

SCEPTRE RESOURCES LIMITED

Annual Report 1982

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of Management

JAN 17 1994

André Gosselin
McGILL UNIVERSITY



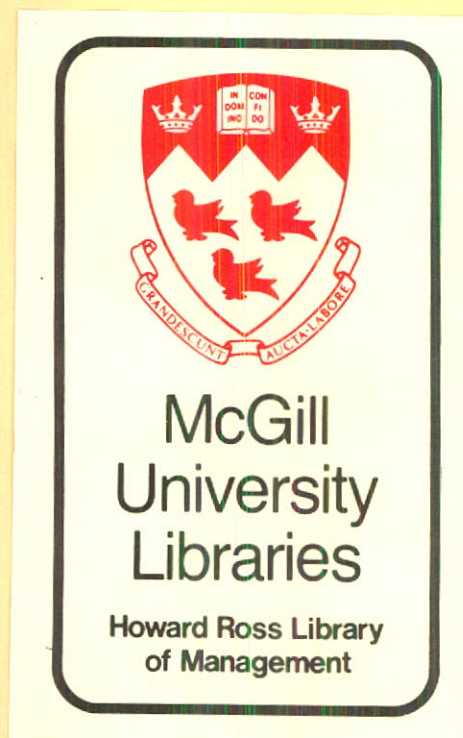
Sceptre Resources Limited, based in Calgary, Alberta, was organized in 1976 and is today one of Canada's major independent oil and gas exploration and production companies. Through a combination of acquisitions and internal expansion, the Company now has an interest in approximately 3,000 crude oil and natural gas wells capable of production. Most of Sceptre's production is presently generated from its significant reserve base in western Canada. The Company also has a growing production base in the United States, has reserves in the Canadian Arctic Islands and holds interests in two shut-in natural gas wells in the Netherlands Sector of the North Sea.

At year end, Sceptre had one of the largest exploratory land positions of any Canadian independent company. Totalling over seven million net acres, this acreage, together with a staff of approximately 170 technical and support specialists, is the foundation of Sceptre's active search for new reserves in North America, Abu Dhabi, Indonesia and the North Sea.

Sceptre also holds an approximate 41 percent equity interest in Candecca Resources PLC, a public company which has built up a substantial portfolio of exploration and production licences onshore the United Kingdom.

Sceptre Resources Limited common shares, which are registered in the names of 8,835 shareholders, are listed on the Toronto and Montreal stock exchanges and dealings are permitted on The Stock Exchange, London, England. They are also quoted in the United States on NASDAQ. The Company's 7 percent convertible preferred shares are also listed on the Toronto and Montreal exchanges.

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SUMMARY OF RESULTS

| | | 1982 | 1981 |
|---|--|-------------|------------|
| Operating | Production (actual) | | |
| | Crude Oil and Condensate, daily barrels | 2,028 | 159 |
| | Natural Gas, daily MMcf | 21.9 | 5.7 |
| | Production (pro forma) (1) | | |
| | Crude Oil and Condensate, daily barrels | 3,225 | 159 |
| | Natural Gas, daily MMcf | 51.3 | 5.7 |
| | Productive Wells (2) | | |
| | Gross | 2,967 | 412 |
| | Net | 569 | 81 |
| | Undeveloped Acreage Holdings (net) (2) | | |
| Financial (in thousands of dollars except for share data) | Canada | 895,000 | 391,000 |
| | United States | 397,000 | 338,000 |
| | International | 6,057,000 | 1,728,000 |
| | | 1982 | 1981 |
| | Total Revenue | \$ 29,758 | \$ 12,856 |
| | Net Loss Applicable to Common Shares (3) | \$ (20,303) | \$ (2,308) |
| | Net Loss Per Common Share | \$ (1.52) | \$ (0.47) |
| | Funds Generated from Operations | \$ 7,225 | \$ 5,878 |
| | Funds Generated Per Common Share | \$ 0.49 | \$ 0.63 |
| | Capital Expenditures (4) | \$ 53,103 | \$ 52,829 |
| | Total Assets | \$ 372,317 | \$ 142,465 |
| | Shareholders' Equity | \$ 109,451 | \$ 88,719 |
| | Common Shares Outstanding at Year End | 17,443 | 10,253 |
| | Registered Common Shareholders | 8,800 | 2,600 |

(1) Reflects the production results for 1982, on a pro forma basis, had Francana Oil & Gas Ltd. and Willowdale Resources (1981) Ltd. been acquired on January 1, 1982.

(2) Includes Willowdale, acquired on January 27, 1983.

(3) Includes the write-off of non-productive foreign exploration offshore Germany and onshore Portugal together with a write-down of the Company's U.S. oil and gas properties, totalling \$18.3 million in 1982.

(4) Excludes the cost of acquisitions or business combinations.



Report to the Shareholders



R. A. Gusella.

Nineteen eighty-two was a year of transition and reappraisal for Sceptre Resources Limited. The deep recession in Canada and throughout the world resulted in reduced demand for oil and natural gas. High interest rates impacted adversely on financial results. Declining prices for hydrocarbons diminished investors' confidence in the oil and gas industry. As a result, your Company was unable to achieve all the corporate objectives formulated by management during the year. In particular, we were unsuccessful in our efforts to dispose of our holdings in Candecca Resources PLC and thus were unable to reduce corporate indebtedness.

Nevertheless, the past year was also a year of significant accomplishment. As reported to you in last year's Annual Report, on May 14, 1982 Sceptre acquired the Canadian assets of Francana Oil & Gas Ltd. By this purchase Sceptre realized its primary corporate objective, which was to secure a stable, long-term source of cash flow to finance its future capital spending programs. Subsequent to year-end, the Company's reserve base and future revenue stream were further strengthened by the acquisition of Willowdale Resources (1981) Ltd., a closely-held public Canadian company with producing properties primarily located in Alberta. This company was acquired on favorable terms and is expected to contribute significant cash flow to fund operations in 1983 and subsequent years. As a result of these acquisitions, and after allowance for a reduction in the forecast price profile for oil and gas, independent consultants estimate your Company will be capable of generating net revenues of \$2 billion over the life of its properties. Your Company plans to examine similar acquisition opportunities in the future.

Another corporate objective enunciated to shareholders at last year's Annual Meeting was to concentrate our international activity in three main areas, namely the Middle East, Indonesia and selected areas of the North Sea. These regions were chosen for a variety of reasons. All are established hydrocarbon-bearing areas with the potential for yielding discoveries which can impact markedly on the Company's reserve base and underlying value. The areas offer reasonable political stability and fiscal regimes which enable operators to realize attractive returns on investment upon success. To complement established holdings in Abu Dhabi and in the Dutch sector of the North Sea, your Company was successful in acquiring an interest in production sharing contracts with Pertamina covering two blocks in the Northwest Java Sea, Indonesia. The blocks are contiguous and cover approximately 7.7 million acres. The area is in close proximity to the Arjuna Basin, where a consortium headed by Atlantic Richfield has established significant hydrocarbon reserves and produced approximately 130,000 barrels of oil per day in 1981. This level of production is reportedly scheduled to increase to approximately 200,000 barrels of oil per day in 1983. Seismic programs are underway on these concession areas with a view to initiating a multi-well drilling program in early 1984.

In Canada, the Company's objective was to concentrate activity on processing our large acreage base by emphasizing the deployment of corporate funds on low-risk prospects which could contribute near-term cash flow. This primarily entailed drilling for new oil and maintaining and expanding the productive capacity of natural gas properties subject to long-term sales contracts, while farming out higher risk plays to industry partners. This resulted in significant new oil discoveries at Crystal and Taber in Alberta and at Colgate and Viewfield in Saskatchewan. In addition, a total of over 40 wells were drilled for the Company by industry partners at no direct cost.

During 1982, the Company continued its program of land acquisition and drilling in the United States. The Company participated in a significant crude oil discovery in the Williston Basin and in two natural gas/condensate discoveries in Texas. Subsequent to year-end, Sceptre was successful in terminating the Gulf Coast Joint Venture in which it was a participant and in April 1983 announced that a plan to combine the U.S. business affairs of Sceptre with those of its affiliate, S & K Petroleum Ltd., had been approved in principle by the Boards of Directors of the two companies. If approved by the shareholders of S & K, Sceptre's exposure to the U.S. oil and gas industry will be by way of a substantial equity interest in a new U.S.-based public company which will be well-financed and poised to capitalize on opportunities during the mid-1980's.

Outlook for the mid-1980's

The short-term outlook for the Canadian oil and gas industry is not promising. The uncertainty is due to the weakness of North American and world economies which has translated into low levels of demand for oil and natural gas. As a result, prices have been under considerable downward pressure. This situation is, in our judgment, likely to prevail until mid-to-late 1985. The unseasonably warm 1982-83 winter also contributed to the disarray which currently characterizes North American markets for natural gas. It is expected this will result in underutilization of productive capacity for the next one to two years.

In response to the circumstances of the day, your Company has responded in a variety of ways. Senior management changes have been instituted. Overhead has been cut through a combination of staff reduction and salary decreases for senior management. Capital spending plans have been reduced to ensure the Company's financial viability. Non-recurring writeoffs which do not impair future cash flow were recorded and unsuccessful drilling in Portugal and Germany was written off. The equity base of the Company has been strengthened through the issuance of common and preferred shares since year-end.

Specific objectives for the ensuing two years are as follows:

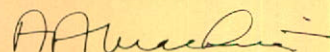
1. Maintain an alignment of capital spending and available cash flow.
2. Maintain control of overhead and examine other cost-cutting alternatives.
3. Reduce corporate indebtedness.
4. Achieve the rationalization of the Company's U.S. operations.
5. Concentrate capital spending on projects which can result in either a replacement of reserves with near-term cash flow potential or the addition of significant new reserves to finance the continued growth of the Company in the 1980's.

During 1983, it is anticipated that, as our corporate objectives are achieved, Sceptre will be perceived as a well-financed, independent Canadian oil company with a significant reserve and acreage base in Canada, high potential exposure in key international regions such as Abu Dhabi and Indonesia, and significant equity stakes in public companies active onshore the United Kingdom and in the United States. Our present plan is to maintain these equity holdings for their growth potential. Over the longer term these equity investments could be converted to cash to finance other corporate activities, should sufficiently attractive opportunities arise.

Your Company holds an attractive inventory of new prospects. More importantly, it has substantial oil and natural gas productive capacity (under contract, in the case of natural gas) which is not currently being utilized because of market constraints. As the North American economy emerges from the recession, your Company is well-positioned for a significant improvement in operating and financial results in subsequent years.

Success in these troubled times cannot be accomplished without the continued support of shareholders and the cooperation of the Company's employees. We would also like to thank the other members of the Board for their consistent efforts on behalf of the shareholders.

Respectfully Submitted



A. A. Mackenzie
Chairman



R. A. Gusella
President and
Chief Executive Officer

May 18, 1983

Report on Exploration and Development Activities



Sceptre participated directly in a total of 86 wells during 1982 of which 65 were drilled in western Canada, 17 in the United States and four internationally. Drilling in Canada resulted in 24 oil wells, 28 natural gas wells and 13 dry or suspended wells. In the United States, three wells were completed as oil wells, six as natural gas wells and eight were dry or suspended. Two wells were also abandoned in the German sector of the North Sea, one in the Netherlands sector of the North Sea and one in Abu Dhabi.

The Company also had interests in an additional 42 farmout wells drilled at no cost to the Company. On a combined basis, the farmout wells yielded 14 oil wells, 12 natural gas wells and 16 dry or suspended wells.

1982 DRILLING ACTIVITY (Participation Wells Only)

Exploratory Wells

| | | 1982 | |
|--|--------------------|-----------|-------------|
| | | Gross | Net |
| Canada | Oil | 10 | 3.5 |
| | Gas | 12 | 2.6 |
| | Dry/Suspended | 8 | 3.2 |
| | | 30 | 9.3 |
| United States and International | Oil | 2 | 0.8 |
| | Gas | 0 | 0.0 |
| | Dry/Suspended | 10 | 2.2 |
| | | 12 | 3.0 |
| Total | | 42 | 12.3 |

Development Wells

| | | | |
|----------------------|--------------------|-----------|-------------|
| Canada | Oil | 14 | 3.2 |
| | Gas | 16 | 4.4 |
| | Dry/Suspended | 5 | 3.7 |
| | | 35 | 11.3 |
| United States | Oil | 1 | 0.3 |
| | Gas | 6 | 0.5 |
| | Dry/Suspended | 2 | 0.2 |
| | | 9 | 1.0 |
| Total | | 44 | 12.3 |
| TOTAL WELLS | | 86 | 24.6 |

CONSOLIDATED HOLDINGS OF UNDEVELOPED LAND

December 31, 1982

(thousands of acres)

| | Petroleum and Natural Gas Leases | | Concessions Permits, Licences, and Reservations | | Total | |
|---|--|--------------|---|--------------|----------------|--------------|
| | Gross Acres | Net Acres | Gross Acres | Net Acres | Gross Acres | Net Acres |
| Canada (1) | | | | | | |
| Alberta | 1,621 | 586 | 169 | 60 | 1,789 | 646 |
| B.C. | 411 | 69 | 42 | 6 | 453 | 75 |
| Saskatchewan | 202 | 106 | 38 | 13 | 240 | 119 |
| Manitoba | 21 | 12 | — | — | 21 | 12 |
| Eastcoast Offshore | — | — | 80 | 19 | 80 | 19 |
| NWT, Beaufort Sea, Arctic Islands | — | — | 306 | 24 | 306 | 24 |
| | 2,255 | 773 | 635 | 122 | 2,889 | 895 |
| United States | | | | | | |
| Williston Basin | 248 | 98 | — | — | 248 | 98 |
| Rocky Mountain Region | 512 | 95 | — | — | 512 | 95 |
| Michigan Basin | 172 | 33 | — | — | 172 | 33 |
| Gulf Coast, Onshore | 81 | 16 | — | — | 81 | 16 |
| Other regions | 683 | 155 | — | — | 683 | 155 |
| | 1,696 | 397 | — | — | 1,696 | 397 |
| International | | | | | | |
| Abu Dhabi, U.A.E. | — | — | 1,945 | 486 | 1,945 | 486 |
| Indonesia | — | — | 7,665 | 5,204 | 7,665 | 5,204 |
| Germany, North Sea | — | — | 2,560 | 66 | 2,560 | 66 |
| Netherlands, North Sea | — | — | 227 | 13 | 227 | 13 |
| Philippines | — | — | 3,583 | 269 | 3,583 | 269 |
| Republic of Ireland, Offshore | — | — | 214 | 19 | 214 | 19 |
| | — | — | 16,194 | 6,057 | 16,194 | 6,057 |
| TOTAL | 3,951 | 1,170 | 16,829 | 6,179 | 20,779 | 7,349 |

(1) The Company also holds royalty and other interests in an additional 1,071,000 gross undeveloped acres in Canada of which 879,000 acres are situated in the frontier regions.



Bob Won — Chief Geophysicist, Exploration; Gord Johnston — Vice President, Land and Contracts and Gary Freeman — Vice President, Domestic Exploration.

CANADA

Southern Alberta Region

During 1982, Sceptre's exploration and development activities were primarily conducted in Alberta and Saskatchewan. Contributing in great measure to the ongoing activity in these provinces is the Company's significant holding of wildcat and semi-proven acreage which totalled 2.9 million gross (895,000 net) acres at year end.

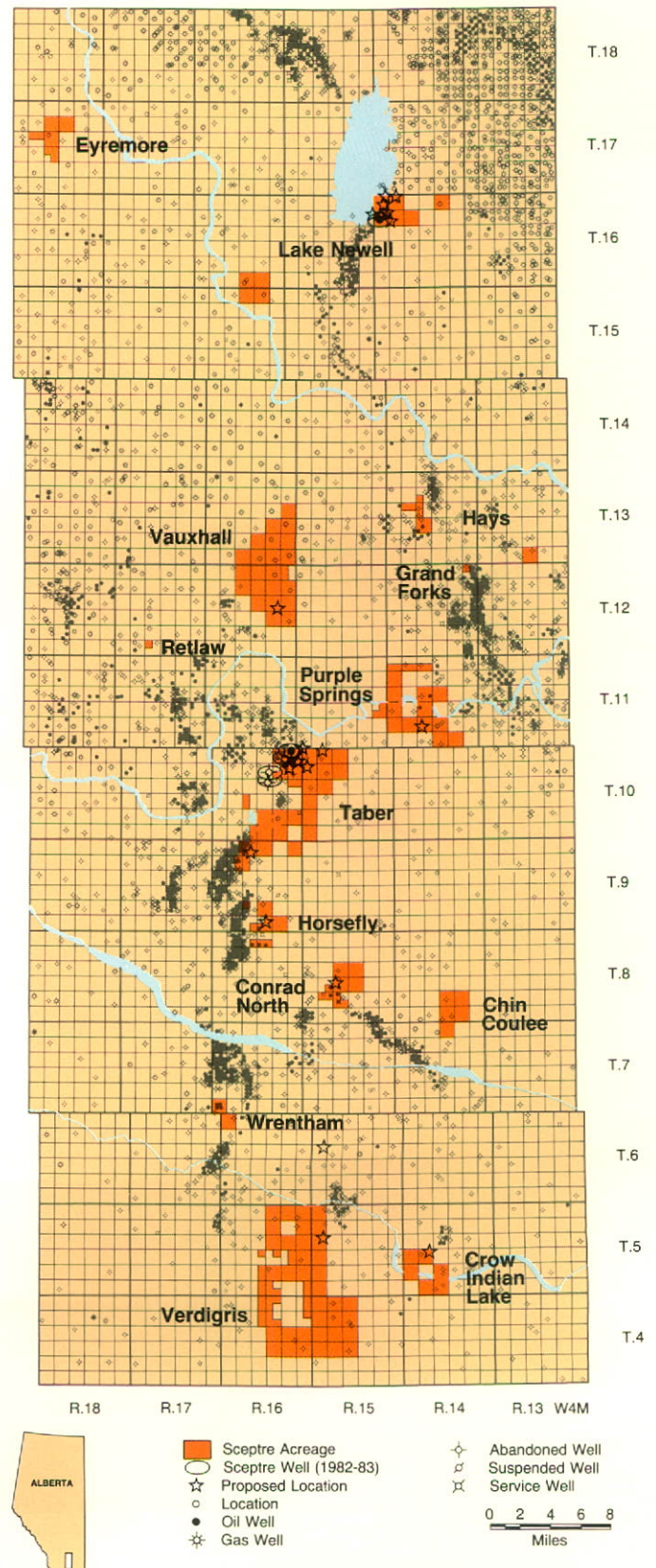
Southern Alberta Region

During 1982, Sceptre maintained a cautious exploratory program within this oil-prone area of Alberta with the main emphasis on finding oil that qualifies for the New Oil Reference Price (NORP). In this region, where the Company holds 92,296 gross (26,324 net) acres, 78 miles of geophysical data were acquired and five wells were drilled during the year, resulting in two significant oil discoveries.

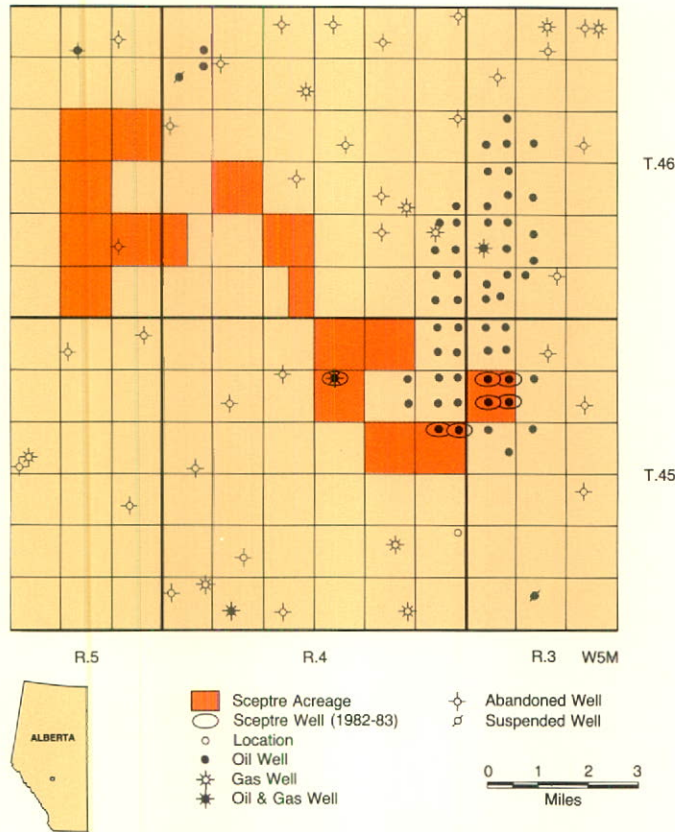
At Taber, where the Company holds a 25 - 45 percent interest in 14,997 acres, the POR et al Taber N. 13-36-10-16 W4M well was drilled in November 1982 and encountered a thick oil-bearing Glauconite sand. Production from this well is currently averaging 250 barrels of oil per day (113 barrels per day net to Sceptre). A total of four productive wells have been drilled on the property to December 31, 1982, producing at a combined rate of 620 barrels of oil per day (280 barrels per day net to Sceptre). Subsequent to year end, two additional oil wells were drilled at Taber, and a minimum of four additional locations are planned for 1983.

At Lake Newell, where Sceptre holds a 25 - 50 percent interest in 3,200 acres, a Glauconite oil discovery was drilled through farmout at no cost to the Company. The PCP et al Johnson 6-30-16-14 W4M, in which Sceptre holds a 25 percent interest after payout, encountered a thick channel sand and has averaged 140 barrels of oil per day since commencement of production in early 1983. Subsequent to the year end, three additional wells were drilled on this property, also at no cost to Sceptre, resulting in one oil well and two dry and abandoned wells. The Company anticipates a minimum of three additional wells will be drilled at Lake Newell prior to year end 1983.

The Company plans to accelerate its activity within this region by participating in a number of additional wells in 1983.



Crystal (Hoadley)



Crystal (Hoadley), Alberta

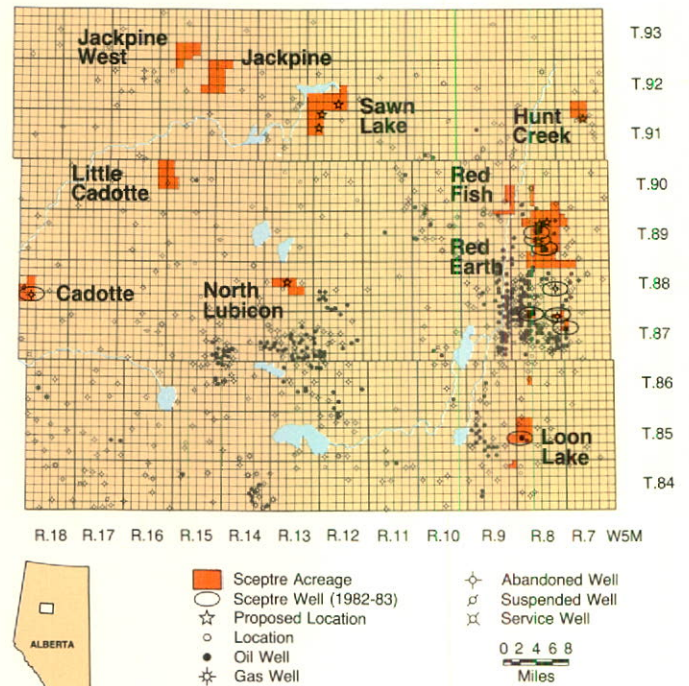
The Company currently holds interests ranging from 33 1/3 percent to 50 percent in 9,600 acres in this oil-prone area of central Alberta. Six Viking channel sand NORP oil wells, including two drilled subsequent to the year end, have been drilled since October 1982 and are currently producing high-quality crude oil (42° gravity) at a combined rate of 570 barrels per day (270 barrels per day net to Sceptre).

Development in the area has been rapid and all wells are presently producing from temporary production facilities. Central battery and production flow lines are presently under construction to service all six wells in which Sceptre has an interest. A pipeline connection to the Pembina Pipeline system is expected to be completed by the early summer of 1983.

It is anticipated that the ultimate recovery factor, as well as the daily production rate on the wells drilled to date, can be increased significantly through the implementation of a secondary recovery scheme. Additionally, further development well locations on Sceptre acreage may be proposed depending upon production performance as well as the results of industry activity in the region.

Bob Guedo — Senior Exploration Geologist.

North-Central Alberta Region

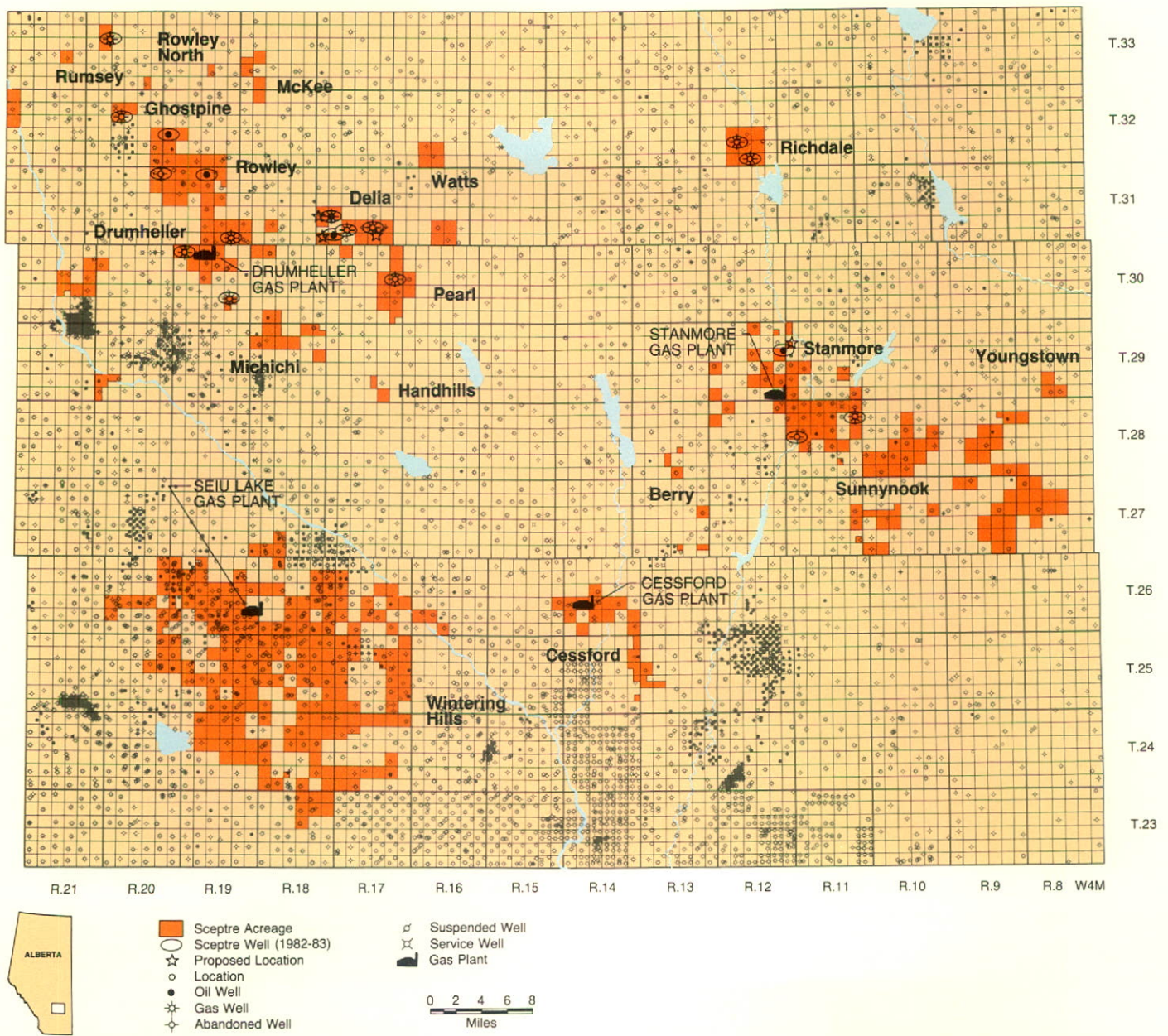


North-Central Alberta Region

A high level of activity was maintained during 1982 in the north-central area of Alberta where Sceptre holds an exploratory acreage position of 57,280 gross (15,006 net) acres. Over 50 wildcat and development locations were drilled by the industry in 1982 within the area shown on the accompanying map with many of the wells categorized as tight holes. Sceptre participated in 11 wells within this region, resulting in seven NORP oil wells, one gas well and three abandonments. A similar level of activity is planned during 1983. The Company has participated in the acquisition and shooting of 119 miles of seismic data in an effort to upgrade wildcat acreage to drillable prospect status.



East-Central Alberta Region



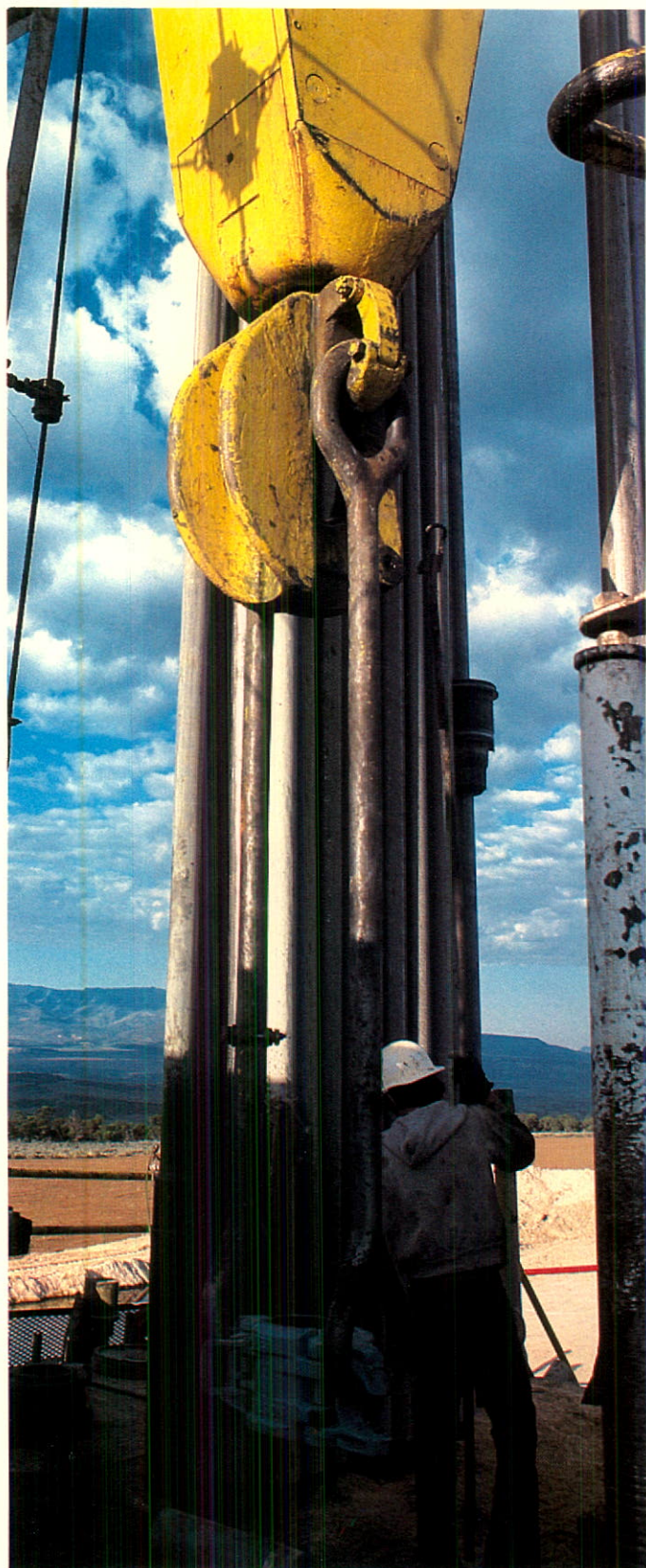
East-Central Alberta Region

Approximately 40 percent of Sceptre's natural gas production is now generated within the general east-central Alberta region, which includes Wintering Hills, Stanmore, Drumheller-Rowley and Cessford. The Company also owns an interest in seven gas plants or major compression facilities in the area. The region is also prospective for NORP oil.

During 1982, Sceptre participated in a total of 18 wells within this multiple pay potential area. This drilling resulted in 11 development gas wells and five oil wells.

The gas wells were primarily drilled to maintain contract rates in the area. A minimum of four additional development wells are planned for 1983.

At Wintering Hills, Willowdale's share of production in 1982 was 12.6 million cubic feet (MMcf) per day with 195 barrels per day of associated natural gas liquids. Willowdale participated in one well during 1982 on this property, resulting in an oil well. Development opportunities in this area may result in additional wells being drilled in 1983.



In the Stanmore region, three wells were drilled during 1982, resulting in one gas well and one oil well. In 1982 Sceptre produced 4.5 MMcf per day of natural gas at Stanmore and operates the natural gas processing plant in the area.

Two natural gas wells at Drumheller-Rowley commenced production in April 1983 adding to the six wells which were placed on production in late 1981. These eight wells are subject to a TCPL contract and are currently producing at a combined rate of approximately one MMcf per day net to Sceptre.

The Company was also active in the Delia area during the year and drilling resulted in two oil wells and two natural gas wells. Three of the wells were drilled at no direct cost to Sceptre. Further development drilling is anticipated in 1983. All natural gas is subject to an area contract with TCPL.

At Arrowwood, Sceptre is participating in the tie-in of three additional wells which will add approximately 500 Mcf per day of net production beginning in April 1983. The tie-in and commencement of production from four additional non-unit wells contracted to Pan Alberta at a rate of 2,240 Mcf per day (780 Mcf per day net to Sceptre) is expected by May 1983. Additional well tie-ins to optimize production from this area are under consideration.

Birch Wavy, Alberta Contract Region

Approximately 25 percent of Sceptre's natural gas production is derived from this region of Alberta which is located east of Edmonton. All reserves developed within the boundaries of the Birch Wavy gas contract area can be brought on production under normal reserve-redetermination provisions.

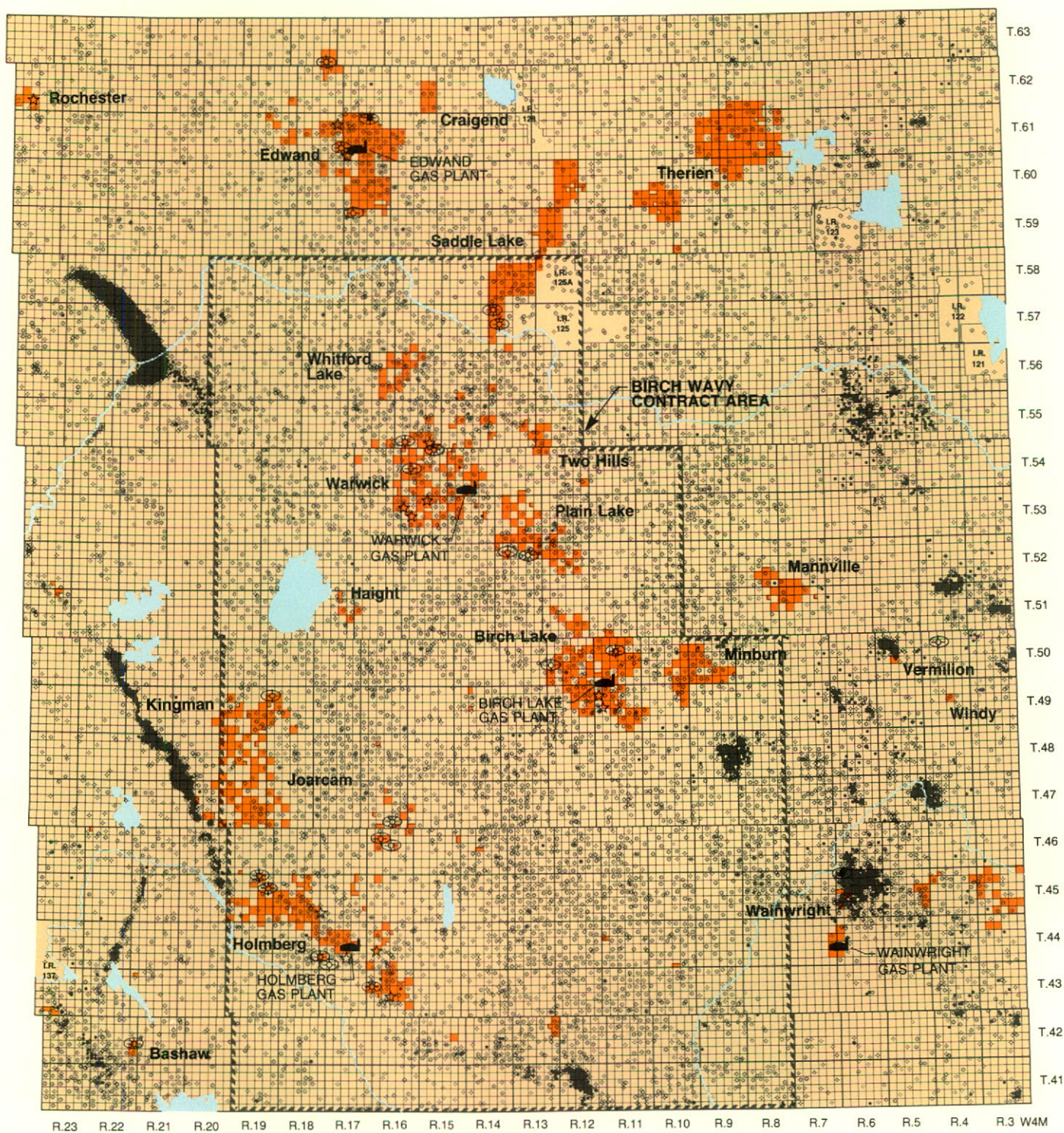
Major producing properties for Sceptre within the mapped region are Edwand, Birch Lake, Warwick, Plain Lake, Therien and Holmberg. The Company also operates eight gas plants and compressor stations in this region and is a part owner in three non-operated facilities.

Sceptre maintained an active drilling program within the area during 1982. A total of 26 wells were drilled primarily to maintain natural gas production from existing properties. This activity resulted in 15 gas wells and two oil wells, all of which are on production. The Company anticipates a similar level of activity in the area during 1983.

Southeast Saskatchewan Region

Approximately 36 percent of the Company's oil production is located in this region. The main producing fields are at Willmar, Viewfield and Souris Flat.

Birch Wavy Contract Region

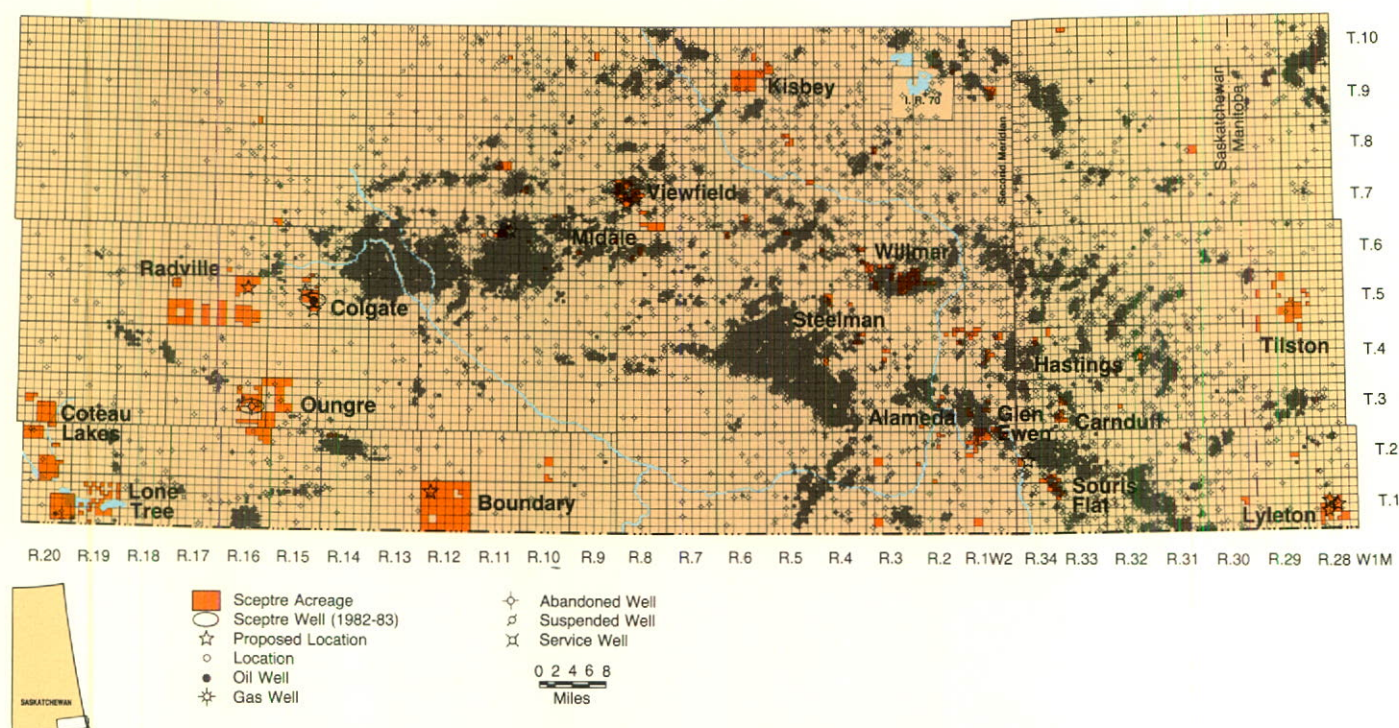


- Sceptre Acreage
- Sceptre Well (1982-83)
- Proposed Location
- Location
- Oil Well
- Gas Well
- Abandoned Well

- Suspended Well
- Service Well
- Gas Plant

0 2 4 6 8
Miles

Southeastern Saskatchewan Region



Recent exploratory and development incentives initiated by the Saskatchewan Government have significantly enhanced Sceptre's undeveloped acreage in the Province.

During 1982, an exploratory well at Colgate was drilled at no cost to Sceptre, resulting in an oil well with an initial productive capacity of approximately 140 barrels per day. The well can be produced royalty-free for three years. Sceptre retains a 12.5 percent interest in the well after payout. Additional lands offsetting the discovery are controlled and development drilling in 1983 is expected. Two Midale area development oil wells were drilled, one with a three-year and the other with a one-year, royalty-free period. At Viewfield, a development well was drilled in early 1983 and is currently producing at its allowable of 120 barrels per day (45 barrels net to Sceptre), also with a one-year royalty holiday.

In 1983 Sceptre is considering a number of shallow exploratory prospects at Ingoldsby, Glen Ewen and Radville, all in Saskatchewan. In Manitoba, the Company will be involved in several exploratory wells on the Lyleton (Waskada) prospect.

The Company has 51,500 gross acres (10,900 net acres) of exploratory acreage which lies immediately north of a number of recent deep discoveries in Montana and North Dakota. Several of these wells

produce in excess of 400 barrels of oil per day. These same productive trends extend into Saskatchewan onto the Oungre, Boundary and Coteau Lakes acreage.

Western Saskatchewan Activity

Sceptre operates two fields in western Saskatchewan, at Tangleflags and Battrum, which contribute approximately 13 percent of total Company oil production. During 1982 and early 1983, Sceptre drilled seven wells at Tangleflags, resulting in five oil wells. In addition to the existing proved reserves at Tangleflags, there are substantial oil reserves which the Company believes are recoverable through the implementation of enhanced recovery methods. Plans for an enhanced recovery project will be deferred pending improvements in heavy oil markets and pricing.

Sceptre is the operator of the Battrum Unit 4, a medium gravity oil producing pool in southwestern Saskatchewan. The pool has been on waterflood since 1967 and work is under way to improve this secondary recovery by the drilling of three infill oil wells and one water injection well along with an upgrading of flow line and treating facilities during 1983. Under the plan, approved by the Saskatchewan Government, one half of production from the field will be subject to a beneficial royalty reclassification.

UNITED STATES

Valley County, Montana

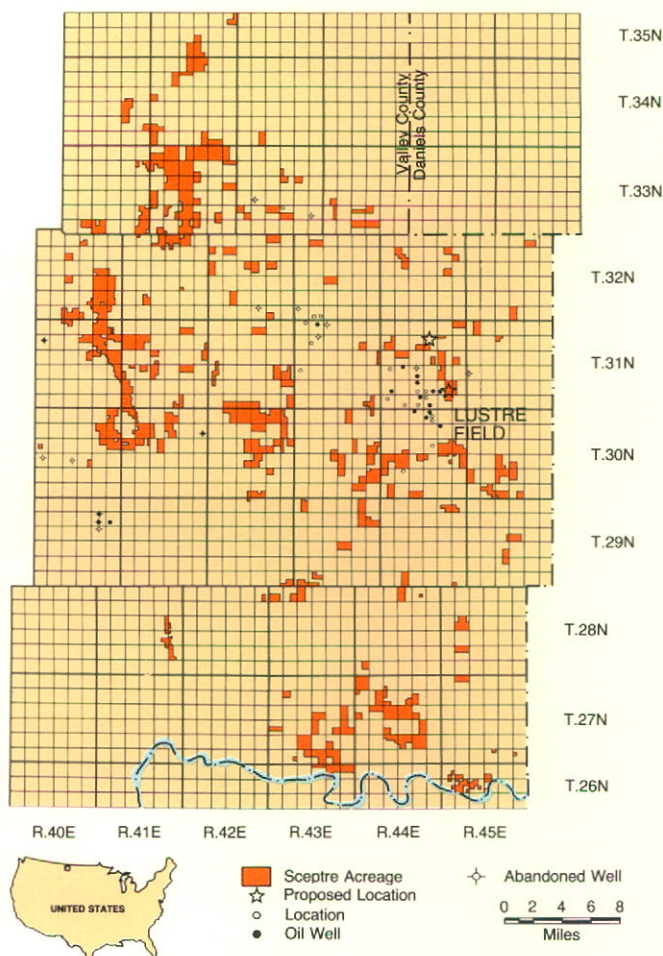
During the past three years, Sceptre has significantly expanded its wildcat acreage base in the United States and now holds approximately 390,000 net acres, situated in a variety of prospective oil- and gas-producing basins. Sceptre is concentrating its exploration and development efforts in regions where the Company had previously acquired wildcat acreage, including the Williston Basin, central Michigan, the Rocky Mountain region, onshore the Gulf Coast and in Washington County, Virginia.

WILLISTON BASIN

Divide County, North Dakota

Sceptre participated in a significant Red River oil discovery in Divide County, North Dakota during 1982. The Laverne Haugen No. 1, in which Sceptre has a 30 percent working interest, was completed with a flowing potential of 364 barrels of oil per day. The well, currently on pump, is producing an average of 163 barrels of oil per day.

Sceptre and its partners are presently completing an indicated oil discovery, the Le Gaard No. 1, located two and one-half miles south of the Laverne Haugen No. 1 discovery. Sceptre has a 26.2 percent working interest in this well.

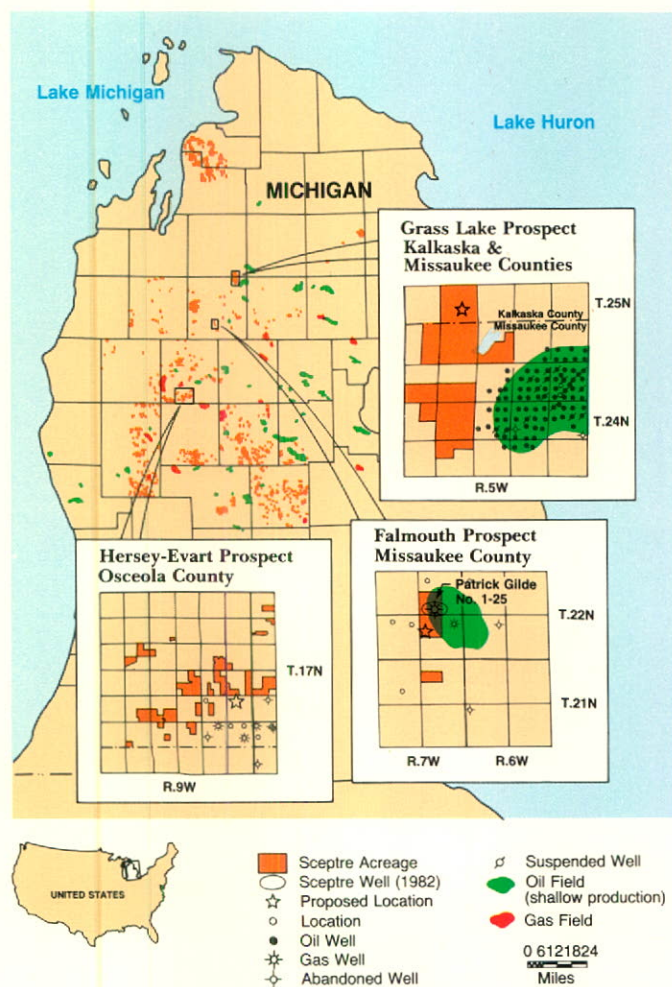


Valley County, Montana

Sceptre has 64,000 leasehold acres within this region, which experienced a high level of drilling activity during 1982. Oil production from the Mississippian Charles Formation has recently been established by another operator in the Lustre Field of eastern Valley County. Twelve oil wells have been successfully completed to date.

Sceptre's acreage in the Lustre area offsets this Charles production and has potential for development drilling. Available information from operators in Valley County indicate several wells may have reserve potential in excess of 200,000 barrels of recoverable oil per well based on 80-acre spacing.

Michigan



CENTRAL MICHIGAN BASIN

In Missaukee County, Michigan, Sceptre holds a 4.2 percent working interest in the Gilde No. 1-25 well drilled in 1982 on the Falmouth Prospect as a northwest offset to the Dart Edwards No. 7-36 well. The Gilde No. 1-25 was completed in the Ordovician Prairie du Chien Formation at 10,500 feet and placed on production in November 1982. Cumulative production for 1982 was 373 million cubic feet of natural gas (7.1 million cubic feet per day).

Sceptre holds a 16.67 percent working interest in 1,200 gross leasehold acres on the Hersey-Evart Prospect located in southern Osceola County where Willmet (PPG) has established Clinton gas production in

three wells located approximately one mile south of the Sceptre acreage block. Initial drillstem test results indicate that these wells are capable of producing five to six million cubic feet of gas per day. This is a potentially significant play where gas accumulations may cover a broad area, including Sceptre's acreage block.

Sceptre and partners have defined a Devonian Richfield seismic anomaly on the Grass Lake Prospect located immediately west of the East Norwich Field in Missaukee and Kalkaska Counties. Sceptre anticipates drilling a 4,700-foot Richfield test on this prospect during 1983, with a view to establishing a western extension of this field. Sceptre's working interest in acreage in this area is 16.67 percent.

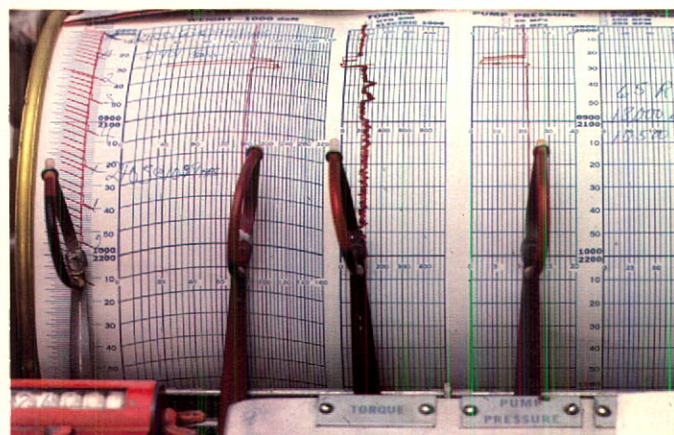
ROCKY MOUNTAIN REGION

Big Horn Basin

Sceptre holds a 25 percent working interest in 6,599 acres in the Southeast Frost Ridge area, located in Park County, Wyoming. The acreage is situated along the west side of the Big Horn Basin, between the Pitchfork-Spring Creek Fields and the Oregon Basin Field. Sceptre plans to acquire additional seismic data in 1983 over the faulted Phosphoria-Tensleep structure before drilling a well.

D-J Basin

In Laramie County, Wyoming, Sceptre successfully completed a Cretaceous J sand oil well which is producing 25 barrels of oil per day. Sceptre, the operator of the property, holds a 75 percent working interest in the well and offset acreage. Based on existing well control and seismic data, an additional three to five development locations could be drilled on the acreage. Sceptre's well offsets the Golden Prairie J sand oilfield which has produced over 1.95 million barrels of oil.



Texas and Louisiana

GULF COAST REGION

Round Prairie, Texas

Sceptre has participated in the recompletion of two wells and the drilling of five wells on the Round Prairie Prospect in Navarro County, Texas. The wells were drilled to a depth of 12,500 feet, to evaluate the Jurassic Formation. Three of the wells are presently producing natural gas and condensate from the Jurassic Cotton Valley Limestone at a depth of approximately 11,000 feet. A fourth well, the Henderson No. 1, also a Cotton Valley gas well, is scheduled to be tied into gas-gathering lines in mid-1983. Production of natural gas for 1983 from the four wells is expected to be approximately 640 Mcf per day with 35 barrels per day of condensate. Sceptre's working interest in these four wells ranges from 13 to 23 percent. The remaining three wells are classified as suspended gas wells pending further testing and evaluation. Sceptre has decided to suspend additional drilling and development at Round Prairie until uncertain market conditions improve.

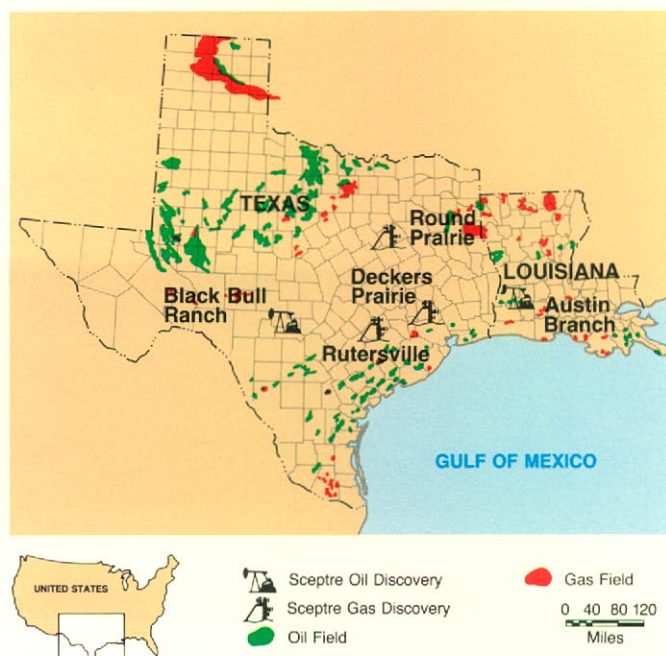
Rutersville, Texas

During 1982, two natural gas wells were successfully completed on the Rutersville Prospect in Fayette County, Texas. Both wells are presently tied into a sales line and are producing both natural gas and condensate from the Edwards Formation. The expected combined production for 1983 from the two wells is 2.7 MMcf per day of natural gas with 130 barrels per day of associated condensate.

The Quinn No. 1 well commenced production in June 1982. Sceptre holds a 13.3 percent working interest in the well. Hackebell No. 1, the second well at Rutersville, was placed on production in November 1982. Sceptre has a 5.1 percent working interest in the well, which was also completed in the Edwards Formation.

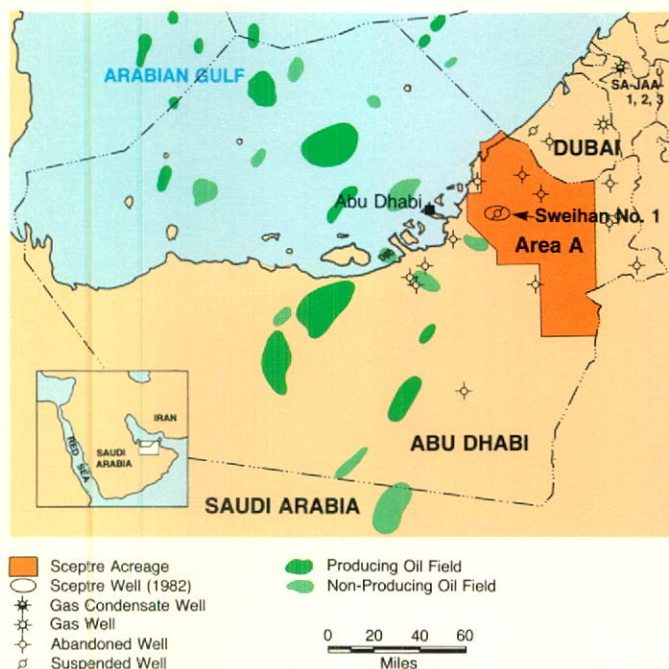
WASHINGTON COUNTY, VIRGINIA

In Washington County, Virginia, Sceptre holds a 26.67 percent interest in 66,503 wildcat acres. During 1981, the Highland Sourbeier No. 1 well, in which Sceptre holds a $33\frac{1}{3}$ percent interest, was drilled on the acreage within the Early Grove natural gas field. This well is scheduled to be placed on production in late 1983. In addition, a seismic re-evaluation has identified a deep prospect which is expected to be evaluated in 1983 by a 12,500-foot well drilled on a farmout at no cost to the Company.



INTERNATIONAL

Abu Dhabi, United Arab Emirates

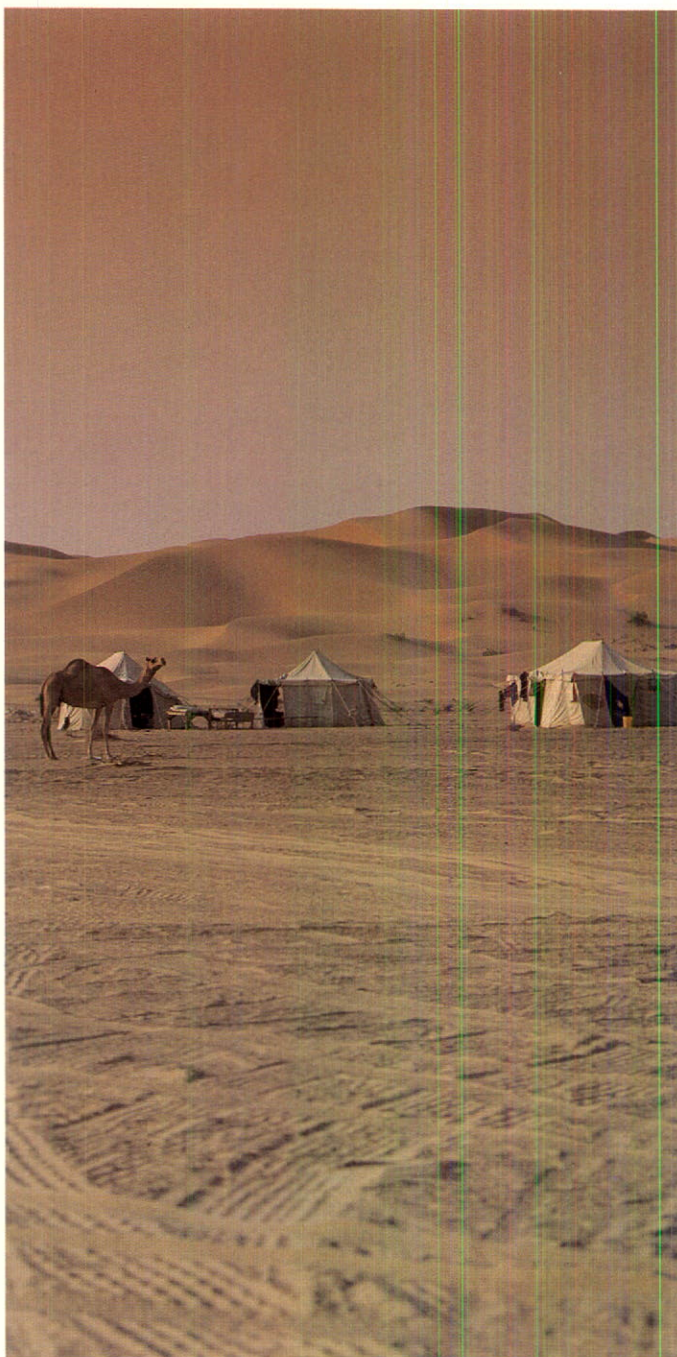


Sceptre and its partners will continue the interpretation studies throughout 1983. B.P. have acquired concession rights covering previously explored acreage onshore Dubai, immediately adjacent to the Area A concession. The area is to the west of the recent Arco/Britoil Nazwa-1 gas-condensate discovery. The Company and its partners will continue to monitor industry activities while at the same time pursuing other exploration concepts.

ABU DHABI, UNITED ARAB EMIRATES

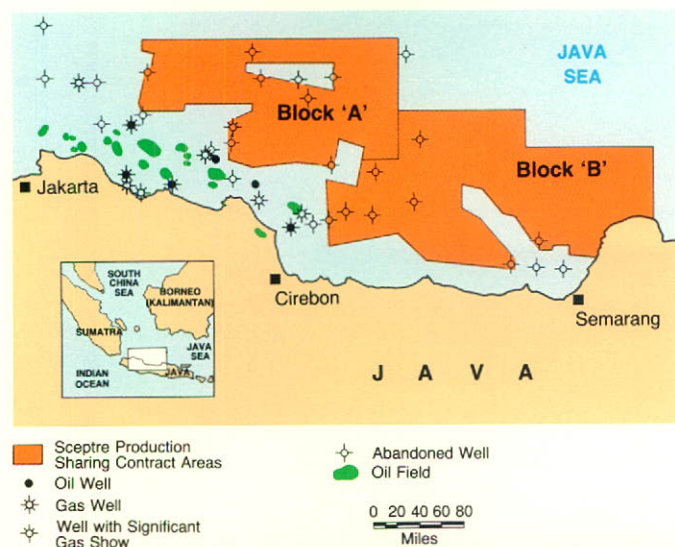
Sceptre is the operator of, and has a 25 percent working interest in, Concession Area "A", onshore Abu Dhabi. This concession, 7,870 square kilometres in size, is situated in close proximity to a number of large proven oil fields. An active seismic program, which commenced in January 1981, continued throughout the year. By year end some 2,750 kilometres of new seismic data had been acquired. This data supplemented the roughly 2,500 kilometres of older seismic which was obtained from previous concessionaires. The program was completed on March 31, 1983. This regional evaluation has led to the generation of a number of promising leads which are currently being pursued.

Sweihan No. 1 was drilled to a total depth of 14,442 feet and was suspended in March 1982. Testing of the lower hydrocarbon zone proved to be disappointing, against all indications to the contrary. Testing of the upper Mishrif Formation did provide considerable encouragement and, after a thorough technical evaluation based on integrating the well results with geological model and geophysical interpretation, a large stratigraphic trap with considerable reserve potential has been identified. Work is continuing on this prospect.



Abu Dhabi campsite.

Northwest Java Sea, Indonesia



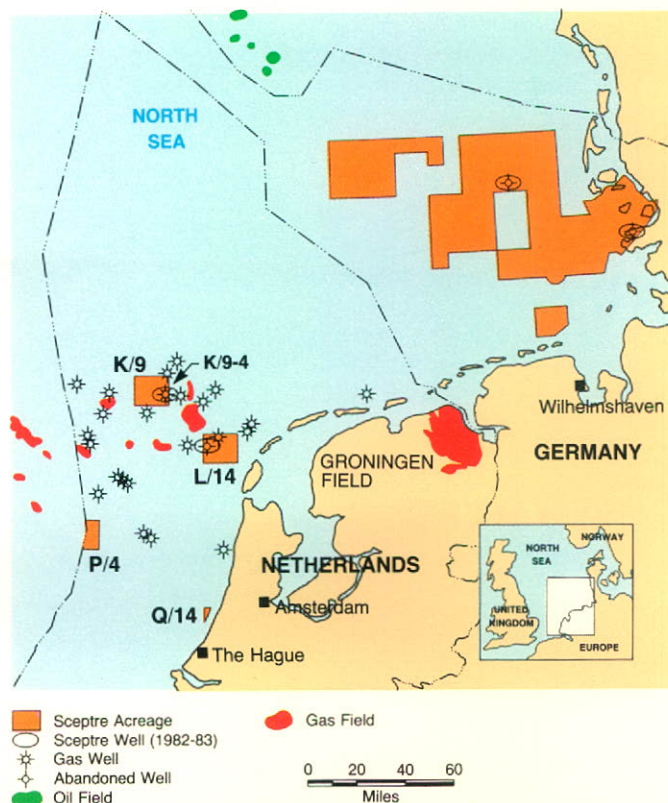
INDONESIA

On October 20, 1982, Sceptre signed production-sharing contracts with Pertamina covering two blocks in the Northwest Java Sea, Indonesia. The blocks, A and B, are contiguous and cover approximately 7.7 million acres. This northwest Java basinal area has been the scene of intense oil exploration activity during the last 15 years, the results of which have established the Arjuna Basin as a significant hydrocarbon-bearing province. To date, oil production in the Arjuna area has been primarily from Cibulakan sandstones and limestones, although a number of other formations host commercial oil accumulations. Typically, these are associated with fault-related structural closures, similar to a number on the Company's concessions. Most pay zones are found at depths of less than 4,000 feet.

Arco has 58 production platforms within the basin which, during 1981, had a total average daily production rate of 132,000 barrels per day. Seven of these producing fields are located within 20 miles of Blocks A and B and, additionally, numerous non-producing fields and single-well wildcat discoveries are located within this 20-mile corridor.

Combined geological and geophysical studies over Sceptre's blocks have established the presence of a Tertiary sedimentary section favorable for the generation and entrapment of commercial quantities of petroleum.

North Sea



Sceptre has a 25 percent working interest in Block A, which covers an area of 13,280 square kilometres. In conjunction with partners, the Company will be participating in a seismic program during the summer of 1983. Sceptre is operator of and has a 100 percent interest in Block B, which covers 17,740 square kilometres. A seismic program is to be carried out over this area in 1983. Drilling is expected to commence in early 1984.

NORTH SEA

Netherlands Sector

Sceptre is a participant in four blocks offshore the Netherlands, with interests ranging from 3.625 percent to 14.59 percent.

The K/9-4 exploratory wildcat was spudded on October 12, 1982 and drilled to a total depth of 13,001 feet. Two tests were carried out on the primary objective, upper Slochteren sandstones. Both flowed considerable quantities of natural gas with some condensate. A gas-water interface was not intersected and a production licence application was filed with the Ministry on April 3, 1983. It is expected that a decision will be received by year end.

The Company holds a 7.5 percent interest in Block L/14 where a natural gas well is situated which tested 18 MMcf per day. Development of the discovery awaits Government approval of a production licence application which was made in 1980. A step-out well, drilled on the block during 1982, was non-productive on test and was abandoned.

Ongoing studies of Block Q/14 have succeeded in highlighting an oil prospect in the Lower Cretaceous interval. A number of oil discoveries have been made in this region; notably, to the northwest in P/15, where 36° API oil was tested at rates of up to 4,000 barrels per day; in Q/1, where Union is developing a field; in K/18 (8,145 bpd); and to the east in NAM's Wassenaar Zee No. 1 well.

German Sector

Sceptre holds interests ranging from one percent to five percent in 29 blocks in the German sector of the North Sea.

During 1982, the Company participated in the drilling of two wells on its German licences. J/5-1 was drilled to a total depth of 5,200 metres (17,061 feet) in Lower Rotliegendes volcanics. While some sandy intervals were located within the Rotliegendes, they displayed poor reservoir characteristics and were barren of hydrocarbons. The St. Peter Ording No. 1 well was a Tertiary test drilled onshore on the Halligen permit. The wildcat was drilled in November to a total depth of 2,310 metres in the Eocene. Significant gas-detector readings were noted while drilling the objective Oligocene interval, but logs indicated the few sandstone beds, up to 27 metres thick, were water-bearing.

Work is continuing in the various other German blocks and, while additional drilling is not envisaged for 1983, some seismic work is planned.

OTHER INTERNATIONAL AREAS

Sceptre is participating in an ongoing exploration program in licence group 4/76, offshore western Ireland. A comprehensive 3-D seismic survey, amounting to 3,131 kilometres of data, was gathered in 1982. Two successful oil wells have been drilled on a very complex feature situated in the block. A well will be drilled on this block during 1983. In the Irish Sea, Sceptre is a 15 percent equity member in two option blocks. Geophysical studies have highlighted a number of prospective structures which will be more fully evaluated this year.

In the Philippines, Amoco, the operator of the concession, successfully completed a farmout to Union Texas on behalf of the participants. The terms of the farmout require Union Texas to shoot a 600-kilometre seismic program and grants the option to drill a well on the block at their cost. If fully exercised, Union Texas will earn a 60 percent interest in the concession in which Sceptre presently holds a 7½ percent interest.



Abu Dhabi geophysical crew.

CANDECCA RESOURCES PLC

Candecca Acreage Holdings, United Kingdom

Sceptre owns 11,978,603 (approximately 41 percent) of the issued and outstanding share capital of Candecca Resources PLC, a London, England based independent company engaged in the exploration for and production of oil and gas, primarily onshore the United Kingdom. At May 6, 1983 the quoted market price of Candecca's shares on The Stock Exchange, London, was 1.58 pounds per share.

EXPLORATION AND DEVELOPMENT ACTIVITIES

In September 1982, the British Secretary of State for Energy awarded Candecca a total of nine new production licences in the Midlands region, which added approximately 512,000 gross acres to the company's holdings onshore the United Kingdom. Candecca now has an interest in almost 3.2 million gross acres (1,080,562 net acres) onshore and is represented in virtually all the major sedimentary basins.

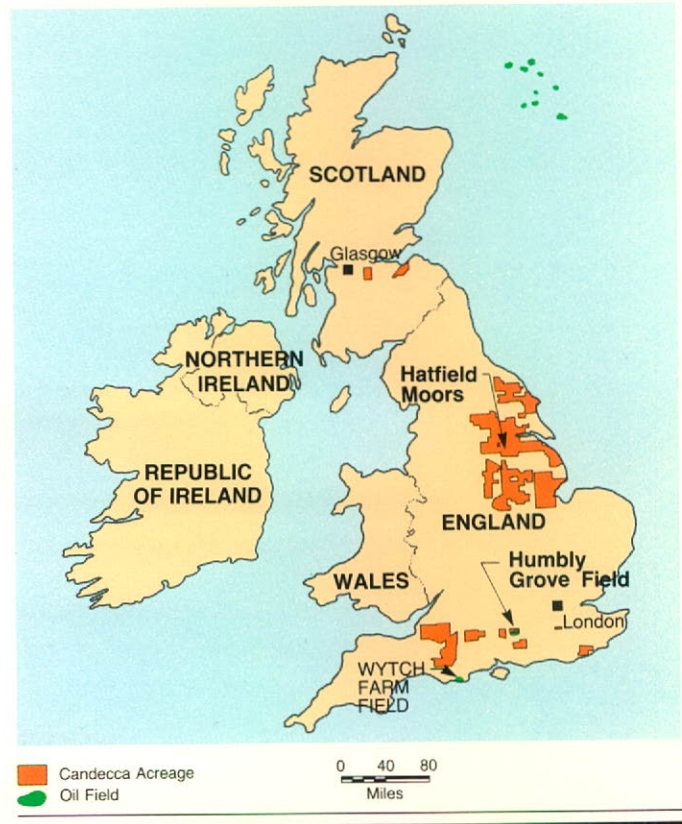
During its 1982 year, Candecca was the operator of two seismic programs in central England, one west of The Wash and the other south of the river Humber. These programs covered approximately 178 miles and are an integral part of Candecca's efforts to identify and develop prospects in the licence areas in which the company is involved. Over the next four years, apart from its development activities at Humbly Grove, Candecca expects to participate in more than 40 onshore wells located on at least 18 of its production licences.

Hatfield Moors

In early 1982 Candecca participated as to a 41.25 percent interest in what appears to be a significant shallow gas discovery on production licence 162 in the Hatfield Moors, which is located in the Yorkshire/Humberside region of central England. The Hatfield Moors No. 1 well, which blew out in a shallow gas sand, flowed commercially significant rates before being brought under control. Three follow-up shallow wells and possibly a deep test are scheduled for 1983 in this region.

Humbly Grove

During 1981 and 1982 Candecca, as to a 25 percent interest, participated in three appraisal wells to the original Humbly Grove No. 1 oil discovery well which was drilled in 1980 on production licence 116B, located onshore the south of England in Wessex. The Humbly Grove No. 2 well, drilled on the crest of the feature, achieved a stabilized flow rate of 750 barrels of oil per day on test; Humbly Grove No. 3 established the eastern flank of the field and Humbly Grove No. 4



tested oil at stabilized flow rates of 980 and 305 barrels per day from two zones. At Humbly Grove No. 1, a production testing program, involving a fracturing of the lower zone, is currently in progress.

A development program is anticipated for late 1983 following the evaluation of core and production data from the first four wells. Candecca and its partners also plan at least two wells to assess the potential of two satellite features located on the licence and immediately northwest and north of the Humbly Grove Field.

ASSOCIATED COMPANIES

In addition to its extensive holding of acreage onshore the United Kingdom, Candecca also owns a 36 percent equity interest (4.55 million shares) and manages the affairs of Plascom Limited. Plascom owns a 2.3 percent interest in the Hewett Gas Field, situated offshore the United Kingdom and holds various interests in 14 blocks in the U.K. North Sea, two blocks in the English Channel, 32 blocks offshore Germany and five blocks offshore Ireland.

Candecca also owns a 31 percent interest (4 million shares) in and manages the affairs of Pennine Resources PLC, a company engaged in oil and gas exploration in the United States.

Report on Production and Reserves

PRODUCTION

The Company's 1982 production volumes were significantly enhanced with the acquisition of Francana Oil & Gas Ltd. on May 14, 1982. These volumes will be further expanded in 1983 when the Company will receive the benefits of a full year's production from Francana, as well as from Willowdale Resources (1981) Ltd. which was acquired on January 27, 1983.

Average actual daily crude oil and condensate production during 1982 increased to 2,028 barrels per day from 159 barrels per day in 1981. Natural gas production increased to 21.9 million cubic feet per day in 1982 from 5.7 million cubic feet per day in 1981.

The accompanying table shows Sceptre's production on a geographical basis and includes Francana production from May 14, 1982:

Production of Crude Oil, Condensate and Natural Gas

Year ended December 31, 1982

| | Crude Oil and Condensate (barrels) | | Natural Gas (million cubic feet) | |
|----------------------|------------------------------------|---------------|----------------------------------|---------------|
| | Total | daily average | Total | daily average |
| Canada | | | | |
| Alberta | 336,110 | 920 | 6,821.1 | 18.7 |
| Saskatchewan .. | 381,766 | 1,046 | 79.6 | 0.2 |
| British Columbia ... | 1,835 | 5 | 965.4 | 2.7 |
| Manitoba | 1,756 | 5 | — | — |
| U.S.A. | 18,878 | 52 | 134.0 | 0.3 |
| Total | 740,345 | 2,028 | 8,000.1 | 21.9 |

SI Units

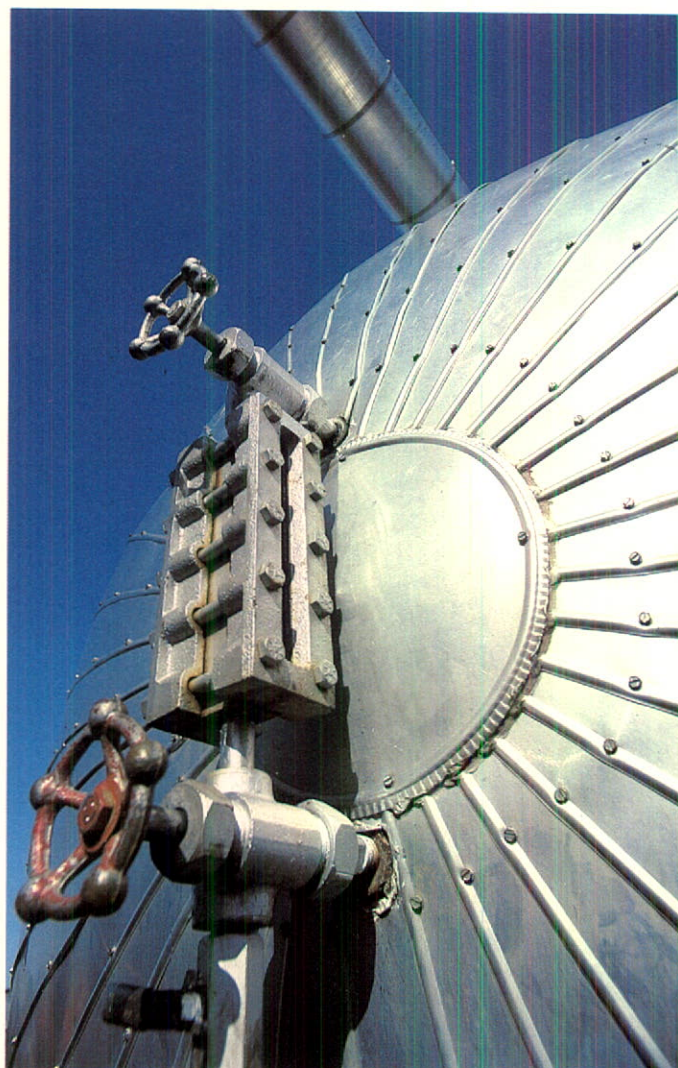
The Canadian petroleum industry began using SI (metric) units in 1979 and these are now standard in regulatory, government and accounting documents. This report is given primarily in Traditional units which are most often used in reporting and analysis. For the convenience of anyone wishing to convert to SI, the following conversion factors are provided:

Traditional to metric:

| |
|--|
| 1 mile = 1.609 kilometres (km) |
| 1 square mile = 2.590 square km |
| 1 acre = 0.405 hectare |
| 1 gallon (Can.) = 4.546 litres |
| 1 barrel = 0.159 cubic metre (m ³) |
| 1 Mcf = 28.174 cubic metres (m ³) |

Metric to traditional:

| |
|----------------------------------|
| 1 km = 0.621 mile |
| 1 square km = 0.386 square mile |
| 1 hectare = 2.471 acres |
| 1 litre = 0.220 gallon (Can.) |
| 1 m ³ = 6.290 barrels |
| 1 m ³ = 0.035 Mcf |



The accompanying table shows, on a pro forma basis, the 1982 average daily production results had Sceptre acquired both Francana and Willowdale on January 1, 1982.

Natural Gas Production (Pro Forma)

Daily Production in Millions of
Cubic Feet, Before Royalty

1982

Alberta

| | |
|-----------------|-------------|
| Wintering Hills | 12.6 |
| Edward | 5.2 |
| Stanmore | 4.5 |
| Birch | 4.3 |
| Willingdon | 1.7 |
| Warwick | 1.3 |
| Long Coulee | 0.9 |
| Plain Lake | 0.9 |
| Arrowwood | 0.8 |
| Edgerton | 0.8 |
| Cessford | 0.8 |
| Oyen | 0.7 |
| Holmberg | 0.7 |
| Huxley | 0.7 |
| Therien | 0.7 |
| Drumheller | 0.6 |
| Others | 10.0 |
| Total | 47.2 |

British Columbia

| | |
|--------------|------------|
| Inga | 1.6 |
| Siphon | 0.8 |
| Others | 1.0 |
| Total | 3.4 |

Saskatchewan 0.4

United States 0.3

Total Daily Production — Pro Forma **51.3**

Crude Oil, Condensate and NGL Production (Pro Forma)

Daily Production in
Barrels, Before Royalty

1982

Alberta

| | |
|---------------|--------------|
| Peco | 258 |
| Virgo | 184 |
| Princess | 156 |
| Boundary Lake | 88 |
| Taber | 82 |
| Pembina | 74 |
| Stanmore | 56 |
| Lanaway | 47 |
| Majorville | 47 |
| Others | 693 |
| Total | 1,685 |

Saskatchewan

| | |
|----------------------|--------------|
| Battrum | 351 |
| Willmar | 340 |
| Viewfield | 258 |
| Souris Flat | 96 |
| Tangleflags | 77 |
| Viewfield Unit No. 1 | 48 |
| Rapdan Unit | 45 |
| Others | 257 |
| Total | 1,472 |

British Columbia 8

Manitoba 8

United States 52

Total Daily Production — Pro Forma **3,225**



Holmberg gas plant.

Crude Oil Production

Total production of crude oil, condensate and natural gas liquids (NGL) during 1982 from all properties currently owned, including the properties of both Francana and Willowdale, was 1,177,200 barrels (3,225 barrels per day). This production is located primarily in the provinces of Alberta and Saskatchewan and is derived from approximately 1,340 oil wells (215 net wells) located on 94 properties, of which 37 are operated by Sceptre. The largest producing properties in 1982 were Battrum, Willmar and Viewfield in Saskatchewan and Peco and Virgo in Alberta.

Approximately 13 percent of the production from properties currently owned qualified for the New Oil Reference Price. Total production for each oil category in Canada, together with the average price received and most recent reference price, is as follows.

| | Designation | Barrels | Average Price Received per Bbl | May, 1983 Reference Price per Bbl |
|--------------------|-------------|---------|--------------------------------|-----------------------------------|
| Old Oil | COOP | 790,631 | 21.64 | 29.55 |
| Special Old Oil .. | SOOP | 186,061 | 23.85 | 29.70 |
| New Oil | NORP | 144,329 | 38.22 | 41.56 |

Oil production was affected during the year by market restrictions for Saskatchewan and Alberta crude oil. There was some resolution of these marketing problems during 1982, but additional progress must be made in order for Sceptre's oil properties to attain full productive capacity. Total field productive capability is approximately 4,000 barrels per day.

Recent and ongoing exploration and development activities in the Crystal, Taber and Red Earth areas are expected to favourably impact on 1983 volumes. In addition, the Company has secured approval for a number of work programs which will result in a royalty reclassification for certain Saskatchewan old oil properties.



Natural Gas Production

Full-year production during 1982 from all properties currently owned, including the properties of both Francana and Willowdale, was 18.7 billion cubic feet (51.3 MMcf per day) with an average price received of \$2.72 per Mcf. Natural gas production is primarily situated in the Province of Alberta, where the newly acquired Wintering Hills property, along with Edward, Stanmore and Birch, are the most significant properties. Sceptre has interests in production from approximately 1,630 gas wells (353 net wells) situated on 87 gas properties, of which 26 are company-operated.

Natural gas sales were severely curtailed during 1982 due to low nominations by gas purchasers, mainly resulting from reduced export markets. On average, gas sales were limited to approximately 65 percent of minimum contract quantities during 1982. This situation is expected to persist and possibly deteriorate even further in 1983, although the recent NEB decision approving additional exports and export pricing adjustments make longer-term prospects encouraging.

Approximately 95 percent of the Company's gas reserves are contracted. Currently, 78 percent of Sceptre's total gas production is contracted to TransCanada PipeLines Ltd. The remainder is contracted primarily to Alberta & Southern Gas Co. Ltd., the British Columbia Petroleum Commission and Pan Alberta Gas Ltd. An increase in gas contract production rates was achieved in 1982 at Drumheller and Holmberg through the recognition of new reserves. Additionally, deliveries commenced under a Pan Alberta contract at Therien and Cessford in late 1981 and 1982 respectively.

Potential gas contract sales nominations for the Company total approximately 84 MMcf per day from producing gas properties at full contract daily quantities. An additional 11 MMcf per day rate potential exists from shut-in and uncontracted gas reserves. Thus, with an improvement in gas markets, Sceptre could significantly increase production and cash flow from presently contracted reserves.

RESERVES

Sceptre's oil and natural gas reserves and forecast future cash flow, based on the Company's interests in petroleum and natural gas properties as at January 1, 1983, are shown in the accompanying table. The table includes the Willowdale reserves acquired on January 27, 1983. The Canadian properties were evaluated by McDaniel and Associates Consultants Ltd., Grant Trimble Engineering Ltd. and Coles Nikiforuk Pennell Associates Ltd., all of Calgary. The United States properties were primarily evaluated by Keplinger and Associates Inc., of Denver, Colorado, and T. Fekete & Associates Consultants Ltd., of Calgary.

The combined gross (before Crown royalties) proven-plus-probable reserves, as at January 1, 1983, are estimated to be 21.8 million barrels of oil and liquids and 387 billion cubic feet of natural gas. Also associated with the gas reserves are 31,000 long tons of sulphur. The undiscounted value of future net cash flow generated by these reserves is estimated to be \$2 billion.

Approximately 64 percent of the oil reserves are located in Saskatchewan, 34 percent in Alberta and the remainder primarily in the United States. Of the Company's total natural gas reserves, approximately 92 percent are located in Alberta and 6 percent in British Columbia with the remainder in Saskatchewan and the United States.

Petroleum and Natural Gas Reserves

January 1, 1983 (1)

| Reserve Category | Gross Estimated Sceptre Working Interest Reserves | | |
|--------------------|---|-------------------------------|--------------------------------------|
| | Crude Oil (millions of barrels) | Liquids (millions of barrels) | Natural Gas (billions of cubic feet) |
| Proven | 9.6 | 1.3 | 287 |
| Probable | 10.3 | 0.6 | 100 |
| Total | 19.9 | 1.9 | 387 |

(1) The table includes the reserves of Willowdale Resources (1981) Ltd. which were acquired January 27, 1983.

Tom Dickson — Chief Engineer, Operations
and Ken Stan — Operations Manager.

Estimated Present Worth of Reserves

The following table gives the present worth of the Company's oil and gas reserves at January 1, 1983 as estimated by its independent consultants. The value reflects the acquisitions of Francana Oil & Gas Ltd., on May 14, 1982, and of Willowdale Resources (1981) Ltd., on January 27, 1983.

These calculations are based on independent price and production forecasts with appropriate deductions for Crown and other royalties, revenue taxes, Topgas repayments, future capital costs, and production costs.

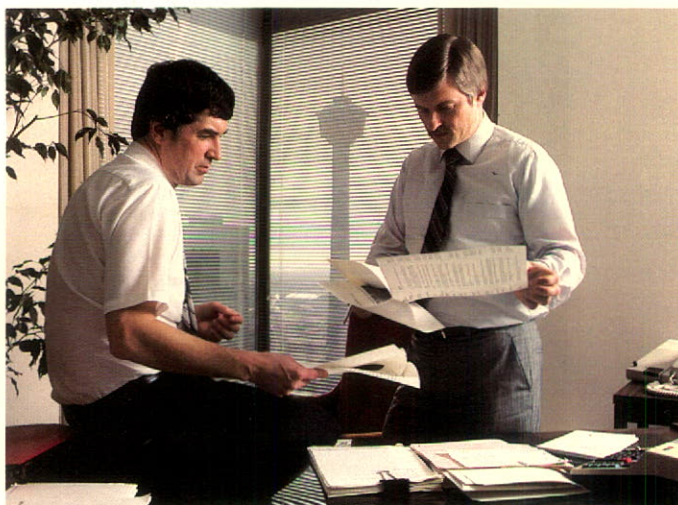
Price forecasts were developed from the provincial-federal pricing agreements modified by current market and world energy events. Royalty provisions contained in the Alberta Activity Program and Saskatchewan Oil Industry Program announced in 1982 and price/tax adjustments of the National Energy Program update of May 31, 1982 were used. Deductions were made for Federal Incremental Oil Revenue Tax (IORT) and Petroleum and Gas Revenue Tax (PGRT). No deductions were made for income tax.

Present Worth of Reserves

January 1, 1983 (1)

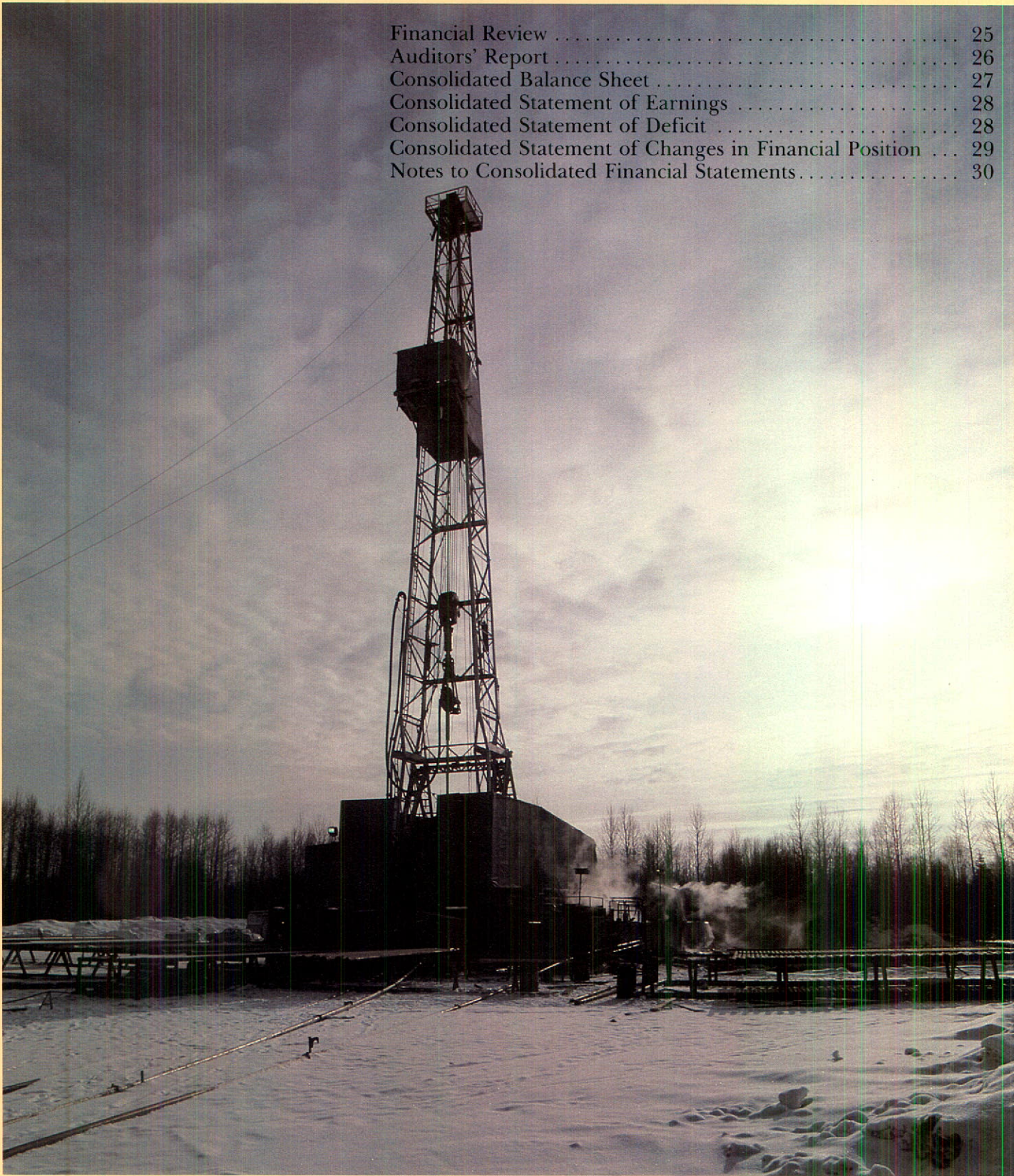
| Reserve Category | Present Worth Discounted at | | |
|--------------------|-----------------------------|-------------|-------------|
| | 10% (\$000) | 15% (\$000) | 20% (\$000) |
| Proven | \$476,993 | \$341,435 | \$263,266 |
| Probable | 112,877 | 66,309 | 43,762 |
| Total | \$589,870 | \$407,744 | \$307,028 |

(1) The table includes the reserves of Willowdale Resources (1981) Ltd. which were acquired January 27, 1983.



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Financial Review

Revenue from all sources, net of royalties, for the 12 months ended December 31, 1982 was \$29.8 million, an increase of 131 percent compared to 1981 revenue of \$12.9 million. This increase in 1982 is primarily related to the acquisition of Francana on May 14, 1982.

Cash flow from operations in 1982 was \$7.2 million (\$0.49 per share), compared to \$5.9 million (\$0.63 per share) in 1981. The Company recorded a loss for the year of \$20.3 million (\$1.52 per share) compared to a loss in 1981 of \$2.3 million (\$0.47 per share). The loss per share is calculated after the deduction of preferred dividends. On a weighted average basis, there were 14.8 million shares outstanding in 1982 compared to 9.3 million in 1981.

The 1982 loss is primarily attributable to the write-off of non-productive foreign exploration offshore Germany and onshore Portugal, together with a write-down of the Company's oil and gas properties in the United States. These totalled \$18.3 million in 1982.

Capital spending during 1982 was \$53.1 million compared to \$52.8 million in 1981. Additionally, as noted above, on May 14, 1982 the Company acquired all of the outstanding shares of Francana Oil & Gas Ltd., a public Canadian oil and gas company. As a result of the transaction, Sceptre issued approximately 7.1 million common shares and assumed \$107 million of Francana's debt.

On January 27, 1983, the Company acquired the outstanding common shares of Willowdale Resources (1981) Ltd., a private oil and gas company, by the issuance of 850,000 8½% Convertible Second Preferred Shares Series "B", which have a stated value of \$20.00 per share. Sceptre also assumed Willowdale's net debt of approximately \$47.2 million. Willowdale's results will be incorporated with those of Sceptre subsequent to January 27, 1983. The acquisition of Willowdale by Sceptre will significantly expand the Company's reserve base and provide cash flow to fund an active exploration and development program in Canada.

On February 25, 1983, Sceptre completed the placement to a Canadian institutional investor of 1,920,000 common shares and 150,000 8½% Convertible Second Preferred Shares Series "C" at a price of \$6.25 per common share and \$20.00 per convertible preferred share for an aggregate sales price of \$15 million. Proceeds from the sale of equity were utilized to retire short-term bank indebtedness and this is reflected in the financial statements as at December 31, 1982.

Both the acquisition of Willowdale and the equity placement have increased Sceptre's Canadian Ownership Rating and will enhance the Company's ability to derive the maximum benefits under the Canadian National Energy Program. As a result of these 1983 transactions, Sceptre now has a total of 19.4 million common shares outstanding (24.5 million fully diluted).

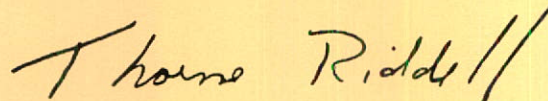
Auditors' Report

To the Shareholders of Sceptre Resources Limited

We have examined the consolidated balance sheet of Sceptre Resources Limited as at December 31, 1982 and the consolidated statements of earnings, 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 as at December 31, 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
March 24, 1983



Chartered Accountants

Consolidated Balance Sheet

As at December 31, 1982

| Assets | | 1982 | 1981 |
|---|--|---------------|---------------|
| Current Assets | | | |
| Accounts receivable | | \$ 17,010,072 | \$ 7,582,612 |
| Notes receivable from Candecca Resources PLC | | 2,311,580 | — |
| Notes receivable | | — | 4,000,000 |
| Inventory of leases held for resale | | 7,049,623 | 5,574,124 |
| Current amounts due from directors and officers | | — | 600,600 |
| | | 26,371,275 | 17,757,336 |
| Due from Directors and Officers (note 3) | | 1,849,200 | 1,440,900 |
| Investment in S & K Petroleum Ltd. , at cost, quoted market value 1982, \$777,781; 1981, \$2,061,120 | | 462,933 | 462,933 |
| Investment in Candecca Resources PLC , quoted market value 1982, \$29,940,518; 1981, \$57,183,372 | | 16,897,875 | 15,293,884 |
| Fixed Assets (note 4) | | 326,735,709 | 107,510,446 |
| | | \$372,316,992 | \$142,465,499 |
| Liabilities | | | |
| Current Liabilities | | | |
| Bank indebtedness, secured | | \$ 20,655,339 | \$ 4,969,752 |
| Accounts payable and accrued liabilities | | 18,251,788 | 10,465,481 |
| Current maturities on long term debt | | 10,132,811 | — |
| Note payable | | — | 2,371,800 |
| | | 49,039,938 | 17,807,033 |
| Long Term Debt (note 5) | | 144,448,818 | 12,425,750 |
| Deferred Production Revenue (note 6) | | 24,830,224 | 61,040 |
| Preferred Shares of Subsidiary Companies (note 7) | | 11,600,000 | 15,100,000 |
| Deferred Income Taxes | | 32,947,136 | 8,352,522 |
| Shareholders' Equity | | | |
| Capital Stock (notes 9 & 13) | | | |
| Issued | | | |
| 1,199,898 7% Convertible Second Preferred Shares Series A | | 29,997,450 | 29,997,450 |
| 17,443,486 Common shares (1981 — 10,253,095 shares) | | 109,457,083 | 66,322,978 |
| Less | | | |
| 39,780 Common shares held by a subsidiary and the Company | | (255,990) | (255,990) |
| | | 139,198,543 | 96,064,438 |
| Deficit | | (29,747,667) | (7,345,284) |
| | | 109,450,876 | 88,719,154 |
| | | \$372,316,992 | \$142,465,499 |

Approved by the Board

R. A. Guella
Director

Jan S. Pak
Director

Consolidated Statement of Earnings

Year Ended December 31, 1982

| | 1982 | 1981 |
|---|-----------------------|----------------------|
| Revenue | | |
| Oil and gas | \$ 29,291,376 | \$ 4,614,050 |
| Management fees | 466,765 | 1,877,229 |
| Sales of oil and gas leases | — | 4,477,494 |
| Interest | — | 1,886,988 |
| | 29,758,141 | 12,855,761 |
| Expenses | | |
| Production | 6,085,334 | 908,766 |
| Cost of sales of oil and gas leases | — | 3,415,612 |
| Petroleum and gas revenue tax | 2,897,026 | 278,226 |
| General and administrative | 4,452,807 | 2,313,501 |
| Interest on long term debt | 7,781,647 | — |
| Other interest | 3,686,576 | 362,438 |
| Depletion and depreciation | 9,520,750 | 2,133,967 |
| Write-off of non-productive foreign exploration | 18,310,848 | 3,222,920 |
| Deferred income taxes | (1,619,146) | 833,370 |
| Alberta royalty tax credit | (2,370,080) | (242,385) |
| | 48,745,762 | 13,226,415 |
| Loss before undernoted | (18,987,621) | (370,654) |
| Dividends on preferred shares of subsidiary companies | 1,314,938 | 1,937,784 |
| Loss for the Year | \$(20,302,559) | \$(2,308,438) |
| Loss per Common Share | \$(1.52) | \$(0.47) |

Consolidated Statement of Deficit

Year Ended December 31, 1982

| | 1982 | 1981 |
|---|-----------------------|----------------------|
| Deficit at Beginning of Year | \$ (7,345,284) | \$(2,936,933) |
| Loss for the year | (20,302,559) | (2,308,438) |
| Dividends on preferred shares | (2,099,824) | (2,099,913) |
| Deficit at End of Year | \$(29,747,667) | \$(7,345,284) |

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1982

| | 1982 | 1981 |
|--|-----------------------|---------------------|
| Working Capital Derived From | | |
| Operations | \$ 7,224,831 | \$ 5,877,853 |
| Issue of common shares | | |
| For cash | 513,099 | 14,228,624 |
| On acquisition of Francana Oil & Gas Ltd. | 42,621,006 | — |
| On acquisition of oil and gas partnerships | — | 4,583,471 |
| Long term debt | 33,136,746 | 12,425,750 |
| Deferred production revenue | 10,845,332 | — |
| Other assets | 566,615 | — |
| Long term receivable | — | 4,000,000 |
| Due from directors and officers | — | 408,300 |
| | 94,907,629 | 41,523,998 |
| Working Capital Applied to | | |
| Fixed assets | 53,103,393 | 52,828,706 |
| Acquisition of Francana Oil & Gas Ltd. | 46,421,489 | — |
| Acquisition of net assets of oil and gas partnerships | | |
| including working capital deficiencies of \$443,887 | — | 5,398,795 |
| Reduction of long term debt | 9,074,660 | — |
| Repurchase of preferred shares by subsidiaries | 3,500,000 | 3,500,000 |
| Preferred share dividends | 2,099,824 | 2,099,913 |
| Preferred share dividends of subsidiary companies | 1,314,938 | 1,937,784 |
| Investment in Candecca Resources PLC | 1,603,991 | — |
| Due from directors and officers | 408,300 | — |
| Investment in S & K Petroleum Ltd. | — | 462,933 |
| Other | — | 54,358 |
| | 117,526,595 | 66,282,489 |
| Decrease in Working Capital Position | (22,618,966) | (24,758,491) |
| Working Capital (Deficiency) at Beginning of Year | (49,697) | 24,708,794 |
| Working Capital (Deficiency) at End of Year | \$(22,668,663) | \$ (49,697) |

Notes to Consolidated Financial Statements

Year Ended December 31, 1982

1. Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiary companies, each of which is wholly-owned.

The Company follows the cost method of accounting for its investment in Candecca Resources PLC.

The excess of the cost of shares of subsidiary companies over the underlying book value at the dates of acquisition has been allocated to fixed assets and is subject to the accounting policies described below.

(b) Inventory of Leases Held for Resale

In the course of its ongoing exploration activities, the Company may acquire interests in oil and gas leases which, at the time of acquisition, are identified as being purchased for resale. These interests are recorded in the balance sheet as inventory of leases held for resale and are valued at the lower of cost and net realizable value. Gains and losses on the disposition of such leases are included in earnings.

(c) Fixed Assets

The Company follows the full cost method of accounting under which all costs related to the exploration for and development of petroleum and natural gas properties are capitalized on a country by country basis. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges of non-producing properties, costs of drilling both productive and non-productive wells, interest and overhead charges related to exploration activities.

The costs related to a cost centre from which there is production, together with the costs of production equipment, are depleted and depreciated on the unit of production method based on the estimated proven reserves of each country as determined by the Company. The costs of acquiring and evaluating unusually significant unproved properties are excluded from the computation of depletion until such time as additional reserves are proven or an impairment in value has occurred.

No provision is made for the amortization of the costs accumulated in non-producing cost centres. Such costs will be depleted when the country becomes productive or will be written off to earnings if exploration activity in that country is determined to be unsuccessful.

The cost of other equipment, less estimated salvage value, is depreciated on the straight line method over their estimated useful lives at rates varying from 10% to 33 $\frac{1}{3}$ %.

Substantially all of the exploration, development and production activities of the Company are conducted jointly with others and accordingly these financial statements reflect only the Company's proportionate interest in such activities.

(d) Capitalized Interest

The Company capitalizes interest, to the extent it has been incurred, on expenditures in cost centres from which significant production has not commenced and in which a significant exploration program is in progress.

(e) Foreign Currency Translation

The Company translates amounts in foreign currencies into Canadian dollars on the following basis: current assets and current liabilities at rates of exchange prevailing at the balance sheet date; other assets and liabilities at rates of exchange at the date the original transactions took place; and revenues and expenses (other than depletion and depreciation) at average rates of exchange during the year. Gains or losses resulting from the translation of foreign currencies are credited or charged to earnings.

(f) Earnings Per Common Share

The earnings per common share are calculated by dividing the weighted average number of common shares outstanding during the year into the earnings available to the common shareholders after deduction of the dividend entitlement (including \$350,000 respecting undeclared dividends as at December 31, 1982 and 1981) of the Second Preferred shareholders.

2. Acquisition of Francana Oil & Gas Ltd.

On May 14, 1982, the Company acquired all the outstanding shares of Francana Oil & Gas Ltd., a public Canadian oil and gas company, for an aggregate consideration of \$46,421,489. This business combination has been accounted for as a purchase and the results of operations of Francana Oil & Gas Ltd., have been included in these financial statements from the date of acquisition. The excess of the cost of shares over the book value of acquired assets less liabilities has been assigned to fixed assets and is subject to the accounting policies outlined above.

The acquisition is summarized as follows:

| | |
|---|----------------|
| Fixed assets | \$ 110,352,852 |
| Other assets | 566,615 |
| | 110,919,467 |
| Long term debt | (107,960,982) |
| Deferred income taxes | (26,213,760) |
| Deferred production revenue | (13,923,852) |
| Book value of assets less liabilities | (37,179,127) |
| Excess of cost of shares over underlying net book value, assigned to fixed assets | 83,600,616 |
| Total consideration | \$ 46,421,489 |
| Comprised of: | |
| 7,103,501 shares at an ascribed value of \$6.00 per share* | \$ 42,621,006 |
| Costs of acquisition | 3,800,483 |
| Total consideration | \$ 46,421,489 |

* Includes 210,474 shares issued in trust in respect of shareholders of Francana Oil & Gas Ltd. who have dissented under the provisions of the Canada Business Corporations Act.

3. Due from Directors and Officers

The Company loaned an aggregate of \$2,041,500 to two directors and officers which financed the purchase of common shares of the Company. These loans are non-interest bearing and at December 31, 1981 were repayable in five equal annual installments commencing in 1982. During 1982 the repayment terms were amended and the loans are now repayable in three equal annual installments commencing in 1984.

4. Fixed Assets

| | 1982 | | 1981 | |
|--|---------------|--|---------------|---------------|
| | Cost | Accumulated Depletion and Depreciation | Net | Net |
| Petroleum and natural gas leases and rights including exploration, development and equipment thereon | | | | |
| Canada | \$262,589,653 | \$15,941,745 | \$246,647,908 | \$ 50,410,219 |
| United States | 43,369,566 | 1,040,384 | 42,329,182 | 35,442,489 |
| Abu Dhabi | 18,452,001 | — | 18,452,001 | 7,197,393 |
| Java Sea | 4,747,386 | — | 4,747,386 | 775,601 |
| Netherlands | 3,534,706 | — | 3,534,706 | 2,303,164 |
| Ireland | 1,261,487 | — | 1,261,487 | 965,971 |
| Philippines | 359,221 | — | 359,221 | 297,408 |
| Portugal | — | — | — | 3,892,831 |
| Germany | — | — | — | 2,307,510 |
| Libya | — | — | — | 1,450,000 |
| Other areas | 1,336,137 | — | 1,336,137 | 876,748 |
| Other equipment | 8,617,040 | 549,359 | 8,067,681 | 1,591,112 |
| | \$344,267,197 | \$17,531,488 | \$326,735,709 | \$107,510,446 |

At December 31, 1982 the costs of acquiring and evaluating unusually significant unproved properties in Canada of \$45,461,000 and in the United States of \$34,015,000 have been excluded from the computation of depletion. During 1982 interest of \$5,739,000 (1981 — \$505,000) has been capitalized in accordance with the accounting policies of the Company.

5. Long Term Debt

| | 1982 | 1981 |
|--------------------------------|---------------|--------------|
| Bank loan (a) | \$107,000,000 | \$ — |
| Bank loan (b) | 22,756,250 | 12,000,000 |
| Bank loan (c) | 19,000,000 | — |
| Other | 5,825,379 | 425,750 |
| | 154,581,629 | 12,425,750 |
| Less: current maturities | 10,132,811 | — |
| | \$144,448,818 | \$12,425,750 |

- (a) Bears interest at prime plus $\frac{1}{4}\%$ (12.75% at December 31, 1982), is evidenced by a demand promissory note and is secured by the Company's interest in certain oil and gas properties and by a general assignment of accounts receivable. The loan is repayable over 10 years commencing August 31, 1983.
- (b) Bears interest at prime plus $\frac{1}{2}\%$ (13.00% at December 31, 1982) is evidenced by a demand promissory note and is secured by the Company's interest in certain oil and gas properties, its investment in S & K Petroleum Ltd. and by a general assignment of accounts receivable. The loan is repayable over 9 years commencing April 30, 1983.
- (c) Bears interest at prime plus $\frac{1}{2}\%$ (13.00% at December 31, 1982), is evidenced by a demand promissory note, is secured by a portion of the investment in Candecca and is due March 31, 1984. Subsequent to December 31, 1982, \$15,000,000 has been repaid from the proceeds of the issue of common and preferred shares (see note 13 (b)).

The estimated annual payments of principal during each of the five years subsequent to December 31, 1982 are as follows: 1983 — \$10,132,811; 1984 — \$19,808,772; 1985 — \$14,805,023; 1986 — \$15,027,198; 1987 — \$14,677,853.

6. Deferred Production Revenue

Under the provisions of certain gas purchase contracts, as amended by an agreement with TransCanada PipeLines Limited and Topgas Holdings Limited, the Company has received payment for gas which will be delivered in the future. In each year commencing on November 1, 1984, the Company is committed to deliver 10% of the total amount of gas for which prepayment has been received.

7. Preferred Shares of Subsidiary Companies

The holder of the preferred shares, a Canadian Chartered Bank, is entitled to receive quarterly cumulative dividends on the principal amount of preferred shares outstanding calculated at an annual rate equal to $1\frac{1}{8}\%$ plus fifty-two one hundredths of bank prime rate (7.625% at December 31, 1982). The Company and various subsidiaries have undertaken to purchase the preferred shares under certain conditions in which case the bank may extend a line of credit and for which the Company has provided, as security, an assignment of certain oil and gas properties, an assignment of accounts receivable and a floating charge debenture on all assets of the Company. The redemption requirements of the Preferred shares are as follows: 1983 — \$3,500,000; 1984 — \$8,100,000.

8. Income Taxes

The income tax provision differs from the calculated tax obtained by applying the Canadian corporate tax rate to the loss before income taxes. These differences are accounted for as follows:

| | 1982 | 1981 |
|---|-----------------|---------------|
| Loss before income taxes | \$(21,921,705) | \$(1,475,068) |
| Corporate tax rate | 47.8% | 47.8% |
| Calculated income tax provision | \$(10,478,575) | \$ (705,083) |
| Add (Deduct): | | |
| Crown charges disallowed for tax purposes less provincial rebates | 4,004,682 | 430,593 |
| Federal resource allowance | (3,579,643) | (277,985) |
| Depletion allowance on Canadian oil and gas production income | (185,266) | (39,930) |
| Preferred share dividends of subsidiaries | 628,540 | 926,261 |
| Non-deductible depletion and write-off of foreign exploration costs | 3,116,753 | 308,200 |
| Loss carry forward | 3,419,379 | — |
| Petroleum and gas revenue tax | 1,384,778 | 132,992 |
| Other | 70,206 | 58,322 |
| Income tax provision | \$ (1,619,146) | \$ 833,370 |

9. Capital Stock

(a) Authorized

The authorized capital of the Company consists of:

- (i) two classes of preferred shares, consisting of a senior class (First Preferred Shares) and a junior class (Second Preferred Shares). Both classes are of no par value, are unlimited in number and are issuable in series.
- (ii) an unlimited number of no par value common shares.

(b) Issue of Common Shares

| | Number of Shares | Consideration |
|---|---------------------|---------------|
| Balance, December 31, 1980 | 8,505,923 | \$ 47,508,333 |
| On acquisition of petroleum and natural gas leases and rights | 295,271 | 4,583,471 |
| On exercise of warrants | 897,468 | 7,807,200 |
| On exercise of option | 500,000 | 6,000,000 |
| On exercise of stock options | 54,283 | 421,424 |
| On conversion of preferred shares | 150 | 2,550 |
| Balance, December 31, 1981 | 10,253,095 | 66,322,978 |
| On acquisition of Francana Oil & Gas Ltd. | 7,103,501 | 42,621,006 |
| On exercise of stock options | 86,890 | 513,099 |
| Balance, December 31, 1982 | 17,443,486 | \$109,457,083 |

(c) Common Shares Reserved

At December 31, 1982 the following shares were reserved:

- (i) 818,396 shares in respect of stock options granted to officers and employees, exercisable at prices ranging from \$5.50 to \$12.47 at various dates to May, 1986.
- (ii) 1,764,556 shares in respect of conversion rights attaching to the Second Preferred Shares to August 1, 1985 and thereafter 1,666,525 shares to August 1, 1990; and
- (iii) a maximum of 563,200 shares in respect of an agreement to offer to purchase all of the units of Sceptre 1980-81 Exploration Program (a partnership engaged in the exploration for the development of petroleum and natural gas) to August 14, 1983.

10. Contingent Liabilities and Commitments

The Company is contingently liable for a maximum of approximately \$1,000,000 under letters of credit issued by a Canadian Chartered Bank in respect of work commitments under certain exploration licences.

The Company has lease agreements in respect of office premises of which future minimum payments for the next five years are approximately as follows: 1983 — \$1,800,000; 1984 — \$1,800,000; 1985 — \$1,500,000; 1986 — \$1,200,000; 1987 — \$1,100,000.

11. Business Segments

The Company is engaged in only one business segment, the exploration for and development and production of petroleum and natural gas. The following information is presented representing the geographic distribution of the Company's activities:

| | Canada | United States | Other | Consolidated |
|---|---------------|---------------|---------------|----------------|
| 1982 | | | | |
| Revenue | \$ 28,131,944 | \$ 1,159,432 | \$ — | \$ 29,291,376 |
| Segment Operating Profit (Loss) | \$ 10,325,128 | \$(9,036,862) | \$(8,810,848) | \$ (7,522,582) |
| General corporate expenses less management fee revenue | | | | (3,986,042) |
| Income taxes | | | | 3,989,226 |
| Interest expense | | | | (11,468,223) |
| Dividends on preferred shares of subsidiaries | | | | (1,314,938) |
| Loss for the Year | | | | \$(20,302,559) |
| Identifiable Assets | \$267,675,339 | \$53,093,555 | \$30,026,510 | \$350,795,404 |
| Corporate assets | | | | 4,623,713 |
| Investment in Candecca | | | | 16,897,875 |
| Total Assets | | | | \$372,316,992 |

| | Canada | United States | Other | Consolidated |
|---|--------------|---------------|---------------|----------------|
| 1981 | | | | |
| Revenue | \$ 4,217,921 | \$ 4,873,623 | \$ — | \$ 9,091,544 |
| Segment Operating Profit (Loss) | \$ 1,270,134 | \$ 1,084,839 | \$(3,222,920) | \$ (867,947) |
| General corporate expenses less management fee revenue | | | | (436,272) |
| Income taxes | | | | (590,985) |
| Interest income | | | | 1,886,988 |
| Interest expense | | | | (362,438) |
| Dividends on preferred shares of subsidiaries | | | | (1,937,784) |
| Loss for the Year | | | | \$ (2,308,438) |
| Identifiable Assets | \$57,432,409 | \$43,019,970 | \$20,214,803 | \$120,667,182 |
| Corporate assets | | | | 6,504,433 |
| Investment in Candecca | | | | 15,293,884 |
| Total Assets | | | | \$142,465,499 |

12. Related Party Transactions

- (a) S & K Petroleum Ltd. (S & K) is 9.96% owned by the Company. The Company has an option, to January 1984, to acquire a further 9.9% interest in S & K. The Company manages all of the business affairs of S & K pursuant to a management agreement under which \$241,633 was received during 1982.
- (b) The Company is the operator of a joint venture which is engaged in the exploration for oil and gas in Abu Dhabi. The joint venture includes two companies which are associated with certain directors, other than employees, of the Company. At December 31, 1982, a total of \$1,114,000 was unpaid in respect of cash calls made by the Company to those associated companies. These unpaid amounts bear interest at bank prime rate plus 2%. Subsequent to December 31, 1982, \$208,000 plus interest was repaid and arrangements were concluded for the payment of \$200,000 per month, commencing April 30, 1983, in respect of the remaining outstanding amount.

13. Subsequent Events

- (a) On January 27, 1983, the Company acquired all of the outstanding shares of Willowdale Resources (1981) Ltd., a private oil and gas company, by the issue of 850,000 8½% Convertible Second Preferred Shares Series B having an ascribed value of \$20.00 per share.
- (b) On February 25, 1983, the Company issued 1,920,000 Common shares at a price of \$6.25 cash per share and 150,000 8½% Convertible Second Preferred Shares Series C at a price of \$20.00 cash per share for an aggregate amount of \$15,000,000. These proceeds have been utilized to retire bank indebtedness.

Historical Information

FINANCIAL SUMMARY FOR FIVE PERIODS

(in thousands of dollars except for share data)

| | Year Ended December 31, | | Nine Months Ended December 31, | | Year Ended March 31, |
|--|----------------------------|------------|-----------------------------------|----------|----------------------|
| | 1982 | 1981 | 1980 | 1980 | 1979 |
| Earnings | | | | | |
| Revenue | | | | | |
| Oil and gas — net of royalties | \$ 29,291 | \$ 4,614 | \$ 2,623 | \$ 3,360 | \$ 4,614 |
| Sales of oil and gas leases | — | 4,477 | — | — | — |
| Interest and other income | 467 | 3,765 | 3,644 | 2,009 | 138 |
| Total Revenue | 29,758 | 12,856 | 6,267 | 5,369 | 4,752 |
| Expenses | | | | | |
| Production | 6,085 | 909 | 415 | 666 | 771 |
| Cost of sales of oil and gas leases | — | 3,416 | — | — | — |
| Petroleum and gas revenue tax | 2,897 | 278 | — | — | — |
| General and administrative | 4,453 | 2,313 | 1,376 | 597 | 481 |
| Interest on long term debt | 7,781 | — | — | — | — |
| Other interest | 3,687 | 362 | 9 | 364 | 452 |
| Alberta royalty tax credit | (2,370) | (242) | (67) | (135) | (222) |
| Depletion and depreciation | 9,521 | 2,134 | 1,393 | 1,481 | 1,970 |
| Deferred income taxes | (1,619) | 833 | 1,349 | 1,165 | 869 |
| Write-off of non-productive foreign exploration | 18,311 | 3,223 | — | — | — |
| Total Expenses | 48,746 | 13,226 | 4,475 | 4,138 | 4,321 |
| Earnings (Loss) Before undernoted | (18,988) | (370) | 1,792 | 1,231 | 431 |
| Dividends on subsidiary preferred shares | 1,315 | 1,938 | 1,247 | 1,813 | 1,456 |
| Earnings (Loss) Before Extraordinary Items | (20,303) | (2,308) | .545 | (582) | (1,025) |
| Extraordinary Items | — | — | 1,701 | 1,150 | (4,474) |
| Net Earnings (Loss) | (20,303) | (2,308) | 2,246 | 568 | (5,499) |
| Preferred dividend entitlement | (2,100) | (2,100) | (931) | — | — |
| Net Earnings (Loss) Applicable to Common Shares | \$ (22,403) | \$ (4,408) | \$ 1,315 | \$ 568 | \$ (5,499) |
| Per common share | \$ (1.52) | (.47¢) | 15¢ | 8¢ | \$ (1.04) |
| Funds Generated from Operations | \$ 7,225 | \$ 5,878 | \$ 3,910 | \$ 3,743 | \$ 3,231 |
| Per common share | .49¢ | .63¢ | .46¢ | .54¢ | .61¢ |
| Balance Sheet | | | | | |
| Working capital (deficiency) | \$(22,669) | \$ (50) | \$ 24,709 | \$12,864 | \$ (3,086) |
| Investments and advances | 19,209 | 17,199 | 21,206 | 14,333 | 6,081 |
| Fixed assets | 326,736 | 107,510 | 54,640 | 42,512 | 44,156 |
| Capital Employed | 323,276 | 124,659 | 100,555 | 69,709 | 47,151 |
| Preferred shares of subsidiaries | 11,600 | 15,100 | 18,600 | 21,225 | 22,100 |
| Long term debt | 144,449 | 12,426 | — | — | 3,293 |
| Deferred income taxes | 32,947 | 8,353 | 7,530 | 6,352 | 3,000 |
| Deferred production revenue | 24,830 | 61 | 110 | 106 | 179 |
| Long Term Liabilities | 213,826 | 35,940 | 26,240 | 27,683 | 28,572 |
| Preferred shares | 29,997 | 29,997 | 30,000 | — | — |
| Common shares | 109,201 | 66,067 | 47,252 | 45,942 | 23,063 |
| Retained earnings (deficit) | (29,748) | (7,345) | (2,937) | (3,916) | (4,484) |
| Shareholders' Equity | \$109,450 | \$ 88,719 | \$ 74,315 | \$42,026 | \$18,579 |
| Common shares outstanding at end of period | 17,443 | 10,253 | 8,506 | 8,380 | 5,335 |
| Common shares outstanding (weighted average) | 14,776 | 9,299 | 8,496 | 6,903 | 5,268 |

(Financial Summary for Five Periods Continued)

| | Year Ended December 31, | | Nine Months Ended December 31, | | Year Ended March 31, |
|---|----------------------------|----------------|-----------------------------------|-----------------|----------------------|
| | 1982 | 1981 | 1980 | 1980 | 1979 |
| Working Capital Derived From | | | | | |
| Operations | \$ 7,225 | \$ 5,878 | \$ 3,910 | \$ 3,743 | \$ 3,231 |
| Issue of common shares | | | | | |
| For cash | 513 | 14,229 | 1,311 | 22,879 | 674 |
| On acquisition of Francana Oil & Gas Ltd. | 42,621 | — | — | — | — |
| On acquisition of oil and gas partnerships | — | 4,583 | — | — | — |
| Long term debt | 33,137 | 12,426 | — | 1,250 | 1,192 |
| Deferred production revenue | 10,845 | — | — | — | — |
| Long term receivables | — | 4,000 | 2,192 | — | — |
| Other assets | 567 | — | — | — | — |
| Issue of preferred shares | — | — | 30,000 | — | — |
| Sale of investments | — | — | 5,702 | — | — |
| Sale of fixed assets | — | — | — | 12,000 | 531 |
| Other | (408) | 354 | 4 | (73) | 220 |
| | 94,500 | 41,470 | 43,119 | 39,799 | 5,848 |
| Working Capital Applied To | | | | | |
| Fixed assets | 53,104 | 52,829 | 13,420 | 9,657 | 8,459 |
| Acquisition of Francana Oil & Gas Ltd. | 46,421 | — | — | — | — |
| Acquisition of net assets of oil and gas partnerships | — | 5,399 | — | — | — |
| Reduction of long term debt | 9,075 | — | — | 4,543 | — |
| Redemption of preferred shares by a subsidiary | 3,500 | 3,500 | 2,625 | 875 | — |
| Preferred share dividends | 2,100 | 2,100 | 581 | — | — |
| Preferred share dividends of subsidiary companies | 1,315 | 1,938 | 1,247 | 1,813 | 1,456 |
| Investment in Candecca Resources PLC | 1,604 | — | 7,200 | — | — |
| Long term receivables | — | — | 1,080 | 6,961 | — |
| Investments | — | 463 | 3,826 | — | — |
| Preferred share issue expenses | — | — | 1,295 | — | — |
| | 117,119 | 66,229 | 31,274 | 23,849 | 9,915 |
| Increase (decrease) in working capital | (22,619) | (24,759) | 11,845 | 15,950 | (4,067) |
| Working capital (deficiency) at beginning of period | (50) | 24,709 | 12,864 | (3,086) | 981 |
| Working capital (deficiency) at end of period | \$(22,669) | \$ (50) | \$24,709 | \$12,864 | \$(3,086) |

OPERATIONS SUMMARY FOR FIVE PERIODS

| | December 31, | | | March 31, | |
|--|--------------|------------|------------|-----------|------------|
| | 1982 | 1981 | 1980 | 1980 | 1979 |
| Acreage Holdings | | | | | |
| CANADA | | | | | |
| Gross acres | 2,888,626 | 1,769,610 | 1,815,895 | 1,768,616 | 1,654,694 |
| Net acres | 894,760 | 390,534 | 476,586 | 428,498 | 347,579 |
| Royalty interests | 1,070,891 | 928,959 | 945,855 | 1,037,322 | 1,027,366 |
| UNITED STATES | | | | | |
| Gross acres | 1,696,001 | 2,287,580 | 1,038,136 | 358,055 | — |
| Net acres | 397,170 | 338,293 | 77,625 | 36,233 | — |
| INTERNATIONAL | | | | | |
| Gross acres | 16,193,880 | 18,049,048 | 11,490,928 | 7,657,238 | 10,171,379 |
| Net acres | 6,057,160 | 1,728,314 | 1,498,916 | 958,060 | 2,301,630 |
| Royalty interest | — | — | — | — | 413,901 |
| Drilling Activity (direct participation only) | | | | | |
| Natural gas wells | 34 | 46 | 19 | 30 | 45 |
| Oil wells | 27 | 18 | 24 | 29 | 6 |
| Dry wells | 25 | 48 | 29 | 30 | 27 |
| Total wells | 86 | 112 | 72 | 89 | 78 |
| Production | | | | | |
| Petroleum and liquids — barrels | 740,345 | 57,986 | 38,852 | 51,533 | 84,645 |
| Per day | 2,028 | 159 | 142 | 141 | 232 |
| Natural gas — MMcf | 8,000 | 2,082 | 1,454 | 1,927 | 3,470 |
| Per day | 21.9 | 5.7 | 5.3 | 5.3 | 9.5 |
| Gross Reserves — proven and probable (1) | | | | | |
| Petroleum and liquids — barrels | 21,880,500 | 1,166,000 | 542,700 | 693,700 | 748,600 |
| Natural gas — Bcf | 386.60 | 74.00 | 58.61 | 53.77 | 80.13 |
| Employees at end of Period | 190 | 70 | 42 | 27 | 11 |

(1) Includes reserves of Willowdale Resources (1981) Ltd.

Shareholders' Information

Annual Meeting

The annual meeting of shareholders will be held in the Britannia room of The Westin Calgary, at 3:00 p.m. local time, Tuesday, June 28, 1983.

Transfer Agents and Registrars

Common shares
Canada Trust Company at
Calgary, Toronto and Montreal

CIBC Trust Company of
New York, New York

7% Second Preferred Shares
Series "A"

Canada Trust Company at
Calgary, Toronto, Montreal
and Vancouver

8½% Second Preferred Shares
Series "B"

(Issued January 27, 1983)
Canada Trust Company at
Calgary, Toronto, Montreal
and Vancouver

8½% Second Preferred Shares
Series "C"

(Issued February 25, 1983)
Canada Trust Company at
Calgary, Toronto, Montreal
and Vancouver

Stock Exchange Listings and Symbols

Toronto and Montreal
Stock Exchanges
Common Shares: SRL
7% Second Preferred Shares
Series A: SRL PR.A

Quoted on NASDAQ
Common Shares: SCRLF

Dealings in Common Shares
permitted on
The Stock Exchange,
London, England

Auditors

Thorne Riddell
Chartered Accountants

Investor Relations

Sceptre Resources Limited
2600 Bow Valley Square IV
250 - 6th Avenue S.W.
Calgary, Alberta
T2P 3H7
(403) 298-9800

Common Share Information

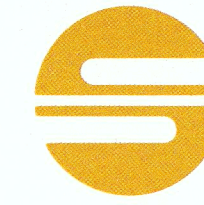
Sceptre Resources Limited, a widely held public company, has a total of 17,443,486 issued common shares at December 31, 1982 (19,387,488 at March 31, 1983), which are held by approximately 8,800 registered shareholders. On a geographical basis, these shares are registered approximately 77 percent in the names of Canadian shareholders, 20 percent in the names of U.S. shareholders and the remaining 3 percent in the names of shareholders in other countries.

On a fully diluted basis, after conversion of preferred shares and the exercise of stock options, Sceptre has a total of 20,026,452 common shares outstanding at December 31, 1982 (24,466,544 at March 31, 1983).

Trading Range of Common Shares

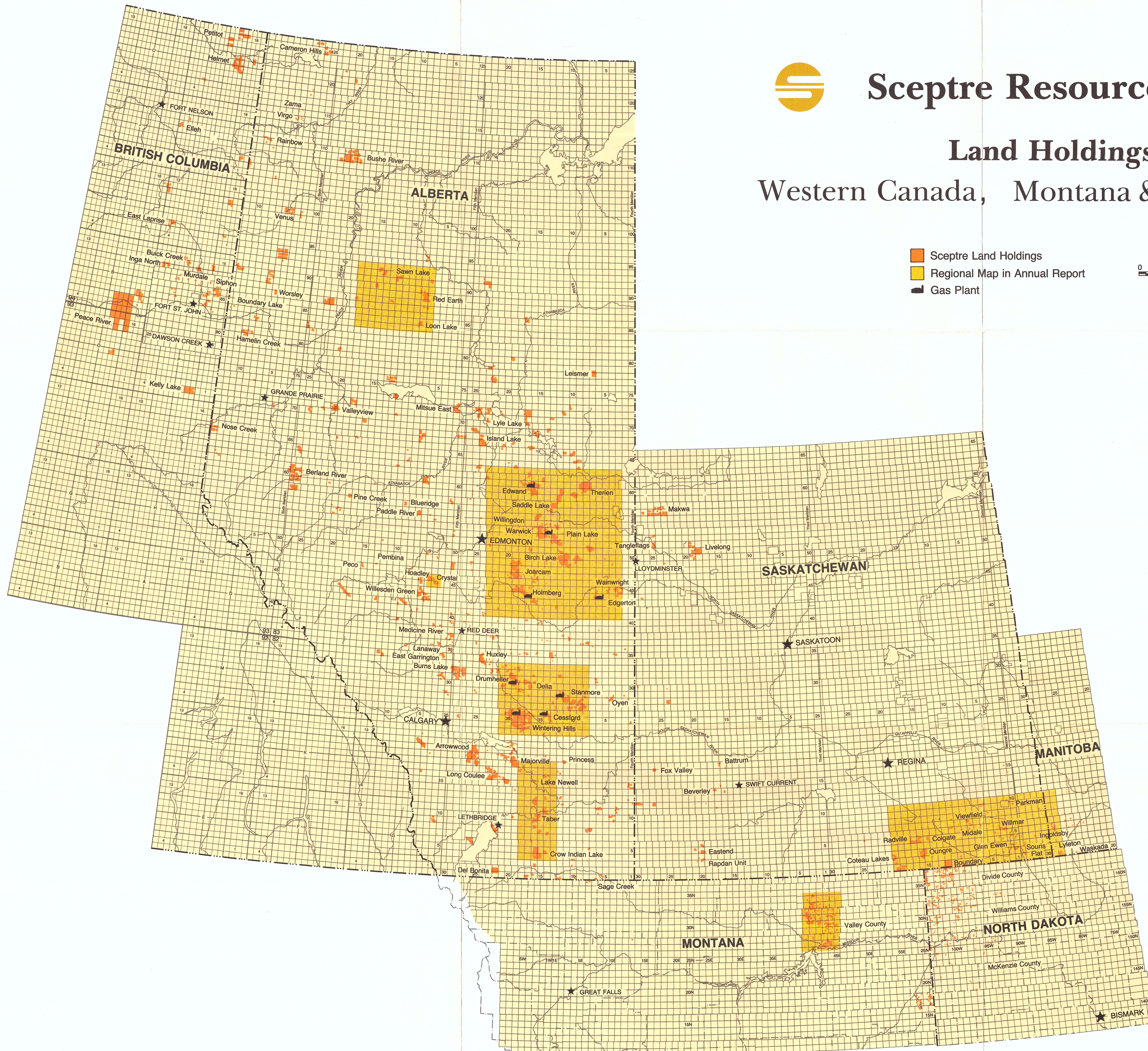
| | The Toronto Stock Exchange Symbol "SRL" | | | NASDAQ* Symbol "SCRLF" | | |
|----------------------|--|----------------|-----------|---------------------------|----------------|---------|
| | High Cdn. \$ | Low Cdn. \$ | Volume | High U.S. \$ | Low U.S. \$ | Volume |
| 1982 | | | | | | |
| First Quarter | \$13.125 | \$5.25 | 470,063 | \$ — | \$ — | — |
| Second Quarter | \$ 6.75 | \$4.70 | 1,555,339 | \$4.6875 | \$3.625 | 145,386 |
| Third Quarter | \$ 8.75 | \$5.375 | 1,659,522 | \$6.745 | \$4.125 | 496,193 |
| Fourth Quarter | \$ 8.625 | \$5.875 | 1,631,909 | \$6.875 | \$4.6875 | 577,043 |

* commenced trading May 28, 1982.



Sceptre Resources Limited

Land Holdings Western Canada, Montana & North Dakota



| Natural Gas Production (Pro Forma) (1) | |
|--|-------------|
| Daily Production in Millions of Cubic Feet, Before Royalty | |
| | 1982 |
| Alberta | |
| Winterton Hills | 12.6 |
| Edward | 5.2 |
| Stanmore | 4.5 |
| Birch | 4.3 |
| Willingdon | 1.7 |
| Warwick | 1.3 |
| Long Coulee | 0.9 |
| Plain Lake | 0.9 |
| Arrowwood | 0.8 |
| Edgerton | 0.8 |
| Cessford | 0.8 |
| Oyen | 0.7 |
| Holmberg | 0.7 |
| Huxley | 0.7 |
| Therien | 0.7 |
| Drumheller | 0.6 |
| Others | 10.0 |
| Total | 47.2 |
| British Columbia | |
| Inga | 1.6 |
| Siphon | 0.8 |
| Others | 1.0 |
| Total | 3.4 |
| Saskatchewan | 0.4 |
| United States | 0.3 |
| Total Daily Production — Pro Forma | 51.3 |

| Crude Oil, Condensate and NGL Production (Pro Forma) (1) | |
|--|--------------|
| Daily Production in Barrels, Before Royalty | |
| | 1982 |
| Alberta | |
| Peco | 258 |
| Virgo | 184 |
| Princess | 156 |
| Boundary Lake | 88 |
| Taber | 82 |
| Pembina | 74 |
| Stanmore | 56 |
| Lanaway | 47 |
| Majorville | 47 |
| Others | 693 |
| Total | 1,685 |
| Saskatchewan | |
| Battum | 351 |
| Willmar | 340 |
| Viewfield | 258 |
| Souris Flat | 96 |
| Tangleflats | 77 |
| Viewfield Vol. Unit 1 | 48 |
| Rapdan Unit | 45 |
| Others | 257 |
| Total | 1,472 |
| British Columbia | 8 |
| Manitoba | 8 |
| United States | 52 |
| Total Daily Production — Pro Forma | 3,225 |

(1) Includes the results of Francana Oil & Gas Ltd. and Willowdale Resources (1981) Ltd. had the acquisitions occurred on January 1, 1982.

Corporate Information

Head Office

2600 Bow Valley Square IV
250 - 6th Avenue S.W.
Calgary, Alberta T2P 3H7
Telephone (403) 298-9800
Telex 03-822619

Directors

Angus A. Mackenzie*
London, England

Richard A. Gusella*
Calgary, Alberta

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

H. S. McColl
London, England

Thatcher L. Townsend, Jr.***
*Winston-Salem
North Carolina*

Stuart R. Horne***
Caledon, Ontario

T. Oscar Stangeland**
Montreal, Quebec

Timothy J. Wagg***
Montreal, Quebec

Pierre Goyette**
Montreal, Quebec

W. Leslie Duffy**
New York, New York

Secretary

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

* members of the Executive
Committee

** members of the Compensation
Committee

*** members of the Audit
Committee

Officers

Angus A. Mackenzie
Chairman of the Board

Richard A. Gusella
President and Chief Executive Officer

Norman D. Knowles
Vice President, Operations

Gary W. Freeman
*Vice President and Manager
Domestic Exploration*

Gordon H. Johnston
Vice President, Land and Contracts

Allen F. Emes
Vice President, Corporate

Stanley G. Weber
*Vice President Finance,
Treasurer and Chief Financial
Officer*

International Exploration/Production Offices

Sceptre Resources Inc.
5353 West Dartmouth
Suite 300
Denver, Colorado 80227
Telephone (303) 988-9396
Telex 00450884

**Sceptre Resources
(Indonesia) Limited**
JL. Ampera Raya No. 6
JKT Selatan
Jakarta, Indonesia
Telephone 782 628
Telex 73 47101

**Sceptre Resources
(Abu Dhabi) Ltd.**
P.O. Box 2604
Abu Dhabi, U.A.E.
Telephone 9712-326560
Telex 893-24186

**Sceptre Exploration
(U.K.) Limited**
Gloucester House
149 Old Park Lane
London, England W1Y 3LN
Telephone (01) 499-2941
Telex 51-298577

Principal Canadian Subsidiaries (wholly owned)

Francana Oil & Gas Ltd.
Willowdale Resources (1981) Ltd.
MEC Producing Ltd.
Petroquest Limited

Operated Gas Plants

Cessford, Alberta
Holmberg, Alberta
Huxley, Alberta
Judy Creek, Alberta
Stanmore, Alberta

Major Operated Compressor Stations

Birch Lake, Alberta
Edward, Alberta
Warwick/Norma, Alberta

Affiliated Company (41% owned)

Candecca Resources PLC
97-99 Park Street
London W1Y 4NJ
England
Telephone (01) 408-0108/10
Telex 51-892684

Solicitors

Burnet, Duckworth & Palmer
Calgary, Alberta

Cahill Gordon & Reindel
New York, New York

Bankers

The Royal Bank of Canada
The Toronto Dominion Bank



SCEPTRE RESOURCES LIMITED

2600 Bow Valley Square IV
250 - 6th Avenue S.W.
Calgary, Alberta
T2P 3H7