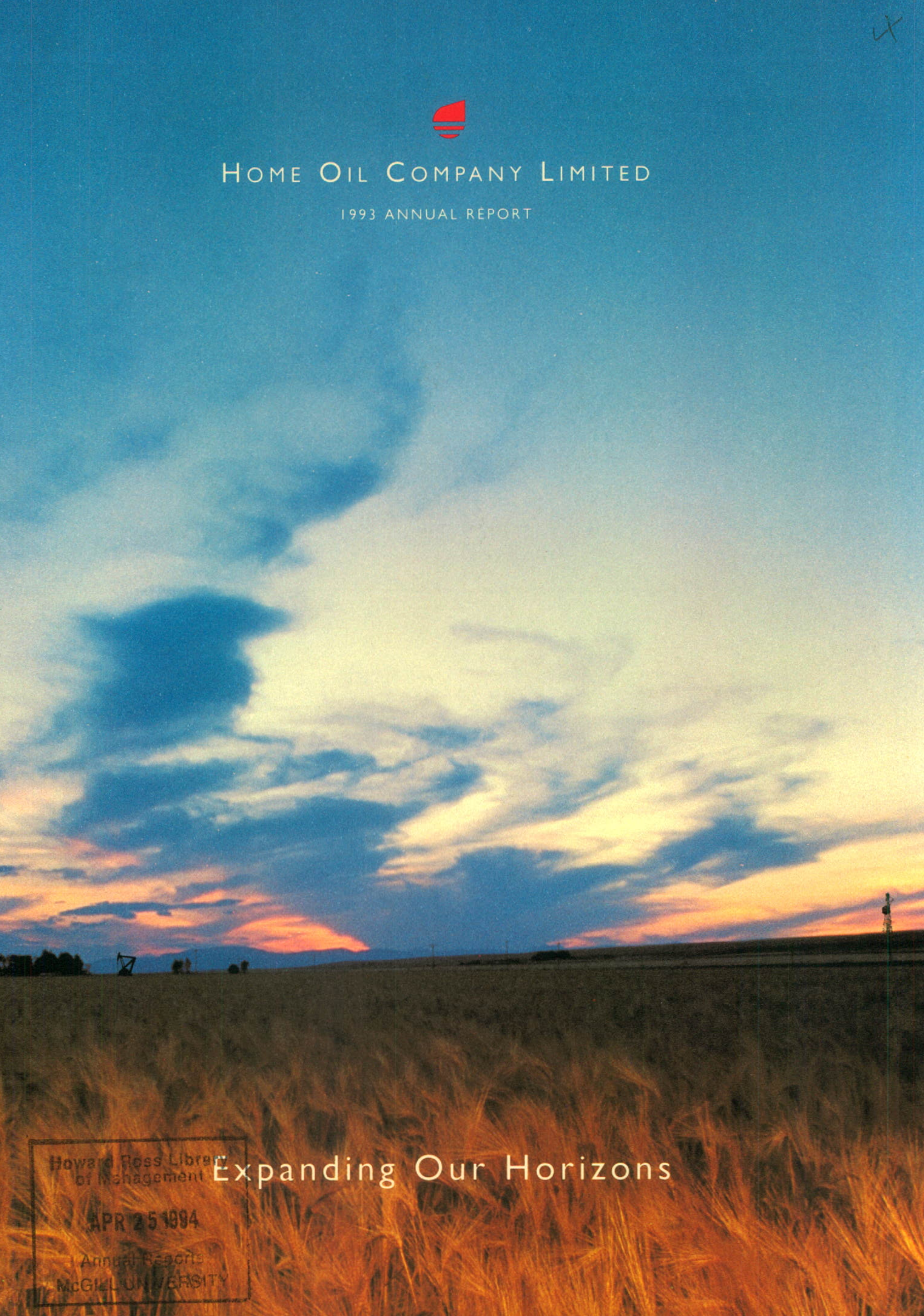
Home Oil Company Limited

1993 Annual Report



Expanding Our Horizons

contents

Oil's mission is to be a highly

adian upstream oil and gas company

ompetitive strengths we aggressively

nsibly seek superior growth in

er value through excellence in

exploration, development and

transportation.

corporate profile

Home Oil Company Limited, established in 1925, is a senior upstream petroleum company with assets exceeding $1.3 billion and 1993 revenues of $284 million. With properties and facilities across Western Canada, Home Oil operates 40 of its 70 core properties, nine natural gas processing plants, and markets crude oil, natural gas and natural gas liquids.

Home Oil is operator and 50 percent owner of Federated Pipe Lines Ltd. which transports crude oil and natural gas liquids through an extensive pipeline system in Alberta.

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."

	93	92	% change
FINANCIAL (dollars and shares in millions)			
Revenues	**$ 284**	$ 281	1
Earnings	**$ 12**	$ 7	71
Cash flow from operations	**$ 147**	$ 138	7
Exploration and development expenditures	**$ 118**	$ 72	64
Asset rationalization			
Proceeds from sale of assets	**$ 53**	$ 43	23
Acquisitions of proved properties	**$ (20)**	$ (14)	43
	$ 33	$ 29	14
Long term debt	**$ 390**	$ 426	(8)
Shareholders' equity	**$ 427**	$ 400	7
Debt/cash flow	**2.7x**	3.1x	(13)
Per common share			
Earnings	**$ 0.30**	$ 0.17	76
Cash flow from operations	**$ 3.68**	$ 3.48	6
Weighted average number of shares outstanding	**39.8**	39.6	1
OPERATING			
Daily sales/production			
Natural gas (MMcf)	**229**	214	7
Liquids			
Crude oil (bbls)	**19,616**	22,839	(14)
NGL (bbls)	**7,931**	8,034	(1)
	27,547	30,873	(11)
Average price			
Natural gas (per Mcf)	**$ 1.77**	$ 1.38	28
Crude oil (per bbl)	**$19.96**	$20.80	(4)
NGL (per bbl)	**$12.57**	$12.25	3
Average royalty rate	**17.8%**	17.3%	3
Operating cost per BOE*	**$ 3.33**	$ 3.44	(3)
Operating netback per BOE	**$11.19**	$10.30	9
Drilling activity			
Working interest wells			
Gross	**170**	112	52
Net	**84**	34	147
Net success ratio	**71%**	74%	(4)
Gross royalty interest wells (nonconvertible)	**4**	7	(43)
Proved reserves (MMBOE)	**173**	198	(13)
Proved and probable reserves (MMBOE)	**254**	280	(9)
Percentage replacement of production (BOE)	**49%**	37%	32
Net landholdings (millions of acres)	**2.6**	3.6	(28)

* where 10 Mcf of gas is equated to 1 bbl of oil

significant events

Became an independent, broadly held public company

Acquired the minority interest in Scurry-Rainbow Oil Limited

Achieved record natural gas sales

Reduced long term debt by more than $35 million

David E. Powell

Strong natural gas sales and prices, together with lower expenses, contributed to improved financial results. Earnings totalled $12 million, up from $7 million in 1992, and cash flow from operations of $147 million was up from $138 million. We achieved record natural gas sales and, while core crude oil production remained near 1992 levels, total crude oil production decreased primarily because of noncore dispositions. Reserves replacement, however, was unsatisfactory and this resulted in an unacceptable additions cost. Low reserves replacement and the high additions cost reflected both disappointing drilling results and an extensive 1993/1994 winter drilling program which did not permit reserves additions until completion of the program. I am pleased to report the results of the winter program have been most encouraging.

STRATEGIES FOCUSED ON INCREASING OPPORTUNITIES

Our 1993 strategies focused on increasing activity in core areas, further strengthening our financial position and moving from consolidation toward growth.

First, we increased the value of our core areas by continuing optimization in and around core fields. These activities contributed to cash flow and added high netback production.

Second, we continued our program of selling noncore assets and acquiring additional interests in core areas. Through this asset rationalization process we improved the quality of our reserves base. Property sales generated $53 million, acquisitions totalled $20 million, and property swaps valued at $38 million were completed.

Third, we further reduced costs. Unit operating costs decreased to $3.33 per BOE permitting Home Oil to remain one of the lowest cost operators in the industry.

Fourth, we improved our financial position by reducing long term debt to $390 million, or 2.7 times 1993 cash flow. In the 1992 Annual Report we stated our goal of reducing debt by more than $50 million. We reached that target by the end of the third quarter when long term debt stood at $369 million. Our stronger financial position permitted a portion of the Scurry acquisition to be financed with debt.

Finally, during the fourth quarter we established and assigned multidiscipline teams to six geographic areas in Western Canada identified for exploration potential. Each team includes specialists in geology, geophysics, land and engineering. This will result in accelerated exploitation and development of exploratory successes.

New multi-discipline teams were established to accelerate growth.

There were a number of external factors which affected the Canadian oil and gas industry in 1993. Lower world oil prices and pipeline apportionment on the Interprovincial Pipe Line (IPL) system adversely affected oil revenue in the last quarter of the year. We anticipate continued apportionment throughout 1994 as the IPL system expansion is not scheduled to be complete until 1995. Increased natural gas market access achieved through pipeline expansion brought supply and demand into balance and natural gas prices increased.

Oil and gas activity came under increased scrutiny by government agencies and the public to ensure environmental stewardship. Environmental impact studies and reviews now required as a result of legislation and increased public consultation have increased the length and cost of project approvals. The time and resources applied to public consultation on environmental matters is expected to increase as we expand our operations in Western Canada.

FINANCIAL ACHIEVEMENTS EXPANDED OPPORTUNITIES

We are pleased with our success at improving the financial strength of Home Oil since 1991 through reducing long term debt, rationalizing assets and cutting expenses. While these achievements have enabled us to advance from consolidation toward growth, the dedication of substantial funds to debt retirement has had a significant negative impact on prodution and reserves.

Home Oil's level of capital activity increased markedly during the year, particularly during the fourth quarter, and we want to further increase that level. The 1994 exploration and development capital program of $145 million is approximately 20% higher than that of 1993. More significantly, the drilling program has increased 40% from 1993.

Exploration and development projects, together with acquisitions of additional interests in core areas, will add reserves and productive capacity.

We believe Home Oil's future in Western Canada is in natural gas, where significant opportunities remain. This is reflected in the 1994 exploration program which dedicates over 80% of expenditures to gas projects. To maintain a balance between oil and gas, and in light of the more limited crude oil prospects in Western Canada, we will broaden our search for oil to areas outside Canada. We are examining opportunities where we can use our expertise in field rehabilitation and production optimization.

The planned 1994 drilling program is 40% larger than 1993.

Our targets for 1994 reflect the strategy of economic growth for Home Oil. Reserves additions are targeted to more than replace production on a BOE basis, and given the promising initial results from the recent winter drilling program, we are confident we can meet this goal. With higher reserves replacement we expect the additions cost will decrease substantially.

As we continue to take advantage of the strong natural gas market, we expect gas sales to increase from 1993. Crude oil production should remain near 1993 levels. We will maintain our status as one of the lowest cost operators in Canada through ongoing efficiency measures and innovative operating practices.

CORPORATE EVENTS BROADENED OUR SHAREHOLDER BASE

Two significant events in 1993 changed our ownership and broadened our shareholder base.

In May, Olympia & York Developments and Gulf Canada Resources sold their combined 59.7% interest in Home Oil through a successful secondary offering and those shares are now widely held. Following the secondary offering, Home Oil directors who were officers and directors of the major shareholders resigned from our Board. Home Oil is now, for the first time in its history, a broadly held company.

The second event occurred in November when Home Oil acquired the minority interest of Scurry-Rainbow Oil Limited, its previously 88%-owned subsidiary. The transaction resulted in Home Oil purchasing assets at a fair price and streamlining administration. Scurry's minority shareholders were given the alternative of selling their shares for cash or an equivalent number of Home Oil shares. The total price of $43 million was paid through the issuance of approximately 707,000 Home Oil shares and $28 million in cash. In December Scurry was amalgamated with Home Oil.

The year 1993 was pivotal for Home Oil. The improved financial position and corporate structure permitted an increasing emphasis on the ability of individuals to contribute to corporate performance. A pay for performance compensation plan has been introduced to provide a more direct link between employee compensation and corporate success. To clearly express our corporate objectives to both employees and investors, we also developed the mission statement printed on the inside front cover of this report.

Streamlined administration and purchased assets through the Scurry acquisition.

DIRECTORS & EMPLOYEES

Robert J. Butler, Lionel G. Dodd, Gilbert I. Newman, Albert Reichmann, Charles E. Shultz and Donald H. Thain resigned from the Board of Directors in connection with the change in our corporate ownership. We would like to thank these gentlemen for their contributions to Home Oil.

During the year the Board welcomed E. Susan Evans, F. William Fitzpatrick and Richard F. Haskayne as directors.

It is through the dedication and professionalism of our employees that we have successfully managed our consolidation efforts and the repositioning of the Company. To them we express our sincere thanks.

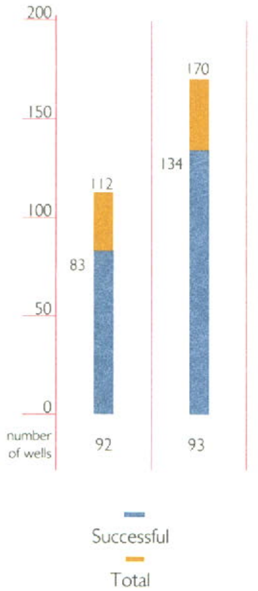
On behalf of the Board of Directors,

David E. Powell
President & Chief Executive Officer

March 15, 1994

oil & gas operations

GROSS WELLS DRILLED

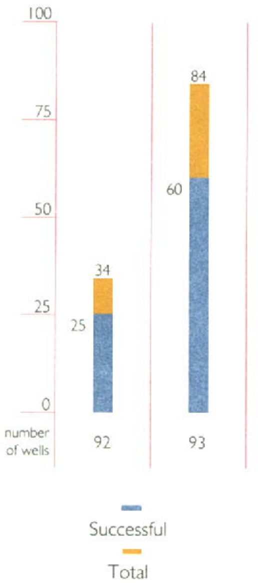


The 1993 capital program permitted increased development of core areas and a greater exploration effort. With respect to natural gas the Company focused on increasing core production along with finding and developing new core areas. Recognizing the limited exploration potential for crude oil in Western Canada, the Company concentrated on optimizing production in and around core areas. Underlying all activities was the objective of remaining a low cost, high netback producer.

DRILLING RESULTS

Home Oil participated in drilling 170 gross working interest wells in 1993, over 50% higher than in the previous year. Exploratory drilling resulted in seven gas and eight oil wells and development drilling resulted in 27 gas and 92 oil producers. Nonconvertible gross overriding royalty interests were held in four wells, of which three were gas discoveries.

NET WELLS DRILLED



LAND

Land activity focused on rationalizing the land base. Net undeveloped acreage decreased by 1.0 million acres as nonstrategic lands, evaluated by earlier drilling programs or farmouts, were surrendered to minimize rental payments. The majority of these lands were in Saskatchewan where over 0.6 million net acres, acquired for oil targets, were relinquished. Acquisitions were completed in targeted exploration areas or adjacent to core operations.

Canadian Landholdings
(millions of acres at December 31)

	93 Gross	93 Net	92 Gross	92 Net
Undeveloped				
Western Canada				
British Columbia	**0.8**	**0.6**	1.2	0.9
Alberta	**1.8**	**0.5**	2.1	0.7
Saskatchewan	**0.9**	**0.8**	1.6	1.4
Other	**1.3**	**0.3**	1.3	0.2
	4.8	**2.2**	6.2	3.2
Developed				
Western Canada	**1.5**	**0.4**	1.7	0.4
	6.3	**2.6**	7.9	3.6

Approximately 90,000 net acres were purchased in northeastern B.C.; about 40,000 net acres in northern Alberta; and over 15,000 net acres in southern Alberta, over half of which are located in the gas rich Alberta Foothills. Other land acquisitions improved Company holdings within such core areas as Mistahae and Mitsue Gilwood in Alberta and Pierson in Manitoba.

A total of 185,000 net acres of Crown and freehold rights were purchased in Western Canada for $8 million, approximately $44 per acre.

145,000 acres of land were purchased in targeted growth areas.

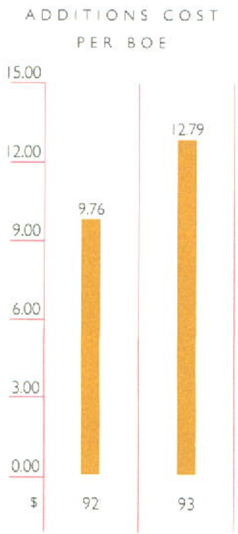
RESERVES

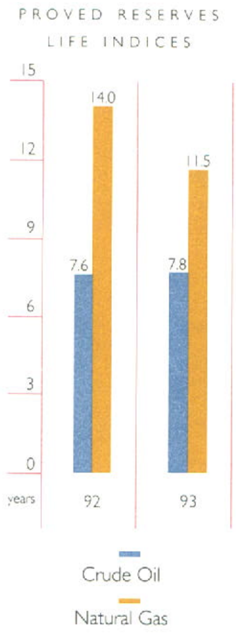
Proved reserves on a BOE basis at year end were 13% lower than 1992. Natural gas proved reserves were down from 1992, due to downward revisions at noncore fields, additions which replaced only half of production, and rationalization. Crude oil reserves decreased from year end 1992 due to low crude oil additions and rationalization. NGL reserves decreased primarily due to downward revisions.

Proved and Probable Reserves (before royalties)

	Natural gas (Bcf)	Crude oil (MMbbls)	NGL (MMbbls)	BOE (MMBOE)
Proved Reserves				
January 1, 1993	1,095	63.6	25.3	198.3
Additions	41	2.3	2.6	9.0
Revisions	(55)	0.3	(4.1)	(9.3)
Acquisitions	63	3.2	0.7	10.2
Dispositions	(90)	(6.2)	(1.6)	(16.8)
Sales/Production	(84)	(7.2)	(2.9)	(18.4)
December 31, 1993	970	56.0	20.0	173.0
Probable Reserves				
December 31, 1993	405	33.4	6.7	80.6
Total Reserves				
December 31, 1993	1,375	89.4	26.7	253.6

oil & gas operations





Over one-third of exploration and development expenditures were incurred in the fourth quarter as numerous drilling projects could commence only after winter freeze-up. Because of a late winter, resulting reserves could not be booked until 1994.

Due in large measure to the extensive late year drilling program, both reserves replacement and additions costs for 1993 were unsatisfactory. The Company replaced half of its production on a BOE basis and the additions cost averaged $12.79 per BOE. The three year moving average additions cost was $10.04 per BOE.

Based on 1993 production levels, the proved reserves life index for crude oil improved marginally from 1992. The decline in reserves life for natural gas reflected the increased production compared with 1992 and a decrease in the reserves base resulting from revisions and the disposition of low value reserves.

Rationalization efforts have improved the quality of the reserves base and, at year end, proved reserves associated with core properties totalled 80% compared with 66% in 1992.

In 1994 over 70% of the exploration and development program is directed at projects to add reserves. The Company's objectives are to more than replace production on a BOE basis and lower the average additions cost materially.

Core proved reserves accounted for 80% of the proved reserves base.

NATURAL GAS

Average sales reached a record in 1993, up 7% from 1992. Increased production from such areas as Blackstone, South Wapiti, the Border Montney Units (formerly Ring/Border) and Leismer, was only partially offset by noncore property sales. The increase in volumes responded to higher nominations from aggregators, discretionary short term sales and deliveries into the northeastern U.S. under two new long term contracts.

CRUDE OIL

Total production was 14% lower than 1992 as property sales resulted in a substantial decrease in noncore production. Core production experienced only a modest decrease as natural declines were largely offset by increases achieved through acquisitions, waterflooding at Manyberries and Pierson and unitization at Wood River.

NATURAL GAS LIQUIDS

Production was essentially unchanged from 1992. Although there was an increase in natural gas sales, most of the new volumes had little associated liquids.

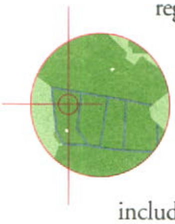
Daily Average Volumes (before royalty)	93	92
Natural gas (MMcf)		
Leismer, Alta.	**52**	48
South Wapiti, Alta.	**18**	11
Border Montney Units, B.C./Alta.	**15**	11
Harmattan-Elkton, Alta.	**12**	13
Blackstone, Alta.	**10**	0
Hamburg, Alta.	**9**	13
Carstairs Elkton, Alta.	**9**	9
Swan Hills Unit, Alta.	**8**	7
Marten Hills Unit, Alta.	**8**	7
Moose Mountain, Alta.	**8**	7
Other Core	**47**	41
	196	167
Noncore	**33**	47
Total	**229**	214
Crude oil (bbls)		
Swan Hills Unit, Alta.	**4,964**	5,145
Mitsue Gilwood Unit, Alta.	**2,462**	2,507
West Eagle, B.C.	**1,381**	1,438
Cecil/Royce, Alta.	**1,299**	1,914
Manyberries, Alta.	**1,158**	879
Virginia Hills Unit, Alta.	**992**	905
Pierson, Man.	**953**	753
East Eagle Unit, B.C.	**886**	1,083
Wood River, Alta.	**769**	533
Stoddart, B.C.	**742**	740
Harmattan-Elkton, Alta.	**599**	610
Other Core	**2,089**	2,625
	18,294	19,132
Noncore	**1,322**	3,707
Total	**19,616**	22,839
Natural gas liquids (bbls)		
Swan Hills Unit, Alta.	**3,049**	2,883
Mitsue Gilwood Unit, Alta.	**574**	730
Carstairs Elkton, Alta.	**528**	547
South Wapiti, Alta.	**402**	266
Moose Mountain, Alta.	**295**	265
Harmattan-Elkton, Alta.	**278**	314
Other Core	**1,166**	1,336
	6,292	6,341
Noncore	**1,639**	1,693
Total	**7,931**	8,034

oil & gas operations

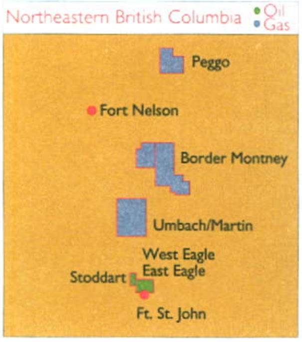
OPERATING AREAS

NORTHEASTERN BRITISH COLUMBIA

The Company continued to explore and develop its large portfolio of natural gas projects in this region, while development continued at its oil producing areas.



Peggo is one of the Company's most exciting new core areas for natural gas. Exploration success early in 1993 in this high working interest area led to an aggressive $12 million program which commenced in the fourth quarter. The program included the drilling of 14 wells, construction of a central gas processing facility and completion of a gathering system to deliver 9 MMcf per day by April 1994. This infrastructure will also provide a base for exploiting opportunities in the surrounding area.

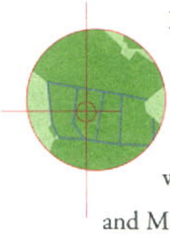


Other gas activity included exploration at Martin and Umbach and development drilling at Border Montney and in the Fort St. John region. These activities, when combined with acquisitions, added net production totalling approximately 11 MMcf per day.

Oil development and acquisitions in the Fort St. John region added a net 615 bbls per day, partially offsetting natural decline.

NORTHERN ALBERTA

At Swan Hills, the Company's largest producing core area, Home Oil's working interest increased marginally to 18.3% in 1993. New 3-D seismic and horizontal drilling technologies permitted the Company to maintain production and improve recoveries from the area. Four wells of a five well drilling program were completed in 1993 and are producing a net 280 bbls of oil per day. The fifth well was drilling at year end. Two of the wells encountered reserves through horizontal drilling that would not have been accessed by vertical drilling. Initial results indicate that both wells are capable of producing more than 1,000 bbls per day, gross. A follow-up seismic survey and a four well drilling program are planned for 1994.

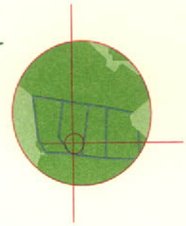


Horizontal drilling at Virginia Hills and an active drilling program at Mitsue Gilwood added a total 300 bbls of oil per day, net to the Company.

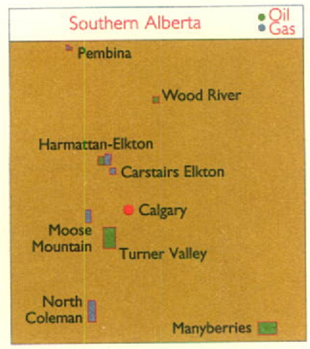
In the Company's gas operations, a combined $17 million program to drill 21 wells and expand facilities in the three core producing areas of Leismer, Mistahae and Marten Hills was initiated in the last quarter of 1993. As a result of these activities net gas production from these areas will increase by 23 MMcf per day in 1994.

SOUTHERN ALBERTA

The Alberta Foothills have been targeted as a key growth area and extensive land purchases in the region will provide the geographic scope necessary to support an aggressive exploration program. The Company plans to drill several wells over the next few years in this area.

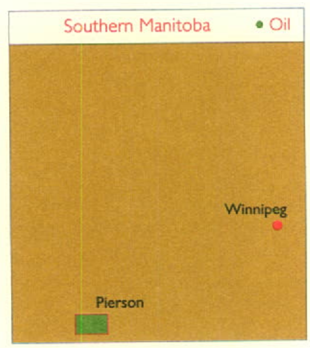


A significant gas liquids discovery was made in the Pembina area. Seismic data has been accumulated and the Company has acquired an average 40% working interest in surrounding acreage. Another well, drilled early in 1994, showed encouraging results and at least four more wells are expected to be drilled in the year. This project could potentially lead to a large scale gas/liquids recycling project in the area.



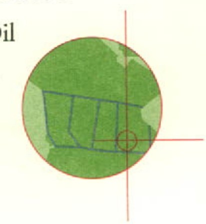
At Turner Valley, Home Oil's oldest field, three horizontal re-entry wells were drilled to improve both productivity and the recovery factor. To date, only marginal productivity improvement has resulted, however, sufficient reserves remain that with the technical knowledge gained Home Oil will continue to try to unlock further potential in a field that has been producing since 1940.

Positive waterflood response and the acquisition of additional interests at the Manyberries "Q" Pool increased net production from the area by 300 bbls per day. The acquisition and waterflooding added 0.7 MMbbls of proved reserves.



SOUTHERN MANITOBA

In the South Pierson Unit, where Home Oil now holds a 100% working interest, a waterflood project was initiated with 28 vertical and three horizontal wells drilled. Oil productive capacity from the area increased to 1,500 bbls per day and approximately 1 MMbbls of oil reserves were added. Full implementation of the waterflood will be complete in 1994, adding a further 2 MMbbls reserves.



asset rationalization

The Company generated $53 million in cash proceeds from the sale of noncore properties and assets in 1993 and $20 million was reinvested in core property acquisitions. Home Oil also acquired additional core property interests through property swaps valued at $38 million. The asset rationalization program has added value by improving netbacks and streamlining operations. The 1993 cash netback for properties sold was about two-thirds of the Company average.

Asset sales generated $53 million and acquisitions totalled $20 million.

ACQUISITIONS

Through a program of purchases and swaps, Home Oil increased its working interests in several core areas including Border Montney, Swan Hills, Mitsue Gilwood and Mistahae. A new core property was added at Ells River, where production of close to 5 MMcf per day will commence in the spring of 1994.

DISPOSITIONS

The Company disposed of over 100 noncore properties through sales and swaps in 1993. About half of these properties were sold in a major transaction involving minor interest properties scattered across southeastern Saskatchewan. At the end of 1993 the 215 noncore properties remaining accounted for only 10% of Company production. Also sold in 1993 were surplus railway cars and an underground storage facility for total proceeds of $4 million.

Asset Rationalization Impact

	1993 Proved Reserves			Daily Productive Capacity		
	Natural gas Bcf	Crude oil MMbbls	NGL MMbbls	Natural gas MMcf	Crude oil Mbbls	NGL Mbbls
Acquisitions(1)	63	3.2	0.7	14	1.2	0.2
Dispositions(1)	(90)	(6.2)	(1.6)	(29)	(1.9)	(0.4)
Net	(27)	(3.0)	(0.9)	(15)	(0.7)	(0.2)

(1) Includes swaps

In 1994 cash proceeds from rationalization are expected to be modest as the Company focuses more on swaps and acquisitions. Noncore undeveloped acreage will be managed through an aggressive farmout program. The asset disposition program is expected to be largely complete by the end of 1994.

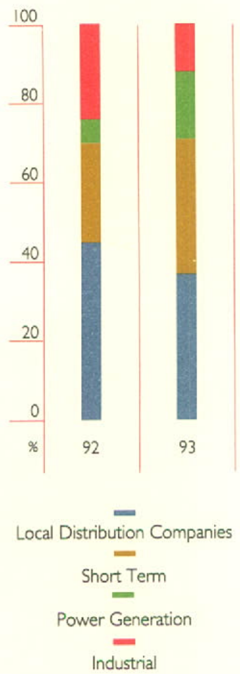
NATURAL GAS

In the first half of 1993 the Company took advantage of exceptionally strong spot prices by placing approximately 50 MMcf of gas per day into the spot market at prices in excess of $2.00 per Mcf. This enabled the Company to maximize the value of its uncontracted gas until its longer term contracts became operational in the last half of the year. Home Oil received an overall average price of $1.77 per Mcf of natural gas during 1993, almost 30% more than the previous year.

New long term contracts which came into effect in 1993 included deliveries of 9 MMcf per day to a cogeneration facility in Pawtucket, Rhode Island beginning September 1 and deliveries of 17 MMcf per day to the Sithe Energies cogeneration facility in Ogdensberg, New York beginning Novermber 1.

Gas marketing is becoming increasingly sophisticated and various price determination mechanisms are contained in Home Oil's portfolio of contracts. Such mechanisms include elements of fixed prices, competing fuels and U.S. and Alberta gas prices.

NATURAL GAS SALES (BY MARKET TYPE)

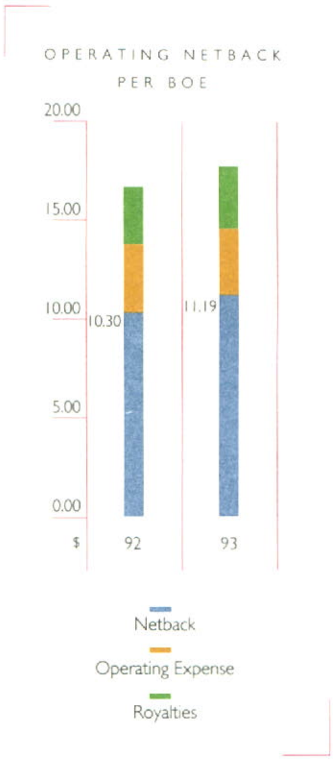


CRUDE OIL

During 1993 the quality of the Company's crude oil stream continued to improve, primarily due to asset rationalization, however, the resulting improvement in market price only partially offset discounts associated with IPL apportionment.

The price Home Oil received for crude oil averaged $19.96 per bbl during the year, a 4% decline from 1992. WTI averaged U.S. $18.49 per bbl, down 10% from the previous year. The Company's average price differential to WTI narrowed by 10% from 1993 to 1992 as the positive impacts of a weaker Canadian dollar and improvements in the crude oil stream offset the negative effects of pipeline capacity constraints. Lower world oil prices during the last part of the year resulted in Home Oil receiving an average $18.46 per bbl in the fourth quarter.

netbacks



Operating netbacks are used to evaluate the profitability of oil and gas operations. They identify the net cash generated for each unit of production and are defined as revenues less royalties and operating costs, divided by total production. The operating netback per BOE improved 9% primarily as a result of higher natural gas prices. Home Oil continues to receive one of the highest netbacks among senior oil and gas companies.

The natural gas netback includes NGL revenue and extraction costs as NGL are a byproduct of gas. The substantial improvement in the netback resulted from higher natural gas prices and lower operating costs. Byproduct revenue declined on a BOE basis due to the diminishing liquids content of the gas stream.

(dollars per Mcf)	93	92	% change
Gas price	**$ 1.77**	$ 1.38	28
Byproduct revenue	**0.42**	0.47	(11)
Royalty expense	**(0.37)**	(0.28)	(32)
Operating expense	**(0.42)**	(0.44)	5
Netback	**$ 1.40**	$ 1.13	24

The crude oil netback declined as the drop in price was only partially offset by lower royalties.

(dollars per bbl)	93	92	% change
Price	**$ 19.96**	$20.80	(4)
Royalty expense	**(3.80)**	(3.94)	4
Operating expense	**(3.74)**	(3.75)	–
Netback	**$ 12.42**	$13.11	(5)

pipeline operations

Home Oil operates and is a 50% owner of Federated Pipe Lines Ltd. which transports crude oil and NGL within Alberta. The Federated system comprises approximately 1,050 miles of pipeline and during 1993 transported approximately 190,000 bbls per day.

Start-up of the Caroline Extension in March 1993 was a milestone for Federated with 15,000 bbls per day of NGL being transported from the Caroline plant into Fort Saskatchewan. We anticipate volumes transported from Caroline will increase during 1994.

In 1993 Federated spent $13 million to expand its pipeline system to transport NGL from Mitsue Gilwood to Fort Saskatchewan and to acquire an oil and NGL underground storage facility at Hardisty, Alberta.

safety & environment

SAFETY

The emphasis on ensuring personnel and public safety continued with the implementation of additional elements of the Safety and Loss Control program in 1993. As a follow-up to the 1992 introduction of new emergency response plans, 33 emergency response exercises were conducted at various locations. A new program was also introduced to provide an improved and consistent level of technical and safety training.

Contractor safety was the focus of a new program to ensure that contractors, while working for Home Oil, meet our safety standards.

ENVIRONMENT

Home Oil continues to carefully monitor new environmental legislation. The Alberta Environmental Protection and Enhancement Act was implemented on September 1 with minimal impact on current operations. This new legislation will require expanded public consultation and environmental impact assessments, particularly with respect to new projects. In British Columbia the government is continuing its overhaul of environmental legislation and it is being monitored closely by environmental staff.

In line with Home Oil's philosophy of continuous clean-up, reclamation and decommissioning activities included the removal of pits and an underground tank at the Carstairs Gas Plant, removal of the flare pit at the South Elkton Gas Plant, clean-up of the Malmo #1 Battery and abandonment and reclamation of almost 50 operated wells. The net cost to Home Oil of these and other site restoration activities was $3 million in 1993.

Environmental restoration activities totalled $3 million.

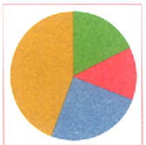
A company-wide Environmental Standards and Guidelines manual was developed, incorporating the most recent legislative changes. While this manual establishes basic corporate standards for environmental performance and legislative compliance, it is being customized to accommodate the specific requirements of Home Oil's field areas.

Environmental liability assessments were conducted at Swan Hills and in the Fort St. John region, the Company's two largest operating areas. Results indicated environmentally sound management of these properties with limited reclamation necessary. Liability assessments were also conducted for numerous asset rationalization activities.

corporate philosophy

DONATIONS

Home Oil provides support in a number of ways to the communities in which it operates. As a designated 'IMAGINE' Caring Company, Home Oil has committed to donating at least 1% of pretax earnings to worthy causes. Donations of $0.4 million in 1993 were well above this target.



Corporate and employee support of the United Way of Calgary reached new heights in 1993 as the campaign earned a Platinum Award, the highest award level. In earning this award over 90% of employees located in the Calgary office donated to the campaign.

To recognize and support Home Oil employees who volunteer their time and talent to charitable and nonprofit organizations, a Volunteer Involvement Program was implemented. Under the Program Home Oil provides financial contributions to organizations employees support through volunteering.

EMPLOYEES

Revision of the compensation program was a high priority in 1993. Based on "pay for performance," the new program, implemented in early 1994, incorporates individual, team and corporate performance in employee compensation. A new bonus system to recognize exemplary performance further ties compensation to company results.

Integral to the program is the philosophy that employees are key to the success of Home Oil and accordingly both management and employees should share the responsibility and rewards of corporate success.

management's discussion & analysis

Home Oil Company Limited is now a widely held public corporation as a result of two major transactions. In May 1991 the Company's shares were distributed by Interhome Energy Inc. directly to Interhome shareholders. In May 1993 the controlling shareholders sold their 59.7% interest in the Company by way of a secondary offering to the public. • In November 1993 Home Oil acquired the minority interest of its subsidiary Scurry-Rainbow Oil Limited. • The following discussion of the results of operations and financial condition for the two years ended December 31, 1993 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

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

OVERVIEW

Earnings in 1993 rose by more than 70% to $12 million, $0.30 per share, compared with $7 million, $0.17 per share, in 1992. Cash flow from operations of $147 million was 7% higher than the $138 million generated in 1992. The improvements were a result of substantially higher gas revenue, receipt of a one time gas contract payment and lower operating expenses, partially offset by lower crude oil revenue.

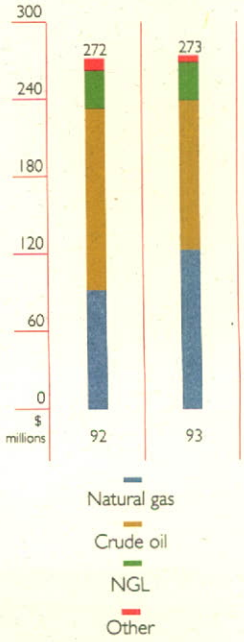
REVENUES

OPERATING Operating revenues remained virtually unchanged as a 34% increase in natural gas revenue offset lower crude oil, sulphur and pipeline revenues. Natural gas revenue rose as a result of both higher prices and volumes. Crude oil revenue declined as a result of lower production volumes due to property dispositions and, to a lesser extent, lower prices.

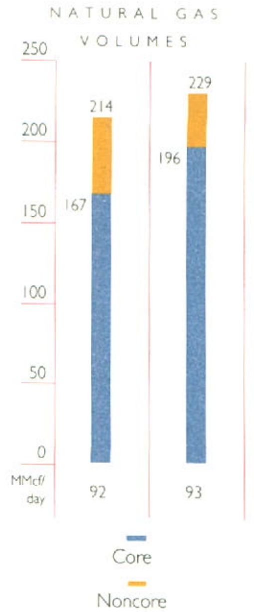
	1993	1992	Change
Natural gas	**$123**	$ 92	$ 31
Crude oil	**116**	141	(25)
NGL	**30**	30	–
Sulphur	**(1)**	1	(2)
Pipeline and other	**4**	9	(5)
	$272	$ 273	$ (1)

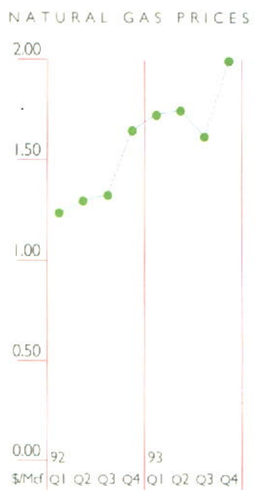
Sulphur sales produced a loss as excess supply forced prices below shipping and stockpiling costs and significantly reduced sales volumes. This situation is expected to continue as a result of low world demand and higher supply.

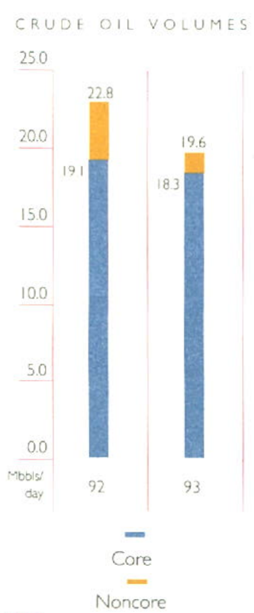
OPERATING REVENUES BY TYPE



management's discussion & analysis







Pipeline and other revenue declined in 1993 primarily as a result of the sale of the Cremona pipeline system in June 1992 and an underground storage facility in March 1993.

NATURAL GAS Natural gas revenue increased significantly due to higher prices and sales. Sales volumes reached record levels as a result of strong demand and the startup of two new long term contracts for delivery into the northeastern United States. Core production increased 17% as all fields produced close to maximum capacity and new capacity was added through drilling, building new facilities and acquiring additional working interests. Noncore production declined due to property dispositions.

	1993	1992	Change
Revenue after royalty	**$123**	$ 92	34%
Volume (MMcf per day)	**229**	214	7%
Price (per Mcf)	**$1.77**	$ 1.38	28%
Royalty rate	**16.7%**	14.9%	1.8%

Natural gas sales are expected to increase modestly in 1994. New production from discoveries and currently undeveloped reserves as well as improved deliverability from facility expansions should exceed natural decline and noncore property sales.

Natural gas prices improved due to higher demand and increased pipeline capacity at the Alberta border. Annual renewal of contract prices on November 1 and improved spot prices resulted in a fourth quarter average price of $1.99 per Mcf. Prices are expected to remain strong in 1994 due to continued strength in short term markets and the higher price for natural gas sold under contracts with annual price redetermination.

The average royalty rate increased in 1993 due to the expiration of the Border Montney Units' royalty free period and higher natural gas prices. The 1992 rate also included favourable prior year adjustments. In 1994 the natural gas royalty rate is expected to rise slightly as a result of higher prices.

CRUDE OIL Crude oil revenue declined as a result of lower volumes and prices. Total crude oil volumes dropped due to the ongoing disposition of nonstrategic properties. Production from

	1993	1992	Change
Revenue after royalty	**$ 116**	$ 141	(18%)
Volume (Mbbls per day)	**19.6**	22.8	(14%)
Price (per bbl)	**$ 19.96**	$ 20.80	(4%)
Royalty rate	**19.0%**	18.9%	0.1%

core properties declined 4% as volumes resulting from property acquisitions and new development projects did not fully offset natural decline in mature fields and the impact of shut-in production in late 1993 due to pipeline apportionment.

Acquisitions and production from development projects are expected to offset natural decline resulting in 1994 production approximating 1993 levels.

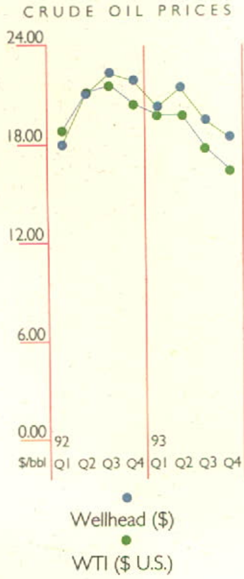
Home Oil's average price per bbl for 1993 was lower than 1992 as the decline in world prices more than offset the positive effect of a weaker Canadian dollar and an improvement in the average quality of the Company's crude oil stream. WTI declined from an annual average of U.S. $20.57 per bbl in 1992 to U.S. $18.49 per bbl in 1993 and averaged U.S. $16.48 in the fourth quarter. In addition, refineries imposed higher discounts on Canadian oil to reflect uncertain delivery caused by pipeline apportionment. The Canadian dollar weakened from an average of U.S. $0.83 in 1992 to U.S. $0.78 in 1993 ending the year at U.S. $0.75. Pipeline apportionment as well as the volatility in WTI and the exchange rate are expected to continue in 1994.

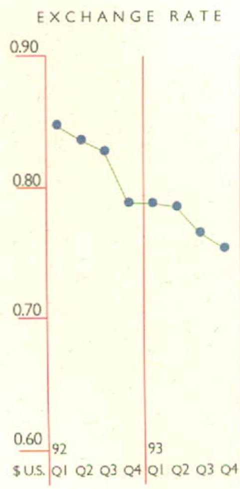
The average royalty rate remained constant as the expiry of the Cecil/Royce royalty holiday was offset by the new Alberta royalty regime's sensitivity to lower crude oil prices. The 1994 royalty rate is expected to increase slightly, in the absence of lower prices, as a result of lower royalty incentives for the Company's enhanced oil recovery schemes.

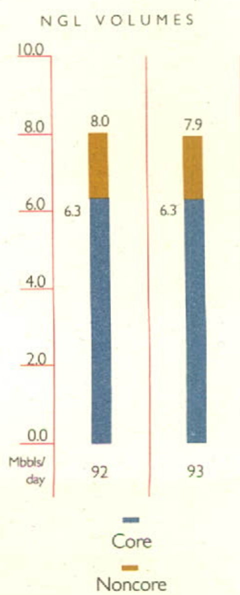
NATURAL GAS LIQUIDS NGL revenue remained unchanged as slightly higher prices were offset by a small decline in volume. Better prices resulted from improved demand, particularly for propane, early in 1993. Core production remained stable at approximately 6,300 bbls per day despite increased natural gas volumes because of the relatively low liquids content of gas produced from new core fields. Total production in 1994 is expected to decline by about 10% as a result of asset rationalization. Prices are not expected to change significantly.

	1993	1992	Change
Revenue after royalty	$ 30	$ 30	–
Volume (Mbbls per day)	7.9	8.0	(1%)
Price (per bbl)	$ 12.57	$ 12.25	3%
Royalty rate	16.9%	16.7%	0.2%

The average royalty rate increased modestly due to higher prices, partially offset by favourable prior period adjustments. The 1994 rate is expected to average around 19%.







management's discussion & analysis

INVESTMENT AND OTHER INCOME Home Oil's share of Federated Pipe Lines Ltd. earnings was slightly higher due to revenue from the new Caroline system. Equity earnings are anticipated to rise again in 1994 as the new system will be operational for a full year.

	1993	1992	Change
Equity in earnings of Federated Pipe Lines Ltd.	$ 5	$ 4	$ 1
Receipt on termination of gas sales contracts	4	–	4
Interest and dividends	–	1	(1)
Gain on sale of assets	3	3	–
	$ 12	$ 8	$ 4

The Company received a one time payment of $4 million as compensation for the early termination of long term gas contracts with Alberta and Southern Gas Co. Ltd.

Over the past two years nonstrategic assets have been sold as part of an asset rationalization program. In 1993 a gain was generated on the sale of surplus railway tank cars and an interest in an underground storage facility while the 1992 gain related to the sale of the Cremona pipeline. The underground storage facility and the Cremona pipeline were sold to Federated.

EXPENSES

OPERATING Oil and gas operating expenses declined 8% reflecting the ongoing asset rationalization program and efficiency gains in core field operations. Unit operating costs are expected to continue to decline modestly in 1994.

	1993	1992	Change
Oil and gas	$ 61	$ 66	$ (5)
Pipeline and other	1	2	(1)
	$ 62	$ 68	$ (6)
Oil and gas operating costs per BOE	$3.33	$ 3.44	$(0.11)

Pipeline operating costs are down as a result of the disposition of the Cremona pipeline system in June 1992.

GENERAL AND ADMINISTRATIVE

Administrative costs increased slightly in 1993, despite a lower staff level, as 1992 included a recovery from partners which related to prior years. Nonrecurring costs related to the purchase of Scurry's minority interest in 1993 and downsizing costs for the 10% staff reduction in 1992.

	1993	1992	Change
General and administrative	**$ 18**	$ 16	$ 2
Nonrecurring	**1**	3	(2)
	$ 19	$ 19	$ –

General and administrative costs are expected to experience modest inflation in 1994, however, the 1993 year end staff level should be maintained. Increased workload resulting from projected higher activity levels is expected to be offset by administrative efficiencies, continuing gains from the rationalization program and benefits from the acquisition of Scurry's minority interest.

DEPLETION, DEPRECIATION AND AMORTIZATION

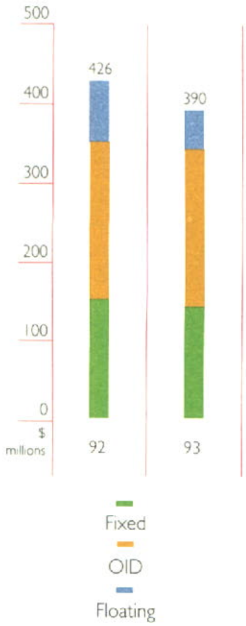
Oil and gas capital costs are depleted using the unit of production method based upon estimated proved reserves converted to BOE based on their relative energy content. Under this method, oil and gas depletion, depreciation and amortization expenses are determined by applying a rate, which reflects the average historical cost of adding reserves, to production volumes. This rate rose 6% as the additions cost exceeded the historical average. The rate increase was partially offset by lower production.

	1993	1992	Change
Oil and gas	**$129**	$ 124	4%
Other	**4**	3	33%
	$133	$ 127	5%
Oil and gas DD&A rate per BOE	**$5.39**	$5.10	6%

The depletion, depreciation and amortization rate is expected to increase by approximately 10% in 1994 as a result of 1993 downward reserve revisions and the high additions cost.

management's discussion & analysis

DEBT OUTSTANDING



INTEREST The interest rate on the $200 million Oil Indexed Debenture was effectively fixed at 8.263% from February 1, 1993 until maturity in October 2000 as a result of an interest rate swap. The resulting interest rate on the debenture averaged 8.2% in 1993 compared with 6.9% in 1992.

	1993	1992	Change
Fixed	**$ 17**	$ 18	$ (1)
OID	**16**	14	2
Floating	**3**	8	(5)
Foreign exchange losses	**6**	5	1
	$ 42	$ 45	$ (3)

Interest on floating rate debt declined due to lower interest rates and debt balances. Foreign exchange losses increased due to the effect of the large decline in the Canada/U.S. exchange rate on U.S. dollar denominated borrowings.

Interest expense is expected to continue to decline in 1994 as a result of further debt repayments, reduced foreign exchange losses and the redemption of all outstanding 9.875% debentures in early 1994.

TAXES Several factors contributed to the decline in the effective tax rate. Nondeductible capital losses were lower in 1993, higher revenues increased the federal resource allowance and capital taxes levied by federal and provincial governments do not vary with improving income levels.

	1993	1992	Change
Current	**$ 17**	$ 14	$ 3
Deferred	**(3)**	–	(3)
Total taxes	**$ 14**	$ 14	$ –
Earnings before taxes	**$ 26**	$ 21	$ 5
Effective tax rate	**54%**	67%	(13%)

In 1993 deferred taxes were drawn down as current tax deductions for capital expenditures were less than depletion and depreciation expenses.

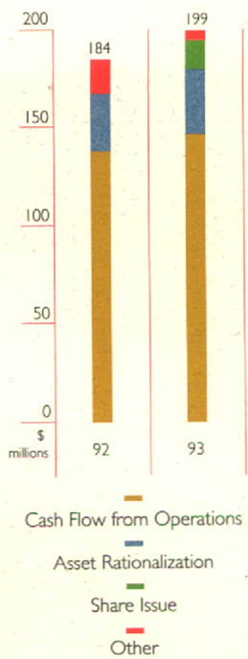
Liquidity and Capital Resources discusses the sources which provide the capital available to finance ongoing activities.

OVERVIEW

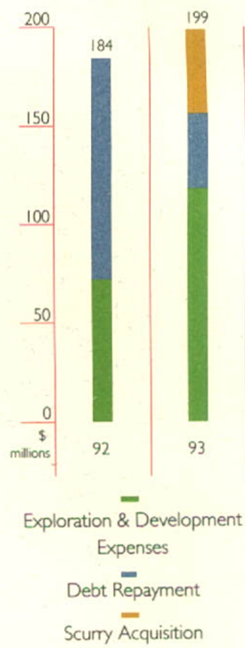
When Home Oil became a stand alone company in 1991 emphasis was placed on improving its financial condition. Investing activities were constrained with excess cash flow and net proceeds from asset rationalization activities dedicated to debt reduction resulting in declining proved reserves. During 1993 the strengthened financial position, higher cash flows and better economics for natural gas exploration permitted increased exploration and development with spending totalling $118 million. While the erosion of the reserves base was not reversed in 1993, the increased activity, particularly in the fourth quarter, and further expansion of the capital program in 1994 are expected to generate better results.

In 1993 Scurry's minority interest was acquired for $43 million with $15 million provided by the issuance of common shares. In addition, corporate debt was reduced by $38 million.

SOURCES OF FUNDS



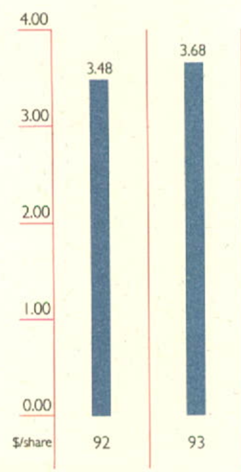
USES OF FUNDS



OPERATING ACTIVITIES

CASH FLOW FROM OPERATIONS Cash flow from operations totalled $147 million compared with $138 million in 1992. The 7% improvement resulted from substantially higher natural gas revenue, lower operating and interest expenses and the receipt of $4 million for termination of natural gas sales contracts. These positive factors were partially offset by lower crude oil revenue and higher current taxes. Cash flow is expected to increase in 1994, however, the level is highly dependent upon product prices.

CASH FLOW FROM OPERATIONS



management's discussion & analysis

INVESTING ACTIVITIES

EXPLORATION AND DEVELOPMENT EXPENDITURES Capital expenditures increased 64% reflecting the stronger financial capability, higher cash flow and improved economics for natural gas exploration. Over one-third of exploration and development expenditures were incurred in the fourth quarter of 1993 with the start of an extensive winter drilling program which will be complete by the spring of 1994.

	1993	1992	Change
Exploration	$ 37	$ 20	$ 17
Development	60	31	29
Miscible fluids	18	18	–
Other	3	3	–
	$ 118	$ 72	$ 46
Additions cost per BOE	$12.79	$9.76	$3.03

Exploration expenditures rose by 85% primarily as a result of increased spending on drilling and new acreage acquisitions. The number of net exploratory wells drilled increased by 2 1/2 times to 32 wells.

Development expenditures almost doubled with emphasis placed on tying in reserves and adding processing equipment at several key fields to increase productive capacity.

Reserves additions resulting from the 1993 exploration and development program replaced 49% of production. The low additions percentage reflected both disappointing drilling results and an extensive winter drilling program where significant expenditures incurred in late 1993 will not result in reserves additions until completion of the program in 1994.

The average reserves additions cost was $12.79 per BOE in 1993. This relatively high cost reflected concentration on production enhancement projects, which did not add proved reserves, and lower than expected reserves additions from other exploration and development projects.

The 1994 exploration and development program has been set at $145 million with the objective of economically replacing production and reducing the additions cost to about $7 per BOE. It is anticipated that this program will be funded from cash flow.

Exploration expenditures are budgeted to increase by over 60% to $60 million in 1994 with expected participation in the drilling of more than 70 wells. Over 80% of the funds will be spent on natural gas prospects in Alberta and northeastern British Columbia with the balance earmarked for lower risk crude oil projects in Alberta and Manitoba.

Approximately $65 million of the 1994 expenditures are designated for development projects. These projects are intended to increase natural gas production through development drilling and installation or expansion of plant and compressor facilities at various core locations. New crude oil production from drilling and property acquisitions is expected to offset natural production decline.

Miscible fluids costs and other expenditures are expected to amount to $20 million in 1994.

ASSET RATIONALIZATION During the past two years the disposal of interests in 150 noncore properties as well as the sale of certain marketing and pipeline assets resulted in a substantial net inflow of funds. A portion of these funds were used to acquire additional interests in fields where strategic and competitive advantages exist. In addition, a significant portion of asset rationalization activity has been accomplished through swaps where interests in core properties were acquired in exchange for interests in noncore properties. Over the past two years the Company has been involved in property swaps valued at $53 million.

	1993	1992	Change
Proceeds from sale of assets	$ 53	$ 43	$ 10
Acquisitions of proved properties	(20)	(14)	(6)
	$ 33	$ 29	$ 4

Asset rationalization will continue in 1994 with an increasing focus on property swaps and farmouts. Sales proceeds are expected to modestly exceed acquisitions costs.

FINANCING ACTIVITIES

CAPITALIZATION

	1993 Amount	1993 %	1992 Amount	1992 %	Change Amount	Change %
Long Term Debt						
Oil Indexed Debenture, due 2000	**$ 200**	**25**	$ 200	24	$ –	–
9-7/8% Debentures, due 1998	**16**	**2**	25	3	(9)	(36)
11% Debentures, due 1995	**125**	**15**	125	15	–	–
Revolving Bank Credit Facility, due 1994						
Canadian	**20**	**2**	–	–	20	100
U.S.	**29**	**4**	76	10	(47)	(62)
	390	**48**	426	52	(36)	(8)
Equity	**427**	**52**	400	48	27	7
Total	**$ 817**	**100**	$ 826	100	$ (9)	(1)

The debt to equity ratio improved to 48:52 as a result of debt repayment, retention of 1993 earnings and the issuance of $15 million worth of common shares in exchange for a portion of the Scurry minority shareholdings. Shareholders' equity exceeded long term debt for the first time since Home Oil became a stand alone company. The Company projects that the debt to equity ratio will continue to improve in 1994, but at a slower pace, as a result of further debt reductions and retention of earnings.

During 1993 an interest rate swap effectively fixed the Oil Indexed Debenture's interest rate at 8.263% from February 1, 1993 until its maturity in October 2000. This transaction results in an increased financial sensitivity to crude oil prices.

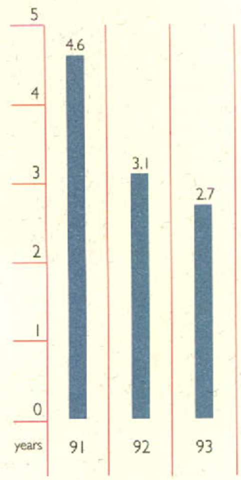
The outstanding 9-7/8% debentures were redeemed in February 1994 and funded by drawing down the revolving bank credit facility.

LIQUIDITY A working capital deficit of $20 million existed at the end of 1993. On an ongoing basis, the settlement of trade accounts receivable is expected to provide adequate liquidity to settle trade payables when due. The $146 million unutilized portion of the revolving bank credit facility provides additional liquidity to fund ongoing working capital and operating requirements. The Company has negotiated a $280 million bank facility maturing in June 1998 to replace the existing $195 million arrangement. The facility provides sufficient liquidity to repay the 11% debentures on maturity in early 1995.

Management considers the ratio of long term debt to cash flow from operations to be a key indicator of long term liquidity. Significant improvements have been made in this ratio as a result of continuing debt reduction and higher cash flow from operations. The Company's target is a ratio of below two years.

The Dominion Bond Rating Service and the Canadian Bond Rating Service have assigned ratings of BBB(high) and B++, respectively, to the Company's outstanding debt.

DEBT/CASH FLOW



BUSINESS RISK AND PROSPECTS

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

INDUSTRY

The Canadian oil and gas upstream industry continues to face many challenges as it strives to achieve improved profitability. Oil and gas exploration, development and marketing results are sensitive to changes in market conditions including natural gas and crude oil prices as well as government regulation.

MARKET CONDITIONS Natural gas prices are influenced by supply, competition, the Canada/U.S. dollar exchange rate, pipeline capacity and seasonal changes in demand resulting from weather patterns. Increased pipeline capacity at the Alberta border has resulted in stronger prices and the outlook for 1994 remains positive. At the end of 1993 approximately two-thirds of Home Oil's sales were affected by spot prices including those long term sales contracts which have a component based on variable pricing.

Crude oil prices are volatile and are influenced by many factors beyond the Company's control, including world supply and demand, political stability, the Canada/U.S. dollar exchange rate and transportation availability. Apportionment on the Interprovincial Pipe Line system may result in shut-in production and continued price discounting. Increased capacity on this system is not expected to be in place until 1995.

Natural gas and crude oil revenues will vary with fluctuations in world oil prices, North American gas prices and the Canada/U.S. dollar exchange rate. Foreign exchange and crude oil futures markets have existed for some time and there is a trend towards North

American commodity pricing for natural gas. These markets provide the opportunity to hedge price and currency risk. The Company continues to review alternatives for managing changes in prices and exchange rates and will pursue hedging opportunities as considered appropriate.

Oil and gas expenses have not been materially affected by inflation in recent years. However, some inflationary pressure on capital, operating and administrative costs is anticipated in 1994.

REGULATION Government regulation and legislation of royalties and environmental requirements have a significant impact on the industry and the Company. The Province of Alberta changed its royalty regime to be more price sensitive, effective January 1, 1993, thereby increasing the volatility of royalty rates. Royalty simplification measures, implemented January 1, 1994, reduce reporting requirements but are not expected to significantly impact the royalty burden.

In Alberta the Environmental Protection and Enhancement Act came into effect on September 1, 1993 while in British Columbia new environmental legislation is being drafted. In general, such legislation 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 legislative requirements and to abide by the Environmental Code of Practice published by the Canadian Association of Petroleum Producers. To ensure compliance with its environmental policy, the Company has developed and implemented a formal environmental management system. The Safety and Environment department, which reports to the Safety and Environment Committee of the Board of Directors, oversees the operation of this system and, through it, monitors compliance with Company policy and government regulation.

The estimate of total future abandonment and restoration costs is reviewed at least annually and this liability is recorded in accordance with the recommendations of the Canadian Institute of Chartered Accountants whereby these costs are accrued using the unit of production method. Total future costs are currently estimated at $57 million, of which $14 million has been accrued and recorded as a liability. The annual abandonment provision included in depletion, depreciation and amortization expenses was $3 million in 1993 while actual expenditures on restoration amounted to $3 million. Abandonment expenditures are expected to be about the same in 1994.

COMPANY

OUTLOOK In addition to industry risks, results are dependent upon sales volumes and, in the longer term, upon the ability to economically find and develop reserves. Home Oil now has the financial ability to pursue economic growth opportunities while continuing its debt retirement, asset rationalization and cost control strategies.

The 1994 capital program, which is expected to be 20% higher than 1993, is intended to economically replace production and will emphasize exploitation of the strong natural gas market. International oil field rehabilitation opportunities will also be investigated. The capital program is expected to be funded from cash flow from operations with the balance of cash flow, together with net proceeds from the asset rationalization program, applied to further debt reduction.

While plans for 1994 are intended to improve performance, Home Oil's financial results remain highly sensitive to changes in prices and volumes.

FINANCIAL SENSITIVITIES The estimated annual effect of a change in each of the following factors, based on 1993 average prices, volumes and existing tax and royalty legislation, is set out below:

Approximate Annual Change (dollars in millions)		
	Earnings	Cash Flow from Operations
Prices		
Natural gas ($0.10 per Mcf)	$4	$5
Crude oil (U.S. $1 per bbl)	$4	$5
Sales/Production		
Natural gas (10 MMcf per day)	$1	$4
Crude oil (1,000 bbls per day)	$2	$4
Average royalty rate (one percentage point)	$3	$3
Exchange rate (U.S. $0.01)	$1	$2

management's and auditors' reports

MANAGEMENT'S REPORT

March 15, 1994
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 judgement 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 three 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　　A. R. Hageman

David E. Powell
President &
Chief Executive Officer

Allen R. Hagerman
Vice President &
Chief Financial Officer

AUDITORS' REPORT

February 8, 1994
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, 1993 and 1992 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the two year period ended December 31, 1993. 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, 1993 and 1992 and the results of its operations and cash flows for each of the years in the two year period ended December 31, 1993 in accordance with generally accepted accounting principles.

Price Waterhouse

Price Waterhouse
Chartered Accountants
Calgary, Alberta, Canada

consolidated statement of earnings

(dollars in millions, except per share amounts)

Year Ended December 31,	1993	1992
Revenues		
Operating, net of royalties	$ 272.3	$ 273.3
Investment and other income (Note 3)	11.4	7.9
	283.7	281.2
Expenses		
Operating	62.1	68.2
General and administrative	19.3	19.4
Depletion, depreciation and amortization (Note 6)	133.3	127.1
Interest (Note 4)	42.2	44.8
Minority interest	1.1	1.1
	258.0	260.6
Earnings Before Taxes	25.7	20.6
Taxes (Note 5)		
Current	16.9	13.7
Deferred	(3.2)	–
	13.7	13.7
Earnings	$ 12.0	$ 6.9
Earnings per Common Share (Note 9)	$ 0.30	$ 0.17

consolidated statement of retained earnings

(dollars in millions)

Year Ended December 31,	1993	1992
Beginning of Year	$ 146.3	$ 139.4
Earnings	12.0	6.9
End of Year	$ 158.3	$ 146.3

consolidated statement of cash flows

(dollars in millions)

Year Ended December 31,	1993	1992
Operating Activities		
Earnings	$ 12.0	$ 6.9
Charges (credits) not affecting cash flow		
from operations		
Depletion, depreciation and amortization	133.3	127.1
Deferred taxes	(3.2)	–
Amortization of exchange loss on U.S. debt	6.0	5.3
Other	(1.6)	(1.3)
Cash Flow from Operations	146.5	138.0
Changes in noncash working capital	(1.2)	(1.6)
Deferred production revenue	(5.0)	(6.7)
	140.3	129.7
Investing Activities		
Exploration and development expenditures	(118.3)	(72.1)
Asset rationalization		
Proceeds from sale of assets (Note 10)	53.4	42.6
Acquisitions of proved properties	(20.5)	(13.5)
Site restoration expenditures	(2.8)	(1.3)
Acquisition of minority interest in Scurry (Note 2)	(42.5)	–
Changes in noncash working capital	15.2	29.2
Other	1.7	1.5
	(113.8)	(13.6)
Financing Activities		
Repayment of long term debt	(37.9)	(112.1)
Common shares issued (Note 9)	14.6	–
Changes in noncash working capital	(1.9)	(1.0)
Other	(1.3)	(3.0)
	(26.5)	(116.1)
Increase in Cash	$ –	$ –

consolidated statement of financial position

(dollars and shares in millions)

December 31,	1993	1992
assets		
Current Assets		
Accounts receivable	**$ 53.0**	$ 55.0
Inventories	**7.4**	8.3
	60.4	63.3
Investment in Federated Pipe Lines Ltd.	**14.9**	13.3
Property, Plant and Equipment (Note 6)	**1,275.5**	1,304.7
Other Assets	**4.2**	9.2
	$ 1,355.0	$1,390.5
liabilities and shareholders' equity		
Current Liabilities		
Bank indebtedness	**$ 0.2**	$ 1.7
Accounts payable and accrued liabilities	**61.0**	48.4
Interest payable	**7.8**	7.7
Taxes payable	**9.8**	11.8
Current portion of deferred production revenue (Note 8)	**1.2**	5.0
	80.0	74.6
Long Term Debt (Note 7)	**390.1**	426.5
Deferred Credits (Note 8)	**23.0**	22.4
Deferred Taxes	**435.4**	438.6
Minority Interest (Note 2)	**-**	28.5
	928.5	990.6
Shareholders' Equity		
Capital stock (Note 9) Common shares issued 40.4 (1992 - 39.6)	**114.6**	100.0
Contributed surplus	**153.6**	153.6
Retained earnings	**158.3**	146.3
	426.5	399.9
	$ 1,355.0	$1,390.5

Approved by the Board:

Director

Director

(tabular amounts expressed in millions of dollars)

note 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 2). The Company's 50% interest in Federated Pipe Lines Ltd. ("Federated") 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 are translated at the rate of exchange in effect at year end. Translation gains and losses relating to long term monetary assets and liabilities 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 or surpluses drawdown or repay funds under a revolving long term bank 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. 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 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, 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.

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. Oil and gas production equipment is depreciated using the unit of production method.

When petroleum and natural 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.

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

Comparative Amounts Certain comparative amounts have been reclassified to conform with current presentation.

ACQUISITION OF SCURRY MINORITY INTEREST

note 2

The 11.9% minority interest in Scurry-Rainbow Oil Limited ("Scurry") was acquired November 8, 1993 for $28.0 million cash and 707, 329 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.

INVESTMENT AND OTHER INCOME

note 3

Year Ended December 31,	1993	1992
Equity in earnings of Federated Pipe Lines Ltd.	$ 4.6	$ 4.3
Receipt on termination of gas sales contracts	4.0	–
Interest and dividends	0.3	0.7
Other	2.5	2.9
	$ 11.4	$ 7.9

In 1993 dividends of $3.1 million were received from Federated (1992 - $3.1 million).

note 4 INTEREST

Year Ended December 31,	1993	1992
Long term debt	$41.9	$44.3
Short term borrowings	0.3	0.5
	$42.2	$44.8

note 5 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,	1993	1992
Earnings before taxes	$ 25.7	$ 20.6
Canadian statutory tax rate	44.4%	44.5%
Taxes at statutory rate	$ 11.4	$ 9.2
Increase (decrease) resulting from:		
Nondeductible resource royalties	23.5	22.0
Federal resource allowance	(21.6)	(20.0)
Alberta Royalty Tax Credit	(1.2)	(1.2)
Capital taxes	2.8	2.8
Equity earnings	(2.0)	(1.9)
Nondeductible capital losses	2.1	3.8
Other	(1.3)	(1.0)
Taxes	$ 13.7	$ 13.7
Effective tax rate	53.3%	66.5%

note 6 PROPERTY, PLANT AND EQUIPMENT

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

December 31, 1992	Cost	Accumulated Depletion, Depreciation and Amortization	Net
Petroleum and natural gas (full cost)	$ 2,292.6	$ 1,013.6	$ 1,279.0
Buildings, land and other	46.8	28.4	18.4
Mining	7.3	5.3	2.0
Pipeline	13.6	8.3	5.3
	$ 2,360.3	$ 1,055.6	$ 1,304.7

The oil and gas depletion, depreciation and amortization rate per BOE for the year ended December 31, 1993 amounted to $5.39 (1992 - $5.10).

During the year administrative costs, related to exploration and development activities, of $6.4 million (1992 - $7.0 million) were capitalized.

At December 31, 1993, the Company had a surplus in its ceiling test based on year end well-head prices of $2.15 per Mcf for natural gas (1992 - $1.68) and $15.70 per bbl for crude oil (1992 - $20.24).

During 1992 depletion, depreciation and amortization expenses were reduced and the carrying value of petroleum and natural gas properties increased $11.0 million relating to proceeds previously received on partial disposition of an interest in an oil sands lease. In addition, the carrying value of undeveloped coal mining properties was reduced $4.2 million and other assets were reduced $4.6 million through charges to depletion, depreciation and amortization to reflect the estimated declines in value.

LONG TERM DEBT

note 7

	Maturity	December 31, **1993**	1992
Oil Indexed Debenture	October 2000	**$ 200.0**	$ 200.0
9.875% Sinking Fund Debentures	October 1998	**16.4**	25.2
11.0% Debentures	February 1995	**125.0**	125.0
Revolving Bank Credit Facility	June 1994		
Canadian dollars		**19.6**	–
U.S. dollars (U.S. $22.0; 1992 - $60.0)		**29.1**	76.3
		$ 390.1	$ 426.5

The Oil Indexed Debenture bears interest at a fixed rate of 5.0% per annum plus a variable rate of up to 16.8% per annum based upon the average price of crude oil. The Company entered into an interest rate swap which effectively fixed the interest rate at 8.263% from

February 1, 1993 until maturity. In 1993 the interest rate averaged 8.2% (1992 - 6.9%) and was 8.263% at the end of 1993 (1992 - 7.2%) (Note 10).

Revolving Bank Credit Facility Interest Rates	1993	1992
Canadian		
Average	5.3%	7.7%
Year end	4.3%	–
U.S.		
Average	3.9%	4.9%
Year end	3.9%	4.0%

The bank credit facility is available in any combination of Canadian or U.S. dollar amounts up to Canadian $195 million on a revolving basis.

Early in 1994 the Company reached an agreement for a facility maturing June 1998 for $280 million to replace the revolving bank credit facility.

The amounts of long term debt maturities and sinking fund requirements for the years ending December 31, 1994 through 1998 are $0.0 million, $125.0 million, $0.0 million, $0.0 million and $65.1 million, respectively.

The debt is unsecured but the agreements include various covenants which may influence the amount of additional debt or future security provided.

note 8 DEFERRED CREDITS

December 31,	1993	1992
Deferred production revenue	$ 1.6	$ 6.6
Less: current portion	(1.2)	(5.0)
	0.4	1.6
Site restoration accrual	14.3	14.0
Pension accrual (Note 11)	8.3	6.8
	$ 23.0	$22.4

Amounts received for gas volumes not yet taken under take or pay contracts are recorded as deferred production revenue. These amounts will be recorded as revenue when the gas to which the payments relate is delivered to the purchaser. Deliveries or repayments are being made over a period ending in 1997.

Estimated future decommissioning and site restoration costs are $57 million of which $14.3 million has been accrued to the end of 1993 (1992 - $14.0 million). During 1993, $3.1 million was included in depletion, depreciation and amortization expenses (1992 - $2.9 million).

CAPITAL STOCK

note 9

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

Common Shares Issued and Outstanding	1993 # Shares	1993 Amount	1992 # Shares	1992 Amount
Beginning of year	**39,644,414**	**$100.0**	39,644,414	$100.0
Issued				
Stock options exercised	**8,250**	**0.1**	–	–
Scurry minority interest purchase (Note 2)	**707,329**	**14.5**	–	–
End of year	**40,359,993**	**$114.6**	39,644,414	$100.0

Earnings per share has been computed using the weighted average number of shares outstanding during the year (1993 - 39.8 million; 1992 - 39.6 million). There would have been no material dilution of earnings per share if outstanding stock options had been exercised during the year.

Shares Under Option	1993	1992
Beginning of year	**462,500**	227,000
Options granted	**167,500**	235,500
Options exercised	**(8,250)**	–
End of year	**621,750**	462,500

Expiry Date	Option Price per Share	Number of Shares
September 15, 2001	$14.625	221,000
May 6, 2002	$16.125	91,500
August 6, 2002	$15.500	141,750
August 3, 2003	$18.500	167,500
		621,750

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

At December 31, 1993, 20,000 common shares were reserved for the granting of additional options.

In December 1993 the Board of Directors adopted a Shareholder Bid Approval Plan which will be submitted to the shareholders for ratification at the 1994 annual meeting. 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 gives 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% of market value, which would significantly dilute the value of the bidder's holdings.

RELATED PARTY TRANSACTIONS

note 10

In March 1993 the 50% 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. In June 1992 the Cremona pipeline system was sold to Federated for $6.5 million, resulting in a pretax gain of

$3.4 million. One half of these gains were recognized upon sale and one half were deferred and amortized over the useful life of the related assets. 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% of the Company's outstanding common shares prior to June 1993. Exploration and production activities are conducted jointly with others, including Gulf, under competitive market terms and in the normal course of business. During 1992, the Company transferred to Gulf petroleum and natural gas properties valued at $11.3 million in exchange for interests in other petroleum and natural gas properties, valued at $5.4 million, and cash proceeds of $5.9 million.

note 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 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, 1993, the status of the plans was:

December 31,	1993	1992
Pension plan assets at market values	**$92.4**	$ 78.6
Projected benefit obligations	**83.7**	80.6
Excess (deficiency) of pension plan assets over projected benefit obligations	**$ 8.7**	$ (2.0)

The Company's pension cost for the year ended December 31, 1993 was $2.4 million (1992 - $2.1 million).

The estimated average rate of return on pension plan assets and average rate of salary increases were 8.5% and 6.5%, respectively.

note 12 — POST RETIREMENT BENEFITS OTHER THAN PENSIONS

Certain health care and insurance benefits are provided to retirees and qualified dependants. The cost of providing these benefits, which is charged against earnings and funded in the year incurred, amounted to $0.2 million (1992 - $0.2 million).

SELECTED FINANCIAL INFORMATION (UNAUDITED)

(dollars in millions, except per share amounts)

	First	Second	Third	Fourth	Total
1993 Quarters					
Operating revenues	**$ 72.4**	**$ 70.6**	**$ 61.5**	**$ 67.8**	**$272.3**
Operating income[(1)]	**$ 18.6**	**$ 18.8**	**$ 9.3**	**$ 10.9**	**$ 57.6**
Earnings	**$ 5.0**	**$ 4.6**	**$ 1.0**	**$ 1.4**	**$ 12.0**
Cash flow from operations	**$ 38.2**	**$ 39.3**	**$ 34.7**	**$ 34.3**	**$146.5**
Earnings per share	**$ 0.13**	**$ 0.11**	**$ 0.03**	**$ 0.03**	**$ 0.30**
1992 Quarters					
Operating revenues	$ 64.4	$ 62.7	$ 67.7	$ 78.5	$ 273.3
Operating income[(1)]	$ 11.6	$ 10.1	$ 15.3	$ 21.6	$ 58.6
Earnings	$ 0.2	$ 2.2	$ 2.8	$ 1.7	$ 6.9
Cash flow from operations	$ 32.2	$ 32.1	$ 33.7	$ 40.0	$ 138.0
Earnings per share	$ 0.00	$ 0.06	$ 0.07	$ 0.04	$ 0.17

(1)

Operating income is defined as operating revenues less operating, general and administrative and depletion, depreciation and amortization expenses.

SHARE INFORMATION

SHARE TRADING

TSE (The Toronto Stock Exchange)	First	Second	Third	Fourth	Annual
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**
1992 Quarters					
High	15-3/8	16-5/8	16-1/4	15-7/8	16-5/8
Low	13-3/4	14-3/4	15-1/4	14-1/2	13-3/4

AMEX (American Stock Exchange)	First	Second	Third	Fourth	Annual
1993 Quarters (U.S. dollars)					
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**
1992 Quarters (U.S. dollars)					
High	13-1/4	13-7/8	13-5/8	12-7/8	13-7/8
Low	11-1/8	12-1/4	12-3/8	11-3/8	11-1/8

SHARES OUTSTANDING

Weighted Average Number of Shares Outstanding	First	Second	Third	Fourth	Annual
1993 Quarters (thousands)	**39,644**	**39,645**	**39,647**	**40,124**	**39,765**
1992 Quarters (thousands)	39,644	39,644	39,644	39,644	39,644

five year review

FINANCIAL

(dollars in millions)

Financial Statement Information	1993	1992	1991	1990	1989
Earnings					
Operating revenues					
Natural gas	**$ 122.9**	$ 92.1	$ 71.5	$ 78.9	$ 69.6
Crude oil	**115.7**	140.9	150.9	195.0	159.7
NGL	**30.2**	30.0	25.4	30.8	21.4
Sulphur	**(1.0)**	0.9	4.1	5.0	5.2
Pipeline and other	**4.5**	9.4	14.3	16.1	14.6
	272.3	273.3	266.2	325.8	270.5
Investment and other income	**11.4**	7.9	6.9	7.8	7.2
Operating expenses	**(62.1)**	(68.2)	(71.4)	(71.1)	(66.2)
General and administrative expenses	**(19.3)**	(16.6)	(20.3)	(19.6)	(17.6)
Restructuring and downsizing expenses	**–**	(2.8)	(11.2)	(2.0)	–
Depletion, depreciation and amortization expenses	**(133.3)**	(127.1)	(113.9)	(105.4)	(108.5)
Interest expense	**(42.2)**	(44.8)	(54.1)	(43.4)	(29.4)
Minority interest	**(1.1)**	(1.1)	(1.1)	(2.7)	(2.2)
Taxes	**(13.7)**	(13.7)	(1.5)	(23.0)	(10.1)
Extraordinary item	**–**	–	–	–	14.4
Earnings (loss)	**$ 12.0**	$ 6.9	$ (0.4)	$ 66.4	$ 58.1
Cash Flows					
Cash flow from operations	**$ 146.5**	$ 138.0	$ 116.0	$ 182.5	$ 164.6
Exploration and development expenditures					
Canada					
Exploration	**$ 36.7**	$ 19.9	$ 45.6	$ 81.5	$ 71.2
Development	**59.6**	30.6	60.3	79.1	72.3
Miscible fluids	**18.4**	18.4	22.5	24.2	22.0
Other	**3.6**	3.2	6.6	8.5	7.8
Incentives	**–**	–	–	–	(4.4)
Total Canada	**118.3**	72.1	135.0	193.3	168.9
International	**–**	–	–	–	20.8
	$ 118.3	$ 72.1	$ 135.0	$ 193.3	$ 189.7
Asset rationalization					
Proceeds from sale of assets	**$ 53.4**	$ 42.6	$ 34.1	$ 30.0	$ 20.8
Acquisitions of proved properties	**(20.5)**	(13.5)	(0.3)	(3.4)	(54.7)
	$ 32.9	$ 29.1	$ 33.8	$ 26.6	$ (33.9)
Proceeds from (repayment of) long term debt (1)	**$ (37.9)**	$ (112.1)	$ 291.0	$ (3.1)	$ (3.4)
Contribution (reduction) of capital (1)	**$ 14.6**	$ –	$ (221.4)	$ –	$ 15.0
Financial Position					
Current assets	**$ 60.4**	$ 63.3	$ 92.4	$ 95.4	$ 86.6
Property, plant and equipment	**$1,275.5**	$1,304.7	$ 1,375.7	$ 1,386.4	$ 1,323.0
Total Assets	**$1,355.0**	$1,390.5	$ 1,492.4	$ 1,504.3	$ 1,431.6
Current liabilities	**$ 80.0**	$ 74.6	$ 78.0	$ 152.7	$ 143.9
Long term debt (1)	**$ 390.1**	$ 426.5	$ 527.7	$ 236.0	$ 239.0
Shareholders' equity (1)	**$ 426.5**	$ 399.9	$ 393.0	$ 619.9	$ 570.6

(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.

Ratios	1993	1992	1991	1990	1989
Return on average shareholders' equity (1),(2)	**2.9%**	1.7%	0.0%	11.2%	10.7%
Debt/debt plus shareholders' equity (1),(3)	**47.8%**	51.6%	57.3%	32.4%	31.1%
Cash flow coverage of interest (1),(4)	**4.9x**	4.4x	3.1x	5.5x	6.5x
Earnings coverage of interest (1),(5)	**1.6x**	1.5x	1.0x	3.1x	3.5x
Debt/cash flow (1),(3)	**2.7x**	3.1x	4.6x	1.6x	1.6x

(2)
Earnings after extraordinary item 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 interest expense, divided by interest expense.

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

OPERATING

Sales/Production Data	1993	1992	1991	1990	1989
(before royalties)					
Daily sales/production					
Natural gas (Mcf)	**229.1**	214.2	172.8	159.5	150.6
Crude oil (bbls)	**19,616**	22,839	23,763	25,019	26,342
NGL (bbls)	**7,931**	8,034	6,588	6,532	5,854
Prices					
Natural gas (per Mcf)	**$ 1.77**	$ 1.38	$ 1.37	$ 1.62	$ 1.52
Crude oil (per bbl)	**$ 19.96**	$ 20.80	$ 20.58	$ 25.57	$ 20.23
NGL (per bbl)	**$ 12.57**	$ 12.25	$ 12.80	$ 15.66	$ 11.64
Royalty rates					
Natural gas	**16.7%**	14.9%	17.4%	16.2%	16.5%
Crude oil	**19.0%**	18.9%	17.0%	16.5%	17.3%
NGL	**16.9%**	16.7%	17.6%	17.6%	13.9%
Average	**17.8%**	17.3%	17.1%	16.5%	16.7%

Proved Reserves	1993	1992	1991	1990	1989
(before royalties)					
Natural gas (Bcf)					
Beginning of year	**1,095**	1,207	1,256	1,193	1,050
Extensions and discoveries	**41**	12	54	129	67
Revisions and improved recovery	**(55)**	(5)	(23)	(12)	56
Purchase of reserves in place	**63**	24	1	6	76
Sale of reserves in place	**(90)**	(65)	(18)	(2)	(1)
Sales	**(84)**	(78)	(63)	(58)	(55)
End of year	**970**	1,095	1,207	1,256	1,193
Crude oil (MMbbls)					
Beginning of year	**63.6**	73.4	84.0	88.4	93.8
Extensions and discoveries	**2.3**	4.4	3.4	4.9	5.6
Revisions and improved recovery	**0.3**	(2.3)	(4.6)	1.7	(1.9)
Purchase of reserves in place	**3.2**	3.0	–	0.2	0.8
Sale of reserves in place	**(6.2)**	(6.5)	(0.7)	(2.1)	(0.2)
Production	**(7.2)**	(8.4)	(8.7)	(9.1)	(9.7)
End of year	**56.0**	63.6	73.4	84.0	88.4
NGL (MMbbls)					
Beginning of year	**25.3**	25.5	26.9	27.6	21.8
Extensions and discoveries	**2.6**	1.4	6.1	4.4	4.5
Revisions and improved recovery	**(4.1)**	1.3	–	(2.7)	3.3
Purchase of reserves in place	**0.7**	0.6	–	–	0.1
Sale of reserves in place	**(1.6)**	(0.6)	(5.1)	–	–
Production	**(2.9)**	(2.9)	(2.4)	(2.4)	(2.1)
End of year	**20.0**	25.3	25.5	26.9	27.6

five year review

Percentage Replacement of Production	1993	1992	1991	1990	1989
Natural gas	**49**	15	86	222	123
Crude oil	**32**	52	39	54	58
NGL	**90**	48	254	183	214
BOE	**49**	37	86	128	97

Additions Cost (per BOE)	1993	1992	1991	1990	1989
Current year	**$ 12.79**	$ 9.76	$ 8.52	$ 8.27	$ 9.09
Three year moving average	**$ 10.04**	$ 8.59	$ 8.59	$ 8.43	$ 8.62

Proved Reserves Life Indices	1993	1992	1991	1990	1989
(years)					
Natural gas	**11.5**	14.0	19.1	21.6	21.7
Crude oil	**7.8**	7.6	8.4	9.2	9.1

Working Interest Wells Drilled	1993		1992		1991		1990		1989	
	Gross	**Net**	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory										
Gas	**7**	**4**	2	1	11	5	27	12	20	12
Oil	**8**	**7**	2	1	7	2	9	4	9	4
Dry	**26**	**21**	15	7	33	15	32	19	39	14
	41	**32**	19	9	51	22	68	35	68	30
Development										
Gas	**27**	**7**	5	2	13	4	45	22	14	3
Oil	**92**	**42**	74	21	61	16	76	29	89	14
Dry	**10**	**3**	14	2	7	3	12	4	11	3
	129	**52**	93	25	81	23	133	55	114	20
Total	**170**	**84**	112	34	132	45	201	90	182	50
Average working interest	**49%**		30%		34%		45%		27%	

Success Ratios	1993		1992		1991		1990		1989	
	Gross	**Net**	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory	**37%**	**34%**	21%	22%	35%	32%	53%	46%	43%	53%
Development	**92%**	**94%**	85%	92%	91%	87%	91%	93%	90%	85%
Total	**79%**	**71%**	74%	74%	70%	60%	78%	74%	73%	66%

Oil and Gas Landholdings	1993		1992		1991		1990		1989	
	Gross	**Net**	Gross	Net	Gross	Net	Gross	Net	Gross	Net
(millions of acres)										
Canada										
Western provinces	**5.0**	**2.4**	6.6	3.4	7.9	4.2	8.4	4.4	8.1	3.9
Beaufort/ Mackenzie Delta	**1.1**	**0.2**	1.1	0.2	1.4	0.2	3.1	0.4	3.4	0.5
Arctic Islands and other	**0.2**	**–**	0.2	–	0.2	–	0.3	–	0.3	–
	6.3	**2.6**	7.9	3.6	9.5	4.4	11.8	4.8	11.8	4.4
International	**–**	**–**	–	–	–	–	–	–	11.7	1.7
	6.3	**2.6**	7.9	3.6	9.5	4.4	11.8	4.8	23.5	6.1

Investor Information (1)	1993	1992	1991	1990	1989
Shares outstanding at year end (thousands)	**40,360**	39,644	39,644	39,637	39,621
Average shares outstanding weighted monthly (thousands)	**39,765**	39,644	39,644	39,628	39,604
Number of shareholders at year end	**8,784**	5,377	6,051	7,070	7,688
Percentage of shares registered in Canada at year end	**91%**	97%	97%	99%	97%

Share Trading - TSE(2)	1993	1992	1991	1990	1989
High	**$ 23-1/4**	$ 16-5/8	$ 18-3/8		
Low	**$ 13**	$ 13-3/4	$ 14-1/8		
Close	**$ 17-1/4**	$ 15	$ 15		
Volume (thousands)	**32,639**	6,211	7,689		

Per Share Data	1993	1992	1991	1990	1989
Earnings (loss)					
Before extraordinary item	**$ 0.30**	$ 0.17	$ (0.01)	$ 1.68	$ 1.10
After extraordinary item	**$ 0.30**	$ 0.17	$ (0.01)	$ 1.68	$ 1.47
Cash flow from operations	**$ 3.68**	$ 3.48	$ 2.93	$ 4.60	$ 4.15
Dividends	**$ –**	$ –	$ 0.06	$ 0.25	$ 0.25
Shareholders' equity at year end	**$ 10.73**	$ 10.09	$ 9.92	$ 15.64	$ 14.40

(1)
Information shown as to number of shares and shareholders for the years 1989 and 1990 are for information purposes only and represent 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.

BOARD OF DIRECTORS

Home Oil's Board of Directors is dedicated to ensuring the proper governance of the Company and protecting shareholders' interests through establishing major policies and the strategic direction for the Company.

William A. Dimma
Deputy Chairman
Royal LePage Limited

E. Susan Evans
Company Director

F. William Fitzpatrick
Company Director

Richard F. Haskayne
Chairman
NOVA Corporation of Alberta

H. Gordon MacNeill
Chairman
Jannock Limited

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

Clifford W. Rackley
Chairman & Chief Executive Officer
Texas Eastern Products
Pipeline Company

STANDING BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee reviews the 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 independent auditors.

Members:
W. A. Dimma, Chairman
F.W. Fitzpatrick
C. W. Rackley

HUMAN RESOURCES COMMITTEE

This Committee (formerly the Compensation Committee) reviews compensation practices, including benefit programs, senior management appointments and management succession plans, and makes recommendations on these matters to the Board.

Members:
H. G. MacNeill, Chairman
R. F. Haskayne

SAFETY & ENVIRONMENT COMMITTEE

The Safety & Environment Committee monitors and makes recommendations regarding 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 with applicable environmental and safety legislation.

Members:
C. W. Rackley, Chairman
E. S. Evans

NOMINATING COMMITTEE

The Nominating Committee identifies and recommends individuals for election to the Board and the composition of Board committees. This Committee also recommends policies and procedures relating to the Board's governance of the Corporation.

Members:
F.W. Fitzpatrick, Chairman
R. F. Haskayne
H. G. MacNeill

EXECUTIVE MANAGEMENT

From left to right:

Robert M. Perrin
David E. Powell
Allen R. Hagerman
Fred Callaway
Richard C. Osborne
Stewart D. Gossen
Andrew P. Holder
Bruce W. Sherley

SENIOR 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."

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
(201) 296-4000

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 AND SPECIAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting of Shareholders will be held in Calgary, Alberta, Canada on Tuesday, May 10, 1994 at 11:30 a.m. at the Palliser Hotel, Alberta Room. A copy of this Annual Report, the Notice of Annual Meeting of Shareholders, Management Information Circular and Proxy Statement and Form of Proxy, were mailed to all registered shareholders.

CORPORATE ADDRESS

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.

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.

GROSS OVERRIDING ROYALTY INTEREST A royalty usually reserved under a farmout arrangement which is ordinarily calculated and paid as a percentage of gross production before other deductions, such as operating costs, are made. This royalty may be either convertible or nonconvertible. The former permits the owner to convert this royalty to a working interest.

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 which are removed from natural gas during processing.

NET Excludes the interests of others.

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

PERCENTAGE REPLACEMENT OF PRODUCTION The portion of annual production replaced by reserves additions from exploration and production activities and injected miscible fluids, expressed as a percentage.

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 the current year divided by the current 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.

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 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
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 metre
1 cubic foot of natural gas	0.028 cubic metre
1 linear foot	0.305 metre
1 mile	1.609 kilometre
1 acre	0.405 hectare

In keeping with its commitment to environmental stewardship, Home Oil has used recycled paper throughout this report.

Printing: Ronalds Printing
Design: Smith & Associates

Home Oil Company Limited
1600 Home Oil Tower
324 Eighth Avenue S.W.
Calgary, Alberta
T2P 2Z5