$203,911,962

APPROVED BY THE BOARD

W. S. McGregor Director

A. T. MacIver Director

LIABILITIES

	1983	1982
CURRENT LIABILITIES		
Bank indebtedness (Note 4)	**$ 1,580,915**	$ 565,228
Accounts payable and accrued (Note 5)	**17,581,165**	18,108,390
Total current liabilities	**19,162,080**	18,673,618
LONG-TERM DEBT (Note 6)	**44,875,310**	61,386,496
DEFERRED INCOME TAXES	**39,832,804**	34,064,793
ADVANCE GAS PAYMENTS	**552,672**	337,705
	104,422,866	114,462,612
CONTINGENCY (Note 7)		

SHAREHOLDERS' EQUITY

	1983	1982
SHARE CAPITAL (Note 8)		
Authorized		
80,000,000 common shares without par value		
8,000,000 preferred shares with par value of $25 each		
Issued and fully paid		
22,720,140 common shares — (1982 — 10,359,132)	**82,121,979**	58,441,020
FOREIGN EXCHANGE TRANSLATION (LOSS)	**(490,045)**	(577,927)
RETAINED EARNINGS		
Beginning of year	**31,586,257**	20,431,077
Earnings for the year	**12,508,985**	12,351,487
Dividends	**—**	(941,913)
Expenses of issuing flow-through units (net of related deferred tax credit of $225,590)	**—**	(254,394)
End of year	**44,095,242**	31,586,257
	125,727,176	89,449,350
	$230,150,042	$203,911,962

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended December 31, 1983
Canadian dollars

	1983	1982	1981
REVENUE			
Operating revenue	**$ 38,026,401**	$24,007,356	$14,690,626
Alberta royalty tax credit	**4,000,000**	4,435,646	1,334,246
Athabasca Oil Sands	**—**	—	4,081,000
Investment income and gains	**2,318,826**	477,468	412,444
Supervision and sundry	**647,593**	466,236	558,170
Other	**6,523**	220,568	304,132
	44,999,343	29,607,274	21,380,618
EXPENSE			
Operating	**7,915,833**	4,670,439	3,536,761
Petroleum and gas revenue tax	**3,590,433**	2,497,931	1,072,124
Incremental oil revenue tax	**—**	282,201	—
General and administration	**1,797,229**	1,286,732	946,312
Interest on long-term debt (net of $859,072 capitalized; 1982 — $1,125,725)	**5,029,003**	8,689,286	5,638,534
Other interest	**449,797**	649,369	908,160
Depletion and depreciation	**7,646,052**	5,862,778	4,840,776
Provision for impairment — U.S. operations	**—**	—	13,267,784
	26,428,347	23,938,736	30,210,451
Earnings (loss) from continuing operations	**18,570,996**	5,668,538	(8,829,833)
Share of earnings from discontinued operations (net of deferred income taxes 1982 — $138,798; 1981 — $157,660)	**—**	282,563	335,446
Earnings (loss) before income taxes	**18,570,996**	5,951,101	(8,494,387)
Deferred income taxes	**6,062,011**	2,850,199	3,084,460
Earnings (loss) before extraordinary items	**12,508,985**	3,100,902	(11,578,847)
Gain on sale of discontinued operations (net of deferred income taxes of $2,690,000)	**—**	9,250,585	—
Gain on sale of real estate (net of deferred income taxes of $136,445)	**—**	—	473,445
Net earnings (loss)	**$ 12,508,985**	$ 12,351,487	$(11,105,402)
Per Share*			
Earnings (loss) before extraordinary items	**$ 0.58**	$ 0.16	$ (0.61)
Net earnings (loss)	**$ 0.58**	$ 0.63	$ (0.59)

*Based on weighted average number of common shares outstanding and after provision for a 2-for-1 stock split on November 30, 1983.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 1983
Canadian dollars

	1983	*1982*	*1981*
SOURCES OF WORKING CAPITAL			
Operations			
Earnings (loss) before extraordinary items	**$ 12,508,985**	$ 3,100,902	$(11,578,847)
Items not affecting working capital			
Share of earnings from discontinued operations	**—**	(282,563)	(335,446)
Depletion and depreciation	**7,646,052**	5,862,778	4,840,776
Deferred income taxes	**6,062,011**	2,850,199	3,084,460
Provision for impairment	**—**	—	13,267,784
Other	**(6,523)**	(27,418)	(81,102)
Cash flow from operations	**26,210,525**	11,503,898	9,197,625
Petroleum and other incentive payments	**9,139,206**	9,860,994	474,000
Sale of partnership interest	**—**	12,855,029	—
Sale of units	**—**	22,935,416	—
Issue of common shares	**23,375,000**	—	—
Term bank loan	**—**	—	44,333,472
Key Employee Stock Purchase Plan loans (net)	**18,480**	44,145	127,299
Sale of fixed assets	**26,175**	896,000	205,600
Other	**563,053**	696,299	403,285
	59,332,439	58,791,781	54,741,281
USES OF WORKING CAPITAL			
Resource properties	**33,738,714**	44,191,437	48,931,125
Plant and equipment	**9,861,854**	5,597,829	5,883,880
Term bank loan	**16,511,186**	2,074,534	—
Dividends	**—**	941,913	1,883,826
	60,111,754	52.805,713	56,698,831
INCREASE (DECREASE) IN WORKING CAPITAL	**(779,315)**	5,986,068	(1,957,550)
WORKING CAPITAL, beginning of year	**6,150,294**	164,226	2,121,776
WORKING CAPITAL, end of year	**$ 5,370,979**	$ 6,150,294	$ 164,226

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada which do not differ materially from those established in the United States except where specifically referred to in these notes. Due to the nature of the Company's operations, certain estimates are involved in the preparation of such statements. In Management's opinion, the financial statements have been prepared within reasonable limits of materiality and within the framework of the significant accounting policies as summarized below:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all wholly-owned subsidiaries of the Company. The Company's 50% investment in Pluim Contractors Ltd. is accounted for by the equity basis. All significant intercompany balances and transactions have been eliminated.

(b) Oil and Gas Properties

The Company follows the full cost method of accounting prescribed by the United States Securities and Exchange Commission. Under this method all exploration and development costs are accumulated in active cost centres on a country-by-country basis as follows:

1. Canada
2. United States
3. Other

Costs accumulated in the cost centres are depleted using the unit-of-production method based upon estimated proved reserves. Petroleum Incentive Payments and other Government incentives are applied against the cost of Canadian oil and gas properties.

(c) Mining

Acquisition and exploration costs of mining properties are capitalized and will be depleted on a unit-of-production basis when production commences.

(d) Depreciation

Depreciation is provided on the straight-line method based on the estimated useful life of equipment as follows:

Production equipment at 7%
Construction and other equipment at 10% to 20%.

(e) Income Taxes

The Company follows the tax allocation method of accounting for income taxes. Under this method, deferred income taxes are recorded to the extent that income taxes, otherwise payable, are deferred by claiming capital cost allowances and exploration and development costs in excess of the depletion and depreciation provisions.

(f) Foreign Currency Translation

The Company has adopted the Financial Accounting Standards Board Statement No. 52 on Foreign Currency Translation.

The accounts of the foreign subsidiary companies have been translated to Canadian dollars as follows:

(1) All assets and liabilities at the rate of exchange prevailing at the year end.
(2) Revenues and expenses at a weighted average rate for the year.

Exchange gains or losses are not included in determining net income but are accumulated and reported as a separate component of shareholders' equity.

(g) Capitalization of Interest

The Company capitalizes interest on unusually significant investments in unproved oil and gas properties and mining projects on which exploration and development activities are in progress but which are not being currently amortized and from which no production revenues are currently being earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — RECEIVABLES

	1983	1982
Trade	**$16,578,085**	$12,515,624
Petroleum incentive payments	**5,418,734**	6,600,000
Alberta royalty tax credit	**339,726**	339,726
Alberta drilling incentives	**511,655**	2,889,543
	$22,848,200	$22,344,893

NOTE 2 — LONG-TERM RECEIVABLES

	1983	1982
Receivable under the Key Employee Stock Purchase Plan (Note 8(c))	**$ 4,001,207**	$ 4,019,687
Other	**120,351**	120,825
	$ 4,121,558	$ 4,140,512

NOTE 3 — FIXED ASSETS (thousands of dollars)

	1983			1982		
	Cost	**Accumulated Depletion and Depreciation**	**Net Book Value**	**Cost**	**Accumulated Depletion and Depreciation**	**Net Book Value**
Oil and gas properties						
Canada	**$169,268**	**$ 22,184**	**$147,084**	$148,669	$ 16,960	$131,709
United States	**24,445**	**2,101**	**22,344**	21,153	1,546	19,607
Other	**227**	**222**	**5**	227	199	28
	193,940	**24,507**	**169,433**	170,049	18,705	151,344
Mining properties	**7,045**	**—**	**7,045**	6,337	—	6,337
Production and other equipment	**32,410**	**7,586**	**24,824**	22,640	5,815	16,825
	$233,395	**$ 32,093**	**$201,302**	$199,026	$ 24,520	$174,506

Costs of properties excluded from the depletion calculation during the year are $8,449,219, (1982 — $3,040,469) plus capitalized interest of $2,104,228 (1982 — $1,949,135). These costs were incurred in the following categories and periods:

	Total	1983	1982	1981	1980
Acquisition costs	**$ 7,181,248**	$ 4,979,738	$ 1,013,835	$ —	$ 1,187,675
Exploration costs	**1,267,971**	1,267,971	—	—	—
Interest capitalized	**2,104,228**	155,093	410,078	935,398	603,659
	$10,553,447	$ 6,402,802	$ 1,423,913	$ 935,398	$ 1,791,334

United States properties are net of the provision for impairment of $14,182,784 as calculated under the Securities and Exchange Commission's accounting rules.

NOTE 4 — BANK INDEBTEDNESS

	1983	1982
Current account — net	**$ 1,355,915**	$ 173,228
Operating loans	**225,000**	392,000
	$ 1,580,915	$ 565,228

The maximum month end amount of short-term bank loans outstanding during the year was $7,904,000 and the average was $2,927,500. The weighted average interest rate on the bank loans during the year was 11.12% compared to 15.25% in 1982, based on month end balances and interest rates.

At December 31, 1983 the Company had consolidated short-term usable bank lines of credit totalling $15,000,000 with interest at the bank prime rate.

NOTE 5 — ACCOUNTS PAYABLE AND ACCRUED

	1983	1982
Oil and gas exploration and other trade payables	**$17,409,167**	$17,722,428
Accrued interest on bank loans	**55,998**	286,962
Accrued professional fees	**116,000**	99,000
	$17,581,165	$18,108,390

NOTE 6 — LONG-TERM DEBT

	1983	1982
Term bank loan — Canada	**$38,000,000**	$28,000,000
— United States	**6,875,310**	33,386,496
	$44,875,310	$61,386,496

The term bank loans represent the outstanding portion of a $50,000,000 usable Canadian line of credit and a $7,500,000 U.S. funds line of credit. A standby fee of 1/4% on the unused portion of these lines is payable. As security the Company has lodged marketable securities with a cost of $651,995 and a market value of $5,399,000. The terms of the loan prescribe the minimum levels for consolidated tangible net worth and present value of unencumbered proven Canadian oil and gas reserves to be maintained by the Company. Loans are repayable in twenty equal quarterly instalments commencing January 31, 1986.

The term bank loan in Canadian funds is at the lending bank's prime rate or at the option of the Company 1% over the interest rate on Canadian Bankers' Acceptance notes. The term bank loan in U.S. funds is at the lending bank's prime rate or at 1/2% per annum over the London Interbank Offer Rate (LIBOR) for one, two, three or six month Eurodollars, at the option of the Company.

NOTE 7 — CONTINGENCY

A Statement of Claim was filed February 19, 1982 by an Indian Band and certain individual plaintiffs against the Province of Alberta, Norcen Energy Resources Limited, Dome Petroleum Limited, Chieftain Development Co. Ltd., Shell Canada Limited, Shell Canada Resources Limited, Union Oil Company of Canada Limited, Numac Oil & Gas Ltd. (Numac), Petro-Canada Exploration Inc., Chevron Standard Limited, Petrofina Canada Limited and Amoco Canada Petroleum Company Ltd. The plaintiffs are claiming Indian Title, aboriginal rights and personal and usufructuary rights (which they claim include the exclusive use and enjoyment of minerals and natural resources) in an area of land in Northern Alberta in which the Province of Alberta has granted oil and gas leases. The plaintiffs are claiming Seven Hundred Million Dollars in lieu of royalties and revenues to date, Two Hundred Million Dollars in damages, a declaration that the leases are null and void, and corollary relief, including an injunction. The defendants, including Numac dispute the claim and on March 31, 1982 Numac and certain of the other defendants filed a Statement of Defence to the claim.

The extent of the liability, if any, cannot be determined at this time, but based on a preliminary consideration of the claim, Counsel for Numac considers it unlikely that the claim can be established with respect to mineral rights in the area held by the corporate defendants or with respect to the whole of the area which is the subject of the claim or that the claims for Seven Hundred Million Dollars and Two Hundred Million Dollars (which are based on the claim to the exclusive use and enjoyment of minerals) will succeed.

A similar claim was previously advanced against Her Majesty the Queen in right of the Province of Alberta, Her Majesty the Queen in right of Canada and several oil companies, including Numac, in the Federal Court of Canada, but was dismissed as against all defendants except for Her Majesty the Queen in right of Canada, because of lack of jurisdiction in the Federal Court of Canada.

The Company has approximately one hundred and ten thousand net acres in the areas affected by the claim, containing approximately 10% of its net proved natural gas reserves and 75% of its net proved conventional crude oil reserves.

NOTE 8 — SHARE CAPITAL

(a) On November 15, 1983 a two-for-one stock split was effected which doubled the Company's authorized and issued share capital.

(b) On September 1, 1983 the Company transacted a private placement of 1,000,000 common shares at $24.00 per share. Net proceeds amounted to $23,375,000 after deduction of the underwriters' commission of $625,000.

(c) Key Employee Stock Purchase Plan

Under the Key Employee Stock Purchase Plan, the Company has agreed to advance funds to a Trustee to be used by the Trustee for the purchase and immediate sale to key employees of common shares of the Company's capital stock at the average sale price of the Company's common shares on the day immediately preceding the transaction.

At December 31, 1983 $4,001,207 was receivable by the Company ($4,019,687 at December 31, 1982) under the Plan and is included in "Long-Term Receivables" (Note 2). The shares allocated under the Plan are held as security for the loans. The loans must be repaid in full in 1988 and 1990. The key employee stock purchase loans do not bear interest.

(d) Key Employee Stock Option Incentive Plan

On June 24th, 1982 the Board of Directors approved and adopted the Key Employee Stock Option Incentive Plan ("the Plan") under which the Board of Directors has authority to grant to full time employees of the Company and its subsidiaries, options to purchase shares of common stock of the Company. A total of 930,000 shares of common stock are available and reserved for issuance under this Plan and to date, options covering 693,876 shares of common stock have been granted thereunder.

Under the Plan, the option price is required to be fixed by the Board of Directors, on the date of each grant but may not be less than 90% of the last reported selling price for the common shares on The Toronto Stock Exchange on the date of the grant. Options granted under the Plan may extend for such periods not to exceed 10 years, all as determined by the Board of Directors, but in each case, may be exercised only for so long as the optionee remains an employee of the Company, except in the case of death. Options granted under the Plan may be exercised cumulatively and are not transferable. Options may provide for the giving of, or arranging for financial assistance to an optionee for the purpose of enabling him to pay the exercise price of an option. The Plan does not contain any limitation on the number of options for common shares which may be granted to any one person.

NOTE 8 — SHARE CAPITAL (continued)

As at December 31, 1983, options to purchase common shares of the Company have been granted to senior officers as follows (adjusted for the November 1983 two-for-one split)

Date of Grant	Number of Shares	Exercise Price	Price Range in 30-Day Period Preceding Date of Grant	Expiration Date
June 24, 1982	320,000	$6.38	$5.38 - $6.75	June 23, 1992
August 30, 1982	40,000	$6.38	$5.50 - $7.25	June 23, 1992

(e) Flow-through Units

Effective February 12, 1982 the Company successfully completed a public offering of flow-through units in Canada. The issue, consisting of 9,400 units, was fully subscribed. The units were priced at $2,650 per unit and entitled the unitholders to 100 common shares. The proceeds of the issue, being $24,910,000, was used by the Company in its 1982 exploration and development program in Canada.

NOTE 9 — DEFERRED INCOME TAXES (thousands of dollars)

The following schedule shows the main difference between the combined Canadian Federal and Provincial statutory tax rate of 47% and the effective deferred tax rate. Deferred taxes are calculated only on Canadian earnings which amount to $18,893,000 in 1983 ($10,580,000 in 1982; $7,570,000 in 1981).

	1983		1982		1981	
	Amount	%	Amount	%	Amount	%
Provision for income taxes at statutory rates	**$ 8,880**	**47.0**	$ 4,973	47.0	$ 3,558	47.0
Add (deduct) the tax effect of:						
Non-deductible crown royalties and other provincial adjustments	**4,412**	**23.4**	3,251	30.7	2,498	33.0
Non-deductible — PGRT and IORT*	**1,665**	**8.8**	1,307	12.4	504	6.6
Alberta royalty tax credit	**(1,880)**	**(10.0)**	(2,085)	(19.7)	(627)	(8.3)
Resource allowance to partially offset inclusion of crown royalties	**(3,798)**	**(20.1)**	(2,658)	(25.1)	(1,536)	(20.3)
Depletion allowance earned by exploration and development expenditures	**(2,215)**	**(11.7)**	(1,472)	(13.9)	(751)	(9.9)
Other	**(1,002)**	**(5.3)**	(466)	(4.5)	(562)	(7.4)
Effective deferred taxes	**$ 6,062**	**32.1**	$ 2,850	26.9	$ 3,084	40.7

* Petroleum Gas Revenue Tax and Incremental Oil Revenue Tax.

Deferred income taxes result from timing differences in the recognition of expenses for income tax and financial statement purposes.

The Company's United States subsidiary has tax losses carried foward of approximately $30,300,000, expiring as follows:

Year of Expiry	Amount
1995	$ 3,500,000
1996	$13,000,000
1997	$12,600,000
1998	$ 1,200,000

The tax benefits related to the tax losses carried forward have not been reflected in the financial statements.

NOTE 10 — SEGMENTED INFORMATION

Financial information (in thousands of dollars) is presented below for the following business segments.

A. Resource development — Canada

B. Resource development — United States

C. Oilfield construction — Canada

D. Real estate — Canada

	A	B	C	D	Eliminations	Total
Year ended December 31, 1983						
Operating revenue	$ 30,946	$ 5,157	$ 5,471	—	$ (2,899)	$ 38,675
Gain of sale of fixed assets	—	—	6	—	—	6
Investment income	2,318	—	—	—	—	2,318
Alberta royalty tax credit	4,000	—	—	—	—	4,000
Total revenue	$ 37,264	$ 5,157	$ 5,477	—	$ (2,899)	$ 44,999
Operating profit	$ 12,370	$ (321)	$ 797	—	$ (337)	$ 12,509
Total assets	243,353	26,398	5,096	—	(44,697)	230,150
Depletion and depreciation	6,611	636	399	—	—	7,646
Capital expenditures (net)	30,012	4,975	108	—	(634)	34,461
Year ended December 31, 1982						
Operating revenue	$ 20,467	$ 2,023	$ 3,289	$ —	$ (1,111)	$ 24,668
Gain on sale of fixed assets	—	—	25	—	—	25
Investment income	478	—	—	—	—	478
Alberta royalty tax credit	4,436	—	—	—	—	4,436
Total revenue	$ 25,381	$ 2,023	$ 3,314	$ —	$ (1,111)	$ 29,607
Operating profit	$ 6,875	$ (4,317)	$ 564	$ 144	$ (165)	$ 3,101
Total assets	190,371	22,457	3,987	—	(12,903)	203,912
Depletion and depreciation	5,098	379	386	—	—	5,863
Capital expenditures (net)	29,443	10,141	655	—	(311)	39,928
Year ended December 31, 1981						
Operating revenue	$ 15,858	$ 616	$ 3,057	$ —	$ —	$ 19,531
Gain of sale of fixed assets	—	—	104	—	—	104
Investment income	412	—	—	—	—	412
Alberta royalty tax credit	1,334	—	—	—	—	1,334
Total revenue	$ 17,604	$ 616	$ 3,161	$ —	$ —	$ 21,381
Operating profit	$ 3,958	$ (16,065)	$ 350	$ 178	—	$ (11,579)
Total assets	145,360	13,967	3,700	1,989	(5,306)	159,710
Depletion and depreciation	3,616	900	325	—	—	4,841
Capital expenditures (net)	33,107	20,338	896	—	—	54,341

NOTE 11 — REMUNERATION OF SENIOR OFFICERS AND DIRECTORS

The remuneration paid to senior officers of the Company in 1983 amounted to $782,942 (1982 — $693,286; 1981 — $555,559) and directors' fees amounted to $23,500 (1982 — $24,457; 1981 — $22,570).

NOTE 12 — RELATED PARTY INFORMATION

Numac Oil & Gas Ltd. (Numac), participates in oil and gas exploration and development ventures in Alberta with Union Gas Ltd. ("Union"). Union at March 1st, 1984 held 18.33% of the outstanding shares of Numac's common stock. From January 1st to December 31st, 1983 Numac invoiced Union for $829,244 ($1,826,819 in 1982) for exploration and development expenditures. This amount includes management fees of $36,960 ($112,445 in 1982). William S. McGregor is the President and a director of Numac and is a director of Union, and owns 1,000 shares of Union. W. Darcy McKeough is President, Chief Executive Officer and a director of Union, and is a director of Numac and owns 1,000 shares of Numac. Paul F. Little is a director of Numac and Union and owns 600 shares of Numac.

Numac's wholly-owned subsidiary, Numac Oil & Gas Inc. participates in an oil and gas exploration and development joint venture in the United States with Shield Resources, Inc., a wholly-owned subsidiary of Precambrian Shield Resources Limited ("Precambrian"). Numac at March 1st, 1984 held 2.9% of the outstanding shares of Precambrian's common stock. Union Gas Limited (a holder of 18.33% of the outstanding shares of Numac's common stock) has a 65.2% equity interest in Precambrian. W. Darcy McKeough (a director of Numac) is a director of Precambrian and owns 2,000 shares of Precambrian. Stewart D. McGregor (a director of Numac) is a director of Precambrian and owns 53,000 shares of Precambrian. Paul F. Little (a director of Numac) is a director of Precambrian and owns 100 shares of Precambrian.

For legal services rendered during 1983, the Company paid the law firm of Jackson, Arlette, MacIver and Skitsko of Edmonton, Alberta the sum of $50,028. Alex N. McIver, is a partner of the said law firm and is a director of the Company.

SUPPLEMENTARY INFORMATION

UNAUDITED

THE EFFECTS OF CHANGING PRICES

The Canadian Institute of Chartered Accountants (CICA) and the Financial Accounting Standards Board (FASB) recommend supplementary disclosure of the effects of changing prices on the operations of the Company. Both of these accounting authorities have realized there are special problems related to the determination of current cost information for the oil and gas industry. The following information is intended to provide certain measurements of the effects of inflation on the Company's operations and financial position. The method used to calculate these effects inherently involves the use of assumptions, approximations and estimates, and this information should be viewed as an estimate of the approximate effects of inflation, rather than as a precise measure.

The Company has prepared its supplementary information on the effects of changing prices in accordance with the recommendations of the CICA. The CICA recommends disclosure of current cost information for oil and gas assets based on the application of appropriate indices to the historical cost of the assets. The CICA believes that such information is likely to provide a useful indication of the effects of changing prices on an enterprise's ability to repeat past exploration and development activities at today's prices. However, due to the difficulties in measuring the current cost of specialized mineral resource assets, the Company believes that the usefulness of the current cost information disclosed under the CICA method is limited. While an estimate of the current cost of finding and developing new reserves would be highly relevant to an assessment of whether the Company is able to maintain its operating capability, the unique characteristics of mineral reserves indicate that such an estimate would be subject to considerable uncertainty. The CICA itself acknowledges that there is no generally acceptable method of determining the current cost of oil and gas reserves required to maintain the operating capability of an enterprise.

The reported current costs of the Company's property and equipment have been estimated by applying a variety of specific indices relevant to the oil and gas industry to the historical information. In the absence of an appropriate industry index for 1983 the Company prepared its own cost index based on its best available information. The current cost adjustment for depletion and depreciation is attributable to an increase in depletion and depreciation based on the current costs derived from applying these specific indices. Readers are cautioned that this estimate of current costs does not represent the manner in which actual replacement of assets will occur in future periods.

Although current cost earnings for 1983 before income taxes are much lower than the reported historical amount, no adjustment is made to the income tax expense reported in the historical cost financial statements. On this basis, the corporation's effective tax rate would increase from 32.1% to 40.0% on a current cost basis.

In 1983 the oil and gas industry experienced a reduction in its drilling costs primarily due to a competitive market caused by a surplus of drilling rigs. General inflation as measured by the Consumer Price Index was at variance with the actual costs being incurred by the Company. As a result the current cost of the Company's oil and gas properties decreased in 1983.

During periods of inflation, monetary assets lose purchasing power, but less purchasing power is required to repay monetary liabilities. In 1983 the Company's monetary liabilities exceeded its monetary assets, and therefore it gained from the decline in the purchasing power of the net amounts owed.

The CICA recommends disclosure of a financing adjustment, calculated as the proportion of current cost changes which are theoretically financed by debt-holders, based on the Company's debt-to-equity ratio. The concept of a financing adjustment is still controversial and lacks broad professional support.

Readers are warned that because of the considerable flexibility permitted by the CICA in preparing current cost information comparison of disclosures between companies may not be meaningful and may be misleading.

STATEMENT OF EARNINGS ON A CURRENT COST BASIS AND OTHER SUPPLEMENTARY INFORMATION

For the year ended December 31, 1983
Thousands of dollars

	Current cost basis	As reported in the historical cost statements
Revenues	$ 44,999	$ 44,999
Earnings before income taxes and extraordinary items on historical cost basis	18,571	18,571
Adjustment for depletion and depreciation	3,717	
Earnings before income taxes on a current cost basis	14,854	
Deferred income taxes	6,062	6,062
Net earnings	$ 8,792	$ 12,509

Other Supplementary Information

Decrease in the current cost amounts of property and equipment	$ 21,376
Effect of general inflation	16,071
Excess of decrease in specific prices over the effect of general inflation	$ 37,447
Gain in general purchasing power from having net monetary liabilities	$ 2,082
Financing adjustment	
Portion of decrease in the current cost of property and equipment attributable to debt holders	$ 4,489
Portion of the current cost adjustments made to income attributable to debt holders	$ 781

SCHEDULE OF ASSETS ON A CURRENT COST BASIS

As at December 31, 1983
Thousands of dollars

	Current cost basis	As reported in the historical cost statements
Property and equipment — net	$281,952	$201,302
Net assets (shareholders' equity)	$206,377	$125,727

Both the Canadian Institute of Chartered Accountants (CICA) and the Financial Accounting Standards Board (FASB) recommend supplementary disclosure with respect to oil and gas reserves. The following information is prepared in accordance with the CICA recommendations, which closely parallel the guidelines issued by the FASB in its Statement No. 69.

ESTIMATED QUANTITIES OF PROVED OIL AND GAS RESERVES NET OF ROYALTIES

Crude oil, including natural gas liquids, is expressed in thousands of barrels. Natural gas is expressed in millions of cubic feet.

	TOTAL		CANADA		UNITED STATES	
	OIL	GAS	OIL	GAS	OIL	GAS
Net proved developed and undeveloped reserves						
At January 1, 1981	5,848	103,939	5,848	103,939	—	—
Revisions of previous estimate	108	(16,383)	108	(16,383)	—	—
Extensions, discoveries and other additions	1,101	11,289	912	9,957	189	1,332
Production	(414)	(1,719)	(399)	(1,708)	(15)	(11)
At December 31, 1981	6,643	97,126	6,469	95,805	174	1,321
Revisions of previous estimate	(215)	13,156	(215)	13,156	—	—
Extensions, discoveries and other additions	1,549	20,889	1,382	13,172	167	7,717
Production	(578)	(2,299)	(535)	(2,245)	(43)	(54)
At December 31, 1982	7,399	128,872	7,101	119,888	298	8,984
Revisions of previous estimate	180	(7,004)	157	(7,035)	24	31
Extensions, discoveries and other additions	2,257	6,150	2,167	5,658	89	492
Production	(810)	(2,600)	(745)	(2,088)	(65)	(512)
At December 31, 1983	9,026	125,418	8,680	116,423	346	8,995
Net proved developed reserves						
At December 31, 1981	5,899	88,493	5,726	87,172	174	1,321
At December 31, 1982	6,655	120,240	6,357	111,255	298	8,984
At December 31, 1983	8,282	116,785	7,937	107,789	346	8,995

The Canadian oil and gas reserve information was compiled by the Company's independent petroleum consultants, McDaniel & Associates Consultants Ltd. The United States reserve information is based on reports by various U.S. independent petroleum consultants. All independent reserve studies were reviewed by the Company's engineering staff. Proved reserves cannot be measured exactly and therefore all reserve estimates may be subject to revision.

The quantities represent the net reserves owned by Numac after deduction of royalties. The total oil reserves at December 31, 1983 before royalties were estimated to be 11,673 thousands of barrels. The total gas reserves before royalties were estimated to be 164,826 millions of cubic feet.

Proved reserves are those quantities of crude oil, natural gas liquids and natural gas which geological and engineering data indicate with reasonable certainty are recoverable in the future from known reservoirs under existing economic and operating conditions.

Proved developed reserves are defined to be those which can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are those that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

The figures presented are believed to be reasonable estimates of reserves which may be expected to be recoverable commercially at current prices and costs under existing regulatory practice and with existing conventional equipment and operating methods.

NUMAG

The following information has been included to comply with United States Securities and Exchange Commission regulations and is presented in accordance with the guidelines issued by the CICA and the FASB in its Statement No. 69.

COSTS INCURRED IN OIL AND GAS PROPERTY ACQUISITION, EXPLORATION AND DEVELOPMENT ACTIVITIES

	1983	1982	1981
Canada			
Aquisition of oil and gas properties — unproved	**$ 5,418,330**	$ 4,603,554	$ 7,901,811
Exploration costs (net of government incentives)	**7,812,660**	12,443,302	7,856,437
Development costs (net of government incentives)	**7,680,080**	6,410,186	10,332,764
	20,911,070	23,457,042	26,091,012
United States, net of impairment*	**5,664,029**	9,938,442	6,163,060
	$26,575,099	$33,395,484	$32,254,072

* Pursuant to the Securities and Exchange Commission's (SEC) accounting rules, the investment in United States oil and gas properties has been written down by $13,267,784 in 1981 and $915,000 in 1980. This is the result of proved reserve values calculated under the SEC accounting rules for full cost companies.

CAPITALIZED COSTS RELATING TO OIL AND GAS PRODUCING ACTIVITIES (thousands of dollars)

	TOTAL	CANADA	UNITED STATES	OTHER
1983				
Unproved oil and gas properties	$ 95,731	$ 84,030	$ 11,474	$ 227
Proved oil and gas properties	98,209	85,238	12,971	—
Production and other equipment	26,981	24,098	2,883	—
	220,921	193,366	27,328	227
Accumulated depreciation, depletion and amortization	29,300	26,837	2,241	222
Net capitalized costs	$191,621	$166,529	$ 25,087	$ 5
1982				
Unproved oil and gas properties	$ 81,875	$ 74,339	$ 7,309	$ 227
Proved oil and gas properties	88,174	74,330	13,844	—
Production equipment	17,353	16,153	1,200	—
	187,402	$164,822	22,353	227
Accumulated depreciation, depletion and amortization	22,280	20,476	1,605	199
Net capitalized costs	$165,122	$144,346	$ 20,748	$ 28

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS AND CHANGES THEREIN RELATING TO PROVED OIL AND GAS RESERVES

The following standardized measure was computed using year-end prices and costs, and year-end statutory tax rates. The 10% discount factor is mandated by FASB Statement No. 69.

The future net cash flow information should be interpreted with considerable caution. Reserve estimates, by their very nature, are inexact and are subject to constant changes and revisions. Also, the future production streams and future development and production expenditures are unpredictable for numerous reasons including government regulations and are, therefore, subject to significant changes.

It should not be assumed that the estimates of the standardized measure of future net cash flows represent fair market value of the reserves or of the oil and gas properties. Also, because of the year end price assumptions a standardized measure does not represent the present value of future cash flows.

Thousands of dollars

	TOTAL	CANADA	UNITED STATES
1983			
Future cash inflows	$880,631	$827,974	$ 52,657
Deduct			
Future production and development costs	132,837	128,112	4,725
Future income taxes	195,927	195,927	—
Future revenue taxes	301,392	291,412	9,980
	630,156	615,451	14,705
Future net cash flows	250,475	212,523	37,952
Deduct			
10% annual discount for estimated timing of cash flows	126,668	112,820	13,848
Standardized measure of discounted future net cash flows	$123,807	$ 99,703	$ 24,104
1982			
Future cash inflows	$772,361	$716,795	$ 55,566
Deduct			
Future production and development costs	106,599	101,612	4,987
Future income taxes	170,261	170,261	—
Future revenue taxes	257,403	246,880	10,523
	534,263	518,753	15,510
Future net cash flows	238,098	198,042	40,056
Deduct			
10% annual discount for estimated timing of cash flows	128,826	111,514	17,312
Standardized measure of discounted future net cash flows	$109,272	$ 86,528	$ 22,744

NUMAC

The following are the principal sources of the change in the standardized measure of discounted future net cash flows.
Thousands of dollars

	1983	1982
Beginning of the year	$ 109,272	$ 59,299
Sales of oil and gas production net of related costs	(22,599)	(14,922)
Net change in prices and production costs	17,230	37,115
Net change in estimated future development costs	(1,438)	(2,281)
Extensions and discoveries net of related costs	52,935	63,302
Revisions of previous quantity estimates	(7,193)	13,403
Accretion of discount	10,927	5,930
Net change in income taxes	(11,699)	(10,644)
Net change in revenue taxes	(24,913)	(41,332)
Other	1,285	(598)
End of year	$123,807	$109,272

RESULTS OF OPERATIONS FOR PRODUCING ACTIVITIES

For the year ended December 31, 1983
Thousands of dollars

	TOTAL	CANADA	UNITED STATES
1983			
Revenues			
Operating revenues	$ 36,102	$ 30,945	$ 5,157
Royalty tax credits	4,000	4,000	—
	40,102	34,945	5,157
Deduct			
Production costs	7,120	5,234	1,886
Depreciation, depletion and amortization	7,227	6,591	636
Deferred income tax expense	6,709	6,709	—
PGRT and IORT	3,590	3,590	—
	24,646	22,124	2,522
Results of operations from producing activities	$ 15,456	$ 12,821	$ 2,635
1982			
Revenues			
Operating revenues	$ 22,246	$ 20,267	$ 1,979
Royalty tax credits	4,435	4,435	—
	26,681	24,702	1,979
Deduct			
Production costs	4,227	3,311	916
Depreciation, depletion and amortization	5,461	5,082	379
Deferred income tax expense	4,379	4,379	—
PGRT and IORT	2,780	2,780	—
	16,847	15,552	1,295
Results of operations from producing activities	$ 9,834	$ 9,150	$ 684
1981			
Revenues			
Operating revenues	$ 12,192	$ 11,576	$ 616
Royalty tax credits	1,334	1,334	—
	13,526	12,910	616
Deduct			
Production costs	2,039	2,039	—
Depreciation, depletion and amortization	4,483	3,584	899
Deferred income tax expense	2,390	2,390	—
PGRT and IORT	1,072	1,072	—
	9,984	9,085	899
Results of operations from producing activities	$ 3,542	$ 3,825	$ (283)

The above revenues and costs exclude corporate overhead and other operating costs which are not directly related to producing activities.

NUMAC

QUARTERLY PUBLISHED INFORMATION

Thousands of dollars except per share amounts

	Revenues	Costs and Expenses	Earnings (Loss) Before I.T., E.I. and D.O.	Earnings (Loss) Before E.I.	Earnings (Loss) Per Share Before E.I.	Net Earnings
1983						
1st quarter	$ 10,036	$ 6,557	$ 3,479	$ 2,326	$ 0.11	$ 2,326
2nd quarter	10,257	6,134	4,123	2,864	0.14	2,864
3rd quarter	10,964	6,803	4,161	2,883	0.13	2,883
4th quarter	13,742	6,934	6,808	4,436	0.20	4,436
	$ 44,999	$ 26,428	$ 18,571	$ 12,509	$ 0.58	$ 12,509
1982						
1st quarter	$ 7,502	$ 5,926	$ 1,576	$ 977	$ 0.05	$ 977
2nd quarter	5,841	5,749	92	(116)	(0.00)	9,152
3rd quarter	7,056	5,681	1,375	644	0.03	626
4th quarter	9,208	6,583	2,625	1,595	0.08	1,596
	$ 29,607	$ 23,939	$ 5,668	$ 3,100	$ 0.16	$ 12,351
1981						
1st quarter	$ 3,912	$ 2,510	$ 1,402	$ 732	$ 0.04	$ 732
2nd quarter	3,310	3,322	(12)	(204)	(0.01)	269
3rd quarter	4,382	3,691	691	185	0.01	185
4th quarter	9,776	20,687	(10,911)	(12,292)	(0.65)	(12,291)
	$ 21,380	$ 30,210	$ (8,830)	$(11,579)	$ (0.61)	$(11,105)

Abbreviations: **I.T.** — Income taxes
E.I. — Extraordinary items
D.O.— Discontinued operations

The second quarter of 1982 includes the extraordinary gain on the sale of the partnership interest in real estate holdings amounting to $9,250,585. The fourth quarter of 1981 includes the gain of $4,081,000 before income taxes from the Athabasca Oil Sands Agreement. The fourth quarter of 1981 includes the provision for impairment of U.S. exploration properties of $13,267,784.

CURRENCY EXCHANGE FLUCTUATIONS

The Canadian dollar has fluctuated in terms of the U.S. dollar throughout 1983 and at March 8, 1984 was equivalent to $0.7894 U.S. The following is a table setting forth equivalent U.S. dollars:

	1983	1982	1981
March 31	$0.8083	$0.8149	$0.8443
June 30	$0.8148	$0.7748	$0.8320
September 30	$0.8116	$0.8090	$0.8288
December 31	$0.8036	$0.8138	$0.8430

MARKET FOR COMMON STOCK AND RELATED SECURITY HOLDER INFORMATION

The common shares are listed on The Toronto Stock Exchange and the American Stock Exchange. The following table, adjusted for a 2-for-1 stock split November 30, 1983, sets forth the high and low sale prices for the common shares traded on these exchanges.

	Toronto Stock Exchange (CDN. Dollars)		American Stock Exchange (U.S. Dollars)	
	High	Low	High	Low
1983				
1st quarter	$ 9.75	$ 7.00	$ 8.12	$ 5.69
2nd quarter	12.50	7.00	10.13	5.62
3rd quarter	13.75	10.81	11.12	8.75
4th quarter	14.62	12.19	11.87	9.87
1982				
1st quarter	14.50	7.37	12.18	5.75
2nd quarter	9.62	5.62	8.00	4.31
3rd quarter	8.44	5.37	6.81	4.25
4th quarter	10.50	7.06	8.50	5.69

On August 31,.1982 the Company suspended indefinitely the payment of dividends on the Company's common shares ($0.10 per share payable semi-annually).

The Company's 22,710,140 issued common shares were held by approximately 4,492 registered holders at January 1, 1984.

FIVE YEAR REVIEW

FINANCIAL

Thousands of dollars except per share amounts

	1983	1982	1981	1980	1979
REVENUE					
Oil and gas division	**$ 40,102**	$ 26,927	$ 17,807	$ 14,426	$ 13,801
Oilfield construction	**2,578**	2,203	3,161	4,078	3,772
Real estate	**—**	—	—	1,911	1,779
Investment income	**2,319**	477	412	736	1,551
TOTAL	**$ 44,999**	$ 29,607	$ 21,380	$ 21,151	$ 20,903
EXPENSE					
Operating	**$ 7,916**	$ 4,671	$ 3,537	$ 3,811	$ 4,083
PGRT & IORT	**3,590**	2,780	1,072	—	—
General & administrative	**1,797**	1,287	946	902	613
Interest on long-term debt	**5,029**	8,689	5,639	2,319	810
Other interest	**450**	649	908	550	2,066
Depletion & depreciation	**7,646**	5,863	4,841	3,021	2,640
Deferred income taxes	**6,062**	2,850	3,084	4,592	4,613
Provision for impairment	**—**	—	13,268	915	—
TOTAL	**$ 32,490**	$ 26,789	$ 33,295	$ 16,110	$ 14,825
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	**$ 12,509**	$ 3,101	$ (11,579)	$ 5,041	$ 6,078
EXTRAORDINARY ITEMS net of tax	**—**	9,250	473	1,901	122
NET EARNINGS	**$ 12,509**	$ 12,351	$ (11,105)	$ 6,941	$ 6,200
PER SHARE (reflects 1983 stock split)					
Earnings before extraordinary items	**$ 0.58**	$ 0.16	$ (0.61)	$ 0.28	$ 0.34
Net earnings	**$ 0.58**	$ 0.63	$ (0.59)	$ 0.38	$ 0.35
Dividends	**$ —**	$ 0.05	$ 0.10	$ 0.10	$ 0.10
CAPITAL EXPENDITURES	**$ 43,601**	$ 49,789	$ 54,815	$ 36,605	$ 24,802
TOTAL ASSETS	**$ 230,150**	$ 203,912	$ 159,710	$ 131,211	$ 99,540
LONG-TERM DEBT	**$ 44,875**	$ 61,386	$ 63,461	$ 23,328	$ 23,500

OPERATING

	1983	1982	1981	1980	1979
PRODUCTION					
Oil — thousands of barrels	**1,037**	741	560	567	613
Gas — millions of cubic feet	**2,939**	2,918	2,444	2,433	3,142
WELLS DRILLED					
Completed	**97**	118	113	84	62
Abandoned	**39**	64	98	51	30
TOTAL	**136**	182	211	135	92

CORPORATE INFORMATION

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
American Stock Exchange
Stock Symbol: NMC

BANKERS

The Bank of Nova Scotia
Edmonton, Alberta

REGISTRARS AND TRANSFER AGENTS

The Royal Trust Company
Edmonton, Alberta
Montreal, Quebec
Toronto, Ontario

The Canadian Bank of Commerce
Trust Company
New York, New York

AUDITORS

Deloitte Haskins & Sells
Edmonton, Alberta

SOLICITORS

Jackson, Arlette, MacIver & Skitsko
Edmonton, Alberta

FORM 10-K

Copies of this report and the Annual Report on Form 10-K filed with the Securiites and Exchange Commission of the United States of America are available free of charge by writing to the Secretary of the Company, 9915 -108 Street, Edmonton, Alberta, Canada T5K 2G8

METRIC CONVERSION FACTORS

1 mile = 1.609 kilometres
1 foot = 0.305 metres
1 cubic foot = 0.028 cubic metres
(natural gas)
1 barrel = 0.159 cubic metres
(petroleum liquids)
1 long ton = 1.016 tonnes
1 acre = 0.405 hectares

HEAD OFFICE

Petroleum Plaza, South Tower
14th Floor - 9915 - 108 Street
Edmonton, Alberta
Canada T5K 2G8
Phone (403) 423-1718

NUMAC
OIL & GAS LTD.
PRINTED IN CANADA