GULF OIL CANADA LIMITED

Annual Report 1975

Gulf Oil Canada Limited/1975 Annual Report

Contents

Annual Meeting

The Annual Meeting of Shareholders will be held in the Ballroom of the Royal York Hotel, Toronto, at 2:00 p.m. E.S.T., Thursday, April 22, 1976.

Above: Retail outlets with car wash facilities continue to do large-volume business in urban centres across Canada.

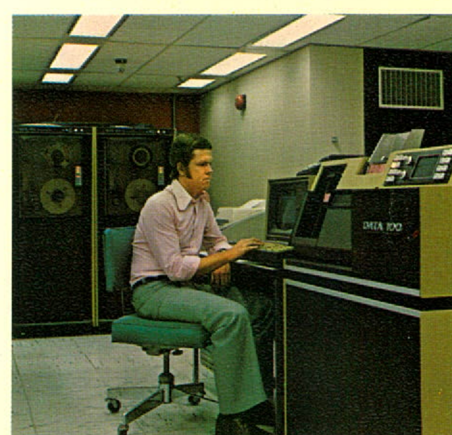
Front cover: The Alberta foothills provide good prospects for natural gas reserves. This Gulf Canada well is near Coleman, Alberta.

On peut obtenir ce rapport annuel en français sur demande.

Highlights of operations

Financial	1975	1974
Earnings for the year	$ 176,600,000	$161,000,000
Taxes and other government revenues generated	$ 667,800,000	$576,100,000
Total dividends declared	$ 43,200,000	$ 36,400,000
Shareholders' equity at year-end	$1,031,700,000	$898,300,000
Capital expenditures	$ 165,100,000	$115,900,000
Working capital	$ 439,900,000	$357,700,000
Long term debt	$ 115,900,000	$102,600,000
Per cent return on average capital employed	14.5	14.7
Per Share Data		
Earnings for the year	$ 3.88	$ 3.54
Total dividends declared	$ .95	$ .80
Shareholders' equity at year-end	$ 22.68	$ 19.75

Operating		
	Barrels per day	
Crude oil and natural gas liquids produced		
– gross	131,000	139,000
– net	91,000	99,000
Crude oil processed by and for the Company	303,000	330,000
Petroleum products sold	265,000	272,000
	Thousands of cubic feet per day	
Natural gas produced and sold		
– gross	470,000	483,000
– net	369,000	406,000
	Pounds per day	
Petrochemical sales	1,774,000	2,063,000



Top: Improving asphalt quality is a continuing project at the Sheridan Park Research and Development Centre. *Above:* One of 14 Company computer terminals, this one at Montreal "converses" with largest computer facility at Mississauga, Ontario. *Left:* Gulf Canada supplies products to private and commercial aircraft at Malton International and several other airports across Canada.

Report to the shareholders

John L. Stoik, President;
Clarence D. Shepard, Board Chairman.

The year 1975 saw a continuation of changes in the environment in which Gulf Canada operates.

In the first half of the year, Canada continued to suffer one of the worst recessions of the post-war period which resulted in a lessening of demand for energy in many sectors. Declining exports of both manufactured goods and primary resources including crude oil, in addition to numerous labor disputes, were major factors in reduced economic performance. Adding to the effects of a depressed economy were regulatory developments in Canada, particularly those in connection with price controls, one of the most disruptive of which was the imposition by some provincial governments of freezes on petroleum product prices.

Price controls were evident in the petroleum industry in several other areas. One of these followed the arbitration of natural gas prices between Gulf Canada and Trans-Canada PipeLines by which the wellhead price of gas in Western Canada was raised to $1.15 per thousand cubic feet (approximately one million British Thermal Units). Subsequently, the federal and Alberta governments agreed on a price for natural gas based on a delivery price of $1.25 per million BTU's at Toronto. The result of this agreement, effective November 1, set an Alberta border price at 82.7 cents, which back at the wellhead amounted to only 72 cents per million BTU's. For gas sold directly to the United States, the price was set at $1.60 per thousand cubic feet.

Also, by agreement between the provinces and the federal government, the price for domestic crude oil in Edmonton was raised to $8.00 per barrel on July 1. Although oil companies had to pay this higher price for crude and at the same time were cut back in the amount of compensation received for imported crude to Eastern Canada, the federal government required that prices for refined products could not be raised until approximately 45 days after July 1. This delay precluded the recovery of funds required to finance replacement inventories. To compound the situation, some provinces decided to extend the freeze on product prices even longer — in Ontario and Manitoba until November 15 on all fuels, in British Columbia until mid-February on heating oil, while in Nova Scotia only part of the higher price of crude oil was allowed to be passed along.

On Thanksgiving weekend anti-inflation controls and the establishment of the Anti-Inflation Board were announced, a development which had the effect of further regulating product price increases by requiring oil companies to obtain approval from the Anti-Inflation Board prior to any price adjustments.

In addition to price increases resulting from raw material costs, Canadian consumers had to pay more for petroleum products on June 24 when a ten-cent-per-gallon federal "special excise tax on gasoline for personal use" was levied. The revenues of this tax, coupled with funds from the export tax on crude oil, are used to defray the cost of the federal oil price equalization program under which the price of crude oil in Canada is set substantially below the world price. The deficit on the subsidy program which would have resulted without this special excise tax underscored the fact that, for the first time in recent years, Canada no longer had net self-sufficiency in oil.

Consumers should not be misled into thinking higher energy prices mean more energy will be available in the future. As things presently stand, the major portion of crude oil price increases goes to governments and none of the higher price paid by the consumer resulting from the excise tax is flowing back to the oil producers to help finance the search for new supplies.

Since 1969 Canada has exported to the United States more crude oil than it imported to meet the needs of Quebec and Atlantic refineries. However, because of government restrictions on exports and the high export tax on crude oil, Canada in 1975 was a net importer by approximately 100,000 barrels per day. With further reductions in exports planned, it does not appear that Canada will be able to improve this supply position, at least until such time as oil may be available from either the Far North or offshore East Coast areas. Although the industry is still hopeful that reserves will be found in the frontier areas, the earliest these could be brought to market is forecast to be 1985. The 1985 date is due to the requirement to discover sufficient reserves to justify the building of the necessary transportation facilities. While it would be less difficult to transport discoveries off the East Coast, new technology must be developed to produce the oil in face of extremely hostile physical conditions, including the hazard of icebergs.

The shortage of crude oil indicates that Canada will be increasingly dependent on imports from overseas for a substantial part of its energy supplies until at least the early 1990's. This situation not only poses the problem of ensuring the availability of adequate supplies from friendly countries in order that demand volumes can be met, but also has a far-reaching effect on Canada's balance of payments.

Based on forecasts covering the production of crude oil and natural gas in Canada, and assuming that future world prices for crude will go up by only 50¢ a year, Canada will have a $4.5 billion deficit in crude oil trading by 1980 which would grow to $6.8 billion by 1985. These deficits would be partially offset by revenue from natural gas exports under existing contracts, which during the last half of the 1980's would range between two and three billion dollars. To put these figures in perspective it should be recognized that the largest merchandise trading account surplus Canada has had in all commodities over the past 20 years was approximately $3 billion and the biggest deficit was about $1 billion.

As Canada becomes increasingly dependent on offshore crude, additional capital expenditures will also have to be made. These expenditures include crude unloading facilities somewhere on the East Coast, additional pipeline facilities from there to Montreal, reversal of the Sarnia-Montreal pipeline, and the adaptation of refineries in Ontario and British Columbia to process the higher sulphur-type offshore crude.

The day of cheap energy is gone not only in Canada but in the rest of the world. Certainly, many new challenges and opportunities face the oil industry in the years ahead.

Consolidated net earnings for 1975 amounted to $176.6 million, compared with $161.0 million for the previous year. The improvement in earnings was the result of higher production profits, reflecting primarily increased revenues from natural gas. Increased revenues in other areas of operations continued to be more than offset by rising costs and expenses. These earnings represent a rate of return of 14.5 per cent on average capital employed — a minimum level of return if Gulf Canada is to continue its huge capital expenditure program to search for and develop new sources of supply.

Per share earnings were $3.88 compared with $3.54 in 1974. The financial and operating results are given in detail later in this report.

Jerry McAfee, formerly President and Chief Executive Officer of Gulf Canada, was elected Chairman and Chief Executive Officer of Gulf Oil Corporation on January 14, 1976. Subsequently, the Board of Directors of Gulf Canada elevated Board Chairman Clarence D. Shepard to Chief Executive Officer, and John L. Stoik to President, Chief Operating Officer, and a Director; Lorrie P. Blaser, formerly Senior Vice-President, was named Executive Vice-President and will be proposed as a Director at the Company's Annual Meeting in April. Messrs. Shepard, Stoik and Blaser, with Mr. McAfee, previously made up the Company's Senior Executive.

Since the last Annual Report, several other executive changes have been made. R. C. Beal was elected a Vice-President with executive responsibility for the Company's refining operations, succeeding R. E. Harris who was named Vice-President with executive responsibility for Employee Relations. R. T. Brown, formerly Vice-President of Marketing, was named Vice-President with executive responsibility for the Corporate Planning and Economics, Comptroller, Systems, Credit, and Internal Audit Departments, with D. S. Lyall, Vice-President, continuing to exercise executive responsibility for the Company's Treasury and Taxation functions. W. H. Griffin was elected a Vice-President with executive responsibility for the Marketing Department, and W. H. Burkhiser was appointed Treasurer of Gulf Canada following the retirement of R. W. Cochrane after 49 years of Company service.

Gulf Canada and its affiliates now employ 10,700 men and women in all parts of Canada. Spearheaded by members of a dedicated management team, these people have demonstrated hard work, ability and, in many cases, ingenuity in making 1975 a year of achievement. Our shareholders and dealer organization have also contributed valuable support and encouragement to the Company in facing the challenges of the past year.

On behalf of the Board,

C D Shepard

Chairman of the Board.

J L Stoik

President.

Toronto, Ontario, March 26, 1976.

Decision-making on where to explore and drill for new reserves is day-to-day responsibility of Exploration and Production personnel.

The year in review

Exploration and production

As a result of a lower level of exports to the United States, a decrease in domestic demand and higher provincial royalties, Gulf Canada's net production of crude oil and natural gas liquids declined to 33.1 million barrels, 8.5 per cent below the 1974 volume; before-royalty volume was 47.7 million barrels, down 6.2 per cent. On an after-royalty basis, sales of natural gas, at 134.8 billion cubic feet, were down 8.9 per cent from 1974, while before-royalty volume declined slightly to 171.6 billion cubic feet.

Substantial capital expenditures were made to maintain production and develop new reserves and additional capacity, including the Syncrude project, participation in 64 development wells in Alberta, and completion of the Nevis gas plant expansion. Compression facilities being added at the Rimbey gas plant will keep up volume levels of the Westerose South gas field, and work has started on units to process gas reserves from the Berland River field which will be coming on stream in early 1977.

Gulf Canada in 1975 again emphasized exploration in the frontier areas, particularly in the Mackenzie Delta and offshore in Eastern Canada. In the Delta, ten wells were drilled and two of these succeeded in adding to the Company's Parsons Lake reserves. A four-well program, underway in the same area at year-end, will be critical in any decision concerning future development. To date the Company has found gas in ten wells on five separate structures.

In 1976 the Company will participate in the first well to be drilled in the Beaufort Sea using specially-constructed drill ships and support vessels. Pre-drilling work, involving sea-bottom investigations and installations on the sea floor, was carried out last summer. The first well drilled in this hostile and difficult environment is expected to be the most costly ever drilled. Gulf Canada and Gulf Oil Corporation share a 33.69 per cent interest in the project.

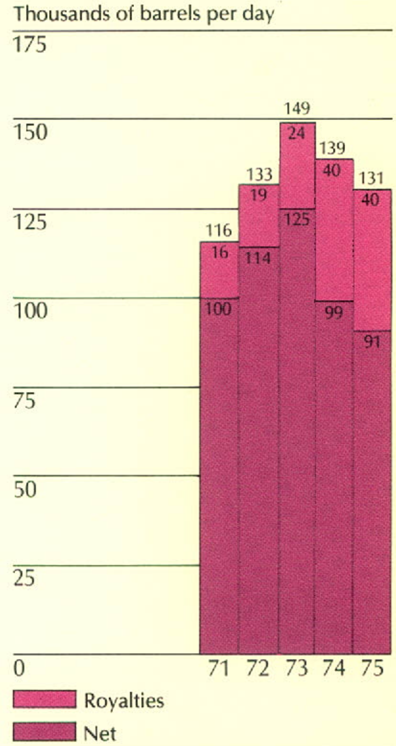
Off the East Coast, two dynamically-positioned ships drilled four locations on the Labrador Shelf. Significant hydrocarbons were recorded at two of these sites and further testing will be carried out in 1976. The Company also participated in the Bonavista and Indian Harbor wells to earn a ten per cent interest in 14 million acres lying mainly between the Grand Banks and Labrador acreage. Gulf Canada now has perhaps the strongest land position of any single company in the Eastern Canada offshore play. In addition, its interest was increased in the Grand Banks block where the Cumberland well was drilled and abandoned. Onshore in Nova Scotia, the Hastings No. 1 wildcat was drilled and abandoned to earn an interest in about 300,000 acres.

In the Arctic Islands, Panarctic et al East Drake I-55 was drilled offshore Melville Island and resulted in an eight-mile extension of the Drake Point gas field. Gulf Canada and Gulf Oil Corporation share a 25 per cent interest in the 30,000-acre permit on which the well is located.

Exploration activity in Alberta resulted in gas at Erith, Mountain Park and Coalbranch. The Erith well is a two-mile stepout from an earlier Devonian Reef success, while Mountain Park and Coalbranch are 30 and 35 miles northwest of the Stolberg gas field. An encouraging discovery was made at Fox Creek in the Swan Hills area of Alberta and follow-up seismic and drilling operations are now underway. The foot-

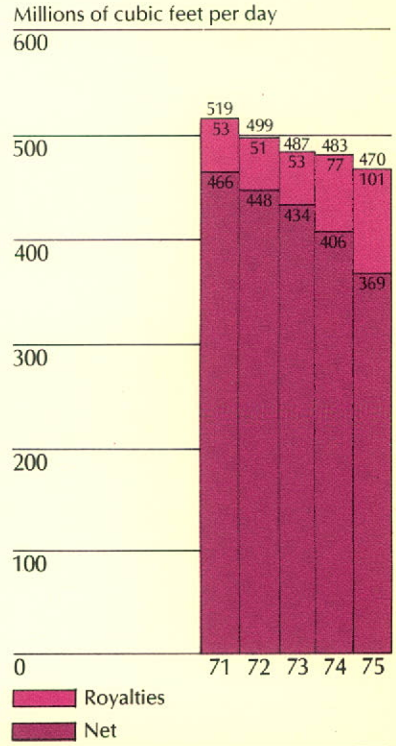
Crude and natural gas liquids produced

Thousands of barrels per day



Natural gas produced and sold

Millions of cubic feet per day



hills of Alberta and British Columbia continue to be prospective for large gas reserves and, although most locations are deeper and in remote areas, improved prices would put these reserves within economic reach.

During the year Gulf Canada, as part of a four-member group, was awarded four concessions off the west coast of Greenland. The Company has a 29.2 per cent interest in this 1.3-million-acre area in which marine seismic and environmental studies have now been made.

Estimated Recoverable Reserves Before Deducting Royalties as at December 31, 1975

Crude oil and natural gas liquids (millions of barrels)	484
Marketable natural gas (trillions of cubic feet)	2.8
Sulphur (millions of long tons)	4.7

No reserves in frontier areas included.

Well Completion Data

	1975	1974	1973	1972	1971
Exploratory					
Gross Wells	1975	1974	1973	1972	1971
Successful—oil	—	—	1	—	—
—gas	5	3	11	2	2
Dry holes	22	20	40	19	13
Frontier discoveries	3	4	4	1	—
Total	30	27	56	22	15
Net wells					
Successful—oil	—	—	—	—	—
—gas	3	1	8	1	2
Dry holes	10	11	25	11	10
Frontier discoveries	1	2	2	1	—
Total	14	14	35	13	12
Development					
Gross Wells	1975	1974	1973	1972	1971
Successful—oil	16	30	24	35	39
—gas	33	20	10	11	14
Dry holes	15	7	6	6	14
Total	64	57	40	52	67
Net wells					
Successful—oil	9	12	7	5	12
—gas	13	6	3	3	3
Dry holes	9	5	5	3	6
Total	31	23	15	11	21

An extensive pilot testing program has begun in the Wabasca heavy oil area of northern Alberta and plans are underway for a similar venture at Cold Lake. Involving steam stimulation and flooding, it is the first significant oil recovery experiment in the Wabasca deposit and is indicative of the future activity planned for this potential source of energy.

In October the long-awaited Mackenzie Valley hearing commenced before the National Energy Board. The first phase, on gas supply from the Mackenzie Delta-Beaufort Sea area and projections of Canadian demand for natural gas, has now been completed.

A contract for the design phase of Gulf Canada's 75 per cent interest in the Parsons Lake gas development project, awarded in early 1976, involves preliminary engineering and a definitive cost estimate for the total project.

Production operations started in the third quarter at the Rabbit Lake uranium processing mill of Gulf Minerals Canada Limited. Gulf Canada has a 5.1 per cent interest in this venture. Located in northern Saskatchewan, this project will be producing at the design rate of 4.5 million pounds of "yellowcake" annually in early 1976. Gulf Canada has a ten per cent interest in certain mineral prospective lands in Saskatchewan and a 50 per cent interest in all other mineral exploration activities undertaken by Gulf Minerals in Canada.

Clarkson refinery is site of new multi-million-dollar lubricating oil plant which is scheduled for completion by end of 1978.

While governments continue to take most of the price increases at the wellhead and provincial royalties are non-deductible for income tax, there has been some improvement in the fiscal regime, both federally and provincially. This better climate has encouraged committed explorers, such as Gulf Canada, to continue activities in good faith both in Canada's frontier areas and in Western Canada.

Refining

The effects of the recession on industry and higher product prices contributed to restrained demand in 1975. A shutdown at Montreal refinery caused by boiler failure and the termination of a processing agreement at Point Tupper refinery were added factors in reducing the total volume of crude oil processed

Crude Processing Capacity

	Barrels per calendar day
Point Tupper, Nova Scotia	81,000
Montreal East, Quebec	77,300
Clarkson, Ontario	79,100
Moose Jaw, Saskatchewan*	9,300
Calgary, Alberta*	8,700
Edmonton, Alberta	74,500
Kamloops, British Columbia	7,700
Port Moody, British Columbia	37,200
Total	374,800

*Asphalt plants

Propane was used as a heating fuel to dry concrete and provide comfortable working conditions during construction of giant communications tower in Toronto.

at Gulf Canada refineries in 1975 to 109.9 million barrels, eight per cent less than the previous year's level.

Total refining capacity utilization was down to 82 per cent, reflecting the addition of a 25,000 barrel-per-day condensate facility at Clarkson refinery in anticipation of increasing demands for light oils and naphtha feedstocks for the Company's Varennes chemicals plant.

By year-end asphalt production at all locations had reached a record level, and Port Moody refinery had begun to supply jet fuel three months in advance of schedule. At Edmonton, a new carbon monoxide boiler was placed on stream.

Approval was obtained for replacement and modernization of the lubricating oil facilities at Clarkson refinery. Engineering of the $180-million project is progressing well, site clearance is underway and tankage construction has begun. Start-up of the two-million-barrel-per-year facility is expected by year-end 1978.

Supply and transportation

Foreign crude oil prices remained almost unchanged until October 1 when the OPEC members announced a ten per cent increase; no substantial change is expected in the first half of 1976. Prices for Canadian crude, condensate and natural gasoline were raised on July 1 by $1.50 per barrel to an average wellhead price of $8.00 by federal-provincial government agreement.

Substantial reductions in export levels to U.S. refineries imposed by the National Energy Board resulted in Canada becoming a net importer of petroleum in 1975.

Concomitant with the rise in Canadian crude prices, the federal government changed its formula for compensating Eastern Canada refiners for increased costs of imported oil — a departure from the original agreement that refiners would receive sufficient compensation to protect Canadian consumers. The new basis, which provided equal support to all importers regardless of individual crude costs, worked to Gulf Canada's considerable disadvantage. At the same time, continuing controls on product prices did not permit the Company to pass along extra cost increases to consumers.

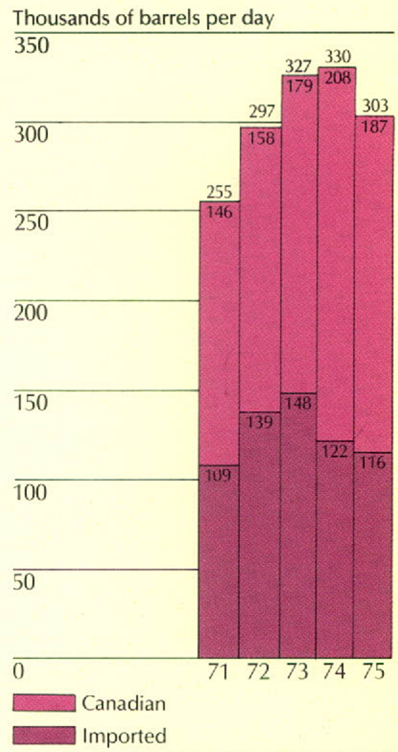
The extension of the Interprovincial pipeline from Sarnia to Montreal will likely be operational by about mid-1976 and should be capable of delivering up to 250,000 barrels per day of Canadian crude to Montreal by year-end.

Expansion programs on the wholly-owned Gulf Alberta and Shawinigan pipelines and additional facilities on the partially-owned Rimbey and Alberta Products pipelines are now complete. However, throughput generally fell short of expectations due to crude prorationing and delays in making line connections.

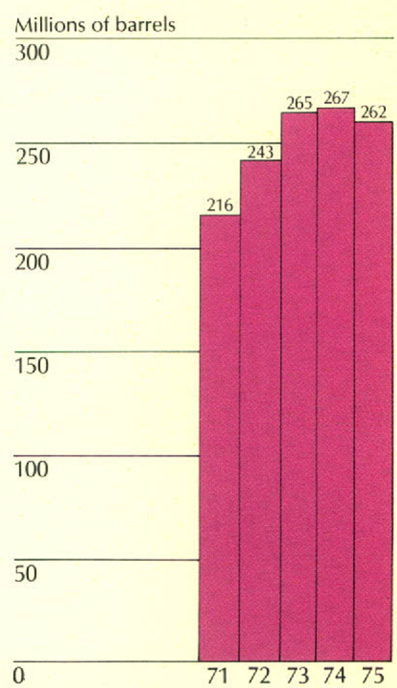
A five-company application to build and operate an oil pipeline from the Mackenzie Delta-Beaufort Sea areas, initiated during the year, is expected to be filed in 1979.

Construction of two new ships, *Gulf Gatineau* and *Gulf Mackenzie* at Sorel, Quebec, proceeded on schedule, with delivery expected this June and December. These 65,000-barrel ice-strengthened tankers will operate year round and will improve product transportation to the Company's Eastern Canada terminals.

Crude oil processed by and for the Company



Crude oil and petroleum products transported



Chemicals

The recession softened world-wide chemical markets and reduced demand for the Company's chemical products.

Expansion of the Varennes olefins plant, deferred from 1974 to 1975 by construction labor problems, was completed in mid-year. Production was limited by low demand for ethylene and the decision of a major customer to postpone completion of a polypropylene plant. A temporary arrangement to continue manufacture of vinyl chloride monomer at Varennes was terminated in September and closed down these operations earlier than scheduled.

Reduced carbide and acetylene black operations were the result of a decline in demand, start-up problems in a customer's plant, and a four-month strike at the Shawinigan Works.

Lower production, combined with escalating raw material and operating costs, exerted considerable pressure on the chemicals segment to sustain earnings. Fortunately, higher market price levels resulted in an increase in net pre-tax earnings of approximately four per cent over the previous year.

Marketing

Consumer conservation efforts in 1975 reduced the growth rate of gasoline sales and the total demand for heating fuels. In addition, an industry refining overcapacity, particularly in Eastern Canada, put product prices under pressure.

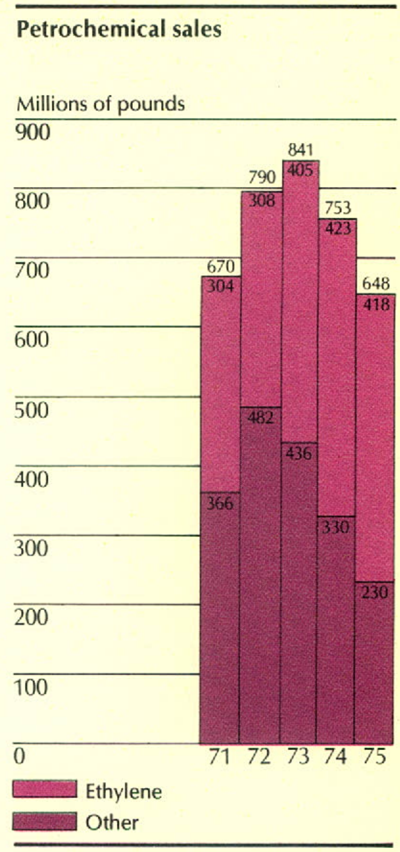
At mid-year, crude oil prices were increased by $1.50 a barrel and the industry was authorized to pass on this cost of about five cents a gallon on August 15. Unfortunately, several provinces deferred the date on which this additional cost could be recovered. Since most of the $1.50 was taken by either provincial or federal governments in higher taxes and royalties, these provincial price freezes were unfair. Gulf Canada met with representatives of several governments to explain its position.

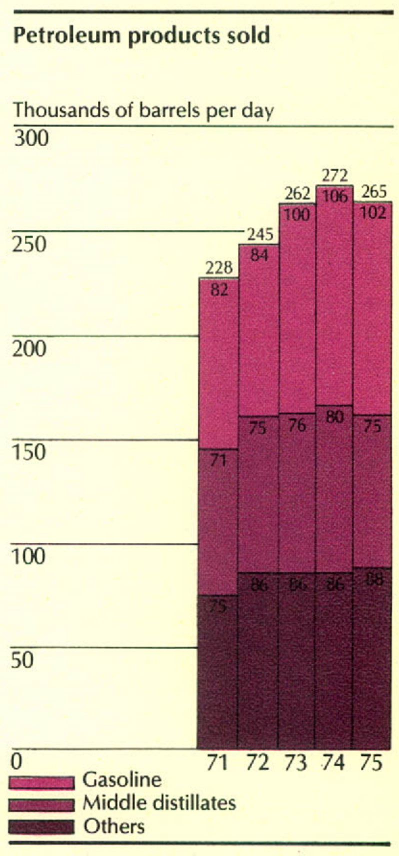
Price controls made it difficult to maintain an acceptable return on capital employed, and only through extensive planning and re-organization was the Company able to market successfully in this environment. Larger-volume retail outlets, improved Home Comfort and Farm Centre operations, consolidated terminal networks and newly designed self-serve outlets, all contributed to meet the challenge. In the area of manpower, a study of the field selling organization by outside consultants confirmed that Gulf Canada has a high level of skill, dedication and effectiveness.

Superior Propane improved its profits in 1975 despite unfavorable market conditions. Several provinces initiated propane price freezes at the retail level even though the product was transported from other provinces not subject to similar controls. The price situation was further aggravated by substantially higher distribution costs.

During the year a network of some

New facilities at the Varennes chemicals plant have increased ethylene production capacity to 500 million pounds annually.





Marketing representatives call regularly on Prairie farmers to provide fuels, lubricants, tires and a wide range of farm supplies.

700 propane refill centres for recreational users was set up.

Canada continues to produce propane in excess of demand. However, it is anticipated that advancing prices for other forms of energy will enable propane to resume its historical growth pattern.

Research and development

Among products introduced to the market in 1975 were a grease for bumper shock absorbers and a line of sulphur-phosphorus lubricants for use with industrial gears and bearings. Gulf Canada's process to incorporate sulphur into asphalt moved closer to reality when a four-mile stretch of road was successfully paved near Renfrew, Ontario.

Anticipating the proposed lube oil modernization expansion at Clarkson, considerable research was done on the characterization of the feedstocks for, and the basestocks and co-products from, lube oil hydrotreating. The technology involved in lube oil hydrotreating is relatively new and differs significantly from the solvent extraction process now employed at Clarkson.

During the year much effort was directed to studies relating to the physical characteristics and behaviour of natural gas originating in the Arctic, information essential to the development of suitable handling and transmission of this gas.

With the assistance of the Department's mobile laboratory, air and water studies were carried out at several locations in Eastern Canada including Clarkson refinery and chemical plants at Montreal East, Varennes and Shawinigan.

Gulf realty

Gulf Canada is an equal participant with Gulf Oil Real Estate Development Company in planning a major residential, commercial and industrial development on a 2,600-acre parcel of land in La Prairie, a historic community directly across the St. Lawrence River from Montreal. The overall plan was prepared in conjunction with the Province of Quebec and the City of La Prairie. Site construction of services for the initial 112-acre Gateway Area was well underway by year-end.

Corporate affairs

In its first full year, the Corporate Affairs Department took positive steps to communicate with federal, provincial and local governments and others to improve mutual understanding of the problems of today's energy markets. Through a number of presentations, considerable progress was achieved in gaining understanding of Gulf Canada's position and its need to make a reasonable profit in order to assure the future product requirements of consumers.

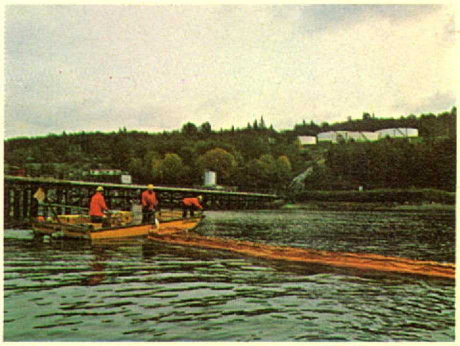
Employee and public relations

A major change in the Company's Retirement Income Plan increased the pension of employees retiring in 1975 and after. In addition, pensions to those who retired prior to January 1, 1974, were supplemented. The Group Life Insurance Plan offered additional coverage to employees at reasonable premiums.

Participation in the Company's Loss Prevention and Control Program continued to grow. During the year

Gulf Canada's process, in which sulphur can replace up to half the asphalt binder in highway construction, is tested on an experimental road near Renfrew, Ontario.

New bottom-loading valves on tankwagons reduce evaporation.



Burnaby Marketing Terminal employees practice deployment of oil spill containment booms.

the President's Safety Incentive Award, signifying 365 days or one million manhours without a disabling injury, was won by 1,059 employees in 16 units.

Labor agreements, most of them for one year, were negotiated with all independent bargaining groups. A 31-month agreement signed in 1973 with the O.C.A.W. international union was opened and a 12.3 per cent adjustment was granted, effective April 1, 1975. After a four-month strike at the Shawinigan, Quebec, chemicals plant, a two-year agreement was reached.

The Company provided a continuous flow of information on Gulf Canada and the industry to many diverse publics including employees, dealers, shareholders, teachers, students, and the media. Publications, films, audio-visual networks and speeches supported a well-defined program to explain the ever-changing and often confusing situation faced by the oil industry in Canada today.

During 1975 Gulf Canada scholarships, fellowships, or bursaries were awarded to 55 students, while other aid-to-education programs included scholarships and awards to agricultural and technological institutes. Within the corporate policy of social responsibility, the Company also made a record number of donations to several university and hospital capital campaigns as well as to a large number of charitable, cultural and recreational appeals at the local level across Canada.

Financial review

Consolidated net earnings for the year were $176.6 million or $3.88 per share, an increase of 9.7 per cent over the $161.0 million or $3.54 per share earned in 1974.

Details of net revenues, which totalled $1,729.9 million, an increase of $213.7 million over the previous year, are shown in Table I. The improvement in natural gas revenues was a major factor contributing to the improvement in earnings. Production and sales volumes in all areas of the Company's operations were lower than in 1974.

Expenses before taxes increased $161.7 million to $1,311.5 million, with $107.9 million of the increase being attributable to purchases of crude oil, products and merchandise. These purchases include not only the costs of raw materials and merchandise acquired from other suppliers, but also the substantial volumes of the Company's gross production which are taken as royalties by the governments of the producing provinces.

Income and other taxes charged to earnings amounted to $241.8 million, compared with $205.4 million in 1974. Total taxes, royalties and other payments to governments increased from $362.4 million in 1973 to $667.8 million in 1975, as shown in Table II.

Working capital increased $82.2 million to $439.9 million at December 31, 1975. However, the net cash position (cash and marketable securities less bank loans outstanding at the end of 1975) declined $93.0 million during the year. In addition to the substantial outlays required to cover capital expenditures, debt payments and income taxes, the investment in inventories rose significantly following the crude oil price increase of $1.50 per barrel on July 1, 1975. The 45-day price freeze on refined products invoked by the federal government following the crude oil price increase, and unreasonably extended for varying periods by some provinces, prevented recovery of the funds required to finance the higher investment in inventories.

Table III provides details of capital expenditures by major operating department.

Dividends declared during 1975 totalled $43.2 million or 95 cents per share. The dividend payable on July 1 was increased to 25 cents per share and maintained at this level for the last two quarters of the year. Actual payments to shareholders amounted to 90 cents per share as the dividend for the last quarter is not paid until January 2 of the following year.

Under the anti-inflation program, as described in Note 12 to the financial statements, the 25 cent quarterly dividend cannot be increased during 1976.

The 1975 earnings represent a rate of return of 14.5 per cent on average capital employed compared with the 14.7 per cent return realized in 1974. These rates of return are calculated on the basis of current earnings and the amount of capital employed which has been accumulated over many years. If the capital base was stated in terms of current value or replacement costs, the rate of return would be substantially reduced. Furthermore, the high inflation which has prevailed in recent years greatly increases amounts required to finance plant replacement, new capital projects, exploration programs and working capital. In these circumstances, earnings and the rate of return must be maintained at a high level in order to provide funds for the major expenditures required to find and develop oil and gas reserves and alternate energy sources.

Table I—Net Revenues

	1975	1974	1973
		(millions)	
Refined products	$1,169.7	$1,036.5	$ 719.5
Natural gas, natural gas liquids and crude oil	275.2	195.3	131.4
Chemicals	101.8	94.8	62.2
Other operating revenues	154.5	150.2	119.3
Investment and sundry income	28.7	39.4	27.6
Total	$1,729.9	$1,516.2	$1,060.0

Table II—Taxes and Other Government Revenues

	1975	1974	1973
From Gulf Canada		(millions)	
Income taxes	$ 143.7	$ 124.5	$ 59.9
Other taxes	98.1	80.9	68.0
Petroleum and natural gas lease payments	8.0	12.4	7.1
*Crown royalties, less incentive credits	116.3	83.8	24.3
Sub-total	$ 366.1	$ 301.6	$ 159.3
Collected for governments			
Gasoline, fuel, and excise taxes	$ 268.1	$ 209.6	$ 199.5
Crude oil export taxes	33.6	64.9	3.6
Sub-total	$ 301.7	$ 274.5	$ 203.1
Grand total	$ 667.8	$ 576.1	$ 362.4

*Included in purchased crude oil, products and merchandise in the consolidated statement of earnings.

Table III—Expenditures on Property, Plant and Equipment

	1975	1974	1973
		(millions)	
Production	$ 27.1	$ 46.1	$ 26.9
Syncrude project	67.0	15.1	.8
Transportation	7.0	3.4	.6
Refining	27.6	13.2	11.2
Petrochemicals	5.6	9.7	1.8
Marketing	29.7	27.4	25.5
Other	1.1	1.0	.8
Total	$ 165.1	$ 115.9	$ 67.6

Table IV—Earnings by Quarter

	1975	1974	1973
		(millions)	
1st Quarter	$ 41.8	$ 41.8	$ 20.8
2nd Quarter	42.9	40.5	20.9
3rd Quarter	43.8	37.1	25.5
4th Quarter	48.1	41.6	33.0
Total	$ 176.6	$ 161.0	$ 100.2

Consolidated
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Assets

	1975	1974
	(millions of dollars)	
Current:		
Cash	$ 9.1	$ 26.1
Marketable securities, at cost (approximates market value)	68.6	118.9
Accounts receivable (note 2)	425.0	407.4
Inventories of crude oil, products and merchandise	302.5	246.0
Materials, supplies and prepaid expenses	30.9	26.8
Total current assets	836.1	825.2
Investments, Long Term Receivables and Other Assets:		
Investments in associated and other companies (note 3)	18.2	18.1
Deposits, long term receivables and other assets	41.9	41.8
	60.1	59.9
Property, Plant and Equipment at Cost (note 4) less accumulated depreciation, depletion and amortization	830.3	746.1
	$1,726.5	$1,631.2

(See accompanying notes to financial statements)

Auditors' Report

To the Shareholders of
Gulf Oil Canada Limited:

We have examined the consolidated balance sheet of Gulf Oil Canada Limited and subsidiary companies as at December 31, 1975 and the consolidated statements of earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,
February 6, 1976.

Canada Limited

balance sheet

31, 1975

		1975	1974
		(millions of dollars)	
Liabilities	**Current:**		
	Bank loan	$ 25.7	$ —
	Accounts payable and accrued liabilities	288.9	288.3
	Income and other taxes payable	69.5	113.3
	Current portion of long term debt	.8	56.8
	Dividends payable	11.3	9.1
	Total current liabilities	396.2	467.5
	Long Term Debt (note 6)	115.9	102.6
	Deferred Income Taxes	182.7	162.8
Shareholders' Equity	Capital stock (note 7)	280.9	280.9
	Retained earnings	750.8	617.4
	Total shareholders' equity	1,031.7	898.3
		$1,726.5	$1,631.2

On behalf of the Board:

Beverley Matthews, Director

C. D. Shepard, Director

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.,
Chartered Accountants.

Consolidated statements of earnings

Year ended December 31, 1975

Earnings

	1975	1974
	(millions of dollars)	
Revenues:		
Gross sales and other operating revenues	$3,302.5	$2,742.0
Deduct — Crude oil sales (note 1)	(1,299.6)	(990.7)
— Taxes collected for governments	(301.7)	(274.5)
Net sales and other operating revenues	1,701.2	1,476.8
Investment and sundry income	28.7	39.4
Net revenues	1,729.9	1,516.2
Expenses:		
Purchased crude oil, products and merchandise (note 1)	760.2	652.3
Operating expenses	172.1	149.5
Exploration and dry hole expenses	53.9	48.9
Selling, general and administrative expenses	245.5	214.8
Depreciation, depletion and amortization (note 5)	71.0	70.4
Interest on long term debt	8.8	13.9
	1,311.5	1,149.8
Earnings before income and other taxes	418.4	366.4
Taxes		
Taxes other than taxes on income	98.1	80.9
Income taxes (includes deferred taxes of $18.6 in 1975; $8.9 in 1974)	143.7	124.5
	241.8	205.4
Earnings for the Year	$ 176.6	$ 161.0
Earnings per share	$ 3.88	$ 3.54

Retained Earnings

	1975	1974
Balance, beginning of the year	$ 617.4	$ 492.8
Add earnings for the year	176.6	161.0
	794.0	653.8
Deduct dividends on common shares	43.2	36.4
Balance, end of the year	$ 750.8	$ 617.4

(See accompanying notes to financial statements)

Consolidated statement of changes in financial position

Year ended December 31, 1975

	1975	1974
	(millions of dollars)	
Source of Funds:		
From operations*	$ 266.8	$ 237.8
Sales of properties	10.5	14.1
Long term obligations	16.7	13.6
Sale of investments	.2	2.3
	294.2	267.8
Use of Funds:		
Additions to property, plant and equipment	165.1	115.9
Reduction in long term debt	3.6	106.9
Dividends	43.2	36.4
Other (net)	.1	2.4
	212.0	261.6
Increase in working capital	82.2	6.2
Increase (decrease) in working capital requirements for:		
Accounts receivable	17.6	177.3
Inventory and materials	60.6	96.2
Accounts and dividends payable	(2.8)	(135.8)
Income and other taxes payable	43.8	(35.5)
Current portion of long term debt	56.0	(52.5)
	175.2	49.7
Resulting in reduction in cash position (cash and marketable securities less bank loan)	(93.0)	(43.5)
Cash and marketable securities, beginning of year	145.0	188.5
Cash and marketable securities, end of year (less bank loan of $25.7 million in 1975)	$ 52.0	$ 145.0

*Net earnings adjusted for charges or credits not affecting working capital.

(See accompanying notes to financial statements)

Notes to consolidated financial statements

Year ended December 31, 1975

1. Accounting Policies

Principles of consolidation —

The accounts of the company and all subsidiary companies are included in the financial statements.

Investments in joint venture companies owned 50% or less are accounted for on the equity basis.

U.S. dollar liabilities —

Liabilities in U.S. dollars have been translated to Canadian dollars at year-end rates of exchange. Gains or losses are included in earnings.

Inventories —

Inventories of crude oil, products and merchandise are valued generally at the lower of cost applied on a "first-in, first-out" basis or market value determined on the basis of replacement cost or net realizable value. Materials and supplies are valued at cost or lower, depending on the condition of the items.

Exploration and development costs —

Exploration expenditures, including geological and geophysical costs, annual rentals on exploratory acreage and dry hole costs are charged to expense. Costs of drilling discovery wells in remote frontier areas where future production is not reasonably assured are also charged to expense.

The initial acquistion costs of oil and gas properties together with the costs of drilling and equipping successful wells (other than discovery wells in remote frontier areas) are capitalized.

Depreciation, depletion and amortization —

Capitalized costs of oil and gas properties and drilling and equipping wells are charged against earnings on the unit-of-production method using estimated recoverable oil and gas reserves. Charges are made against earnings for depreciation of investment in plant and equipment based on the estimated remaining useful lives of the assets using either the straight-line or the unit-of-production method, whichever is appropriate.

Income taxes —

The company provides for income taxes on the tax allocation basis whereby the provision for income taxes each year is computed on the basis of the depreciation and other charges reflected in the statement of earnings rather than the related amounts claimed as deductions in the company's tax return. The resulting difference is reflected as deferred income taxes. Investment tax credits have been applied to reduce the cost of the related fixed assets.

Crude oil transactions —

In addition to its own net production, the company purchases large volumes of crude oil from other producers and sells whatever crude oil is not required for its own refineries to other companies in the oil industry. It is the company's practice for the most part to offset crude oil sales against crude oil purchases and thus exclude such transactions from both net revenues and costs.

Taxes collected for governments —

These consist of gasoline, fuel, excise and export taxes.

Oil import compensation program —

Under the oil import compensation program the federal government agreed, effective January 1, 1974, to compensate eligible importers for certain cost increases with respect to petroleum imported for consumption in Canada, provided the importing company voluntarily maintained prices for products obtained from imported petroleum at the level suggested by the government. Compensation received or recoverable under this program is reflected as a reduction of the cost of purchased crude oil.

2. Accounts Receivable

Accounts receivable consist of the following:

	1975	1974
	(millions of dollars)	
General trade receivables	$ 338.3	$ 294.8
Advances and sundry receivables	71.3	41.0
Oil import compensation recoverable	15.4	71.6
	$ 425.0	$ 407.4

3. Investment in Associated and Other Companies

	1975	1974
At cost:	(millions of dollars)	
With quoted market value (based on closing prices at end of each year) — 1975 — $31.0 million; 1974 — $30.0 million	$ 4.3	$ 4.3
Without quoted market value	.1	.1
	4.4	4.4
At equity:		
Investment in joint venture companies at cost plus equity in undistributed earnings	13.8	13.7
	$ 18.2	$ 18.1

4. Property, Plant and Equipment

	Range of depreciation rates	Gross investment at cost*	Accumulated depreciation, depletion and amortization	Net investment 1975	Net investment 1974
			(millions of dollars)		
Production	(1)	$ 611.0	**$ 272.7	$ 338.3	$ 274.5
Transportation	4% to 10%	38.8	19.0	19.8	14.1
Refining and Petrochemicals	(2)	563.8	288.5	275.3	267.9
Marketing	2.5% to 10%	325.0	141.3	183.7	178.0
Other	2.5% to 10%	24.6	11.4	13.2	11.6
		$1,563.2	$ 732.9	$ 830.3	$ 746.1

**Additions during the year have been reduced by investment tax credit of $2.2 million.*

***Includes accumulated depletion of $41.6 million with respect to the acquisition costs of productive properties.*

(1) Unit of production.

(2) Processing units on unit-of-production, other items range from 2.5% to 10%.

5. Depreciation, Depletion and Amortization

Depreciation, depletion and amortization in the statement of earnings consist of:

	1975	1974
	(millions of dollars)	
Depreciation of plant and equipment	$ 58.8	$ 58.3
Depletion of acquisition costs of producing properties	2.9	2.8
Amortization of non-producing properties, drilling costs and other intangible assets	9.3	9.3
	$ 71.0	$ 70.4

Notes to consolidated financial statements

6. Long Term Debt

Debentures	Maturity	Amount (millions of dollars)
5⅛%, Series A	1977	$ 5.4
5¾%, Series B	1982	4.1
5¼%, Series C (U.S. $8.3 million)	1982	8.5
7⅜%, Series D	1978	10.0
7⅜%, Series E	1988	35.6
8½%	1989	4.6
8½%	1990	4.6
Interest free loans (a)		38.0
Other long term obligations	varying dates	5.9
		116.7
Less instalments due within one year included in current liabilities		.8
		$ 115.9

All debenture issues except Series D require sinking fund payments by the companies.

Approximate annual instalments of long term debt due (including maximum amounts that may be repayable under (a) below) in the next five years are:

1976 — $.8; 1977 — $8.0; 1978 — $24.8; 1979 — $18.0; 1980 — $4.2.

(a) Under terms of an agreement for exploration and development of certain properties these loans are repayable in varying amounts commencing no earlier than 1978.

7. Capital Stock

Shares without nominal or par value:

Authorized — 68,000,000
Issued — 45,492,906

The company's incentive stock option plan provides for the granting of options to purchase common shares of the company at the market price on the day when the options are granted. Under the plan, options become exercisable after one year's continuous employment immediately following the date the options are granted and are for a period of ten years. No options were granted or exercised in 1975.

At December 31, 1975 4,500 common shares were under option to officers at a price of $18 11/16 per share. These options have a normal expiry date of October 4, 1977.

8. Pension Plans

The company has pension plans covering substantially all employees. The contributions by employees, together with those made by the company, are deposited with insurance companies and/or trustees according to the terms of the plans. Pensions at retirement are related to remuneration and years of service. The amounts charged to income (including amounts paid to government pension plans) were $7.8 million during 1975 and $5.2 million in 1974, which amounts included amortization of prior service costs. The Gulf Canada Pension Plans were amended in 1975 to provide for an increase in retirement benefits. The unfunded prior service pension costs were approximately $29.6 million at December 31, 1975 (of which approximately $23.9 million represents the actuarially computed value of vested benefits) and these will be funded and charged to earnings over the next fifteen years.

9. Amounts Owing to and from Affiliated Companies

Amounts owing to and from affiliated companies, all of which arose in the normal course of business, were $42.8 million and $16.8 million respectively at December 31, 1975 ($69.3 million and $19.3 million respectively at December 31, 1974).

10. Commitments and Contingent Liabilities

Syncrude Project — The company has an interest in a project (operated by Syncrude Canada Ltd.) for the extraction of oil from Athabasca Oil Sands leases in the Province of Alberta. After withdrawal of one of the participants in December, 1974, the Governments of Canada, Alberta and Ontario agreed to participate in the project. Total project costs for the construction of the 125,000 barrel-a-day plant, expected to be completed in 1978, are estimated to approximate $2 billion. Under the proposed agreements (formal agreements have not yet been signed), Gulf Canada's interest (16.75 per cent) will involve a total commitment of $335 million of which approximately $84 million had been expended to December 31, 1975. Part of the commitment will be financed through a loan of $100 million from the Government of Alberta. Through options held by the Government of Alberta, the company's interest could be reduced to about 9 per cent with a corresponding reduction in its investment.

Clarkson Lube Plant — The company is engaged in the replacement and modernization of the lubricating oil facilities at the Clarkson Refinery. The total cost of this new facility, scheduled for completion in 1978, is estimated at $180 million of which approximately $12 millon had been spent to December 31, 1975.

The company has other commitments in the ordinary course of business (for the acquisition or construction of properties and the purchase of materials and services) and contingent liabilities under various guarantees, all of which are not significant in relation to net assets.

Rentals under long term leases for real property and other facilities approximate $20.0 million annually. Under certain of these long term leases, the company has the option to purchase the leased assets and is obligated to make advances from time to time which will be applied against the purchase price if the option is exercised. It is estimated that such advances will aggregate approximately $19.7 million over the terms of the lease agreements (which expire in 1982). Advances to December 31, 1975 amounted to $9.7 million and during the next five years will aggregate approximately $7.0 million of which $1.2 million will be payable in 1976.

11. Remuneration of Directors and Officers

The aggregate remuneration in 1975 of the company's twelve directors as directors was $85,000. Two directors were also officers of the company during the same period. The aggregate remuneration during 1975 of the company's officers (which includes twelve past officers) as officers was $1,731,008. No directors or officers of the company received any remuneration from a subsidiary of the company.

12. Anti-Inflation Program

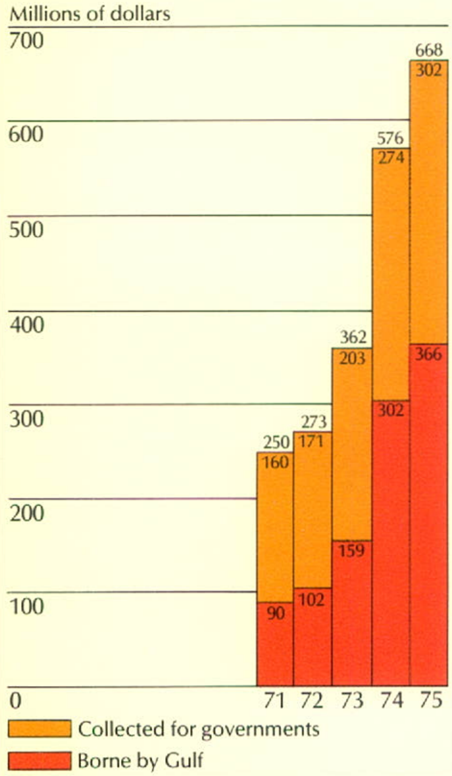
Effective October 14, 1975 the federal government passed the Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. Under this legislation the company is subject to mandatory compliance with controls on prices, profit margins, (excluding crude oil and natural gas operations which are controlled under the Petroleum Administration Act), employee compensation and shareholder dividends. The effects on the company of the Regulations on prices, profit margins and employee compensation are not yet clear owing to uncertainties as to interpretation and the need to develop appropriate data from the company's records. Dividends to the company's shareholders during the year 1976 may not exceed $1.00 per share.

Five year financial summary

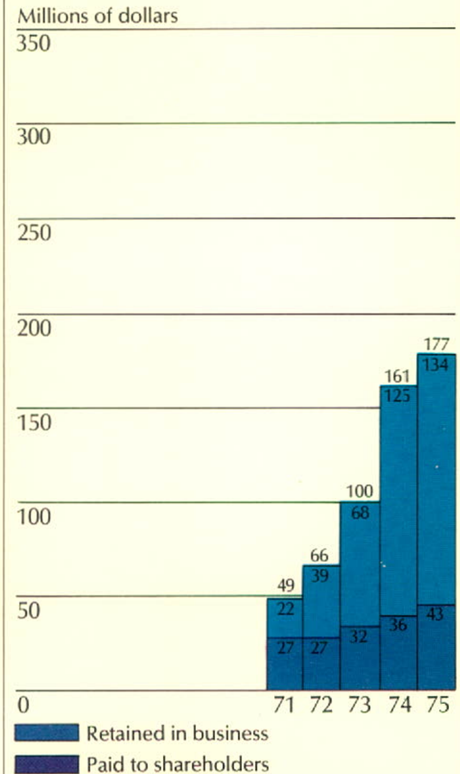
Amounts, except for unit statistics, expressed in millions of dollars

	1975	1974	1973	1972	1971
Balance Sheet					
Current assets	$ 836.1	$ 825.2	$ 595.2	$ 422.4	$ 366.3
Deduct: Current liabilities	396.2	467.5	243.7	161.1	173.4
Working capital	439.9	357.7	351.5	261.3	192.9
Property, plant and equipment – net	830.3	746.1	714.2	722.7	733.5
Investments, long term receivables and other assets	60.1	59.9	57.9	63.0	69.0
Capital employed	1,330.3	1,163.7	1,123.6	1,047.0	995.4
Deduct: Long term debt	115.9	102.6	196.0	195.4	199.3
Deferred income taxes	182.7	162.8	153.9	146.3	130.4
Shareholders' equity	$1,031.7	$ 898.3	$ 773.7	$ 705.3	$ 665.7
Per share	$ 22.68	$ 19.75	$ 17.01	$ 15.51	$ 14.65
Capital Expenditures					
New property, plant, and equipment	$ 165.1	$ 115.9	$ 67.6	$ 58.3	$ 91.1
Fixed assets of acquired subsidiaries	—	—	—	2.5	2.0
	$ 165.1	$ 115.9	$ 67.6	$ 60.8	$ 93.1
Earnings					
Net revenues	$1,729.9	$1,516.2	$1,060.0	$ 874.4	$ 795.1
Deduct:					
Exploration and dry hole costs	53.9	48.9	29.1	28.1	15.9
Depreciation, depletion and amortization	71.0	70.4	72.3	65.6	55.6
Purchases and other expenses	1,186.6	1,030.5	730.5	635.1	598.7
	1,311.5	1,149.8	831.9	728.8	670.2
Earnings before taxes and extraordinary items	418.4	366.4	228.1	145.6	124.9
Taxes:					
Taxes, other than income taxes	98.1	80.9	68.0	50.1	45.2
Income taxes	143.7	124.5	59.9	29.1	25.7
	241.8	205.4	127.9	79.2	70.9
Earnings before extraordinary items	176.6	161.0	100.2	66.4	54.0
Extraordinary items	—	—	—	—	(4.7)
Earnings for the year	$ 176.6	$ 161.0	$ 100.2	$ 66.4	$ 49.3
Rate of Return (per cent)					
On average capital employed	14.5	14.7	10.0	7.3	6.3
On average shareholders' equity	18.3	19.3	13.6	9.7	8.3
Funds from Operations	$ 266.8	$ 237.8	$ 178.1	$ 149.9	$ 135.9
Dividends Paid	$ 43.2	$ 36.4	$ 31.8	$ 27.3	$ 27.3
Per Share					
Earnings before extraordinary items	$ 3.88	$ 3.54	$ 2.20	$ 1.46	$ 1.19
Earnings for the year	$ 3.88	$ 3.54	$ 2.20	$ 1.46	$ 1.08
Cash dividends	$ .95	$ .80	$ .70	$ .60	$ .60

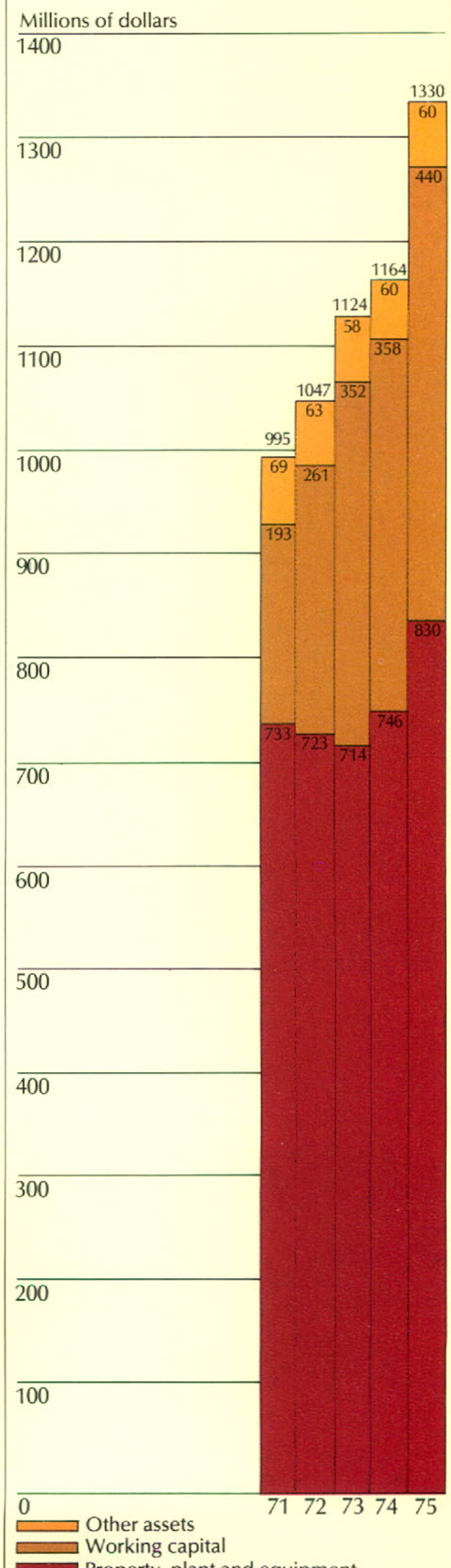
Taxes and other government revenues



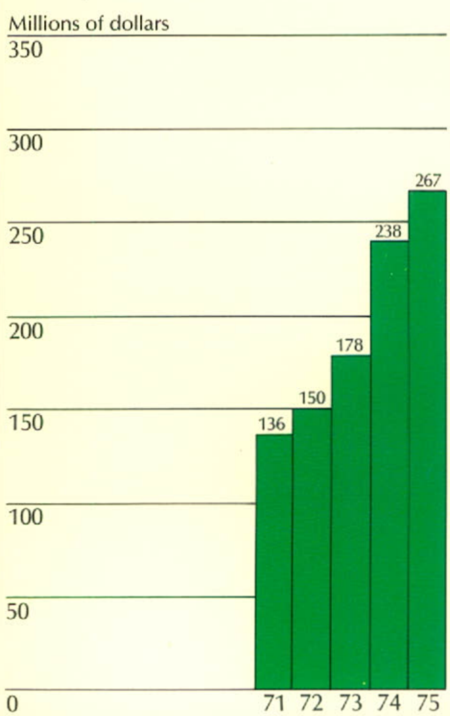
Net earnings



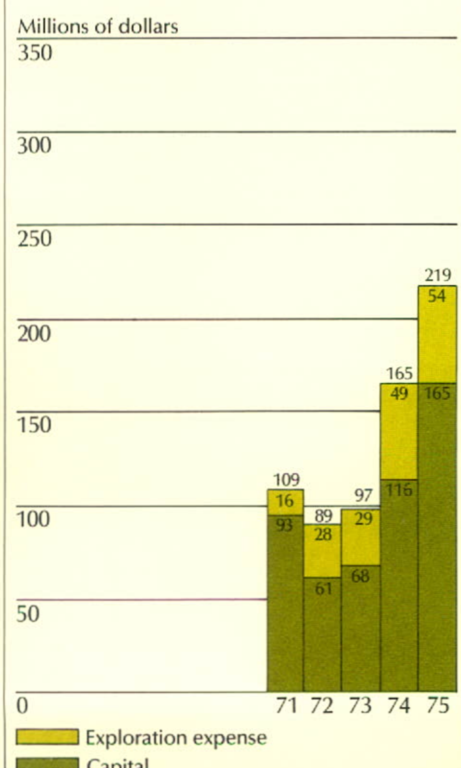
Capital employed



Funds from operations



Capital and exploration expenditures



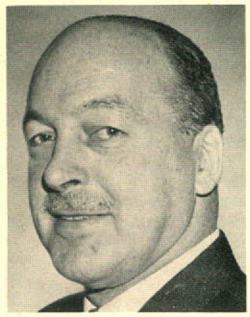
Five year summary of operations

	1975	1974	1973	1972	1971
Crude and Natural Gas Liquids Produced *(thousands of barrels)*					
Gross	47,657	50,784	54,476	48,514	42,285
Net	33,125	36,210	45,613	41,662	36,538
Per day – gross	131	139	149	133	116
– net	91	99	125	114	100
Crude Oil Processed by and for the Company *(thousands of barrels)*					
Total	110,750	120,623	119,413	108,780	92,957
Per day	303	330	327	297	255
Petroleum Products Sold *(thousands of barrels)*					
Total	96,904	99,426	95,550	89,852	83,097
Per day	265	272	262	245	228
Natural Gas Produced and Sold *(millions of cubic feet)*					
Gross	171,603	176,473	177,789	182,680	189,461
Net	134,779	148,011	158,510	164,140	170,214
Per day – gross	470	483	487	499	519
– net	369	406	434	448	466
Petrochemical Sales *(thousands of pounds)*					
Total	647,624	752,827	841,204	790,239	670,259
Per day	1,774	2,063	2,305	2,159	1,836
Sulphur Sales *(long tons)*					
Total	202,741	272,985	203,079	176,471	164,324
Per day	556	748	556	482	450
Net Wells Capable of Producing at Year-End	1,438	1,438	1,453	1,468	1,482
Net Wells Drilled	45	37	50	24	33
Net Acreage under Lease, Reservation and Option *(thousands of acres)*	26,077	24,631	25,668	24,090	27,463

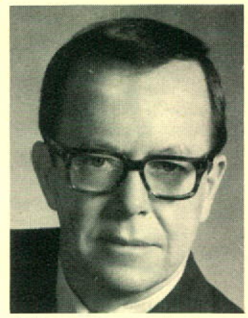
Directors

R. J. Butler
Chairman of the Board, The T. Eaton Co. Limited, Toronto, Ontario. Director: National Trust Company Limited.

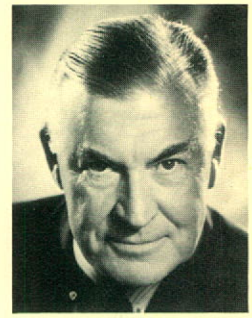
E. H. Crawford
President, The Canada Life Assurance Company, Toronto, Ontario. Director: Canadian Imperial Bank of Commerce; Canborough Corporation; Moore Corporation Limited.



E. F. Crease
President, Alfred J. Bell & Grant Limited, Halifax, Nova Scotia. Director: Canada Permanent Trust Company; Eastern Canada Savings and Loan Company; Halifax Atlantic Investments Ltd.



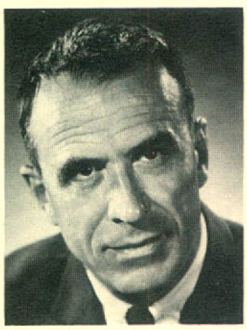
J. Peter Gordon
President and Chief Executive Officer, The Steel Company of Canada, Limited, Toronto, Ontario. Director: The International Nickel Company of Canada Limited; Bank of Montreal; Canadian General Electric Company Limited; Sun Life Assurance Company of Canada.



Beverley Matthews, Q.C.
Senior Partner, McCarthy & McCarthy, Toronto, Ontario. Director: TransCanada PipeLines Limited; Brascan Limited; Westinghouse Canada Limited; The Canada Life Assurance Company; Gulf Oil Corporation.

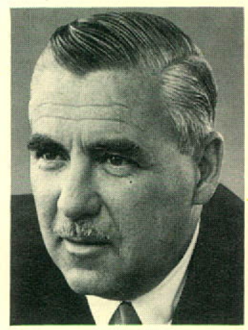
***Jerry McAfee**
Chairman and Chief Executive Officer, Gulf Oil Corporation, Pittsburgh, Pennsylvania. Director: The Bank of Nova Scotia; The Steel Company of Canada, Limited.

* Resigned as a Director of Gulf Canada on January 19, 1976.

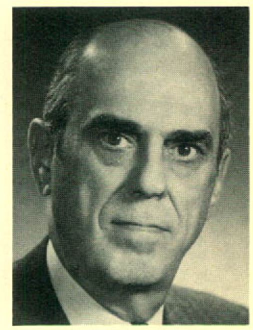


Gérard Plourde
Chairman, UAP Inc., Montreal, Quebec. Vice-President and Director: Alliance Compagnie Mutuelle d'assurance-vie; The Toronto-Dominion Bank. Director: Anglo-French Drug Co. Ltd.; Bell Canada; Editions du Renouveau Pedagogique Inc.; Northern Electric Company Limited; The Molson Companies Limited; Rolland Paper Company Limited; Steinberg's Limited.

Alfred Powis
President and Chief Executive Officer, Noranda Mines Limited, Toronto, Ontario. Chairman: British Columbia Forest Products Limited. Director: Canadian Imperial Bank of Commerce; Placer Development Limited; Simpsons Limited; Sun Life Assurance Company of Canada.

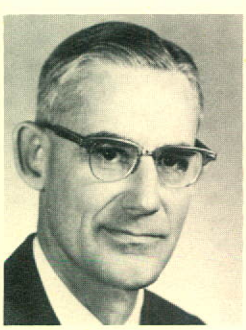


R. G. Rogers
Chairman of the Board and Chief Executive Officer, Crown Zellerbach Canada Limited, Vancouver, British Columbia. Director: Canadian Imperial Bank of Commerce; RCA Limited; Genstar Limited; Hilton Canada Limited; Royal General Insurance Company of Canada.



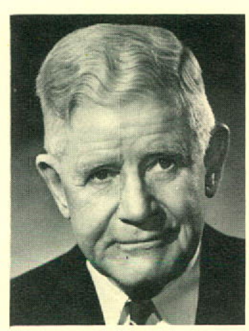
C. D. Shepard
Chairman of the Board and Chief Executive Officer, Gulf Oil Canada Limited, Toronto, Ontario. Director: The Toronto-Dominion Bank; The Carborundum Company.

J. L. Stoik
President and Chief Operating Officer, Gulf Oil Canada Limited, Toronto, Ontario.



Edward B. Walker, III
President, Gulf Energy and Minerals Company (a division of Gulf Oil Corporation), Houston, Texas. Director: Gulf Oil Corporation.

W. H. Young
President, The Hamilton Group Limited, Burlington, Ontario. Director: The Steel Company of Canada, Limited; Harding Carpets Limited; Gore Mutual Insurance Company; National Trust Company Limited; Drummond, McCall & Co. Ltd.



R. A. Laidlaw
Toronto, Ontario, Director Emeritus.

Gulf Oil Canada Limited

Directors

R. J. Butler
E. H. Crawford
E. F. Crease
J. Peter Gordon
Beverley Matthews, Q.C.
Gérard Plourde
Alfred Powis
R. G. Rogers
C. D. Shepard
J. L. Stoik
Edward B. Walker, III
W. H. Young

Director Emeritus

R. A. Laidlaw

Officers

C. D. Shepard, Chairman of the Board and Chief Executive Officer

J. L. Stoik, President and Chief Operating Officer

L. P. Blaser, Executive Vice-President

F. D. Aaring, Vice-President

R. C. Beal, Vice-President

R. T. Brown, Vice-President

W. H. Griffin, Vice-President

R. E. Harris, Vice-President

D. S. Lyall, Vice-President

S. G. B. Pearson, Vice-President

H. W. Peterson, Vice-President

J. C. Phillips, Q.C., Vice-President, General Counsel and Secretary

J. F. Runnalls, Vice-President

C. G. Walker, Vice-President

W. H. Burkhiser, Treasurer

J. A. Scobie, Comptroller

Head Office

800 Bay Street, Toronto, Ontario

Marketing Region Offices

Montreal, Quebec; Toronto, Ontario; Calgary, Alberta

Chemicals

Headquarters: Montreal, Quebec
Plants: Montreal East, Shawinigan and Varennes, Quebec

Accounting and Data Processing Centres

Montreal, Quebec; Toronto, Ontario; Calgary, Alberta

Research and Development Centre

Sheridan Park, Ontario

Exploration and Production

Headquarters: Calgary, Alberta
Operated gas plants: Gilby, Morrin-Ghost Pine, Nevis, Pincher Creek, Rimbey, Swalwell and Strachan, Alberta

Pipelines

Operated pipelines: Alberta Products, Gulf Alberta, Gulf Saskatchewan, Rimbey, Saskatoon, Shawinigan and Valley

Refineries

Point Tupper, Nova Scotia; Montreal East, Quebec; Clarkson, Ontario; Edmonton, Alberta; Kamloops and Port Moody, British Columbia

Asphalt Plants

Moose Jaw, Saskatchewan; Calgary, Alberta

Principal Affiliates (wholly-owned)

SERVICO LIMITED
Head Office: Quebec, Quebec
President: W. H. Griffin

SUPERIOR PROPANE LIMITED
Head Office: Toronto, Ontario
President: R. G. Samworth

Registrar

Canada Permanent Trust Company, Toronto

Transfer Agents

Canada Permanent Trust Company — Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal, Saint John, N.B., Charlottetown, Halifax, St. John's, Newfoundland

Registrar and Transfer Company — New York

Dialogue '75

The energy industry in Canada, as elsewhere in the world, has been criticized, harassed, and maligned by its publics in recent years. Daily evidence of such attitudes in the media has been supported by disturbing findings in public opinion polls. To correct some widely held misconceptions and misinformation about the industry and the Company, Gulf Canada last year launched a face-to-face, no-holds-barred series of dialogue encounters with some constituent publics, covering a full range of subjects including Canada's future energy requirements, profits, prices, taxes and royalties, frontier exploration, capital requirements and government relations.

The project, named Dialogue '75, involved rotating teams of executives, including one or more senior officers of the Company, and regional managers meeting with dozens of employee groups, editorial boards, government people and members of the business community in major cities across Canada. As the name implies, Dialogue '75 has been a two-way conversational exercise, not merely a one-way presentation of the Company's views, and is continuing this year as Dialogue '76. Gulf Canada feels that Dialogue has been a positive communication program with some important publics.

Gulf Canada Supports the Canadian Political Process

Gulf Canada shareholders can be reassured that the Canadian company has in no way been involved in political donations made by Gulf Oil Corporation which were recently investigated in the United States. A review of Gulf Canada's donations over many years and special internal audits covering the past five years have confirmed that Gulf Canada has not made any political donations in any other country and that any donations made in Canada have been strictly within the law and properly administered.

For many years our Company has had a policy of responding favorably to requests for funds from the principal political parties in Canada, both at the federal and provincial levels, which support the present economic system. These contributions are made in recognition of our responsibilities as a corporate citizen and are certainly not made with any thought of receiving political favor. Such donations are perfectly legal and are encouraged in Canada; and we are continuing this policy of supporting the democratic process and the enterprise economy which has provided Canadians with their present high standard of living.

To put these political contributions in perspective, it should be noted that Gulf Canada donates approximately eight times as much annually to social, cultural, educational, welfare and community projects across the nation.

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