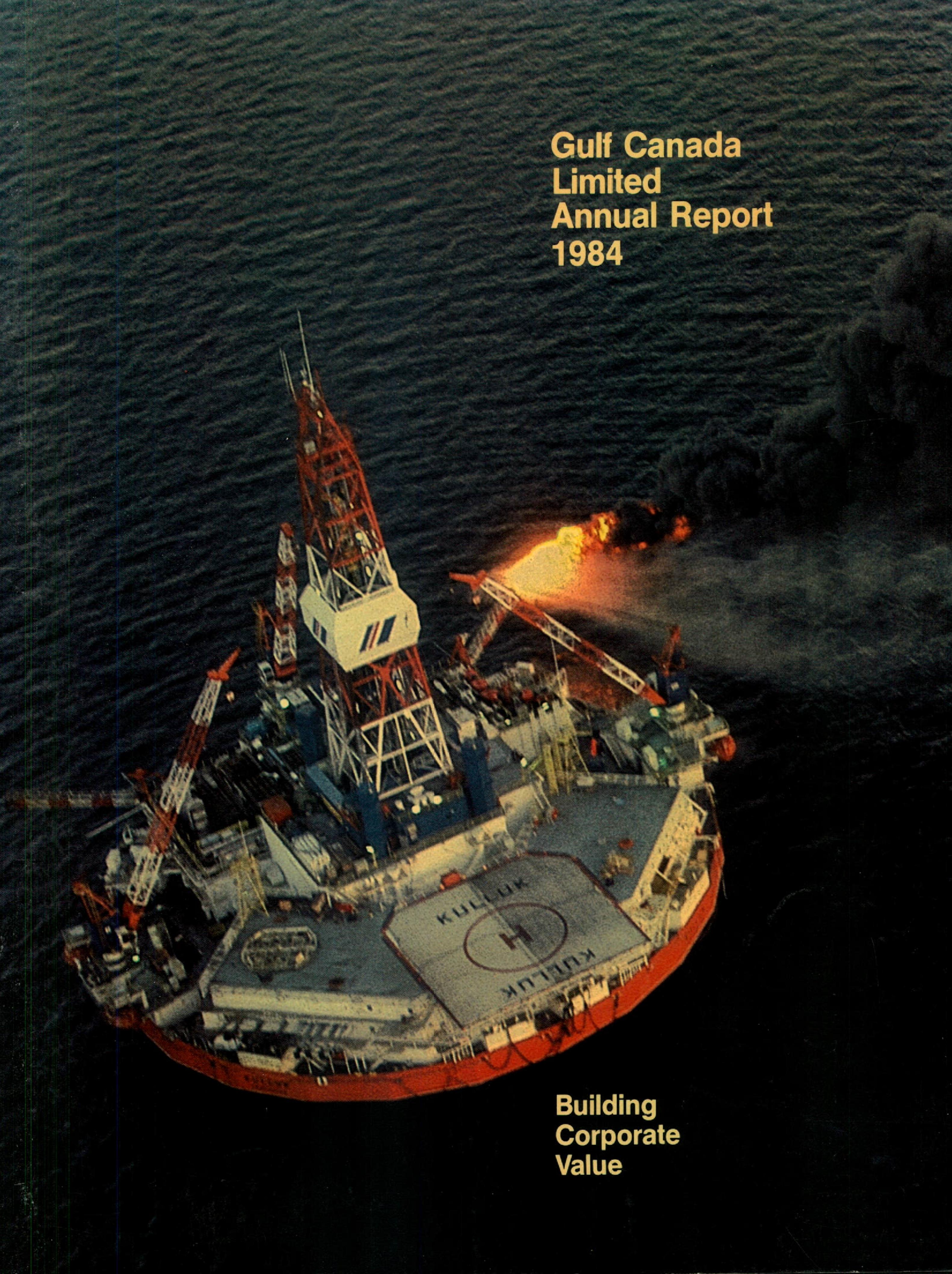
Gulf Canada Limited Annual Report 1984



Building Corporate Value

Corporate Profile

Gulf Canada Limited is an integrated energy company operating throughout Canada. Its organization consists primarily of a management company, an upstream resource subsidiary, and a downstream products division. Founded in 1906 as The British American Oil Company, Limited, Gulf Canada Limited continues to play a major role in the growth and development of Canada's energy industry. From an initial investment of $135,000, it now has assets of $5.6 billion, approximately 34,000 shareholders and 9,000 employees. Chevron Corporation, San Francisco, California, beneficially owns 60.2 per cent of the Corporation's common shares.

Gulf Canada Limited, Toronto, Ontario

The management company provides corporate strategic direction, basic policies, performance objectives, financial control and measurement criteria for the Gulf Canada companies. It handles the Controller, Corporate Planning and Development, Corporate Secretary, Internal Audit, Law, and Treasury functions; and provides corporate co-ordination of Human Resources, Information Services, Public Affairs, Realty and Research and Development.

Gulf Canada Resources Inc., Calgary, Alberta

The "upstream" subsidiary conducts a wide range of exploration and production activities. One of Canada's leading producers of crude oil, natural gas and gas liquids, the company operates five major gas processing plants; has interests in 40 other gas plants; is a participant in the Syncrude oil sands project; and is involved in coal exploration. An outstanding land position in Western Canada and the frontiers provides the basis for aggressive petroleum and natural gas exploration programs. A wholly-owned subsidiary, BeauDril Limited, operates the new-technology Beaufort Sea Drilling System.

Gulf Canada Products Company, Toronto, Ontario

The "downstream" products division refines, distributes and markets a wide range of petroleum and petrochemical products across Canada. These products include transportation fuels such as motor gasolines, diesel oil and aviation fuels; heating fuels for industrial, commercial and residential use; and non-fuel petroleum products such as lubricants, solvents, asphalt, waxes and petrochemicals. The company accounts for about 15 per cent of both Canada's refining capacity and refined product sales. It operates wholly-owned subsidiaries Gulf Canada Refinery Ltd., Servico Limited and Superior Propane Ltd.; and has interests in several of Canada's principal crude oil and refined product pipelines.

Building Corporate Value

"Gulf Canada's long-range corporate objective continues to be — as it has been for many years — to maximize the growth of shareholders' equity and corporate worth.

"The basic strategy behind our corporate performance in recent years, and the key to much greater future potential, is the success we have had in building an outstanding resource base in Western Canada and in the most promising frontier areas."

"Exploratory successes in the western provinces have slowed the decline in our proved conventional oil reserves, while participation in almost every major frontier oil discovery has been largely responsible for an increase of more than 50 per cent in our established reserves since 1979, a record few North American oil companies can match."

"Gulf Canada, with a 25 per cent share of Hibernia and varying interests in most other significant frontier oil discoveries, as well as excellent oil, gas, oil sands and coal lands in Western Canada, is prepared to participate to the fullest extent in building Canada's energy future . . . and the value of your company."

From Senior Executive Report, page 2

Nothing is more symbolic of organization, industry and productivity than a beehive. Throughout this report, a three-cell honeycomb design is used to highlight special efforts being made by the three Gulf Canada companies to build Corporate value.

Gulf Canada Limited Annual Report 1984

Contents

The Cover:
Gulf Canada Resources' conical drilling unit *Kulluk*, tests Amauligak J-44, the most promising discovery made by GCRI in the Beaufort Sea. The main oil zone is estimated to be capable of producing 2,160 cubic metres (13,600 barrels) a day. Delineation drilling on the structure will be carried out in 1985 and 1986.

Report to Shareholders and Employees

We are pleased to report that the attainment, in 1984, of Corporate targets resulted in a very encouraging 41 per cent earnings improvement. Net profits rose by $90 million to $308 million, as refined product earnings recovered from essentially break-even in 1983, to $95 million, and resource earnings of $251 million were $9 million above the previous record set in 1983.

Our new majority shareholder, Chevron Corporation, has announced that it will try, until April 30, 1985, to sell its interest in Gulf Canada to a Canadian company. During these uncertain times, we are particularly proud of the dedication of our 9,000 employees, who have enabled Gulf Canada to continue as an industry leader in many areas.

Elected to the Board of Directors in June was Keith McWalter, who became Executive Vice-President in September. R.T. Savage and L.C. Soileau III joined the Board in October as representatives of Chevron Corporation. In February 1985, the Board designated Mr. McWalter to become President and Chief Executive Officer on April 1, 1985, following normal retirement of the incumbent.

Gulf Canada's long-range corporate objective continues to be — as it has been for many years — to maximize the growth of shareholders' equity and corporate worth.

The basic strategy behind our corporate performance in recent years, and the key to much greater future potential, is the success we have had in building an outstanding resource base in Western Canada and in the most promising frontier areas.

J.L. Stoik, President and Chief Executive Officer; J.C. Phillips, Chairman of the Board.

The past year was notable for significant exploration successes both offshore and onshore, and for the first full year's operation of the Corporation's state-of-the-art Beaufort Sea Drilling system, which fully met our high expectations for its performance. In establishing an extended operating season for a floating rig, the conical drilling unit *Kulluk* completed and tested two oil discoveries and partially drilled two other locations.

Amauligak J-44, our best oil discovery to date in the Beaufort Sea, is ideally suited for early development of production, if sufficient reserves are established. The mobile arctic caisson, which drilled the Tarsiut P-45 well as its first assignment, will delineate the Amauligak structure next season, drilling two or more wells.

Exploratory successes in the western provinces have slowed the decline in our proved conventional oil reserves, while participation in almost every major frontier oil discovery has been largely responsible for an increase of more than 50 per cent in our established reserves since 1979, a record few North American oil companies can match. The objective is to maintain our total Western Canada production of liquid hydrocarbons until we can begin to tap our frontier reserves around the end of this decade.

Again in 1984, Gulf Canada was one of the most active drillers and acquirers of exploratory land in the western provinces. Expenditures to develop production from new fields, and to enhance the recovery of reserves from existing fields, comprise the fastest-growing component of the more than $700 million budgeted for 1985 capital and exploration spending.

For many years, Gulf Canada has also been acquiring and evaluating coal properties in British Columbia and Alberta as a basis for future diversification. One of these is Canada's only known potentially-commercial deposit of anthracite coal, at Mount Klappan in northwestern B.C. Close to the surface and near the coast, this high-quality, world-scale deposit could be developed quickly when long-term overseas customers are found.

One diversification already in operation is The Tensar Corporation, in which Gulf Canada has a half-interest. In mid-1984, the first North American plant, near Atlanta, Georgia, began turning out high-strength polymer grids for a wide variety of civil engineering and other applications.

Innovative measures implemented by Gulf Canada Products Company have significantly increased refining, distribution and sales efficiency, and helped bring industry refining capacity more in line with declining demand.

In Eastern Canada, the manufacture of fuels was concentrated at Montreal East Refinery, with Clarkson Refinery being converted to specialize in the manufacture of lubricants. Lighter hydrocarbons from Clarkson are moved by pipeline to the Montreal complex, which is being upgraded to improve light oil yields.

Utilization of both the Montreal and Edmonton refineries was increased significantly by long-term processing arrangements with another company, commencing in the second half of 1984.

After three years of unusually high capital spending, required to complete our Beaufort Sea Drilling System, the Hanlan-Robb gas plant, and the synthetic crude oil processing expansion at Edmonton Refinery, capital and exploration spending returned to a more normal level in 1984.

External events in 1985 that could have a significant beneficial effect on the Canadian oil industry and the fortunes of Gulf Canada include:

1. *A new federal-provincial revenue-sharing agreement between the producing provinces and Ottawa, to be announced in the spring.*

This agreement is expected to include provisions for decontrol of oil prices and some reduction of both provincial royalties and federal taxation. With world oil prices weak, there could scarcely be a more politically-acceptable time for decontrolling the price of oil. Canada's oil and gas should sell for what they are worth in a free market, with producers receiving fair reward for their efforts.

2. *The Federal budget, expected around the end of April.*

This budget will reveal the extent to which the new Government in Ottawa is committed to seeing our industry become a prime mover for economic recovery. Companies must be permitted to have the increased cash flows needed to fund future energy mega-projects in both Western Canada and the frontiers.

3. *Decisions regarding a production system and an appropriate fiscal regime for development of the Hibernia field.*

Newfoundland and Ottawa have reached basic agreement on revenue-sharing and management of the offshore resource. The next requisites are for selection of the most cost-effective production system, and establishment of a fiscal regime that will enable the industry participants to make the massive investments needed for the offshore production and transportation facilities.

Gulf Canada, with a 25 per cent share of Hibernia and varying interests in most other significant frontier oil discoveries, as well as excellent oil, gas, oil sands and coal lands in Western Canada, is prepared to participate to the fullest extent in building Canada's energy future . . . and the value of your company.

On behalf of the Board

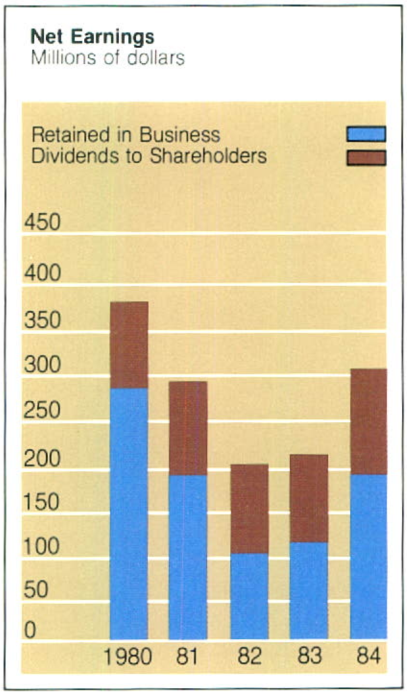
J.C. Phillips,
Chairman of the Board

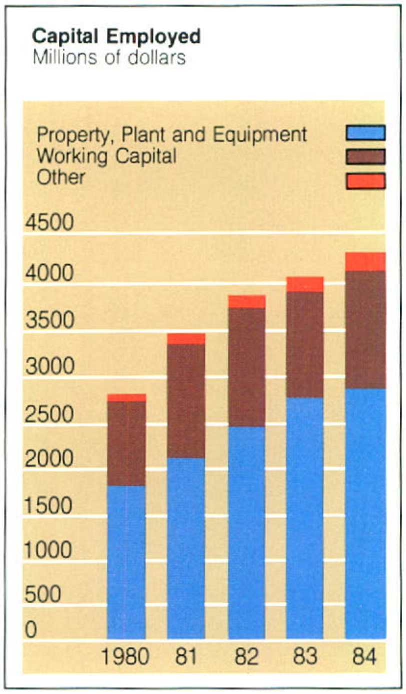
J.L. Stoik,
President and
Chief Executive Officer

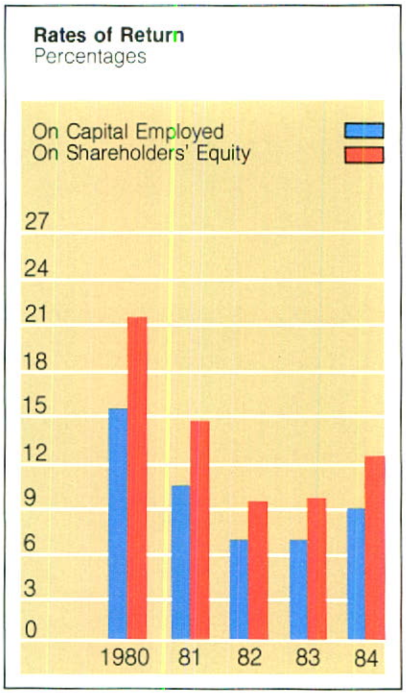
Toronto, Ontario.
March 21, 1985

Financial and Operating Highlights

FINANCIAL *(millions of dollars)*	1984	1983	% Change
Net revenues	**5,422**	5,163	5
Net earnings	**308**	218	41
Return on shareholders' equity	**12.6%**	9.5%	33
Return on capital employed	**9.0%**	7.0%	29
Per share data *(dollars per share)*			
Net earnings	**1.35**	.96	41
Dividends declared	**.50**	.44	14
Price/earnings ratio	**11**	18	(39)
Market value of common shares			
Toronto Stock Exchange			
-Close *(dollars)*	**15⅜**	17⅞	(12)
-Shares traded *(millions)*	**23.2**	22.8	2







OPERATING *(thousands of cubic metres per day)*	1984	1983	% Change
Gross production			
-Crude oil and natural gas liquids	**19.0**	18.8	1
-Natural gas produced and sold *(millions of cubic metres per day)*	**8.8**	7.4	19
Crude oil processed by the Corporation	**35.7**	33.2	8
Refined product sales	**30.0**	31.8	(6)

Gulf Canada Limited

By rows, from left:

Lawrence Galipeau
Dan Sharp
Kathy Volesky
Tony Sutcliffe

David Rainville
Eleanor Barker
Bernie McQuat
Larry Demosky

Ted Dawson
Nora Beddome
Beverley Bond
André Riopel
Jane Shapiro

Bob Mathews
John Parder
Bob Adams

Julia Olynyk
André Lamanque
Mike Lunney
Dennis Walden

Gulf Canada Limited

Financial Review

EARNINGS

Increased exports of crude oil, improved demand for natural gas and a reduction in the industry's surplus refining capacity were the major factors responsible for raising 1984 net earnings by 41 per cent to $308 million, or $1.35 per share, from 1983 earnings of $218 million, or 96 cents per share. By comparison, 1982 earnings were $201 million, or 88 cents per share. The return on average capital employed was 9.0 per cent in 1984, compared with 7.0 per cent in both 1983 and 1982.

The 1984 results include net charges of $13 million related to the write-down of a coal property and sale or closure of surplus downstream assets. This compares with charges of $22 million in 1983 on sales, closures or modifications of selected downstream facilities. Earnings reported for 1982 included net gains of approximately $75 million from the sale of various facilities and investments, and a provision for the closure of certain refining facilities in 1983.

Natural resource earnings rose to $251 million from $242 million in 1983, and from $143 million in 1982.

The main reasons for the 1984 increase over 1983 were higher production volumes and prices for crude oil and natural gas, and an improved contribution from the Beaufort Sea Drilling System, which had two rigs operating in 1984. Substantially offsetting these favorable items were higher depreciation, depletion and amortization, increased Petroleum and Gas Revenue Taxes, increased operating expenses, and a higher effective income tax rate due to the exhaustion, in 1983, of depletion allowances earned in previous years. In addition, operating profits from Syncrude declined due to a major fire in August which affected production.

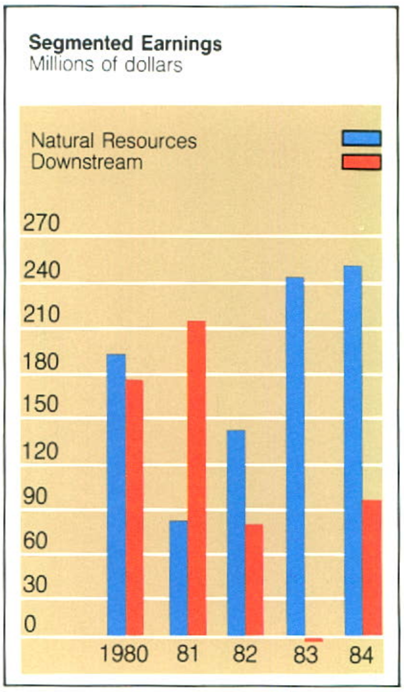
Similar positive and negative factors accounted for the $108 million rise in 1984 resource earnings over 1982 results, although the earlier year included capital gains from the sale of assets. Exploration expenses charged to earnings remained relatively constant over the three years, at approximately $200 million per year.

Net production of crude oil and natural gas liquids, including synthetic crude oil, rose in 1984 by 2.2 per cent to 14,380 cubic metres (90,450 barrels) per day, after an increase of 7.5 per cent in 1983. Although production from Syncrude was down from 1983, conventional production increased, mainly as a result of the Federal Government's relaxation of restrictions on light crude oil exports, which essentially restored conventional crude oil production to capacity after the first half of 1983.

Net natural gas produced and sold rose significantly in 1984, to 6.8 million cubic metres (238 million cubic feet) per day, following a slight decrease in 1983. The 1984 increase was mainly the result of higher domestic demand. By year-end, export demand was improving in response to changes in government pricing policies.

Downstream earnings of $95 million were greatly improved from the break-even performance of 1983, and were also ahead of 1982 earnings of $78 million. The 1984 increase over 1983 was due mainly to improved petroleum product margins, higher refinery utilization, and inventory holding gains related to an increase in the Federal Government's Petroleum Compensation Charge in November. The 1983 results were adversely impacted by a $22 million write-off related to asset sales and refinery closures and modifications.

Compared to 1982, the 1984 increase was mainly due to improved margins and lower selling, distribution and administrative expenses, reflecting efficiency measures implemented during the past



two years. In addition, 1982 earnings included net gains of approximately $50 million on the sale or closure of various facilities.

Total refined product sales in 1984 averaged 30,000 cubic metres (188,700 barrels) per day, down 5.7 per cent from 1983 which, in turn, was up slightly from 1982. Crude oil processed through the Corporation's refineries, which declined slightly in 1983, rose by 7.5 per cent in 1984, to 35,700 cubic metres (224,500 barrels) per day, reflecting processing for other companies under long-term agreements.

Petrochemical sales of 630 tonnes (620 long tons) per day were down about seven per cent from those of the prior two years. With the 1984 sale of Gulf Canada's interest in the Pétromont consortium and related assets, chemicals now represent only a minor part of the business and are reported with refined products in a downstream segment.

Corporate operating earnings, consisting mainly of income on short-term investments, were $52 million in 1984, compared with $44 million and $93 million in 1983 and 1982, respectively. The lower income in the last two years was mainly the result of declining interest rates.

Segmented financial results appear on pages 32 and 33.

Variances between accounting principles generally accepted in Canada and the United States, as they apply to the Corporation, are described in note 18 to the consolidated financial statements on page 38.

LIQUIDITY, CAPITAL RESOURCES AND EXPENDITURES

In 1984, earnings before non-cash items and exploration expenses were $812 million, up $83 million from 1983, and $228 million higher than in 1982.

Non-cash working capital requirements declined $174 million in 1984, following a reduction of $111 million in 1983. The reduction in 1984 was more than accounted for by a large increase in income taxes payable, most of which were remitted by the end of February 1985. Accounts payable and other current liabilities also increased.

Partially offsetting these items were increased investment in inventories, due to higher volumes and crude oil prices, and higher accounts receivable.

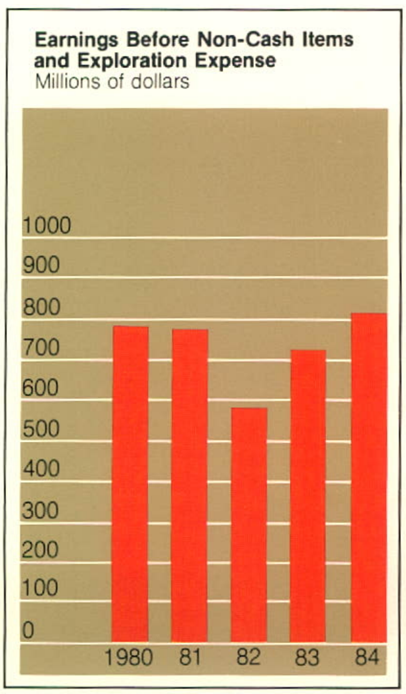
The 1983 decrease was mainly due to lower inventory volumes, which more than offset increased crude oil prices and higher accounts receivable.

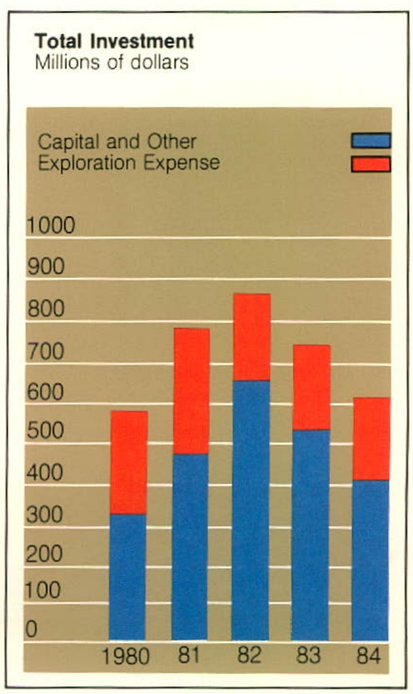
Total capital investment in 1984 declined 19 per cent to $603 million, following a decline of 15 per cent in 1983, reflecting the completion of several major projects.

Cash from operations in 1984 and 1983 was more than sufficient to meet capital and exploration expenditures and dividend payments.

At year-end, Gulf Canada held cash and short-term investments of $861 million, compared to $612 million at the end of 1983.

The Corporation anticipates that total 1985 spending will exceed $700 million, which will be funded from internal sources.





Other Highlights

During 1984, all collective bargaining agreements at the Corporation's refineries, gas plants and distribution facilities were renewed for a further year.

A cost-of-living adjustment for Gulf Canada's pensioners, effective November 1, 1984, was warmly received.

Returns on the short-term investment portfolio, which is managed by the Treasury Department, improved significantly in 1984, as a result of a higher proportion of equity-related investments.

The Risk and Insurance Department was heavily involved during the year in the insurance aspects of a fire at Clarkson Refinery in February 1984. The Corporation's insurance package was renewed for a three-year term, with some improvements in coverage.

The Research and Development Department, in addition to meeting the current and future technology needs of the Gulf Canada operating companies, undertook a number of shared-cost research projects with various Federal and Alberta government agencies. Current projects deal with heavy oil recovery and upgrading, synthetic fuel processing and coal beneficiation.

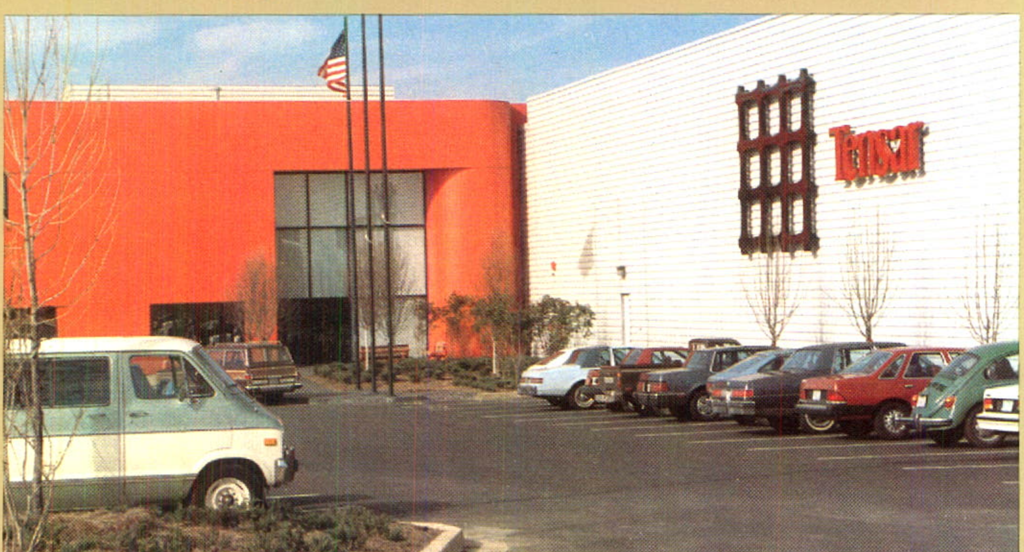
A mobile laboratory, developed to evaluate and optimize well work-overs and acid treatments, improved well productivity at reduced cost in the Estevan area of Saskatchewan.

Introduction of microcomputer control and data acquisition to procedures for the testing of lubricants in engines is increasing the reliability and efficiency of performance assessments, a necessary step in obtaining auto industry approvals for new products.

A three-year, 3 million km (1.9 million mile) field trial with CP Rail resulted in the first service qualification granted by General Motors' Electromotive Division to a multi-grade railway diesel engine oil.

During 1984, the Information Services Department concentrated mainly on measures to increase productivity, facilitate access to information by decision-makers, improve planning

Tensar Plant Near Atlanta in Production



Interest in Atlanta-based Tensar Corporation provides diversification for Gulf Canada.

The Tensar Corporation, in which Gulf Canada has a half interest, completed construction of its head office and first North American manufacturing plant and warehouse near Atlanta, Georgia, during 1984. The 15,800 square metre (170,000 square foot) facility began operation in July, producing high-strength polymeric grids for a wide variety of applications.

Initial sales have been for internal reinforcement and support of engineered soil structures, and control of internal drainage and surface erosion of such structures. New products are being developed for concrete and asphalt reinforcement.

Tensar fencing products are available for agricultural fences, industrial safety barricades, sports enclosures and snow control.

In January 1985, the corporation expanded its distribution network significantly by appointing two national distributors in the United States and one in Canada for Tensar products: Armco Inc., for construction markets; Athalon, Inc., for recreational facility fences; and Safety Supply Canada for industrial safety fences in this country. Additional distributors will be appointed to serve other markets.

processes and enhance customer service.

The computer and communications network was improved and extended to all parts of the Corporation. An "Infocentre" was established to familiarize personnel with computer and communications hardware and software.

In Gulf Canada Products Company, increased computerization of refineries, distribution terminals and certain administrative functions contributed to improved productivity and profitability.

Opinion surveys confirmed that Gulf Canada's Public Affairs' advertising achieved the highest recognition level of any Canadian corporate ad series.

The Gulf Canada magazine, *Commentator*, converted to an external journal of opinion on current economic and social issues, attained a circulation of 22,000. With articles contributed by distinguished Canadians, this new publication was welcomed by opinion leaders as a constructive vehicle for stimulating tripartite discussion involving representatives of labor, government and industry.

Corporate donations during 1984 increased to $3 million in response to a number of major campaigns for universities and hospitals, as well as increased sponsorship of cultural events.

More than 45 per cent of corporate donations were to health and welfare organizations, including over 20 per cent to the United Way/Centraide campaigns in 70 centres across Canada. Corporate scholarships, fellowships and appeals from educational institutions accounted for almost 30 per cent of total donations, with cultural organizations and sponsored events receiving 12 per cent. The balance of grants made during the year were to community projects and civic appeals in many centres.

Undergraduate scholarships of $2,000 each were funded to 53 dependents of Gulf Canada employees, and 10 post-graduate fellowships of $9,000 each were awarded during 1984.

Funding for the Fellowships/Scholarships/Bursaries program was almost $220,000.

New Technology Aids Grease Development

Research chemist Max Hahto studies lithium soap fibres (inset) used in special greases.

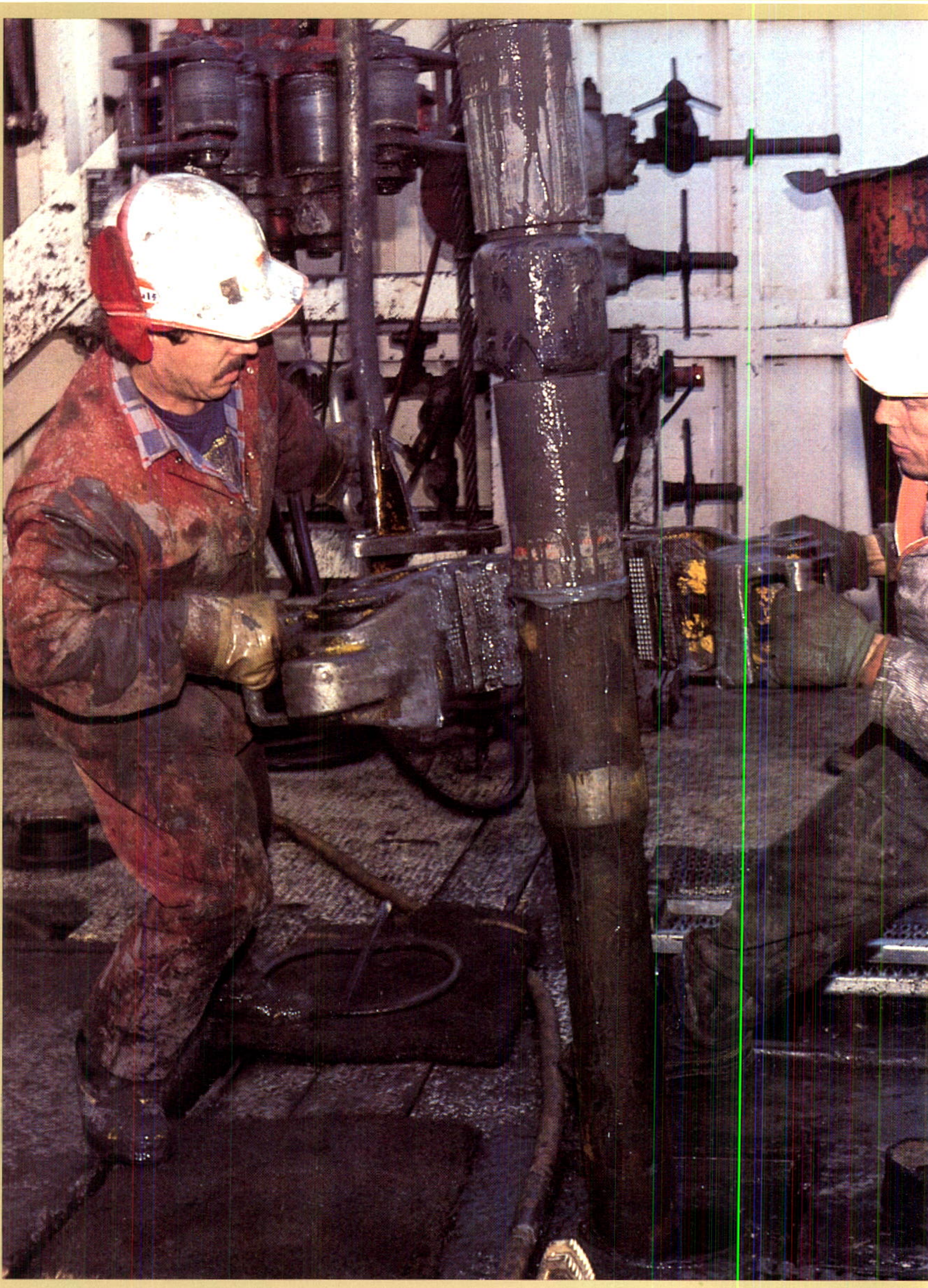
Gulf Canada's position as one of the country's leading manufacturers of greases is being enhanced by a new scanning electron microscope installed at the Corporation's Research and Development Centre, west of Toronto.

With the capability of magnifying samples up to 180,000 times, this microscope is helping Gulf Canada researchers develop new and better greases, and the processes to manufacture them.

It produces high-magnification photomicrographs that are particularly useful in studying the lithium, barium and aluminum "soaps" used to thicken commercial greases and to give them the unique performance characteristics required to meet the demands of a multitude of specialized applications.

These photographs provide much new information on the elemental composition of materials under examination. As a result, Gulf Canada researchers are gaining valuable insights into the relationships between physical structure, performance characteristics, and the cost-effectiveness of experimental formulations. This type of information also assists them in assessing the impact of process conditions on product quality.

Gulf Canada Resources Inc.



Again in 1984, Gulf Canada was one of the most active drillers in Western Canada, participating in 547 exploratory and development wells, of which 441 were completed as potential oil or gas producers.

The $251 million earned by Gulf Canada Resources Inc. (GCRI) in 1984 was slightly above the record $242 million established in 1983. The increase was mainly due to higher prices for both oil and gas, as well as increased gas volumes.

Capital and exploratory expenditures decreased by $155 million, to $478 million. Western Canada accounted for more than half of total 1984 spending, reflecting the continued high level of drilling there, and increased production-related activity to bring new reserves on stream.

Production and Development

PRODUCTION

Gross production of conventional and synthetic crude oil and natural gas liquids (NGL) increased by 1.3 per cent above the 1983 level, to 19,074 cubic metres (119,970 barrels) per day. Natural gas produced and sold increased 18.5 per cent, to 8.8 million cubic metres (312 million cubic feet) per day.

Gains in production of conventional light and heavy oil, as well as a significant increase in NGL production, more than offset lower output from the Syncrude oil sands plant, which was damaged by fire in August 1984, after setting a production record the previous year.

Not only was Gulf Canada's production of conventional light, medium and heavy oil maintained at capacity during 1984, but the share of this production qualifying for the New Oil Reference Price also increased significantly, to 24 per cent.

In response to steady demand for natural gas liquids for conventional markets, and projected

Financial and Operating Summary	**1984**	1983
FINANCIAL		
(millions of dollars)		
Net segment earnings after taxes	**$ 251**	$ 242
Capital and Exploration Expenditures		
Conventional Oil and Gas	**$ 148**	$ 117
Syncrude	**16**	13
Exploration	**259**	303
Beaufort Sea Drilling System	**44**	190
Other	**11**	10
Total	**$ 478**	$ 633
Capital employed at year-end	**$1,812**	$1,628
Return on average capital employed	**14.6%**	16.0%
OPERATING		
(thousands of cubic metres per day)		
Gross production		
Crude oil and natural gas liquids	**17.8**	17.2
Synthetic crude oil	**1.2**	1.6
Natural gas produced and sold *(millions of cubic metres per day)*	**8.8**	7.4

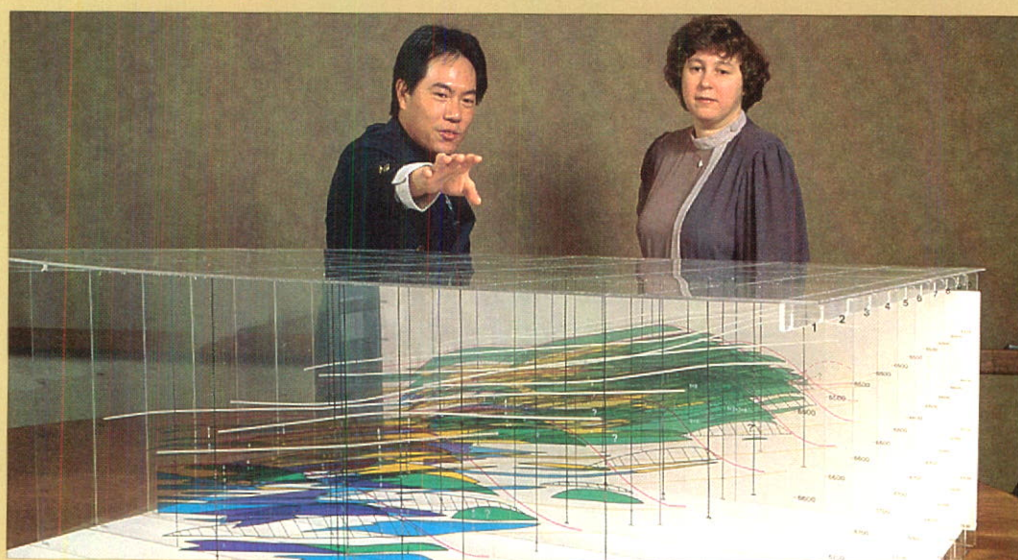
requirements for GCRI-interest enhanced oil recovery projects, the company tied in natural gas reserves rich in liquids. These actions, and increased gas production, raised NGL output.

Production of heavy oil increased 42 per cent, to 831 cubic metres (5,227 barrels) daily, including 125 cubic metres (786 barrels) a day from GCRI's Pelican Lake in situ fire-flood project in the Wabasca oil sands deposit of northeastern Alberta.

Gulf Canada's 9.03 per cent share of Syncrude's production declined by 23 per cent, to 1,237 cubic metres (7,783 barrels) daily, from the record 1983 level of 1,600 cubic metres (10,064 barrels) per day.

The Syncrude participants applied, in 1984, for approval to increase the project's synthetic crude oil production level to 8 million cubic metres (50.3 million barrels) per year by 1987. At the new permit level approved by the Alberta Energy Resources Conservation Board, GCRI's share of production would rise to 1,980 cubic metres

Enhanced Recovery Boosts Oil Production



Vince Cheung (l), Dzintra Ziemelis discuss model of an enhanced recovery project.

Conventional production techniques for most light oil reservoirs recover only about 30 to 40 per cent of reserves, but recovery often can be increased substantially through enhanced oil recovery (EOR) techniques.

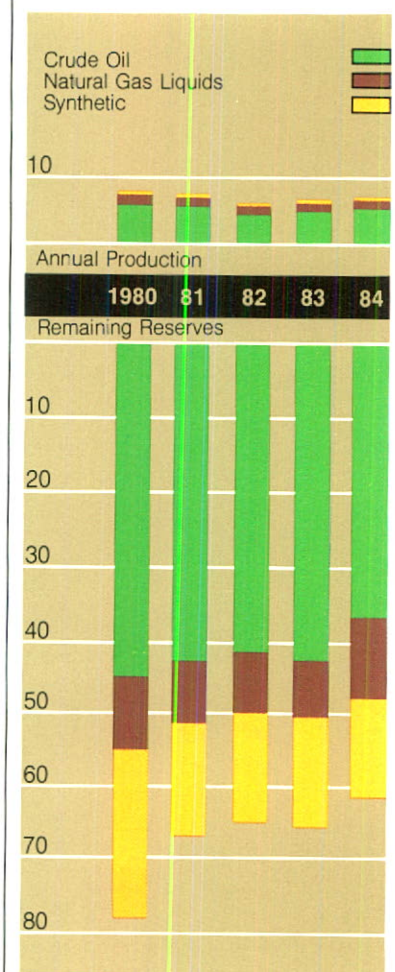
The most attractive method, hydrocarbon miscible flooding, involves injecting natural gas and its liquids into the reservoir to move the oil to nearby producing wells. EOR is expensive, but incentives provided by the Alberta and federal governments have greatly enhanced the economics of such projects.

The first GCRI-operated commercial miscible flood project, operating in the south lobe of the Fenn-Big Valley field in southern Alberta, is expected to recover an additional 800,000 cubic metres (5.0 million barrels) over the life of the project.

GCRI is also a participant in the South Swan Hills project, operating since 1973, and has committed funds to a second Swan Hills project under construction for start-up in 1986.

Five other projects are at various stages of planning and development, providing a major opportunity for Gulf Canada to maximize production from reserves that have already been established.

Gross Crude Oil, Natural Gas Liquids and Synthetic Crude Oil Produced
Millions of cubic metres per year



Estimated Gross Proved Reserves Crude Oil, Natural Gas Liquids and Synthetic Crude Oil
Millions of cubic metres

(12,450 barrels) a day.

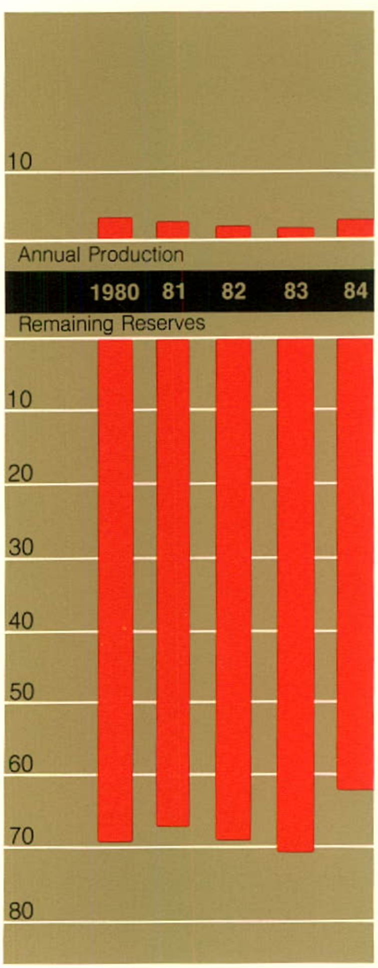
With approximately two-thirds of GCRI's natural gas production sold in Canada, increased domestic demand was the main reason for the significant increase in 1984 production and sales. However, by year-end, export sales were increasing as a result of contracts negotiated under the new market-sensitive pricing authorized by the federal government. At the GCRI-operated 37 per cent Gulf-interest Hanlan-Robb gas processing plant, which is geared mainly to exports, utilization of the plant's capacity of 6.5 million cubic metres (230 million cubic feet) per day rose to an average of 34 per cent in 1984 from 25 per cent in 1983.

DEVELOPMENT

In 1984, GCRI participated in 448 development and exploratory outpost wells in the conventional oil and gas areas of Western Canada. Of 416 gross successful wells, 319 found light oil, 67 heavy oil, and 30 natural gas.

At year-end, remaining net proved reserves of crude oil, NGL and synthetic crude

Gross Natural Gas Produced and Sold
Billions of cubic metres per year



Estimated Gross Proved Reserves Western Canada Natural Gas
Billions of cubic metres

ESTIMATED REMAINING RESERVES

	Gross 1984/1983	Net 1984/1983
Crude Oil and Natural Gas Liquids	*(millions of cubic metres)*	
Proved (1)		
Western Canada Conventional	**47.2** / 51.3	**36.1** / 36.6
Synthetic/Syncrude (2)	**13.7** / 14.2	**13.0** / 11.7
Total Proved	**60.9** / 65.5	**49.1** / 48.3
Established (Includes proved) (3)		
Western Canada Conventional	**58.8** / 61.8	**45.1** / 43.7
Rest of Canada (4)	**49.2** / 46.2	**37.6** / 36.6
Synthetic/Syncrude (2)	**13.7** / 14.2	**13.0** / 11.7
Total Established	**121.7** /122.2	**95.7** / 92.0
Natural Gas	*(billions of cubic metres)*	
Proved (1)		
Western Canada	**62.2** / 70.6	**48.9** / 50.9
Established (Includes proved) (3)		
Western Canada	**86.7** / 91.5	**68.1** / 65.4
Rest of Canada (4) (5)	**61.6** / 72.7	**48.4** / 60.0
Total Established	**148.3** /164.2	**116.5** /125.4
Sulphur	*(millions of tonnes)*	
Proved	**4.3** / 3.5	**3.8** / 2.8

(1) "Proved" gross reserves are before deducting royalties. Proved net reserves are after deducting royalties which vary depending on prices, production rates and legislative changes. Proved reserves are those which appear with reasonable certainty to be recoverable under existing economic and operating conditions.

(2) Synthetic crude oil reserves resulting from Gulf Canada's interest in the Syncrude project in the Athabasca oil sands deposit are shown in gross and net volumes.

(3) The definition for "established" is the same as recommended by the Canadian Petroleum Association, National Energy Board and Alberta Energy Resources Conservation Board. Established reserves are those which appear with reasonable certainty to be recoverable under existing and anticipated economic conditions. Proved reserves are part of this category.

(4) "Rest of Canada" includes frontier reserves in areas such as Parsons Lake, Whitefish, Amauligak and Hibernia.

(5) The reduction in reserves is due to Labrabor Shelf reserves no longer being considered as "established".

showed a small increase. A decline in proved natural gas reserves was due to 1984 production, deferral of some new gas projects as a result of lower prices, and a re-evaluation of operating fields under current economic conditions.

Gulf Canada Resources Inc. continued its "quick-connect" strategy of concentrating on delineating reserves capable of being rapidly tied in to existing processing and transportation facilities.

Additions to established oil reserves were made in numerous producing areas of Alberta. Three wells completed at Zama/Virgo added 200,000 cubic metres (1.3 million barrels). Other successful development wells contributed an additional 1.3 million cubic metres (8.2 million barrels) of established reserves.

Development drilling also resulted in significant additions to established natural gas reserves in Alberta. In the Millarville-Sarcee area, two successful wells added 1.3 billion cubic metres (46.2 billion cubic feet); in the Lanaway-Garrington area three successful wells added 500 million cubic metres (17.8 billion cubic feet).

During 1984, GCRI responded to a number of natural gas development opportunities by completing three pipeline projects in Alberta.

The Strachan-Mannville project connected 500 million cubic metres (17.8 billion cubic feet) of contracted gas to the Strachan gas plant.

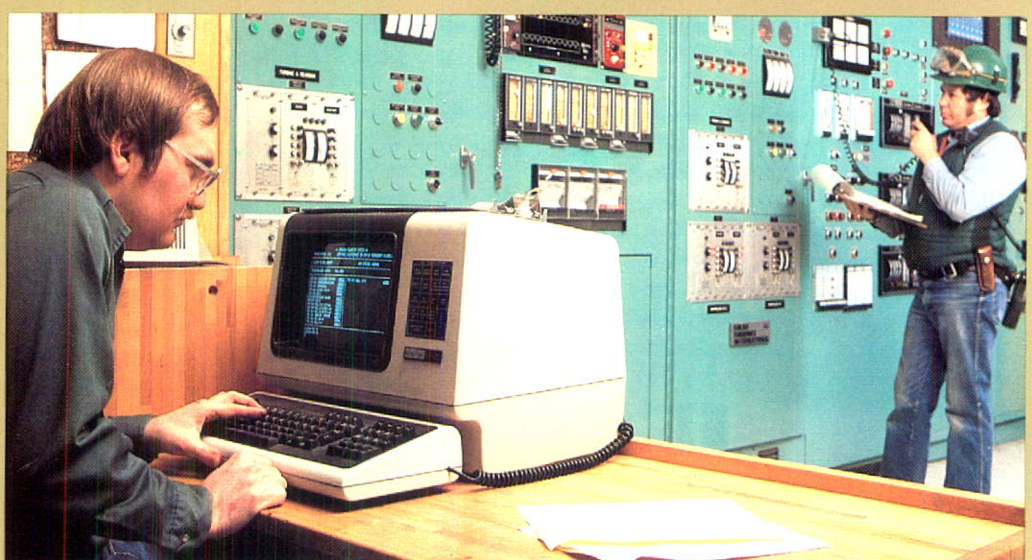
The Garrington-Caroline project, completed in November, was a response to increasing demands for gas related to enhanced recovery projects, and for fuel at Edmonton Refinery. The project connected 1.1 billion cubic metres (39.1 billion cubic feet) of gas from the Garrington-Caroline area to the Strachan gas plant.

The third project, a natural gas and products pipeline from the Gilby field to the Rimbey gas plant, made increased recovery of natural gas liquids possible.

Additional sales expected from these projects will amount to 590,000 cubic metres (21 million cubic feet) per day of natural gas and 350 cubic metres (2,200 barrels) per day of natural gas liquids.

In Saskatchewan, the

Projects Meet Strong Gas Liquids Demand



Operators Neil McRobbie, Don Nobert monitor NGL extraction at Strachan Gas Plant.

The largest increase in Gulf Canada's 1984 liquid hydrocarbon production was from a gain in natural gas liquids (NGL), some of which were re-injected. GCRI provides propane and butane to Gulf Canada Products Company.

Another NGL component, ethane, is increasingly in demand for the many industry enhanced oil recovery projects scheduled to come on stream in this decade. GCRI, involved in eight such projects, took steps, in 1984, to secure additional ethane supplies.

Major purchase contracts signed with gas producers in the Deep Basin area of northwestern Alberta will provide 525 cubic metres (3,300 barrels) per day of ethane-rich NGL for GCRI-interest EOR projects.

In 1985, an additional 350 cubic metres (2,200 barrels) per day of NGL will be extracted by the GCRI-operated Strachan and Rimbey plants from gas and liquids moved by pipeline from the Strachan, Garrington-Caroline and Gilby fields.

A 26.3 per cent interest in the Judy Creek extraction unit will provide GCRI with 168 cubic metres (1,057 barrels) per day of ethane when production commences in the fall of 1985.

company participated in 77 heavy oil wells during 1984. Of these, 67 were successful, adding more than 650,000 cubic metres (4.1 million barrels) to established heavy oil reserves.

GCRI also participated in 40 development and 31 outpost light oil wells in southeastern Saskatchewan, of which 70 were successful. Outpost drilling activity increased the company's established reserves by 230,000 cubic metres (1.5 million barrels).

In northeastern British Columbia, attention focused on the Desan area. Development drilling, which began in the winter of 1983-84, adding 1.5 million cubic metres (9.4 million barrels) to GCRI's established reserves, continued this past winter. Additional production testing and further delineation drilling is scheduled for early 1985. The recent completion of an all-weather access road into this muskeg region by the B.C. Government will make year-round operation possible and accelerate development of the Desan area.

By year-end, enhanced oil recovery in Alberta accounted for 5.5 per cent of the company's conventional crude oil production.

Exploration

Exploratory activity in 1984 exceeded 1983 activity in both Western Canada and the frontiers. In the Arctic and East Coast offshore areas, selective farm-outs to Canadian companies continued to reduce GCRI's frontier exploration costs, while raising Canadian content toward the 50 per cent required before production may begin.

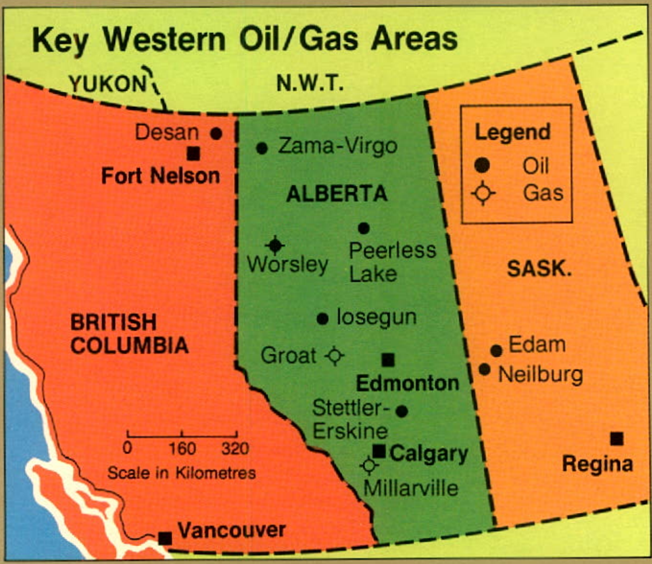
More than half of Gulf Canada Resources' 1984 exploration spending was in Western Canada, where significant additions to both crude oil and natural gas reserves were made.

WESTERN CANADA

Western Canada exploration continued to concentrate on light oil prospects, and on the search for natural gas near existing transporation and processing facilities. The company participated in 99 wildcat wells during the year, which resulted in 11 oil and 14 gas discoveries.

An emphasis on oil led to

Western Canada Drilling Success Continues



GCRI now has seven oil wells within a three-mile radius of Peerless Lake in Alberta.

GCRI was again one of the most active drillers in Western Canada, participating in a total of 547 exploratory and development wells in 1984, up 47 per cent from 1983.

Of the total wells drilled, 441 were oil or gas completions. The company's exploration efforts continued to emphasize oil prospects, although additional gas reserves are being sought in anticipation of increased exports.

Exploratory and development drilling concentrated on delineating reserves which could be quickly tied to existing processing and transportation facilities.

Development drilling was geared to following up recent exploration successes. A key area was Millarville-Sarcee, site of a large 1982 GCRI natural gas discovery near Calgary.

Development drilling for oil was successful in the Zama-Virgo and Stettler-Erskine areas in Alberta; and at West Edam and Neilburg in Saskatchewan.

Notable 1984 exploratory successes in Alberta included oil discoveries at Peerless Lake and Iosegun, oil and gas at Worsley, and gas and condensate at Groat. At Desan, in northeastern B.C., 70 exploratory and development wells resulted in 41 oil completions.

significant discoveries at Peerless Lake, Worsley and Iosegun in Alberta, and to successful extension of the Desan oil find.

GCRI continued to evaluate its coal prospects in British Columbia and Alberta. Detailed studies and field work confirmed the Mount Klappan coal property in northwestern B.C. as one of the world's largest deposits of high-quality, surface-mineable anthracite. A mining feasibility study is scheduled for 1985.

FRONTIERS

Beaufort Sea

In 1984, GCRI participated in six Beaufort Sea wells, four of which were drilled by the company's Arctic offshore drilling subsidiary, BeauDril Limited. The conical drilling unit *Kulluk* set a 140-day operating record for a floating unit, completing and testing two wells and partially drilling two others.

It began the season by completing Pitsiulak A-05, in which GCRI has a 65 per cent working interest. Pitsiulak, located 15 km (nine miles) west of the Tarsiut A-25 oil discovery, flowed oil at rates up to 364 cubic metres (2,290 barrels) a day. *Kulluk* then returned to the Amauligak J-44 well to complete what proved to be a significant oil discovery in which Gulf Canada has a 49 per cent working interest. Oil was recovered from two zones, with one zone tested at 823 cubic metres (5,173 barrels) per day. Daily production capability of this zone was calculated to be 2,160 cubic metres (13,600 barrels) of oil. In addition, natural gas was tested from three zones at rates up to 950,000 cubic metres (34 million cubic feet) per day.

After drilling under contract for another Beaufort Sea operator, *Kulluk* was moved 30 km (19 miles) northwest of Amauligak to Akpak P-35, which it drilled to 2,169 metres (7,116 feet). Akpak, in which Gulf Canada has a 48 per cent working interest, and the contract well, will both be re-entered in the 1985-86 season.

Gulf Canada's Beaufort Sea Drilling System was completed in August, with delivery of the mobile arctic caisson *Molikpaq*. This rig's first well was Tarsiut P-45, a

Revenues Soon from Condensate-Rich Find

High liquids content will make the Groat gas well an important condensate producer.

A 1984 condensate-rich gas discovery, Groat, 200 km (125 miles) west of Edmonton, will be adding significantly to Gulf Canada's production revenues in 1986.

Because of the high ratio of condensate to gas, the liquids and sulphur will be removed for sale, and the stripped gas returned to the reservoir to maintain pressure in the formation and optimize recovery of the liquids.

This recycling project will involve construction of two 30 km (19 mile) pipelines to the Kaybob-Beaverhill Lake plant. Construction of the pipelines and field facilities is expected to begin late in 1985.

Gas and liquids will be delivered through separate pipelines to the Kaybob plant for further processing and subsequent sale or use by GCRI. Equivalent volumes of stripped or lean gas will be re-injected into the reservoir a short distance from the producing well to maintain pressure.

Condensate is a valuable product in very high demand. Quick connection of the Groat reserves will generate early revenues and enhance Gulf Canada Resources' natural gas liquids supply position.

delineation well on the west end of the Tarsiut structure. A test of the upper portion of the sand reservoir flowed oil at rates of up to 203 cubic metres (1,274 barrels) daily.

Gulf Canada was also involved in two partner-operated wells, Siulik I-05 and Arluk E-90. Siulik was abandoned after recording only a minor oil show. Arluk, in which GCRI has a five per cent interest, was drilled to total depth, with testing scheduled for 1985.

Development Plans

GCRI believes that Amauligak has the potential for commercial development, subject to successful delineation drilling in the 1985-86 season, using *Molikpaq*.

During 1984, the company continued to work on systems for producing and transporting oil from the Beaufort Sea.

GCRI was encouraged by recommendations released in July by the Beaufort Sea Environmental Assessment Panel. The panel concluded that oil and gas production and transportation would be acceptable if phased in gradually.

Arctic Islands

During the 1983-84 winter drilling season, GCRI participated in three Arctic Islands wells. Skate C-59 did not extend the area of the previous Skate oil discovery, while Buckingham O-68 and Cisco M-22 were dry and abandoned.

The company is participating in two 16 per cent GCRI-interest wells during the 1984-85 winter season: Drake L-06, a delineation well on the east side of the large Drake gas field, and Cape Allison C-47, a wildcat well between King Christian and Ellef Ringnes islands.

East Coast Offshore

GCRI participated in 10 wells on the Grand Banks east of Newfoundland, three of which were on the 25 per cent Gulf Canada-interest Hibernia block. One was the ninth successful delineation well in the Hibernia field, while the other two were wildcat wells.

Hibernia C-96 flowed oil at rates up to 181 cubic metres (1,140 barrels) per day. South Mara C-13, drilled 16 km (10 miles) southeast of the Hibernia field, tested oil at 276 cubic metres (1,734 barrels) per day, gas at 399,000 cubic metres (14.1 million cubic feet) per day, and condensate at 105 cubic metres (663 barrels) per day. Mara M-54, east of the Hibernia field, was drilling at year-end.

On the Grand Banks outside the Hibernia block, GCRI was participating in another well at year-end, West Ben Nevis B-75, in which it has an 18.75 per cent interest.

The company farmed out portions of its interests in six exploratory wells to Canadian-controlled companies.

The Archer K-19 and Voyager J-18 wells were abandoned, but Trave E-87, about 64 km (40 miles) east of Hibernia, flowed gas and condensate from thin zones. Whiterose N-22 flowed oil at 87 cubic metres (547 barrels) per day and gas at 602,900 cubic metres (21.4 million cubic feet) per day. Conquest J-09 and North Ben Nevis P-93 were drilling at year-end. GCRI retains 14 per cent working interests in Archer and Voyager, and 9.4 per cent in the other four wells.

1984 Land Inventory Summary

	GROSS	NET
Petroleum and Natural Gas	*(Millions of Hectares)*	
Western Canada	2.8	1.7
Frontier		
Beaufort Sea	1.5	0.5
Yukon and NWT	2.1	0.4
Mackenzie Delta	0.6	0.4
Arctic Islands	7.2	1.1
East Coast	16.5	4.9
Total Frontier	27.9	7.3
Oil Sands		
Alberta	0.3	0.2
Total Petroleum/Natural Gas/Oil Sands	31.0	9.2
Coal	0.3	0.3

1

2

Banner Year for Beaufort Sea Activity

Some observers predicted that 1984 would be a "make-or-break" year for Beaufort Sea exploration. For GCRI it was a banner year — both in terms of significant discoveries and the outstanding performance of the state-of-the-art arctic drilling equipment operated by its subsidiary, BeauDril Limited.

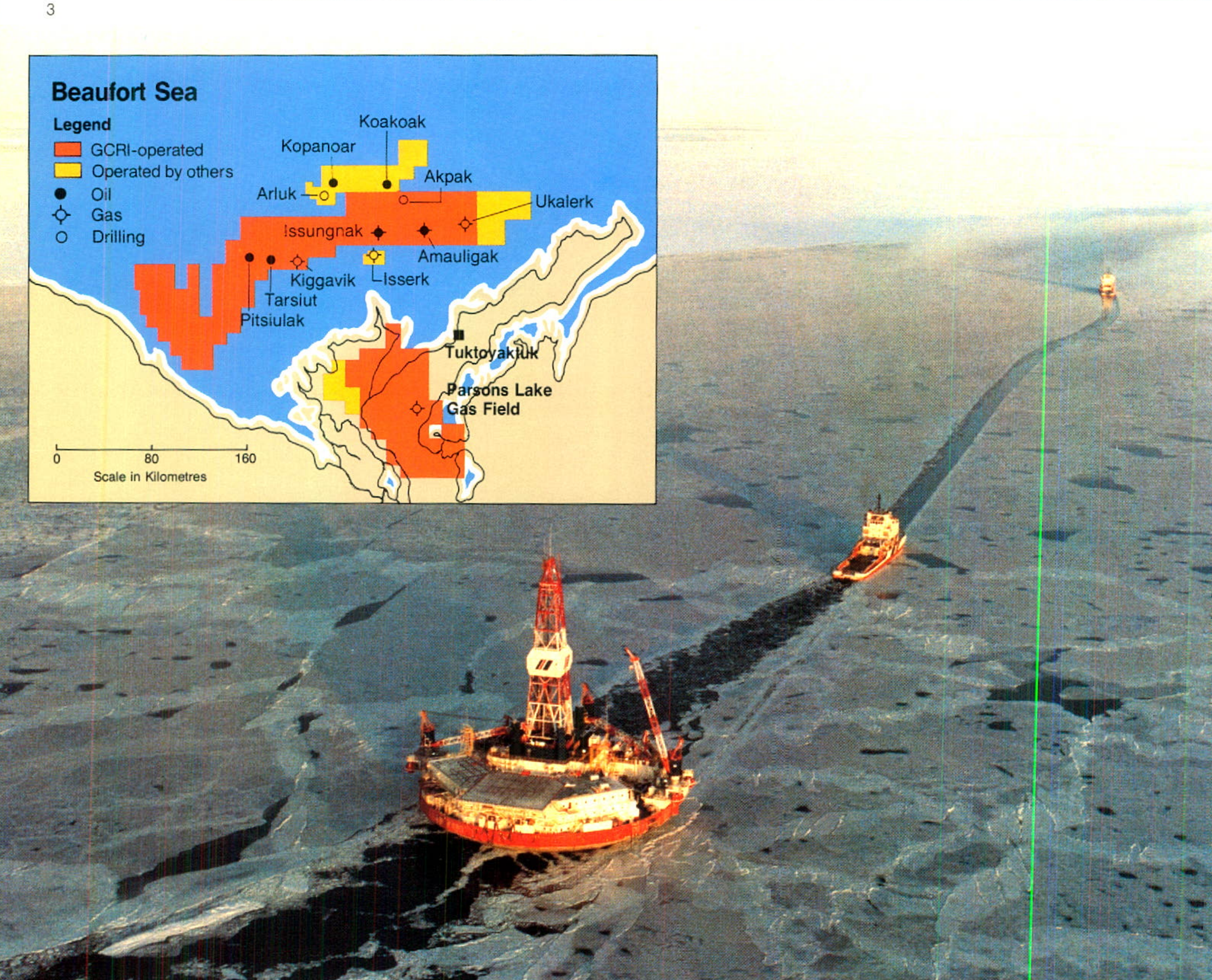
The Pitsiulak A-05 and Amauligak J-44 wells, both oil discoveries, were completed within 13 months, an unprecedented accomplishment made possible primarily by the unique design features of the conical drilling unit *Kulluk.*

Drilling at Pitsiulak began on June 15 — a record early start which followed a late-season record set in December 1983. After testing Pitsiulak, *Kulluk* completed the important Amauligak discovery.

Delineation drilling at Amauligak will begin in 1985 using the mobile arctic caisson *Molikpaq,* which drilled and tested its first well during 1984, operating until late December.

Gulf Canada's new drilling system has safely extended the Beaufort Sea drilling season and enhanced the Corporation's position in this key frontier.

3



1. BeauDril port engineer Bill Farnworth reflects on Beaufort Sea drilling success.

2. MV *Terry Fox* is one of four ice-breaking support vessels in GCRI's "northern navy".

3. BeauDril icebreakers tow *Kulluk* drilling unit to the Amauligak well location.

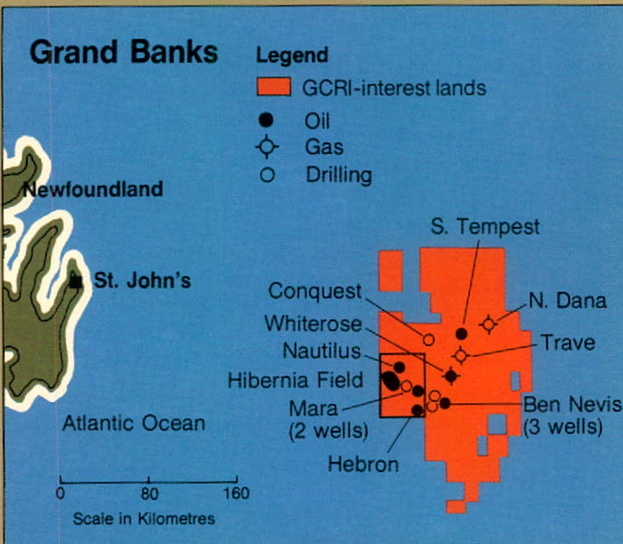
4. Amauligak test warms frontier exploration manager Dick Cote and Gulf Canada Resources' President Harry Carlyle.

5. First well drilled by BeauDril's new mobile Arctic caisson *Molikpaq* was Tarsiut P-45.

4

5

Progress at Hibernia



A major uncertainty concerning development of the Hibernia field was resolved in 1984, when the Supreme Court of Canada ruled on jurisdiction over the portion of the Grand Banks which contains the Hibernia field.

At year-end, the Hibernia partners had completed an Environmental Impact Statement, and were in the process of preparing production plans. Both will be filed in 1985.

Since the Hibernia P-15 discovery well was drilled and tested in 1979, nine successful delineation wells have been drilled. Gulf Canada has a 25 per cent interest in the field.

Gulf Canada Products Company

A modern version of old-fashioned service, is Gulf Canada's "Service Plus" concept, tested in Toronto and scheduled for expansion during 1985. Participating dealers like Bill Mimms perform 12 important service checks for customers.

During 1984, the downstream segment of the Canadian petroleum industry continued its recovery from the recession of 1982. Gulf Canada Products Company (GCPC), capitalizing on efficiency measures and consolidations carried out in 1982 and 1983, achieved a significant profitability improvement in 1984. However, earnings and the return on capital employed, were still well below the levels attained prior to the introduction of the National Energy Program in October 1980.

Productivity and efficiency continued to improve during 1984 as a result of further measures to streamline operations.

In order to be more responsive to customer needs, the company's Marketing Department was restructured during the year. This reorganization involved separating the marketing functions to enable the Regional Sales organizations to respond more quickly to developing opportunities, with the Marketing group at head office concentrating on the longer-range strategy, advertising and support functions. Regular meetings between Marketing and Sales ensure co-ordinated efforts.

In April, a separate business unit was created for lubricants to capitalize more fully on Gulf Canada's strong competitive position in this market segment. This new profit centre, which directs and co-ordinates the production, packaging, marketing and sales functions for all lubricating oils and greases, is contributing to both increased market share and profitability.

Industry demand for refined products did not increase in 1984, due to the success of government energy conservation and substitution programs, and uneven recovery in the various sectors of the economy.

Financial and Operating Summary	**1984**	1983
FINANCIAL		
(millions of dollars)		
Net segment earnings (losses) after taxes	**$ 95**	$ (2)
Capital expenditures	**$ 92**	$ 91
Capital employed at year-end	**$ 1,778**	$ 1,719
Return on average capital employed	**5.4%**	(0.1)%
OPERATING		
(thousands of cubic metres per day)		
Crude oil		
Processed	**35.7**	33.2
Capacity at year-end	**45.7**	45.7
Capacity utilized	**79%**	75%
Sales		
Refined products	**30.0**	31.8
Petrochemicals *(millions of kilograms per day)*	**0.6**	0.7

Nationally, Gulf Canada Products Company's sales of refined products were approximately 30,000 cubic metres (188,700 barrels) per day, 5.7 per cent lower than in 1983. Eastern Canada sales were 16,400 cubic metres (103,200 barrels) per day for the year, down 5.9 per cent compared to 1983. Western Canada sales also declined during 1984, partly due to poor economic conditions and company efforts to improve margins.

A major fire at Clarkson Refinery in February 1984 caused significant damage to the lubricating oil manufacturing facilities. However, repairs to all but one of the plant's four units were completed within three weeks. During the four months it took to get the HydroTreating unit back into full operation, GCPC was able to meet the needs of customers by drawing down inventories, manufacturing lubricants from semi-finished base stocks on hand at the time of the fire, and purchasing some products from other suppliers.

Modifications to the Clarkson and Montreal East refineries that were necessary to integrate operations were completed, and the two refineries linked through the Interprovincial Pipe Line system. The transmission to Montreal East Refinery of hydrocarbons partially processed at Clarkson began on October 1, 1984.

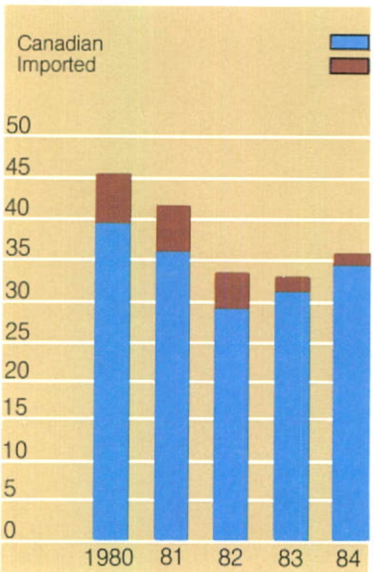
GCPC intends to invest approximately $39 million at Montreal East Refinery during the 1984-85 period. The most significant project is an upgrading of the reforming unit. This investment will result in increased throughput and yield, improved product quality, and a significant reduction in energy consumption.

In Western Canada, the company closed its Calgary asphalt plant, which is being dismantled. The plant at Moose Jaw, Saskatchewan, now meets asphalt requirements in Western Canada.

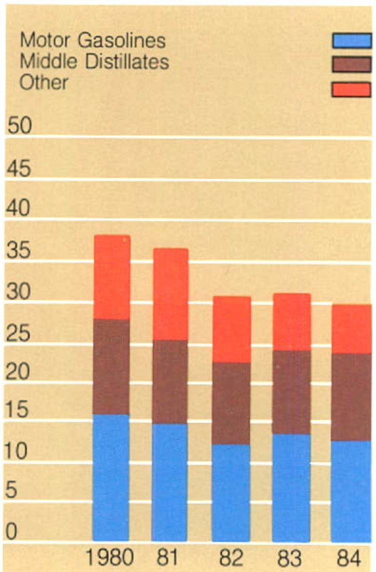
Following feasibility tests, Gulf Canada received approval from the National Energy Board to ship refined products through the Trans Mountain crude oil pipeline from Edmonton to Kamloops. This represents a more efficient and cost-effective method of supplying refined products to the interior of British Columbia.

The 13.1 million cubic metres (82.4 million barrels) of feedstock processed by the company during 1984 was up 7.5 per cent from 1983, reflecting increased processing for other companies under long-term agreements. As a

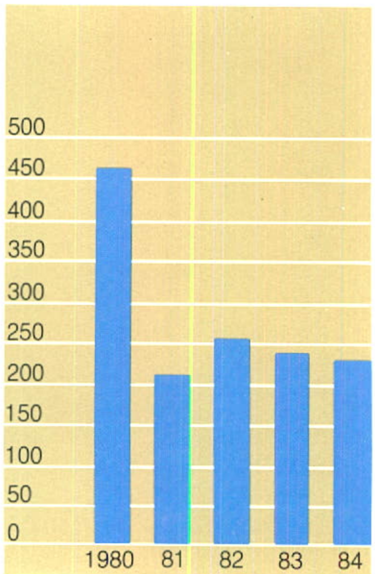
Crude Oil Processed by the Corporation
Thousands of cubic metres per day



Refined Products Sold
Thousands of cubic metres per day



Petrochemical Sales
Millions of kilograms



result, refining capacity utilization increased to 79 per cent during 1984, from 75 per cent in the previous year.

In 1984, GCPC imported 419,500 cubic metres (2.6 million barrels) of crude oil, less than four per cent of the company's total crude oil requirements.

The marine transportation section achieved an excellent safety record during the year, moving approximately 1.1 million cubic metres (6.9 million barrels) of crude oil and refined products without environmental incident. The tanker *SS Gulf Canada* was sold during the year to reduce transportation costs.

Early in 1984, Gulf Canada sold its one-third equity interest in the Pétromont Inc. petrochemical consortium to the two remaining partners. GCPC continued to operate the Varennes plant and the Shawinigan pipeline system under an operating and service agreement until its expiry on October 2, 1984, at which time the work force was transferred to Pétromont.

On the same date, the remaining partners in Pétromont Inc. exercised an option to purchase the assets of Commercial Alcohols Ltd., a wholly-owned subsidiary of Gulf Canada.

Having withdrawn from these segments of the chemicals business, GCPC is in a better position to concentrate on its core petrochemical activities, including the manufacture and sale of cyclohexane, benzene, toluene and phenol, as well as a full range of chemical solvents.

The Clarkson refinery down-sizing, closure of the Calgary asphalt plant, sale of Pétromont and Commercial Alcohols, and consolidation of a number of administrative functions, reduced manpower requirements approximately 10 per cent below the 1983 year-end level.

Management developed and participated in a coast-to-coast communications effort to help employees adjust to the organizational changes required to compete successfully in the rapidly-changing marketplace.

During 1984, Gulf Canada Products Company undertook a number of projects to better meet the needs of its customers, with particular emphasis (continued on page 26)

Refineries Gain Efficiencies from Pipeline Link

Pipeline link permitted specialization of the Clarkson and Montreal East refineries.

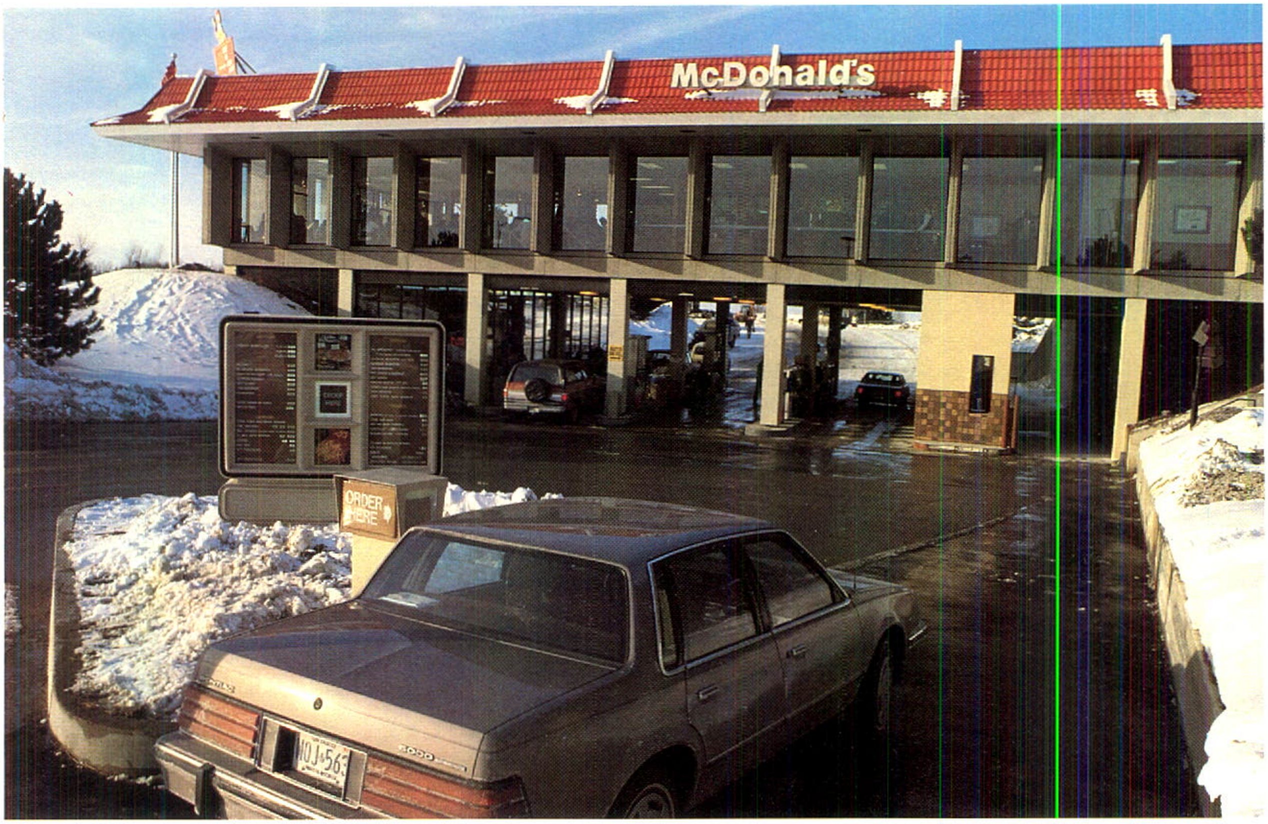
Further rationalization of Gulf Canada's Eastern Canada refining operations, completed by October 1, has improved utilization rates and is contributing to increased downstream profitability.

The manufacture of fuels for Eastern Canada was concentrated at the Montreal East refinery, with the Clarkson, Ontario, refinery converted to a specialized facility manufacturing lubricating oils, greases, asphalt and solvents.

To enable Clarkson Refinery to continue processing crude oil in efficient volumes, it was arranged with Interprovincial Pipe Line Limited to build a spur into its Montreal line to transport a stream of partially processed hydrocarbons from Clarkson to Montreal East Refinery for the manufacture of fuels and petrochemicals.

With the upgrading of various units at Montreal East, the refinery, in 1985, will run at close to its full light oil processing capacity of 9,000 cubic metres (56,600 barrels) a day.

The combination of a processing agreement and the linking of the Clarkson and Montreal East refineries has led to significant refining and distribution efficiencies.

1



2

Gulf Means More . . . Retail Innovations

"Gulf Means More!" That slogan refers to Gulf Canada Products Company's determination to build its business by providing more service, more convenience, and more special features than its major competitors.

Gulf products are being sold at an increasing number of 24-hour self-service outlets, and by convenience food chains such as Provi-Soir in Quebec and 7-Eleven in Western Canada.

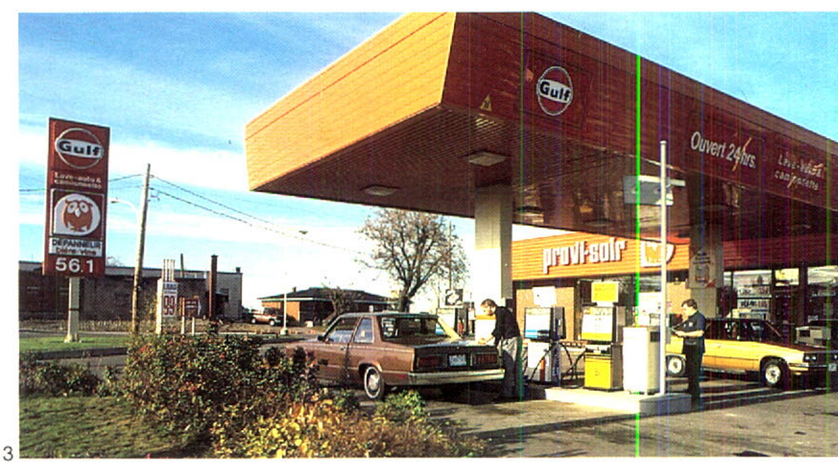
Highway travellers will be able to obtain fast-service meals of consistent quality and reasonable price at McDonald's restaurants to be operating by July 1985, at four major Gulf service centres on Ontario's two busiest highways, 400 and 401.

Gulf also delivers extra value to customers through reduced-price meal promotions at Swiss Chalet and Harvey's restaurants. And, during 1984, eight customers won Mercury Cougars in Gulf Canada's "Scratch for Cash" promotion.

1. Gulf-McDonald's outlets attract motorists on two busiest highways in Ontario.

2. Yukon dealer Don Acorn, salesman Bob Doig, present car to "Scratch for Cash" winner Renee Roy.

3. Quebec Provi-Soir gas bars are open 24 hours a day for the convenience of customers.



3

1

2

3

Extra Services Gain Business Customers

When Gulf Canada says it is getting "closer to the customer", to increase its industrial and commercial sales, those aren't empty words. Recently, the company moved an 8,744 cubic metre (55,000 barrel) storage tank from the old Calgary refinery to a nearby C P Rail site to facilitate long-term supply of diesel fuel to the railway.

"Card-lock" outlets which give industrial and commercial customers 24-hour access to fuel, with automatic billing, proved so popular in the west that GCPC, in 1984, began installing them at key eastern locations.

A more efficient delivery system for bulk grease shipments, introduced in 1984, is expected to boost sales significantly. Three large new truck trailers, with 20,000 kg (44,000 lbs.) capacity, can deliver three types of grease in separate insulated cylinders. Hydraulic pistons in each cylinder unload the grease rapidly, even in cold weather.

4

5

1. Entering an Alberta mine, one of GCPC's new grease trailers.
2. fills customer's bins.
3. In Eastern Canada, salesman Pierre Taillon makes a similar grease delivery to Roy Taylor of Stelco at Hamilton.

4. Keylock outlets provide 24-hour fuel access and automatic billing for commercial customers.

5. Move of storage tank in Calgary clinched long-term sale of diesel fuel to CP Rail.

on the motoring public.

One example is the Retail Fleet Program. Designed for vehicle fleets of all sizes, this program provides exceptional benefits to fleet owners. A coast-to-coast network of Fleet Care Centres provides maintenance services and a complete range of Gulf automotive products to fleet customers. Customized computer billings and prearranged volume discounts enable participating companies to achieve significant savings of time and money.

A number of other programs were also undertaken to improve the efficiency and effectiveness of the company's operations, including increased computerization and office automation.

A program to automate the major distribution terminals, which started in 1983 at Montreal East, continued through 1984. Automation of administrative functions, such as order entry, first implemented at Montreal East, was extended to the Edmonton, Regina, Saskatoon and Winnipeg supply points.

GCPC recognizes the importance of providing a safe, clean environment for its employees, as well as the communities in which it operates. Each year, significant investment is committed to training employees in the techniques needed to deal with environmental incidents. Though the likelihood of a major environmental incident is small, GCPC has taken steps to ensure that any spill would be handled safely and expeditiously.

The Restrictive Trade Practices Commission inquiry into The State of Competition in the Canadian Petroleum Industry concluded its hearings during 1984. The Commission's final report is not expected to lead to any charges of wrongdoing, since the industry regards the allegations as unsubstantiated.

Earnings of Gulf Canada's Superior Propane Limited subsidiary remained at approximately the same level as in 1983, with increased sales revenues offset by higher product costs and other expenses. Sales volumes increased 10 per cent as a result of aggressive expansion in traditional markets and in the rapidly growing automotive sector.

New Group Markets Unique HT Lubricants

Lube unit head Bert Tufts (l), Frank Sumeraj check Clarkson's poly bottle filling line.

To capitalize more fully on the advantage of being the country's only producer of hydrogen-treated lubricating oils and greases, Gulf Canada Products Company, early in 1984, restructured its lubricants segment as a separate business unit, with its own General Manager.

This new organization controls all aspects of lube oil production, packaging and marketing, in order to be more responsive to the needs of customers.

The exclusive Gulf-patented high-temperature, high-pressure "HydroTreating" process produces lubricants with outstanding performance characteristics that provide customers with significant operating economies and other benefits.

For example, a Gulf Canada energy-efficient lubricant is the only one in Canada acknowledged by major railways as providing fuel savings.

Oil of comparable quality is available to industrial and commercial users, and to the motoring public who can benefit similarly from operating efficiencies and longer engine life.

During 1984, the Clarkson refinery celebrated the production of its one billionth litre of HydroTreated base stock.

Financial Statements

Gulf Canada's head offices, occupying the top five floors of The Continental Bank building (rear) in downtown Toronto, rise above the new Toronto Stock Exchange building where the Corporation's shares are actively traded.

Summary of Accounting Policies

The consolidated financial statements of the Corporation have been prepared by management in accordance with accounting principles generally accepted in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of numerous estimates and approximations. The more significant of the Corporation's accounting policies are:

Principles of consolidation:
The accounts of the Corporation and all subsidiary companies are included in the financial statements. Investments in joint venture companies, owned 50 per cent or less, are accounted for on the equity basis. The Corporation's proportionate share of assets and liabilities relating to the Syncrude project are included along with its share of production and costs.

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.

Oil and gas exploration and development expenditures:
The Corporation follows the successful efforts method of accounting for its exploration and development costs. The initial acquisition costs of oil and gas properties, the costs of drilling and equipping development wells and successful exploratory wells are capitalized. The costs of exploration wells classified as unsuccessful are charged to expense. All other exploration expenditures, including geological and geophysical costs and annual rentals on exploratory acreage, are charged to expense as incurred.

Capital leases:
Leases which transfer substantially all the benefits and risks of ownership of the leased assets are capitalized.

Depreciation, depletion and amortization:
Capitalized costs with respect to proved oil and gas properties are amortized against earnings on the unit-of-production method for each field using estimated proved recoverable oil and gas reserves. Charges are made against earnings for depreciation of investment in plant, equipment and capitalized leases, based on estimated remaining useful lives of the assets using either the straight-line or the unit-of-production method, as appropriate. Maintenance and repairs are charged to income; renewals and betterments, which extend the economic life of the assets, are capitalized.

Capitalized costs of unproved oil and gas, in situ and mineable oil sand properties are amortized on a group basis at a rate determined after considering past experience, lease terms and other relevant factors.

Assets retired, or otherwise disposed of, are removed from the accounts. Generally, the net capital gain or loss, after adjustment for salvage and dismantling expense, is included in earnings.

U.S. dollar liabilities:
Liabilities in U.S. dollars are translated to Canadian dollars at year-end rates of exchange. Gains or losses arising on translation of short-term liabilities are included in earnings. Unrealized gains or losses arising on translation of long-term liabilities are deferred and amortized over the remaining term of the liabilities.

Interest costs:
Interest costs are charged to expense as incurred.

Research and development costs:
Research and development costs are charged to expense as incurred.

Income taxes:
Income tax expense is computed on the basis of revenues and expenses reflected in the statements of earnings. A portion of such taxes is not currently payable as tax legislation permits the deduction of certain costs and allowances prior to the time they are recorded as expenses for financial statement purposes. The amount not currently payable is included in the statements of financial position as deferred income taxes.

Pensions:
Pension benefit costs are determined annually by independent actuaries. The costs related to the current service of employees are charged to expense. Costs resulting from amendments or upgrading of the plans, and which relate to service of employees in prior years, are amortized over the estimated remaining years of service of the employees involved.

Government compensation and incentives:
Under the oil import compensation program, the Federal Government compensates eligible importers with respect to petroleum imported for consumption in Canada, provided the importing company voluntarily maintains 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. The Federal Government similarily compensates producers of synthetic crude oil produced from tar sands plants. Compensation received under this program for the Corporation's share of production from the Syncrude project is included in other operating revenues.

Federal and provincial government incentives, including investment tax credits, Petroleum Incentive Program grants and Alberta drilling incentive credits, are deducted from the expenditures to which they relate.

Consolidated Statements of Earnings and Retained Earnings

Gulf Canada Limited
Three Years Ended December 31, 1984

EARNINGS *(millions of dollars)*	**1984**	1983	1982
Revenues			
Natural gas	**$ 349**	$ 289	$ 298
Crude oil and natural gas liquids	**805**	772	625
Refined products			
-gasolines	**1,615**	1,577	1,399
-middle distillates	**1,191**	1,152	1,078
-other	**761**	811	839
Chemicals	**186**	176	193
Other operating revenues	**409**	301	250
Net sales and other operating revenues (note 2)	**5,316**	5,078	4,682
Investment and other income (note 3)	**106**	85	245
Net revenues	**5,422**	5,163	4,927
Expenses			
Purchased crude oil, products and merchandise	**2,573**	2,689	2,555
Operating expenses	**584**	583	549
Exploration expenses	**197**	213	218
Selling and administrative expenses	**556**	539	572
Taxes other than income taxes (note 4)	**458**	414	376
Income taxes (note 5)	**363**	186	173
Depreciation, depletion and amortization	**263**	207	175
Interest on long-term debt	**120**	114	108
	5,114	4,945	4,726
Earnings for the year	**$ 308**	$ 218	$ 201
Earnings per share *(dollars)*	**$ 1.35**	$ .96	$ .88
RETAINED EARNINGS			
Balance, beginning of the year	**$1,939**	$1,821	$1,720
Add earnings for the year	**308**	218	201
	2,247	2,039	1,921
Deduct - dividends	**114**	100	100
Balance, end of the year	**$2,133**	$1,939	$1,821

(See the summary of accounting policies and notes to consolidated financial statements)

Consolidated Statements of Financial Position

Gulf Canada Limited
December 31, 1984 and 1983

ASSETS *(millions of dollars)*	**1984**	1983
Current		
Cash and short-term investments, at cost which approximates market	**$ 861**	$ 612
Accounts receivable (notes 6 and 10)	**919**	860
Inventories (note 7)	**717**	648
Materials, supplies and prepaid expenses	**112**	102
Total current assets	**2,609**	2,222
Investments, long-term receivables and other assets (note 8)	**140**	119
Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization (note 9)	**2,886**	2,771
	$5,635	$5,112

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable (note 10)	**$ 604**	$ 568
Income and other taxes payable	**443**	221
Dividends payable	**30**	25
Other current liabilities (note 10)	**289**	240
Total current liabilities	**1,366**	1,054
Deferred gas production revenue	**159**	185
Long-term debt (note 11)	**854**	833
Deferred income taxes	**718**	696
Shareholders' equity		
Capital stock (note 12)	**405**	405
Retained earnings	**2,133**	1,939
Total shareholders' equity	**2,538**	2,344
	$5,635	$5,112

(See the summary of accounting policies and notes to consolidated financial statements)

On behalf of the Board:

J.L. Stoik
Director

Alfred Powis
Director

Consolidated Statements of Cash Flows

Gulf Canada Limited
Three Years Ended December 31, 1984

CASH FROM OPERATIONS *(millions of dollars)*	**1984**	1983	1982
Earnings before non-cash items and exploration expenses (note 15)	**$812**	$729	$584
Decrease in working capital, other than cash (note 15)	**174**	111	115
Deferred gas production revenue	**(26)**	13	79
Other (net)	**2**	7	6
	962	860	784
CASH USED FOR INVESTMENT			
Additions to property, plant and equipment	**402**	530	639
Exploration expenses	**197**	213	218
Investments and other assets	**4**	5	21
Total investment	**603**	748	878
Conversion of portion of Syncrude interest (note 3)			-
Sale of portion of Port Moody Refinery (note 3)			(95)
Sales of other properties and investments	**(30)**	(7)	(29)
	573	741	754
DIVIDENDS ON COMMON STOCK	**114**	100	100
FINANCING			
Additions to long-term debt	**5**	25	166
Reductions in long-term debt	**(31)**	(14)	(10)
	(26)	11	156
Increase in cash and short-term investments less short-term loans	**$249**	$ 30	$ 86
Cash and short-term investments less short-term loans at year-end	**$861**	$612	$582

(See the summary of accounting policies and notes to consolidated financial statements)

AUDITORS' REPORT

To the Shareholders of Gulf Canada Limited:

We have examined the consolidated statements of financial position of Gulf Canada Limited as at December 31, 1984 and 1983 and the consolidated statements of earnings and cash flows for the three years ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for the three years ended December 31, 1984 in accordance with generally accepted accounting principles consistently applied.

Clarkson Gordon

Toronto, Canada
February 7, 1985

Clarkson Gordon
Chartered Accountants

Notes to Consolidated Financial Statements

Gulf Canada Limited
December 31, 1984

1. Segment data *(millions of dollars)*	Natural Resources		
	1984	1983	1982
Revenues			
Outside the enterprise	**$1,140**	$ 911	$ 759
Intersegment revenue	**615**	629	525
Total segment revenue	**$1,755**	$1,540	$1,284
Earnings			
Operating profits	**$ 625**	$ 501	$ 319
Gains (losses) and write downs relating to properties	**(15)**		22
General corporate expenses	**(18)**	(16)	(18)
Interest on long-term debt			
Elimination of intersegment earnings			
Income taxes	**(341)**	(243)	(180)
Net earnings (loss) for the year	**$ 251**	$ 242	$ 143
Capital employed			
Assets employed at December 31	**$2,172**	$2,046	$1,752
Current liabilities	**(360)**	(418)	(363)
	$1,812	$1,628	$1,389
Total investment			
Additions to property, plant and equipment	**$ 281**	$ 420	$ 422
Exploration expenses	**197**	213	218
Investments and other assets			
	$ 478	$ 633	$ 640
Depreciation, depletion and amortization	**$ 154**	$ 107	$ 93

The natural resources segment includes exploration, development and production activities related to crude oil, natural gas, natural gas liquids, oil sands and minerals. The downstream segment includes the manufacture, distribution and sale of petroleum and chemical products, as well as the business of Superior Propane Limited, a wholly-owned subsidiary. For the years 1982 to 1984 chemical operations have represented a minor portion of the Corporation's business. With the 1984 sale of Gulf Canada's interest in Pétromont, the remaining chemical operations are included in the downstream segment. Prior years have also been reclassified accordingly. Included in operating profits of corporate and other is net revenue from other corporate investments.

The information by segment is shown as though each segment were a separate business activity. Therefore, intersegment transfers of products are eliminated to reflect total Corporation net revenues, as reported in the consolidated statements of earnings.

Downstream			Corporate and Other			Total Consolidated		
1984	1983	1982	**1984**	1983	1982	**1984**	1983	1982
$4,184	$4,175	$4,053	**$ 98**	$ 77	$ 115	**$5,422**	$5,163	$4,927
20	17							
$4,204	$4,192	$4,053	**$ 98**	$ 77	$ 115	**$5,422**	$5,163	$4,927
$ 201	$ 45	$ 57	**$ 52**	$ 44	$ 93	**$ 878**	$ 590	$ 469
(9)	(40)	72				**(24)**	(40)	94
(36)	(36)	(41)				**(54)**	(52)	(59)
			(120)	(114)	(108)	**(120)**	(114)	(108)
			(9)	20	(22)	**(9)**	20	(22)
(61)	29	(10)	**39**	28	17	**(363)**	(186)	(173)
$ 95	$ (2)	$ 78	**$ (38)**	$ (22)	$ (20)	**$ 308**	$ 218	$ 201
$2,346	$2,249	$2,380	**$1,117**	$ 817	$ 783	**$5,635**	$5,112	$4,915
(568)	(530)	(579)	**(438)**	(106)	(137)	**(1,366)**	(1,054)	(1,079)
$1,778	$1,719	$1,801	**$ 679**	$ 711	$ 646	**$4,269**	$4,058	$3,836
$ 92	$ 91	$ 192	**$ 29**	$ 19	$ 25	**$ 402**	$ 530	$ 639
						197	213	218
			4	5	21	**4**	5	21
$ 92	$ 91	$ 192	**$ 33**	$ 24	$ 46	**$ 603**	$ 748	$ 878
$ 98	$ 88	$ 75	**$ 11**	$ 12	$ 7	**$ 263**	$ 207	$ 175

2. Crude oil and petroleum product transactions

Crude oil production sold to the Alberta Petroleum Marketing Commission is included in net sales and other operating revenues. Other crude oil sales are not included in net sales and other operating revenues, but are applied to reduce the amounts for purchased crude oil. These amounts were: 1984 - $2,375 million, 1983 - $1,970 million, and 1982 - $1,781 million.

Sales of petroleum products made under purchase/sale agreements entered into with other refiners to minimize transportation costs have not been included in net sales and other operating revenues, but have been applied to reduce the cost of the offsetting purchased products. Amounts for such petroleum product sales were: 1984 - $668 million, 1983 - $648 million, and 1982 - $515 million.

3. Gains (losses) and write downs relating to properties

Effective January 1, 1982, the Alberta Government exercised its option to convert the principal of the 8⅛ per cent Syncrude loan into an equity interest in the Syncrude project. The conversion reduced the Corporation's interest in the project from 13.4 per cent to 9.03 per cent. The disposition of this interest resulted in a reduction in long-term debt of $119 million and a gain of $22 million before income taxes ($14 million after taxes). The pre-tax gain is included in investment and other income.

On April 1, 1982, the Corporation sold a 49 per cent interest in its Port Moody refinery for $95 million. The disposition resulted in a gain of $85 million before tax ($60 million after tax). The pre-tax gain is included in investment and other income.

Expenses for 1983 include $35 million ($18 million after tax) relating to the costs of proposed modifications and announced closures of certain refining operations and $5 million ($4 million after tax) relating to the Corporation's withdrawal from Pétromont in 1984.

Expenses for 1984 include $15 million ($8 million after tax) relating to the provision for impairment of a coal property and $9 million ($5 million after tax) relating to the sale or closure of surplus downstream assets.

4. Payments to and from governments: *(millions of dollars)*	**1984**	1983	1982
Paid or currently payable to governments:			
Income taxes	**$ 363**	$ 186	$ 173
Less: deferred income taxes	**(22)**	(71)	(106)
	341	115	67
Other taxes -federal sales tax	**218**	196	179
-petroleum and gas revenue tax	**164**	140	117
-incremental oil revenue tax			13
-other	**76**	78	67
	458	414	376
Taxes under the Energy Administration Act			
-petroleum compensation charge	**296**	264	497
-Canadian ownership special charge	**85**	83	91
Petroleum and natural gas lease payments	**80**	64	41
Crown royalties, less incentive credits	**315**	327	314
	1,575	1,267	1,386
Recovered or recoverable from governments:			
Oil import compensation	**48**	26	145
Syncrude compensation	**30**	31	47
Petroleum incentive payments, deducted from:			
property, plant and equipment	**3**	4	7
exploration expenses	**54**	46	35
Investment tax credits, deducted from:			
property, plant and equipment	**20**	39	48
research and development expenditures	**3**	3	2
Other incentive payments	**10**	9	16
	168	158	300
Net payments	**$1,407**	$1,109	$1,086
Collected for governments:			
Gasoline, fuel, excise and export taxes	**$ 473**	$ 494	$ 423

5. Income tax *(millions of dollars)*

Total income tax expense, as reflected in the statements of earnings, represents the effective tax rate which differs from combined federal and provincial statutory tax rates. The main differences are shown in this table:

	1984		1983		1982	
	Amount	**%**	Amount	%	Amount	%
Provision for income taxes at statutory rates	**$327**	**49**	$196	49	$186	50
Add (deduct) the tax effect of:						
Inclusion in taxable income of crown royalties and other provincial payments	**158**	**24**	155	38	140	37
Resource allowance to partially offset inclusion of crown royalties	**(150)**	**(22)**	(149)	(37)	(117)	(31)
Inclusion in taxable income of petroleum and gas revenue tax	**76**	**11**	69	17	57	15
Exclusion of incremental oil revenue, net of incremental oil revenue tax					(12)	(3)
Depletion allowance earned by exploration and development expenditures	**(21)**	**(3)**	(62)	(16)	(38)	(10)
Non-taxable capital gains	**(2)**		(1)		(22)	(6)
Inventory allowance to partially offset the effect of inflation	**(10)**	**(2)**	(13)	(3)	(13)	(4)
Manufacturing and processing incentive	**(4)**	**(1)**	(1)		(1)	
Other	**(11)**	**(2)**	(8)	(2)	(7)	(2)
Provision for income taxes reflected in the statements of earnings	**$363**	**54**	$186	46	$173	46

Income taxes include deferred income taxes of $22 million in 1984, $71 million in 1983, and $106 million in 1982. These deferred income taxes relate primarily to the amount by which capital cost and other allowances claimed for tax purposes exceed depreciation, depletion and amortization recorded in the accounts.

6. Accounts receivable *(millions of dollars)*	**1984**	1983
Customers	**$765**	$694
Other receivables	**166**	180
	931	874
Less allowance for doubtful accounts	**12**	14
	$919	$860

7. Inventories *(millions of dollars)*	**1984**	1983
Crude oil and other source materials	**$157**	$170
Refined products	**544**	462
Chemicals	**16**	16
	$717	$648

8. Investments, long-term receivables and other assets *(millions of dollars)*	**1984**	1983
Investments in associated and other companies		
At cost:		
With quoted market value (based on closing prices at end of each year) 1984 - $88 million; 1983 - $85 million	**$ 15**	$ 16
At equity:		
Investment in joint venture companies, at cost plus equity in undistributed earnings	**25**	36
	40	52
Long-term receivables	**16**	19
Deferred foreign exchange	**67**	31
Other	**17**	17
	$140	$119

9. Property, plant and equipment *(millions of dollars)*

	Range of depreciation rates	Gross investment at cost	Accumulated depreciation, depletion and amortization	Net investment 1984	Net investment 1983
Natural resources					
Exploration and production	(1)	**$1,736**	**$ 640**	**$1,096**	$ 979
Syncrude project	(1)	**249**	**43**	**206**	199
Oil sands and coal	(2)	**70**	**18**	**52**	68
Drilling system	6⅔%	**549**	**46**	**503**	491
		2,604	**747**	**1,857**	1,737
Downstream					
Transportation	4%-10%	**53**	**27**	**26**	27
Refining	(3)	**1,003**	**469**	**534**	533
Marketing	2.5%-10%	**627**	**326**	**301**	302
Chemicals	(3)	**35**	**27**	**8**	12
		1,718	**849**	**869**	874
Capital leases	(4)	**30**	**10**	**20**	26
Other	2.5%-10%	**180**	**40**	**140**	134
		$4,532	**$1,646**	**$2,886**	$2,771

(1) Unit-of-production or group basis.

(2) Mineable oil sands properties on the group basis. Charges against earnings for the capitalized cost of coal properties are dependent upon the results of evaluation and development. The cost of equipment used in research and testing activities on these properties is depreciated over the life of the related activities.

(3) Processing units on the unit-of-production basis; other items from 2.5 per cent to 10 per cent.

(4) Straight line from three to five years.

10. Material transactions with related parties

The Corporation has had transactions in the normal course of business, at commecial terms, with Gulf Corporation (acquired by Chevron Corporation effective May 1, 1984) and its affiliates.

The more significant of these transactions were for the purchase and sale of crude oil, refined products and petrochemicals; the receipt of technical and engineering services under research agreements; and hiring ocean tank vessels. The aggregate net purchases by the Corporation in this connection, principally covering crude oil and petroleum products, were *(millions of dollars)*: 1984 - $132, 1983 - $110, 1982 - $104. In addition, in 1982 the Corporation sold its joint venture uranium interests to an affiliate of Gulf Corporation. The sale resulted in a reduction in property, plant and equipment of $2 million, and a gain of $7 million before income taxes ($4 million after taxes).

In addition, the Corporation has had transactions with Pétromont, the more significant of which were for the purchase and sale of refined products and petrochemicals. The aggregate revenues in this connection, principally covering refined product sales, were *(millions of dollars)*: 1984 - $12, 1983 - $83, 1982 - $149. The aggregate purchases, principally covering petrochemicals, were *(millions of dollars)*: 1984 - $8, 1983 - $37, 1982 - $39. The Corporation sold its interest in Pétromont as of March 30, 1984.

Included in accounts receivable and accounts payable are amounts receivable from, and owing to these related parties of $1 million and $4 million, respectively, at December 31, 1984 and $10 million and $3 million, respectively, at December 31, 1983.

Included in other current liabilities is an amount of $38 million representing proceeds from the sale of a working interest in certain resource properties to the Gulf Canada Pension Fund. This amount will be included in the Corporation's revenues as production from these properties occurs. The working interest will revert to the Corporation when the Fund has recovered its investment, plus the contracted return thereon.

11. Long-term debt *(millions of dollars)*

	1984	1983
7⅞% Series E sinking fund debenture payable through 1988	**$ 22**	$ 23
8⅜% notes payable through 1997 (1)	**150**	148
15½% sinking fund debenture payable through 2011 (1)	**264**	249
15.35% notes payable through 1988 (1)	**132**	124
14¾% notes due 1992 (1)	**132**	124
Notes payable through 1991 (2)	**147**	139
Capital lease obligations (3)	**16**	22
Other long-term obligations payable on varying dates	**15**	17
	878	846
Less instalments due within one year included in current liabilities	**24**	13
	$854	$833

(1) These are payable in U.S. dollars. The amounts outstanding in U.S. dollars at December 31, 1984 are: 8⅜% notes - $113 million (1983 - $119 million), 15½% debenture - $200 million (1983 - $200 million), 15.35% notes - $100 million (1983 - $100 million), 14¾% notes - $100 million (1983 - $100 million).

(2) Payable in Japanese Yen. The amounts outstanding at December 31, 1984 and 1983 are 26 billion Yen. A concurrent deposit and loan agreement effectively converts the principal amount of the Yen loan into U.S. dollars in the amount of U.S. $112 million. The aggregate interest cost under this arrangement varies depending on the exchange rate of the Yen and the U.S. dollar. Through 1985 the yen interest obligations have been hedged into U.S. dollars. The average interest rate for the year ended December 31, 1984 was 15.26 per cent (1983 - 14.98 per cent).

(3) Capital lease terms vary from two to four years with interest rates averaging 13 per cent.

Approximate annual long-term debt instalments due in the next five years are *(millions of dollars)*: 1985 - $24, 1986 - $66, 1987 - $79, 1988 - $119, 1989 - $33.

At December 31, 1984, the Corporation had lines of credit available in the amount of $390 million. These lines are renewed annually on May 31, and any borrowings under these lines of credit would bear interest at the prime rate.

12. Capital stock

Shares without nominal or par value

Authorized: Common - 250,000,000 without nominal or par value. Preferred - unlimited number without nominal or par value. The preferred shares shall rank in priority to the common shares and may be issued from time to time in series with the designation, rights, restrictions, conditions and limitations of each series as may be fixed before their issuance by the directors, subject to approval by the shareholders.

Issued: Common - 227,487,030. Preferred - Nil.

13. Pension plans

The Corporation has pension plans covering substantially all employees. The contributions by employees, together with those made by the Corporation, are deposited with insurance companies and/or trustees according to the terms of the plan. Pensions at retirement are related to remuneration and years of service.

The amounts charged to earnings (including amounts paid to government pension plans and the amortization of prior service costs) were *(millions of dollars)*: 1984 - $40, 1983 - $48, 1982 - $52.

As of December 31, 1984, the actuarial present value of accumulated plan benefits using an actuarial rate of return of seven per cent, was $596 million (Vested - $433 million; Non-vested - $163 million).

As of December 31, 1984, the actuary's estimated value of the plan's net assets available for benefits amounted to $466 million (at market - $475 million).

The unamortized prior service costs at December 31, 1984, were approximately $153 million of which $130 million was unfunded. The unamortized prior service costs will be charged to earnings and the unfunded amounts will be funded over periods up to 15 years.

14. Commitments, contingent liabilities and long-term obligations

The Corporation has commitments for the acquisition, construction or rental of properties and the purchase of services, in the ordinary course of business which are not material in relation to net assets.

The Corporation does not have contingent liabilities or unconditional purchase obligations which are material in relation to net assets.

15. Cash flow information *(millions of dollars)*

	1984	1983	1982
Earnings before non-cash items and exploration expenses			
Earnings for the year	**$ 308**	$ 218	$ 201
Charges (credits) not affecting cash			
Depreciation, depletion and amortization	**263**	207	175
Deferred income taxes	**22**	71	106
Gain on disposal of properties	**(4)**	(4)	(132)
Other	**26**	24	16
	615	516	366
Add exploration expenses	**197**	213	218
	$ 812	$ 729	$ 584
Decrease in working capital, other than cash			
Accounts receivable	**$ (59)**	$ (46)	$ 16
Inventories	**(69)**	160	6
Materials, supplies and prepaid expenses	**(10)**	2	(11)
Accounts payable and other, excluding short-term loans	**90**		87
Income and other taxes payable	**222**	(5)	17
	$ 174	$ 111	$ 115

16. Additional information to the consolidated statements of earnings *(millions of dollars)*

	1984	1983	1982
Research and development	**$ 25**	$ 31	$ 47
Maintenance and repairs	**148**	129	145
Operating lease rentals	**101**	92	104

17. Reclassifications

Certain amounts for 1983 and 1982 have been reclassified to conform with the presentation adopted for 1984.

18. Other information

As the Corporation uses capital markets in the United States, the following information is presented in conformity with United States accounting practices. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada which, in the case of the Corporation, conform in all material respects with those in the United States except that:

(a) unrealized gains or losses arising on translation of long-term U.S. dollar liabilities are deferred and amortized over the remaining term of the liabilities. In the United States such gains or losses would be included in earnings in the period in which they arise;

(b) interest costs are expensed as incurred. In the United States, certain interest costs incurred on capital outlays are required to be capitalized; and

(c) the disclosures of actuarial present values of accumulated plan benefits reported in note 13 take into account the effect of future increases in employee compensation and an assumed rate of return of seven per cent. To meet the disclosure requirements in the United States under Financial Accounting Standards (FAS) No. 36, the effect of future increases in employee compensation are excluded and an assumed rate of return of 8.6 per cent has been used. The following table compares the disclosure required by FAS No. 36 to that given in note 13. The amounts shown in the table are based on the estimates of independent actuaries:

	As reported in note 13	**In accordance with FAS No. 36**
	(millions of dollars)	
Actuarial present values of accumulated plan benefits at Dec. 31, 1984		
Vested	$433	$380
Non-vested	163	5
	$596	$385
Net assets available for benefits at Dec. 31, 1984	$475	$469

If the Corporation had followed the principles in (a) and (b), the consolidated earnings and earnings per share would have been:	**Year ended December 31**		
	1984	1983	1982
Earnings, as reported *(millions of dollars)*	**$ 308**	$ 218	$ 201
Adjustments, net of applicable income taxes			
-unrealized foreign exchange loss	**(25)**	(3)	(14)
-interest capitalization	**8**	30	24
Earnings, as adjusted	**$ 291**	$ 245	$ 211
Earnings per share, as adjusted	**$1.28**	$1.08	$0.93

Supplemental Oil and Gas Information (unaudited)

The following supplemental information on oil and gas activities conforms with the standards adopted by the United States Securities and Exchange Commission (SEC). It has been prepared using the guidelines developed by the Financial Accounting Standards Board.

	Year ended December 31		
RESULTS OF OIL AND GAS OPERATIONS *(millions of dollars)*	**1984**	1983	1982
Net revenues derived from proved oil and gas reserves during the year -			
Unaffiliated sales	**$ 833**	$ 692	$598
Internal sales	**420**	441	311
	1,253	1,133	909
Less: Production costs - lifting costs	**154**	154	142
- wellhead taxes	**193**	163	141
Exploration expenses*	**204**	217	202
Depreciation, depletion and amortization	**104**	81	71
Other operating expenses (net)	**47**	64	51
Income taxes	**321**	228	172
Results of operations from producing activities	**230**	226	130
Mineable oil sands, minerals and other, net of income taxes	**32**	26	26
General corporate expenses, net of income taxes	**(11)**	(10)	(13)
Total natural resources (excluding interest costs)	**$ 251**	$ 242	$143

COSTS INCURRED *(millions of dollars)*			
Cost incurred (capitalized and expensed during the year) for -			
Property acquisition	**$ 76**	$ 60	$ 36
Exploration*	**$ 278**	$ 236	$187
Development	**$ 68**	$ 101	$160

	At December 31	
CAPITALIZED COSTS *(millions of dollars)*	**1984**	1983
Proved properties	**$1,157**	$1,086
Unproved properties	**390**	366
Support facilities	**45**	25
Drilling system	**549**	508
Incomplete wells and facilities	**144**	111
	2,285	2,096
Less related accumulated depreciation, depletion and amortization	**686**	626
Net capitalized costs	**$1,599**	$1,470

*Includes depreciation on support facilities and on the drilling system.

NET RESERVES OF CRUDE OIL AND NATURAL GAS LIQUIDS AND NATURAL GAS

The reserve information set out below is based on estimates made by Gulf Canada. In presenting this data, the Corporation wishes to emphasize that estimates, by their very nature, are inexact and subject to continual changes and revisions. Estimates of newly-discovered reserves are even more imprecise than those of producing properties, and an accurate determination of reserves at a given point in time may not be possible because of the time needed for development drilling, testing and other studies of the reservoirs. Accordingly, Gulf Canada believes that these estimates will change as future information becomes available.

Net reserves are estimated after deduction of royalties which can vary depending on prices, production volumes, and timing of initial production. Due to the uncertainty of future royalty rates, the net reserves have been calculated on the basis of average royalty rates experienced.

The figures presented are believed to be reasonable estimates of reserves which may be expected to be recoverable commercially at current prices and costs under existing regulatory practices and with existing conventional equipment and operating methods.

All of Gulf Canada's crude oil and natural gas reserves are located in Canada. Approximately 90 per cent of the proved crude oil reserves and 90 per cent of the proved natural gas reserves are located in the Province of Alberta.

Net reserves shown in the tables do not include any reserves from the oil sands deposits known to exist under leased acreage at Wabasca, Cold Lake and Peace River, and the oil sands deposits in the Athabasca area. Particularly, they do not include permitted production of synthetic crude oil attributable to Gulf Canada's 9.03 per cent interest in the Syncrude project in the Athabasca oil sands which, at December 31, 1984, was 13.0 million cubic metres.

These tables also do not include any discoveries in the frontier areas, since either the technology required to commercially produce and transport reserves is in the process of being developed, or else commitment to, and government approvals respecting, a production system have not been reached or obtained.

Crude Oil and Natural Gas Liquids

(millions of cubic metres)	**1984**	1983	1982
Net proved developed and undeveloped			
Net reserves on January 1	**36.6**	33.1	33.4
Additions from drilling	**1.2**	1.1	2.7
Revisions of previous estimate	**3.1**	6.5	1.3
Added through improved recovery		0.6	
Production	**(4.8)**	(4.7)	(4.3)
End of year	**36.1**	36.6	33.1
Net proved developed			
Beginning of year	**36.3**	32.8	32.9
End of year	**35.1**	36.3	32.8

Natural Gas

(billions of cubic metres)	**1984**	1983	1982
Net proved developed and undeveloped			
Net reserves on January 1	**50.9**	50.2	48.8
Additions from drilling	**1.4**	2.4	1.0
Revisions of previous estimate	**(0.9)**	0.2	2.4
Production	**(2.5)**	(1.9)	(2.0)
End of year	**48.9**	50.9	50.2
Net proved developed			
Beginning of year	**39.6**	34.6	31.6
End of year	**37.3**	39.6	34.6

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES

The standardized measure for calculating the present value of future net cash flows from proved oil and gas reserves is based on current costs and prices, and a 10 per cent discount factor which are mandated.

Accordingly, Gulf Canada's estimated future net cash flows at December 31, 1984, 1983 and 1982, were computed by applying the average selling price (including internal sales) of oil and gas reserves during the month of December of each respective year, to the estimated future production of proved oil and gas reserves at each year-end, less estimated future expenditures (based upon the average of each applicable year) to be incurred in developing and producing proved reserves and assuming continuation of existing economic conditions at each year-end.

Although these calculations have been prepared in accordance with the standards described above, it should be emphasized that, due to the number of assumptions and estimates required in the calculations, the amounts shown are not indicative of the amount of net revenue which Gulf Canada expects, or may expect, to receive in future periods. They are also not indicative of the current value or future earnings which may be realized from the production of proved reserves.

It should also not be assumed that the estimates of the standardized measure of future net cash flows represent fair market value of the reserves or of the oil and gas properties.

Although the calculations are based on existing economic conditions at each year-end, such economic conditions have changed, and may continue to change significantly due to events such as the continuing changes in foreign crude oil availability and prices, and changes in government policies and regulations.

While the calculations are based on Gulf Canada's understanding of the established guidelines, there are numerous other equally valid assumptions under which these estimates could be made which would produce significantly different results.

Standardized Measure at December 31

(millions of dollars)	**1984**	1983	1982
Future cash inflow - Sales and transfers	**$11,557**	$12,545	$10,578
Future development costs	**(634)**	(589)	(522)
Future production costs	**(4,967)**	(6,511)	(4,493)
	5,956	5,445	5,563
Future income taxes	**(3,446)**	(3,370)	(3,579)
Future net cash flows	**2,510**	2,075	1,984
10% annual discount for estimated timing of cash flows	**(1,165)**	(779)	(740)
Standardized measure of discounted net cash flows	**$ 1,345**	$ 1,296	$ 1,244

Changes in the Standardized Measure During the Year

(millions of dollars)	**1984**	1983	1982
Sales and transfers of oil and gas produced, net of production costs	**$ (906)**	$ (816)	$ (626)
Development costs incurred during the year	**67**	47	98
Extensions, discoveries and improved recovery, less related costs	**163**	166	222
Revisions of previous quantity and timing estimates	**316**	513	247
Price and cost changes -selling and transfer prices	**(228)**	717	709
-production costs	**326**	(773)*	(464)
-development costs	**(63)**	(43)	63
Accretion of discount	**314**	304	254
Other	**40**	(13)	1
Change in income taxes	**20**	(50)	(327)
Net change	**49**	52	177
Balance at beginning of year	**1,296**	1,244	1,067
Balance at end of year	**$ 1,345**	$ 1,296	$ 1,244

*Includes $346 million for the cost of injection fluids.

Supplemental Inflation Accounting Information (unaudited)

This supplemental inflation-adjusted financial information and that relating to reserve quantities, as well as certain exploration and development costs included in the Supplemental Oil and Gas Information (pages 39-41), has been recommended by The Canadian Institute of Chartered Accountants (CICA). While the information on the effects of changing prices was prepared using valid assumptions, equally valid alternative current cost assumptions could produce materially different results, so comparisons with disclosures of other companies therefore may not be meaningful.

The current cost earnings table indicates that reported historical cost earnings of $308 million becomes an estimated $11 million loss when adjusted for the effects of inflation. This difference can be attributed to several factors:

- Replacement of inventories at the time of sale in 1984, at an estimated additional cost of $35 million, results in a current cost for purchased crude oil, products and merchandise of $2,608 million.
- Depreciation, depletion and amortization would increase by $284 million, based on estimated current costs of the Corporation's productive assets (plant and equipment, and oil and gas properties). These current costs were estimated by applying a variety of specific indices to historical carrying values, and by assuming duplication of existing assets in the same locations. Consideration was not given to possible benefits from replacing assets with different types, or to possible operating cost efficiencies with replacement assets. These current cost estimates do not represent appraised values or market selling prices for the assets, nor the cost of, or manner by which these assets may eventually be replaced. It is worth noting that, in most instances, oil and gas reserves can only be replaced at much higher costs.

Although current cost earnings for 1984, before income taxes, are much lower than the reported historical amount, no adjustment was made to income tax expense reported in the historical cost financial statements. On this basis, the Corporation's overall effective tax rate increases dramatically.

During inflationary periods, monetary assets lose purchasing power. However, monetary obligations are easier to meet. In 1984, Gulf Canada's monetary obligations exceeded its cash, short-term investments and accounts receivable, but the purchasing power required to repay the net amounts owed declined by $15 million ($21 million in 1983).

The CICA recommends disclosure of a financing adjustment, calculated as the proportion of current cost increases which are theoretically financed by debt-holders, based on the Corporation's debt-to-equity ratio. The portion of the change in the current costs of inventory and property, plant and equipment which could be attributed to debt-holders under this concept during 1984, is $22 million ($35 million in 1983). The financing adjustment, based on current cost adjustments to purchase crude oil, products and merchandise, plus depreciation, depletion and amortization, is $26 million for 1984 ($26 million in 1983).

	As reported in the historical statements	Current cost basis	
(millions of dollars)	**1984**	**1984**	1983*
EARNINGS			
Net revenues	**$5,422**	**$5,422**	$5,387
Purchased crude oil, products and merchandise	**2,573**	**2,608**	2,814
Operating and other expenses	**1,915**	**1,915**	1,982
Depreciation, depletion and amortization	**263**	**547**	462
	4,751	**5,070**	5,258
Earnings before income taxes	**671**	**352**	129
Income taxes			
-current	**341**	**341**	115
-deferred	**22**	**22**	71
	363	**363**	186
Earnings (loss)	**$ 308**	**$ (11)**	$ (57)
BALANCE SHEET ITEMS			
Inventory	**$ 717**	**$ 717**	$ 672
Property, plant and equipment - net	**$2,886**	**$5,193**	$5,328
Net assets (common shareholders' equity)	**$2,538**	**$4,845**	$4,885

OTHER SUPPLEMENTARY INFORMATION

	1984	1983*
Increase in specific prices (current cost) of inventories and property, plant and equipment held during the year	**$ 262**	$ 398
Effect of general inflation	**216**	263
Excess of increase in specific prices over the effect of general inflation	**$ 46**	$ 135

*The 1983 comparative amounts have been restated to 1984 dollars to reflect the increase in general price levels.

Quarterly Summaries (unaudited)

QUARTERLY SUMMARY 1984	**1**	**2**	**3**	**4**
Financial *(millions of dollars)*				
Net revenue	**1,335**	**1,301**	**1,365**	**1,421**
Net earnings	**73**	**69**	**87**	**79**
Per common share *(dollars per share)*	**0.32**	**0.30**	**0.38**	**0.35**
Shareholders' statistics *(dollars per share)*				
Equity per share - book value	**10.51**	**10.69**	**10.94**	**11.16**
Market value per share:				
Toronto Stock Exchange				
-High	**20**	**19 5/8**	**20 3/8**	**19 6/8**
-Low	**16 3/8**	**16 5/8**	**14 2/8**	**15 1/8**
-Close	**18 3/8**	**16 7/8**	**19 6/8**	**15 3/8**
American Stock Exchange (U.S.$)				
-High	**16**	**15 3/8**	**15 3/8**	**15**
-Low	**13 1/8**	**12 5/8**	**10 7/8**	**11 4/8**
-Close	**14 4/8**	**12 6/8**	**15 1/8**	**11 4/8**
Dividends declared *(millions of dollars)* (1)	**25**	**30**	**30**	**29**
Per common share *(dollars per share)*	**0.11**	**0.13**	**0.13**	**0.13**
Price/earnings ratio at quarter-end (2)	**14**	**14**	**13**	**11**
Shareholders at quarter-end *(thousands)*	**37.1**	**36.1**	**35.2**	**34.0**
Shares traded *(millions)* (3)				
-Toronto Stock Exchange	**6.9**	**4.3**	**7.7**	**4.3**
-American Stock Exchange	**8.3**	**6.2**	**7.0**	**5.0**

QUARTERLY SUMMARY 1983	1	2	3	4
Financial *(millions of dollars)*				
Net revenue	1,156	1,218	1,387	1,402
Net earnings	68	57	50	43
Per common share *(dollars per share)*	0.30	0.25	0.22	0.19
Shareholders' statistics *(dollars per share)*				
Equity per share - book value	9.97	10.11	10.22	10.30
Market value per share:				
Toronto Stock Exchange				
-High	17 3/8	18 5/8	21 1/8	18 6/8
-Low	12 6/8	13 7/8	17 2/8	16 1/8
-Close	14	18	19	17 4/8
American Stock Exchange (U.S.$)				
-High	14 1/8	15 1/8	17 1/8	15 3/8
-Low	10 3/8	11 2/8	14	13
-Close	11 3/8	14 6/8	15 3/8	13 7/8
Dividends declared *(millions of dollars)* (1)	25	25	25	25
Per common share *(dollars per share)*	0.11	0.11	0.11	0.11
Price/earnings ratio at quarter-end (2)	12	17	18	18
Shareholders at quater-end *(thousands)*	41.1	39.0	37.5	36.8
Shares traded *(millions)* (3)				
-Toronto Stock Exchange	6.9	6.6	5.6	3.7
-American Stock Exchange	3.3	2.5	2.5	1.6

(1) Dividends paid on common shares owned by non-residents of Canada are generally subject to a 25 per cent Canadian withholding tax. However, for recipients to whom the existing tax treaty between the United States and Canada is applicable, the rate is 15 per cent.

(2) Closing TSE share price divided by annualized earnings.

(3) The outstanding common shares of the Corporation are listed on the Toronto, Montreal, Vancouver and Alberta stock exchanges, and are admitted to unlisted trading privileges on the American Stock Exchange.

Five Year Financial Summary

STATEMENTS OF EARNINGS *(millions of dollars)*	**1984**	1983	1982	1981	1980
Revenues					
Natural gas	**$ 349**	$ 289	$ 298	$ 293	$ 307
Crude oil and natural gas liquids	**805**	772	625	508	416
Refined products					
-gasoline	**1,615**	1,577	1,399	1,395	1,051
-middle distillates	**1,191**	1,152	1,078	978	763
-other	**761**	811	839	899	631
Chemicals	**186**	176	193	209	269
Other operating revenues	**409**	301	250	314	306
Net sales and other operating revenues	**5,316**	5,078	4,682	4,596	3,743
Investment and other income	**106**	85	245	114	100
Net revenues	**5,422**	5,163	4,927	4,710	3,843
Expenses					
Purchases	**2,573**	2,689	2,555	2,299	1,716
Operating and other expenses	**1,337**	1,335	1,339	1,302	1,119
Taxes other than income taxes	**458**	414	376	296	171
Income taxes	**363**	186	173	301	290
Depreciation, depletion and amortization	**263**	207	175	162	141
Interest on long-term debt	**120**	114	108	51	26
Total expenses	**5,114**	4,945	4,726	4,411	3,463
Earnings for the year (1)	**$ 308**	$ 218	$ 201	$ 299	$ 380
Per share *(dollars)*					
Earnings	**$ 1.35**	$ 0.96	$ 0.88	$ 1.31	$ 1.67
Dividends declared	**$ 0.50**	$ 0.44	$ 0.44	$ 0.44	$ 0.41
Year-end closing market value - TSE	**15⅜**	17⅛	14⅝	18⅛	23⅜
Common shares outstanding at year-end *(millions)*	**227**	227	227	227	227

(1) Variances between accounting principles generally accepted in Canada and the United States, as they apply to the Corporation, for the three years ended December 31, 1984, are described in Note 18 to the consolidated financial statements on page 38. These variances did not have a significant effect on earnings for the two years ended December 31, 1981.

STATEMENTS OF FINANCIAL POSITION *(millions of dollars)*	**1984**	1983	1982	1981	1980
Current assets	**$2,609**	$2,222	$2,328	$2,258	$1,826
Current liabilities	**1,366**	1,054	1,079	980	936
Working capital	**1,243**	1,168	1,249	1,278	890
Investments and other assets	**140**	119	118	105	99
Net property, plant and equipment	**2,886**	2,771	2,469	2,105	1,767
Capital employed	**4,269**	4,058	3,836	3,488	2,756
Deferred gas production revenue	**159**	185	172	93	72
Long-term debt	**854**	833	813	751	315
Deferred income taxes	**718**	696	625	519	443
Shareholders' equity (net assets)	**$2,538**	$2,344	$2,226	$2,125	$1,926
Total assets	**$5,635**	$5,112	$4,915	$4,468	$3,692

STATEMENTS OF CASH FLOWS *(millions of dollars)*	**1984**	1983	1982	1981	1980
Cash from operations					
Earnings before non-cash items and exploration expenses	**$812**	$729	$584	$784	$786
Decrease (increase) in working capital other than cash	**174**	111	115	(245)	(116)
Deferred gas production revenue	**(26)**	13	79	21	35
Other (net)	**2**	7	6	5	7
	962	860	784	565	712
Cash used for investment					
Total investment	**603**	748	878	783	581
Sales of properties and investments	**(30)**	(7)	(124)	(20)	(56)
	573	741	754	763	525
Dividends on common stock	**114**	100	100	100	93
Financing					
Additions to long-term debt	**5**	25	166	450	
Reductions in long-term debt	**(31)**	(14)	(10)	(9)	(18)
	(26)	11	156	441	(18)
Increase in cash and short-term investments less short-term loans	**$249**	$ 30	$ 86	$143	$ 76

FINANCIAL RATIOS	**1984**	1983	1982	1981	1980	1979	1978	1977	1976	1975
Return on capital employed (1)	**9.0%**	7.0%	7.0%	10.4%	15.3%	13.3%	9.9%	11.4%	11.9%	14.5%
Return on shareholders' equity (2)	**12.6%**	9.5%	9.2%	14.8%	21.3%	18.8%	13.8%	15.1%	15.3%	18.3%
Current ratio (3)	**1.9**	2.1	2.2	2.3	2.0	1.8	1.8	1.8	1.9	2.1
Long-term debt to total capitalization (4)	**25.2%**	26.2%	26.7%	26.1%	14.1%	16.9%	19.8%	20.6%	12.7%	10.1%
Earnings coverage of interest (5)	**7x**	5x	4x	13x	27x	18x	12x	15x	37x	36x
Reinvestment ratio (6)	**53%**	87%	131%	131%	89%	82%	92%	118%	90%	128%

Definitions

(1) Return on capital employed: Net after-tax earnings plus after-tax interest expense as a percentage of average capital employed for the year. Capital employed is calculated by deducting current liabilities from total assets.

(2) Return on shareholders' equity: Net after-tax earnings as a percentage of average shareholders' equity for the year. Shareholders' equity is composed of the book value of common shares.

(3) Current ratio: Ratio of total current assets to total current liabilities.

(4) Long-term debt to total capitalization: Long-term debt as a percentage of long-term debt and shareholders' equity.

(5) Earnings coverage of interest: Pre-tax earnings and pre-tax interest expense as a multiple of pre-tax interest expense.

(6) Reinvestment ratio: Total investment and the increase or decrease in working capital other than cash as a percentage of earnings before non-cash items and exploration expenses.

Five Year Operations Review

	1984	1983	1982	1981	1980
	Gross/Net	Gross/Net	Gross/Net	Gross/Net	Gross/Net
Production		*(thousands of cubic metres per day)*			
Crude oil and natural gas liquids	**17.8/13.2**	17.2/12.8	17.0/12.1	18.0/12.2	20.6/13.8
Synthetic crude oil	**1.2/ 1.1**	1.6/ 1.3	1.2/ 1.0	1.7/ 1.5	1.7/ 1.5
		(millions of cubic metres per day)			
Natural gas	**8.8/ 6.8**	7.4/ 5.2	7.8/ 5.6	8.4/ 6.0	8.9/ 6.3
Wells drilled (1)					
Exploratory					
-Oil	**147/ 94**	141/ 90	104/ 56	126/ 64	79/ 41
-Gas	**33/ 18**	49/ 25	54/ 27	52/ 20	48/ 27
-Dry	**184/ 119**	109/ 72	156/ 78	188/ 98	103/ 55
Development					
-Oil	**188/ 45**	76/ 23	31/ 13	14/ 4	96/ 36
-Gas	**5/ 2**	4/ 1	4/ 1	10/ 2	14/ 1
-Dry	**4/ 1**		10/ 5	4/ 4	14/ 7
Total	**561/ 279**	379/ 211	359/ 180	394/ 192	354/ 167
Wells (bore holes) capable of producing at year-end (1)	**7,368/1,981**	7,099/1,883	6,833/1,746	6,804/1,727	6,649/1,631

(1) In accordance with regulations issued by the United States Securities and Exchange Commission.

	1984	1983	1982	1981	1980
Crude oil processed		*(thousands of cubic metres per day)*			
Point Tupper, Nova Scotia					2.9
Montreal East, Quebec	**9.2**	9.0	8.8	10.4	10.3
Clarkson, Ontario	**8.5**	8.1	7.8	10.2	10.8
Moose Jaw, Saskatchewan	**0.8**	0.5	0.4	0.5	0.5
Calgary, Alberta		1.1	1.3	1.6	0.9
Edmonton, Alberta	**14.3**	11.3	10.4	11.8	12.5
Kamloops, British Columbia		0.4	1.3	1.5	1.5
Port Moody, British Columbia	**2.9**	2.8	3.5	5.8	6.1
Total	**35.7**	33.2	33.5	41.8	45.5
Per cent of daily refinery capacity utilized	**79%**	75%	73%	89%	88%
Sales volumes		*(cubic metres per day)*			
Natural gas *(millions)*	**9.0**	7.8	8.1	8.6	9.3
Crude oil *(thousands)*	**5.9**	5.4	4.8	4.7	4.5
Natural gas liquids *(thousands)*	**3.3**	4.2	4.6	4.8	4.8
Refined Products		*(thousands of cubic metres per day)*			
-gasolines	**12.6**	13.2	12.1	14.5	15.7
-middle distillates	**11.0**	11.0	10.5	11.1	12.2
-other	**6.4**	7.6	8.8	10.6	10.1
Chemicals		*(millions of kilograms per day)*			
-petrochemicals	**0.6**	0.7	0.7	0.6	1.3
-sulphur	**1.7**	1.1	1.4	1.2	1.0
-other			0.9	0.7	0.7
Retail outlets at year-end	**2,516**	2,487	2,491	2,589	2,716
Employees at year-end	**8,982**	9,714	10,179	11,367	10,914
Total wages and salaries *(millions)*	**$ 371**	$ 366	$ 363	$ 332	$ 275

Directors

Seated, left: E.F. Crease, W.H. Young, J.C. Phillips, J.L. Stoik, K.M. Richardson, Gérard Plourde. Standing, left: S.K. McWalter, Alfred Powis, J.D. Allan, C.D. Shepard, E.H. Crawford, M.N. Anderson, L.C. Soileau III, J.E. Lee, R.T. Savage, D.S.R. Leighton and W.M. Winterton, secretary.

J.D. Allan (1979) [2]
President and Chief Executive Officer, Stelco Inc., Toronto, Ontario. Director: C-I-L Inc.; Moore Corporation Limited; Royal Trustco Limited; Rockwell International of Canada Ltd.; The Toronto Dominion Bank.

M.N. Anderson (1983) [2]
Chairman and Chief Executive Officer, Cominco Ltd., Vancouver, British Columbia. Director: Canadian Pacific Enterprises Limited; Fording Coal Limited; The Toronto Dominion Bank.

E.H. Crawford (1974) [2,4,5]
President and Chief Executive Officer, The Canada Life Assurance Company, Toronto, Ontario. Chairman: Canadian Enterprise Development Corporation Limited. Director: Canadian Imperial Bank of Commerce; Moore Corporation Limited.

E.F. Crease (1974) [2]
Chairman of the Board, Alfred J. Bell & Grant Limited, Halifax, Nova Scotia. Director: Canada Permanent Mortgage Corporation; Canada Permanent Trust Company.

J.E. Lee (1980) [5]
President, Chairman of the Board and Chief Executive Officer, Gulf Corporation, Pittsburgh, Pennsylvania. Director: Joy Manufacturing Company; Pittsburgh National Bank; PNC Financial Corporation.

Dr. D.S.R. Leighton (1977) [2,5]
Vice-Chairman of the Board, Nabisco Brands Ltd., Toronto, Ontario. Director: John Wiley and Sons Limited; Camco Inc.; G.S.W. Inc.; Rio Algom Limited; Lornex Mining Corporation Inc.; Scott's Hospitality Inc.; A.I.L.-Alberta Investments Ltd.; Cambridge Shopping Centres Ltd.; Telefilm Canada.

S.K. McWalter (1984)
Executive Vice-President, Gulf Canada Limited, Toronto, Ontario.

J.C. Phillips, Q.C. (1978) [1,4,5]
Chairman of the Board, Gulf Canada Limited, Toronto, Ontario. Director: Bank of Nova Scotia; The Canada Life Assurance Company.

Gérard Plourde, O.C. (1965) [1,3,5]
Chairman of the Board, UAP Inc., Montreal, Quebec. Director: Alliance Mutual Life Insurance; Bell Canada; Bell Canada Enterprises Inc.; The Molson Companies Limited; Northern Telecom Ltd.; Rolland Inc.; Steinberg Inc.; The Toronto Dominion Bank.

Alfred Powis, O.C. (1970) [1,3]
Chairman of the Board and Chief Executive Officer, Noranda Inc., Toronto, Ontario. Director: Brascan Limited; Brunswick Mining and Smelting Corporation Limited; Canadian Imperial Bank of Commerce; MacMillan Bloedel Limited; Ford Motor Company of Canada, Limited; Brenda Mines Limited; Placer Development Limited; Sears Canada Inc.; Sun Life Assurance Company of Canada; Kerr Addison Mines Limited.

Kathleen M. Richardson (1977) [4]
Director, James Richardson & Sons Limited, Winnipeg, Manitoba. Director: Barclays Bank of Canada; Sun Life Assurance Company of Canada.

R.T. Savage (1984)
Vice-President, Chevron Corporation, San Francisco, California. Director: UNC Resources.

C.D. Shepard (1960) [4,5]
Ottawa, Ontario

L.C. Soileau III (1984)
Rayne, Louisiana. Director: Gulf Corporation.

J.L. Stoik (1976) [1,5]
President and Chief Executive Officer, Gulf Canada Limited, Toronto, Ontario. Director: The Toronto Dominion Bank.

W.H. Young (1973) [1,3]
Chairman: The Hamilton Group Limited, Burlington, Ontario. Director: Stelco Inc.; Gore Mutual Insurance Company; National Victoria and Grey Trust Company.

( ) Year appointed Director
[1] Member Executive Committee
[2] Member Audit Committee
[3] Member Compensation Committee
[4] Member Pension Fund Investment Committee
[5] Member Nominating Committee

Corporate Information

GULF CANADA LIMITED
130 Adelaide St. W.,
Toronto, Ontario

Directors
J.D. Allan, Toronto
M.N. Anderson, Vancouver
E.H. Crawford, Toronto
E.F. Crease, Halifax
J.E. Lee, Pittsburgh, PA.
Dr. D.S.R. Leighton, Canmore, Alta.
S.K. McWalter, Toronto
J.C. Phillips, Q.C., Toronto
Gérard Plourde, O.C., Montreal
Alfred Powis, O.C.,Toronto
Kathleen M. Richardson, Winnipeg
R.T. Savage, San Francisco, CA.
C.D. Shepard, Q.C., Ottawa
L.C. Soileau III, Rayne, LA.
J.L. Stoik, Toronto
W.H. Young, Hamilton

Secretary
W.M. Winterton

Director Emeritus
Beverley Matthews, C.B.E., Q.C., Toronto

Officers
J.L. Stoik, President and Chief Executive Officer
J.C. Phillips, Q.C., Chairman of the Board
S.K. McWalter, Executive Vice-President
(Appointed September 1984)
M. Bregazzi, Vice-President, Planning and Development
E.E. Walker, Vice-President, Administration
W.M. Winterton, Vice-President, General Counsel and Corporate Secretary
A.R. Sello, Controller
J.R. Tysall, Treasurer

Accounting and Data Processing Centres
Toronto, Ontario
Calgary, Alberta

Research and Development Centre
Sheridan Park, Ontario

Principal Subsidiaries/Divisions
(Wholly-owned unless otherwise indicated)

The Tensar Corporation
(50 per cent)
1210 Citizens Parkway
P.O. Box 986
Morrow, Georgia, 30260
D.G. Fehrman, President and Chief Executive Officer

Gulf Canada Products Company
(A division of Gulf Canada Limited)
800 Bay Street,
Toronto, Ontario

Officers
R.T. Brown, President
W.J. Hindson, Vice-President, Crude and Products Supply
T. Matsushita, Vice-President, Marketing, Logistics and Sales
K.C. Reeves, Vice-President, Manufacturing
T.B. Simms, Vice-President, Planning and Control
(Appointed August 1984)
W.R. Prueter, Secretary

Marketing Region Offices
Toronto, Ontario
Calgary, Alberta

Operated Pipelines
Alberta Products
Fort Saskatchewan
Gulf Alberta
Gulf Saskatchewan
Rimbey
Saskatoon
Valley

Refineries
Montreal East, Quebec
Clarkson, Ontario
Edmonton, Alberta
Port Moody, B.C. (51 per cent)

Asphalt Plant
Moose Jaw, Saskatchewan

Gulf Canada Refinery Ltd.
3501 Broadway St.,
Montreal-East, Quebec,
K.C. Reeves, President

Servico Limited
2020 University St.,
24th floor,
Montreal, Quebec,
T. Matsushita, President

Superior Propane Limited
8474 Keele St.,
Concord, Ontario,
J.D. DeGrandis, President, Chairman of the Board and Chief Executive Officer

Gulf Canada Resources Inc.
Gulf Canada Square
401 - 9th Avenue S.W.
Calgary, Alberta

Officers
R.H. Carlyle, President
(Appointed September 1984)
C.K. Caldwell, Vice-President, Exploration
L.G. Dodd, Vice-President, Finance and Planning, and Treasurer
(Appointed August 1984)
D.R. Motyka, Vice-President, Frontier
W.G. Russell, Vice-President, Production and Development
G.A. Holland, Secretary

Exploration/Production Offices
Calgary, Alberta
Edmonton, Alberta
Stettler, Alberta
Battleford, Saskatchewan
Estevan, Saskatchewan

Major Operated Gas Plants — Alberta
Hanlan-Robb
Morrin-Ghost Pine
Nevis
Rimbey
Strachan

BeauDril Limited
Gulf Canada Square
401 - 9th Avenue S.W.
Calgary, Alberta
R.H. Carlyle, President

Principal Investments not Consolidated

Company	Percentage Ownership
Alberta Products Pipe Line Ltd.	40.00
Canada Systems Group Limited	25.00
Interprovincial Pipe Line Limited	6.46
Montreal Pipe Line Company Limited	16.00
Peace Pipe Line Ltd.	12.70
Rimbey Pipe Line Co. Ltd.	40.40
Trans-Northern Pipelines Inc.	33.33

Shareholder Information

Annual Meeting
The annual meeting of shareholders will be held in the Royal York Hotel, Toronto, Ontario, at 2:00 p.m. EST, Thursday, April 25, 1985.

Rapport annuel
Le présent rapport annuel est disponible en français. Pour en obtenir un exemplaire, veuillez vous addresser à l'adresse suivante:

Secteur des communications financières,
Service des Affaires publiques,
Gulf Canada Limitée,
130, rue Adelaide ouest,
Toronto (Ontario) M5H 3R6

Auditors
Clarkson Gordon
Chartered Accountants,
P.O. Box 251,
Toronto-Dominion Centre,
Toronto, Ontario, M5K 1J7

Common Stock
Gulf Canada has a total of 227,487,030 issued common shares, of which approximately 60 per cent are beneficially owned by Chevron Corporation, San Francisco, California.

Gulf Canada's common shares are listed and traded on the Toronto, Montreal, Vancouver and Alberta stock exchanges in Canada, and traded on the American Stock Exchange, where the Corporation has unlisted trading privileges.

The stock market symbol is GOC.

Share Register
Changes of address or inquiries regarding shares or dividends should be directed to:

Share Register Department,
Gulf Canada Limited,
477 Mount Pleasant Rd.,
Toronto, Ontario, M4S 2M1

Registrar
Canada Permanent Trust Company,
20 Eglinton Ave. W.,
Toronto, Ontario, M4R 2E2

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,
10 Commerce Drive,
Cranford, New Jersey,
U.S.A. 07106

Dividend Payment
Quarterly dividend cheques are mailed out a few days prior to the payable dates, which are the first of January, April, July and October. The quarterly dividend was 11 cents per share for the first quarter of 1984, and 13 cents per share for the remaining three quarters.

10K Report Available
A copy of the 1984 Report on Form 10K, as filed with the United States Securities and Exchange Commission, is available on request from:
Gulf Canada Limited,
Public Affairs Department,
130 Adelaide St. W.,
Toronto, Ontario, M5H 3R6

Additional Information
Further information about Gulf Canada Limited is available from the following offices:

Gulf Canada Limited,
Public Affairs Department,
130 Adelaide St. W.,
Toronto, Ontario, M5H 3R6
(Telephone: 416-869-8600)

Gulf Canada Products Company,
Public Affairs Department,
P.O. Box 460, Station A,
Toronto, Ontario, M5W 1E5
(Telephone: 416-927-2500)

Gulf Canada Resources Inc.,
Public Affairs Department,
Gulf Canada Square,
P.O. Box 130, Station M,
Calgary, Alberta, T2P 2H7
(Telephone: 403-233-4000)

Metric Measure: Adoption of Metric
In 1979, the Canadian petroleum industry began using the International System of Units, commonly called the metric system, to report figures related to length, area, volume and mass. All figures in the graphs and tables in this Annual Report are in metric measure.

Table of Basic Conversion Factors*

Traditional to metric	Metric to traditional
Length	
1 mile = 1.609 kilometres (km)	1 km = 0.621 mile
1 foot = 0.305 metre (m)	1 m = 3.281 feet
Area	
1 acre = 0.405 hectare (ha)	1 ha = 2.471 acres
Volume	
1 gallon (Can.) = 4.546 litres (L)	1 L = 0.220 gallon (Can.)
1 barrel = 0.159 cubic metre (m^3)	1 m^3 = 6.290 barrels
1 MCF = 28.174 cubic metres (m^3) (natural gas)	1 m^3 = 0.035 MCF
Mass	
1 pound = 0.454 kilogram (kg)	1 kg = 2.205 pounds
1 long ton = 1.016 tonnes (t) (2,240 pounds)	1 t = 0.984 long ton
1 short ton = 0.907 tonne (t) (2,000 pounds)	1 t = 1.102 short tons

*International System of Units (SI) conversion factors used by the Canadian Petroleum Association in its statistical handbook effective January 1, 1979.

Design: H. Bruce Dorland Assoc., Toronto/Typesetting: Stevens Graphics Ltd., Toronto/Printing: Arthurs-Jones Lithographing Ltd., Toronto/Printed in Canada

Gulf