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CANADA SOUTHERN PETROLEUM LTD.

REPORT FOR SIX MONTHS ENDED DECEMBER 31, 1993
(Includes Report on Form 10-K)

CANADA SOUTHERN PETROLEUM LTD.

Address Reply to:

TO OUR SHAREHOLDERS:

My letter to shareholders last fall noted that the fiscal year-end of your company was being changed from June 30 to December 31. The report which follows covers the transition period from July 1, 1993 to December 31, 1993.

Canada Southern incurred a net loss of $552,828, or four cents a share, for that period, as compared to a loss of $188,737, or two cents a share, for the same period in the prior year. The litigation relating to the Company's principal asset, its interest in the Kotaneelee field, continues to affect adversely results of operations for Canada Southern.

The increase in the loss is principally due to a 13 percent decline in revenues and a 15 percent increase in costs. Crude oil prices were 25 percent lower and oil and gas production was down in 1993. The sole bright spot relating to revenues was an increase in the selling price of gas, which increased by 16 percent.

The increase in costs is due, at least in part, to an increase in lease operating costs, which reflect late billings by the operator of certain properties attributable to prior years.

Canada Southern continues to purchase prospective land through Provincial Crown sales and to evaluate its acreage. The Company has also purchased proven oil and gas reserves to augment the land purchases. The most important of these is an interest acquired at Kiscoty in a proven heavy oil prospect.

In British Columbia, the new operator of the Company's properties in the Peejay and Weasel areas is continuing with an active drilling program. This program has resulted in five potential oil wells and one gas well on Canada Southern interest leases. The operator has indicated that more drilling is planned on these lands in 1994.

The Company expects to see additional activity on the Alberta properties to follow up the two small gas discoveries last year.

According to government reports, the Kotaneelee field produced 8.3 billion cubic feet of gas from two wells during the six months ended December 31, 1993. The Company will receive income from Kotaneelee in approximately four years, based upon present prices and assuming the payout period is not changed as a consequence of the litigation.

The Kotaneelee litigation remains in the discovery stage. Although the expectation was that discovery would have been completed much earlier and a trial date set, due to the volume of documentation and the number of companies involved, such expectation has proved unrealistic. But the end of discovery appears to be in sight and the parties will then be ready to request that a trial be scheduled.

In addition to the Annual Report on Form 10-K which follows, we suggest that you will find the enclosed "Operations Review" well worth reading for the information on current operations on all Company properties.

Respectfully submitted,

J. Horne

Charles J. Horne
President

Calgary, Alberta
May 1, 1994

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

[ ] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]**

For the fiscal year ended ________________

OR

[X] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the transition period from July 1, 1993 to December 31, 1993

Commission file number 1-3793

CANADA SOUTHERN PETROLEUM LTD.

(Exact name of registrant as specified in its charter)

NOVA SCOTIA, CANADA	98-0085412
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
Suite 1410, One Palliser Square 125 Ninth Avenue, S.E. Calgary, Alberta CANADA	T2G OP6
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(403) 269-7741

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Limited Voting Shares, $1 (Canadian) per share	Pacific Stock Exchange
	Boston Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

(Title of Class)

NONE

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K §229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

The aggregate market value of the voting stock held by non-affiliates of the registrant was $103,074,000 at March 11, 1994.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Limited Voting Shares, par value $1.00 (Canadian) per share, 12,612,791 shares outstanding as of March 11, 1994.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement of Canada Southern Petroleum Ltd. related to the Annual Meeting of Shareholders for the Transition Period ended December 31, 1993, which is incorporated into Part III of this Form 10-K.

Unless otherwise indicated, all dollar figures set forth are expressed in Canadian currency. The exchange rate at March 11, 1994 was $1.00 Canadian equaled U.S.$.7342.

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PART I

Item 1. Business.

The nature of Canada Southern Petroleum Ltd.'s (the Company or Canada Southern) business is described at Item 1(c) herein, and a description of its oil and gas in Canada appears in Item 2 herein. For additional information regarding the development of the Company's business, see "Properties" and "Supplemental Information on Oil and Gas Activities".

(a) General Development of Business

BRITISH COLUMBIA PROPERTIES

Since 1988, the Company has been acquiring oil and gas leases by participating in British Columbia Crown sales. This has resulted in 11,408 gross acres (6,053 net acres) on eight projects being purchased. The prospects are being evaluated by seismic and drilling. Three wells have been drilled resulting in an oil discovery which is now on production, a potential oil well and one dry hole. Two more wells are planned for early 1994.

The Company has working* and carried interests** in several producing oil and gas fields in northeast British Columbia. These fields, developed in the 1950's and 1960's, have been the Company's principal source of revenue. The major working interests and unit interests in these fields are operated by Canadian Natural Resources Ltd. (CNRL). Petro Canada is the operator of the Company's carried interest lands.

The carried interest lands are in the Ekwan, Clarke Lake, Flatrock, Buick Creek, Siphon and Wargen fields. The Company retains a 21.25 percent carried interest with a right to convert to a 21.25 percent working interest in these fields. As of December 31, 1993, there were 32 gas wells in these fields which are producing wells or wells considered to be capable of production. Interests in some of these wells is less than 21.25 percent because of "pooling" or side agreements. During the six months ended December 31, 1993, the operator received production proceeds of $1,677,589 and made gross capital expenditures of $120,394. During the same six month period, the Company received a refund from the operator of prior years capital expenditures of $62,924.

* "working interest" - An operating interest under an oil and gas lease.

** "carried interest" - The right to participate in oil and gas production gross revenues derived from a given well or field after pay out of exploration, drilling, completion and operating expenses to the party or parties bearing these costs.

CNRL operates the lands which include the Company's working interest in the Peejay and Weasel fields. As of December 31, 1993, the Company held approximately 19,072 gross acres (5,108 net acres) in this area. The Company owns interests in the following units:

	Unit Acreage	Company Percentage
Peejay Unit #1	4,529	3.1643
Weasel Unit #2	1,569	10.1775
Peejay Unit #3	5,923	15.4136

The Company also holds interests in the area in 10 oil wells (2.64 net wells) and 10 gas wells (2.28 net wells) not included in these units.

The Company's share of oil and gas sales and related lease operating costs during the six months ended December 31, 1993 were as follows:

	Sales	Lease Operating Costs
Ex-Permit 224 (including Peejay Units #1&#3)	$ 288,039	$136,571
Ex-Permit 178 (including Weasel Unit #2)	207,950	153,743
Flatrock Area	23,618	15,111
Other	51,352	16,569
	$ 570,959	$321,994

YUKON TERRITORY - THE KOTANEELEE FIELD

The Company's principal asset is a 30 percent carried interest in the Kotaneelee gas field located on Ex-Permit 1007 (31,888 gross acres or 9,566 net acres) in the extreme southeastern corner of the Yukon Territory. This partially developed field is connected to a major pipeline system. Three wells have been completed to date and are capable of an estimated output of in excess of 60 million cubic feet per day, the capacity of the field dehydration plant. Present production is approximately 50 million cubic feet per day. Anderson Exploration Ltd. acquired all of Columbia Gas Development of Canada interests in Canada, effective December 31, 1991. This includes the Kotaneelee field of which Anderson Oil & Gas Inc. (formerly Columbia Gas) is the operator. Production at Kotaneelee commenced in February 1991. The Company has requested further details with respect to volumes and prices but the operator has not permitted the Company to disclose such details, citing the litigation between the Company and the operator. Production from the Kotaneelee field for the six months ended December 31, 1993 amounted to 8.321 billion cubic feet, according to government reports.

In a 1989 application to the National Energy Board, a reserve study by the operator estimated total gas in place at 1.6 trillion cubic feet with proved and probable recoverable reserves of 781 billion cubic feet.

See Item 3-Legal Proceedings for a discussion of litigation relating to the Kotaneelee Field which may affect the status of the carried interest and the amount of the carried interest account.

At present, the Company does not receive any cash payments but is credited with 30 percent of the gross revenues until a like percent of the working interest costs, exclusive of any interest expense, are recovered by the operator. When the deferred costs are recovered, 30 percent of gross revenues (net of gross overriding royalties*) less 30 percent of current working interest costs will be paid to the Company. Gross overriding royalties amount to 5% to the Canadian Federal government for the first three years of production (and 10% thereafter), and 4.06% to certain individuals. The operator has reported to the Company development costs totalling approximately $87,000,000 and, of that amount, approximately $60,000,000 remained to be recovered at December 31, 1993. It is expected that the Company will begin to receive proceeds from the Kotaneelee field in approximately four years, based upon present prices. The period before payment to the Company begins may be shorter or longer than four years, depending on prevailing market conditions and the results of the litigation. Under ordinary circumstances, increased natural gas prices would result in a shorter period to payout.

Delays in securing markets for Kotaneelee gas increased the anticipated length of the period before payout to the Company of its carried interest in this field. Accordingly, reserves relating to Kotaneelee were eliminated in 1988, for the purpose of computing depreciation and depletion. As mentioned above, sales of Kotaneelee gas under new contracts began in February 1991 and field reserves related to production subsequent to payout were reinstated for accounting purposes.

ARCTIC ISLANDS

As of December 31, 1993, the Company held working interest in 45,100 gross acres (1,817 net acres) and carried interests in 130,200 gross acres (37,102 net acres) in the Sverdrup Basin, located in the Arctic Islands.

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* "overriding royalty" - A fractional interest in the gross production of oil, gas and minerals under a lease, in addition to the usual royalties paid to the lessor, free of any expense for exploration, drilling, development, operating, marketing and other costs incident to the production and sale of oil and gas under the lease.

The Federal Government designated Hecla, Whitefish, Drake Point, Roche Point, Kristoffer, Romulus and Bent Horn as designated discovery lands (SDL lands), and the Company's interests in the SDL's have been retained pending development.

Marketing of Bent Horn Production

Panarctic Oils Ltd. ("Panarctic") received Federal government regulatory approvals for a pilot project to move shipments of crude oil from the Bent Horn field by tanker through the Northwest Passage to southern Canada in 1985. Through December 31, 1993, approximately 1.9 million barrels of Bent Horn crude had been sold with deliveries being made at northern Canadian and European markets as well as the eastern seaboard market. During the summer and fall of 1993, Panarctic made two shipments of Bent Horn oil amounting to approximately 300,000 barrels. The Company has a 5 percent carried interest in the area which has not yet reached payout status. The timing of payout is uncertain.

NORTHWEST TERRITORIES PROPERTIES

The Company has a significant interest in the Northwest Territories in the Celibeta field in which the Company has an interest in 1,594 gross acres (717 net acres). No activity took place in this area during the six months ended December 31, 1993.

ALBERTA

The Company acquired through participation in Crown land sales and other transactions interests in 13 oil and gas prospects in Alberta. One of these prospects was subsequently sold. The Company has working interests ranging from 10 to 100 percent in a total of 23,040 gross (9,815 net) acres. Five of the prospects have been drilled resulting in one potential oil well, two potential gas wells and one abandoned oil well and one dry hole.

AUSTRALIA

The Company has an interest in 115,645 gross (90 net) acres in the Amadeus Basin in the Northern Territory in Australia. Because of the limited potential of the only remaining property, the Dingo Field, the interest was written down to a nominal value at June 30, 1992. Magellan Petroleum Australia Limited (MPAL) is presently operator of this property. Benjamin W. Heath and C. Dean Reasoner, directors of the Company, are also directors of MPAL.

PROBE EXPLORATION INC.

On January 18, 1990, the Company acquired 3,670,070 shares of Probe Exploration Inc. (Probe) common stock for 282,312 of the Company's Limited Voting Shares valued at $818,705. On March 8, 1991, the Company acquired an additional 1,250,500 Probe shares for 73,559 Limited Voting Shares valued at $198,609. Probe is a Calgary-based oil and gas exploration company.

The Company also loaned $500,000 in cash to Probe in exchange for promissory notes secured by all the assets of Probe.

On April 27, 1993, the Company sold its 4,920,570 shares of Probe for $984,114. In May 1993, the Company purchased certain seismic data held for sale by Probe. This purchase in the aggregate amount of $112,000, together with cash payments by Probe, reduced the amount of the interest-bearing Probe promissory notes due the Company to $310,000 at December 31, 1993.

On March 21, 1994, the Company acquired a 5 percent working interest in certain lands in the Kitscoty area of Alberta and Probe agreed to pay the Company's share of the cost of two wells in exchange for cancellation of the $310,000 Probe debt and a cash payment of $90,000 by the Company to Probe.

(b) Financial Information about Industry Segments.

Since the Company is primarily engaged in only one industry, oil and gas exploration and development, this item is not applicable to the Company. See Item 8 for general financial information concerning the Company.

(c) (1) Narrative Description of the Business.

The Company was incorporated in 1954 under the Canada Corporations Act. In October 1979, it became subject to the Canadian Business Corporations Act and, effective June 4, 1980, was continued under the Nova Scotia Companies Act.

The Company is, either in its own right, or through other entities, engaged in the exploration for and development of properties containing or believed to contain recoverable oil and gas reserves and the sale of oil and gas from these properties. Although many of the properties in which the Company has interests are undeveloped, all properties with proved reserves are partially or fully developed. The Company's interests in exploratory ventures are on properties located in Alberta, British Columbia, the Northwest and Yukon Territories and the Arctic Islands in Canada, and the Northern

Territory of Australia. A principal asset of the Company is its 30% carried interest* in the Kotaneelee field, a partially developed gas field. The Company also has interests in producing properties in British Columbia and Alberta. Most of this acreage is covered by carried interest agreements, which provide that revenues are not payable to the Company until expenditures by the carrying partners have been recouped from production, and that operating decisions are made by the carrying partners. Generally, the Company may, at any time, as to each block or economic unit, elect to convert from a carried interest position to a working interest position by paying its share of the unrecouped expenditures for the unit, i.e., expenditures not recouped from production revenues. At December 31, 1993, the Company's share of unrecouped expenditures were as follows:

British Columbia:	
Ex-permit 149	$3,302,414
Yukon and Northwest Territories:	
Ex-permit 1007 (Kotaneelee)	18,134,728
Ex-permit 2713 (Celibeta)	321,418

*See Item 3 - Legal Proceedings

Two blocks in British Columbia (Ex-permits 178 and 224), in which the Company's interest is 27.75%, have reached payout status and were converted to working interests.

(i) Principal Products.

The Company has interests in the production of limited quantities of crude oil, natural gas and natural gas liquids and the majority of the Company's interests are carried interests.

(ii) Status of Product or Segment.

At present, some of the properties in which the Company has interests are undeveloped and/or nonproducing.

(iii) Raw Materials.

Not applicable.

(iv) Patents, Licenses, Franchises and Concessions Held.

Permits and concessions are important to the Company's operations, since they allow the search for and extraction of any oil, gas and minerals discovered on the areas covered. See the detailed schedule of properties under Item 2, "Properties."

(v) Seasonality of Business.

The Company's business is not seasonal, except that sales of natural gas peak during the winter heating season. Exploration and development activities are restricted in certain areas on a seasonal basis because extreme weather conditions affect transportation and the ability to pursue these activities.

(vi) Working Capital Items.

Not applicable.

(vii) Customers.

Substantially all oil production from the Company's properties in the six months ended December 31, 1993 was purchased by CNRL, the operator of the majority of the producing properties.

Most of the natural gas produced from Company properties was sold by Petro Canada to a company owned by certain British Columbia gas producers, Can West Gas Supply Inc.

(viii) Backlog.

Not applicable.

(ix) Renegotiation of Profits or Termination of Contracts or Subcontracts at the Election of the Government.

Not applicable.

(x) Competitive Conditions in the Business.

The exploration for and production of oil and gas are highly competitive operations, both internally within the oil and gas industry and externally with producers of other types of energy. The ability to exploit a discovery of oil or gas is dependent upon considerations such as the ability to finance development costs, the availability of equipment, and engineering and construction delays and difficulties. The Company must compete with companies which have substantially greater resources available to them. Because the majority of Company interests are in remote areas, operation of its properties is more difficult and costly than in more accessible areas.

Furthermore, competitive conditions may be substantially affected by various forms of energy legislation which may have been or may be proposed in the United States and Canada; however, it is not possible to predict the nature of any such legislation which may ultimately be adopted or its effects upon the future operations of the Company. For a further discussion of Canadian governmental regulation of the petroleum industry, see Item 1(d)(2).

(xi) Research and Development.

Not applicable.

(xii) Environmental Regulation.

In the exploration for and development of natural resources, the Company is required to comply with significant environmental laws and regulations which add to the expense of those activities. The Company has not been required to spend significant sums to comply with clean up laws and regulations. Compliance by the Company with governmental provisions regulating the discharge of materials to the environment or otherwise relating to the protection of the environment are not expected to have a material effect on the capital expenditures, earnings or competitive position of the Company.

(xiii) Number of Persons Employed by Company.

The Company currently employs five persons, all of whom are located in Canada. The Company also relies to a great extent on consultants for technical, legal, accounting and administrative services.

(d) Financial Information about Foreign and Domestic Operations and Export Sales.

(1) Identifiable Assets.

Substantially all of the Company's operating assets are in Canada. Some of the Company's funds are invested in U.S. Treasury bills.

All of the Company's revenues are attributable to its operations in Canada except for interest on the U.S. Treasury bills. See the financial statements of the Company at Item 8 herein.

(2) Risks Attendant to Foreign Operations.

The properties in which the Company has interests are located outside the United States and are subject to certain risks involved in the ownership and development of such foreign property interests. These risks include but are not limited to those of: nationalization; expropriation; confiscatory taxation; native rights; changes in foreign exchange controls; currency revaluation; unrealistic royalty terms; export sales restrictions; limitations on the transfer of interests in exploration licenses; and other laws and regulations which may adversely affect the Company's properties, such as those providing for conversion, proration, curtailment, cessation or other forms of limiting or controlling production of, or exploration for, hydrocarbons. Thus, an investment in the Company represents an exposure to risks in addition to those inherent in United States petroleum exploratory ventures.

Canadian Governmental Regulation of the Petroleum Industry

The oil and gas industry in Canada is subject to extensive controls and regulations imposed by various levels of government relating to land tenure, royalties, production rates, pricing, environmental protection, exports, taxation and other matters. Outlined below are some of the more significant aspects of the legislation, regulations and agreements governing the oil and gas industry in Canada. All current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted.

The price of all oil is deregulated and the price is determined by negotiation between buyers and sellers. Oil exporters are entitled to enter into export contracts without obtaining the prior approval of the National Energy Board (NEB) provided that the terms of such contracts do not exceed one year in the case of light crude oil and two years in the case of heavy crude oil.

The price of natural gas in interprovincial trade is deregulated and is determined by negotiation between buyers and sellers. In addition, various regulatory agencies throughout Canada are in the course of determining their regulations and policies relating to access to pipelines and distribution networks. It is not certain what effect the decisions of these regulatory bodies will have on the Company.

Exports of natural gas from Canada are regulated by the NEB and the Government of Canada. Exporters are free to negotiate prices with purchasers, although the export price may not be less than the price charged to Canadians for similar types of service in the area or zone adjacent to the export point. Although the NEB will monitor export prices, prior approval of prices is not required. Export contracts must also meet certain other criteria prescribed by the Government of Canada.

Taxes and Government Incentives

In addition to the income tax laws which are applicable to all residents of Canada, the petroleum and natural gas industry is subject to a number of specific federal taxation measures and certain federal incentives.

Land Tenure

Most crude oil and natural gas production in the provinces of Alberta and British Columbia is obtained under leases granted by the governments of these provinces. In general, leases are granted for a minimum initial term of five years and are continued beyond the initial term for those properties which are producing or are capable of producing. Leases may either be purchased from the provincial government or earned by drilling on lands for which the provincial government has granted authorization to conduct drilling operations.

On lands owned by private parties, the land owner may either produce the crude oil and natural gas from the property or, more commonly, enter into a freehold petroleum and natural gas lease which will generally continue as long as oil or gas is produced from the property.

Oil and natural gas interests in Canada Lands which were held at March 5, 1982, other than certain exempt leases, were required to be converted into Exploration Agreements (EAs) or provisional leases, both of which grant exploration and drilling rights and confer upon the holder the exclusive right to apply for a production license. EAs, which usually required seismic and drilling programs and commitments to use Canadian goods and services, were issued for initial terms of up to five years, and upon expiration were subject to renegotiation for successive terms not exceeding four years each. Successive terms, if any, were granted under an Exploration License.

Royalties

The ownership of natural resources in Canada may rest with the Government of Canada, the government of a province, an Indian band or a freehold entity. Most of the land and mineral rights in the western provinces are owned by the respective provinces. These provinces will grant the right to produce and sell the natural resources in exchange for certain production royalties, commonly referred to as Crown royalties since they are payable to the province or "the Crown".

Crown royalties are not levied on income as such but essentially represent a carved-out share of the Company's productive properties reserved to the Crown. Such Crown royalties are normally computed by reference to prescribed formulas. The royalty obligation is usually satisfied by the payment by the producer of a dollar value equivalent to the Crown's share of production. During the six months ended December 31, 1993, Crown royalties averaged approximately 9.8 percent on gas sales and 13.5 percent on oil sales.

(3) Data which Are Not Indicative of Current or Future Operations

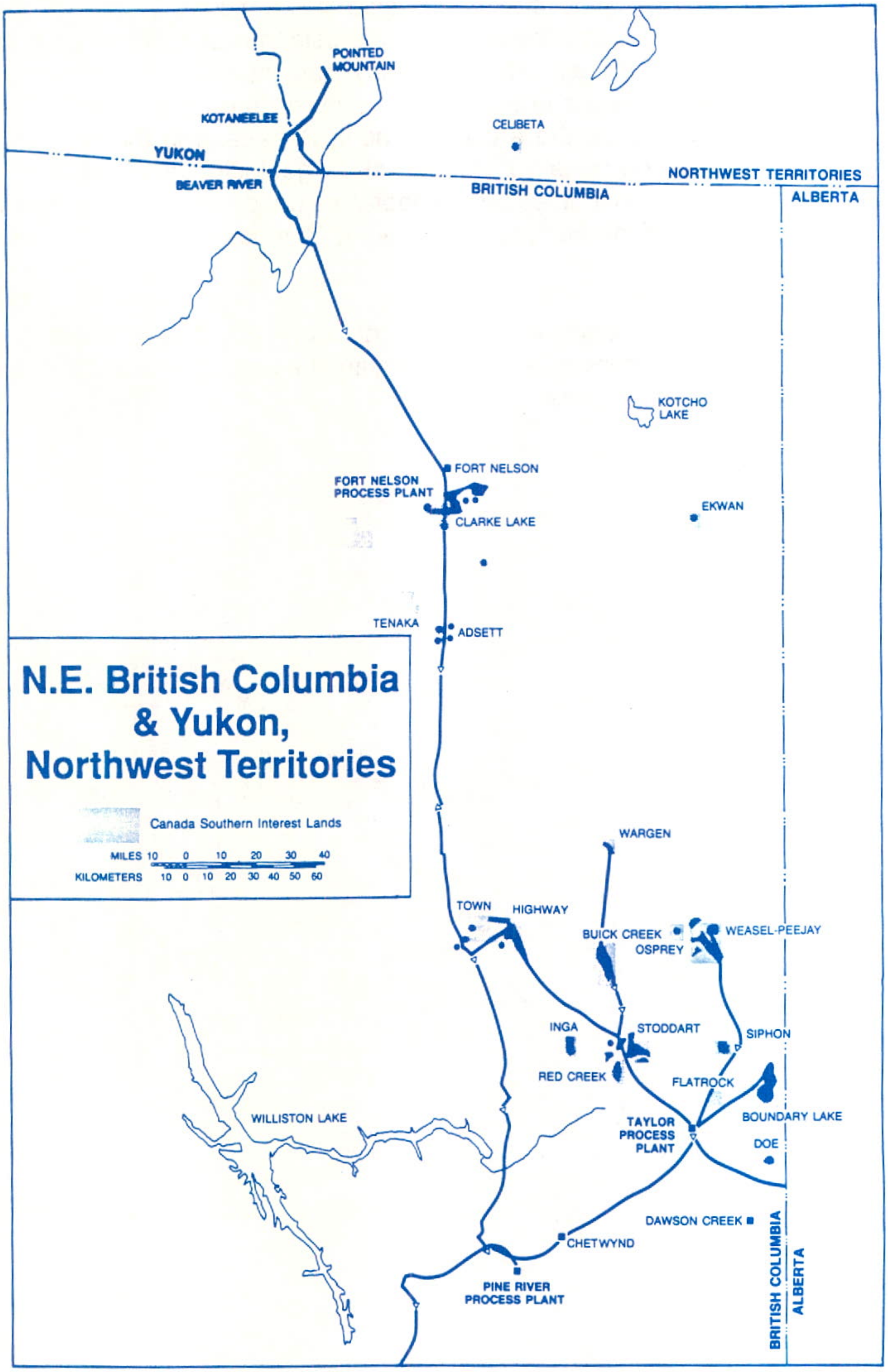
Not applicable.

Item 2. Properties.

Part of the information in response to this item and to the Securities Exchange Industry Guide 2 is contained in the Supplemental Information on Oil and Gas Activities. See Item 8. Financial Statements and Supplementary Data.

The principal asset of the Company is its 30 percent carried interest in the Kotaneelee field, a partially developed gas field in the Yukon Territory. See Item 3. Legal Proceedings. The Company also has interests in producing properties in British Columbia and Alberta. Finally, the Company has interests in several exploration prospects. These interests are in exploratory ventures in properties located in Alberta, the Northwest Territories and the Arctic Islands in Canada, and the Northern Territory of Australia. See map on page 16. Geophysical, geological and drilling work on the Company's properties is conducted by the operators under various agreements with the Company. The results of this work are reviewed by Company personnel and consultants retained by the Company.

The properties in Australia in which the Company has a minor interest are undeveloped and nonproducing, and the Company has not incurred significant costs in connection with these properties.



N.E. British Columbia & Yukon, Northwest Territories
Canada Southern Interest Lands
MILES 10 0 10 20 30 40
KILOMETERS 10 0 10 20 30 40 50 60
POINTED MOUNTAIN
KOTANEELEE
YUKON
BEAVER RIVER
CELIBETA
NORTHWEST TERRITORIES
BRITISH COLUMBIA
ALBERTA
KOTCHO LAKE
FORT NELSON
FORT NELSON PROCESS PLANT
CLARKE LAKE
EKWAN
TENAKA
ADSETT
WARGEN
TOWN
HIGHWAY
BUICK CREEK
OSPREY
WEASEL-PEEJAY
INGA
STODDART
SIPHON
RED CREEK
FLATROCK
BOUNDARY LAKE
WILLISTON LAKE
TAYLOR PROCESS PLANT
DOE
DAWSON CREEK
CHETWYND
PINE RIVER PROCESS PLANT
BRITISH COLUMBIA
ALBERTA

(1.) Estimates of Reserves Reported to Other Agencies.

Not applicable.

(2.) Average Sales Price Per Unit and Average Production Cost for Oil and Gas Produced during the Last Three Years.

	Average Sales Price		Average Production Costs	
	Oil (per bbl.)	Gas (per mcf.)	Oil (per bbl.)	Gas (per mcf.)
Six months ended Dec. 31, 1993	$17.67	$1.60	$8.94	$.56
Year ended June 30, 1993	21.60	1.26	7.70	.47
Year ended June 30, 1992	20.29	1.19	5.07	.45
Year ended June 30, 1991	27.66	1.27	5.49	.33

(3.) Productive Wells and Acreage as of December 31, 1993.

Gross Wells		Net Wells	
Oil	Gas	Oil	Gas
55	69	11.42	12.44

	Gross and Net Developed Acres	
	Gross Acres	Net Acres
Alberta	1,920	387
British Columbia	56,396	11,341
Yukon Territory	3,350	1,005
Arctic Islands	3,060	153

(4.) Undeveloped Acreage.

Except for its producing properties or those capable of production in Alberta, British Columbia, the Yukon Territory and the Arctic Islands, the Company's interests are in undeveloped acreage in Canada and Australia. Total gross undeveloped acreage in Canada was 279,187 and the total net undeveloped acreage in Canada was 70,139 as of December 31, 1993.

Total developed and undeveloped acreage in which the Company has interests is summarized by geographic area in the table below:

Gross and Net Petroleum Acreage as of December 31, 1993

	Developed Acres		Undeveloped Acres	
	Gross	Net	Gross	Net
Canada:				
British Columbia:				
Carried Interests	33,576	6,336	13,173	1,072
Working Interests	22,820	5,005	37,868	10,963
Total British Columbia	56,396	11,341	51,041	12,035
Alberta:				
Working Interests	1,920	387	21,120	9,428
Yukon & Northwest Territories:				
Carried Interests	3,350	1,005	31,726	9,757
Arctic Islands:				
Carried Interests	3,060	153	130,200	37,102
Working Interests	-	-	45,100	1,817
Total Arctic Islands	3,060	153	175,300	38,919
Total Canada	64,726	12,886	279,187	70,139
Australia	-	-	115,645	90
TOTAL	64,726	12,886	394,832	70,229

The Company also holds overriding royalty interests in 3,810 acres of land in British Columbia.

(5.) Wells Drilled During Last Three Fiscal Years and the Transition Period

	Gross		Net	
	Productive	Dry	Productive	Dry
Canada:				
Six months ended December 31, 1993	2	2	.300	.250
Year ended June 30, 1993	9	2	1.483	.602
Year ended June 30, 1992	-	-	-	-
Year ended June 30, 1991	3	1	.331	.030
Australia:				
Six months ended December 31, 1993				
Year ended June 30, 1993	-	-	-	-
Year ended June 30, 1992	-	1	-	.001
Year ended June 30, 1991	1	-	.001	-

(6.) Present Activities.

The Company is participating in the drilling of a well offsetting a new oil discovery in B.C. Canada Southern has a 27.75% WI in the well. Three other wells were drilled on Company lands in B.C. since December 31, 1993 resulting in 3 potential oil wells. They were drilled at no cost to Canada Southern.

(7.) Delivery Commitments.

None.

Item 3. Legal Proceedings.

On October 27, 1989, in the Court of Queens Bench of Alberta, Judicial District of Calgary, Canada (the Canada Court), the Company filed a statement of claim against Amoco Canada Petroleum Company Ltd., Dome Petroleum Limited and Amoco Production Company (collectively, the Amoco-Dome Group), Columbia Gas Development of Canada Ltd., Mobil Oil Canada Ltd., and Esso Resources of Canada Ltd. seeking a declaratory judgment regarding two issues relating to the Kotaneelee field; (1) whether interest accrued on the carried interest account (the Company maintains it does not), and (2) whether expenditures for gathering lines and dehydration equipment are expenditures chargeable to the carried interest account or whether the Company will be assessed a processing fee on gas throughput (the Company maintains the former position). Mobil, Esso and Columbia Gas have filed answers essentially agreeing to the granting of the relief requested by the Company. Amoco-Dome has now admitted one of two claims, i.e., that interest does not accrue on the carried interest account.

On March 7, 1990, the Company filed a statement of claim in the Canada Court against the Amoco-Dome Group, Columbia Gas Development of Canada Ltd., Mobil Oil Canada Ltd. and Esso Resources of Canada Ltd. seeking forfeiture of the Kotaneelee gas field, that the balance of the carried interest account be reduced to zero, damages and other relief for breach of fiduciary and other duties. If fully successful, the Company could recover a 90 percent interest in the Kotaneelee field and damages. The defendants have contested the claim and the Company is pursuing discovery and trial. Columbia has filed a counter claim seeking, if the Company is successful in its claims, repayment from the Company of all sums Columbia has expended on the Kotaneelee lands before the Company is entitled to its interest.

The Company amended its statement of claim to join other parties and to elaborate on its claim for a reduction of the carried account. Amoco has filed an amended third party notice claiming indemnity from Columbia, if there is an adjustment of the carried interest account, on the basis of Columbia's gross negligence and willful and wanton misconduct in operating the field. Columbia filed an amended statement of defense to third party notice, alleging that Amoco resisted efforts to put the gas plant back in service and to market Kotaneelee gas.

There remain two claims outstanding against the Company in Alberta as they relate to the initial suit brought by the Company in 1987 against Allied Signal in Florida which was dismissed on the basis of *forum non conveniens*. Allied-Signal seeks additional relief against the Company to preclude other types of suits by the Company and to recover the costs of the defense of the initial action. If such claims to seek additional relief are successful, such recoveries could have a material adverse effect on the Company's consolidated financial position but counsel to the Company advises that such recovery is unlikely.

Effective December 31, 1991, Anderson Exploration Ltd. (Anderson) acquired all of Columbia Gas Development of Canada interests in Canada, including the Columbia interest in the Kotaneelee gas field. Anderson Oil & Gas Inc. is now the operator of the field and is a direct defendant in the Canada Court lawsuits. Columbia's previous parent, The Columbia Gas System, Inc., which has filed for bankruptcy in the United States, became contractually liable to Anderson in the legal proceeding described above.

The working interest owners have entered into contracts under which Kotaneelee gas is being sold. The Company believes that it is too early to determine the impact, if any, that these new contracts may have on the status of the above cases.

Discovery in these cases is continuing and it is expected that a trial date will be requested of the Court in the second quarter of 1994.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Executive Officers of the Company.

The following information with respect to the executive officers of the Company is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

Name	Age	Office	Length of Service in this Office	Other Positions Held with Company
Charles J. Horne	68	President	Since 1980	Director
M. Anthony Ashton	58	Executive Vice President	Since 1993	Director

All officers of the Company are elected annually by the Board of Directors and serve at the pleasure of the Board of Directors.

The Company is aware of no arrangement or understandings between any of the individuals named above and any other person pursuant to which any individual named above was selected as an officer.

PART II

Item 5. Market for the Company's Limited Voting Shares and Related Stockholder Matters.

(a) Principal Markets.

The Company's Limited Voting Shares, par value $1.00 per share, are listed on The Toronto Stock Exchange and the Pacific Stock Exchange, the principal exchanges in Canada and the United States, respectively.

The quarterly high and low closing prices (in Canadian dollars) on The Toronto Stock Exchange during the calendar periods indicated were as follows:

1991	1st quarter	2nd quarter	3rd quarter	4th quarter
High	2.95	2.80	4.00	5.75
Low	2.52	2.45	2.31	3.70

1992	1st quarter	2nd quarter	3rd quarter	4th quarter
High	5.38	4.25	3.75	4.50
Low	3.95	3.45	3.40	3.20

1993	1st quarter	2nd quarter	3rd quarter	4th quarter
High	6.25	7.00	10.50	10.50
Low	3.15	5.00	5.13	7.00

The quarterly high and low closing prices (in United States dollars) on the Pacific Stock Exchange during the calendar periods indicated were as follows:

1991	1st quarter	2nd quarter	3rd quarter	4th quarter
High	2 1/2	2 1/2	3 1/2	5 1/4
Low	2 1/8	2 3/16	2	3 3/16

1992	1st quarter	2nd quarter	3rd quarter	4th quarter
High	4 3/4	3 9/16	3 3/16	3 3/4
Low	3 5/16	2 7/8	2 15/16	2 1/4

1993	1st quarter	2nd quarter	3rd quarter	4th quarter
High	5 1/4	5 3/8	7 3/4	8 3/8
Low	2 9/16	4 13/32	4 3/8	5

(b) Approximate Number of Holders of Limited Voting Shares at March 11, 1994.

Title of Class	Approximate Number of Record Holders
Limited Voting Shares, par value $1.00 per share.	8,100

(c) Dividends.

The Company has never paid a dividend on its Limited Voting Shares. Any future dividends will be dependent on the Company's earnings, financial condition, and business prospects. The Company is legally restricted from paying any dividend or making any other payment to shareholders (except by way of return of capital) on the Limited Voting Shares until its accumulated deficit ($15,551,645) at December 31, 1993 is eliminated.

Current Canadian law does not restrict the remittance of dividends to persons not resident of Canada. Under current Canadian tax law and the United States-Canada tax treaty, any dividends paid to U.S. shareholders would be subject to Canadian income tax withholding at a 15 percent rate.

Item 6. Selected Financial Data.

The following selected consolidated financial information of the Company insofar as it relates to each of the five fiscal years in the period ended June 30, 1993 and for the six month periods ended December 31, 1993 and December 31, 1992 has been extracted from the Company's consolidated financial statements.

	Six months ended December 31,		Year ended June 30,				
	1993	1992 (unaudited)	1993	1992	1991	1990	1989
Operating revenues	$ 970,269	$ 1,115,575	$ 2,060,509	$ 1,545,782	$2,671,570	$ 1,740,331	$ 1,450,920
Total revenues	$1,043,641	$ 1,197,081	$ 2,219,612	$ 1,862,882	$3,132,147	$ 2,300,628	$ 2,036,188
Net income (loss)	$ (552,828)*	$ (188,737)	$ (613,055)	$(1,431,487)	$ 426,029**	$ (820,682)	$(1,181,175)
Net income (loss) per share	$(.04)*	$(.02)	$(.05)	$(.12)	$ .03**	$(.07)	$(.10)
Working capital	$3,890,242	$ 3,507,153	$ 3,749,956	$ 3,925,857	$4,859,742	$ 4,649,412	$ 5,566,844
Total assets	$14,483,913	$14,602,996	$14,104,646	$14,593,110	$16,085,764	$15,580,704	$15,376,459
Shareholders' Equity:							
Limited Voting Shares	$12,612,791	$12,345,825	$12,405,269	$12,345,825	$12,345,825	$12,272,266	$11,989,954
Contributed surplus	16,900,617	16,247,717	16,333,855	16,247,717	16,247,717	16,122,667	15,586,274
Deficit	(15,551,645)	(14,574,499)	(14,998,817)	(14,385,762)	(12,954,275)	(13,380,304)	(12,559,622)
	$13,961,763	$14,019,043	$13,740,307	$14,207,780	$15,639,267	$15,014,629	$15,016,606
Average number of outstanding shares	12,521,645	12,345,825	12,362,577	12,345,825	12,294,900	12,120,251	11,989,954
Exchange rates: ($1 Can. expressed in $U.S.):							
Year-end	$.7554	$.7841	$.7801	$.8340	$.8757	$.8593	$.8357
Average for the period	$.7612	$.8125	$.8013	$.8606	$.8660	$.8505	$.8317
Range	$.7512-$.7801	$.7860-$.8387	$.7768-$.8458	$.8929-$.8292	$.8811-$.8501	$.8650-$.8288	$.8475-$.8064

* For U.S. generally accepted accounting principles, net loss would have been $249,245 ($.02 per share). See Note 6 in Notes to Consolidated Financial Statements.

** For U.S. generally accepted accounting principles, income before income taxes and extraordinary item would have been $426,029 ($.03 per share), income taxes $299,345 ($.02 per share), extraordinary item (utilization of net operating loss carryforward) $299,345 ($.02 per share) and net income $426,029 ($.03 per share). See Note 6 in Notes to Consolidated Financial Statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(1) Liquidity and Capital Resources.

A significant proportion of the Company's property interests are covered by carried interest agreements, which provide that expenditures are made by the operator and are recouped solely out of revenues from production. Certain of the properties in which the Company has carried interests have reached payout status. Proceeds from these carried interests plus oil and gas sales are the major continuing sources of working capital for the Company.

The Company's cash and cash equivalents ($3,555,989 at December 31, 1993), its $2,000,000 line of credit with a Canadian bank and operating revenues are the Company's principal sources of liquidity. These sources are expected to provide adequate liquidity both on a short-term and long-term basis. During the six months ended December 31, 1993, the Company made no drawings under its bank line of credit.

The Company is currently evaluating and expects to continue to evaluate oil and gas properties and may make investments in such properties utilizing cash on hand. The Company anticipates that its capital expenditures for land acquisitions and drilling over the next twelve months will be approximately $500,000. In addition, substantial continuing expenses are expected to be incurred in connection with the litigation involving the Kotaneelee gas field. The Kotaneelee litigation expense has been the principal cause of the losses reported since 1991.

(2) Results of Operations.

Six Month Period Ended December 31, 1993 vs. 1992.

The net loss for the 1993 period was $552,828 (4 cents per share) compared to a 1992 loss of $188,737 (2 cents per share). The increased loss is principally due to a 13 percent decline in revenues and a 15 percent increase in costs.

Revenues from operations were 13 percent lower in 1993 as compared to 1992. Oil revenue decreased by 32 percent due to a 15 percent decrease in production and a 25 percent decrease in the average selling price per barrel. Gas revenue increased 12 percent despite a 17 percent decrease in production, which was offset by a 16 percent increase in the average selling price per mcf. Proceeds from carried interests were 11 percent lower due to lower production.

Interest and other income was 10 percent lower in 1993 because of lower interest rates.

Despite continuing costs associated with the Kotaneelee lawsuit, general and administrative expenses were 3 percent lower than the comparable 1992 period due to reduced shareholders expense. Rent expense increased 38 percent, reflecting an increase in Calgary office space.

Lease operating costs increased by approximately $91,000 or 39 percent reflecting late billings by the operator of certain properties, partially related to prior periods. Depletion and depreciation was 25 percent lower, due to lower production. The provision for future site restoration was 20 percent lower due to lower production, partially offset by increased estimated restoration costs.

The foreign exchange gains relate to United States dollar denominated investments. The gains in both periods resulted from the increase in value of the U.S. dollar in relation to the Canadian dollar. In 1993, the Company had a lesser amount invested in U.S. dollar investments.

During the six month period ended December 31, 1992, $132,482 was credited to income to reflect the equity in net income relating to Probe Exploration Inc., which was sold in April 1993.

Fiscal Year Ended June 30, 1993 vs. 1992.

The net loss for the fiscal year ended June 30, 1993 was $613,055 (5 cents per share) compared to a 1992 net loss of $1,431,487 (12 cents per share). The improvement in results is due to a 19 percent increase in revenues, coupled with a 14 percent decrease in costs and expenses. Despite these favorable changes, the Kotaneelee lawsuit continues to be a drain on Company resources and is the principal reason for the loss reported.

Oil and gas sales were down 7 percent for the year ended June 30, 1993. Oil sales decreased by 16 percent due to a 21 percent decrease in unit sales, partially offset by a 7 percent increase in the average price of oil per barrel. Gas revenues increased by 13 percent as a result of a 8 percent increase in units sold and with gas prices averaging 5 percent higher.

Proceeds under carried interest agreements tripled in the fiscal year ended June 30, 1993 over 1992. Capital costs in 1992 were deducted from proceeds in 1992. Revenues in 1993 benefitted from the 1992 capital expenditures.

Interest and other income was 50 percent lower for the year ended June 30, 1993, as compared to 1992, due to reduced amounts invested and lower rates of return on funds invested.

General and administrative expenses were 2 percent lower than last year due to reduced shareholders expense. Lease operating costs were 23 percent higher due to the change of operator. The new operator was more active in managing the properties. Depletion and depreciation was 16 percent higher due to declining reserves.

A foreign exchange gain of $135,817 in the fiscal year ended June 30, 1993 compares with a gain of $96,623, in 1992, reflecting the relative strength of the U.S. dollar as compared to the Canadian dollar.

There were no abandonments or writedowns in the fiscal year ended June 30, 1993 compared to a charge of $364,802 in 1992.

The provision for restoration costs increased by 61 percent, reflecting the inclusion of a provision for Kotaneelee and the reduced reserves.

The income relating to Probe Exploration Inc. for the fiscal year ended June 30, 1993 has three components, namely;

1. A profit of $32,096 on the sale of Probe.

2. Company's share of Probe's 1993 income prior to the sale - $160,503.

3. A charge of $22,893 reflecting 1993 amortization of the excess cost of net assets acquired by the Company attributable to Probe's oil and gas properties.

Fiscal Year Ended June 30, 1992 vs. 1991

The net loss for 1992 was $1,431,487 (12 cents per share) compared to net income of $426,029 (3 cents per share) for 1991. Most of the change was attributable to decreased revenues, particularly proceeds from carried interests, which were adversely affected by expenditures by the operators of the properties.

Operating revenues were 42 percent lower in fiscal 1992 as compared to 1991. Oil and gas sales were down by 22 percent. Oil revenues decreased 29 percent due to a 27 percent decrease in prices and a 3 percent decrease in unit sales. Gas revenues remained unchanged with a 10 percent increase in units sold, offset by a 9 percent decrease in average gas prices.

Interest and other income was 31 percent lower for fiscal 1992 as compared to fiscal 1991, due to reduced amounts invested and lower rates of return on investment.

General and administrative expenses were 12 percent higher in fiscal 1992 than in fiscal 1991, primarily because of Kotaneelee litigation expense. Lease operating costs were 8 percent lower because of lower production levels. Depreciation and depletion expense was 7 percent higher as the effect of these lower production levels were offset by lower estimated reserves.

During the 1992 fiscal year, the Company realized an exchange gain of $96,623 compared to a foreign exchange loss of $41,585 in fiscal 1991. These items reflect the relative weakness or strength of the Canadian dollar versus the U.S. dollar. Certain short term investments are in U.S. treasury bills.

In fiscal 1992, the Company recorded writedowns of $364,802 relating to Australian petroleum properties and Canadian mineral properties.

During fiscal 1992, the Company initiated a provision for site restoration costs of $63,696 in accordance with the Canadian Institute of Chartered Accountants requirement to accrue clean-up costs.

In fiscal 1992, the Company recorded a charge of $65,765 to reflect (a) the Company's share of Probe Exploration Inc.'s ("Probe") net loss and (b) the amortization of the excess cost over the Company's interest in Probe's net assets at acquisition dates, which excess is considered attributable to Probe's oil and gas properties. The comparable amount in fiscal 1991 was a credit of $13,438.

Item 8. Financial Statements and Supplementary Data

AUDITORS' REPORT

To the Board of Directors
Canada Southern Petroleum Ltd.

We have audited the accompanying consolidated balance sheets of Canada Southern Petroleum Ltd. as of December 31, 1993 and June 30, 1993 and 1992, and the consolidated statements of operations and deficit, cash flows and limited voting shares and contributed surplus for the six month period ended December 31, 1993 and for each of the years in the three year period ended June 30, 1993. Our audits also included the financial statement schedules listed in the Index at Item 14(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Canada Southern Petroleum Ltd. as at December 31, 1993 and June 30, 1993 and 1992, and the results of its operations and the changes in its financial position for the six month period ended December 31, 1993 and for each of the years in the three year period ended June 30, 1993 in accordance with accounting principles generally accepted in Canada. Also in our opinion, the related financial statement schedules, when considered in relation to the consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

ERNST & YOUNG

Calgary, Canada
March 4, 1994

Chartered Accountants

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA - U.S. REPORTING CONFLICT

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by significant uncertainties such as that referred to in the attached consolidated balance sheets as at December 31, 1993 and June 30, 1993 and 1992, and as described in Note 8 of the consolidated financial statements. The above report dated March 4, 1994 is expressed in accordance with Canadian reporting standards which do not permit a reference to such an uncertainty in the auditors' report when the uncertainty is adequately described in the consolidated financial statements.

ERNST & YOUNG

Calgary, Canada
March 4, 1994

Chartered Accountants

CANADA SOUTHERN PETROLEUM LTD.
(Incorporated under the laws of Nova Scotia)

CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian dollars)

	December 31, 1993	June 30, 1993	June 30, 1992
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	$ 3,555,989	$ 3,496,116	$ 3,568,975
Accounts and interest receivable	429,497	245,747	471,992
Prepaid insurance and other	213,633	206,408	206,524
Total current assets	4,199,119	3,948,271	4,247,491
Investment in and/or loans to Probe Exploration Inc. (Note 3)	310,000	330,000	1,325,612
Oil and gas properties and equipment (full cost method) (Note 4)	9,974,792	9,826,375	9,020,007
	$14,483,913	$14,104,646	$14,593,110
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 191,889	$ 125,191	$ 182,588
Accrued liabilities	116,988	73,124	139,046
Total current liabilities	308,877	198,315	321,634
Future site restoration	213,273	166,024	63,696
Contingencies and commitments (Note 8)			
Shareholders' equity:			
Limited Voting Shares, par value $1 per share (Note 5) Authorized - 100,000,000 shares Outstanding - 12,612,791, 12,405,269 and 12,345,825 shares, respectively	12,612,791	12,405,269	12,345,825
Contributed surplus	16,900,617	16,333,855	16,247,717
	29,513,408	28,739,124	28,593,542
Deficit	(15,551,645)	(14,998,817)	(14,385,762)
Total shareholders' equity	13,961,763	13,740,307	14,207,780
	$14,483,913	$14,104,646	$14,593,110

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Expressed in Canadian dollars)

	Six months ended December 31, 1993	Six months ended December 31, 1992 (unaudited)	Years ended June 30, 1993	Years ended June 30, 1992	Years ended June 30, 1991
Revenues:					
Oil and gas sales	$ 570,959	$ 666,917	$ 1,219,218	$ 1,270,498	$ 1,637,097
Proceeds under carried interest agreements	399,310	448,658	841,291	275,284	1,034,473
Interest and other income	73,372	81,506	159,103	317,100	460,577
	1,043,641	1,197,081	2,219,612	1,862,882	3,132,147
Costs and expenses:					
General and administrative	1,057,961	1,088,578	1,984,342	2,021,927	1,791,649
Lease operating costs	321,994	230,903	573,258	464,943	507,800
Depletion and depreciation	185,026	246,758	425,653	366,566	343,376
Foreign exchange losses (gains)	(45,990)	(129,564)	(135,817)	(96,623)	41,585
Abandonments and writedowns	-	-	-	364,802	-
Provision for future site restoration	47,249	59,773	102,327	63,696	-
Rent	30,229	21,854	52,610	43,293	35,146
(Income) loss relating to Probe Exploration Inc.	-	(132,482)	(169,706)	65,765	(13,438)
	1,596,469	1,385,818	2,832,667	3,294,369	2,706,118
Income (loss) before income taxes and cumulative effect of change in accounting for income taxes	(552,828)	(188,737)	(613,055)	(1,431,487)	426,029
Income taxes (Note 6)	-	-	-	-	-
Net income (loss)	(552,828)	(188,737)	(613,055)	(1,431,487)	426,029
Deficit - beginning of period	(14,998,817)	14,385,762	(14,385,762)	(12,954,275)	(13,380,304)
Deficit - end of period	$(15,551,645)	$(14,574,499)	$(14,998,817)	$(14,385,762)	$(12,954,275)
Average number of shares outstanding	12,521,985	12,345,825	12,362,577	12,345,825	12,294,900
Net income (loss) per share based on average number of shares outstanding during the period	$(.04)	$(.02)	$(.05)	$(.12)	$(.03)

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Six months ended December 31,		Year ended June 30,		
	1993	1992 (unaudited)	1993	1992	1991
Cash Flows from Operating Activities:					
Net income (loss)	$(552,828)	$(188,737)	$ (613,055)	$(1,431,487)	$ 426,029
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Abandonments and writedowns	-	-	-	364,802	-
Depreciation and depletion	185,026	246,756	425,653	366,566	343,376
Provision for future site restoration	47,249	59,773	102,327	63,696	-
Income (loss) relating to Probe Exploration Inc.	-	(132,482)	(169,706)	65,765	(13,438)
Other	42	18,091	20,907	28,167	34,568
	(320,511)	3,401	(233,874)	(542,491)	790,535
Change in assets and liabilities:					
Accounts and interest receivable	(183,750)	17,991	226,245	(1,976)	(80,347)
Prepaid insurance and other	(7,225)	5,449	116	3,596	(16,646)
Accounts payable	66,698	75,165	(57,397)	(260,613)	(107,340)
Accrued liabilities	43,863	63,685	(65,922)	135,750	(12,238)
Net cash provided by (used in) operations	(400,925)	165,691	(130,832)	(665,734)	573,964
Cash Flows from Investing Activities:					
Additions to oil and gas properties and other equipment	(365,994)	(472,105)	(1,129,723)	(391,394)	(480,205)
Sale of Probe Exploration, Inc. shares	-	-	984,114	-	-
(Purchase) sale of seismic data	32,508	-	(112,000)	-	-
(Advances to) repayments from Probe Exploration Inc.	20,000	50,000	170,000	-	(100,000)
Net cash used in investing activities	(313,486)	(422,105)	(87,609)	(391,394)	(580,205)
Cash Flows from Financing Activities:					
Exercise of stock options	774,284	-	145,582	-	-
Increase (decrease) in cash and cash equivalents	59,873	(256,414)	(72,859)	(1,057,128)	(6,241)
Cash and cash equivalents at beginning of period	3,496,116	3,568,975	3,568,975	4,626,103	4,632,344
Cash and cash equivalents at end of period (Note 2)	$3,555,989	$3,312,561	$3,496,116	$ 3,568,975	$4,626,103

During the three years and six months ended December 31, 1993 there were no charges incurred for interest expense.

See accompanying notes.

CANADA SOUTHERN PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF LIMITED VOTING SHARES AND CONTRIBUTED SURPLUS

(Expressed in Canadian dollars)

	Number of shares	Limited Voting Shares, $1 par value	Contributed surplus	Total
Balance at June 30, 1990	12,272,266	$12,272,266	$16,122,667	$28,394,933
Shares issued to acquire additional interest in Probe Exploration, Inc. (Note 3)	73,559	73,559	125,050	198,609
Balance at June 30, 1991 and 1992	12,345,825	12,345,825	16,247,717	28,593,542
Exercise of stock options (Note 5)	59,444	59,444	86,138	145,582
Balance at June 30, 1993	12,405,269	12,405,269	16,333,855	28,739,124
Exercise of stock options (Note 5)	207,522	207,522	566,762	774,284
Balance at December 31, 1993	12,612,791	$12,612,791	$16,900,617	$29,513,408

See accompanying notes.

1. Summary of significant accounting policies

Change of Fiscal Year

Effective July 1, 1993, the Company changed its fiscal year end from June 30 to December 31.

Accounting principles

The Company prepares its accounts in accordance with accounting principles generally accepted in Canada which, except as described in Note 6, conform in all material respects with accounting principles generally accepted in the United States.

Consolidation

The consolidated financial statements include the accounts of Canada Southern Petroleum Ltd. and its wholly-owned subsidiaries, Canpet Inc. and C.S. Petroleum Limited.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Oil, gas and mineral properties

The Company, which is engaged primarily in one industry, the exploration for and the development of oil and gas properties, principally in Canada, follows the full cost method of accounting for oil and gas properties, whereby all costs associated with the exploration for and the development of oil and gas reserves are capitalized.

The Company periodically reviews the costs associated with undeveloped properties and mineral rights to determine whether they are likely to be recovered. When such costs are not likely to be recovered, such costs are transferred to the depletable pool of oil and gas costs.

The net carrying cost of the Company's oil and gas properties in producing cost centers is limited to an estimated recoverable amount. This amount is the aggregate of future net revenues from proved reserves and the costs of undeveloped properties, net of impairment allowances, less future general and administrative costs, financing costs and income taxes. Future net revenues are calculated using year end prices that are not escalated or discounted.

1. Summary of significant accounting policies (Cont'd)

Gains or losses are not recognized upon disposition of oil and gas properties unless crediting the proceeds against accumulated costs would result in a change in the rate of depletion of 20% or more.

Depletion is provided on costs accumulated in producing cost centers including well equipment using the unit of production method. For purposes of the depletion calculation, gross proved oil and gas reserves as determined by outside consultants are converted to a common unit of measure on the basis of their approximate relative energy content.

Depreciation has been computed for equipment, other than well equipment, on the straight-line method based on estimated useful lives of four to ten years.

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

Oil and gas sales are reported net of royalties paid. The amount of royalties for the three years ended June 30, 1991, 1992 and 1993 were $411,748, $301,860 and $248,038, respectively. Royalties for the six months ended December 31, 1993 and 1992 amounted to $89,140 and $118,411, respectively.

Future site restoration

Estimated future site restoration costs are provided on a unit of production basis. The provision is based on current costs of complying with existing legislation and industry practice for site restoration and abandonment.

Deferred income taxes

The Company follows the deferral method of tax allocation accounting whereby the income tax provision is based on pre-tax income reported in the accounts. Under this method, full provision is made for deferred income taxes resulting from claiming deductions at the rates permitted by income tax legislation, which may differ from those used in the accounts.

Foreign currency translation

Transactions for settlement in U.S. dollars have been converted at average monthly exchange rates. Assets and liabilities in U.S. dollars have been translated at the year end exchange rates. Exchange gains or losses resulting from these adjustments are included in costs and expenses.

(Expressed in Canadian dollars)

2. Cash and cash equivalents

	December 31 1993	June 30, 1993	June 30, 1992
U.S. Treasury bills	$ 919,623	$1,145,121	$1,781,180
Canadian bankers acceptances	1,903,361	1,904,252	1,209,460
Term deposit - Bermuda	223,576	219,054	208,258
	3,046,590	3,268,427	3,198,898
Cash	509,429	227,689	370,077
	$3,555,989	$3,496,116	$3,568,975

Note: Cash equivalents are carried at cost which approximates market value.

3. Investment in and loans to Probe Exploration Inc.

The Company acquired interests in Probe Exploration Inc. (Probe) in January 1990 and March 1991 by issuance of 355,871 Company shares valued at $1,017,314, based upon closing market prices on the dates of issuance. The investment in Probe was accounted for by the equity method. At June 30, 1992, the carrying value of the investment was $825,612, exceeding the equity in Probe net assets by $286,904, which excess was attributable to oil and gas properties.

On April 27, 1993, the Company sold its 4,920,570 shares for $984,114, recording a profit of $32,096 on the sale.

In 1991, the Company made cash advances of $500,000 to Probe in return for promissory demand notes bearing interest at the Royal Bank of Canada prime rate (5 1/2%) at December 31, 1993 plus one percent per annum and collateralized by a majority of the assets of Probe. At December 31, 1993, Probe had retired $190,000 of the debt, including $112,000 through the sale by Probe of an interest in certain seismic data to the Company, and the balance due the Company was $310,000. In connection with the sale of its Probe shares, the Company agreed that it would not demand payment on the Probe notes prior to July 1, 1994 unless Probe is in default on interest payments for more than ninety days or any other default, as defined, occurs.

CANADA SOUTHERN PETROLEUM LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

December 31, 1993

(Information at December 31, 1992 and for the six months then ended is unaudited)

4. Oil and gas properties and equipment

	Cost	Accumulated Provisions and Writedowns	Net Book Value
December 31, 1993			
Oil and gas properties-developed	$15,603,646	$5,728,832	$9,874,814
Oil and gas properties-undeveloped	1	-	1
Seismic data	79,492	-	79,492
	15,683,139	5,728,832	9,954,307
Equipment	49,084	28,599	20,485
	$15,732,223	$5,757,431	$9,974,792
June 30, 1993			
Oil and gas properties-developed	$15,238,452	$5,545,362	$9,693,090
Oil and gas properties-undeveloped	1	-	1
Seismic data	112,001	-	112,001
	15,350,454	5,545,362	9,805,092
Equipment	48,354	27,071	21,283
	$15,398,808	$5,572,433	$9,826,375
June 30, 1992			
Oil and gas properties-developed	$14,119,277	$5,122,743	$8,996,534
Oil and gas properties-undeveloped	223,803	223,802	1
Equipment	48,288	24,817	23,471
Mineral rights	143,726	143,725	1
	$14,535,094	$5,515,087	$9,020,007

Substantially all gas sales were made to CanWest Gas Supply Inc. and oil sales were made to CNRL.

During the year ended June 30, 1992, the Company wrote off its investments in a nonproducing oil and gas center and certain mineral rights.

5. Limited voting shares and stock options

The Memorandum of Association (Articles of Continuance) of Canada Southern provide that no person (as defined) shall vote more than 1,000 shares.

Under the terms of a 1985 stock option plan, the Company is authorized to grant certain key employees and others options to purchase up to an aggregate of 400,000 limited voting shares at prices based on the market price of the shares as determined on the date of the grant. The options are exercisable for five years from the date of grant. At December 31, 1993, the following options were outstanding under the plan and had been granted to certain officers, employees, directors and consultants of the Company.

Expiration Date	Option Price per share	Number of shares
October 13, 1997	4.06	109,700

(Expressed in Canadian dollars)

5. Limited voting shares and stock options (Cont'd)

Effective March 19, 1991, options on 66,666 shares were granted to consultants to replace an equivalent number which expired. The option price was $2.55, the market price on the date of grant and the options are exercisable for five years from the date of grant.

During the year ended June 30, 1993 options on 107,500 shares with an option price of $3.90 expired without exercise and options on 275,000 shares with an option price of $4.06 were granted. Also, options on 20,000 shares at $2.25 per share and 39,444 shares at $2.55 per share, an aggregate of $145,582, were exercised.

During the six months ended December 31, 1993, options on 15,000 shares with an exercise price of $2.25, 27,222 shares with an exercise price of $2.55, and 165,300 shares with an exercise price of $4.06, an aggregate of $774,284, were exercised.

At the 1992 Annual General Meeting, the shareholders approved a new stock option plan. Under its terms, the Company is authorized to grant options to purchase up to an aggregate of 600,000 limited voting shares at prices based on the market price on the date of grant. The options are exercisable for five years from the date of grant. At December 31, 1993, the following option grants made on December 9, 1992 to certain consultants, the only grants under the 1992 plan, were outstanding:

Expiration Date	Option Price per share	Number of shares
December 8, 1997	$3.45	50,000

There were no other changes in stock options during the three years and six months ended December 31, 1993.

CANADA SOUTHERN PETROLEUM LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
December 31, 1993
(Information at December 31, 1992 and for the six months then ended is unaudited)

6. Income taxes

Income taxes vary from the amounts that would be computed by applying the Canadian federal and provincial income tax rates as follows:

	Six months ended December 31,		Years ended June 30,		
	1993	1992	1993	1992	1991
Provision for income taxes based on combined basic Canadian federal and provincial income tax rate of 44.84% (June 1993-44.34%, 1992-44.34%, 1991-43.95%)	$(247,888)	$(83,686)	$(271,829)	$(634,721)	$187,282
Benefit of net operating loss carryforward	-	-	-	-	(299,345)
Federal resource allowance	-	-	-	-	(47,965)
Non-deductible crown charges	32,234	37,246	88,408	122,259	163,045
(Income) loss of investee company	-	(58,743)	(75,248)	29,160	(5,906)
Nondeductible legal fees	-	-	-	-	3,191
Other	3,017	3,104	4,822	6,415	(302)
Unrealized tax loss	212,637	102,079	253,847	476,887	-
Actual provision for income taxes	$ -	$ -	$ -	$ -	$ -

At December 31, 1993, the Company had net operating losses for income tax purposes of approximately $1,260,000 which are available to be carried forward to future periods. These losses expire in the following years: 1996 - $209,000; 1999 - $563,000; 2000 - $194,000 and 2001 - $294,000.

At December 31, 1993, the following oil and gas tax deductions are available to reduce future taxable income, subject to a final determination by taxation authorities.

Drilling, exploration and lease acquisition costs	$11,406,000
Earned depletion	2,183,000
Undepreciated capital costs	811,000
Capital losses (can only be used against future years' capital gains)	229,000

6. Income taxes (Cont'd)

The tax benefits attributable to the above accumulated expenditures will not be reflected in the consolidated financial statements until such benefits are realized.

Under accounting principles generally accepted in the United States ("U.S. GAAP"), the provisions for income taxes would have differed for the reasons set out below:

In February 1992, the United States Financial Accounting Standards Board issued Statement No. 109, "Accounting for Income Taxes", effective for fiscal years beginning after December 15, 1993. Under U.S. GAAP, the Company would have been required to adopt Statement No. 109 commencing July 1, 1993.

Under Statement No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Previously, income tax expense was determined using the deferral method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated.

If Statement No. 109 was adopted, the Company would have had a deferred tax asset at December 31, 1993 of $1,835,501 (July 1, 1993 - $1,507,315) primarily representing the excess of available resource deductions for income tax purposes over the recorded value of oil and gas properties together with operating and capital income tax loss carryforwards. As certain of the resource deductions are restricted and the operating loss carryforwards are subject to expiry, there is considerable risk that certain of these deductions will not be utilized. Accordingly, the Company would have established a valuation allowance at December 31, 1993 of 1,531,718 (July 1, 1993 - $1,308,859) to recognize this uncertainty. As a result, income taxes for the six months ended December 31, 1993, computed in accordance with U.S. GAAP, would have resulted in a credit to the provision of taxes of $303,783. Of this amount, $198,456 represents the cumulative effect of a change in accounting for income taxes on July 1, 1993.

In 1991, the Company recognized the income tax benefit of prior years' operating losses. Under U.S. GAAP, this benefit would be reflected as an extraordinary item.

(Expressed in Canadian dollars)

6. Income taxes (Cont'd)

Income (loss) under U.S. generally accepted accounting principles, in total, and per share based on average number of shares outstanding during the period, for the three years and six months ended December 31, 1993 and for the six months ended December 31, 1992 is as follows:

	Six months ended December 31,				Years ended June 30,					
	1993		1992		1993		1992		1991	
	Total	Per Share	Total	Per Share	Total	Per share	Total	Per share	Total	Per share
Income (loss) before income taxes and extraordinary item	$(552,828)	$(.04)	$(887,737)	$(.02)	$(613,055)	$(.05)	$(1,431,487)	$(.12)	$426,029	$.03
Income taxes	303,783	.02	-	-	-	-	-	-	(299,345)	(.02)
Income (loss) before extraordinary item	(249,045)	(.02)	(188,737)	(.02)	(613,055)	(.05)	(1,431,487)	(.12)	126,684	.01
Extraordinary item - utilization of net operating loss carryforward	-	-	-	-	-	-	-	-	299,345	.02
Net income (loss)	$(249,045)	$(.02)	$(188,737)	$(.02)	$(613,055)	$(.05)	$(1,431,487)	$(.12)	$426,029	$.03

7. Line of credit

The Company has a line of credit with a Canadian chartered bank which provides for a revolving loan of $2 million. The interest rate on borrowing is at 3/4% above the bank's prime lending rate. The line of credit is subject to annual review and is secured by a general assignment of accounts receivable and an undertaking to provide security in the form of assignment of future working interest proceeds. No drawings were made under this line during the years ended June 30, 1993 and 1992 or the six months ended December 31, 1993.

8. Litigation

On October 27, 1989, in the Court of Queens Bench of Alberta, Judicial District of Calgary, Canada (the Canada Court), the Company filed a statement of claim against Amoco Canada Petroleum Company Ltd., Dome Petroleum Limited and Amoco Production Company (collectively, the Amoco-Dome Group), Columbia Gas Development of Canada Ltd., Mobil Oil Canada Ltd. and Esso Resources of Canada Ltd. seeking a declaratory judgment regarding two issues relating to the Kotaneelee field; (1) whether interest accrued on the carried interest account (the Company maintains it does not), and (2) whether expenditures for gathering lines and dehydration equipment are

8. Litigation (Cont'd)

expenditures chargeable to the carried interest account or whether the Company will be assessed a processing fee on gas throughput (the Company maintains the former position). Mobil, Esso and Columbia Gas have filed answers essentially agreeing to the granting of the relief requested by the Company. Amoco-Dome has now admitted one of two claims, i.e., that interest does not accrue on the carried interest account. The Company's position with respect to these two issues has been used as the basis for assessing whether the carrying value (book value) of the Company's oil and gas properties is appropriate.

On March 7, 1990, the Company filed a statement of claim in the Canada Court against the Amoco-Dome Group, Columbia Gas Development of Canada Ltd., Mobil Oil Canada Ltd. and Esso Resources of Canada Ltd. seeking forfeiture of the Kotaneelee field, that the balance of the carried interest account be reduced, damages and other relief for breach of fiduciary and other duties. If fully successful, the Company could recover a 90 percent interest in the Kotaneelee field and damages. The defendants have contested the claim and the Company is pursuing discovery and trial. Columbia has filed a counter claim seeking, if the Company is successful in its claims, repayment from the Company of all sums Columbia has expended on the Kotaneelee lands before the Company is entitled to its interest.

The Company has amended its statement of claim to join other parties and to elaborate on its claim for a reduction of the carried account. Amoco has filed an amended third party notice claiming indemnity from Columbia, if there is an adjustment of the carried interest account, on the basis of Columbia's gross negligence and willful and wanton misconduct in operating the field. Columbia filed an amended statement of defense to third party notice, alleging that Amoco resisted efforts to put the gas plant back in service and to market Kotaneelee gas.

There remain two claims outstanding against the Company in Alberta, as they relate to the initial suit brought against Allied Signal in Florida which was dismissed on the basis of *forum non conveniens*. Allied Signal seek additional relief against the Company to preclude other types of suits by the Company and to recover the costs of the defense of the initial action. If such claims to seek additional relief are successful, such recoveries could have a material adverse effect on the Company's consolidated financial position but counsel to the Company advises that such recovery is unlikely.

8. Litigation (Cont'd)

Effective December 31, 1991, Anderson Exploration Ltd. (Anderson) acquired all of Columbia Gas Development of Canada interests in Canada, including the Columbia interest in the Kotaneelee gas field. Anderson Oil & Gas Inc. is now the operator of the field and is a direct defendant in the Canada Court lawsuit. Columbia's previous parent, The Columbia Gas System, Inc., which has filed for bankruptcy in the United States, became contractually liable to Anderson in the legal proceeding described above.

The working interest partners have entered into contracts under which Kotaneelee gas is being sold. The Company believes that it is too early to determine the impact, if any, that these contracts may have on the status of the above cases.

General and administrative expenses include \$899,362, \$863,443 and \$770,301 for legal fees and expenses for the years ended June 30, 1993, 1992 and 1991, respectively, and \$457,927 and \$442,978 for the six months ended December 31, 1993 and 1992, respectively.

9. Related party transactions

Fees paid or accrued for legal services rendered to the Company by Reasoner, Davis & Fox, of which firm Mr. C. Dean Reasoner, a director of the Company, is a partner, for the fiscal years ended June 30, were 1993 - U.S.\$135,000, 1992 - U.S.\$138,000, 1991 - \$130,000. Fees for the six months ended December 31, 1993 and 1992 amounted to U.S. \$72,000 and \$71,000, respectively.

On January 29, 1991, the Company granted interests amounting to an aggregate of seven and 8/10 percent (7.8%) of any and all benefits to the Company after expenses from the litigation in Canada relating to the Kotaneelee field to certain of its officers, employees, directors, counsel and consultants. The Company has reserved a two and 2/10 percent (2.2%) interest in such net benefits for possible future grants to persons who may include officers and directors of the Company.

SUPPLEMENTAL INFORMATION ON OIL AND GAS ACTIVITIES
(unaudited)

The following information includes estimates which are subject to rapid and unanticipated change. Therefore, these estimates may not accurately reflect future net income to the Company.

The Company has no proved oil and gas reserves in Australia that require disclosure under SEC regulations and no revenues from oil and gas production in that country. All amounts below except for costs, acreage, wells drilled and present activities relate to Canada. Oil and gas reserve data and the information relating to cash flows were provided by Paddock Lindstrom & Associates Ltd., independent consultants.

(1.) Estimated net quantities of proved oil and gas reserves:

	Oil (bbls)	Gas (bcf)
Proved reserves:		
June 30, 1990	532,951	21.069
Revisions of previous estimates	59,738	25.647
Production	(41,994)	(1.558)
June 30, 1991	550,695	45.158
Revisions of previous estimates	22,204	(10.239)
Production	(40,899)	(1.173)
June 30, 1992	532,000	33.746
Revisions of previous estimates	(71,533)	.415
Production	(34,767)	(1.419)
June 30, 1993	425,700	32.742
Revisions of previous estimates	31,414	1.642
Production	(16,114)	(.553)
December 31, 1993	441,000	33.831
Proved developed reserves:		
June 30, 1991	550,695	45.158
June 30, 1992	532,000	33.746
June 30, 1993	425,700	32.742
December 31, 1993	441,000	33.831

In 1991, oil and gas reserves were revised upward as price increases improved the economics of development of certain areas. Also, in 1991, Kotaneelee field reserves were reinstated as proved reserves as discussed under Item I - Business - Yukon Territory - The Kotaneelee Field.

Effective April 1, 1988, Kotaneelee field reserves, were eliminated from estimated net quantities of proved gas reserves based upon the anticipated length of the period before payout to the Company of its carried interest in that field. Sales of Kotaneelee gas under new contracts began in February 1991 and field reserves were reinstated at that time.

(2.) Results of oil and gas operations:

	Six months ended December 31, 1993	Six months ended December 31, 1992	Year ended June 30, 1993	Year ended June 30, 1992	Year ended June 30, 1991
Income:					
Oil and gas sales	$ 570,959	$ 666,917	$1,219,218	$1,270,498	$1,637,097
Proceeds under carried interest agreements	399,310	448,658	841,291	275,284	1,034,473
	970,269	1,115,575	2,060,509	1,545,782	2,671,570
Costs and expenses:					
Production costs					
- lifting costs	321,994	230,903	573,258	464,943	507,800
- wellhead taxes	-	-	-	-	-
Abandonments and writedowns	-	-	-	221,077	-
Depletion and depreciation	185,026	246,758	425,653	366,566	343,376
Income tax expense*	-	-	-	-	-
	507,020	477,661	998,911	1,052,586	851,176
Net income from operations	$ 463,249	$637,914	$1,061,598	$ 493,196	$1,820,394

* For the purposes of preparing this table only, the Company considered that the Company realized no benefits for the fiscal period ended December 31, 1993 and 1992 and the fiscal years ended June 30, 1993 and 1992 and a benefit of $1,091,930 for the fiscal year ended June 30, 1991 from carryforward of exploration, development and lease acquisition costs not claimed in prior years.

(3.) Costs of oil and gas activities*:

	Six months ended December 31, 1993	Year ended June 30, 1993	Year ended June 30, 1992	Year ended June 30, 1991
Acquisition costs	$120,106	$179,962	$ 52,092	$106,488
Exploration	189,400	580,910	242,979	259,084
Development	56,488	368,005	90,170	95,531

* Excluding costs relating to carried interests but including $19,252 and $23,324 for exploration in Australia in 1992 and 1991, respectively.

(4.) Capitalized costs:

See the consolidated balance sheets and Note 4 for capitalized costs relating to the Company.

(5.) Standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities during the three years ended June 30 (In thousands of dollars):

	Six months ended December 31, 1993	Year ended June 30, 1993	1992	1991
Future cash inflows	$62,395	$51,563	$54,650	$ 71,292
Future development and production costs	(29,097)	(18,356)	(19,153)	(17,507)
	33,298	33,207	35,497	53,785
Future income tax expense*	(7,836)	(7,288)	(8,885)	(15,384)
Future net cash flows	25,462	25,919	26,612	38,401
10% annual discount	(11,040)	(13,508)	(14,748)	(21,246)
Standardized measure of discounted future net cash flows	$14,422	$12,411	$11,864	$ 17,155

* Reflects tax benefit for the six months ended December 31, 1993 and for the years ended June 30, 1993, 1992 and 1991, respectively, from carryforward of exploration, development and lease acquisition costs, undepreciated capital costs and book earned depletion of $12,527,669, $9,223,000, $12,834,055 and $12,282,106.

Current prices used in the foregoing estimates were based upon selling prices at the wellhead in the last month of each fiscal period. Current costs were based upon estimates made by consulting engineers at the end of each fiscal period.

(6.) Changes in the standardized measure during the year (In thousands of dollars):

	Six months ended December 31, 1993	Year ended June 30, 1993	1992	1991
Changes due to:				
Prices and production costs	$3,518	$(175)	$(1,274)	$ (159)
Future development costs	(42)	(38)	(99)	(249)
Sales net of production costs	(648)	(1,488)	(1,081)	(2,164)
Development costs incurred during the year	56	368	87	96
Net change due to extensions, discoveries and improved recovery	409	28	14	0
Revisions of quantity estimates	(2,641)	(1,633)	(7,874)	12,651
Accretion of discount	1,476	1,460	2,092	819
Net change in income taxes	(548)	1,597	2,519	(3,838)
Other	431	428	325	163
Net change	$2,011	$ 547	$(5,291)	$ 7,319

* The major part of the revision in 1991 relates to the reinstatement of Kotaneelee reserves. The revision in 1992 is a result of the increased capital costs at Kotaneelee, which extend the period before payout of the carried interest.

Item 9. **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

PART III

For information concerning Item 10 - Directors and Executive Officers of the Company, Item 11 - Executive Compensation, Item 12 - Security Ownership of Certain Beneficial Owners and Management and Item 13 - Certain Relationships and Related Transactions, see the Proxy Statement of Canada Southern Petroleum Ltd. relative to the Annual Meeting of Shareholders for the fiscal period ended December 31, 1993, which will be filed with the Securities and Exchange Commission, which information is incorporated herein by reference. For information concerning Item 10 - Executive officers of the Company, see Part I.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) (1) Financial Statements.

The financial statements listed below and included under Item 8, above are filed as part of this report.

(2) Consolidated Financial Statement Schedules.

The consolidated financial statement schedules listed below are filed as part of this annual report.

Schedules for three years ended June 30, 1993 and six months ended December 31, 1993:

V - Properties and equipment
VI - Accumulated depletion and depreciation

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

(3) Exhibits.

The following exhibits are filed as part of this report:

Item Number.

3. Articles of Incorporation and By-Laws.

Company's letters patent are incorporated herein by reference to Exhibit "A" of Company's Form 10-K for the fiscal year ended June 30, 1972.

Certificate of Continuance in Province of Nova Scotia, Articles of Continuance under Section 119-B Nova Scotia Companies Act and Certificate of Registration under Nova Scotia Corporation Registrations Act, filed as exhibits 3(a), 3(b) and 3(c), respectively, to Report on Form 10-K for the fiscal year ended June 30, 1982 are incorporated herein by reference.

New Articles of Association of the Company (otherwise known as By-Laws), adopted December 19, 1990, filed as exhibit 3 to Report 10-K for the fiscal year ended June 30, 1991 is incorporated herein by reference.

4. Instruments defining the rights of security holders, including indentures.

None.

9. Voting trust agreement.

None.

10. Material contracts.

(a) Copy of Agreement dated December 31, 1951 between Act Oils Limited and Pacific Petroleums Ltd. is hereby incorporated by reference to Exhibit 13-H to Form C Registration No. 214128 as filed with the Securities and Exchange Commission on May 21, 1958.

(b) Agreement dated January 2, 1952 between Albercan Oil Corporation and Pacific Petroleums Ltd. is hereby incorporated by reference to Exhibit 13-I to Form C Registration No. 214128 as filed with the Securities and Exchange Commission on May 21, 1958.

(c) Agreement dated May 12, 1956 between Registrant and Phillips Petroleum Company is hereby incorporated by reference to Exhibit 13-G to Form C Registration No. 214128 as filed with the Securities and Exchange Commission on May 21, 1958.

(d) Agreements relating to Kotaneelee.

(1.) Copy of Agreement dated May 28, 1959 between the Company et al. and Home Oil Company Limited et al. and Signal Oil and Gas Company filed as Exhibit 10(d)(1) to Report on Form 10-K for the fiscal year ended June 30, 1987 is incorporated herein by reference.

(2.) Copies of Supplementary Documents to May 28, 1959 Agreement (see (1) above), dated June 24, 1959, consisting of Guarantee by Home Oil Company Limited and Pipeline Promotion Agreement, filed as Exhibit 10(d)(2) to Report on Form 10-K for the fiscal year ended June 30, 1987 is incorporated herein by reference.

(3.) Copy of Modification to Agreement dated May 28, 1959 (see (1) above), made as of January 31, 1961, filed as Exhibit 10(d)(3) to Report on Form 10-K for the fiscal year ended June 30, 1987 is incorporated herein by reference.

(4.) Copy of Agreement dated April 1, 1966 among the Company et al. and Dome Petroleum Limited et al. filed as Exhibit 10(d)(4) to Report on Form 10-K for the fiscal year ended June 30, 1989 is incorporated herein by reference.

(5.) Copy of Letter Agreement dated February 1, 1977 between the Company and Columbia Gas Development of Canada, Ltd. for operation of the Kotaneelee gas field filed as Exhibit 10(d) to Report on Form 10-K for the fiscal year ended June 30, 1981 is incorporated herein by reference.

(e) Copy of Agreement dated January 28, 1972 between the Company and Panarctic Oils Ltd. for development of the offshore Arctic Islands gas fields filed as Exhibit 10(e) to Report on Form 10-K for the fiscal year ended June 30, 1981 is incorporated herein by reference.

(f) Stock Option Plan adopted December 3, 1985 filed as Exhibit 3 to Report on Form 10-K for the fiscal year ended June 30, 1986, is incorporated herein by reference.

(g) Stock Option Plan adopted December 9, 1992 filed as Exhibit 10(g) to Report on Form 10-K for the fiscal year ended June 30, 1993 is incorporated herein by reference.

11. Statement of computation of per share earnings.

Not applicable.

12. Statement of computation of ratios.

None.

13. Annual Report to security holders.

Not applicable.

16. Letter re change in certifying accountant.

Not applicable.

18. Letter of change in accounting principles.

None.

20. Previously unfiled documents.

None.

21. Subsidiaries of the Company.

Canpet Inc. incorporated in Delaware on August 3, 1973.
C. S. Petroleum Limited incorporated in Nova Scotia on December 15, 1981.

22. Published report regarding matters submitted to vote of security holders.

None.

23. Consents of experts and counsel.

Consents of Paddock Lindstrom & Associates, Ltd. and Ernst & Young filed herewith.

24. Power of attorney.

Not applicable.

99. Additional exhibits.

(a) Complaint of Allied-Signal Inc. in its action against Dome Petroleum Limited, Amoco Production Company, and Amoco Canada Petroleum Company Ltd. filed September 2, 1988 in the Court of Queens Bench of Alberta, Judicial District of Calgary, Canada, filed as Exhibit 28(b) to Form 10-K filed September 27, 1988, is incorporated herein by reference.

(b) Answer and Counterclaim of Dome Petroleum Limited, Amoco Production Company, and Amoco Canada Petroleum Company Ltd. filed September 21, 1988 in the Court of Queen's Bench of Alberta, Judicial District of Calgary, Canada, which answers the Allied-Signal complaint in (b) above and which names the Company and others as counterclaim defendants, filed as Exhibit 28(c) to Form 10-K filed September 27, 1988, is incorporated herein by reference.

(c) Statement of Claim filed on October 27, 1989 against Columbia Gas Development of Canada Ltd., Amoco Production Company, Dome Petroleum Limited, Amoco Canada Petroleum Company Ltd., Mobil Oil Canada Ltd. and Esso Resources of Canada Ltd. in the Court of Queen's Bench of Alberta Judicial District of Calgary, Alberta, Canada filed as Exhibit 28(d) to Form 10-K filed September 27, 1990 is incorporated herein by reference.

(d) Amended Statement of Claim, amending the October 27, 1989 Statement of Claim, filed on March 12, 1990 and filed as Exhibit 28(e) to Form 10-K filed September 27, 1990 is incorporated herein by reference.

(e) Amended Amended Statement of Claim in the same action, filed on November 17, 1993, filed as Exhibit 28(ii) to Form 8-K dated November 17, 1993 is incorporated herein by reference.

(f) Amended Statement of Third Party Notice by Amoco Canada Production Company Ltd. and Amoco Production Company, filed November 17, 1993 in the same action, is filed herewith.

(g) Amended Statement of Defense to Third Party Notice by Anderson Oil & Gas Inc. (formerly Columbia Gas Development of Canada Ltd.) filed January 27, 1994 in the same action, is filed herewith.

29. Information from reports furnished to state insurance regulatory authorities

Not applicable.

(b) Reports on Form 8-K.

A Report on Form 8-K dated November 17, 1993 was filed relating to the grant of a consent order by the Court of Queens Bench, Calgary, Alberta, Canada allowing the Company to amend its lawsuit against Amoco *et al.*

CANADA SOUTHERN PETROLEUM LTD.
Three years and six months ended December 31, 1993
(Expressed in Canadian dollars)

SCHEDULE V - PROPERTIES AND EQUIPMENT

	Balance at beginning of period	Additions	Sales, retirements and abandonments	Balance at end of period
Six months ended December 31, 1993:				
Oil and gas properties	$15,350,453	$365,194	$32,508	$15,683,139
Mineral properties	1	-	-	1
Equipment	48,354	800	71	49,083
	$15,398,808	$365,994	$32,579	$15,732,223
Year ended June 30, 1993:				
Oil and gas properties	$14,119,277	$1,240,877	$ 9,701	$15,350,453
Mineral properties	1	-	-	1
Equipment	48,288	846	780	48,354
	$14,167,566	$1,241,723	$10,481	$15,398,808
Year ended June 30, 1992:				
Oil and gas properties	$13,957,838	$385,241	$223,802	$14,119,277
Mineral properties	143,726	-	143,725	1
Equipment	62,093	6,153	19,958	48,288
	$14,163,657	$391,394	$387,485	$14,167,566
Year ended June 30, 1991:				
Oil and gas properties	$13,496,735	$461,103	$ -	$13,957,838
Mineral properties	143,726	-	-	143,726
Equipment	49,499	19,103	6,509	62,093
	$13,689,960	$480,206	$ 6,509	$14,163,657

SCHEDULE VI - ACCUMULATED DEPLETION AND DEPRECIATION

	Balance at beginning of period	Additions	Sales, retirements and abandonments	Balance at end of period
Six months ended December 31, 1993:				
Oil and gas properties	$5,545,362	$183,472	$ -	$5,728,834
Equipment	27,071	1,554	28	28,597
	$5,572,433	$185,026	$ 28	$5,757,431
Year ended June 30, 1993:				
Oil & gas properties	$5,122,743	$422,619	$ -	$5,545,362
Equipment	24,817	3,035	781	27,071
	$5,147,560	$425,654	$ 781	$5,572,433
Year ended June 30, 1992:				
Oil & gas properties	$4,759,128	$363,615	$ -	$5,122,743
Equipment	36,836	2,951	14,970	24,817
	$4,795,964	$366,566	$14,970	$5,147,560
Year ended June 30, 1991:				
Oil and gas properties	$4,423,115	$336,013	$ -	$4,759,128
Equipment	33,285	7,363	3,812	36,836
	$4,456,400	$343,376	$ 3,812	$4,795,964

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CANADA SOUTHERN PETROLEUM LTD.
(Registrant)

Dated: April 5, 1994

By /s/ Charles J. Horne
Charles J. Horne
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Charles J. Horne
Charles J. Horne, President and Director

Dated: April 5, 1994

/s/ Evelyn D. Scott
Evelyn D. Scott, Treasurer, Chief Financial and Accounting Officer

Dated: April 5, 1994

/s/ Benjamin W. Heath
Benjamin W. Heath, Director

Dated: April 5, 1994

/s/ M. Anthony Ashton
M. Anthony Ashton, Director

Dated: April 5, 1994

/s/ C. Dean Reasoner
C. D. Reasoner, Director

Dated: April 5, 1994

/s/ Eugene C. Pendery
Eugene C. Pendery, Director

Dated: April 5, 1994

DIRECTORS

M. Anthony Ashton
Executive Vice President
Canada Southern Petroleum Ltd.
Calgary, Alberta

Benjamin W. Heath
President
Coastal Caribbean Oils & Minerals, Ltd.
Newport Beach, California

Charles J. Horne
President
Canada Southern Petroleum Ltd.
Calgary, Alberta

Eugene C. Pendery
President
Recycled Plastic Products, Inc.
Denver, Colorado

C. Dean Reasoner, Esq.
Partner
Reasoner, Davis & Fox
Washington, D.C.

OFFICERS

Charles J. Horne
President

M. Anthony Ashton
Executive Vice President

F. Betsy Shaw
Vice President

Evelyn D. Scott
Secretary-Treasurer

EXECUTIVE OFFICES

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Calgary, Alberta T2G OP6
Telephone: (403) 269-7741

TRANSFER AGENTS

The Montreal Trust Company
15 King Street West
Toronto, Ontario M5H 1B4

American Stock Transfer &
Trust Co.
40 Wall Street, 46th Floor
New York, New York 10005

AUDITORS

Ernst & Young
1300 Ernst & Young House
707 Seventh Avenue, S. W.
Calgary, Alberta T2P 3H6

All shareholder correspondence relating to stock ownership or address changes, lost stock certificates, and other such matters should be directed to the Company's Transfer Agents in Canada or the U.S., as shown above. Other enquiries may be directed to Canada Southern's Executive Offices in Calgary, or, if more convenient, to the Company, c/o G&O'D INC, 149 Durham Road, Oak Park-Unit 31, Madison, Connecticut 06443. Telephone: (203) 245-7664

The stock, par value $1.00, is listed on the Toronto Stock Exchange and the Pacific Stock Exchange -- which are the principal markets in Canada and the United States -- and also is traded on several regional exchanges and in the over-the-counter market. The ticker symbol in both countries is CSW.

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