Home Oil Company Limited

annual report

1994

mission statement

Home Oil's mission is to be a highly successful Canadian upstream oil and gas company - utilizing our competitive strengths we aggressively and responsibly seek superior growth in shareholder value through excellence in exploration, development and transportation.

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corporate profile

Home Oil Company Limited, established in 1925, is a senior upstream petroleum company with assets exceeding $1.4 billion and 1994 revenues of $287 million. With properties and facilities across Western Canada, Home Oil operates 25 of its 45 core areas, including 13 natural gas processing plants, and markets natural gas, natural gas liquids and crude oil. Home Oil extended its operations internationally in 1994 by acquiring interests in two blocks in Argentina. Home Oil is operator and 50 percent owner of Federated Pipe Lines Ltd. (Federated) which transports crude oil and natural gas liquids through extensive pipeline systems in Alberta and British Columbia. The Company's shares are traded in Canada on The Toronto Stock Exchange under the symbol "HOC", and in the United States on the American Stock Exchange under the symbol "HO."

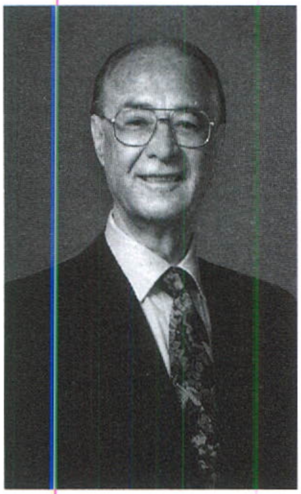
contents

highlights

	'94		'93	% change (*)
OPERATING				
Drilling activity				
Gross wells	**207**		170	22
Net wells	**133**		84	58
Net success ratio	**80%**		71%	13
Net undeveloped landholdings (millions of acres)	**2.5**		2.2	14
Reserves				
Proved reserves (MMBOE)	**173**		173	–
Percentage replacement of production	**106%**		49%	116
Proved reserves additions cost (per BOE)	**$ 11.53**	$	12.79	10
Proved and probable reserves (MMBOE)	**269**		254	6
Daily sales/production				
Natural gas (Mcf)	**235,395**		229,064	3
NGL (bbls)	**6,978**		7,931	(12)
Crude oil (bbls)	**18,503**		19,616	(6)
Annual sales/production (MBOE)	**17,892**		18,451	(3)
Average prices				
Natural gas (per Mcf)	**$ 1.92**	$	1.77	8
NGL (per bbl)	**$ 12.18**	$	12.57	(3)
Crude oil (per bbl) - after hedging	**$ 20.70**	$	19.96	4
Oil and gas netbacks per BOE				
Operating	**$ 11.90**	$	11.19	6
Cash	**$ 8.72**	$	7.76	12
FINANCIAL				
(millions, except per share amounts)				
Revenues	**$ 287.3**	$	283.7	1
Earnings	**$ 7.5**	$	12.0	(38)
Cash flow from operations	**$ 163.0**	$	146.5	11
Exploration and development expenditures	**$ 226.6**	$	118.3	92
Long term debt	**$ 360.0**	$	390.1	8
Debt/cash flow (number of years)	**2.2**		2.7	19
Per common share				
Earnings	**$ 0.18**	$	0.30	(40)
Cash flow from operations	**$ 3.84**	$	3.68	4

(*) Favourable (unfavourable)

report to shareholders



David E. Powell
President & Chief
Executive Officer

This past year marked Home Oil's largest exploration and development expenditure program; a year of notable achievements and some setbacks. Cash flow from operations reached $163 million, an 11 percent improvement over 1993. Earnings, however, declined to $7.5 million from $12.0 million in 1993 as higher depletion expense more than offset improved revenues. We continued to make steady progress in our debt reduction program, and since 1991 have reduced our debt by more than $167 million. This debt reduction is important as our improved financial position enhances our ability to take advantage of future investment opportunities.

We replaced 106 percent of our production on an equivalent barrel of oil basis by adding 19 MMBOE of proved reserves. We also added substantial volumes of probable reserves. Despite these achievements, we did not significantly reduce our proved reserves additions cost. The factors which contributed to this included significant expenditures for land acquisition, pre-ordering of gas gathering and processing equipment for future project development, and a lack of success with our deep drilling program.

By year end, natural gas productive capacity was at an all time high of 260 MMcf per day. Natural gas sales did not reach this level as, due to sharply declining prices in the Alberta spot market during the fourth quarter, the Company decided to curtail gas sales in late December. By January, approximately 40 MMcf per day was taken off of the market as higher cost fields were shut in and some gas was injected into storage. We intend to continue to shut in uncontracted volumes until prices improve.

Our exploration and development program was $227 million, nearly double the 1993 level. The program was funded by cash flow from operations supplemented by a portion of the proceeds of the equity issue in the third quarter. Development expenditures of $116 million focused on drilling and installing production facilities in northeastern British Columbia, and on preordering equipment for the 1995 winter program. Exploration expenditures of $89 million included $24 million for land acquisitions in and near core areas. During the year we acquired 480,000 net acres of undeveloped land in highly prospective new core areas.

While we built or expanded facilities in several core areas, overall operating expenses increased by only three percent. Lower oil volumes resulted in unit operating costs increasing by seven percent to $3.55 per BOE, still low by industry standards.

Our asset rationalization program, which is nearly complete, has improved netbacks and streamlined operations. We commenced this program in 1991 with 360 noncore properties and at year end 1994 had fewer than 100 remaining. In 1995, property sales and purchases are expected to be in balance with an emphasis on swaps.

Moving to pipeline activity, Federated generated increases in both cash flow from operations and earnings during 1994. Effective July 1, Federated acquired the 506 mile oil pipeline between Taylor and Kamloops, British Columbia which connects with Trans Mountain Pipeline. This acquisition resulted in a 39 percent increase in pipeline mileage and a 24 percent increase in throughputs.

OUTLOOK FOR 1995 . . .

World oil prices are expected to remain reasonably stable during 1995, while the current low level of natural gas prices will likely persist until the 1995/1996 heating season. We were again reminded in 1994 that natural gas is a commodity, a product driven by market perception of the balance between supply and demand. Until the current gas oversupply is exhausted, the industry is faced with lower prices. As part of Home Oil's near term gas strategy, we will reduce sales into depressed spot markets and shut in some fields. This in no way impairs our ability to satisfy long term sales obligations or recover reserves.

We will curtail spending on new gas production infrastructure, but will maintain our gas exploration program as we believe in gas as the fuel of choice and that longer term market fundamentals for gas prices and demand are still excellent. Development of existing core oil properties will continue with exploration focused in the Pierson area of southern Manitoba. We will also maintain a strong land position in key geographic areas.

Our South American venture in Argentina will provide opportunities to contribute to growth in our oil production. Home Oil has interests in two concessions, totalling 240,000 gross acres which presently produce minor volumes of crude oil. A seismic program has been completed and three wells will be drilled during 1995. We are also pursuing the acquisition of producing reserves in South America.

During 1995 our primary goal will be to lower additions costs and balance exploration and development expenditures with expected cash flow. We anticipate improved additions costs will materialize as a result of reduced land purchases, a higher proportion of development drilling, and lower exploration expenditures for higher risk, deep targets. Our expenditure program will be approximately 35 percent lower than in 1994.

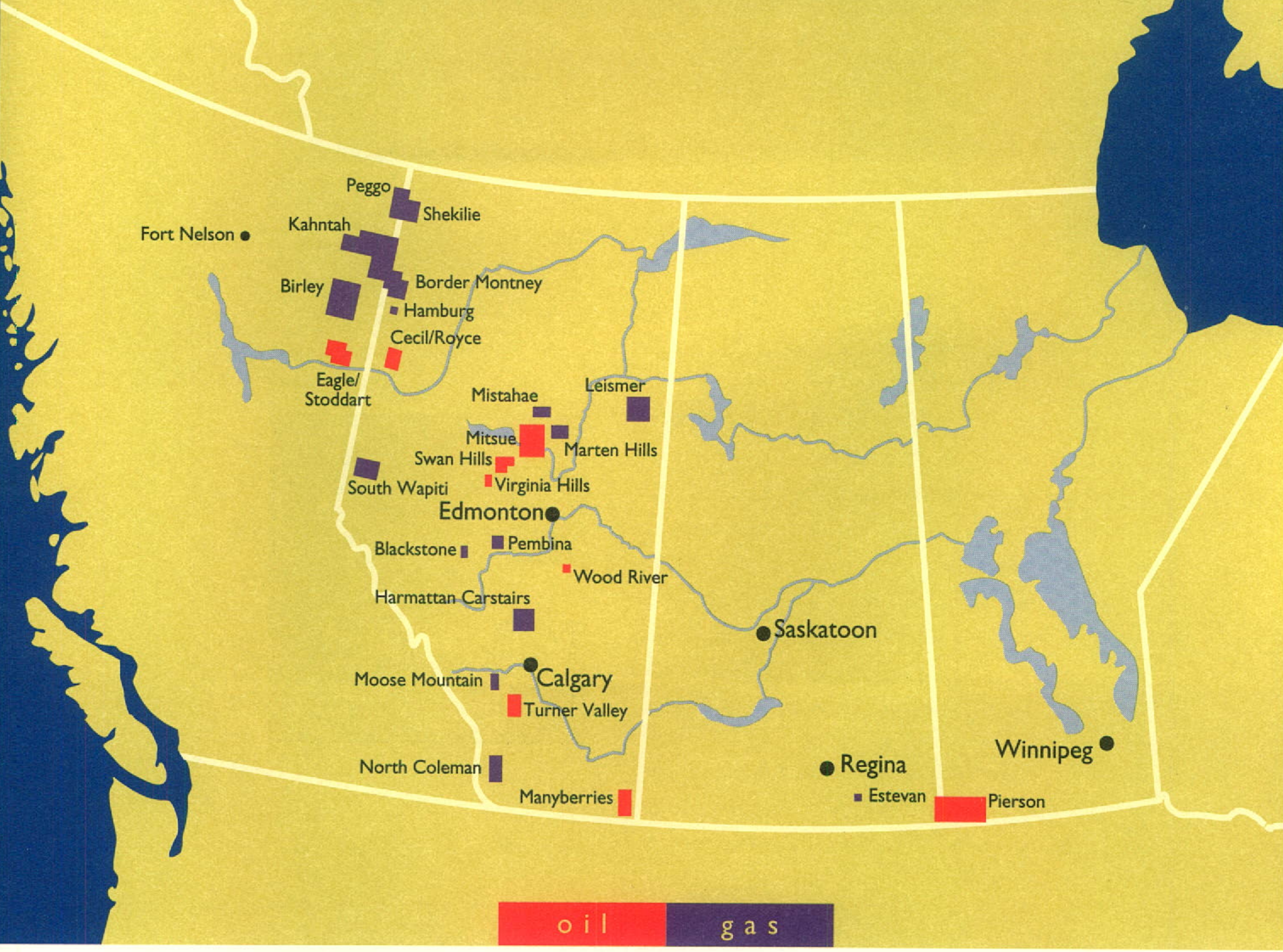
> "We are committed to increasing the value of our shareholders' investment."

Prompted by the collapse of natural gas prices in December, and the high additions costs we incurred in 1994, we initiated a comprehensive assessment of Home Oil's business strategies and cost structure in early February 1995. Given the limited control industry can exert on the prices it receives for oil and gas, our success is dependent on the ability to minimize finding, operating and administrative costs. We are committed to increasing the value of our shareholders' investment and the assessment process will identify those strategic and operational changes which will be made to enhance shareholder value.

During the year the Board of Directors welcomed Jon Grant, former Chairman, Quaker Oats Company of Canada Limited, John H. Morrish, former Chairman, Fording Coal Limited and Chairman, The World Coal Institute, and Noel Cleland, a former Director of Sproule Associates Limited.

On behalf of the Board of Directors,

David E. Powell
President & Chief Executive Officer
March 14, 1995



oil & gas operations

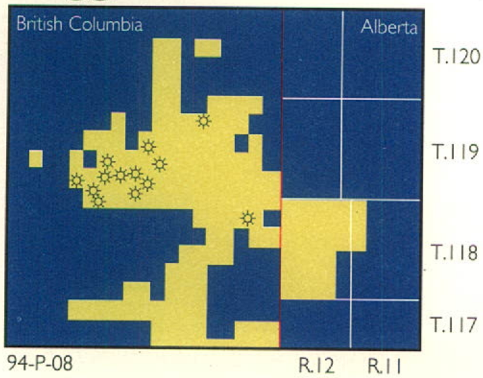
OPERATING AREAS

NORTHEASTERN BRITISH COLUMBIA Overall, the Company made significant gains in the production and development of gas reserves in this region. Early drilling success added 17 MMcf per day to production and provided the base from which to plan for further expansion. The current winter development program is expected to add a further 40 MMcf per day of productive capacity during 1995.

In 1994, excellent results were achieved at Peggo, one of Home Oil's new core areas, with the addition of 26 Bcf proved and 25 Bcf probable gas reserves. Thirteen net wells were drilled and completed. Construction was completed on the 100 percent owned gathering system and processing facility capable of handling 8 MMcf per day. Production

commenced during the second quarter averaging 5 MMcf per day for the year. An aggressive follow-up drilling program and plant expansion is expected to increase productive capacity to 16 MMcf per day by April 1995.

Peggo/Shekilie



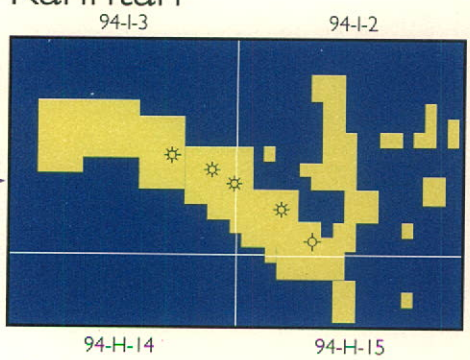
At Shekilie, across the border in Alberta, two horizontal wells will be drilled in early 1995 to delineate the resource potential. Due to weak gas prices however, the building of facilities to gather and process the gas are being deferred.

In the Birley area, southwest of Kahntah, thirteen net wells were drilled resulting in eight gas wells and four oil producers. Home Oil's daily production reached 9 MMcf and 175 bbls respectively, at the end of 1994. Net proved reserves additions totalled 13 Bcf of gas and 0.5 MMbbls of oil. The installation of field compression to optimize gas deliverability from the area has been deferred. Efforts to capitalize on the oil potential in the area will continue.

landholdings
gas
oil
dry & abandoned

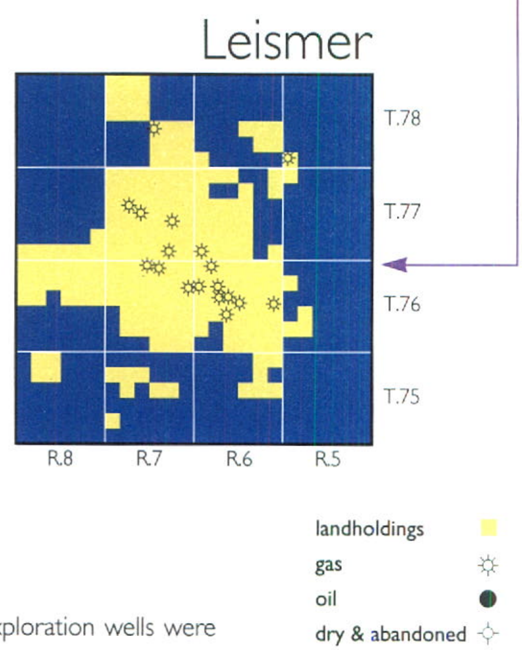
In addition, six deep exploration wells were drilled in northeastern British Columbia in 1994. Two of these wells are currently on production at a combined rate of 3 MMcf per day.

Kahntah



At Kahntah, another 100 percent owned area, 22 Bcf proved and 59 Bcf probable natural gas reserves were added. These results, combined with a solid land position, support an aggressive exploitation plan involving the drilling of 35 development and five exploratory wells, and one recompletion of an existing well bore during the winter of 1994/1995. A gathering system and processing facility will provide the capacity to deliver 35 MMcf per day of incremental gas sales by spring 1995.

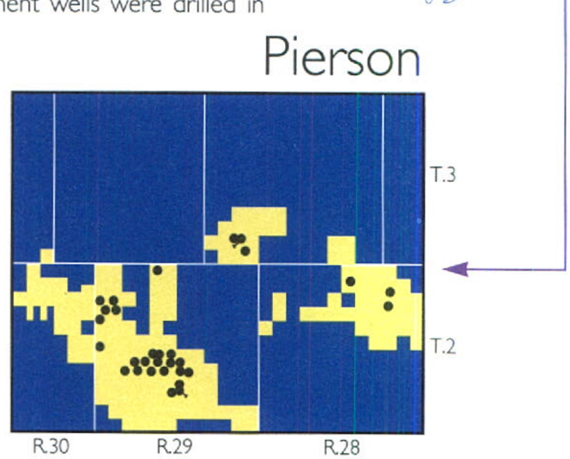
NORTHERN ALBERTA Overall net deliverability from Leismer, Home Oil's largest gas producing area, increased by 35 percent to 75 MMcf per day. The 1994 program included the drilling of 16 gross (13 net) development and step-out wells which achieved a 100 percent success ratio and added 8 Bcf proved and 7 Bcf probable reserves. A new gathering and processing facility was constructed, and the main facilities expanded, which resulted in a 20 MMcf per day increase in area productive capacity. Nova pipeline constraints that restricted sales from the area for most of 1994, were reduced in early 1995.

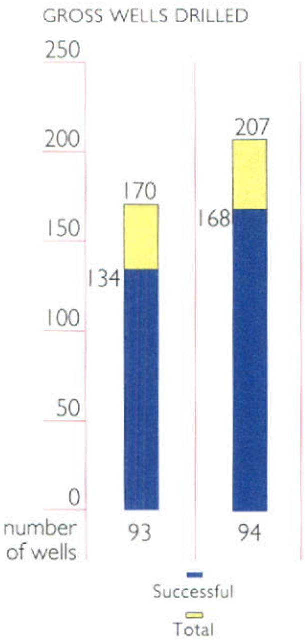


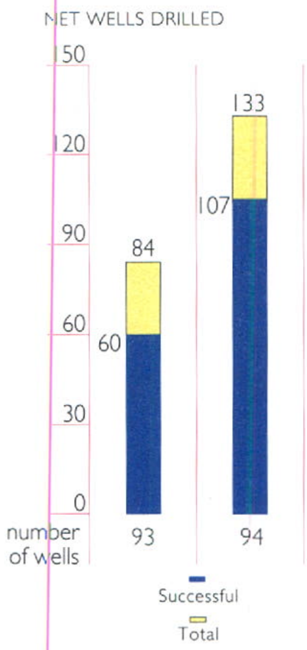
The addition of booster compression at Marten Hills increased the total net productive capacity from the area by 30 percent to 12 MMcf per day.

SOUTHERN AND CENTRAL ALBERTA Six deep exploration wells were drilled in the Pembina area and resulted in an oil discovery which added 2 MMBOE proved and 1 MMBOE probable reserves. Development of this discovery is under review. In the Alberta Foothills, one deep well was drilled and abandoned in the North Coleman area and further drilling is not contemplated in 1995.

SOUTHERN MANITOBA Twenty-four development wells were drilled in the South Pierson field in which Home Oil has a 100 percent working interest. The second phase of the waterflood project was successful and a number of wells were converted to water injection. A nine well exploration program in the Pierson area was also completed. These combined activities added 2 MMbbls proved and 1 MMbbls probable oil reserves. Expansion of the waterflood project will continue in 1995 with further exploratory drilling which will test five new, separate plays.







UNDEVELOPED LANDHOLDINGS
(millions of acres at December 31)

	'94		'93	
	Gross	Net	Gross	Net
British Columbia	**0.9**	**0.7**	0.8	0.6
Alberta	**1.9**	**0.8**	1.8	0.5
Saskatchewan	**0.7**	**0.7**	0.9	0.8
Frontier	**1.3**	**0.2**	1.3	0.3
Total Canada	**4.8**	**2.4**	4.8	2.2
Argentina	**0.2**	**0.1**	–	–
	5.0	**2.5**	4.8	2.2

DRILLING RESULTS

Home Oil participated in the drilling of 207 gross working interest wells in 1994, up from the 170 wells drilled last year. Exploratory drilling resulted in 29 gas and 13 oil wells and development drilling resulted in 75 gas and 51 oil producers. The Company achieved a net success ratio of 80 percent.

LANDHOLDINGS

Significant land purchases were made in areas adjoining successful exploration drilling. At Kahntah and Peggo, a total of 90,000 net acres were purchased to support the existing development and provide extension opportunities through further exploration. The largest acquisition (280,000 net acres) occurred in northern Alberta where a shallow gas exploration program is underway. In total, 480,000 net acres of Crown and freehold rights were purchased in Western Canada for $24 million at an average of $50 per acre. Net of expiries and surrenders, Home Oil's Western Canadian undeveloped acreage base increased in 1994 by 300,000 net acres.

Home Oil has an active program to farmout noncore undeveloped lands. During 1994 the program generated commitments for 28 wells of which 19 have been drilled and 11 classified as gas and oil wells.

RESERVES

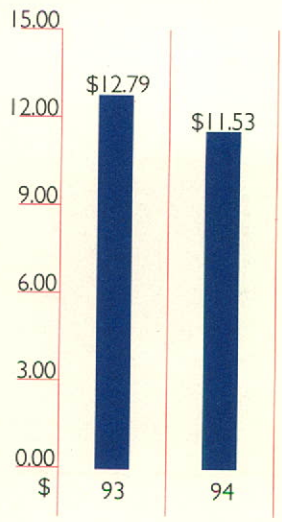
Proved reserves balance on a BOE basis at year end 1994 was unchanged from year end 1993, effectively arresting the declines in the reserve base that occurred during the previous three years. Proved reserves additions of 19 MMBOE replaced 106 percent of production. In addition, the Company added 24 MMBOE of probable reserves. Based on 1994 production levels, the proved reserves life index for natural gas is 11.3 years and 8.0 years for crude oil.

The proved reserves additions cost of $11.53 per BOE was high, as the success of the shallow gas drilling program in northeastern British Columbia was offset by poor results in the deep gas drilling program. The Company incurred significant expenditures for land acquisition and the preordering of equipment for gas gathering and processing projects for the 1995 winter program. These purchases contributed to higher additions costs in 1994, however position the Company to add proved reserves in the future at a lower cost.

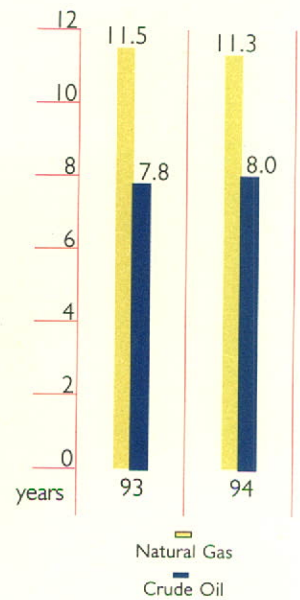
PROVED & PROBABLE RESERVES
(before royalties)

	Natural Gas (Bcf)	NGL (MMbbls)	Crude Oil (MMbbls)	BOE (MMBOE)
Proved Reserves				
Jan. 1, '94	970	20.0	56.0	173.0
Additions	113	3.0	4.7	19.0
Revisions	2	(0.4)	0.2	0.0
Acquisitions	15	1.0	1.1	3.6
Dispositions	(42)	(0.1)	(0.7)	(5.0)
Sales/Production	(86)	(2.5)	(6.8)	(17.9)
Dec. 31, '94	972	21.0	54.5	172.7
Proved developed	745	16.4	46.4	137.3
Proved undeveloped	227	4.6	8.1	35.4
Probable Reserves				
Jan. 1, '94	405	6.7	33.4	80.6
Additions	163	1.1	6.8	24.2
Transfers to proved	(19)	(0.1)	(3.7)	(5.7)
Dispositions	(30)	0.6	(0.7)	(3.1)
Dec. 31, '94	519	8.3	35.8	96.0
Total Reserves				
Dec. 31, '94	1,491	29.3	90.3	268.7

ADDITIONS COST PER BOE



PROVED RESERVES LIFE INDICES



operations review

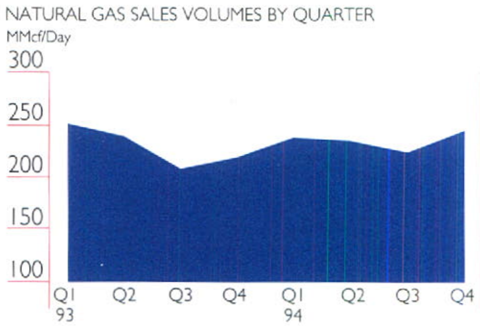
DAILY AVERAGE VOLUMES (before royalties)	'94	'93
Natural gas (MMcf)		
Leismer, AB	**56**	52
Border Montney, B.C./AB	**18**	15
Blackstone, AB	**14**	10
Harmattan, AB	**14**	14
South Wapiti, AB	**13**	18
Marten Hills, AB	**9**	8
Carstairs Elkton, AB	**8**	9
Hamburg, AB	**8**	9
Mistahae, AB	**8**	6
Moose Mountain, AB	**8**	8
Coleman, AB	**7**	6
Swan Hills, AB	**7**	8
Peggo, B.C.	**5**	0
Other	**60**	66
Total	**235**	229
Natural gas liquids (bbls)		
Swan Hills, AB	**2,846**	3,049
Mitsue, AB	**578**	574
Carstairs Elkton, AB	**483**	528
Moose Mountain, AB	**339**	295
Harmattan, AB	**324**	330
Turner Valley, AB	**296**	319
Brazeau River, AB	**294**	309
South Wapiti, AB	**251**	402
Other	**1,567**	2,125
Total	**6,978**	7,931
Crude oil (bbls)		
Swan Hills, AB	**4,569**	4,964
Mitsue, AB	**2,310**	2,525
Pierson, MB	**1,476**	953
West Eagle, B.C.	**1,324**	1,468
Manyberries, AB	**1,264**	1,158
Virginia Hills, AB	**832**	992
Wood River, AB	**816**	769
Cecil/Royce, AB	**798**	1,299
East Eagle, B.C.	**794**	886
Stoddart, B.C.	**785**	742
Harmattan, AB	**651**	614
Other	**2,884**	3,246
Total	**18,503**	19,616

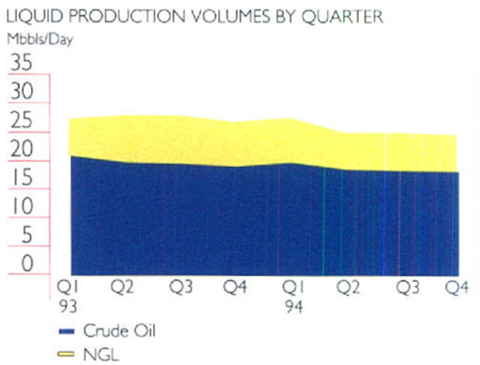
SALES/PRODUCTION

NATURAL GAS Sales of natural gas averaged 235 MMcf per day, up three percent from one year ago. This increase is primarily due to sales from newly developed fields and accelerated recovery at certain older fields. Production increases were recorded from Peggo, Blackstone, Leismer, and Border Montney. Productive capacity at year end of 260 MMcf per day is expected to increase by a further 15 percent by year end 1995. Natural gas sales in 1995 will depend on volumes shut in due to low spot prices.

NATURAL GAS LIQUIDS Production of natural gas liquids decreased 12 percent due to asset rationalization activity and natural decline. Production is expected to decline modestly in 1995.

CRUDE OIL Production declined six percent as new production from exploration and development projects, particularly from Pierson, was more than offset by natural decline; a trend expected to continue in 1995.



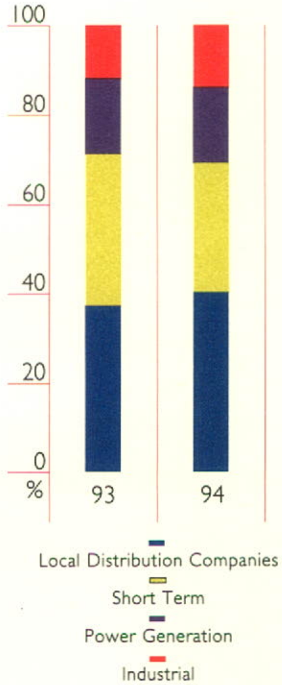


MARKETING

NATURAL GAS Home Oil realized an overall average price of $1.92 per Mcf in 1994, an eight percent increase from 1993. This reflected strong prices early in the year, partially offset by price declines as warm winter weather and high storage levels depressed prices later in the year. The average price was $1.67 per Mcf in the fourth quarter.

As a result of lower prices, Home Oil reduced gas sales into the spot market by shutting in high cost discretionary production in late 1994. Long term contracts which amount to 80 percent of the Company's deliverability, were met through those production sources providing higher profit margins. Production can be brought back on-stream quickly to service new contract obligations or short term sales opportunities.

NATURAL GAS SALES
(BY MARKET TYPE)



The Company's marketing strategy is to maintain a portfolio of diversified gas sales contracts in terms of pricing mechanisms, end users, and geographic areas. Consistent with this strategy Home Oil contracted increased long term sales in 1994. Direct sales under long term contracts to independent power generators in the northeastern U.S. totalled 35 MMcf per day by year end. The 15 MMcf per day sale to the Hermiston cogeneration facility which is under construction in Oregon, is on schedule to commence in 1996.

NATURAL GAS LIQUIDS The Company entered an exchange arrangement commencing in early 1995 to facilitate access to higher valued markets in Eastern Canada and the northeastern U.S. for up to 2,000 bbls per day of propane and butane.

CRUDE OIL Crude oil prices averaged $20.70 per bbl, up four percent from 1993 despite a seven percent decline in WTI which averaged U.S. $17.18 per bbl. The Company's average price differential to WTI improved by 29 percent from 1993, the result of a weakened Canadian dollar, increased demand for Canadian supply and price and exchange rate hedging gains.

The effect of Interprovincial Pipe Line (IPL) apportionment on price was minimized during 1994. Home Oil's marketing efforts successfully avoided selling into discount markets or shutting in production which would normally have resulted from IPL's decision.

pipeline operations

Effective July 1, 1994, Federated purchased the 12 inch - 506 mile - crude oil pipeline between Taylor and Kamloops, British Columbia, where it connects with Trans Mountain Pipeline. The pipeline transports approximately 38,000 bbls per day of crude oil with deliveries to a refinery in Prince George, British Columbia and to Trans Mountain. Federated now operates approximately 1,700 miles of pipeline in Alberta and British Columbia.

During 1994, pipeline throughput on the Alberta portion of the system was approximately 121,500 bbls per day of crude oil and 80,600 bbls per day of natural gas liquids. Oil throughput increased slightly due primarily to new battery tie-ins. Natural gas liquids throughput was also higher as volumes from the Caroline gas processing plant reached design capacity.

safety & environment

In June 1994, Home Oil and Federated became members of the Alberta Government's "Partnerships" safety program. Home Oil was presented with the Certificate of Recognition which acknowledges the program's required standards were met. The Company also received a Partnerships Certificate, acknowledging both commitment and contribution towards the improvement of safety programs for project contractors.

Home Oil and Federated recognize the importance of effectively responding to emergency situations, and in 1994 participated in 18 oil spill co-op exercises and 29 emergency response exercises.

The Company developed a Quality Management Plan for the Inspection of Pressure Equipment to enhance Home Oil's ability to operate safe and reliable facilities. An application for accreditation under the new Alberta Safety Codes Act will be submitted in 1995.

In 1994 the governments of Alberta, British Columbia and Manitoba introduced strategies to achieve varying degrees of environmental protection for provincial ecoregions by the year 2000. Home Oil actively monitors these developments and participates in their formulation. For example, the Company reviewed and officially supported Alberta's proposed Special Places 2000 program. In addition, Home Oil is actively participating in a joint industry environment committee (Eastern Slopes Environment and Energy Committee) with a view to recommend areas for environmental protection along the eastern slopes of Alberta's Rocky Mountain range. In the area of wildlife protection, the Company participated in the development of environmental protection guidelines for Woodland Caribou through the North Eastern Region Standing Committee and the North Western Caribou Committee.

In 1994, the Company initiated a study of greenhouse gas emissions from its facilities in response to the Federal Government's Voluntary Climate Control Challenge. The objective of the Challenge is to identify economically viable programs to reduce greenhouse gas emissions.

donations

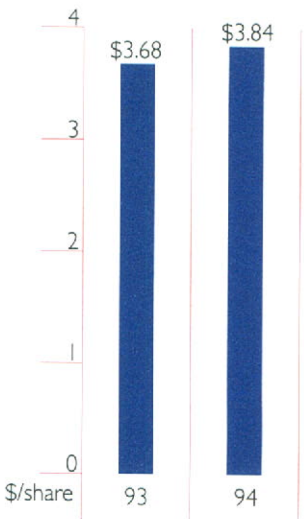
Home Oil is a designated IMAGINE Caring Company and exceeded the minimum commitment to donate one percent of pretax earnings in 1994. As a result, $0.4 million was donated to a diverse group of organizations and projects.

The Company also encourages employees to participate in volunteer activities to benefit their communities and develop their skills. In 1994, a Volunteer Involvement Program was created to provide financial contributions to the organizations which employees actively support.

management's discussion & analysis

Results of Operations provides an analysis of operating results in aggregate and on an individual line or product basis.

CASH FLOW FROM OPERATIONS



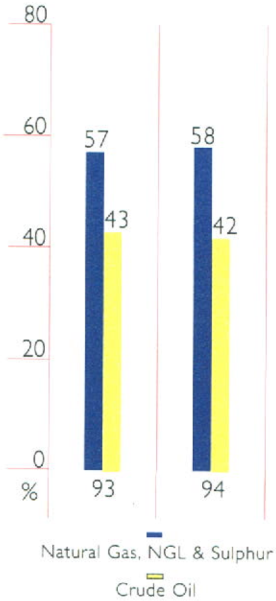
The following discussion of the results of operations and financial condition for the two years ended December 31, 1994 should be read in conjunction with the Consolidated Financial Statements and accompanying notes. Tables are presented in millions of dollars unless otherwise noted.

RESULTS OF OPERATIONS

OVERVIEW Cash flow from operations of $163 million was 11 percent higher than the $147 million generated in 1993 due to higher operating revenues and lower current taxes. Cash flow from operations per share increased only four percent as 5.5 million common shares were issued for net proceeds of $103 million in August 1994. Earnings in 1994 declined to $7.5 million, $0.18 per share, from $12.0 million, $0.30 per share, in 1993 as higher depletion expense more than offset improved revenues.

REVENUES

GAS AND OIL REVENUE CONTRIBUTION



OPERATING REVENUES, NET OF ROYALTIES Operating revenues, net of royalties, increased three percent as a result of higher natural gas and crude oil prices, partly offset by lower oil and NGL volumes. Operating revenues on a BOE basis improved six percent as a result of higher prices.

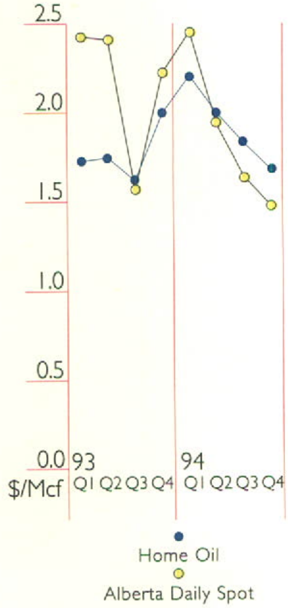
	'94	'93	Change
Natural gas	**$ 136**	$ 123	$ 13
NGL	**25**	30	(5)
Crude oil	**117**	116	1
Sulphur	**(1)**	(1)	–
Marketing and other	**4**	4	–
	$ 281	$ 272	$ 9
Oil and gas operating revenue per BOE	**$15.45**	$14.52	$0.93

Sulphur sales produced losses of around $1 million in each year. Excess supply continued to force prices below shipping and stockpiling costs and to reduce sales volumes.

NATURAL GAS Natural gas revenue increased $13 million primarily as a result of higher natural gas prices. Natural gas volumes were modestly higher with sales from newly developed fields and accelerated recovery at certain older fields exceeding property dispositions, natural decline and shut in production. During 1994 approximately 10 MMcf per day of gas was curtailed due to pipeline constraints in northern Alberta.

	'94	'93	Change
Revenue after royalty	**$ 136**	$ 123	11%
Volumes (MMcf per day)	**235**	229	3%
Prices (per Mcf)	**$ 1.92**	$ 1.77	8%
Royalty rate	**17.9%**	16.7%	(7%)

GAS PRICES



Approximately 80 percent of the Company's natural gas productive capacity is sold pursuant to long term contracts with the balance marketed under short term contracts at spot prices. In terms of price exposure, about three-quarters of gas sales are affected by the current gas price with the balance based on fixed prices or the price of other fuels.

The average natural gas wellhead price improved 15 cents per Mcf reflecting strong prices early in 1994, however, prices softened thereafter. Due to warm weather and high levels of industry storage, prices have continued to weaken with Home Oil's wellhead price averaging $1.53 per Mcf and the Alberta daily spot price averaging $0.94 per Mcf for the first two months of 1995.

Due to low gas prices, in January 1995 approximately 40 MMcf per day of gas that otherwise would have been sold was taken off the market. Higher cost fields were shut in and some gas was injected into storage. It is the Company's intention to continue to shut in uncontracted volumes until prices improve.

Current natural gas productive capacity is approximately 260 MMcf per day. This capacity is expected to increase by about 15 percent during 1995 primarily as a result of the winter development programs in the Kahntah and Peggo/Pesh areas of northeastern British Columbia. Natural gas sales volumes, however, will be affected by the amount of shut in production.

The average royalty rate increase was due to the price sensitive nature of the crown royalty formulas. Royalties in 1995 will be influenced by volume and price levels.

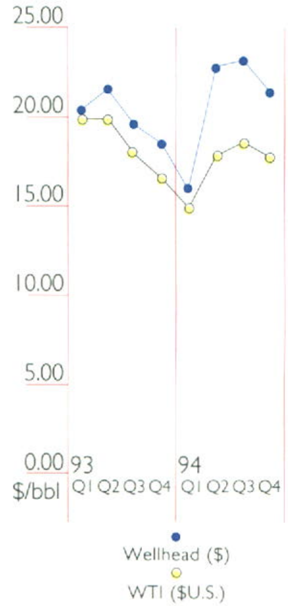
financial review

NATURAL GAS LIQUIDS NGL revenue decreased $5 million due mainly to lower volumes caused by asset rationalization activity and natural decline. Volumes are expected to decline modestly in 1995.

	'94	'93	Change
Revenue after royalty	$ 25	$ 30	(17%)
Volumes (Mbbls per day)	7.0	7.9	(12%)
Prices (per bbl)	$12.18	$ 12.57	(3%)
Royalty rate	17.9%	16.9%	(6%)

As a result of changes in Alberta's natural gas crown royalty administrative procedures, effective January 1, 1994 natural gas and NGL royalties are no longer reported separately. The same average rate is now used in reporting purposes for natural gas and NGL.

CRUDE OIL PRICES



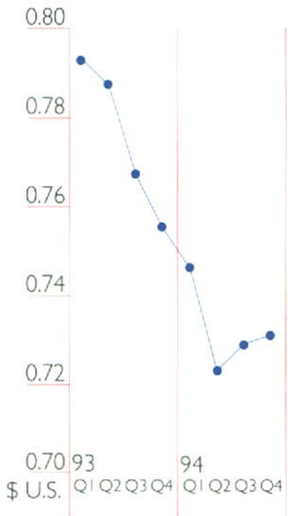
CRUDE OIL Crude oil revenue increased modestly as higher prices and lower royalties exceeded lower production. New production from exploration and development projects was more than offset by natural decline. This trend is expected to continue in 1995.

	'94	'93	Change
Revenue after royalty	$ 117	$ 116	1%
Volumes (Mbbls per day)	18.5	19.6	(6%)
Prices (per bbl)	$20.70	$ 19.96	4%
Royalty rate	17.0%	19.0%	11%

The Company's average crude oil price improved as the weakening Canadian dollar and reduced market discounts more than offset the drop in WTI. The Edmonton par price is the amount refiners will pay for light sweet crude oil. The Home Oil price reflects transportation from the wellhead and quality adjustments. Volatility in both WTI and the exchange rate are expected to continue in 1995.

	'94	'93	Change
WTI	US $17.18	US$ 18.49	US$ (1.31)
U.S. Exchange Rate	$ 0.73	$ 0.78	$ 0.05
Canadian equivalent to WTI	$23.47	$23.85	$ (0.38)
Canadian market discount	(1.60)	(2.02)	0.42
Edmonton par price	21.87	21.83	0.04
Home Oil field differential	(1.33)	(1.87)	0.54
Price and exchange hedging gains	0.16	–	0.16
Home Oil price	$20.70	$ 19.96	$ 0.74

EXCHANGE RATE



Royalties are sensitive to well production levels and in Alberta are based on a reference price established by the Government. Both factors declined in 1994 and, coupled with royalty holidays, resulted in a reduction in the average royalty rate. The 1995 royalty rate will be influenced by oil prices, natural decline and lower royalty incentives. The royalty rate is based on revenues excluding hedging gains or losses.

INVESTMENT AND OTHER INCOME Home Oil's share of Federated's earnings increased due to revenue from the mid-1994 acquisition of a British Columbia crude oil pipeline and the revenue increase from a full year's operation of the Caroline system. Equity earnings in 1995 are anticipated to approximate 1994 levels.

	'94	'93	Change
Equity in earnings of Federated	**$ 6**	$ 5	$ 1
Receipt on termination of gas sales contracts	**–**	4	(4)
Gain on sale of assets	**1**	3	(2)
	$ 7	$ 12	$ (5)

In 1993, the Company received compensation for the early termination of long term gas contracts with Alberta and Southern Gas Co. Ltd.

Nonstrategic assets were sold in 1994 and 1993 as part of an ongoing asset rationalization program.

EXPENSES

OPERATING Oil and gas operating expenses increased three percent due to the start up of new natural gas fields and higher property insurance costs. Higher unit costs reflect the three percent decrease in BOE production volumes. Oil and gas unit operating costs in 1995 are expected to remain near 1994 levels.

	'94	'93	Change
Oil and gas	**$ 63**	$ 61	$ (2)
Marketing and other	**1**	1	–
	$ 64	$ 62	$ (2)
Oil and gas operating costs per BOE	**$3.55**	$ 3.33	$ (0.22)

GENERAL AND ADMINISTRATIVE Administrative costs increased due to higher employee compensation and costs of $1 million associated with pursuing new business opportunities. Nonrecurring costs of $1 million, related to the purchase of Scurry's minority interest, were incurred in 1993.

	'94	'93	Change
Expense	**$ 20**	$ 19	(5%)
Oil and gas G&A per BOE	**$1.11**	$ 1.01	(10%)

General and administrative costs are expected to remain relatively unchanged in 1995.

DEPLETION, DEPRECIATION AND AMORTIZATION The 1994 oil and gas depletion rate increased due to 1993 revisions to proved reserves and the current year's additions cost exceeding the historical average. The rate increase was partially offset by lower production. The depletion rate is based on the conversion of natural gas volumes to barrels at their relative energy content. December wellhead prices of $1.69 per Mcf for natural gas and $20.83 per bbl for crude oil resulted in a surplus in the December 31, 1994 ceiling test of approximately $180 million.

	'94	'93	Change
Oil and gas	**$ 143**	$ 129	(11%)
Other	**4**	4	–
	$ 147	$ 133	(11%)
Oil and gas depletion rate (6 Mcf = 1 bbl)	**$6.04**	$ 5.39	(12%)

The depletion rate is expected to increase modestly in 1995.

INTEREST Interest expense declined five percent in 1994. Fixed interest expense declined as a result of the redemption of all outstanding 9.875% debentures in early 1994. Interest on floating rate debt increased primarily as a result of higher borrowings before receipt of the share issue proceeds in mid-1994. Foreign exchange losses decreased due to lower levels of U.S. dollar denominated borrowings.

	'94	'93	Change
Fixed	**$ 32**	$ 33	$ 1
Floating	**6**	3	(3)
Foreign exchange losses	**2**	6	4
	$ 40	$ 42	$ 2

In February 1995, the 11% debentures matured resulting in about one-third of the outstanding fixed rate debt being replaced by floating rate debt. As a result 1995 earnings and cash flow from operations will be more sensitive to changes in short term interest rates.

TAXES The 1994 effective tax rate was unchanged. Deferred taxes increased as current tax deductions for capital expenditures exceeded depletion and depreciation expenses.

	'94	'93	Change
Current	**$ 4**	$ 17	$ 13
Deferred	**5**	(3)	(8)
Total taxes	**$ 9**	$ 14	$ 5
Earnings before taxes	**$ 17**	$ 26	$ (9)
Effective tax rate	**54%**	54%	–

	Deductions Available	Maximum Annual Claim Rate
Federal and Provincial Deductions		
Undepreciated capital costs	$140	Average 25%
Canadian development expense	60	30%
Canadian oil and gas property expense	50	10%
Foreign exploration and development expense	25	10%
	$275	
Provincial Deductions Only		
Canadian exploration expense	$ 50	100%

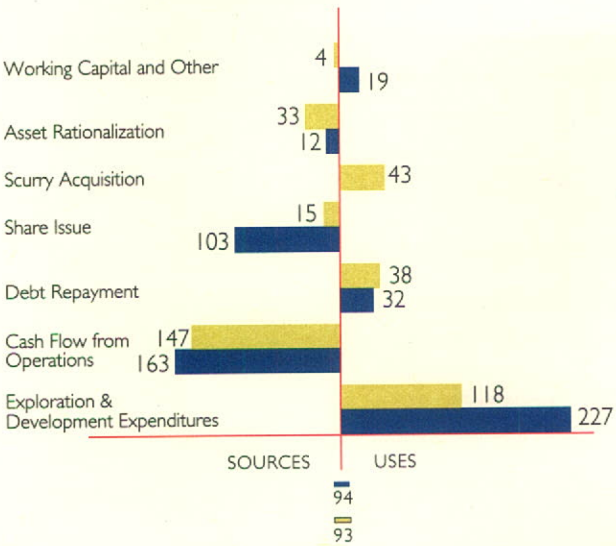
Earnings in 1995 are expected to be subject to current income taxes. At December 31, 1994 the deductions shown in the table were available to reduce future taxable income.

The Company is in the process of negotiating a settlement with Revenue Canada that is expected to result in a tax refund. The amount, which is dependent on negotiations with Revenue Canada, will be included in earnings when realized (see Note 13 to the 1994 consolidated financial statements).

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources discusses the sources which provide the capital available to finance ongoing activities.

SOURCES AND USES OF FUNDS



OVERVIEW Home Oil's financial position improved as a result of its equity issue in 1994. Proceeds from the share issue and higher cash flow from operations were used to fund a significantly larger capital program and to repay debt.

Exploration and development expenditures added proved reserves of 19 MMBOE, replacing 106 percent of production. The proved reserves additions cost of $11.53 per BOE was disappointing, being significantly higher than the $7 per BOE initially targeted for 1994.

The 1995 exploration and development program is budgeted at $145 million and reflects the deferral of certain gas development projects due to low prices. The program is expected to approximate cash flow from operations.

financial review

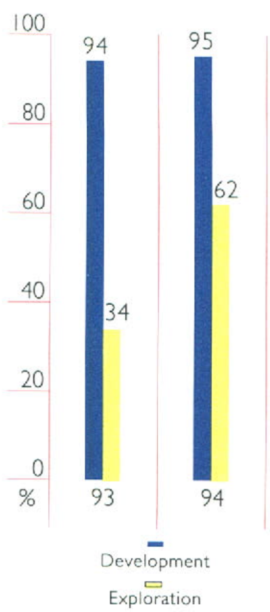
OPERATING ACTIVITIES

CASH FLOW FROM OPERATIONS Cash flow from operations totalled $163 million compared with $147 million in 1993. The 11 percent improvement resulted from higher natural gas revenues and lower current taxes. A larger dividend from Federated in 1994 was similar in amount to compensation received in 1993 for termination of certain natural gas sales contracts. Cash flow from operations per share increased only four percent because of a seven percent increase in the weighted average number of common shares outstanding.

OIL AND GAS CASH NETBACK PER BOE The oil and gas cash netback per BOE rose by 12 percent as a result of improvements in both natural gas and crude oil prices and lower current taxes. Compensation for termination of certain natural gas sales contracts was included in "Other" in 1993.

	'94	'93	Change
Revenue	**$ 18.71**	$ 17.66	$ 1.05
Royalties	**(3.26)**	(3.14)	(0.12)
Operating expense	**(3.55)**	(3.33)	(0.22)
Operating netback	**11.90**	11.19	0.71
Administrative expense	**(1.11)**	(1.01)	(0.10)
Cash interest	**(2.03)**	(1.91)	(0.12)
Current taxes	**(0.23)**	(0.90)	0.67
Other	**0.19**	0.39	(0.20)
Cash netback	**$ 8.72**	$ 7.76	$ 0.96
Production (MBOE)	**17,892**	18,451	(3%)

DRILLING SUCCESS RATIOS



INVESTING ACTIVITIES

EXPLORATION AND DEVELOPMENT EXPENDITURES Exploration and development expenditures increased 92 percent in 1994 as a result of significant land purchases and development activity to follow-up early exploration success.

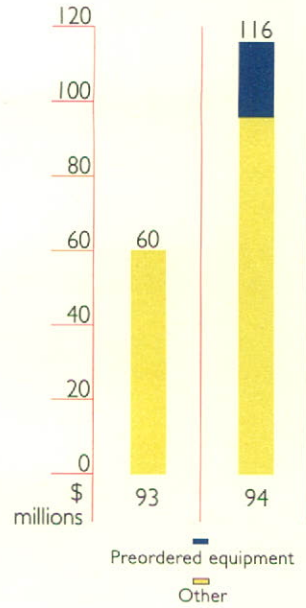
	'94	'93	Change
Canada			
Exploration and development	**$ 205**	$ 97	$ 108
Miscible fluids	**15**	18	(3)
Other	**3**	3	–
	223	118	105
International	**4**	–	4
	$ 227	$ 118	$ 109
Canadian additions cost per BOE	**$ 11.53**	$ 12.79	$ 1.26
Canadian % replacement of production	**106%**	49%	116%

Development expenditures almost doubled with emphasis on drilling and the installation of facilities in northeastern British Columbia. Net development wells increased by 44 percent to 75 wells. In addition, approximately $20 million was spent preordering gas production facilities to be installed in early 1995.

Exploration expenditures more than doubled with substantial increases in both drilling and land acquisitions. The number of net exploratory wells drilled increased from 32 in 1993 to 58 in 1994.

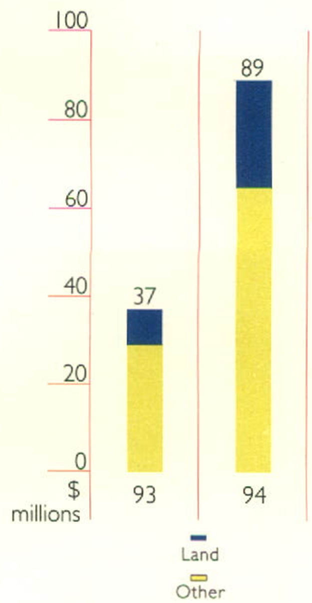
International expenditures of $4 million related to the recent acquisition of interests in two exploration blocks in Argentina.

CANADIAN DEVELOPMENT



Exploration and development activity added 19 MMBOE of proved reserves which more than replaced production. However, the proved reserves additions cost of $11.53 per BOE was disappointing when compared to the targeted cost of $7 per BOE. Considerable success was achieved in early 1994 in the Peggo/Pesh, Kahntah and Birley areas in northeastern British Columbia but this was offset by disappointment later in the year, particularly in the deeper exploration programs. The 1994 additions cost was also affected by a substantial land acquisition program which represents over $1 per BOE of the additions cost. These land acquisitions plus the increase in probable reserves of 15 MMBOE and the substantial investment in preordered equipment for this winter's drilling program position the Company to add proved reserves at a lower cost.

CANADIAN EXPLORATION



The 1995 exploration and development program is projected at $145 million with the objective of replacing production at a lower additions cost. This expenditure level reflects the deferral of a number of gas development prospects as a result of weaker prices, the decision to shut in production and the objective of matching expenditures with cash flow from operations. The program focuses on delineating recent shallow gas discoveries and follow-up exploration on surrounding land. Over half of the expenditures will be incurred in the first quarter of 1995 as activity will be concentrated in northern British Columbia and Alberta where access is limited to the winter months.

Home Oil's Canadian oil activity will focus on shallow exploratory drilling in southwestern Manitoba and the optimization of existing oil fields by drilling, workover and enhanced recovery. In Argentina, seismic activity and a three-well drilling program at a cost of about $4 million will be conducted in 1995.

ASSET RATIONALIZATION During 1994 the emphasis on asset rationalization declined commensurate with the diminished noncore property base. Asset rationalization will continue in 1995 at a reduced level with an emphasis on property swaps.

	'94	'93	Change
Proceeds from sale of assets	**$21**	$53	$(32)
Acquisitions of proved properties	**(9)**	(20)	(11)
	$12	$33	$(21)

FINANCING ACTIVITIES AND CAPITALIZATION

CAPITALIZATION By December 31, 1994, the debt to equity ratio had improved to 40:60 as a result of the equity issue, modest debt repayment and retention of earnings. The Company does not anticipate a significant change in the debt to equity ratio as 1995 capital expenditures are expected to be approximately balanced with cash flow from operations.

	'94		'93		Change
	Amt.	**%**	**Amt.**	**%**	**Amt.**
Long Term Debt					
Oil Indexed Debenture, due 2000	**$200**	**22**	$200	25	$ –
11% Debentures, due 1995	**125**	**14**	125	15	–
9.875% Debentures, due 1998	**–**	**–**	16	2	16
Revolving Bank Credit Facility, due 1998					
Canadian	**18**	**2**	20	2	2
U.S.	**17**	**2**	29	4	12
	360	**40**	390	48	30
Equity	**539**	**60**	427	52	112
Total	**$899**	**100**	$817	100	$ 82

The Oil Indexed Debenture's interest rate was effectively fixed at 8.263% in February 1993 and the outstanding 9.875% debentures were redeemed in February 1994. The 11% debentures matured in February 1995 and were refinanced under the revolving bank credit facility at floating rates.

LIQUIDITY A working capital deficit of $3 million existed at the end of 1994. On an ongoing basis, the settlement of trade accounts receivable is expected to provide adequate liquidity to settle trade payables when due. The revolving bank credit facility, which permits borrowings of up to $280 million in either Canadian or U.S. dollars, provides additional liquidity to fund ongoing working capital and operating requirements. At December 31, 1994, the unutilized portion of the revolving bank credit facility, net of the $125 million required to refinance the 11% debentures, amounted to $112 million. The credit facility matures in June 1998 with provision for extensions.

The ratio of long term debt to cash flow from operations improved to 2.2 times in 1994 from 2.7 times last year as a result of reductions in long term debt and higher cash flow from operations. The ratio is expected to increase in 1995 due to a marginal increase in debt levels and lower cash flow from operations resulting from lower gas prices and shut in gas volumes. The Company's long term target ratio is below two times cash flow.

The Dominion Bond Rating Service upgraded Home Oil's long term debt rating to A(low) in 1994. The Canadian Bond Rating Service maintained its rating at B++ but revised its outlook from stable to positive.

BUSINESS RISK AND PROSPECTS

Business Risks and Prospects presents the impact industry and business environment changes will have on future results of operations and management's general outlook for the near future.

The Canadian oil and gas upstream industry continues to face many challenges as it strives to achieve improved profitability. The Company's financial results are sensitive to changes in market conditions including natural gas and crude oil prices as well as government regulation. In addition, results are dependent upon sales volumes and upon the ability to economically find, develop and produce reserves.

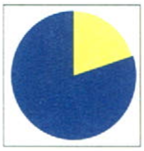
MARKET CONDITIONS Product prices are influenced by supply, competition, the Canada/U.S. dollar exchange rate, transportation, political stability and seasonal changes in demand resulting from weather patterns. The value of the Canadian dollar, which is influenced by economic and political factors, affects all of the Company's crude oil and approximately half of its natural gas sales which are priced in U.S. dollars. To reduce the impact of these factors, the Company conducts a hedging program to manage exposure to crude oil and natural gas prices and the exchange rate. The program is subject to certain targets and limitations as approved by the Board of Directors from time to time. To this end the Company has fixed the exchange rate on revenues totalling U.S. $50 million for each of the three years 1995 through 1997 at average exchange rates of U.S. $0.707, U.S. $0.699 and U.S. $0.693, respectively.

GAS PRICING MECHANISM

NYMEX 50%
Alta/BC 25%
Fixed/Other Fuels 25%

Exposure to natural gas price fluctuations is also managed through the contract portfolio. Currently, approximately three-quarters of gas sales are affected by New York Mercantile Exchange prices or short term prices in the Alberta and British Columbia markets. The balance is based on fixed prices or is priced off of other fuels. At the end of 1994 about 80 percent of the Company's gas supply was under long term contract with the remainder marketed under short term contracts. Transportation limitations in northern Alberta affected sales volumes in 1994 but improved pipeline accessibility in 1995 is expected to increase natural gas sales capacity from both northern Alberta and northeastern British Columbia.

GAS CONTRACT TERMS



A combination of increased gas supply and a relatively mild winter in North America resulted in spot prices falling below economic levels in late 1994 and early 1995. As a result, in January 1995 the Company removed approximately 40 MMcf per day of gas from the Alberta market. While the price outlook for 1995 is uncertain, the Company believes the longer term outlook for natural gas is positive. The current warm winter and increased deliverability has resulted in the oversupply which will likely last until the 1995/1996 heating season. Lower prices and reduced cash flow to the industry is expected to curtail development of new supplies. This reduction in development, combined with natural field decline and increasing demand, is expected to result in strengthening prices over the long term.

Crude oil is sold at current prices that are based on U.S. dollar WTI prices for light sweet crude at Cushing, Oklahoma. The wellhead price is determined by adjusting WTI for Canada/U.S. dollar exchange as well as transportation costs, differences in the quality of oil being produced and market discounts. World crude oil prices reflect growing demand, however, unexpected changes in supply, particularly within OPEC, could create volatile market prices in 1995.

Inflation has not materially affected oil and gas expenses in recent years. However, modest inflationary pressure on capital, operating and administrative costs is anticipated in 1995.

REGULATION Government regulation and legislation of royalties, taxes and environmental requirements have a significant impact on the industry and the Company. Effective 1993, the Province of Alberta implemented a price sensitive royalty regime which results in more volatile royalty rates.

Environmental legislation increasingly imposes more stringent environmental standards for new project development, operation and abandonment of oil and gas facilities. The environmental policy of the Company is to meet or exceed these requirements and to abide by the Environmental Code of Practice published by the Canadian Association of Petroleum Producers. The Safety & Environment department ensures compliance with this directive and reports to the Safety & Environment Committee of the Board of Directors.

The estimated liability for future abandonment and restoration costs is reviewed annually and is recorded in accordance with the Canadian Institute of Chartered Accountants recommendation of accruing these costs using the unit of production method. Total future costs are currently estimated at $60 million, of which $16 million has been recorded as a liability. Site restoration expenditures were $2 million in 1994 and are expected to be about the same in 1995.

SENSITIVITIES The current imbalance in natural gas supply and demand has resulted in unstable prices that make the earnings and cash flow projections for 1995 highly uncertain. Natural gas productive capacity will increase as the development of recent discoveries is completed, however, 1995 sales will be affected by volumes taken off the market as a result of unacceptably low prices.

Oil and natural gas liquids volumes are expected to decline modestly in 1995 as natural decline exceeds new production from exploration and development programs. Oil prices are affected by many factors and will likely remain volatile.

Home Oil's earnings and cash flow are highly sensitive to changes in prices and volumes. The estimated annual effect of a change in each of the following factors is set out below. The sensitivities are based on 1994 average volumes and prices before hedging, and assume existing tax and royalty legislation.

Financial Sensitivities	Approximate Annual Change (millions)		Actual 1994 Results
	Earnings	**Cash Flow from Operations**	
Prices			
Natural gas (Cdn. $0.10 per Mcf)	**$4**	$5	$ 1.92/Mcf
Crude oil (U.S. $1 per bbl)	**$4**	$6	U.S. $17.18/bbl
Sales/production			
Natural gas (10 MMcf per day)	**$1**	$4	235 MMcf/day
Crude oil (1,000 bbls per day)	**$2**	$5	18.5 Mbbls/day
Average royalty rate (1%)	**$3**	$3	17.5%
Exchange rate (U.S. $0.01)	**$2**	$2	$ 0.73
Interest rate (1%)(1)	**$1**	$1	8.9%

(1) The actual 1994 result reflects the average interest rate on the revolving bank credit facility and the 11% debentures. The sensitivity reflects the effect of a one percent increase or decrease from 8.9% in the 30 day Bankers' Acceptances rate.

financial review

management's report

March 14, 1995
To the Shareholders of
Home Oil Company Limited

Management is responsible for the accompanying consolidated financial statements and for the integrity and consistency of all information in this Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that reflect management's judgment and best estimates. Financial information contained throughout this Annual Report is consistent with the financial statements.

Management has established systems of internal control that provide reasonable assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The internal control system is augmented by an internal audit function and an established code of business conduct.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board, which consists of four independent directors, has specific responsibility for this area. The Committee meets with management, internal auditors and independent auditors to review the internal controls, financial statements and auditors' reports. The Committee reports its findings to the Board for its consideration in approving the financial statements and other information for issuance to the shareholders.

Price Waterhouse, appointed by the shareholders as the Company's independent auditors, have examined the consolidated financial statements and their report follows.

D Powell

David E. Powell
President &
Chief Executive Officer

A. R. Hageman

Allen R. Hagerman
Vice President &
Chief Financial Officer

auditors' report

February 8, 1995
To the Shareholders of
Home Oil Company Limited

We have audited the consolidated statement of financial position of Home Oil Company Limited as at December 31, 1994 and 1993 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the two year period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and 1993 and the results of its operations and cash flows for each of the years in the two year period ended December 31, 1994 in accordance with generally accepted accounting principles.

Price Waterhouse

Price Waterhouse
Chartered Accountants
Calgary, Alberta, Canada

consolidated statement of earnings

(millions, except per share amounts)

Year Ended December 31,	1994	1993
Revenues		
Operating	$339.1	$330.3
Less royalties	58.4	58.0
	280.7	272.3
Investment and other income (Note 2)	6.6	11.4
	287.3	283.7
Expenses		
Operating	63.9	62.1
General and administrative	20.3	19.3
Depletion, depreciation and amortization (Note 5)	146.6	133.3
Interest (Note 3)	39.8	42.2
Minority interest	–	1.1
	270.6	258.0
Earnings Before Taxes	16.7	25.7
Taxes (Note 4)		
Current	4.4	16.9
Deferred	4.8	(3.2)
	9.2	13.7
Earnings	$ 7.5	$ 12.0
Weighted Average Number of Common Shares Outstanding	42.4	39.8
Earnings per Common Share (Note 8)	$ 0.18	$ 0.30

consolidated statement of retained earnings

(millions)

Year Ended December 31,	1994	1993
Beginning of Year	$158.3	$146.3
Earnings	7.5	12.0
End of Year	$165.8	$158.3

financial statements

consolidated statement of cash flows

(millions, except per share amounts)

Year Ended December 31,	1994	1993
Operating Activities		
Earnings	$ 7.5	$ 12.0
Charges (credits) not affecting cash flow from operations		
Depletion, depreciation and amortization	146.6	133.3
Deferred taxes	4.8	(3.2)
Amortization of exchange loss on U.S. debt	2.4	6.0
Other	1.7	(1.6)
Cash Flow from Operations	163.0	146.5
Changes in noncash working capital	(27.8)	(6.2)
	135.2	140.3
Investing Activities		
Exploration and development expenditures	(226.6)	(118.3)
Asset rationalization		
Proceeds from sale of assets	21.7	53.4
Acquisitions of proved properties	(9.4)	(20.5)
Site restoration expenditures	(2.1)	(2.8)
Acquisition of minority interest in Scurry (Note 10)	–	(42.5)
Changes in noncash working capital	11.6	15.2
Other	1.4	1.7
	(203.4)	(113.8)
Financing Activities		
Repayment of long term debt	(32.5)	(37.9)
Common shares issued (Note 8)	103.1	14.6
Changes in noncash working capital	(0.4)	(1.9)
Other	(2.0)	(1.3)
	68.2	(26.5)
Increase in Cash and Short Term Deposits	$ –	$ –
Cash Flow from Operations per Common Share	$ 3.84	$ 3.68

consolidated statement of financial position

(millions)

December 31,	1994	1993
ASSETS		
Current Assets		
Accounts receivable	$ 54.5	$ 53.0
Taxes recoverable	5.8	–
Inventories	7.1	7.4
	67.4	60.4
Investment in Federated Pipe Lines Ltd.	14.1	14.9
Property, Plant and Equipment (Note 5)	1,348.4	1,275.5
Other Assets	3.2	4.2
	$1,433.1	$1,355.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 63.3	$ 62.8
Interest payable	7.5	7.8
Taxes payable	–	9.8
	70.8	80.4
Long Term Debt (Note 6)	360.0	390.1
Deferred Credits (Note 7)	25.0	22.6
Deferred Taxes	438.5	435.4
	894.3	928.5
Shareholders' Equity		
Capital Stock (Note 8)		
Common shares issued 45.9 (1993 - 40.4)	219.4	114.6
Contributed surplus	153.6	153.6
Retained earnings	165.8	158.3
	538.8	426.5
	$1,433.1	$1,355.0

Approved by the Board:

Director

Director

notes to the 1994 consolidated financial statements

(tabular amounts expressed in millions of dollars, unless otherwise noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Home Oil Company Limited are prepared in accordance with Canadian generally accepted accounting principles and conform in all material respects with the historical cost accounting standards of the International Accounting Standards Committee.

PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned (Note 10). The Company's 50 percent interest in Federated Pipe Lines Ltd. ("Federated"), which the Company operates, is accounted for using the equity method.

A significant portion of exploration, development and production activities are conducted jointly with others. These financial statements reflect the Company's proportionate interest in such activities.

FOREIGN CURRENCY TRANSLATION Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year end while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at monthly average rates of exchange. Translation gains and losses are included in earnings except for unrealized gains and losses on long term monetary items which are deferred and amortized to earnings over their remaining term.

CASH Cash, for the purposes of the Statement of Cash Flows, is defined as cash and short term deposits, which are highly marketable securities with a maturity of three months or less. Operating cash requirements are funded by a revolving long term credit facility and accordingly are shown on the Statement of Cash Flows under Financing Activities.

INVENTORIES Inventories are stated at the lower of cost and net realizable value. Cost is determined using either the specific item or average cost method.

PROPERTY, PLANT AND EQUIPMENT The full cost method of accounting is followed for oil and gas operations, whereby all exploration and development costs are capitalized on a country by country basis. Capitalized costs include land acquisition costs, geological and geophysical costs, lease rentals and related charges applicable to nonproducing properties, costs of drilling both productive and nonproductive wells, production equipment costs and administrative costs related to exploration and development activities. The net book value of such costs, net of related deferred taxes and the site restoration accrual, is limited by a "ceiling test" amount. This amount is the sum of future net revenues from proved reserves at current prices and costs, plus the lower of cost and estimated fair market value of unproved properties, less estimated future financing, administrative and tax expenses.

Oil and gas costs, including future development costs but excluding costs of acquiring and evaluating unproved properties, are depleted using the unit of production method based upon estimated proved reserves before royalties, as determined by Company engineers. Natural gas reserves and sales are converted to equivalent units of crude oil based on six Mcf of natural gas to one bbl of crude oil. Unproved property costs are excluded from the calculation until it is determined whether or not proved reserves are attributable to the properties or impairment occurs.

When oil and gas properties and equipment are retired or otherwise disposed of, the net proceeds are credited to the carrying value except for major disposals for which the gain or loss is included in earnings.

Future obligations for decommissioning and site restoration costs are accrued using the unit of production method. The annual provision is recorded as depletion expense and actual site restoration expenditures are charged against the accrual.

Depreciation of buildings, pipeline and equipment, other than oil and gas production equipment, is provided on the straight line basis over the estimated service life of each asset.

DEFERRED TAXES Taxes are accounted for using the tax allocation basis of accounting. Under this method, deferred taxes are recorded at historical rates with respect to differences between depletion, depreciation and other items recorded in the accounts and related amounts claimed for tax purposes.

DERIVATIVES Derivative financial instruments are used to manage exposures related to interest rates, the Canada/U.S. exchange rate and oil and gas prices. They are not used for trading purposes.

Amounts received or paid under an interest rate swap are recognized in interest expense on an accrual basis, while gains and losses on exchange rate and price hedges are included in revenue on sale of the related production.

COMPARATIVE AMOUNTS Certain comparative amounts have been reclassified to conform with current presentation.

2. INVESTMENT AND OTHER INCOME

Year Ended December 31,	**1994**	1993
Equity in earnings of Federated	**$ 5.4**	$ 4.6
Receipt on termination of gas sales contracts	**-**	4.0
Other	**1.2**	2.8
	$ 6.6	$ 11.4

In 1994 dividends of $6.2 million were received from Federated (1993 - $3.1 million).

3. INTEREST

Year Ended December 31,	**1994**	1993
Long term debt	**$39.6**	$ 41.9
Short term borrowings	**0.2**	0.3
	$39.8	$ 42.2

4. TAXES

The tax provision differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates to earnings before taxes. The differences result from the items shown in the following table:

Year Ended December 31,	**1994**	1993
Earnings before taxes	**$ 16.7**	$ 25.7
Canadian statutory tax rate	**44.5%**	44.4%
Taxes at statutory rate	**$ 7.4**	$ 11.4
Increase (decrease) resulting from:		
Nondeductible resource royalties	**23.2**	23.5
Federal resource allowance	**(21.4)**	(21.6)
Alberta Royalty Tax Credit	**(1.9)**	(1.2)
Capital taxes	**2.9**	2.8
Equity earnings	**(2.4)**	(2.0)
Nondeductible capital losses	**1.0**	2.1
Other	**0.4**	(1.3)
Taxes	**$ 9.2**	$ 13.7

5. PROPERTY, PLANT AND EQUIPMENT

December 31, 1994	Cost	Accumulated Depletion, Depreciation and Amortization	Net
Oil and gas (full cost)			
Canada	**$ 2,493.0**	**$ 1,172.4**	**$ 1,320.6**
Argentina	**3.8**	**–**	**3.8**
Buildings, land and other	**45.6**	**27.9**	**17.7**
Pipeline	**10.2**	**5.9**	**4.3**
Mining	**7.3**	**5.3**	**2.0**
	$ 2,559.9	**$ 1,211.5**	**$ 1,348.4**

financial statements

December 31, 1993	Cost	Accumulated Depletion, Depreciation and Amortization	Net
Oil and gas (full cost)			
Canada	$ 2,352.0	$ 1,100.0	$ 1,252.0
Buildings, land and other	44.4	27.6	16.8
Pipeline	10.3	5.6	4.7
Mining	7.1	5.1	2.0
	$ 2,413.8	$ 1,138.3	$ 1,275.5

The oil and gas depletion, depreciation and amortization rate, based on the conversion ratio of six Mcf of natural gas to one bbl of oil, amounted to $6.04 for the year ended December 31, 1994 (1993 - $5.39). Unproved property costs of $6.3 million in Canada and $3.8 million in Argentina were excluded from the Company's depletion base (1993 - nil).

During the year administrative costs related to exploration and development activities of $7.3 million (1993 - $6.4 million) were capitalized.

At December 31, 1994 and 1993, the Company had a surplus in its ceiling test based on year end wellhead prices of $1.69 per Mcf for natural gas (1993 - $2.15) and $20.83 per bbl for crude oil (1993 - $15.70).

6. LONG TERM DEBT

December 31,	Maturity	**1994**	1993
Oil Indexed Debenture	October 2000	**$200.0**	$200.0
9.875% Sinking Fund Debentures	October 1998	**–**	16.4
Revolving Bank Credit Facility	June 1998		
Canadian dollars		**17.6**	19.6
U.S. dollars (U.S. $12.4; 1993 - $22.0)		**17.4**	29.1
11% Debentures	February 1995	**125.0**	125.0
		$360.0	$390.1

The effective interest rate on the Oil Indexed Debenture ("OID") of 8.263 percent was fixed by an unsecured interest rate swap from February 1, 1993 until maturity. The counterparty to the swap carries a credit rating of AAA by Standard & Poor's. The debenture bears interest at a fixed rate of 5.0 percent per annum plus a variable rate of up to 16.8 percent per annum based upon the average price of crude oil. In 1993 the interest rate averaged 8.2 percent (Note 9).

The bank credit facility is available in any combination of Canadian or U.S. dollar amounts up to Canadian $280 million on a revolving basis and is sufficient to repay the 11% debentures upon maturity.

Revolving Bank Credit Facility Interest Rates	**1994**	1993
Canadian		
Average	**6.0%**	5.3%
Year End	**6.7%**	4.3%
U.S.		
Average	**4.9%**	3.9%
Year End	**6.5%**	3.9%

During the next five years, long term debt of $160.0 million matures in 1998.

The long term debt is unsecured but the agreements include various covenants which influence the amount of additional debt and future security required under certain circumstances.

7. DEFERRED CREDITS

December 31,	**1994**	1993
Site restoration accrual		
Beginning of year	**$ 14.3**	$ 14.0
Current year provision	**4.1**	3.1
Current year expenditures	**(2.1)**	(2.8)
End of year	**16.3**	14.3
Pension accrual (Note 11)	**8.7**	8.3
	$ 25.0	$ 22.6

Future decommissioning and site restoration costs are estimated at $60 million.

8. CAPITAL STOCK

The authorized capital stock of the Company consists of an unlimited number of common shares and preferred shares.

Common Shares Issued and Outstanding	**1994** Number of Shares (thousands)	**1994** Amount	1993 Number of Shares (thousands)	1993 Amount
Beginning of year	**40,360**	**$114.6**	39,645	$100.0
Issued				
Public offering	**5,500**	**107.3**	–	–
Offering expenses, net of taxes	**–**	**(2.5)**	–	–
Scurry minority interest purchase (Note 10)	**–**	**–**	707	14.5
Stock options exercised	**3**	**–**	8	0.1
End of year	**45,863**	**$219.4**	40,360	$114.6

Certain employees have been granted options to purchase unissued common shares of the Company.

Shares Under Option (thousands)	**1994**	1993
Beginning of year	**622**	463
Options granted	**232**	167
Options cancelled	**(21)**	–
Options exercised	**(3)**	(8)
End of year	**830**	622

Expiry Date	Option Price per Share	Number of Shares (thousands)
September 15, 2001	$ 14.625	211
May 6, 2002	$ 16.125	92
August 6, 2002	$ 15.500	135
August 3, 2003	$ 18.500	160
August 3, 2004	$ 19.375	232
		830

There would have been no material dilution of earnings per common share if outstanding stock options had been exercised during the year.

At December 31, 1994 there were 767,500 common shares reserved for the granting of additional options under the Incentive Stock Option Plan, 1994.

A Shareholder Bid Approval Plan was ratified by more than an 80 percent vote at the 1994 annual meeting of shareholders held May 10, 1994. The Plan is intended to ensure the Board of Directors has adequate time to analyze and identify alternatives to any bid for Home Oil common shares. It also provides shareholders the right to determine whether a bid should proceed and the opportunity to participate in the benefits of a bid. If a bid does not satisfy the terms of the Plan, shareholders other than the bidder may purchase additional common shares at 50 percent of market value, which would significantly dilute the value of the bidder's holdings.

9. RELATED PARTY TRANSACTIONS

In March 1993 the 50 percent interest in an underground storage facility at Hardisty, Alberta was sold to Federated for $1.3 million, resulting in a pretax gain of $1.3 million. The Company uses the pipeline transportation services of Federated under competitive terms and in the normal course of business.

The Oil Indexed Debenture was held by a wholly owned subsidiary of Gulf Canada Resources Limited ("Gulf"), which owned approximately 22.8 percent of the Company's outstanding common shares prior to June 1993. Exploration and production activities are conducted jointly with others, including Gulf, under competitive terms and in the normal course of business.

10. ACQUISITION OF SCURRY MINORITY INTEREST

The 11.9 percent minority interest in Scurry-Rainbow Oil Limited ("Scurry") was acquired November 8, 1993 for $28.0 million cash and 707 thousand common shares valued at $14.5 million. Of the $42.5 million total acquisition cost, $13.3 million was allocated to Property, Plant and Equipment with the balance allocated to Minority Interest.

11. PENSION PLAN

Noncontributory defined benefit pension plans cover substantially all employees. The plans are funded based on independent actuarial valuations. Plan assets are invested primarily in publicly traded equity and fixed income securities. Retirement benefits are based on the

financial statements

employees' years of service and salaries during the last years of employment. The cost of pensions is based on the projected benefits and is charged to earnings as services are rendered. The cost reflects management's best estimates of the rate of return on pension plan assets, rate of salary increases and various other factors including mortality rates, terminations and retirement ages. Adjustments arising from plan amendments, experience gains and losses, and changes to assumptions are amortized over the expected average remaining service lives of the employees of approximately 13 years.

Based on an actuarial valuation dated January 1, 1994, the status of the plans was:

December 31,	**1994**	1993
Pension plan assets at market values	**$ 91.1**	$ 92.4
Projected benefit obligations	**91.0**	83.7
Excess of pension plan assets over projected benefit obligations	**$ 0.1**	$ 8.7

The Company's pension cost for the year ended December 31, 1994 was $2.4 million (1993 - $2.4 million). The estimated average rate of return on pension plan assets and average rate of salary increases were 8.5 percent and 6.5 percent, respectively.

12. HEDGING ACTIVITIES

Gains resulting from crude oil price and foreign exchange hedges amounted to $1.1 million in 1994 (1993 - nil). The Company has outstanding swap agreements that effectively lock in the exchange rate on U.S. $50 million per annum for each of the three years 1995 through 1997 at average exchange rates of U.S.$0.707, U.S.$0.699 and U.S.$0.693, respectively. The counterparties to these unsecured contracts carry credit ratings of AA by the Dominion Bond Rating Service.

13. CONTINGENCIES

Corporate tax returns are subject to assessment by Revenue Canada in the normal course of business. The Company currently has a number of outstanding tax issues that are expected to result in a refund. The most significant issue relates to the method of calculating resource allowance and its resolution is dependent on agreement being reached with Revenue Canada. Any such refund will be included in earnings when realized.

quarterly

SELECTED FINANCIAL INFORMATION (UNAUDITED)

(dollars in millions, except per share amounts)	First	Second	Third	Fourth	Total
1994 Quarters					
Operating revenues, net of royalties	**$ 69.3**	**$ 73.4**	**$ 69.0**	**$ 69.0**	**$ 280.7**
Earnings	**$ 1.0**	**$ 3.6**	**$ 0.9**	**$ 2.0**	**$ 7.5**
Cash flow from operations	**$ 39.9**	**$ 43.6**	**$ 36.7**	**$ 42.8**	**$ 163.0**
Earnings per common share	**$ 0.03**	**$ 0.08**	**$ 0.02**	**$ 0.05**	**$ 0.18**
1993 Quarters					
Operating revenues, net of royalties	$ 72.4	$ 70.6	$ 61.5	$ 67.8	$ 272.3
Earnings	$ 5.0	$ 4.6	$ 1.0	$ 1.4	$ 12.0
Cash flow from operations	$ 38.2	$ 39.3	$ 34.7	$ 34.3	$ 146.5
Earnings per common share	$ 0.13	$ 0.11	$ 0.03	$ 0.03	$ 0.30

SHARE TRADING

TSE (The Toronto Stock Exchange)	First	Second	Third	Fourth	Annual
1994 Quarters					
High	**$19 1/2**	**$19 3/4**	**$21 1/4**	**$19 3/4**	**$21 1/4**
Low	**$16 3/8**	**$16 3/4**	**$17 7/8**	**$14**	**$14**
1993 Quarters					
High	$15 3/8	$21 5/8	$23 1/4	$22 3/4	$23 1/4
Low	$13	$15	$17 3/4	$16 1/2	$13

AMEX (American Stock Exchange)	First	Second	Third	Fourth	Annual
1994 Quarters (U.S. $)					
High	**$14 1/2**	**$14 3/8**	**$15 1/8**	**$14 1/4**	**$15 1/8**
Low	**$12 1/8**	**$11 7/8**	**$13**	**$10 1/8**	**$10 1/8**
1993 Quarters (U.S. $)					
High	$12 1/2	$16 5/8	$17 3/8	$17	$17 3/8
Low	$ 9 3/4	$11	$13 7/8	$12 1/8	$ 9 3/4

Weighted Average Number of Shares Outstanding	First	Second	Third	Fourth	Annual
1994 Quarters (thousands)	**40,361**	**40,361**	**43,081**	**45,863**	**42,417**
1993 Quarters (thousands)	39,644	39,645	39,647	40,124	39,765

five year review

OPERATING

Sales/Production Data (before royalties)	1994	1993	1992	1991	1990
Daily sales/production					
Natural gas (MMcf)	**235**	229	214	173	160
NGL (Mbbls)	**7.0**	7.9	8.0	6.6	6.5
Crude oil (Mbbls)	**18.5**	19.6	22.8	23.8	25.0
Prices					
Natural gas (per Mcf)	**$ 1.92**	$ 1.77	$ 1.38	$ 1.37	$ 1.62
NGL (per bbl)	**$12.18**	$12.57	$12.25	$12.80	$15.66
Crude oil (per bbl)	**$20.70**	$19.96	$20.80	$20.58	$25.57
Royalty rates					
Natural gas	**17.9%**	16.7%	14.9%	17.4%	16.2%
NGL	**17.9%**	16.9%	16.7%	17.6%	17.6%
Crude oil	**17.0%**	19.0%	18.9%	17.0%	16.5%
Average	**17.5%**	17.8%	17.3%	17.1%	16.5%

Netbacks (per BOE)	1994	1993	1992	1991	1990
Oil & gas operating netback	**$11.90**	$11.19	$10.30	$10.53	$13.88

Working Interest Wells Drilled	1994 Gross	1994 Net	1993 Gross	1993 Net	1992 Gross	1992 Net	1991 Gross	1991 Net	1990 Gross	1990 Net
Exploratory										
Gas	**29**	**25**	7	4	2	1	11	5	27	12
Oil	**13**	**11**	8	7	2	1	7	2	9	4
Dry	**28**	**22**	26	21	15	7	33	15	32	19
	70	**58**	41	32	19	9	51	22	68	35
Development										
Gas	**75**	**40**	27	7	5	2	13	4	45	22
Oil	**51**	**31**	92	42	74	21	61	16	76	29
Dry	**11**	**4**	10	3	14	2	7	3	12	4
	137	**75**	129	52	93	25	81	23	133	55
Total	**207**	**133**	170	84	112	34	132	45	201	90
Average working interest		**64%**		49%		30%		34%		45%

Success Ratios (percentages)	1994 Gross	1994 Net	1993 Gross	1993 Net	1992 Gross	1992 Net	1991 Gross	1991 Net	1990 Gross	1990 Net
Exploratory	**60**	**62**	37	34	21	22	35	32	53	46
Development	**92**	**95**	92	94	85	92	91	87	91	93
Total	**81**	**80**	79	71	74	74	70	60	78	74

Oil and Gas Landholdings (millions of acres)	1994 Gross	1994 Net	1993 Gross	1993 Net	1992 Gross	1992 Net	1991 Gross	1991 Net	1990 Gross	1990 Net
Canada										
Western provinces										
Developed	**1.2**	**0.4**	1.5	0.4	1.7	0.4	1.8	0.5	1.9	0.5
Undeveloped	**3.5**	**2.2**	3.5	1.9	4.9	3.0	6.1	3.7	6.5	3.9
Frontier										
Undeveloped	**1.3**	**0.2**	1.3	0.3	1.3	0.2	1.6	0.2	3.4	0.4
	6.0	**2.8**	6.3	2.6	7.9	3.6	9.5	4.4	11.8	4.8
Argentina										
Undeveloped	**0.2**	**0.1**	–	–	–	–	–	–	–	–
	6.2	**2.9**	6.3	2.6	7.9	3.6	9.5	4.4	11.8	4.8

Proved Reserves (before royalties)	1994	1993	1992	1991	1990
Natural gas (Bcf)					
Beginning of year	**970**	1,095	1,207	1,256	1,193
Extensions and discoveries	**113**	41	12	54	129
Revisions and improved recovery	**2**	(55)	(5)	(23)	(12)
Purchase of reserves in place	**15**	63	24	1	6
Sale of reserves in place	**(42)**	(90)	(65)	(18)	(2)
Sales	**(86)**	(84)	(78)	(63)	(58)
End of year	**972**	970	1,095	1,207	1,256
NGL (MMbbls)					
Beginning of year	**20.0**	25.3	25.5	26.9	27.6
Extensions and discoveries	**3.0**	2.6	1.4	6.1	4.4
Revisions and improved recovery	**(0.4)**	(4.1)	1.3	–	(2.7)
Purchase of reserves in place	**1.0**	0.7	0.6	–	–
Sale of reserves in place	**(0.1)**	(1.6)	(0.6)	(5.1)	–
Production	**(2.5)**	(2.9)	(2.9)	(2.4)	(2.4)
End of year	**21.0**	20.0	25.3	25.5	26.9
Crude oil (MMbbls)					
Beginning of year	**56.0**	63.6	73.4	84.0	88.4
Extensions and discoveries	**4.7**	2.3	4.4	3.4	4.9
Revisions and improved recovery	**0.2**	0.3	(2.3)	(4.6)	1.7
Purchase of reserves in place	**1.1**	3.2	3.0	–	0.2
Sale of reserves in place	**(0.7)**	(6.2)	(6.5)	(0.7)	(2.1)
Production	**(6.8)**	(7.2)	(8.4)	(8.7)	(9.1)
End of year	**54.5**	56.0	63.6	73.4	84.0

Percentage Replacement of Production	1994	1993	1992	1991	1990
Natural gas	**131**	49	15	86	222
NGL	**120**	90	48	254	183
Crude oil	**69**	32	52	39	54
BOE	**106**	49	37	86	128

Additions Cost (per BOE)	1994	1993	1992	1991	1990
Current year	**$11.53**	$12.79	$9.76	$8.52	$8.27
Three year moving average	**$11.49**	$10.04	$8.59	$8.59	$8.43

Proved Reserves Life Indices (years)	1994	1993	1992	1991	1990
Natural gas	**11.3**	11.5	14.0	19.1	21.6
Crude oil	**8.0**	7.8	7.6	8.4	9.2

Earnings (millions)		1994		1993		1992		1991		1990
Operating revenues, net of royalties										
Natural gas	$	**135.4**	$	122.9	$	92.1	$	71.5	$	78.9
NGL		**25.5**		30.2		30.0		25.4		30.8
Crude oil		**116.2**		115.7		140.9		150.9		195.0
Sulphur		**(0.7)**		(1.0)		0.9		4.1		5.0
Pipeline and other		**4.3**		4.5		9.4		14.3		16.1
		280.7		272.3		273.3		266.2		325.8
Investment and other income		**6.6**		11.4		7.9		6.9		7.8
Expenses										
Operating		**(63.9)**		(62.1)		(68.2)		(71.4)		(71.1)
General and administrative		**(20.3)**		(19.3)		(16.6)		(20.3)		(19.6)
Downsizing and restructuring		**–**		–		(2.8)		(11.2)		(2.0)
Depletion, depreciation and amortization		**(146.6)**		(133.3)		(127.1)		(113.9)		(105.4)
Interest		**(39.8)**		(42.2)		(44.8)		(54.1)		(43.4)
Minority interest		**–**		(1.1)		(1.1)		(1.1)		(2.7)
Taxes		**(9.2)**		(13.7)		(13.7)		(1.5)		(23.0)
Earnings (loss)	$	**7.5**	$	12.0	$	6.9	$	(0.4)	$	66.4

Cash Flows (millions)		1994		1993		1992		1991		1990
Cash flow from operations	$	**163.0**	$	146.5	$	138.0	$	116.0	$	182.5
Exploration and development expenditures										
Canada										
Exploration	$	**88.9**	$	36.7	$	19.9	$	45.6	$	81.5
Development		**115.8**		59.6		30.6		60.3		79.1
Miscible fluids		**14.7**		18.4		18.4		22.5		24.2
Other		**3.4**		3.6		3.2		6.6		8.5
Total Canada		**222.8**		118.3		72.1		135.0		193.3
Argentina		**3.8**		–		–		–		–
	$	**226.6**	$	118.3	$	72.1	$	135.0	$	193.3
Asset rationalization										
Proceeds from sale of assets	$	**21.7**	$	53.4	$	42.6	$	34.1	$	30.0
Acquisitions of proved properties		**(9.4)**		(20.5)		(13.5)		(0.3)		(3.4)
	$	**12.3**	$	32.9	$	29.1	$	33.8	$	26.6
Proceeds from (repayment of) long term debt (1)	$	**(32.5)**	$	(37.9)	$	(112.1)	$	291.0	$	(3.1)
Contribution (reduction) of capital (1)	$	**103.1**	$	14.6	$	–	$	(221.4)	$	–

Financial Position (millions)		1994		1993		1992		1991		1990
Current assets	$	**67.4**	$	60.4	$	63.3	$	92.4	$	95.4
Property, plant and equipment	$	**1,348.4**	$	1,275.5	$	1,304.7	$	1,375.7	$	1,386.4
Total assets	$	**1,433.1**	$	1,355.0	$	1,390.5	$	1,492.4	$	1,504.3
Current liabilities	$	**70.8**	$	80.4	$	74.6	$	78.0	$	152.7
Long term debt (1)	$	**360.0**	$	390.1	$	426.5	$	527.7	$	236.0
Shareholders' equity (1)	$	**538.8**	$	426.5	$	399.9	$	393.0	$	619.9

Ratios	1994	1993	1992	1991	1990
Return on average shareholders' equity (1)(2)	**1.6%**	2.9%	1.7%	0.0%	11.2%
Debt/debt plus shareholders' equity (1)(3)	**40.1%**	47.8%	51.6%	57.3%	32.4%
Cash flow coverage of interest (1)(4)	**5.6x**	5.6x	4.9x	3.2x	5.5x
Earnings coverage of interest (1)(5)	**1.4x**	1.6x	1.5x	1.0x	3.1x
Debt/cash flow (number of years) (1)(3)	**2.2x**	2.7x	3.1x	4.6x	1.6x

(1) The Company's spinoff from its former parent in 1991 resulted in the assumption of $221.4 million in long term debt and a corresponding decrease in capital.

(2) Earnings divided by average shareholders' equity.

(3) Debt includes the current and long term portion of long term debt and advances from parent.

(4) Sum of cash flow from operations, current taxes and cash interest expense, divided by cash interest expense.

(5) Sum of earnings before taxes and interest expense, divided by interest expense.

CORPORATE

Investor Information (1)	1994	1993	1992	1991	1990
Shares outstanding at year end (thousands)	**45,863**	40,360	39,644	39,644	39,637
Average shares outstanding weighted monthly (thousands)	**42,417**	39,765	39,644	39,644	39,628
Number of shareholders at year end	**8,172**	8,784	5,377	6,051	7,070
Percentage of shares registered in Canada at year end	**88%**	91%	97%	97%	99%

Share Trading - TSE(2)	1994	1993	1992	1991	1990
High	**$ 21 1/4**	$ 23 1/4	$ 16 5/8	$ 18 3/8	–
Low	**$ 14**	$ 13	$ 13 3/4	$ 14 1/8	–
Close	**$ 14 7/8**	$ 17 1/4	$ 15	$ 15	–
Volume (thousands)	**26,974**	32,657	6,211	7,689	–

Per Share Data	1994	1993	1992	1991	1990
Earnings (loss)	**$ 0.18**	$ 0.30	$ 0.17	$ (0.01)	$ 1.68
Cash flow from operations	**$ 3.84**	$ 3.68	$ 3.48	$ 2.93	$ 4.60
Dividends	**–**	–	–	$ 0.06	$ 0.25
Shareholders' equity at year end	**$ 12.70**	$ 10.73	$ 10.09	$ 9.92	$ 15.64

Number of Employees at Year End (full time equivalent)	1994	1993	1992	1991	1990
Head office	**452**	448	440	503	648
Field - oil and gas	**228**	229	248	278	271
- pipeline	**70**	55	57	63	64
	750	732	745	844	983

(1) Information shown as to number of shares and shareholders for the year 1990 is for information purposes only and represents the amounts reported by the Company's former parent prior to May 1991.

(2) Share trading information available only after May 1991, when the Company's shares became publicly traded.

supplementary information

board of directors

Home Oil's Board of Directors is dedicated to ensuring the proper governance of the Company and protecting and enhancing shareholders' interests by establishing corporate policies and providing direction to the Company.

Noel A. Cleland
Corporate Director

William A. Dimma
Chairman, Monsanto Canada Limited

E. Susan Evans, Q.C.
Corporate Director

F. William Fitzpatrick
Corporate Director

Jon K. Grant
Corporate Director

Richard F. Haskayne, FCA
Chairman, NOVA Corporation

H. Gordon MacNeill
Chairman, Jannock Limited

John H. Morrish
Corporate Director

David E. Powell
President & Chief Executive Officer, Home Oil Company Limited

standing board committees

AUDIT COMMITTEE

The Audit Committee reviews the Company's audited financial statements and recommends their approval or otherwise to the Board. The Committee also reviews the effectiveness of internal controls and the terms of engagement of, and compensation payable to, the Company's independent auditors.

Members:
W.A. Dimma, Chair   N.A. Cleland   E.S. Evans   F.W. Fitzpatrick

HUMAN RESOURCES COMMITTEE

The Human Resources Committee reviews and makes recommendations to the Board on the Company's compensation policies and budgets, including benefit programs, senior management appointments and management succession plans.

Members:
H.G. MacNeill, Chair   R.F. Haskayne   J.H. Morrish

SAFETY & ENVIRONMENT COMMITTEE

The Safety & Environment Committee monitors and makes recommendations regarding the Company's safety and environment policies, practices and procedures. These policies are established to ensure that, while carrying out its operations, the Company protects the environment, its personnel and the public, and complies in all respects with environmental legislation.

Members:

E.S. Evans, Chair   N.A. Cleland   J.K. Grant   J.H. Morrish

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee investigates and recommends individuals for election to the Board and committees of the Board. This Committee also recommends policies and procedures relating to the Board's governance of the Company.

Members:

F.W. Fitzpatrick, Chair   R.F. Haskayne   H.G. MacNeill

Executive Committee: Back row, from left to right: Stewart D. Gossen, Andrew P. Holder, Allen R. Hagerman, Robert M. Perrin, Bruce W. Sherley, Richard C. Osborne. Front row, from left to right: David E. Powell and Fred Callaway.

officers

David E. Powell
President & Chief Executive Officer

Fred Callaway
Vice President, Corporate

Stewart D. Gossen
Vice President, Property Consolidation

Allen R. Hagerman
Vice President & Chief Financial Officer

Andrew P. Holder
Vice President, Exploration

Richard C. Osborne
Vice President, Marketing & Pipelines

Robert M. Perrin
Vice President & General Counsel

Bruce W. Sherley
Vice President, Production

Dinesh Dattani
Treasurer

David A. McCoy
Corporate Secretary

STOCK EXCHANGE LISTING SYMBOL

The Toronto Stock Exchange	HOC
American Stock Exchange	HO

Stock quotation listings in the Canadian media refer to the Company as "Home Oil."

shareholder & investor information

TRANSFER AGENT AND REGISTRAR

The R-M Trust Company
Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver
1-800-387-0825

CO-TRANSFER AGENT AND CO-REGISTRAR

Mellon Securities Trust Company
Ridgefield Park, New Jersey
1-800-526-0801

INVESTOR RELATIONS

Allen R. Hagerman
Vice President & Chief Financial Officer
(403) 232-7222

ANNUAL INFORMATION FORM & FORM 40-F

The Company files an Annual Information Form with various Canadian securities regulators and an Annual Report on Form 40-F with the Securities and Exchange Commission in the United States. Copies of these documents are available to shareholders, free of charge, upon written request to the Corporate Secretary at the corporate address.

AUDITORS

Price Waterhouse
Calgary, Alberta

ANNUAL MEETING OF SHAREHOLDERS The Annual Meeting of Shareholders will be held in Calgary, Alberta, Canada on Wednesday, May 10th, 1995 at 11:30 a.m. in the Alberta Room at the Palliser Hotel.

HOME OIL COMPANY LIMITED
1600 Home Oil Tower - 324 Eighth Avenue S.W., Calgary, Alberta T2P 2Z5
Telephone: (403) 232-7100 Facsimile: (403) 232-7678

glossary of terms

Additions Cost Total western Canadian exploration and development expenditures, including injected miscible fluids, divided by the proved reserves additions resulting from these activities, expressed in dollars per BOE.

Alberta Daily Spot Price A weighted average natural gas price of Alberta daily spot market transactions as reported by participating producers, marketers and end users in the Canadian Enerdata Survey, adjusted for transportation costs to reflect a wellhead price.

BOE Barrel of oil equivalent, where 10 Mcf of natural gas is equated to one bbl of crude oil.

Completion The work necessary to prepare an oil or gas well for production.

Development Well A well drilled inside an established oil or gas field or zone.

Exploratory Well A well drilled outside an established oil or gas field or zone.

Gross Includes the interests of others.

LIBOR London Interbank Offering Rate; U.S. dollar interest rate.

Miscible Flood A method of tertiary recovery in which miscible fluids are injected into a reservoir to displace additional oil from the reservoir rock which would not be recovered under primary or secondary methods.

Miscible Fluids Hydrocarbon solvent gases which are injected into the reservoir to displace oil from the reservoir rock.

NGL Natural gas liquids are hydrocarbons liquified and removed from natural gas during processing.

Net Excludes the interests of others.

Oil and Gas Cash Netback Operating netback less related administrative and interest expenses and current taxes, plus other income, divided by total production, expressed in dollars per BOE.

Oil and Gas Operating Netback Operating revenues less royalties and operating costs, divided by total production, expressed in dollars per unit of production. It excludes pipeline revenues and operating costs.

Operator The company responsible for the operation of a program or facility.

Percentage Replacement of Production The portion of annual production replaced by proved reserves additions from exploration and production activities and injected miscible fluids, expressed as a percentage.

Probable Reserves Indicated reserves that will likely be recovered from undeveloped lands where existing technical and economic data suggest a good probability that commercial hydrocarbons can be developed.

Proved Reserves The estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing operating and economic conditions.

Proved Reserves Life Index Proved reserves remaining at the end of a year divided by that year's production, expressed in years.

Royalty The share of oil and gas which belongs to the owner of the resource.

Waterflood One method of secondary recovery in which water is injected into a reservoir to displace additional oil from the reservoir rock.

WI (Working Interest) The operating interest under an oil and gas lease. Companies holding the working interests are responsible for their share of the costs.

WTI West Texas Intermediate crude oil price per barrel at Cushing, Oklahoma in U.S. dollars.

abbreviations

bbl(s)	barrel(s)
Bcf	billion cubic feet
BOE	barrel of oil equivalent
Mbbls	thousand barrels
Mcf	thousand cubic feet
MMbbls	million barrels
MBOE	thousand barrels of oil equivalent
MMBOE	million barrels of oil equivalent
MMcf	million cubic feet
U.S.	United States of America

conversion factors

Imperial System of Units	International System of Units
1 barrel of liquid hydrocarbons	0.159 cubic metres
1 cubic foot of natural gas	0.028 cubic metres
1 linear foot	0.305 metres
1 mile	1.609 kilometres
1 acre	0.405 hectares

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Calgary, Alberta
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Printed by Ronalds Printing

Printed in Canada