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HOME OIL COMPANY LIMITED

1992 Annual Report

MAJOR ACCOMPLISHMENTS

- RECORD GAS AND NATURAL GAS LIQUIDS PRODUCTION
- INCREASED CORE OIL PRODUCTION
- INCREASED EARNINGS AND CASH FLOW
- LONG TERM DEBT REDUCED 19%
- UNIT OPERATING COSTS DOWN 11%

CORPORATE PROFILE Home Oil Company Limited, established in 1925, explores for, produces, transports and markets crude oil, natural gas and related products. The Company has assets exceeding $1.3 billion and annual revenues in excess of $280 million. With operations in British Columbia, Alberta, Saskatchewan and Manitoba, Home Oil operates six of its largest properties, nine natural gas processing plants and two regional pipeline systems. The Company is operator of and owns 88% of Scurry-Rainbow Oil Limited and 50% of Federated Pipe Lines Ltd. Scurry-Rainbow is a medium-sized crude oil and natural gas producer in Western Canada; Federated transports crude oil and natural gas liquids through an extensive pipeline system in Alberta. Home Oil is 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".

HIGHLIGHTS

FINANCIAL (dollars in millions, except per share amounts)

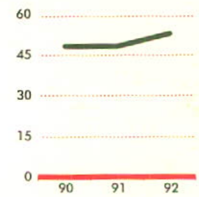
Year Ended December 31,	1992	1991	1990
Revenues	$281.2	$273.1	$333.6
Earnings (loss)	$ 6.9	$ (0.4)	$ 66.4
Cash flow from operations	$138.0	$116.0	$182.5
Capital expenditures	$ 85.6	$135.3	$196.7
Debt/cash flow	3.1x	4.6x	1.6x
Per common share (39.6 million shares outstanding)			
Earnings (loss)	$ 0.17	$ (0.01)	$ 1.68
Cash flow from operations	$ 3.48	$ 2.93	$ 4.60
Shareholders' equity	$ 10.09	$ 9.92	$ 15.64

OPERATING

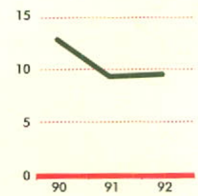
	1992	1991	1990
Daily production/sales			
Crude oil (barrels)	22,839	23,763	25,019
Natural gas liquids (barrels)	8,034	6,588	6,532
	30,873	30,351	31,551
Natural gas (millions of cubic feet)	214.2	172.8	159.5
Average price (dollars at wellhead)			
Crude oil (per barrel)	$ 20.80	$ 20.58	$ 25.57
Natural gas liquids (per barrel)	$ 12.25	$ 12.80	$ 15.66
Natural gas (per thousand cubic feet)	$ 1.38	$ 1.37	$ 1.62
Drilling activity			
Working interest wells			
Gross	112	132	201
Net	34	45	90
Gross successful	83	92	157
Net successful	25	27	67
Gross royalty interest wells (nonconvertible)	7	61	72
Percentage replacement of production			
Barrels of oil equivalent*	37	86	128

*Where ten thousand cubic feet of gas is equated to one barrel of oil

Long Term Debt (dollars in millions)



Production (thousands of barrels of oil equivalent*)



Operating Netbacks (dollars per barrel of oil equivalent*)

Home Oil's performance in 1992 met, and in many instances exceeded, our objectives of strengthening our balance sheet and improving the efficiency of our asset base. We employed strategies designed to both maximize shareholder value and position the Company for future profitability. Our efforts over the past year resulted in earnings of $6.9 million, $0.17 per share, compared with the 1991 loss of $0.4 million, ($0.01) per share. Cash flow from operations increased to $138.0 million, $3.48 per share, from $116.0 million, $2.93 per share, one year ago.

1992 INITIATIVES & RESULTS Nineteen ninety-two saw the implementation of four strategies identified as key to ensuring continued competitiveness in the changing industry environment.

The first was to concentrate management and corporate resources on optimizing those 36 core properties which, at the beginning of 1992, accounted for approximately 75% of the Company's revenues. Field optimization programs were supplemented with property exchanges and purchases of additional working interests in core areas to increase their value.

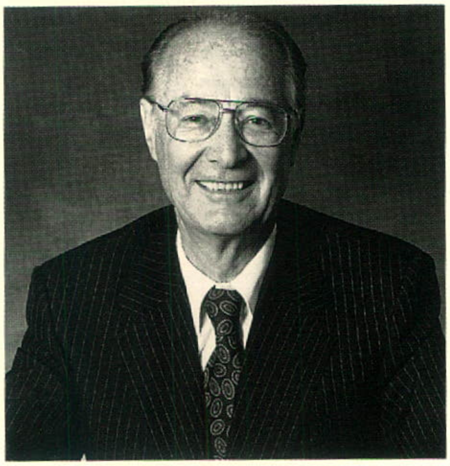
The second strategy was to reduce our inventory of minor interest properties which were deemed noncore to the Company's future success. While representing almost 90% of our total property count in early 1992, these properties contributed less than 25% of revenues. A Property Consolidation Division was established in June 1992 to conduct the day-to-day management of these noncore assets and maximize their value until the sale, swap or surrender of Home Oil's interests could be effected.

Reducing expenses was our third strategy and, in 1992, unit operating costs and general and administrative expenses decreased 11% and 18%, respectively. These improvements over the previous year were due primarily to increased efficiencies at our field operations, the sale of high operating cost properties and staff reductions.

Our final strategy was to significantly reduce long term debt. Through the application of cash flow in excess of capital expenditures and net cash proceeds from asset dispositions we were able to repay over $100 million of debt. At December 31, 1992, long term debt totalled $427 million, down almost 20% from December 31, 1991.

During 1992 Home Oil produced record levels of gas and natural gas liquids while largely maintaining oil production, despite numerous property dispositions and a significantly reduced capital program. Natural gas sales averaged 214 million cubic feet per day, 24% more than 1991. Higher gas sales principally reflected increased short term sales and higher takes by our aggregators.

Natural gas liquids production averaged 8,034 barrels per day, up 22% from 1991. The sharp rise was primarily due to higher recoveries of injected fluids from enhanced oil recovery projects at Swan Hills and Mitsue Gilwood.



David E. Powell

Crude oil production declined only 4% from 1991 to average 22,839 barrels per day. Successful optimization programs increased production from such fields as Cecil/Royce and Swan Hills. These gains, combined with the acquisition of additional interests in core oil properties, were sufficient to offset natural declines and a portion of the production lost through dispositions.

GOVERNMENT ISSUES Two important initiatives emerged in Alberta in 1992 which will affect the Company. Firstly, the Alberta Environmental Protection and Enhancement Act was passed and we expect regulations will be in place by mid to late 1993. As a result, the length and cost of project approvals will likely increase, reflecting greater public input during the approval process and the requirements for environmental impact assessments on individual projects. Also, the Act imposes stringent penalties for environmental offenses and expands the scope of offenses covered by the legislation. We have reviewed our operations to ensure they comply with current legislation and will continue to monitor the development of environmental legislation in all of our operating jurisdictions to confirm our continuing compliance.

Secondly, in response to prevailing low product prices and poor industry economics, the Alberta government implemented a new royalty regime in late 1992 which contains a more price sensitive oil royalty structure and royalty relief for new oil discoveries and horizontal re-entry programs. The Company expects only modest savings on its current production but anticipates improved economics for some of its new exploration and development projects.

LOOKING AHEAD In 1993 we will adapt our 1992 strategies to reflect the Company's decreasing debt load and strengthening asset base. We expect the current uncertainty in oil prices will continue in 1993 but are optimistic the current upswing in gas prices is a result of supply coming into balance with demand, pointing to a brighter future for the natural gas industry. In 1993 we plan to:

Increase the value of core properties through optimization and acquisitions.

Increase exploration activities to discover new core areas.

Continue noncore property dispositions to generate proceeds of approximately $40 million.

Further reduce costs at both the head office and field level through efficiency measures and innovative operating practices.

Reduce long term debt by more than $50 million by the end of 1993.

Pursue long term direct natural gas marketing opportunities primarily in the U.S. Northeast and Pacific Northwest.

Investigate longer term growth opportunities both in Canada and abroad.

The 1993 capital program is budgeted at approximately $120 million, some 30% higher than 1992. Approximately $100 million is dedicated to exploration and development activity, including $20 million for the purchase of miscible fluids. The balance will be used primarily for the acquisition of additional interests in core areas.

GENERAL In May 1992 our majority shareholders, Gulf Canada Resources Limited and GW Utilities Limited, announced their intention to sell their combined 63.5% interest in Home Oil. This process is continuing but no outcome has been announced.

In January 1993 Mr. Gilbert Newman announced his resignation from the Board of Directors. Mr. Newman served on the Board of Home Oil's former corporate parent, Interhome Energy Inc., from 1986 until 1991 and became a Director of Home Oil following the reorganization of Interhome. Mr. Albert Reichmann, a Director of Interhome and Home Oil since 1990 and 1991, respectively, advised in March 1993 that he would not stand for re-election at the upcoming Annual Meeting. We would like to thank both gentlemen for their services to the Company.

Our success this past year was due in large measure to the continuing support and professionalism of our employees. We challenged them to do more with less and their response was outstanding. A number of employee teams are featured in this report, and their accomplishments are representative of the success our employees achieved in 1992. With a strong management team and our employees' expertise and resourcefulness, we discovered new and better ways of conducting our business to maximize the effectiveness of our operations and position Home Oil for future growth and prosperity.

On behalf of the Board of Directors:

David E. Powell
President & Chief Executive Officer
March 16, 1993

The 1992 corporate strategies balanced ongoing exploration, development and debt reduction programs with the need to improve profitability. The capital program was reduced substantially from previous years and focused on enhancing existing production and adding value to core areas.

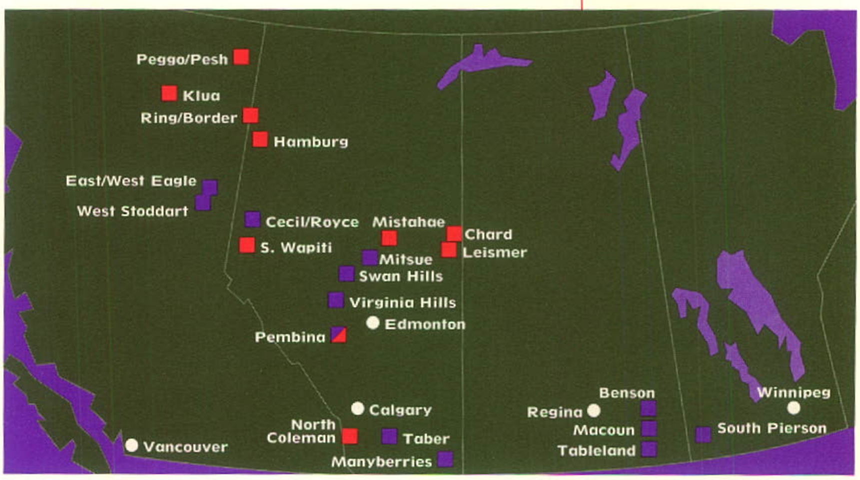
EXPLORATION & DEVELOPMENT

EXPLORATION ACTIVITIES Home Oil's 1992 exploration program was considerably smaller than prior years as a portion of cash flow was dedicated to debt reduction.

In the Benson area of southern Saskatchewan, an exploratory well was completed in the third quarter and is currently producing a net 125 barrels of oil per day. A detailed 3D seismic program was undertaken in the fourth quarter to select follow-up drilling locations for 1993. Home Oil holds a 50% working interest in this area.

Also in southern Saskatchewan, under a farmout agreement a total of six wells were drilled in 1992 and two were still drilling at year end. The program has so far resulted in one oil discovery. Two 3D seismic programs were completed in January 1993 to determine follow-up drilling locations for several additional wells.

The Company is not satisfied with its exploration results; accordingly, steps are being taken to improve performance in 1993, the most important of which is to significantly increase the exploratory drilling program.



Major Activity Areas

Oil

Gas

LAND POSITION The Company took advantage of its significant land base to reduce its level of acreage acquisition, consistent with its 1992 operating priorities. During the year the Company purchased 33,815 net acres of undeveloped Crown and freehold rights in Western Canada for $1.6 million, approximately $50 per acre. Net landholdings at December 31, 1992 totalled

(l-r) Greg Hodgson, Frank Lyne, Grant Grimsrud, Darcy Coombs, Andrew Vogan, Brian Livingston

EXPLORATION & DEVELOPMENT

(cont.)

3.6 million acres compared with 4.4 million acres one year ago. Undeveloped lands in Western Canada accounted for 3.0 million net acres, down from 3.7 million net acres last year as lands with lower strategic value were relinquished, sold or farmed out.

DEVELOPMENT ACTIVITIES During the year activities focused on the optimization of existing production and the development of new oil projects.

Development drilling at fields in northeastern British Columbia increased oil production in the area by a net 155 barrels per day, offsetting natural declines. Through acquisitions the productive capacity in the area increased an approximate 500 barrels per day.

At Swan Hills, Alberta, the Company's largest oil field, development activities not only offset natural declines, but increased net production by 426 barrels per day.

Twenty-six wells were drilled during the year at the Mitsue Gilwood field in Alberta with 15 of the wells producing an incremental 430 barrels of oil per day, net to Home Oil. Three additional wells were drilling at year end. A property exchange modestly increased the Company's working interest in the field to over 10% in 1992.

In Virginia Hills, Alberta, where an 11% working interest is held, a horizontal re-entry well was drilled and is producing 140 barrels of oil per day, net to the Company. Three additional horizontal re-entries and one vertical re-entry are being evaluated for 1993.

A $2.5 million gas processing facility was constructed at the Chard field in Alberta. The facility is capable of processing seven million cubic feet of gas per day. Home Oil holds a 100% working interest in the facility and the field.

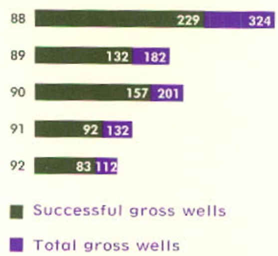
At Wood River, Alberta oil production allowables increased by 265 barrels per day following unitization of the D-2E field and the implementation of a waterflood program. Through acquisitions Home Oil's working interest in this Unit was increased by 6% to 38%.

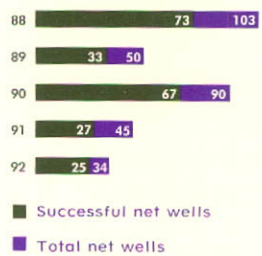
Home Oil's field and head office teamed up in 1992 to identify optimization opportunities for all core operating areas. Representatives from northern and southern Production, Engineering and two field locations are sharing expertise and knowledge among all field areas to maximize the value of our core operations. In 1992 core oil, natural gas liquids and natural gas production increased, while unit operating costs decreased overall by 11%.

The Manyberries "O" Pool in Alberta was unitized and waterflood operations commenced in the fourth quarter of 1992. As a result of these activities, net oil production increased by 350 barrels per day and 370,000 barrels of oil reserves were added. The Company holds a 33% working interest in this area.

At the South Pierson field in Manitoba, where the Company holds an approximate 95% working interest, eight wells of a ten well drilling program were completed in 1992 and are producing 225 barrels of oil per day, net to Home Oil. A pilot waterflood project was initiated late in 1992 with promising results. Full implementation of the waterflood will begin in 1993 and has the potential of adding proved reserves of 2 million barrels.

Drilling Activity





DRILLING RESULTS Home Oil participated in drilling 112 gross working interest wells in 1992, down from the 132 wells drilled last year. Exploratory drilling resulted in two oil and two gas wells; development drilling resulted in 74 oil and five gas producers. Nonconvertible gross overriding royalty interests were held in seven wells, of which five were oil discoveries and one was gas.

RESERVES Total proved reserves at year end were approximately 10% lower than 1991. Crude oil and natural gas liquids reserves totalled 89 million barrels on December 31, 1992, compared with 99 million barrels the previous year. The decline was primarily due to sales of noncore crude oil reserves and a lower than historical replacement of production ratio that reflected the substantially reduced exploration and development program.

Natural gas proved reserves of 1,095 billion cubic feet were down 9% from 1991. Record production rates and the disposition of low quality gas reserves largely accounted for the decrease.

Team leaders from the recently formed Property Consolidation Division spearheaded the highly successful program of noncore property and asset dispositions. Through sales and property swaps the Division's efforts generated proceeds totalling $43 million, which were dedicated to debt reduction and reinvestment in core properties. The Company spent $14 million to acquire additional interest in core properties in 1992.

EXPLORATION & DEVELOPMENT

(cont.)

Proved And Probable Reserves (before royalties)

	Crude Oil (millions of barrels)	Natural Gas Liquids (millions of barrels)	Natural Gas (billions of cubic feet)	Barrels of Oil Equivalent (millions of barrels)
Proved Reserves				
January 1, 1992	73.4	25.5	1,207.4	219.6
Additions	4.4	1.4	11.8	7.1
Revisions	(2.3)	1.3	(5.0)	(1.5)
Acquisitions	3.0	0.6	23.6	5.9
Dispositions	(6.5)	(0.6)	(64.7)	(13.7)
Production/Sales	(8.4)	(2.9)	(78.4)	(19.1)
December 31, 1992	63.6	25.3	1,094.7	198.3
Probable Reserves				
December 31, 1992	33.5	7.5	402.6	81.2
Total Reserves				
December 31, 1992	97.1	32.8	1,497.3	279.5

Proved Reserves Life Indices (years)

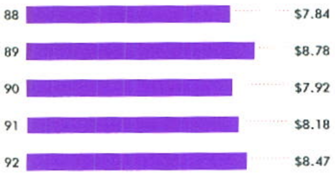
Crude Oil

Natural Gas

Based on 1992 production levels the Company's current proved reserves life indices for crude oil and natural gas are 7.6 and 14.0 years, respectively.

Despite a significantly reduced capital program in 1992, Home Oil was still able to add reserves at a cost of $8.47 per barrel of oil equivalent, virtually unchanged from the previous four years.

Home Oil replaced 37% of its production in 1992 on a barrel of oil equivalent basis. Production replacement declined substantially from previous years as a significant portion of the 1992 capital program focused on optimizing existing production. Since reserves replacement is largely a result of exploration and follow-up development drilling, the Company's percentage replacement of production decreased along with the size of the capital program.



Additions Cost

(dollars per barrel of oil equivalent)

(l-r) Cal Nagel, Mike Simpson, Dave Malarchuk, Dennis Eisner

During 1992 the Company completed a detailed review of its producing and nonproducing properties. This study showed that 36 properties, defined as "core", accounted for a vast majority of Home Oil's reserves, production and net operating income. The remaining 360 producing properties, defined as "noncore", were characterized by poor quality reserves with limited development potential, low productivity and high operating costs. The Company has initiated an aggressive asset rationalization program designed to increase its interests in core properties while disposing of noncore properties.

Asset rationalization efforts in 1992 generated cash proceeds of $43 million. The cash netback of the properties sold was $8.98 per barrel, well below the 1992 corporate average of $13.11 per barrel.

While most disposition proceeds were dedicated to long term debt repayment, approximately $14 million was reinvested in core property acquisitions. Additional working interests in several core areas were also acquired through property exchanges.

ACQUISITION ACTIVITIES Through purchases and swaps, Home Oil increased its working interest in the following core properties: Ring/Border and West Eagle in British Columbia, Swan Hills, Turner Valley, Mitsue Gilwood and Wood River/Bashaw in Alberta. This program added approximately 1,400 barrels per day of oil production and four million cubic feet per day of natural gas production. Proved reserves of three million barrels of oil and 23 billion cubic feet of natural gas were associated with these additional interests.

DISPOSITION ACTIVITIES In 1992 the Company disposed of over 30 noncore properties. Production associated with these properties at the time of sale was approximately 2,400 barrels per day of oil and 10 million cubic feet per day of natural gas. In addition to property sales, the Company sold its interests in the Cremona pipeline system and its equity investment in Minerals Ltd.

At year end pending sales totalled approximately $24 million, comprising over 60 noncore properties located throughout southeastern Saskatchewan and southern and central Alberta. These properties produce approximately 1,500 net barrels of oil per day from over 950 wells.

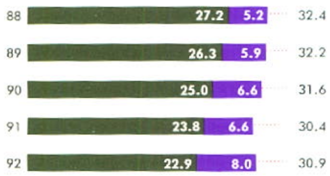
(l-r) Barry Peterson, Ian MacLean, Dinesh Dattani, Al Monaco
Home Oil's entry into the U.S. Northeast and power generation markets took a step forward during 1992 with the clos-

PRODUCTION & MARKETING

Markets for Home Oil's production continued to evolve in 1992 with changes in transportation patterns, supply/demand and prices for all major commodities.

CRUDE OIL Crude oil production in 1992 averaged 22,839 barrels per day, a decrease of 924 barrels per day from last year. Optimization programs increased oil production from several fields including Swan Hills and Cecil/Royce, however, those increases were insufficient to offset dispositions and natural declines from certain mature fields.

Crude oil marketing activities in 1992 enabled the Company to move substantially all of its production to market despite weak demand, pipeline constraints and announced refinery closures. Term sales arrangements made directly with refineries were disrupted by apportionment on the Interprovincial Pipe Line system in 1992 which forced a small volume of oil into the secondary market.



Oil Production
NGL Production
(thousands of barrels per day)

Refinery shutdowns in the Vancouver area, announced to take place in 1993, have prompted Home Oil to find new markets for its British Columbia light oil. In response the Company has successfully negotiated a one-year agreement to sell all of its B.C. oil into the U.S. West Coast market.

NATURAL GAS LIQUIDS Natural gas liquids production increased 1,446 barrels per day in 1992 to average 8,034 barrels per day. Most of the increase is attributable to production at the Company's miscible flood projects at the Mitsue Gilwood and Swan Hills fields.

Natural Gas Sales
(millions of cubic feet per day)

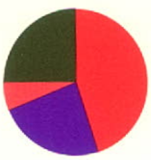
NATURAL GAS Natural gas sales averaged a Company record 214 million cubic feet per day in 1992, an increase of 41 million cubic feet per day from the previous year. The additional sales resulted primarily from new production and increased working

ing of an agreement to supply 16.5 million cubic feet of gas per day to a cogeneration facility in Ogdensburg, New York beginning in January 1994. Team members from the Marketing, Tax & Treasury and Law departments moved Home Oil in a new direction with this long term, defined price, direct sale contract. The Company recently increased its presence in the U.S. Northeast by placing a gas marketing representative in the Boston, Massachusetts area.

interests at the Ring/Border field, new production at the Hamburg field and increased direct sales from the Leismer field. Due to the unusually cold temperatures experienced in Alberta in December the Company sustained a peak deliverability of approximately 250 million cubic feet per day during the month.

In 1992 natural gas strategies focused on developing longer term markets where value could be assigned to security of supply and on optimizing sales of discretionary gas into higher priced short term markets. A significant portion of the increased sales volumes were to aggregators, particularly CanWest, which has markets in British Columbia and the U. S. Pacific Northwest. Home Oil took advantage of high spot gas prices in Alberta during November and December to sell significant volumes of discretionary, uncontracted gas.

To continue its longer term gas sales strategy, Home Oil pursued opportunities for firm sales into the U.S. Pacific Northwest and Northeast. The Company's focus on the power generation market was rewarded with the closing of the agreement to supply 16.5 million cubic feet of gas per day for a cogeneration project being developed by AG-Energy L.P., an affiliate of Sithe Energies Inc., with a starting price of $1.82 per thousand cubic feet, escalating over the 15-year life of the contract. Deliveries will commence early in 1994. To identify other long term opportunities in the U.S. Northeast, Home Oil placed a gas marketing representative in the Boston, Massachusetts area in late 1992.



Natural Gas Sales (by market type)

Local Distribution Companies 45%
Industrial 24%
Power Generation 6%
Short Term 25%

Average Daily Production/Sales (before royalties)

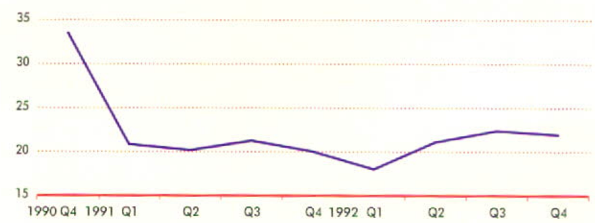
Crude Oil (barrels)	1992	1991
Swan Hills Unit, Alberta	5,145	4,719
Mitsue Gilwood Unit, Alberta	2,507	2,339
Cecil/Royce, Alberta	1,914	1,164
West Eagle Unit, British Columbia	1,355	1,210
East Eagle Unit, British Columbia	1,083	1,051
Virginia Hills Unit, Alberta	905	963
Manyberries, Alberta	879	709
South Pierson, Manitoba	753	775
West Stoddart, British Columbia	740	669
Other Core	3,449	3,875
Noncore	4,109	6,289
	22,839	23,763

Natural Gas Liquids (barrels)	1992	1991
Swan Hills Unit, Alberta	2,883	2,472
Mitsue Gilwood Unit, Alberta	730	26
Carstairs/Elkton, Alberta	547	525
Pembina Nisku, Alberta	456	389
Harmattan/Elkton, Alberta	314	399
South Wapiti, Alberta	266	534
Moose Mountain, Alberta	265	113
Other Core	892	638
Noncore	1,681	1,492
	8,034	6,588

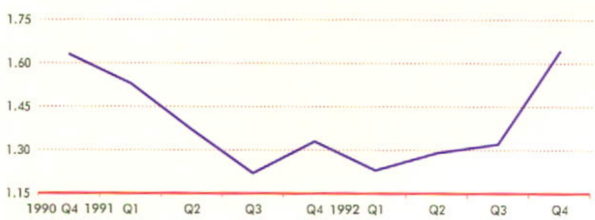
Natural Gas (thousands of cubic feet)	1992	1991
Leismer, Alberta	46,588	36,932
Harmattan/Elkton, Alberta	13,370	11,757
Hamburg, Alberta	12,822	1,452
South Wapiti, Alberta	11,477	9,595
Ring/Border, British Columbia	10,578	743
Carstairs/Elkton, Alberta	9,172	8,344
Marten Hills Unit, Alberta	7,142	7,682
Moose Mountain, Alberta	7,082	5,151
Swan Hills Unit, Alberta	6,628	6,676
North Coleman, Alberta	4,276	5,584
Other Core	27,786	25,671
Noncore	57,260	53,261
	214,181	172,848

OIL & GAS PRICES Although average West Texas Intermediate prices declined in 1992, Home Oil's price increased modestly because of the lower Canada/United States exchange rate. The Company's wellhead price for crude oil averaged $20.80 per barrel in 1992, $0.22 higher than 1991.

The Company's natural gas price during 1992 averaged $1.38 per thousand cubic feet, up $0.01 from 1991. Weak gas prices in the first half of 1992 were offset by substantially strengthening prices in the third and fourth quarters.



Crude Oil (dollars per barrel at wellhead)



Natural Gas (dollars per thousand cubic feet at wellhead)

The "Caroline Project" was the largest natural gas liquids capital project in Federated Pipe Lines' history. Team members coordinated the construction of a 100 mile pipeline to tie in the Caroline gas plant to the Federated system, and the twinning of an existing 40 mile pipeline between Acheson and Fort Saskatchewan. Federated will transport approximately 30,000 barrels of NGLs per day from Caroline and the expanded system creates new

OPERATING NETBACKS Netbacks are calculated on a unit of production basis by product. In the case of crude oil, sales revenue, less operating costs and royalties, is divided by total crude oil production to arrive at the operating netback per barrel of oil.

A similar method is employed to determine the netback per thousand cubic feet of natural gas. However, the revenues realized on the sale of gas byproducts, such as natural gas liquids, are combined with those received from natural gas sales, and the cost of extraction is included as a cost of processing the natural gas.

Home Oil's operating netbacks increased in 1992 largely due to the successful disposition of higher operating cost properties and increased operating efficencies. The Company received an average operating netback of $13.11 per barrel of oil compared with $12.95 per barrel one year ago; the average netback for gas and natural gas liquids was $1.13 per thousand cubic feet, up from $1.09 in 1991.

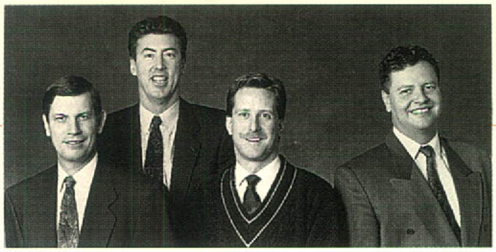
Crude Oil

(dollars per barrel)	1992	1991
Price	$20.80	$20.58
Royalty Expense	(3.94)	(3.50)
Operating Expense	(3.75)	(4.13)
Netback	$13.11	$12.95

Gas And Natural Gas Liquids

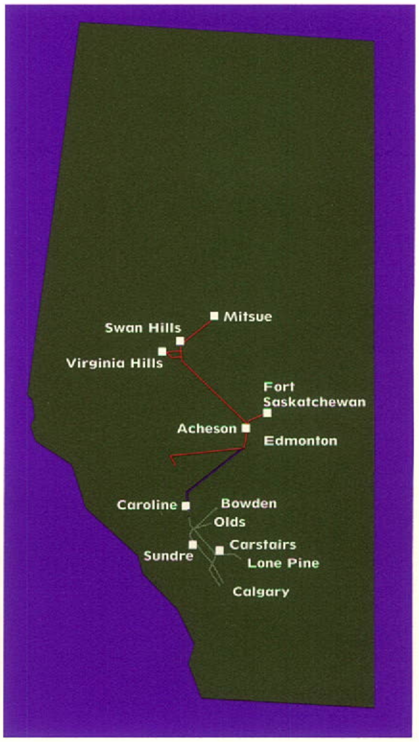
(dollars per thousand cubic feet)	1992	1991
Gas Price	$ 1.38	$ 1.37
Products Revenue	0.47	0.57
Royalty Expense	(0.28)	(0.34)
Operating Expense	(0.44)	(0.51)
Netback	$ 1.13	$ 1.09

opportunities for Federated to transport NGLs in Alberta. (l-r) Mike Massecar, Ron McKay, Bruce Gray, Brian Blattler



PIPELINE OPERATIONS

Federated Pipe Lines, which currently comprises approximately 1,050 miles of pipelines, is operated and 50% owned by Home Oil and has been transporting crude oil and natural gas liquids within Alberta since 1958 and 1985, respectively. During 1992 Federated transported approximately 65 million barrels.



Federated completed a $31 million capital program in 1992 to expand its major natural gas liquids pipeline to tie into the Caroline gas plant and parallel the Federated system between Acheson and Fort Saskatchewan near Edmonton. Federated will transport 30,000 barrels per day of natural gas liquids from the Caroline plant.

In July 1992 Federated expanded its franchise area by purchasing the Cremona pipeline system from Home Oil for $6.5 million. The Cremona system consists of 115 miles of crude oil and 143 miles of condensate gathering and transmission lines. The lines run between the Sundre pipeline terminal in central Alberta and Calgary and, in 1992, transported total volumes of 33,889 barrels per day.

SAFETY & ENVIRONMENT

Home Oil's commitment to personnel and public safety and environmental responsibility is underscored by President & Chief Executive Officer David Powell's role as Chairman of the Health, Safety & Environment Committee of the Canadian Association of Petroleum Producers. Mr. Powell's personal interest in these areas on an industry-wide basis parallels the commitment of all employees to ensuring the Company maintains its tradition of operating in a safe, ethical and responsible manner.

Representatives from Human Resources, Tax & Treasury and Information Systems worked together to transfer Home Oil's internally administered savings plan program to an outside source. The four-month project resulted in annual savings of $200,000. Other employee initiatives such as the "Sacred Cow" Task Force and the Cross Divisional Initiative identified many areas for improving Home Oil's operations and reducing costs.

SAFETY & ENVIRONMENT

(cont.)

SAFETY INITIATIVES During the year the Company completed a three-year redevelopment of its emergency response plans. New site-specific plans supported by emergency response training were established for 18 separate locations. In addition, implementation began on an enhanced safety and loss control program. These new programs are designed to ensure a uniform understanding and implementation of key standards throughout Home Oil's operations.

In January 1992 a Safety Advisory and Review Committee was formed, comprised of senior operations and safety personnel from head office and the field. The committee advises on corporate-wide safety and loss control issues. During the year the Company's pipeline and various gas processing facilities received 15 safety related awards from government and industry. In particular, the South Elkton gas plant was recognized for having operated for 22 years without a lost-time accident.

ENVIRONMENTAL INITIATIVES In response to the growing importance of environmental responsibility, Home Oil began implementing a formal environmental management system which effectively expands and integrates the various environmental protection measures that have been in place for many years. The Company also increased its environmental staff complement and budgeted additional resources. The new management system will ensure current and future environmental responsibilities continue to be met.

During the year the Company initiated a multi-year program of liability assessments and environmental audits beginning with its Swan Hills operations. A decommissioning program involving over 200 wells commenced on 15 wells. Reclamation of six facility sites also began in 1992 with further projects planned over the next several years.

In 1992, general and administrative expenses declined 18% from the previous year. (l-r) Doug Fraser, Sue Kallis, Tim Wilcox, Lise LePage

COMMUNICATIONS The Company's internal and external communication practices were expanded and adapted in 1992 to support its flatter organizational structure and reinforce greater teamwork across divisions and management levels. As a smaller organization, with 20% fewer employees than in 1991, Home Oil recognized that enhanced communication programs were integral to successfully implementing its strategies and realizing its goals.

There was an increase in both the amount and scope of information communicated to employees in 1992 and we believe those efforts contributed significantly to the Company's successes.

EMPLOYEES During 1992 Home Oil employees challenged traditional ways of conducting business and sought new opportunities for reducing costs and increasing productivity. Employee initiatives ranged from the creation of Home Aviation which recorded over $500,000 in third party charter aircraft revenues during 1992, to a $6,000 annual reduction in paper costs in the Company print shop.

Employees

Field 305
Office 439
Total 744

The corporate focus on teamwork, communication and accountability prompted a revision of the Company's performance and development review process. In addition, an employee recognition program, The Winning Performance, was implemented.

The success of the Company's asset rationalization program reduced ongoing operational and administrative needs. Head office staff positions were reduced by 10% in late 1992, and field staff positions also declined.

DONATIONS Home Oil continues its commitment to corporate responsibility through its donation program and participation in the 'IMAGINE' campaign which encourages companies to donate 1% of pretax earnings to worthy causes. Nineteen ninety-two donations of over $350,000 focused on organizations operating in Western Canada.

Donations

Health & Welfare 34%
Education 41%
Civic 16%
Culture 9%

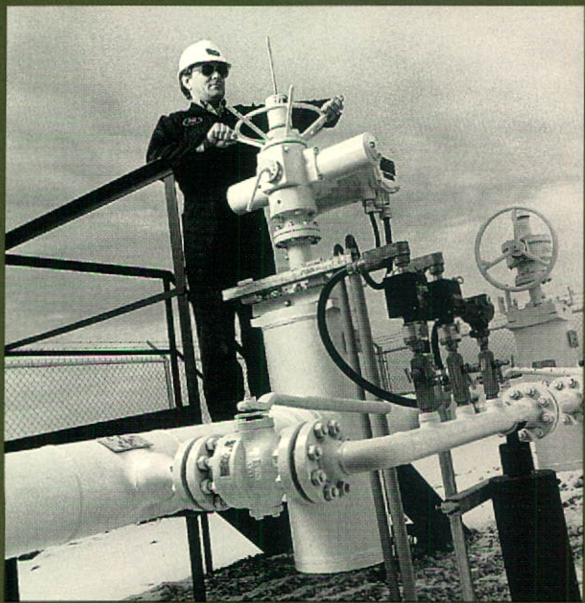
Home Oil will continue its corporate philanthropy with an increased donations budget for 1993. The Company is proud to support worthy organizations which are suffering the impact of government funding decreases and a sluggish economy.

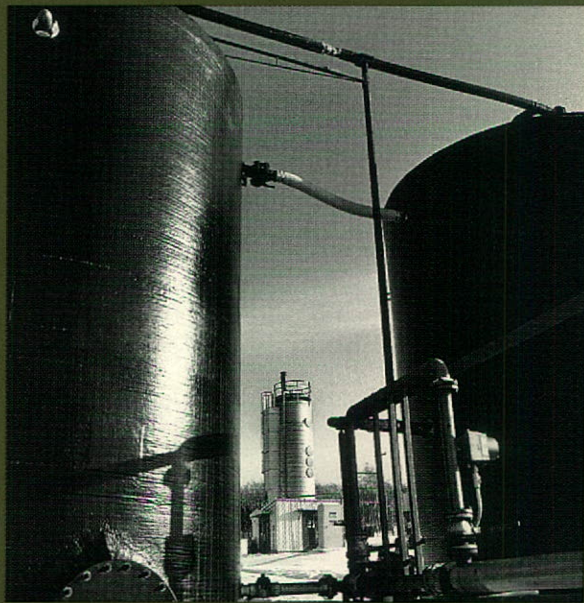
Exploration

Exploration capital of approximately $30 million, 50% higher than 1992, will target more than 40 wells in projects which have the potential to create new core properties and balance high and low risk opportunities. Twenty-eight wells are planned for Alberta, four for northeastern British Columbia and nine for Saskatchewan. Approximately one-half of the drilling activity will be targeted to oil prospects in southern Alberta. Gas prospects are targeted in northeastern British Columbia, in the liquids rich area of west central Alberta and on a large 100% owned landholding in southern Saskatchewan.

Development

The value of core properties will be maximized by developing new production through drilling and enhanced recovery programs, increasing working interests in core properties and reducing operating costs. Core oil production is expected to increase by 9% through infill drilling, waterflood programs and enhanced recovery programs. Natural gas sales are forecast to increase modestly through development drilling and the installation of additional gas plant facilities. Development capital of approximately $70 million is planned, including $20 million for miscible fluids.





Pipelines

The completion of the extension of Federated's NGL system to the Caroline gas processing plant and the acquisition of the Cremona system has positioned Federated for future growth. Federated's wide geographic coverage and unique high vapour pressure transportation expertise will enable it to effectively expand and add value in a highly competitive business environment.

Marketing

Increased demand for natural gas, tightening supply and increasing pipeline capacity into a variety of markets should both significantly moderate the traditional downturn in gas prices in the spring and provide support for higher prices over the long term. Canadian oil prices are primarily dictated by world oil prices and the Canada/United States exchange rate. Oil prices are also influenced by pipeline apportionment, transportation constraints and refinery closures. Despite anticipated apportionment and refinery closures in 1993, Home Oil expects a modest improvement in its oil price over the next year as a result of the increasing quality of its reserves base and the continuation of the current exchange rate and international oil prices.

Results of Operations provides an analysis of operating results in aggregate as well as on an individual line basis. **Liquidity and Capital Resources** discusses the sources which provide the capital available to finance ongoing activities. **Business Risks and Prospects** presents management's outlook for the future and the impact industry and business environment changes will have on future results of operations.

The following discussion of the results of operations and financial condition for the three years ended December 31, 1992 should be read in conjunction with the Consolidated Financial Statements. On May 1, 1991, pursuant to a Plan of Arrangement, Home Oil was separated from Interhome Energy Inc. and became a stand alone, publicly traded company. The effect of this corporate restructuring was to transfer Interhome's interest in Home Oil directly to Interhome's shareholders.

RESULTS OF OPERATIONS

In 1992 Home Oil earned $6.9 million, $0.17 per share, compared with a loss during 1991 of $0.4 million, ($0.01) per share, and 1990 earnings of $66.4 million, $1.68 per share. Cash flow from operations amounted to $138 million compared with $116 million in 1991 and $183 million in 1990. Significant improvements in both earnings and cash flow, compared with 1991, were achieved principally as a result of higher gas sales and reduced expenses. All categories of expense were reduced with the exception of depletion, depreciation and amortization, which increased largely as a result of higher production volumes. In addition, 1992 earnings reflected a gain on the sale of the Cremona pipeline system. Higher earnings and cash flow from operations in 1990 resulted from substantially higher product prices and tax recoveries on the realization of certain capital losses.

Operating Revenue (dollars in millions)

	1992	1991	1990
Crude oil	$141	$151	$195
Natural gas	92	72	79
Natural gas liquids	30	25	31
Sulphur	1	4	5
Pipeline and other	9	14	16
	$273	$266	$326

Operating revenue of $273 million improved from $266 million in 1991 but declined from $326 million in 1990. The significantly higher revenue in 1990 resulted from higher product prices, in particular world oil prices which rose as a result of the Persian Gulf conflict. In 1992 crude oil revenue declined by 7% from 1991 primarily due to lower production as a result of property dispositions made throughout the year. Natural gas and natural gas liquids revenues both improved as a result of increased sales volumes. Sulphur revenues declined significantly as excess supply has led to a collapse of world prices. Sulphur prices, which averaged over $50 per long ton in 1990 and 1991, declined to less than $15 per long ton in 1992 and are expected to remain depressed for the near future. Pipeline and other revenue declined in 1992 principally due to the sale of the Cremona pipeline system to Federated Pipe Lines Ltd. on June 30, 1992, which reduced revenue by approximately $3 million. Lower throughput on the Manyberries pipeline and reduced marketing fee income, as a result of lower sulphur prices, also contributed to the decline.

Crude Oil

	1992	1991	1990
Revenue after royalty (dollars in millions)	$ 141	$ 151	$ 195
Volume (barrels per day)	22,839	23,763	25,019
Price (per barrel)	$20.80	$20.58	$25.57
Royalty rate	18.9%	17.0%	16.5%

Average crude oil production volumes declined by 4% and 5% during each of the last two years largely due to the impact of the disposition of nonstrategic properties. Property disposition activities during the past two years resulted in a net decline in production volumes of about 2,000 barrels per day. Natural production declines in mature fields were offset by increased production resulting from exploration and development programs.

Reported production during the fourth quarter of 1992 of 23,061 barrels per day was affected by the closing of a major property swap and acquisition which increased the Company's interest in the West Eagle unit by 15%. The transaction, which had an effective date of July 1, 1992, added 500 barrels per day to the Company's production base but affected fourth quarter reported production by 1,000 barrels per day.

Home Oil's average price per barrel for 1992 improved slightly over 1991 reflecting changes in world oil prices and Canadian/United States exchange rates. Although the average price of West Texas Intermediate crude oil declined by 4% in 1992, to U.S. $20.57, this was more than offset by the positive impact of a weaker Canadian dollar which averaged U.S. $0.83 compared with U.S. $0.87 in 1991. The 19% decline in the price from 1990 levels principally relates to lower world oil prices.

The increase in the average royalty rate to 18.9% results from the expiry of the royalty free period on Cecil/Royce production and reduced royalty incentives on enhanced recovery production.

Natural Gas

	1992	1991	1990
Revenue after royalty (dollars in millions)	$ 92	$ 72	$ 79
Volume (millions of cubic feet per day)	214	173	160
Price (per thousand cubic feet)	$1.38	$1.37	$1.62
Royalty rate	14.9%	17.4%	16.2%

Natural gas sales reached a new Company record of 214 million cubic feet per day, an increase of 24% and 34% over 1991 and 1990 levels, respectively. Full year production from Ring/Border, as well as increases in production from most other fields, supplied new long term sales contracts and higher rates of take under existing contracts. Increased production from Leismer to offset competitive drainage, and new production from Hamburg was sold primarily in the short term market to take advantage of higher prices prevailing during the latter part of the year.

Firming gas prices in the fourth quarter caused the 1992 average natural gas price to rise one cent per thousand cubic feet over the 1991 price. The average sales price for the fourth quarter was $1.64 per thousand cubic feet compared to $1.28 for the first nine months of 1992 and $1.33 per thousand cubic feet for the fourth quarter of 1991.

The average royalty rate for the year dropped to 14.9% as a result of royalty free production from the Ring/Border field and adjustments arising from prior years. Royalty rates in 1993 are expected to return to previous levels due to the expiration of the Ring/Border royalty free period.

Natural Gas Liquids

	1992	1991	1990
Revenue after royalty (dollars in millions)	$ 30	$ 25	$ 31
Volume (barrels per day)	8,034	6,588	6,532
Price (per barrel)	$12.25	$12.80	$15.66
Royalty rate	16.7%	17.6%	17.6%

Sales of natural gas liquids rose approximately 22% from the 1991 and 1990 level due to reduced reinjection into the enhanced oil recovery project at Mitsue Gilwood and as a result of higher production at Swan Hills. Generally, liquids prices have tracked changes in the price of crude oil, with the exception of ethane, where prices declined from last year due to oversupply.

The effective royalty rate declined in 1992 as a result of adjustments arising from prior years.

Investment and Other Income (dollars in millions)

	1992	1991	1990
Equity earnings of Federated Pipe Lines Ltd.	$4	$4	$4
Interest and dividends	1	1	2
Other	3	2	2
	$8	$7	$8

Other income in 1992 includes a gain of $2.6 million on the sale of the Cremona pipeline system and associated linefill.

Operating Expenses (dollars in millions)

	1992	1991	1990
Oil and gas	$ 66	$ 68	$ 67
Pipeline and other	2	3	4
	$ 68	$ 71	$ 71
Oil and gas operating costs per BOE*	$ 3.44	$ 3.88	$ 3.86

*Where ten thousand cubic feet of gas is equated to one barrel of oil

Oil and gas operating expenses declined slightly from 1991 and 1990 despite an increase in production volumes. Unit operating costs declined by approximately 11% to $3.44 in 1992. The improvement resulted from the disposition of high operating cost properties and the effects of cost reduction and optimization efforts in operated fields.

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

General and Administrative Expenses

General and administrative expenses of $17 million were reduced by almost $4 million in 1992 reflecting savings resulting from downsizing and other cost reduction programs.

Restructuring and Downsizing Expenses

Home Oil implemented a downsizing program in September 1991 in response to lower activity levels both within the Company and the oil and gas industry. The head office staff was reduced by 25% resulting in a charge of $8 million. Selected field staff reductions and a further head office staff reduction of approximately 10% were implemented in November 1992 at a cost of $3 million. In 1991 and 1990 the Company also incurred expenses of $3 million and $2 million, respectively, on the Interhome corporate restructuring.

Depletion, Depreciation and Amortization Expenses

(dollars in millions)

	1992	1991	1990
Oil and gas	$124	$107	$ 98
Other	3	7	7
	$127	$114	$105

Oil and gas capital costs are depleted using the unit of production method based upon estimated proved reserves with natural gas reserves converted to equivalent units of crude oil based on their relative energy content. Oil and gas depletion, depreciation and amortization expenses rose by 16% in 1992 as a result of a 13% increase in equivalent production and a 3% increase in oil and gas depletion rates. The per equivalent barrel depletion rate was $5.10 compared with $4.94 in 1991 and $4.60 in 1990. The oil and gas depletion rate has increased because of revisions to proved reserves and recent years' additions cost exceeding the historical average.

Interest Expense

Interest expense of $45 million in 1992 was $9 million lower than 1991 and was approximately the same as 1990. The assumption of $221 million of debt in May 1991, pursuant to the corporate restructuring of Interhome, accounted for higher 1991 costs. The decline in 1992 reflects the reduction of outstanding debt by $102 million during the current year and a decline in the average interest rate on the $200 million Oil Indexed Debenture ("OID"), partially offset by $5 million of foreign exchange losses on U.S. dollar denominated debt. The interest rate on the OID varies with the West Texas Intermediate crude oil price and averaged 6.9% for 1992, 14.3% for 1991 and 14.5% in 1990. The interest rate for January 1993 was 7.2% and beginning February 1, 1993, the Company has arranged an interest rate swap which effectively fixes the interest rate on the OID at 8.263% until its maturity in October 2000. This transaction will permit Home Oil to benefit from future crude oil price increases which would otherwise be largely offset by higher interest rates under the OID.

Taxes (dollars in millions)

	1992	1991	1990
Current	$14	$ –	$12
Deferred	–	2	11
	$14	$ 2	$23

The effective tax rate on 1992 earnings before taxes was 67% compared with 136% in 1991 and 26% in 1990. The effective rates were higher in 1992 and 1991 as capital taxes levied by provincial and federal governments do not vary with declining income levels, and nondeductible provincial resource royalties exceeded the resource allowance as a result of lower prices and higher average oil royalty rates. The effective rate in 1990 was unusually low due to income tax recoveries of $9 million from the utilization of capital losses. No taxes were deferred in 1992 due to a relatively modest capital program. Taxes were deferred in 1991 and 1990 as current tax deductions for capital expenditures exceeded depletion and depreciation expenses.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES Cash flow from operations totalled $138 million compared with $116 million in 1991 and $183 million in 1990. The 19% increase in 1992 over 1991 is due to increased revenues and lower interest, operating, administrative and downsizing expenses, partially offset by higher current taxes. Cash flow from operations in 1990 benefited from the higher oil prices that prevailed during the Persian Gulf conflict.

INVESTING ACTIVITIES

Capital Expenditures (dollars in millions)

	1992	1991	1990
Exploration	$ 20	$ 46	$ 82
Development	31	60	80
Miscible fluids	18	22	24
Other	3	7	8
Excluding acquisitions of proved properties	72	135	194
Acquisitions of proved properties	14	–	3
	$ 86	$135	$197
Proceeds from sale of assets	$ 43	$ 34	$ 30

Capital expenditures have declined by approximately one-third in each of the past two years. Selective exploration and development programs reflect both the Company's response to difficult economic times for the industry and the priority attached to its debt reduction strategy. The reduced levels of activity, particularly exploration, coupled with a focus on oil optimization projects resulted in significantly lower additions to proved reserves. As a result, in 1992, reserves additions only replaced 37% of production, significantly lower than previous years.

In 1992 exploration and development activities were supplemented by acquisitions of proved properties of $14 million. Additional interests were acquired through purchases or swaps in several strategic core properties, including Swan Hills, Ring/Border, West Eagle, Mitsue Gilwood, Wood River/Bashaw and Turner Valley.

During the past two years the Company has realized proceeds of $77 million from dispositions of nonstrategic properties in Western Canada. The objective of this asset rationalization program is to dispose of nonstrategic assets which have limited upside potential and dedicate the proceeds to acquire further interests in fields where the Company has strategic and competitive advantages or toward long term debt reduction. In 1990 the proceeds on sale of assets principally related to the disposition of the remainder of Home Oil's international properties. During 1992 Home Oil agreed to sell most of its properties located in southeastern Saskatchewan effective January 1, 1993.

Net investing activities were financed from internally generated funds in 1991 and 1992. In 1990 internally generated funds were supplemented by borrowings from Interhome to finance the more extensive capital program. Home Oil expects to fund its 1993 capital program, estimated at approximately $120 million, including approximately $20 million of acquisitions, out of cash flow from operations.

FINANCING ACTIVITIES AND CAPITALIZATION During 1992 Home Oil used the proceeds from sale of assets and cash flow from operations in excess of capital expenditures to reduce outstanding debt by $102 million or approximately 20%. The majority of the debt retired related to borrowings under a $195 million revolving term credit facility. This facility, which expires in 1994, can be drawn down in either Canadian or U.S. dollars at interest rates of 5/8 of one percent over Canadian Bankers' Acceptances or the U.S. London Interbank Offer Rate, respectively.

Capitalization

(dollars in millions)

	1992 Amount	1992 %	1991 Amount	1991 %	1990 Amount	1990 %
Long Term Debt						
Oil Indexed Debenture, due 2000	$200	24	$200	21	$200	24
9-7/8% Debentures, due 1998	25	3	33	4	36	4
11% Debentures, due 1995	125	15	125	14	–	–
Revolving Term Credit Facility, due 1994	76	10	170	18	–	–
	426	52	528	57	236	28
Equity	400	48	393	43	620	72
Total	$826	100	$921	100	$856	100

The Company's ratio of debt to equity improved to 52:48 at the end of 1992. Debt at the end of 1992 comprised approximately 18% U.S. denominated floating rate, 35% Canadian denominated fixed rate and 47% OID debt. An interest rate swap has effectively fixed the OID's interest rate at 8.263%, effective February 1, 1993, thus increasing the proportion of fixed rate debt to 82%. The $76 million floating rate debt outstanding at December 31, 1992 was denominated in U.S. dollars, with foreign exchange rate exposure, as it provides a partial hedge against U.S. denominated crude oil prices and access to lower interest rates prevailing in the U.S.

Liquidity

A working capital deficit of $11 million existed at the end of 1992. The settlement of trade accounts receivable on a monthly basis is expected to provide adequate liquidity to settle trade payables on their due dates. The $119 million unutilized portion of the Company's revolving bank credit facility provides additional liquidity to fund ongoing working capital and operating requirements.

Management considers the ratio of long term debt to cash flow from operations to be a key indicator of long term liquidity. At December 31, 1992, the Company's long term debt of $426 million represented 3.1 years of cash flow from operations compared with 4.6 years at the end of 1991. During the next two years the Company proposes to further improve this ratio to a target level of approximately two years by utilizing both cash flow from operations in excess of capital expenditures and the proceeds from asset sales to further reduce debt. Management believes the achievement of this target will enhance the financial soundness of the Company and will provide the necessary flexibility to take advantage of future investment opportunities.

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.

The Canadian oil and gas upstream industry continues to face many challenges due to low prices which have resulted in marginal profitability. Home Oil has responded to these challenges by introducing focused exploration and development strategies and related asset rationalization and cost control programs to improve profitability.

Oil and gas exploration, development and marketing involve numerous business risks. Earnings and cash flow are sensitive to changes in crude oil and natural gas prices, production volumes, government regulation, transportation and market limitations and, in the longer term, to the Company's ability to economically find and develop reserves.

Government regulation and legislation have a significant impact on the industry and the Company. The province of Alberta recently announced changes to the provincial royalty regime, effective January 1, 1993, which lower the base and maximum royalty rates, increase price sensitivity, establish new lower royalty rates for oil discovered after October 1, 1992, and provide royalty incentives on reactivated, low productivity and horizontal re-entry wells. These changes improve the economics of oil exploration and development and will partially offset the anticipated increase in royalty rates as a result of the expiry of earlier royalty holiday and incentive programs. The increased sensitivity to prices does, however, increase the volatility of royalty rates.

Home Oil's operations are designed to have minimal impact on the environment and meet or exceed current government regulations. The Safety and Environment group, comprised of 13 individuals, reports regularly to the Safety and Environment Committee of the Board of Directors and is responsible for reviewing existing and proposed operations and facilities to ensure compliance with applicable environmental regulations and Home Oil's environmental policies. In this regard, the Environmental Code of Practice published by the Canadian Association of Petroleum Producers has been adopted. The Company's practice is to abandon and restore well and facility sites when the assets are no longer required. Home Oil has estimated its future liability for abandonment and restoration and has been recording this liability in accordance with the recommendations of the Canadian Institute of Chartered Accountants, whereby these costs are accrued using the unit of production method. Total estimated future costs are reviewed at least annually and are currently estimated at $50 million, of which $14 million has been accrued and recorded as a liability. The annual abandonment provision included in depletion, depreciation and amortization expenses increased to $3 million in 1992. Actual expenditures on site restoration amounted to $1 million in 1992 and are expected to be approximately $3 million in 1993.

Oil prices are volatile and are influenced by many factors, including world supply and demand, political stability, the Canada/United States dollar exchange rate and transportation availability. For example, during the fourth quarter of 1992 the Company's crude oil sales to eastern markets were reduced by about 1,200 barrels per day due to apportionment on the Interprovincial Pipe Line system. While alternate markets were found for substantially all of the displaced production, it attracted a modestly lower price.

The Company's earnings and cash flow will be more sensitive to fluctuations in the price of crude oil as a result of fixing the interest rate on the OID. Assuming world oil prices are unchanged from 1992 levels, a modest improvement is anticipated in the average 1993 wellhead price due to both a weaker Canadian dollar and an improvement in the quality of the reserves base resulting from asset rationalization activities. Crude oil and natural gas liquids production volumes in 1993 are anticipated to decline by approximately 5% reflecting the full year impact of sales of noncore properties in 1992 and additional sales in 1993, partially offset by core property acquisitions. Production resulting from exploration and development programs is expected to offset the impact of natural decline.

Approximately 40% of gas production is affected by spot prices. Spot prices for natural gas in Alberta, which have been depressed, began strengthening in the second half of 1992 due to increased take away capacity at the Alberta border and the onset of seasonal winter weather. The Company expects stronger spot prices to continue into 1993, which should begin to affect longer term contract prices in late 1993. Natural gas prices, however, will continue to be influenced by seasonal changes in demand, supply, competition, pipeline capacity constraints and North American weather patterns. With gas deliverability coming more into balance with demand, both in Canada and the U.S., the longer term outlook is for continued price improvement.

Alberta and Southern Gas Co. Ltd., which markets gas primarily in California, has made a proposal to restructure its gas supply contracts with Canadian producers. The proposed restructuring, which is to be effective August 1, 1994, results from changes ordered by U.S. regulatory bodies. Home Oil is evaluating the terms of the proposed restructuring, which affects about 5% of its gas sales, and expects this gas to be either decontracted and sold into new markets or marketed into California under other arrangements.

Overall, the Company expects natural gas sales to increase modestly from 1992 levels as a result of higher rates of take under existing contracts and a continuation of prices which allow short term sales to be attractive. However, as a result of the significant growth in natural gas sales in recent years, the Company's surplus productive capacity has narrowed and thus significant future growth in gas sales is dependent upon developing additional proved reserves.

Operating expenses are anticipated to continue to decline both in total and on a unit basis in 1993 as a result of sales of properties with relatively high operating costs along with achievement of further operational efficiencies. Depreciation, depletion and amortization is expected to continue to increase with the depletion rate per barrel of oil equivalent estimated to rise by approximately 3% in 1993.

Based on 1992 production and sales volumes and existing tax and royalty legislation, the estimated annual effect on the financial results of a change in each of the following factors is set out on the opposite page:

Financial Sensitivities (dollars in millions)

	Approximate Change	
	Earnings	Cash Flow from Operations
Crude oil prices (U.S. $1 per barrel)	$4	$5
Natural gas prices (Cdn. $0.10 per thousand cubic feet)	$4	$5
Crude oil production (500 barrels per day)	$1	$2
Natural gas sales (10 million cubic feet per day)	$1	$3
Average royalty rate (one percentage point)	$3	$3
Exchange rate (U.S. $0.01)	$1	$2

A $100 million development and exploration program is budgeted for 1993. Approximately $50 million of the planned expenditures will relate to development of core properties with an emphasis on oil projects. Major development plans include infill drilling and waterflood installation at South Pierson and Manyberries, optimizing existing waterflood and miscible flood recovery projects at Swan Hills and Mitsue Gilwood, drilling horizontal wells in selected fields in southern Alberta and expanding gas processing facilities in the Attachie area. In addition, about $20 million is earmarked for acquiring fluids for the miscible flood projects.

Exploration expenditures are planned to increase by 50% to $30 million with the program providing for participation in approximately 40 gross wells. Emphasis will be on drilling oil prospects in southern Alberta. In addition, significant expenditures will be targeted toward gas prospects in northeastern British Columbia where reserves can be dedicated to an existing long term sales contract and to liquids rich gas plays in west central Alberta.

As in past years, a significant portion of the 1993 exploration and development program is discretionary and can be adjusted to reflect changes in the economic and operating environment. The program will continue to be held below anticipated cash flow from operations in order to permit further debt reduction.

While asset sales and acquisitions are difficult to forecast with any degree of certainty, Home Oil is committed to a significant asset rationalization program to dispose of nonstrategic assets through sales or swaps and to increase interests in selected core properties. Agreements are in place to sell the Company's interest in about 950 wells in early 1993 for approximately $24 million. The Company's share of crude oil production from these wells, which are located in over 60 noncore properties in southeastern Saskatchewan and central and southern Alberta, was about 1,500 barrels per day in 1992. The sales will result in a reduction of proved crude oil reserves of about 4.5 million barrels and proved gas reserves of about 2.5 billion cubic feet. A portion of the proceeds from dispositions have been budgeted to purchase additional interests in core properties. These proposed acquisitions, combined with additions from the planned 1993 exploration and development program, are expected to replace a significant portion of the reserves and production that are being sold or produced. Total proceeds from asset sales are expected to exceed acquisition expenditures by approximately $20 million, all of which will be applied to debt reduction.

Assuming stable product prices, Home Oil's ongoing strategies of asset rationalization, cost control and emphasis on core operations are expected to result in further improvements in 1993 financial results. In addition, the application to debt reduction of cash flow from operations in excess of capital expenditures and net proceeds from asset rationalization activities is projected to result in further improvement of the Company's financial position by the end of 1993.

MANAGEMENT'S REPORT

March 16, 1993

To the Shareholders of Home Oil Company Limited

Management is responsible for the accompanying consolidated financial statements and for the accuracy 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 has specific responsibility for this area and is comprised of three directors, the majority of whom are not officers or employees of the Company or any of its affiliates. 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 is contained herein.

D. Powell

David E. Powell
President &
Chief Executive Officer

A. R. Hagerman

Allen R. Hagerman
Vice President &
Chief Financial Officer

AUDITORS' REPORT

February 9, 1993

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, 1992 and 1991 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three year period ended December 31, 1992. 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, 1992 and 1991 and the results of its operations and cash flows for each of the years in the three year period ended December 31, 1992 in accordance with generally accepted accounting principles.

Price Waterhouse

Price Waterhouse
Chartered Accountants
Calgary, Alberta, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(dollars in millions)

December 31,	1992	1991
Assets		
Current Assets		
Accounts receivable		
Trade	$ 51.1	$ 57.3
Other	3.9	25.9
Inventories	8.3	9.2
	63.3	92.4
Investment in Federated Pipe Lines Ltd.	13.3	13.8
Property, Plant and Equipment (Note 3)	1,304.7	1,375.7
Other Assets	9.2	10.5
	$1,390.5	$1,492.4
Liabilities and Shareholders' Equity		
Current Liabilities		
Bank indebtedness	$ 1.7	$ 2.7
Accounts payable and accrued liabilities	48.4	57.9
Interest payable	7.7	11.6
Taxes payable	11.8	–
Current portion of long term debt (Note 4)	–	0.6
Current portion of deferred production revenue (Note 5)	5.0	5.2
	74.6	78.0
Long Term Debt (Note 4)	426.5	527.7
Deferred Credits (Note 5)	22.4	26.9
Deferred Taxes	438.6	438.6
Minority Interest	28.5	28.2
	990.6	1,099.4
Shareholders' Equity		
Capital stock (Note 6) Common shares issued 39,644,414	100.0	100.0
Contributed surplus	153.6	153.6
Retained earnings	146.3	139.4
	399.9	393.0
	$1,390.5	$1,492.4

Approved by the Board:

Director

Director

HOME OIL COMPANY LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

(dollars in millions, except per share amounts)

Year Ended December 31,	1992	1991	1990
Revenues			
Operating, net of royalties	$273.3	$266.2	$325.8
Investment and other income (Note 7)	7.9	6.9	7.8
	281.2	273.1	333.6
Expenses			
Operating	68.2	71.4	71.1
General and administrative	16.6	20.3	19.6
Restructuring and downsizing	2.8	11.2	2.0
Depletion, depreciation and amortization (Note 3)	127.1	113.9	105.4
Interest (Notes 8 and 10)	44.8	54.1	43.4
Minority interest	1.1	1.1	2.7
	260.6	272.0	244.2
Earnings Before Taxes	20.6	1.1	89.4
Taxes (Note 9)			
Current	13.7	(0.2)	12.1
Deferred	–	1.7	10.9
	13.7	1.5	23.0
Earnings (Loss)	$ 6.9	$ (0.4)	$ 66.4
Earnings (Loss) per Common Share (Note 6)	$ 0.17	$ (0.01)	$ 1.68

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(dollars in millions)

Year Ended December 31,	1992	1991	1990
Retained Earnings at Beginning of Year	$139.4	$142.7	$ 87.9
Earnings (Loss)	6.9	(0.4)	66.4
	146.3	142.3	154.3
Dividends			
Common shares	–	2.5	10.0
Preferred shares	–	0.4	1.6
	–	2.9	11.6
Retained Earnings at End of Year	$146.3	$139.4	$142.7

CONSOLIDATED STATEMENT OF CASH FLOWS

(dollars in millions)

Year Ended December 31,	1992	1991	1990
Operating Activities			
Earnings (loss)	$ 6.9	$ (0.4)	$ 66.4
Charges (credits) not affecting cash flow from operations			
Depletion, depreciation and amortization	127.1	113.9	105.4
Deferred taxes	–	1.7	10.9
Amortization of exchange on U.S. debt	5.3	(0.2)	–
Other	(1.3)	1.0	(0.2)
Cash Flow from Operations	138.0	116.0	182.5
Changes in noncash working capital	(1.6)	14.7	4.7
Deferred production revenue	(6.7)	(5.6)	(5.6)
	129.7	125.1	181.6
Investing Activities			
Capital expenditures	(85.6)	(135.3)	(196.7)
Proceeds from sale of assets (Note 10)	42.6	34.1	30.0
Changes in noncash working capital	29.2	(27.8)	(49.1)
Other	0.2	1.2	5.9
	(13.6)	(127.8)	(209.9)
Financing Activities			
Advances from (repayments to) Interhome Energy Inc.	–	(60.7)	43.8
Proceeds from (repayment of) long term debt (Note 2)	(112.1)	291.0	(3.1)
Reduction of capital (Note 2)	–	(221.4)	–
Dividends	–	(2.9)	(11.6)
Changes in noncash working capital	(1.0)	2.5	–
Other	(3.0)	(5.8)	(0.8)
	(116.1)	2.7	28.3
Increase in Cash	$ –	$ –	$ –

Summary of Significant Accounting Policies

NOTE 1

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.

I **Principles of Consolidation** The consolidated financial statements include the accounts of the Company and all its subsidiaries. All subsidiaries are wholly owned except for Scurry-Rainbow Oil Limited of which 88.1% is owned. The Company's 50% interest in Federated Pipe Lines Ltd. ("Federated"), which the Company operates, is accounted for using the equity method.

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

II **Foreign Currency Translation** Monetary assets and liabilities are translated at the rate of exchange in effect at the date of the Statement of Financial Position. Translation gains and losses relating to long term monetary assets and liabilities are deferred and amortized to earnings over their remaining term.

III **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 an original maturity of three months or less. Operating cash requirements or surpluses increase or decrease a committed revolving long term bank facility and accordingly are shown on the Statement of Cash Flows under Financing Activities as "Proceeds from (repayment of) long term debt."

IV **Inventories** Inventories are stated at the lower of cost and net realizable value. Cost is determined using the specific item cost method or the average cost method of inventory valuation.

V **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 income 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.

NOTE 1 (cont.)

Oil and gas 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 thousand cubic feet of natural gas to one barrel of crude oil. Future obligations for site restoration costs, including dismantling and abandoning properties, are accrued using the unit of production method. The annual provision is expensed as depletion.

Depreciation of buildings, plant, 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 property, plant and equipment are retired or otherwise disposed of, the net proceeds are credited to the carrying value except for certain major disposals for which the gain or loss is included in earnings.

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

VII **Comparative Amounts** Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation.

Corporate Restructuring

NOTE 2

Pursuant to a Plan of Arrangement effective May 1, 1991, Home Oil Company Limited was separated from its parent company, Interhome Energy Inc. ("Interhome"), and became a stand alone publicly traded company. The result of the Arrangement was to transfer Interhome's interest in Home Oil directly to Interhome shareholders.

Under the terms of the Arrangement, Home Oil repaid all advances from Interhome and assumed the obligations with respect to the payment of principal and interest on certain indebtedness of Interhome totalling $221.4 million. The assumption of long term debt resulted in a corresponding decrease in shareholders' equity.

Property, Plant and Equipment

NOTE 3

December 31, 1992	Cost	Accumulated depletion, depreciation and amortization	Net
Petroleum and natural gas properties and equipment (full cost)	$2,292.6	$1,013.6	$1,279.0
Other			
Mining properties	7.3	5.3	2.0
Pipeline carrier property	13.6	8.3	5.3
LPG plant and equipment	6.8	4.2	2.6
Land, buildings and other equipment	40.0	24.2	15.8
	67.7	42.0	25.7
	$2,360.3	$1,055.6	$1,304.7

NOTE 3
(cont.)

December 31, 1991	Cost	Accumulated depletion, depreciation and amortization	Net
Petroleum and natural gas properties and equipment (full cost)	$2,255.0	$915.7	$1,339.3
Other			
Mining properties	7.3	1.1	6.2
Pipeline carrier property	25.2	16.2	9.0
LPG plant and equipment	8.3	4.4	3.9
Land, buildings and other equipment	40.7	23.4	17.3
	81.5	45.1	36.4
	$2,336.5	$960.8	$1,375.7

The oil and gas depletion, depreciation and amortization rate per equivalent barrel of oil, where six thousand cubic feet of natural gas equals one barrel of oil, for the year ended December 31, 1992, amounted to $5.10 per barrel (1991 - $4.94; 1990 - $4.60).

During the year administrative costs related to exploration and development activities of $7.0 million (1991 - $8.5 million) were capitalized.

At December 31, 1992, the Company had a surplus in its ceiling test based on year end wellhead prices of $20.24 per barrel for crude oil (1991 - $19.25) and $1.68 per thousand cubic feet for natural gas (1991 - $1.36).

The carrying value of petroleum and natural gas properties and equipment included an $11 million credit relating to the proceeds received on a partial disposition of an interest in an oil sands lease. During 1992, depletion, depreciation and amortization expense has been reduced and the carrying value of petroleum and natural gas properties increased by this amount. The Company currently has no plans to develop the remainder of this property.

The carrying value of the Company's undeveloped coal mining properties was reduced from $6.2 million to $2.0 million during the year through a charge to depletion, depreciation and amortization expense. Other assets were also reduced by $4.6 million in 1992 through a charge to depletion, depreciation and amortization expense. These adjustments reflect the Company's estimate of the decline in value of these assets.

Long Term Debt

NOTE 4

December 31,	Maturity	1992	1991
Oil Indexed Debenture, unsecured	2000	$200.0	$200.0
9.875% Sinking Fund Debentures, unsecured	1998	25.2	33.6
11.0% Debentures, unsecured	1995	125.0	125.0
Revolving Bank Credit Facility, unsecured	1994		
Canadian dollars		–	54.1
U.S. dollars (U.S. $60.0; 1991 - $100.0)		76.3	115.6
		426.5	528.3
Current Portion of Long Term Debt		–	(0.6)
Long Term Debt		$426.5	$527.7

NOTE 4 (cont.)

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. In 1992, the interest rate averaged 6.9% (1991 - 14.3%) and was 7.2% at the end of 1992 (1991 - 16.5%) (Note 10).

In March 1992, the Company completed an interest rate swap relating to the Oil Indexed Debenture which effectively fixes the interest rate at 8.263% beginning February 1, 1993 through to its maturity in October 2000.

The Company has a committed revolving bank credit facility in the amount of Canadian $195 million which expires in June 1994. This facility is available in any combination of Canadian or U.S. dollar amounts and may be drawn down on a revolving basis. Interest rates on the Canadian and U.S. dollar portions of the facility averaged 7.7% and 4.9%, respectively, during 1992 (1991 - 9.3% and 6.4%); the interest rate on the outstanding U.S. debt at the end of 1992 was 4.0%. At December 31, 1992, the unutilized portion of this facility amounted to approximately $119 million.

The amounts of long term debt maturities and sinking fund requirements for the years ending December 31, 1993 through 1997 are $0.0 million, $76.3 million, $126.8 million, $3.0 million and $3.0 million, respectively.

Deferred Credits

NOTE 5

December 31,	1992	1991
Deferred production revenue	$ 6.6	$13.4
Less: Current portion	(5.0)	(5.2)
	1.6	8.2
Site restoration accrual	14.0	12.4
Pension accrual	6.8	6.3
	$22.4	$26.9

Amounts paid to the Company 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 1994.

The Company's estimate of future removal and site restoration costs is $50 million, of which $14.0 million has been accrued to the end of 1992 (1991 - $12.4 million). During 1992, $2.9 million was included in depletion, depreciation and amortization expense (1991 - $0.5 million). Site restoration expenditures of $1.3 million were incurred in 1992 (1991 - $0.5 million) and were charged against the accrual.

Capital Stock

NOTE 6

The authorized capital stock of the Company consists of an unlimited number of common and preferred shares. At December 31, 1992 and 1991, 39,644,414 common shares were issued and outstanding.

Earnings per share have been computed using the average number of shares outstanding of 39.6 million shares. There would have been no material dilution of earnings per share if outstanding stock options had been exercised during the year.

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

Year ended December 31,	1992	1991
Shares under option at beginning of year	227,000	–
Options granted	235,500	227,000
Shares under option at end of year	462,500	227,000

Expiry Date	Option Price per Share	Number of Shares
September 15, 2001	$14.625	227,000
May 7, 2002	$16.125	91,500
August 7, 2002	$15.500	144,000
		462,500

At December 31, 1992, 187,500 common shares were reserved for the granting of additional options.

Investment and Other Income

NOTE 7

Year ended December 31,	1992	1991	1990
Equity earnings of Federated Pipe Lines Ltd.	$4.3	$4.3	$4.2
Interest and dividends	0.7	1.1	1.7
Other	2.9	1.5	1.9
	$7.9	$6.9	$7.8

Interest Expense

NOTE 8

Year ended December 31,	1992	1991	1990
Long term debt	$44.3	$51.8	$32.8
Short term borrowings	0.5	2.3	10.6
	$44.8	$54.1	$43.4

Taxes

NOTE 9

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:

NOTE 9 (cont.)

Year ended December 31,	1992	1991	1990
Earnings before taxes	$20.6	$ 1.1	$89.4
Canadian statutory tax rate	44.5%	44.2%	43.8%
Taxes at statutory rate	$ 9.2	$ 0.5	$39.2
Increase (decrease) resulting from:			
Nondeductible resource royalties	22.0	19.3	23.2
Federal resource allowance	(20.0)	(16.9)	(25.9)
Alberta Royalty Tax Credit	(1.2)	(1.8)	(1.7)
Capital taxes	2.8	2.7	2.3
Equity earnings	(1.9)	(2.1)	(2.0)
Utilization of loss carry forward	–	–	(8.5)
Other	2.8	(0.2)	(3.6)
Taxes	$13.7	$ 1.5	$23.0
Effective tax rate	66.5%	136.4%	25.7%

Deferred taxes result from timing differences in the recognition of items for tax and financial statement purposes. These differences have arisen principally as a result of claiming capital cost allowance and exploration and development costs for tax purposes in excess of depreciation and depletion in the accounts.

Related Party Transactions

NOTE 10

Prior to the effective date of the Arrangement as described in Note 2, the Company borrowed various amounts from Interhome. These short term loans carried interest at 1/16% above Interhome's cost of funds from commercial paper and bankers' acceptances. Interest of $2.1 million was charged in 1991 (1990 - $10.0 million) on these short term loans. In addition, Interhome provided certain management and administrative services to the Company and in return Interhome was provided with facilities and administrative services. The net cost to the Company amounted to $4.5 million in 1991 (1990 - $5.7 million). As part of the Arrangement, certain assets and liabilities were exchanged between Home Oil and Interhome. The liabilities assumed included $125 million of 11% debentures.

In June 1992, the Company sold the Cremona pipeline system to Federated Pipe Lines Ltd. for $6.5 million, resulting in a pretax gain of $1.7 million.

The Company's Oil Indexed Debenture is held by a wholly owned subsidiary of Gulf Canada Resources Limited ("Gulf"), which owns approximately 22.8% of the Company's outstanding common shares. The Company's 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 petroleum and natural gas properties to Gulf 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.

Subsequent Event

NOTE 11

The Company has entered into various agreements to sell, effective January 1, 1993, certain petroleum and natural gas properties for $23.8 million, all of which will be credited to property, plant and equipment.

Pension Plan

NOTE 12

The Company has noncontributory defined benefit pension plans which cover substantially all employees. The plans are funded by the Company 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, 1992, the status of the plans was:

December 31,	1992	1991
Pension plan assets at market values	$78.6	$77.7
Projected benefit obligations	80.6	76.0
Excess (deficiency) of pension plan assets over projected benefit obligations	$(2.0)	$ 1.7

The Company's pension cost for the year ended December 31, 1992, was $2.1 million (1991 - $4.1 million; 1990 - $3.7 million).

The most significant economic assumptions made in the measurement of the pension costs and projected benefit obligations of the pension plan were as follows:

Year ended December 31,	1992	1991	1990
Discount rate	8.5%	8.5%	8.5%
Average rate of salary increases	6.5%	6.5%	6.5%
Average rate of return on pension plan assets	8.5%	8.5%	8.5%

Postretirement Benefits Other Than Pensions

NOTE 13

The Company provides group health care and life insurance benefits to retirees, their spouses 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 (1991 - $0.1 million; 1990 - $0.1 million).

(Unaudited)

Selected Quarterly Financial Data

1992 Quarters	First	Second	Third	Fourth	Total
Operating revenues	$64.4	$62.7	$67.7	$78.5	$273.3
Operating income(1)	$11.6	$10.1	$15.3	$24.4	$ 61.4
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

1991 Quarters	First	Second	Third	Fourth	Total
Operating revenues	$73.4	$ 61.2	$ 63.7	$67.9	$266.2
Operating income(1)	$20.8	$ 11.0	$ 14.6	$14.2	$ 60.6
Earnings (Loss)	$ 4.2	$ (2.8)	$ (3.0)	$ 1.2	$ (0.4)
Cash flow from operations	$37.6	$ 25.7	$ 24.7	$28.0	$116.0
Earnings (Loss) per share	$0.11	$(0.07)	$(0.08)	$0.03	$(0.01)

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

Quarterly Share Trading Information (2)

TSE (The Toronto Stock Exchange)

1992 Quarters	First	Second	Third	Fourth	Annual
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
Close	14-3/4	16-1/8	15-5/8	15	15
Volume (thousands)	2,039	1,325	1,182	1,665	6,211

1991 Quarters	First	Second	Third	Fourth	Annual
High	–	18-3/8	15-7/8	16-1/2	18-3/8
Low	–	14-3/4	14-3/8	14-1/8	14-1/8
Close	–	15	14-1/2	15	15
Volume (thousands)	–	1,429	2,385	3,875	7,689

AMEX (American Stock Exchange)

1992 Quarters (U.S. dollars)	First	Second	Third	Fourth	Annual
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
Close	12-1/8	13-3/8	12-3/8	11-5/8	11-5/8
Volume (thousands)	141	133	23	48	345

1991 Quarters (U.S. dollars)	First	Second	Third	Fourth	Annual
High	–	15-3/4	13-3/4	14-1/2	15-3/4
Low	–	12-7/8	12-1/2	12-3/8	12-3/8
Close	–	12-7/8	13	12-3/4	12-3/4
Volume (thousands)	–	56	98	95	249

(2) Share trading information available only after May 1, 1991, when the Company became publicly traded.

FIVE YEAR REVIEW

Consolidated Statement of Earnings

(dollars in millions)

	1992	1991	1990	1989	1988
Revenue					
Operating, net of royalties	$ 273.3	$ 266.2	$ 325.8	$ 270.5	$ 240.4
Investment and other income	7.9	6.9	7.8	7.2	8.1
	281.2	273.1	333.6	277.7	248.5
Expenses					
Operating and general	84.8	91.7	90.7	83.8	88.2
Restructuring and downsizing	2.8	11.2	2.0	–	–
Depletion, depreciation and amortization	127.1	113.9	105.4	108.5	107.7
Interest	44.8	54.1	43.4	29.4	27.3
Minority interest	1.1	1.1	2.7	2.2	1.1
	260.6	272.0	244.2	223.9	224.3
Earnings Before Undernoted	20.6	1.1	89.4	53.8	24.2
Taxes	13.7	1.5	23.0	10.1	5.2
Earnings (Loss) Before Extraordinary Item	6.9	(0.4)	66.4	43.7	19.0
Extraordinary Item	–	–	–	14.4	16.2
Earnings (Loss)	$ 6.9	$ (0.4)	$ 66.4	$ 58.1	$ 35.2

Consolidated Statement of Cash Flows

(dollars in millions)

	1992	1991	1990	1989	1988
Operating Activities					
Cash flow from operations	$ 138.0	$ 116.0	$ 182.5	$ 164.6	$ 131.2
Changes in noncash working capital	(1.6)	14.7	4.7	12.8	(22.6)
Deferred production revenue	(6.7)	(5.6)	(5.6)	(15.9)	(9.0)
	129.7	125.1	181.6	161.5	99.6
Investing Activities					
Capital expenditures	(85.6)	(135.3)	(196.7)	(244.4)	(219.0)
Proceeds from sale of assets	42.6	34.1	30.0	20.8	29.8
Changes in noncash working capital	29.2	(27.8)	(49.1)	49.1	6.7
Other	0.2	1.2	5.9	3.1	16.0
	(13.6)	(127.8)	(209.9)	(171.4)	(166.5)
Financing Activities					
Advances from (repayments to) Interhome Energy Inc.	–	(60.7)	43.8	6.0	10.8
Proceeds from (repayment of) long term debt	(112.1)	291.0	(3.1)	(3.4)	(5.1)
Contribution (reduction) of capital	–	(221.4)	–	15.0	30.0
Dividends	–	(2.9)	(11.6)	(11.6)	(12.0)
Changes in noncash working capital	(1.0)	2.5	–	–	(2.2)
Other	(3.0)	(5.8)	(0.8)	(0.8)	(1.6)
	(116.1)	2.7	28.3	5.2	19.9
Increase (Decrease) in Cash	$ 0.0	$ 0.0	$ 0.0	$ (4.7)	$ (47.0)

Consolidated Statement of Financial Position

(dollars in millions)

	1992	1991	1990	1989	1988
Assets					
Cash and cash equivalents	$ –	$ –	$ –	$ –	$ 4.7
Short term investments	–	–	–	–	5.3
Other current assets	63.3	92.4	95.4	86.6	92.0
Investment in Federated Pipe Lines Ltd.	13.3	13.8	12.5	11.5	10.5
Property, plant and equipment	1,304.7	1,375.7	1,386.4	1,323.0	1,199.6
Other assets	9.2	10.5	10.0	10.5	8.0
	$1,390.5	$1,492.4	$1,504.3	$1,431.6	$1,320.1
Liabilities and Shareholders' Equity					
Bank indebtedness	$ 1.7	$ 2.7	$ –	$ –	$ –
Advances from Interhome Energy Inc.	–	–	60.7	16.9	10.9
Current portion of long term liabilities	5.0	5.8	6.2	5.6	12.2
Other current liabilities	67.9	69.5	85.8	121.4	66.0
Long term debt	426.5	527.7	236.0	239.0	242.0
Deferred credits	22.4	26.9	33.2	32.6	40.0
Deferred taxes	438.6	438.6	434.6	419.5	401.0
Minority interest	28.5	28.2	27.9	26.0	29.2
Shareholders' equity	399.9	393.0	619.9	570.6	518.8
	$1,390.5	$1,492.4	$1,504.3	$1,431.6	$1,320.1

Capital Expenditures

(dollars in millions)

	1992	1991	1990	1989	1988
Western Canada					
Exploration	$ 19.9	$ 44.5	$ 80.9	$ 69.5	$ 92.7
Development	30.6	60.3	79.1	72.3	69.1
Acquisitions of proved properties	13.5	0.3	3.4	54.7	23.2
Miscible fluids	18.4	22.5	24.2	22.0	17.1
Other	3.2	6.6	8.5	7.8	7.2
Total Western Canada	85.6	134.2	196.1	226.3	209.3
Canadian Frontier	–	1.1	0.6	1.7	(0.4)
International	–	–	–	20.8	17.9
	85.6	135.3	196.7	248.8	226.8
Canadian Incentives	–	–	–	(4.4)	(7.8)
	$ 85.6	$ 135.3	$ 196.7	$ 244.4	$ 219.0

Production/Sales Data

(before royalties)

	1992	1991	1990	1989	1988
Daily Production/Sales					
Crude oil (barrels)	22,839	23,763	25,019	26,342	27,234
Natural gas liquids (barrels)	8,034	6,588	6,532	5,854	5,211
Natural gas (millions of cubic feet)	214.2	172.8	159.5	150.6	148.0
Prices					
Crude oil (per barrel)	$ 20.80	$ 20.58	$ 25.57	$ 20.23	$ 16.87
Natural gas liquids (per barrel)	$ 12.25	$ 12.80	$ 15.66	$ 11.64	$ 10.27
Natural gas (per thousand cubic feet)	$ 1.38	$ 1.37	$ 1.62	$ 1.52	$ 1.54
Royalty Rates					
Crude oil	18.9%	17.0%	16.5%	17.3%	17.1%
Natural gas liquids	16.7%	17.6%	17.6%	13.9%	15.0%
Natural gas	14.9%	17.4%	16.2%	16.5%	18.1%

Proved Reserves

(before royalties)

	1992	1991	1990	1989	1988
Crude Oil (millions of barrels)					
Beginning of year	73.4	84.0	88.4	93.8	89.3
Extensions and discoveries	4.4	3.4	4.9	5.6	8.8
Revisions and improved recovery	(2.3)	(4.6)	1.7	(1.9)	5.3
Purchase of reserves in place	3.0	–	0.2	0.8	0.6
Sale of reserves in place	(6.5)	(0.7)	(2.1)	(0.2)	(0.2)
Production	(8.4)	(8.7)	(9.1)	(9.7)	(10.0)
End of year	63.6	73.4	84.0	88.4	93.8
Natural Gas Liquids (millions of barrels)					
Beginning of year	25.5	26.9	27.6	21.8	18.0
Extensions and discoveries	1.4	6.1	4.4	4.5	4.2
Revisions and improved recovery	1.3	–	(2.7)	3.3	1.2
Purchase of reserves in place	0.6	–	–	0.1	0.3
Sale of reserves in place	(0.6)	(5.1)	–	–	–
Production	(2.9)	(2.4)	(2.4)	(2.1)	(1.9)
End of year	25.3	25.5	26.9	27.6	21.8
Natural Gas (billions of cubic feet)					
Beginning of year	1,207.4	1,255.7	1,193.2	1,050.3	959.1
Extensions and discoveries	11.8	54.4	129.4	67.7	78.2
Revisions and improved recovery	(5.0)	(22.3)	(12.5)	55.6	34.2
Purchase of reserves in place	23.6	0.8	6.2	75.8	43.7
Sale of reserves in place	(64.7)	(18.1)	(2.4)	(1.2)	(10.7)
Production	(78.4)	(63.1)	(58.2)	(55.0)	(54.2)
End of year	1,094.7	1,207.4	1,255.7	1,193.2	1,050.3

Percentage Replacement of Production

	1992	1991	1990	1989	1988
Crude Oil	52	39	54	58	88
Natural Gas Liquids	48	254	183	214	221
Natural Gas	15	86	222	123	144

Working Interest Wells Drilled

	1992		1991		1990		1989		1988	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory										
Oil	2	1	7	2	9	4	9	4	40	13
Gas	2	1	11	5	27	12	20	12	21	7
Dry	15	7	33	15	32	19	39	14	64	19
	19	9	51	22	68	35	68	30	125	39
Development										
Oil	74	21	61	16	76	29	89	14	147	48
Gas	5	2	13	4	45	22	14	3	21	5
Dry	14	2	7	3	12	4	11	3	31	11
	93	25	81	23	133	55	114	20	199	64
	112	34	132	45	201	90	182	50	324	103
Average Working Interest	30%		34%		45%		27%		32%	

Success Ratios

	1992		1991		1990		1989		1988	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory	21%	22%	35%	32%	53%	46%	43%	53%	49%	51%
Development	85%	92%	91%	87%	91%	93%	90%	85%	84%	83%
Total	74%	74%	70%	60%	78%	74%	73%	66%	71%	71%

Oil and Gas Landholdings (millions of acres)

	1992		1991		1990		1989		1988	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Canada										
Western provinces	6.6	3.4	7.9	4.2	8.4	4.4	8.1	3.9	8.1	3.9
Beaufort/Mackenzie Delta	1.1	0.2	1.4	0.2	3.1	0.4	3.4	0.5	3.9	0.5
Arctic Islands and other	0.2	–	0.2	–	0.3	–	0.3	–	0.3	–
	7.9	3.6	9.5	4.4	11.8	4.8	11.8	4.4	12.3	4.4
International (1)	–	–	–	–	–	–	11.7	1.7	17.5	3.2
	7.9	3.6	9.5	4.4	11.8	4.8	23.5	6.1	29.8	7.6

(1) The Company sold all of its international landholdings effective January 1, 1990.

Shareholder and Investor Information[1]

	1992	1991	1990	1989	1988
Shares outstanding at year end (thousands)	39,644	39,644	39,637	39,621	39,581
Average shares outstanding weighted monthly during the year (thousands)	39,644	39,644	39,628	39,604	39,572
Number of shareholders at year end	5,377	6,051	7,070	7,688	8,987
Percentage of shares registered in Canada at year end	97%	97%	99%	97%	97%
Share Trading					
High	$ 16-5/8	$ 18-3/8			
Low	$ 13-3/4	$ 14-1/8			
Close	$ 15	$ 15			
Volume (thousands)	6,211	7,689			
Per Share Data					
Earnings					
Before extraordinary item	$ 0.17	$ (0.01)	$ 1.68	$ 1.10	$ 0.48
After extraordinary item	$ 0.17	$ (0.01)	$ 1.68	$ 1.47	$ 0.89
Cash flow from operations	$ 3.48	$ 2.93	$ 4.60	$ 4.15	$ 3.31
Dividends	$ –	$ 0.06	$ 0.25	$ 0.25	$ 0.25
Shareholder's equity at year end	$ 10.09	$ 9.92	$ 15.64	$ 14.40	$ 13.11

(1) Information shown as to number of shares and shareholders for the years 1988 through 1990 are for information purposes only and represent the amounts reported by the Company's former parent, Interhome Energy Inc., prior to the May 1, 1991 Plan of Arrangement.

Financial Ratios

	1992	1991	1990	1989	1988
Return on average shareholder's equity (1)	1.7%	0.0%	11.2%	10.7%	7.0%
Debt/debt plus shareholders' equity (2)	51.6%	57.3%	32.4%	31.1%	32.9%
Cash flow coverage of interest (3)	4.4x	3.1x	5.5x	6.5x	5.8x
Earnings coverage of interest (4)	1.5x	1.0x	3.1x	3.5x	2.7x
Debt/cash flow (2)	3.1x	4.6x	1.6x	1.6x	1.9x

(1) Earnings after extraordinary item divided by average shareholder's equity.

(2) Debt includes advances from Interhome Energy Inc. and both the current and long term portions of long term debt.

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

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

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.

Robert J. Butler	Chairman, GW Utilities Limited and Gulf Canada Resources Limited
William A. Dimma	Deputy Chairman, Royal LePage Limited
Lionel G. Dodd	Chief Operating Officer, O&Y Enterprises Inc.
H. Gordon MacNeill	Chairman, Jannock Limited
Gilbert I. Newman*	Executive Vice President, Olympia & York Developments Limited
David E. Powell	President & Chief Executive Officer, Home Oil Company Limited
Clifford W. Rackley	Chairman & Chief Executive Officer, Texas Eastern Products Pipeline Company
Albert Reichmann	Chairman, Olympia & York Developments Limited
Charles E. Shultz	President & Chief Executive Officer, Gulf Canada Resources Limited

STANDING BOARD COMMITTEES

Members
W. A. Dimma, Chairman
G. I. Newman*
C. W. Rackley

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

Members
H. G. MacNeill, Chairman
R. J. Butler
C. E. Shultz

Compensation Committee This Committee reviews the Company's compensation policies and budgets, including benefit programs, senior management appointments and management succession plans, and makes recommendations on these matters to the Board.

Members
C. W. Rackley, Chairman
L. G. Dodd

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

*resigned effective January 1993

Left to right:

Richard C. Osborne
Vice President,
Marketing &
Pipelines

Andrew P. Holder
Vice President,
Exploration

Fred Callaway
Vice President,
Corporate

Allen R. Hagerman
Vice President &
Chief Financial
Officer

David E. Powell
President &
Chief Executive
Officer

Douglas E. Deakin
Corporate
Secretary

Stewart D. Gossen
Vice President,
Property
Consolidation

Robert M. Perrin
Vice President &
General Counsel

Bruce W. Sherley
Vice President,
Production

SHAREHOLDER AND INVESTOR INFORMATION

STOCK TRADING

Home Oil'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 "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
1-800-665-3906

CO-TRANSFER AGENT AND CO-REGISTRAR

The Bank of New York
New York City, New York
(212) 815-2286

INVESTOR RELATIONS

For additional investor information, please telephone the Vice President & Chief Financial Officer at (403) 232-7222, or he may be contacted in writing at the corporate address.

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 either document are available to shareholders, free of charge, upon written request to the Corporate Secretary at the corporate address.

AUDITORS

Price Waterhouse
Calgary, Alberta

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held in Calgary, Alberta, Canada on Wednesday, May 12, 1993 at 11:30 a.m. in the Alberta Room of the Palliser Hotel. 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

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Facsimile:
(403) 232-7678

Additions Cost Total western Canadian exploration and development expenditures, excluding acquisitions and injected miscible fluids, divided by the proved reserves additions resulting from these activities, expressed in dollars per barrel of oil equivalent.

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

Deliverability The ability to produce natural gas from wells or fields into the pipeline system.

Deliveries The amount of liquid hydrocarbons delivered by the pipeline to certain points along the system. Also known as throughput.

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 non-convertible. The former permits the owner to convert this royalty to a working interest.

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.

Natural Gas Liquids Hydrocarbons liquefied and removed from natural gas during processing.

Net Excludes the interests of others.

Operator The company responsible for the actual 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.

Tertiary Recovery Sophisticated techniques for the recovery of crude oil which go beyond the more conventional secondary recovery techniques of pressure maintenance and waterflooding.

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.

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
1 long ton (2,240 pounds) of sulphur	1.016 tonne

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