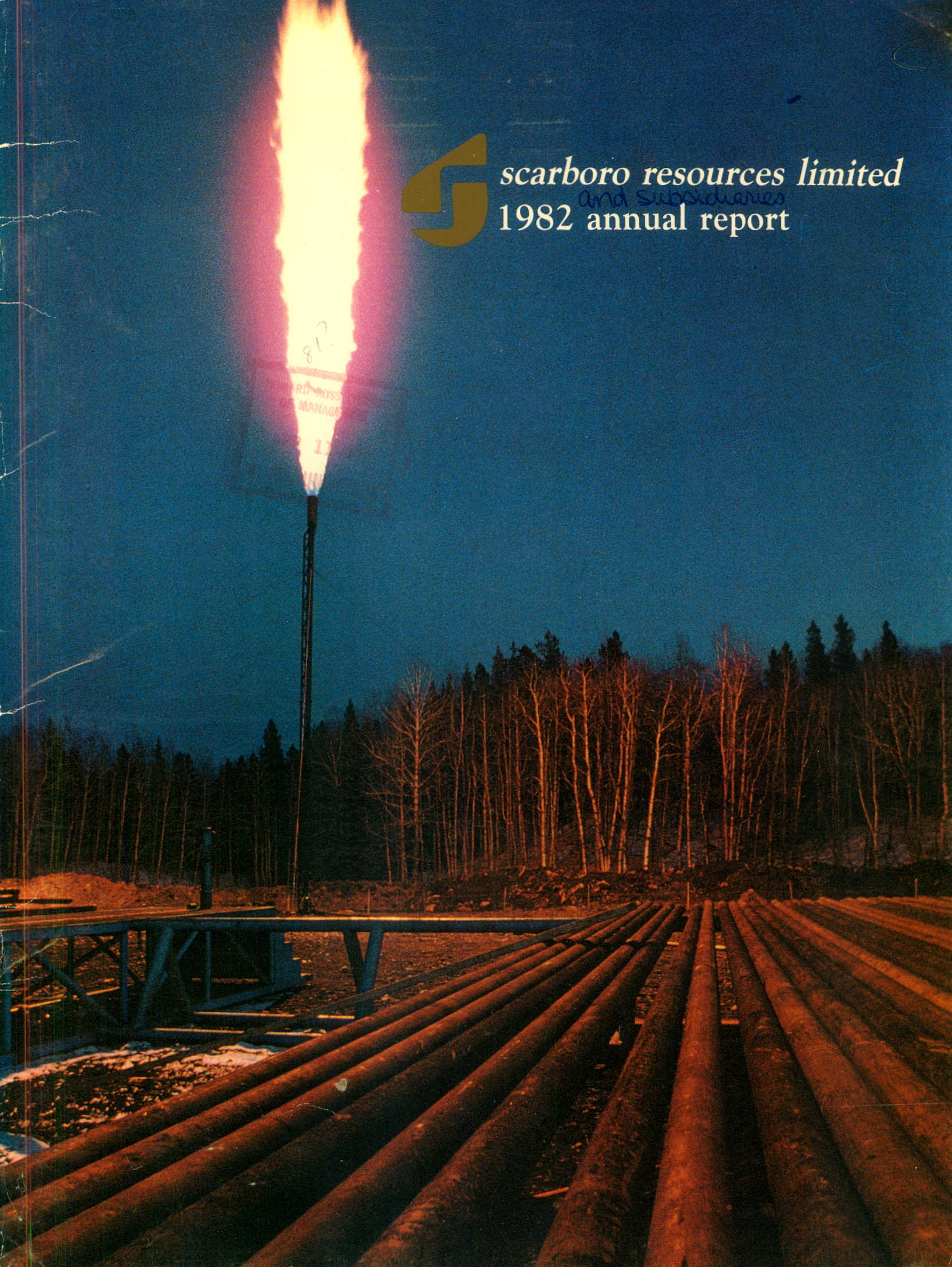
scarboro resources limited
and subsidiaries
1982 annual report



THE COVER

The discovery well Scarboro et al Crimson 10-31-37-8 W5M in Strachan, Alberta, drilled in 1981.

Corporate Summary

	1982	1981
Financial		
Revenue	**$ 2,454,000**	$ 2,329,000
Capital Expenditures	**7,631,000**	10,608,000
Long Term Debt	**11,730,000**	4,246,000
Working Capital	**1,858,000**	1,657,000
Land Holdings (Petroleum and Natural Gas Rights)		
Canada		
Gross Acres	**294,928**	215,593
Net Acres	**61,636**	38,427
Foreign		
Gross Acres	**2,511,272**	6,561,891
Net Acres	**173,672**	373,919

Reserves (1): Canada and United States

	1982 (2)		1981 (2) (3)	
	Oil & Condensate (Mstb)	**Residue & Solution Gas (Mmcf)**	Oil & Condensate (Mstb)	Residue & Solution Gas (Mmcf)
Proven	**220.9**	**12,174.0**	171.8	10,210.1
Probable	**8.9**	**6,046.6**	33.4	4,945.1
Total	**229.8**	**18,220.6**	205.2	15,156.2

(1) No attempt has been made to evaluate properties outside of Canada and the United States.

(2) Net reserves before royalties recovered during a twenty-five year forecast period, as evaluated by T. Fekete and Associates Consultants Ltd., independent petroleum consultants, as at December 1.

(3) The reserves as shown in the 1981 Annual Report were based upon the total recovery of net reserves utilizing an unlimited forecast period.

Letter to the Shareholders

On behalf of the Board of Directors of Scarboro Resources Limited, we are pleased to present the Annual Report of the Company for the year ended November 30, 1982. The past year was a period of reassessment for the Company resulting in reduced international and United States commitments and increased exploration in Western Canada.

Effective November 30, 1982, the Company sold all of its producing and non-producing properties in Texas, Oklahoma and California for a consideration of US $750,000 while retaining its interests in South Dakota, Montana, Nebraska and Virginia. In Virginia, a farmout agreement has been reached whereby at least one well will be drilled during 1983 at no cost to the Company. The Company's working interest is 6 2/3% in the property, which covers approximately 69,000 gross acres.

In 1982, due to the depression of energy related equity markets, prospects in Libya and France became difficult to finance and the Company withdrew from these areas without penalty. The Company is currently preparing its remaining international prospects for farmout. In Italy, the Company has three explorations licences: in the southern onshore region, a 33% interest in 88,347 acres at Basentello and a 25% interest in 25,236 acres at Serre Alte; and in the Adriatic Sea, offshore Brindisi, a 5% interest in Permit DR 56CL comprising 148,400 acres. Seismic evaluations completed during 1982 indicate that all three of these areas have drillable locations. In Abu Dhabi, where the Company has a 5% working interest in 1,944,756 acres, Scarboro and its partners drilled and subsequently suspended their first well Sweihan #1 after encountering non-commercial hydrocarbons in the Mishrif formation. Additional seismic in Abu Dhabi is currently being processed and evaluated and a second well is budgeted for the fourth quarter of 1983.

Scanzano Idrocarburi S.p.A., a company owned 50% by Scarboro, has recently received formal provincial approval to develop an LPG import terminal and underground storage project located in Southern Italy. Pending final municipal approval, Scanzano Idrocarburi will proceed with detailed engineering and preparation of the financial package necessary to construct the facility.

In August 1982, the Company formed the Scarboro Resources '82 Landfund with subscriptions totalling $1,800,000 that, in conjunction with other Scarboro limited partnerships, has allowed the Company to continue assembling a significant exploration land base now totalling 294,928 gross acres in Western Canada. Scarboro has concentrated its activities in the Strachan-Crimson-Ricinus area of West Central Alberta where it holds net interests varying from 2.5% to 45% in 83,200 gross acres. In November 1981, Scarboro et al Crimson 10-31-37-9 W5M, in which the Company holds a net 13.75% working interest, was completed and tested a rate of 7.82 MMCF/Day of natural gas and 190 B/D of condensate at 3,038 psi. Estimated reserves in place are 14.3 BCF of natural gas and 286,000 barrels of condensate per section. Recently, industry activity has increased significantly in the area with drilling operations currently under way on seven (7) locations in the region of the 10-31 discovery. The Company recently concluded a farmout agreement with a major oil company whereby a minimum of three (3) wells will be drilled on acreage held by Scarboro and its partners. If successful, Scarboro expects that these wells will be placed on stream during fiscal 1984 as the farmee has an area gas reserve base contract.

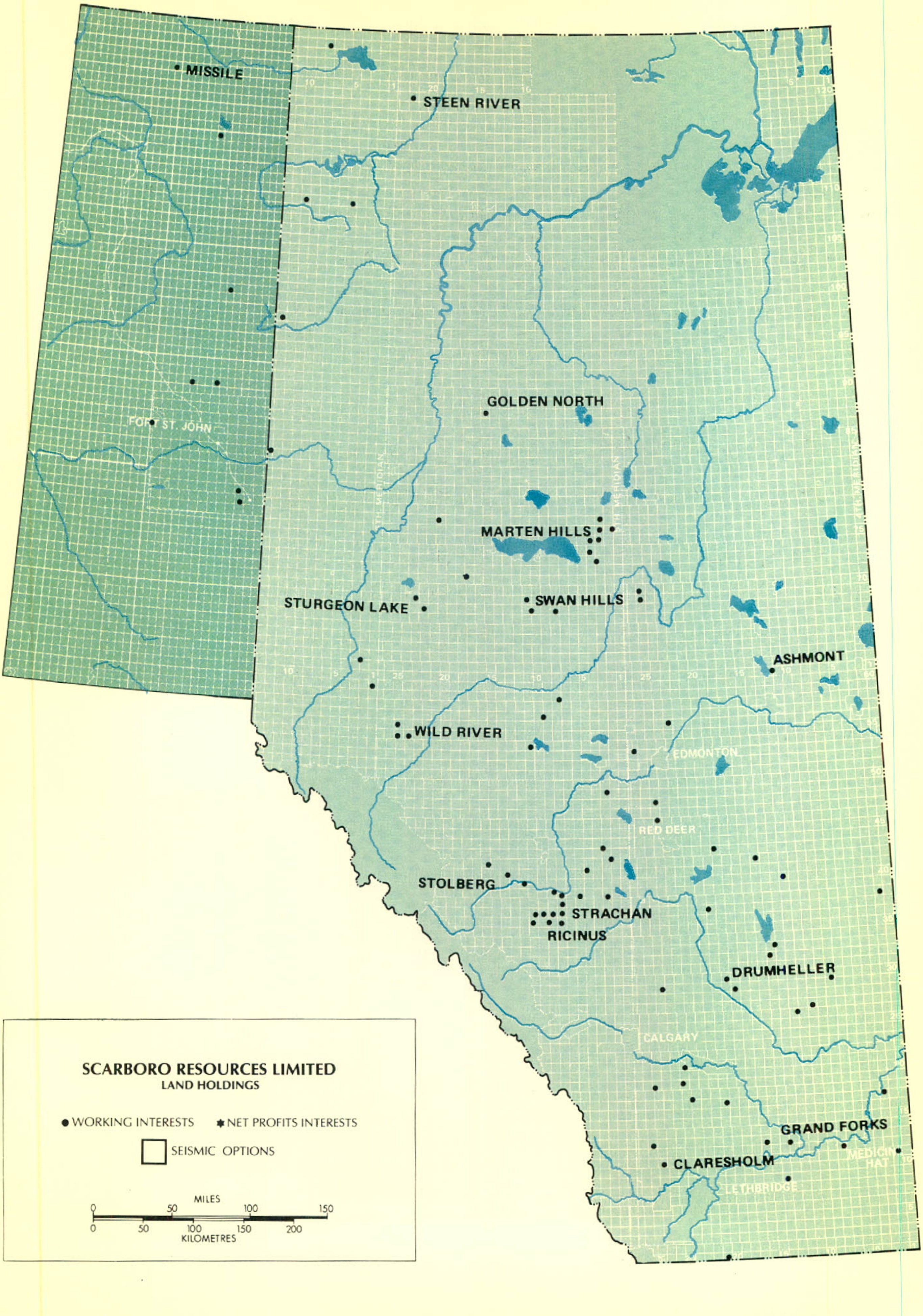
In this year's Annual Report, Scarboro has restated its reserves to reflect a twenty-five year recovery period, whereas the reserves show in the 1981 Annual Report were based upon total recovery of net reserves with an unlimited recovery period. During the period from December 1981 to December 1982, the Company's proven and probable reserves increased from 15.156 to 18.221 billion cubic feet of natural gas, and from 205.2 to 229.8 thousand barrels of oil and condensate. The value of these reserves, discounted at 15% increased from $22,707,900 to $29,903,300.

In 1982, Mr. Barry C. Kaplan of Vancouver, British Columbia was appointed to the Board of Directors of the Company. On behalf of the Board of Directors, we take this opportunity to thank the staff for its loyalty and effort over the last year and to thank the shareholders for their continued support.

Norman J. Mackenzie
President

Robert P. McBean
Executive Vice-President

March 1, 1983



MISSILE
STEEN RIVER
FORT ST. JOHN
GOLDEN NORTH
MARTEN HILLS
STURGEON LAKE
SWAN HILLS
ASHMONT
WILD RIVER
EDMONTON
RED DEER
STOLBERG
STRACHAN
RICINUS
DRUMHELLER
CALGARY
GRAND FORKS
CLARESHOLM
LETHBRIDGE
SCARBORO RESOURCES LIMITED
LAND HOLDINGS
WORKING INTERESTS
NET PROFITS INTERESTS
SEISMIC OPTIONS
MILES
0 50 100 150
0 50 100 150 200
KILOMETRES

Exploration Activities

The Company's exploration and development activities were conducted in Western Canada, the United States, Abu Dhabi U.A.E., onshore Italy and the Adriatic Sea.

The Company has continued to concentrate its activities in Alberta on established geological prospects where Scarboro holds a significant land position, in particular the Strachan-Crimson-Ricinus area. The majority of these activities will be conducted primarily through an aggressive farmout program, and in this regard, the Company has submitted several prospects to industry, with favourable response indicated.

During 1982 Scarboro was involved in the drilling or re-entry of 22 wells of which 9 were located in Canada, 12 in the United States and 1 overseas, resulting in 6 oil wells, 3 gas wells, 11 abandonments and 2 suspended.

Scarboro Resources Limited Land Holdings

as at November 30

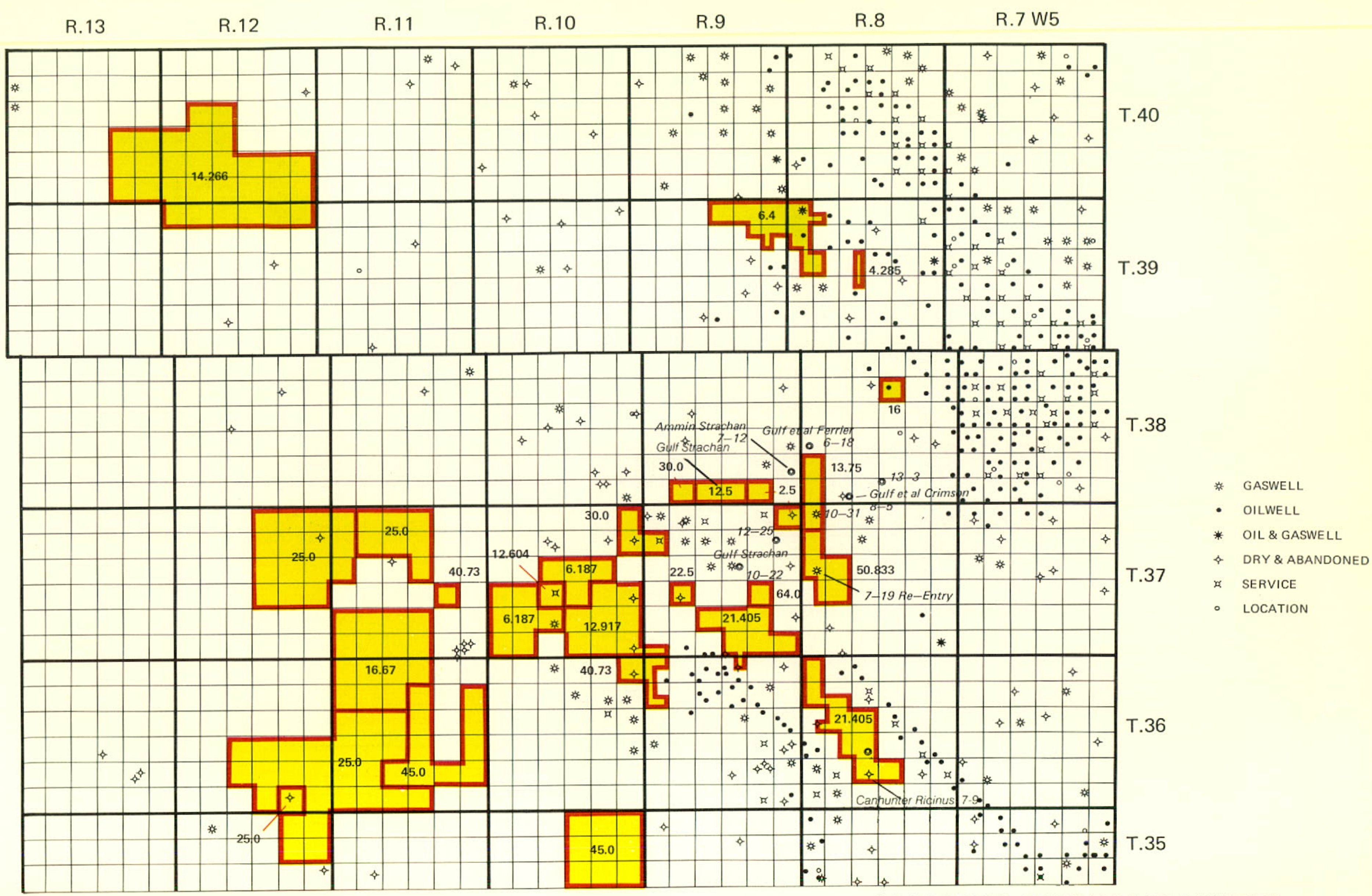
Oil and Gas Properties

	1982		1981	
	Gross Acres (1)	Net Acres (2)	Gross Acres	Net Acres
Canada				
Alberta	284,746	59,630	199,146	34,033
British Columbia	9,065	1,580	10,850	1,728
Saskatchewan	1,117	426	5,597	2,666
	294,928	61,636	215,593	38,427
Foreign				
United States	304,542	33,256	361,418	28,876
Italy	261,974	43,178	261,974	43,178
Abu Dhabi	1,944,756	97,238	1,944,756	97,238
Libya	—	—	3,870,243	193,512
Tunisia	—	—	123,500	11,115
	2,511,272	173,672	6,561,891	373,919
Total	2,806,200	235,308	6,777,484	412,346
Mining Properties				
Northwest Territories	36,424	27,318	36,424	27,318
Coal Properties (3)	20,470	6,518	20,470	6,518
Total	56,894	33,836	56,894	33,836

(1) The Company also holds varying royalty interests in 63,513 gross acres.

(2) In addition the Company holds a 7.0% gross overriding royalty convertible to a 35% working interest in 40,305 net acres in Canada and United States.

(3) The Company also holds a .375% royalty interest in 8,380 gross areas.



SCARBORO RESOURCES LIMITED

0 5 10 15 MILES

0 5 10 15 20 25 KILOMETRES

SCARBORO NET INTEREST LANDS
STRACHAN — CRIMSON — RICINUS AREAS

Canadian Exploration

The Company has continued a policy of aggressive land acquisition, primarily in Alberta. During the year 85,120 gross acres (48,800 net acres) were purchased by the Company and its Limited Partners at Provincial Crown Sales. The main focus has been on acquiring lands in areas considered to have large potential reserves, and areas in close proximity to existing producing fields.

Alberta

Strachan-Crimson

The Company continued to acquire land in this highly prospective area, and at year end held interests ranging from 2.5% to 45% in 83,200 gross acres.

In November 1981 Scarboro et al Crimson 10-31-37-8 W5M in which the Company holds a net 13.75% working interest, was completed and tested gas at a rate of 7.82 MMCF/Day and condensate at 190 barrels per day with a flowing tubing pressure of 3,038 psi.

Since the discovery well the Company has participated in re-entry programs of two previously drilled and abandoned wells. Scarboro et al Cutoff 11-2-36-12 W5M and Canterra et al Ram River 10-16-37-10 W5M, located 24 miles and 10.5 miles, respectively, southwest of the discovery well, encountered gas at non-commercial rates. Recent developments indicate that the results of those two re-entries may have been inconclusive and that further drilling is necessary to evaluate the reservoir potential.

At year end five (5) wells in close proximity to the Crimson well were being drilled by other operators, two (2) of which had yielded encouraging results helping to confirm, in part, the Company's geological concepts. The Company anticipates that this level of drilling activity will continue in the area and is expected to include several wells located on lands held by Scarboro. The Company is currently participating in the drilling of Gulf et al Strachan 1-4-38-9 W5M, which upon reaching total depth will earn Scarboro a 12 1/2% working interest in 1,280 gross acres.

Ricinus

The Company holds a 21.4% working interest in a 9,280 acre licence located west of the Caroline area of central Alberta (see Strachan-Crimson-Ricinus map). Pursuant to a farmout agreement, Canhunter et al Ricinus 7-9-36-8 W5M commenced drilling in December 1982 to earn one-half of the Company's interest in 5 1/2 sections (3,520 acres). The drilling parties retain the option to drill two additional wells to earn an interest in the remainder of the Licence.

Sturgeon Lake

The Company holds a 21.4% working interest in 640 acres over which a seismic program was conducted in 1981, defining an excellent prospect. A third party has farmed in on the acreage and has committed to drill a well to evaluate the prospect, which commenced in January 1983. The well has been drilled to total depth and is currently testing.

Mitsue

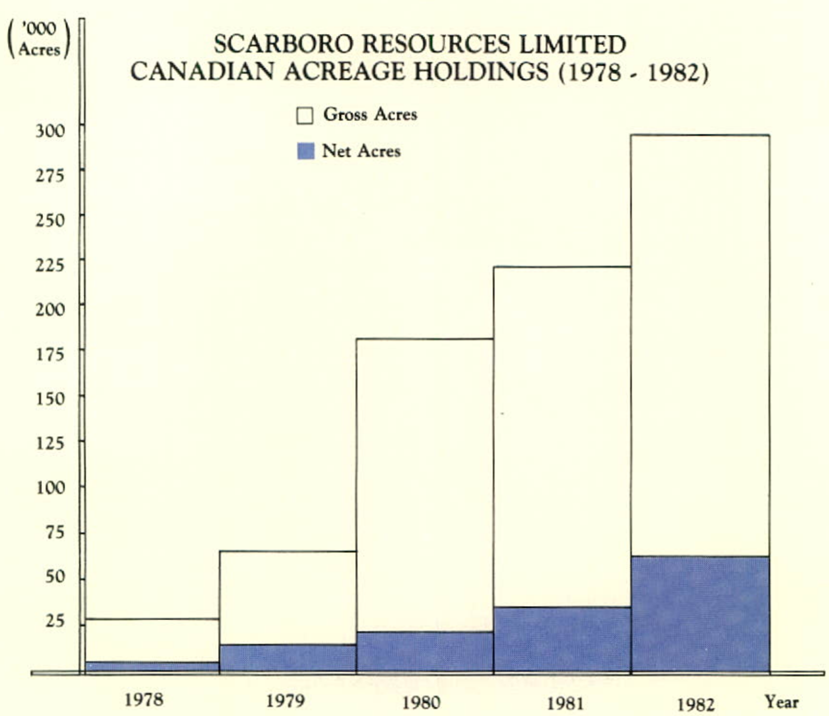
During 1982 the Company farmed out its interest in 320 acres, to third parties who successfully drilled and completed a well, currently producing 50 barrels of oil per day. Scarboro retains a net 8.4% working interest in this well.

Shiningbank

The Company and its Limited Partners hold a 22 1/2% working interest in a 7,840 acre licence, on which a farmin proposal has been received and is currently being evaluated.

Amigo

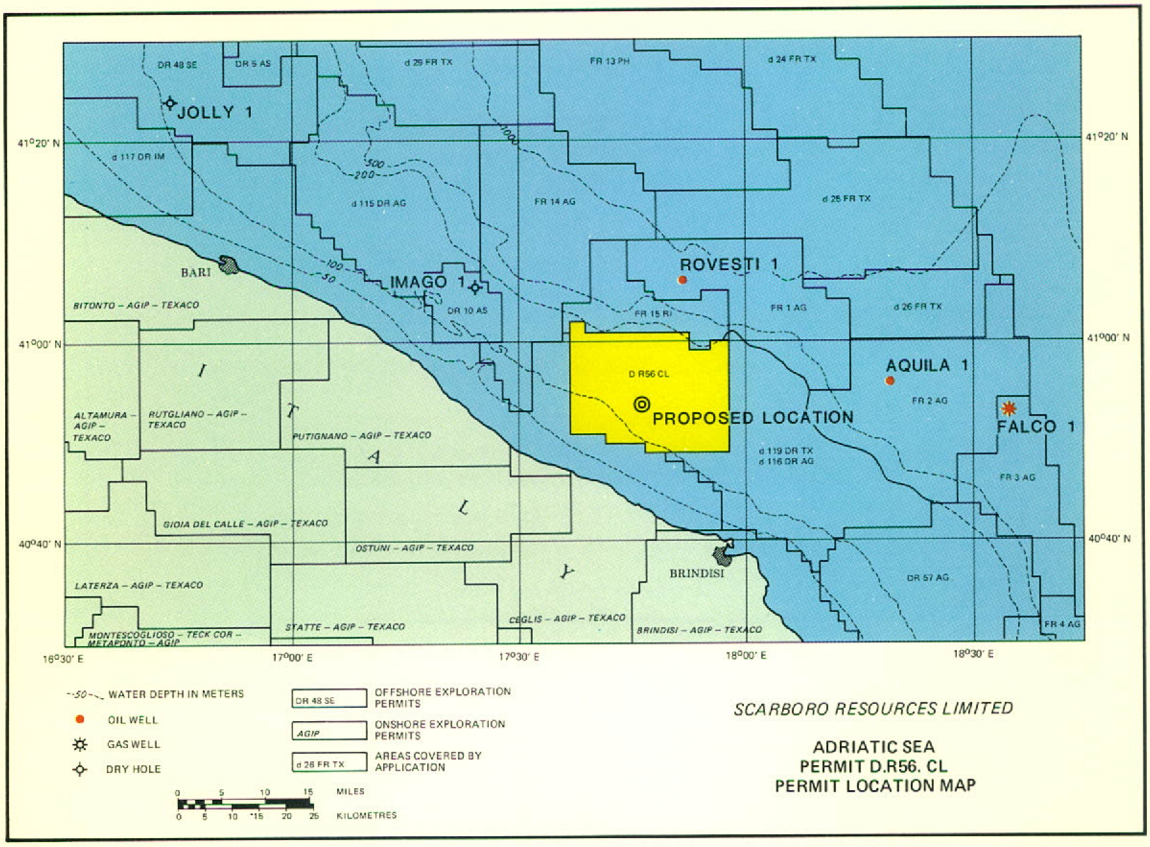
Located in northern Alberta, this prospect which is held 100% by the Company and its Limited Partners, has been optioned to a third party which upon review of available technical data, may elect to drill a well to earn an interest, during 1983.

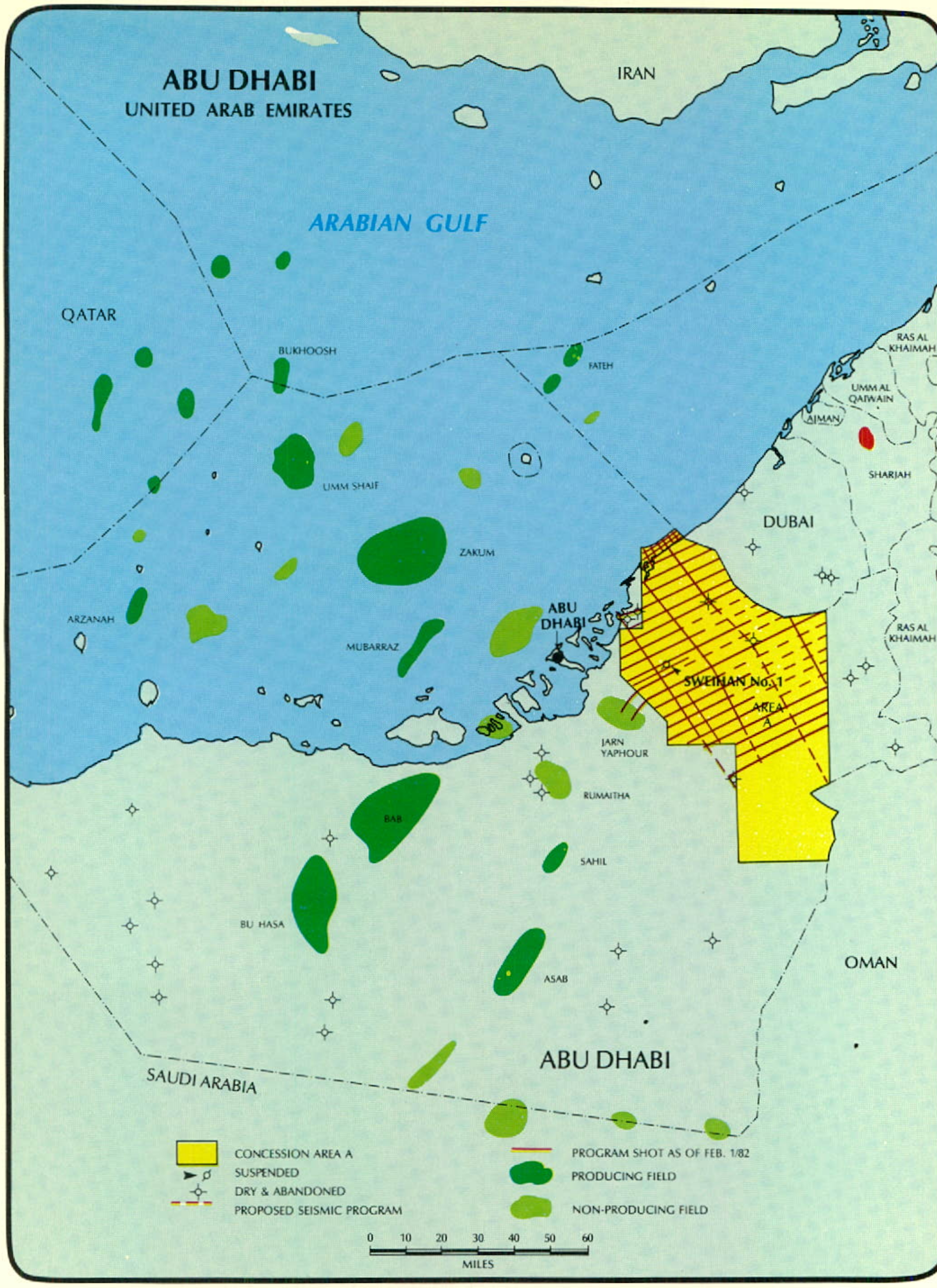


International

Brindisi

On May 19, 1982 the Company acquired a 5% interest in DR56CL (Brindisi) comprising 600 square kilometres and located in the Adriatic Sea, offshore Italy. A detailed seismic program has defined a Cretaceous reefal anomaly with overlying drape situated in the centre of the block. The licence area is adjacent to three recent deep-water oil discoveries: Rovesti-1, Aquila-1 and Falco-1. The operator of the licence is currently contacting interested third parties and it is anticipated that a 2,100 metre Cretaceous test well will be spudded within the first 9 months of 1983.





Abu Dhabi U.A.E.

The Company holds a 5% interest in a 1,944,756 acre concession on which 2,800 kilometres of seismic have been completed to date. Processing of the data is continuing with interpretations having identified several features.

The initial well, Sweihan #1 was spudded on October 25, 1981 and tested two zones showing the existence of hydrocarbons in non-commercial quantities. Results of Sweihan #1 and further detailed seismic interpretation have indicated the potential presence of a stratigraphic prospect located in the Mishrif formation, a primary oil producing zone in the region. Future drilling plans are being discussed by the concession holders and upon completion of the seismic interpretation a well is expected to spud prior to the end of 1983. Under the terms of the Concession Agreement the consortium is required to relinquish 25% of the concession area by October 1983.

Italy

In Serre Alte and Basentello, the Company holds a 25% and 33 1/3% working interest respectively. The seismic programs have been completed, and identified potentially drillable structures.

United States

The Company has recently sold its interests in Texas, Oklahoma and California acquired pursuant to a Joint Venture Agreement. Scarboro and its partners have agreed to terminate this Joint Venture and the Company has no further obligations related to this Agreement.

In Washington County, Virginia, the Company has entered into a farmout agreement, whereby an independent U.S. mining company has agreed to drill one well during 1983, with continuing options to drill additional wells. There exists good potential for early access to a gas market.

• • •

Reserves (1): Canada and United States

	1982 (2)		1981 (2) (3)	
	Oil & Condensate (Mstb)	Residue & Solution Gas (Mmcf)	Oil & Condensate (Mstb)	Residue & Solution Gas (Mmcf)
Proven	220.9	12,174.0	171.8	10,210.1
Probable	8.9	6,046.6	33.4	4,945.1
Total	229.8	18,220.6	205.2	15,156.2

(1) No attempt has been made to evaluate properties outside of Canada and the United States.

(2) Net reserves before royalties recovered during a twenty-five year forecast period, as evaluated by T. Fekete and Associates Consultants Ltd., independent petroleum consultants, as at December 1.

(3) The reserves as shown in the 1981 Annual Report were based upon the total recovery of net reserves utilizing an unlimited forecast period.

Future Net Cash Flow (4): Canada and United States

	1982 (2)		1981 (2) (3)	
	Undiscounted (000's)	Discounted @ 15% (000's)	Undiscounted (000's)	Discounted @ 15% (000's)
Proven	92,656.9	23,229.2	79,238.8	16,094.6
Probable	41,236.1	6,674.1	46,428.1	6,613.3
Total	133,893.0	29,903.3	125,666.9	22,707.9

(4) The term "Net Cash Flow" means income derived from the sale of net reserves of oil, gas and gas by-products, less all royalties, capital and operating costs, but before provision for income taxes and after receiving the benefit of the Alberta royalty tax credit and the PGRT credit.

Project Activities

Stolberg Pipe Line

Scarboro owns a net 6.61% interest in the 30 mile Stolberg 16" sour gas transmission line located in West Central, Alberta. The owners of the line are presently negotiating a throughput tariff with the producers in the Brown Creek/Hanlan fields for use of the spare capacity in the system.

Scarboro has a net 8.0 MMCF/Day spare capacity available to the Brown Creek/Hanlan producers and tariff revenues are anticipated to commence by midyear 1983.

Scanzano Idrocarburi S.p.A.

Scarboro holds a 50% interest in Scanzano Idrocarburi S.p.A., a company formed to develop a LPG import, storage and trans-shipment facility in Southern Italy. This facility will make use of underground salt caverns which has been proven to be an economic method of large volume LPG storage.

Located near the town of Scanzano in Southern Italy, the proposed caverns will have an initial capacity of 1,500,000 barrels and will be located in salt beds 1,000 metres below the surface. The import terminal will be designed to receive refrigerated ships of up to 75,000 cubic metre capacity with product then stored and trans-shipped by truck, rail and sea to various European destinations. A preliminary feasibility and design study, the drilling of three (3) wells into the salt to test its suitability for storage and the preparation and submission of various applications to government ministries have been completed. Departments at both the federal and provincial levels of government have now approved the project either in writing or in principle, and the Company is currently negotiating terms and conditions necessary to obtain municipal approval.

Financial Review

Revenue from petroleum and natural gas sales in 1982 increased by 6% over 1981, from $2,244,905 to $2,377,195. This relatively minor increase was principally due to depressed markets for crude oil and natural gas. Both the Stolberg and Grand Forks fields were shut in at various times during the past year. The decrease in funds generated by operations of $536,457 was caused mainly by the increases in interest on long term debt and general and administrative expenses. The recent stabilization of interest rates will improve this situation significantly in 1983 and the Company has made a concerted effort in recent months to decrease general and administrative expenses. Both of these measures should improve the Company's cash flow in the forthcoming period.

In August of 1982, the Company closed the Scarboro Resources '82 Landfund with subscriptions totalling $1.8 million. Scarboro, as General Partner, pays 30% of the acquisition costs to earn a 50% working interest in all lands acquired. Substantially all land acquisition and exploratory drilling in 1982 was conducted through the use of limited partnerships.

During the year, Scarboro received certification from the Petroleum Monitoring Agency that it was Canadian controlled and had a Canadian ownership rate of 70%, thereby allowing the Company to earn maximum petroleum incentive payments under the National Energy Program.

In the year, the Company negotiated a new line of credit with a major Canadian chartered bank. Although the Company's objective is to finance its exploration and development activities through its internal cash flow, this form of financing, together with working capital of $1,858,496 at year end, has given the Company the additional flexibility to fund its operations until such time as additional properties come on stream.

PETROLEUM AND NATURAL GAS PRODUCTION

The Company's interest in production of crude oil, natural gas liquids and natural gas (before royalties) is summarized below:

	1982	1981
Natural Gas (MCF)	**456,250**	497,712
Daily Average (MCF/d)	**1,250**	1,364
Crude Oil & Natural Gas Liquids (bbls)	**45,625**	56,990
Daily Average (bbls/d)	**125**	156

Scarboro Resources Limited

Consolidated Balance Sheet

at November 30, 1982

	1982 $	1981 $
Assets		
Current Assets		
Cash and short-term deposits	93,003	
Accounts receivable (Note 6)	2,684,049	1,282,977
Operating advances to affiliates	130,430	1,055,979
Employee share purchase loan receivable		739,659
	2,907,482	3,078,615
Property, plant and equipment (Notes 2 & 6)	26,307,264	21,006,847
Investments (Note 3)	635,846	558,551
Employee share purchase loan receivable (Note 4)	2,461,058	1,721,430
Deferred charges (Note 5)	322,332	
	32,633,982	26,365,443

	1982 $	1981 $
Liabilities		
Current Liabilities		
Accounts payable	713,811	557,188
Outstanding cheques		632,379
Operating advances from affiliates	270,175	231,652
Term loan	65,000	
	1,048,986	1,421,219
Bank loans (Note 6)	6,630,122	4,246,415
Convertible debentures (Note 7)	5,100,000	
Deferred revenue	639,580	90,000
Deferred income taxes	45,900	45,900
	13,464,588	5,803,534
Commitments and contingencies (Note 8)		
Shareholders' Equity		
Share capital (Note 9)	21,108,643	21,108,643
Deficit	1,939,249	546,734
	19,169,394	20,561,909
	32,633,982	26,365,443

Approved on behalf of the Directors

Norman J. Mackenzie
Director

Robert P. McBean
Director

See accompanying notes

Scarboro Resources Limited

Consolidated Statement of Operations

for the year November 30, 1982

	1982 $	1981 $
Revenue		
Petroleum and natural gas sales	2,377,195	2,244,905
Interest and other income	76,716	84,509
	2,453,911	2,329,414
Expenses		
Royalties and production costs	1,186,440	967,299
Interest on long-term debt	804,963	155,940
General and administrative	862,280	699,634
	2,853,683	1,822,873
Funds (used) generated by operations before taxes	(399,772)	506,541
Alberta Royalty Tax Credit	438,716	156,000
Petroleum Gas Revenue Tax	(50,660)	(137,800)
Funds (used) generated by operations	(11,716)	524,741
Charges not requiring funds		
Depletion, depreciation and amortization	1,075,772	766,912
Loss on sale of U.S. properties	210,256	
Dry holes and abandonments	167,471	18,598
Mining properties abandoned		209,315
Share of (gain) loss in limited partnership	(72,700)	1,900
	1,380,799	996,725
Loss for the year	1,392,515	471,984
Loss per common share	.17	.06

Scarboro Resources Limited

Consolidated Statement of Deficit

for the year November 30, 1982

	1982 $	1981 $
Deficit — beginning of year	546,734	74,750
Loss for the year	1,392,515	471,984
Deficit — end of year	1,939,249	546,734

See accompanying notes

Scarboro Resources Limited

Consolidated Statement of Changes in Financial Position

for the year November 30, 1982

	1982 $	1981 $
Source of Funds		
Funds (used) generated by operations	(11,716)	524,741
Issuance of convertible debentures	5,100,000	
Increase in bank loans	2,383,707	4,246,415
Proceeds on disposal of U.S. properties	927,600	219,830
Increase in deferred revenue	549,580	60,980
Capital distribution from Limited Partnership	155,280	
Issuance of capital stock		6,488,530
Proportionate consolidation of Limited Partnership investment		926,401
	9,104,451	12,466,897
Use of Funds		
Additions to petroleum and natural gas properties and other costs	7,630,535	10,607,512
Reclassification of employee share purchase loan receivable	739,659	1,721,430
Increase in deferred charges	373,282	
Increase in investments	159,875	32,500
	8,903,351	12,361,442
Increase in working capital	201,100	105,455
Working capital — beginning of year	1,657,396	1,551,941
Working capital — end of year	1,858,496	1,657,396
Represented by:		
Current assets	2,907,482	3,078,615
Current liabilities	1,048,986	1,421,219
	1,858,496	1,657,396

See accompanying notes

Notes to Consolidated Financial Statements

at November 30, 1982

1. Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of Scarboro Resources Limited, its wholly owned Subsidiaries: Scarboro Oils Limited, Scarboro Oils Inc., Scarboro Resources International Ltd., Scarboro Exploration Ltd. and its proportionate share (73%) of the Scarboro Oils '79 Program.

The excess of the carrying value of the Company's investment in Scarboro Oils Limited and the Scarboro Oils '79 Program over the underlying net book values have been allocated to petroleum and natural gas properties and are being amortized on the same basis as the related assets.

The Company's investment in Scanzano Idrocarburi S.p.A. (50%) is accounted for on the equity basis.

(b) Oil and gas operations

The Company follows a form of full cost accounting for oil and gas and mining operations whereby all costs of exploring for and developing oil and gas reserves and mining properties are capitalized. Such costs include land acquisition costs, geological and geophysical expenses and interest charges on non-producing properties and equipment. In addition, costs of drilling both productive and non-productive wells, and overhead expenses related to exploration activities are capitalized. The costs are accumulated in cost centers as follows:

i) Canada
ii) United States
iii) Other Areas

The costs accumulated in the cost centers, together with estimated future capital costs associated with proven reserves, are depleted by the unit of production method which is based on production and estimated proven reserves of oil and gas as determined by independent consultants. The costs of significant investments in unproved properties and major development projects are excluded from the depletion computation until such time as it is determined whether or not proved reserves are attributable to the properties, the project is completed, or impairment in value has occurred. No gains or losses are recognized upon the sale or disposition of oil and gas properties, except in significant transactions. If exploration activities within a prospect prove unsuccessful and the prospect is abandoned, the net accumulated costs are charged to earnings.

(c) Depreciation

Depreciation of tangible well and other equipment is as follows:

Well and production	10% straight line
Pipeline	5% straight line
Other equipment	20% declining balance

Leasehold improvements are being amortized on a straight line basis over the life of the lease.

(d) Joint venture accounting

Substantially all of the Company's exploration and production activities related to oil and gas are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

(e) Deferred revenue

Deferred revenue represents amounts received in respect of take or pay contracts. Such amounts have been deferred pending ultimate gas delivery or expiration of the contractual delivery period.

(f) Foreign currency translation

Current assets and current liabilities of foreign subsidiaries are translated to Canadian dollars using the exchange rates in effect at the dates of the balance sheets. Other assets and liabilities are translated at the rate in effect at the date the original transactions took place. Revenue and expense items are translated using average rates of exchange prevailing throughout the year. The aggregate exchange gain or loss included in the consolidated statement of operations was not significant.

(g) Income taxes

The interperiod tax allocation basis of accounting is used with respect to all differences between the time when costs and revenues are recognized for tax purposes and when they are recorded in the Consolidated Statement of Operations.

2. *Property, Plant and Equipment.*

	1982 Assets at Cost $	1982 Accumulated Depletion, Depreciation and Amortization $	1982 Net Investment $	1981 Net Investment $
Canada				
Petroleum and natural gas properties including exploration and development costs	15,392,118	1,677,156	13,714,962	12,213,549
Pipeline and production equipment	3,997,165	665,365	3,331,800	3,428,758
Other equipment and leasehold improvements	570,163	104,563	465,600	102,041
	19,959,446	2,447,084	17,512,362	15,744,348
United States				
Petroleum and natural gas properties including exploration and development costs	1,920,206	56,067	1,864,139	1,589,379
Production equipment	104,290	2,400	101,890	8,197
	2,024,496	58,467	1,966,029	1,597,576
Other Areas				
Petroleum and natural gas properties including exploration and development costs*	5,711,829		5,711,829	2,817,763
Other costs**	1,117,044		1,117,044	847,160
	6,828,873		6,828,873	3,664,923
	28,812,815	2,505,551	26,307,264	21,006,847

* The petroleum and natural gas properties including exploration costs are comprised of $4,890,000 in Abu Dhabi and $821,829 in other areas. The recovery of these costs is dependent upon the discovery of hydrocarbons in commercial quantities.

** Other costs represent charges relating to feasibility studies and associated costs for projects of which the outcome is not determinable at this time. Of this amount $950,000 relates to the Scanzano LPG storage facility. The Company is currently negotiating with the appropriate authorities for their approval.

3 *Investments*

	The Scarboro Resources '80 Land Fund	Scanzano Idrocarburi S.p.A	Harlech Exploration U.K. Ltd.	
	$	$	$	$
Balance November 30, 1981	531,664	10,270	16,617	558,551
Investment at cost		159,875		159,875
Share of Income	72,700			72,700
Capital distribution	(155,280)			(155,280)
Balance November 30, 1982	449,084	170,145	16,617	635,846

4. *Employee Share Purchase Loan Receivable*

Pursuant to share purchase and loan agreements, certain employees of the Company borrowed funds presently aggregating $2,461,058 to purchase common shares. Security for the loans is the shares which are held in trust. The quoted market value of the security (709,468 shares) at November 30, 1982 was $744,941 and at February 17, 1983 was $943,592. The purchase of the shares was financed by way of Company extendable non-interest bearing demand loans currently repayable over one and four years. Of the total amount outstanding at November 30, 1982, $384,000 is non-recourse as a result of the terms of termination of two employees.

Subsequent to year end, on February 17, 1983 it was resolved by the Board of Directors that the Company institute a plan to re-purchase from the employees those remaining outstanding shares pursuant to the Employee Share Purchase Agreements. Pending the approval of the appropriate regulatory bodies and shareholders, the share re-purchase would be accounted for as a total elimination of the Employee Share Purchase Loan Receivable and a reduction of Share Capital.

5. *Deferred Charges*

Deferred charges are comprised of finance charges incurred in connection with the issuance of the Series A and B convertible debentures (Note 7) and commission charges relating to the leasing of the Company's office premises. Deferred charges in the year amounted to $373,282, this amount is amortized on a straight line basis ($50,950 in 1982) over the life of the related charges.

6. *Bank Loans*

The Bank Production Loan amounting to $6,445,122 at November 30, 1982 bears interest at the rate of prime plus 1/2%. The loan is secured by a general assignment of accounts receivable and a specific assignment of certain petroleum and natural gas properties and production proceeds. The Bank Production Loan has not been classifed as a current liability as it is secured by, and repayable from, future production proceeds and will not require the use of existing current assets.

The Term Loan amounting to $250,000 is secured by an unacknowledged assignment of rentals due to the Company by its subtenants at its principal business address. The loan bears interest at a rate of prime plus 3/4% and is repayable over a four year period by way of monthly installments. The current portion of the loan is $65,000.

7. *Convertible Debentures*

On February 26, 1982, the Company, through private placement issued Series A convertible debentures amounting to $2.0 million and issued Series B convertible debentures amounting to $3.1 million. The convertible debentures bear interest at a rate of 12% per annum and are convertible at the option of the holder into common shares of the Company for a period of five years at a price of $4.00 per common share. The Series A convertible debentures are to be repaid in equal instalments beginning in 1987 through to 1991. The Series B convertible debentures will be due and payable in full on December 31, 1986.

The holders of the convertible debentures have no fixed claim on the assets of the Company. Under the terms of the trust indenture the Company represents that it will maintain a 2:1 ratio of appraised value of net tangible assets to the amount of outstanding indebtedness.

8. *Commitments and Contingencies*

The Company has exploration commitments in the Middle East for approximately $1.2 million U.S. over a seven year period.

The Company also has certain other contingent liabilities and commitments arising in the ordinary course of business. In the opinion of the management of Scarboro Resources Limited, such contingent liabilities and commitments will not result in any significant financial liability to the Company.

9. *Share Capital*

Authorized

At an Extraordinary General Meeting of the shareholders of the Company held on December 8, 1981, the authorized capital of the Company was increased to the following:

20,000,000 common shares with no par value
5,000,000 preferred shares with a nominal or par value of $10 per share

Issued shares

Balance of the Company's common shares for the year November 30, 1982 is as follows:

Number of Shares	Consideration $
8,130,839	21,108,643

10. Related Party Transactions

As per agreement, the Company as General Partner of the Scarboro Resources '82 Landfund, received $50,000 for organizational expenses and $45,000 as management fees on the initial capital contribution of the limited partners.

Also per agreement, the Company as a General Partner of the Scarboro Resources '81 Landfund, received $50,000 as management fees on the additional capital contribution of the limited partners during the year.

Pursuant to the partnership agreements, the Company as General Partner participated with the Scarboro Resources – '82 Landfund, '81 Landfund and '80 Program, whereby the Company expended $510,000 on land acquisitions and $490,000 on drilling costs in the fiscal period.

During the year certain Directors of the Company were paid $24,000 and $153,000 for consulting fees and interest on the convertible debentures, respectively.

11. Statutory Information

During the year $421,000 was paid to the officers (including the five highest paid employees) for services rendered. No remuneration was paid to any individual acting in the capacity of a director.

12. Segmented Information

The Company is engaged in one industry; exploration and development of oil and gas properties, and operates in three geographic areas. The majority, (over 90%), of the Company's revenue and operating results are generated in Canada. The geographic areas and identifiable assets are as follows:

	Canada $	United States $	Other Areas $	Total $
1982	22,899,515	2,905,594	6,828,873	32,633,982
1981	21,102,139	1,598,381	3,664,923	26,365,443

Auditor's Report

We have examined the consolidated balance sheet of Scarboro Resources Limited at November 30, 1982 and the consolidated statements of operations, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company at November 30, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
February 17, 1983

Vennard Johannesen & Co.
Chartered Accountants

Corporate Information

Head Office

1800 Sunlife Plaza
144-4th Avenue S.W.
Calgary, Alberta T2P 3N4
Telephone (403) 261-0844
Telex 03-826587 (Scarboro CGY)

Subsidiaries

Scarboro Exploration Ltd.
Scarboro Oils Inc.
Scarboro Resources International Ltd.

Auditors

Vennard Johannesen & Co.
4th Floor, 640-8th Avenue, S.W.
Calgary, Alberta

Banker

Bank of Montreal
First Canadian Centre
340-7th Avenue, S.W.
Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer
425-1st Street S.W.
Calgary, Alberta

Registrar and Transfer Agent

The Canada Trust Company
505-3rd Street S.W.
Calgary, Alberta

Shares Listed (Symbol SRO)

Toronto Stock Exchange
Alberta Stock Exchange

Conversion Factor

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 acre	= 0.405 hectares

Directors

Angus A. Mackenzie
London, England

Norman J. Mackenzie
Calgary, Alberta

Robert P. McBean
Calgary, Alberta

James S. Palmer, Q.C.
Calgary, Alberta

John A. Tessari
Calgary, Alberta

Warren J.A. Mitchell
Vancouver, British Columbia

Aziz K. Radwan
London, England

Ahmed Baker,
Dubai U.A.E.

Barry C. Kaplan
Vancouver, British Columbia

Officers & Senior Management

Norman J. Mackenzie
President

Robert P. McBean
Executive Vice-President

Norman H. Bartley
Vice-President, Land

Bastiaan Groeneweg
Exploration Manager

Blaine D. Holstein
Chief Engineer

George Crookshank
Controller

John Barford
Senior Landman