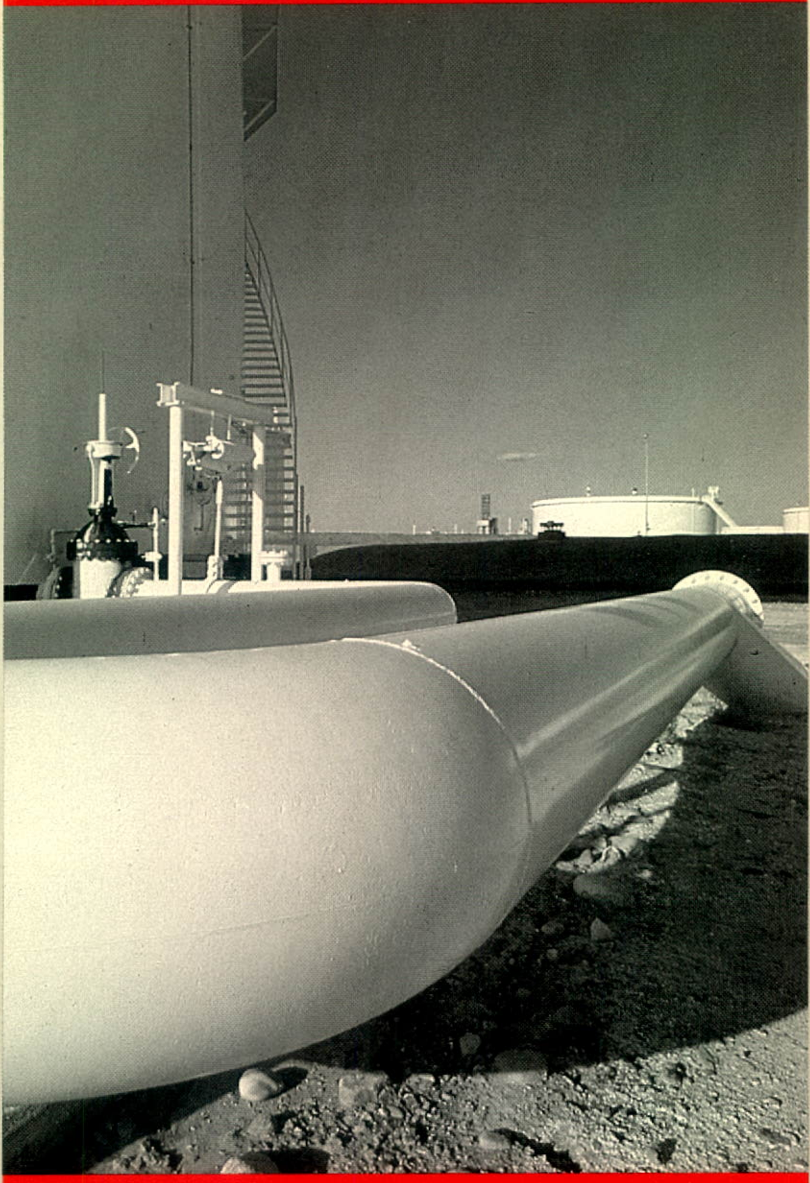
TRANS MOUNTAIN PIPE LINE COMPANY LTD.



ANNUAL REPORT 1984

The Company

Trans Mountain Pipe Line Company Ltd. is a federally incorporated company controlled in British Columbia from its Head Office in Vancouver. More than 92% of its shareholders are Canadian. With its parent company, Inland Natural Gas Co. Ltd., Trans Mountain and its subsidiaries form a broadly-based energy group with a commitment to service and project development in British Columbia, Alberta, the Northwestern United States and offshore.

The Company owns and operates a pipeline system that transports petroleum from Edmonton and Edson in Alberta, and Kamloops, British Columbia to its tank farm and marine terminal in Burnaby, British Columbia. At the International Boundary the Company's pipeline joins that of a wholly-owned subsidiary, Trans Mountain Oil Pipe Line Corporation, which delivers Canadian petroleum to refineries located in the State of Washington.

The Company's port facility in Vancouver Harbour is utilized to load Canadian petroleum aboard ocean-going tankers. The plant at this location is utilized to receive and refrigerate propane delivered by rail from Alberta for overseas export aboard special propane tankers. Another wholly-owned subsidiary, Trans Mountain Enterprises of British Columbia Limited, owns and operates a pipeline for the transportation of jet fuels from refineries in the Vancouver area to the Vancouver International Airport.

Inland Natural Gas Co. Ltd., the Company's parent, is an investor-owned utility which transmits and distributes natural gas in the interior of the Province of British Columbia. Inland owns 67% of the Company's outstanding shares.

Contents

Units of Measure

Units of measure in this Annual Report are stated in SI, the official symbol in all languages for the International System of Units (metric system). To assist in metric conversion the more familiar measures are converted below.

Volume

1 cubic metre (m^3)	6.2898 barrels

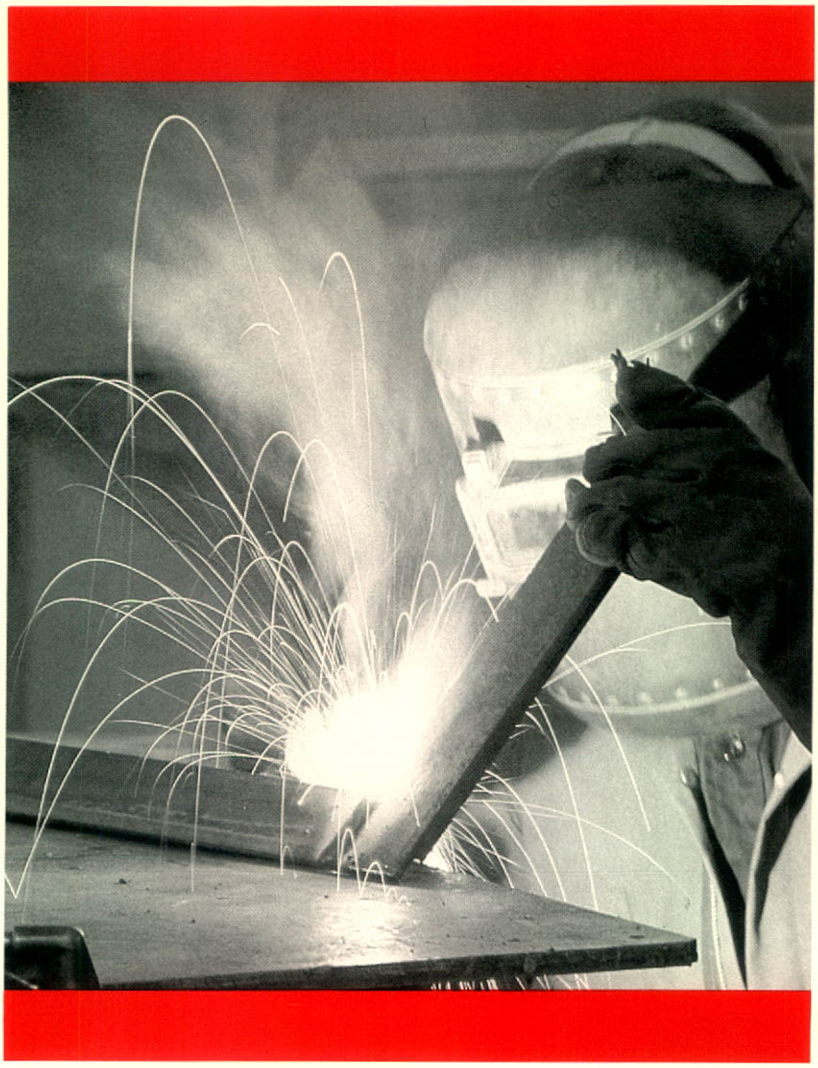
Distance

1 kilometre (km)	0.6214 miles

Length

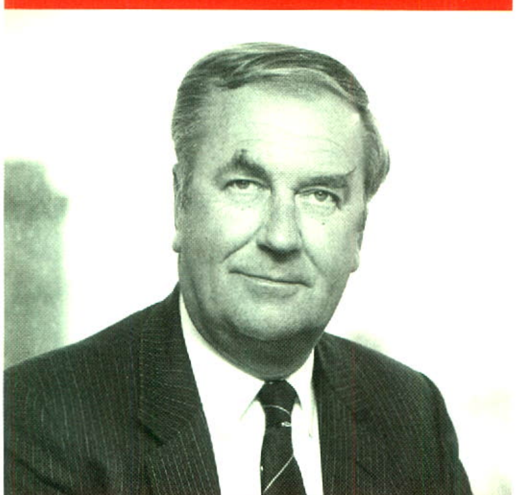
1 millimetre (mm)	0.03937 inches

Highlights



	1984	1983	1982
Total revenue	**$ 46,925,000**	$ 44,068,000	$ 39,108,000
Income before extraordinary items	**6,477,000**	6,075,000	2,878,000
Net income	**7,146,000**	6,003,000	2,902,000
Earnings per share before extraordinary items	**0.85**	0.80	0.38
Earnings per share after extraordinary items	**0.94**	0.79	0.38
Dividends per share	**0.40**	0.50	0.90
Cash flow per share	**1.39**	1.26	0.93
Capital expenditures	**5,677,000**	11,682,000	2,876,000
Total assets	**119,672,000**	113,096,000	53,753,000
Total deliveries (cubic metres per day)	**24,948**	24,375	26,446

Report to Shareholders



Ronald L. Cliff
Chairman of the Board

Net income for the year was $7.1 million or 94¢ per share compared with net income of $6 million or 79¢ per share in the previous year.

Dividends of 40¢ per share were paid in 1984.

In October 1983, the Company applied to the National Energy Board (NEB) for an increase in tolls averaging 20% effective January 1, 1984. In December 1983, the application was amended reducing the requested increase to 14% to reflect an increase in deliveries forecast for the year. In April 1984, the NEB concluded that Trans Mountain's export deliveries would be substantially higher during 1984 than the Company's forecasts and accordingly directed that the Company's tolls be reduced by approximately 6% effective May 1, 1984.

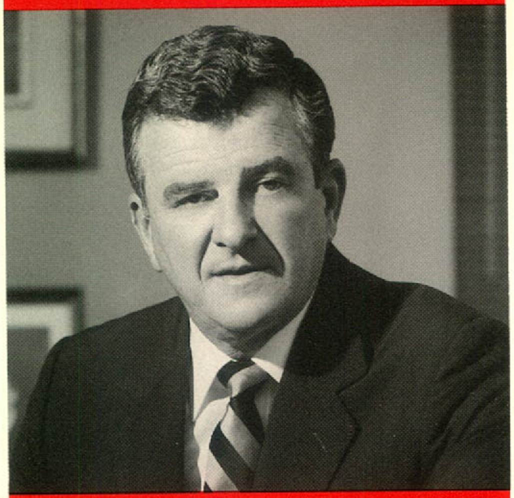
Subsequently it became clear that these export volumes would be less than the NEB had forecast and the Company filed an application for an 8% increase in tolls which was approved and became effective September 1, 1984.

In February 1984, the NEB advised the Company of its intention to conduct a public hearing on the Company's tolls, the fourth in the Company's history. In response to that directive, the Company filed a rate application in September. The hearing of that application took place in Ottawa during January 1985 and the Company is awaiting the NEB's decision. The NEB has established the Company's existing rates as interim tolls effective January 1, 1985.

During 1984, the Company initiated deliveries of a semi-refined product stream from the new Scotford Refinery near Edmonton to the Shellburn Refinery in Burnaby using a new $600,000 extension of the pipeline from the Burnaby/Westridge crude oil loading line to Shellburn.

During 1983 and 1984, the Company participated with three major oil companies in five test movements of refined petroleum products pumped from Edmonton for delivery to Kamloops and Vancouver. The Company has concluded that, with certain modifications to the pipeline system, gasolines and middle distillates can be transported in segregated batches while maintaining acceptable levels of product quality. While further testing is required, the Company is confident that pipeline deliveries of refined products can be of significant benefit to the Company, the marketing companies and the public.

In November 1984, Trans Mountain filed an application with the NEB for authority to construct a refined petroleum products terminal at Kamloops, new receiving facilities upstream of Edmonton terminal and the necessary modifications to the pipeline from Edmonton to Kamloops. The new products terminal would be located on the site of the existing Kamloops pump station on the Trans Canada Highway. The Kamloops products terminal would require a number of new tanks to accommodate six different types of product. This facility would enable marketing companies to economically serve a large market area. Depending on the final plant configu-



Richard B. Stokes
President & Chief
Executive Officer

ration an investment of between $15 and $20 million would be required at Kamloops and a further $10 million in pipeline additions and modifications. A public hearing on the Company's application was scheduled for Kamloops in April.

In September, Gulf Canada Limited requested that the Company initiate regular commercial deliveries of refined products to Kamloops using the same delivery mode employed during previous test movements. The Company believed that more testing was required and that it would be unsafe to initiate regular commercial deliveries using the test delivery mode and declined Gulf's request. Gulf applied to the NEB for an Order requiring Trans Mountain to make commercial deliveries during 1985.

The NEB held a public hearing on the Gulf application in November 1984. At this hearing Gulf urged that refined products be delivered to Gulf via an existing connection between the pipeline and the Gulf facilities. The Company contended that this delivery mode created safety and operating problems which would be eliminated by receiving the refined product into tankage at the Company's Kamloops pump station for onward delivery to Gulf through a separate existing pipeline owned by Gulf and connecting the Kamloops pump station with the Gulf facilities. In a decision issued in December the NEB ordered the Company to transport the Gulf refined product. However, the Order did not specify the delivery mode to be utilized. The Company applied to the NEB for a review and variation of the Order. In January, after having heard extensive evidence on both delivery modes, the NEB amended the Order to specify that deliveries be made in a manner proposed by the Company provided product contamination and delivery rates fell within specified limits. The Order further provided that in the event those conditions were not met Gulf could request that the NEB direct the Company to make deliveries directly to Gulf and to make appropriate additions to the pipeline to enable that to take place in a safe manner. The Company is confident that deliveries will be made through the Kamloops pump station in compliance with the conditions imposed.

Recently there have been considerable inquiries and requests regarding increased export of both heavy and light crudes to the United States and other offshore destinations. These movements, combined with the regular movements of crude oil, along with additional movements of refined petroleum products, have produced a demand which exceeds the present capacity of the pipeline system. A major consulting firm has been retained to examine the pipeline system with a view to both upgrading the system and increasing its capacity in order that a wide range of petroleum products can be moved to meet the anticipated increased demands. Until this study is completed the Company felt it was premature to go ahead with a scheduled public hearing on the proposed refined petroleum products distribution plant at Kamloops and related pipeline facilities. The Company, therefore, requested that the NEB defer such a public hearing and they have acceded to this request. The Company continues in its belief that the proposed plant would be in the public interest and would be of benefit to the Province, the City of Kamloops and the shippers and marketers of refined petroleum products and that such a plant should be of benefit to the consumers of petroleum products in the wide area which would be served from the Kamloops distribution centre.

During 1984, certain changes have taken place involving the Company's Westridge port facility. After a public hearing called by the Canadian Transport Commission, the Company was ordered to undertake certain modifications to the Westridge propane plant. The majority of these modifications were completed during 1984. The cost of these modifications will be recovered from Gulf Canada Limited.

The Company has operated its Westridge propane plant located on tidewater in the Port of Vancouver since 1966. Propane is received by rail for loading aboard a special ocean-going tanker.

From its inception, the Westridge plant has operated exclusively under a contract with Gulf Canada Limited. All propane handled has been exported to Japan. In recent years, substantial volumes of propane have become available from Middle East sources at prices substantially below that of Canadian propane. As a result, Gulf has given the Company formal notice of termination of the Propane Terminalling Agreement effective April 3, 1985.

Trans Mountain is aggressively seeking other business for Westridge.

The Company continues to study the movement of coal slurries from Alberta to the West Coast. During 1984, the Company visited government officials and major companies involved in thermal power generation and the manufacture of cement in Japan and Korea. Those visited were extremely interested in the concept of receiving coal water fuels from Alberta for direct firing as a replacement for fuel oil. Unfortunately the downward trend in world oil prices and stalled economic growth have reduced energy demands in Pacific Rim countries. The success of recent burning tests on coal water fuels conducted in Eastern Canada and continuing support from federal and provincial governments for the development of a Western Canadian coal slurry project have allowed the Company to continue its involvement in this opportunity. The Company is hopeful that in the long term, coal slurries or coal water fuels will be moved by Trans Mountain.

It is with sincere regret that we announce the retirement of Messrs. Roderick M. Hungerford and J. Norman Hyland as members of the Board of Directors. In their relatively short tenure as members of the Board they have contributed greatly and they will be sorely missed.

1984 has been both a productive and demanding year and we wish to thank our employees for their dedication and continued contribution to the Company.

On behalf of the Board of Directors

R. Lawdcliffs

Chairman of the Board

R B Stokes

President and Chief Executive Officer

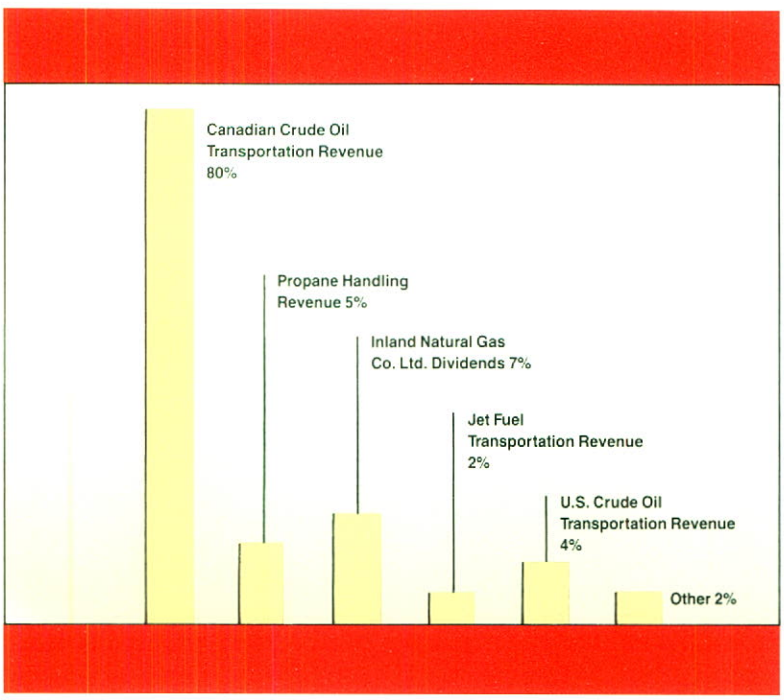
Vancouver, British Columbia
February 20, 1985

Annual Review

LPG tanker dockside at the Company's Westridge Terminal.

Revenue

The transportation of crude oil through the Company's pipeline system in 1984 generated 84% of the consolidated revenue. Crude oil transportation revenue increased by 1.3% to $39.3 million in 1984, compared to $38.8 million in 1983. The volume of crude oil transported increased by 3.7% to 8.4 million cubic metres in 1984, compared to 8.1 million cubic metres in 1983. As a result of the 1984 crude oil throughput forecasts of the NEB, the Company's tariff rates were reduced by approximately 6% effective May 1, 1984. An 8% increase in rates was approved by the NEB effective September 1, 1984 as not all of the forecasted crude oil throughputs materialized.



Source of Revenue
Year Ended
December 31, 1984

Early in 1984, the Company had forecast that crude oil deliveries would average 20,600 cubic metres per day. Actual average deliveries for the year amounted to 23,005 cubic metres per day.

1984 revenues from the handling of propane increased by 12.5% to $2.25 million from $2 million in 1983.

Jet fuel revenues increased slightly to $747,000 from $739,000 in 1983.

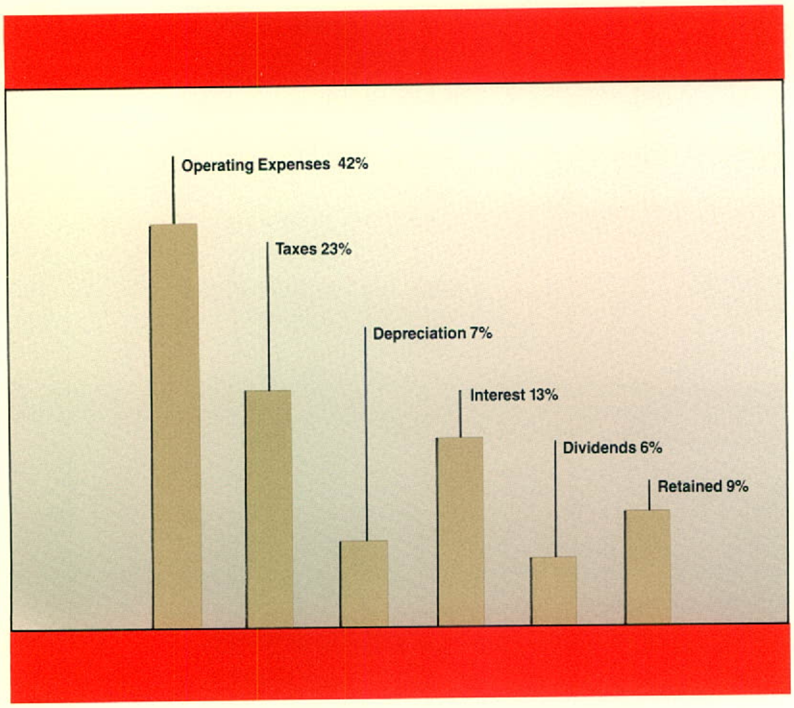
Trans Mountain Oil Pipe Line Corporation crude oil transportation revenue increased by 105% to $1.8 million compared to $879,000 in 1983. The volume of crude oil transported increased by 88% to 1.1 million cubic metres in 1984, compared to 586,000 cubic metres in 1983. Accumulated income tax losses of prior years were applied to 1984 profits resulting in a $669,000 reduction in income taxes. Effective September 10, 1984, the Federal Energy Regulatory Commission in the United States approved an increase in tariff rates from $1.67 to $2.50 Canadian per cubic metre based on the exchange rate as at December 31, 1984.

During the year, the Company received $3.2 million in dividends from its 49.9% ownership of the common shares of Inland Natural Gas Co. Ltd. The Company paid $6.2 million in interest on the funds borrowed to make this investment. Dividend income is non-taxable and interest expense is deductible for income tax purposes. The dividend income approximates the after-tax interest expense. Inland has increased its quarterly dividend from 27.5¢ to 30¢ per common share effective February 15, 1985.

The Company's other revenue was enhanced as a result of the purchase of a scientific research tax credit debenture.

Expenses

1984 operating expenses net of oil inventory gains increased to $20.1 million from $19.8 million in 1983. Maintenance costs increased by 8% to $5.8 million in 1984 and continue to be a significant portion of the operating expenses. As in previous years sections of the pipeline were hydrostatically retested as part of a continuing maintenance program. Property and other taxes remained almost unchanged during the year.



1984 Operating Expenses

Depreciation and amortization charges for 1984 have increased by 7% to $3.2 million from $3 million in 1983 due to additions to fixed assets. Depreciation studies were carried out in 1984 by Stone and Webster Management Consultants, Inc. of New York and Foster Research of Calgary, Alberta. As a result of these studies, depreciation rates will be reduced, if approved by the NEB, to reflect an extension of the useful life of the pipeline system at least to the year 2005.

Interest on long-term debt totalled $6.2 million for 1984 compared to $3 million for the second half of 1983. This debt resulted from a financial reorganization in late June 1983.

Financial
The Company has substantial lines of credit with its corporate bankers. During 1984, $12 million of floating-rate debt was fixed at 14.45% for a five-year term and a further $8 million was fixed at 14.6% for a six-year term. The remaining debt is financed by way of bank loans, bankers acceptances or by issuance of the Company's own short-term promissory notes.

During 1984, the Company began marketing its own commercial paper in the form of short-term promissory notes. The paper has been well received and the full authorized amount of $30 million is presently outstanding.

Rate Base
The Company's depreciated rate base, upon which the regulated income is predicated, increased by 28% to $38.7 million in 1984 compared to $30.3 million in 1983. The rate base in 1985 is expected to increase by a further $3.8 million over 1984 exclusive of any capital which may be spent on the proposed products plant at Kamloops.

Rates
A public hearing on the Company's application to increase its tolls effective January 1, 1985 was held by the NEB in Ottawa during January 1985.

Highlights of the hearing included an application by Trans Mountain to increase its allowed rate of return on rate base from 14.38% to 15.74%. This increase reflects higher debt financing costs and an applied for increase in return on equity from 15.5% to 16.75%.

Due to an improved outlook for forecast deliveries in 1985, the actual impact on tolls is expected to be minimal.

Capital Additions
Total expenditures on new plant facilities in 1984 amounted to $5.7 million. Early in the year the new electric pump stations at Edmonton, Edson and Kamloops were placed in regular service following a period of extensive testing. These stations, along with pumping facilities at Gainford, Jasper, McMurphy and Sumas stations, which were upgraded during 1983, provide a peak pumping capability of 30,000 cubic metres per day. All facilities are now controlled from the Vancouver Head Office. The new equipment has per-

formed well and in accordance with engineering design expectations. Upgrading of the crude oil metering facilities at Edmonton terminal has been deferred until 1985. All phases of the pump station abandonment work at Stony Plain, Niton, Hinton, Albreda, Merritt and Kingsvale have been completed including the removal of station headers from the main pipeline.

During the late summer, construction of a pipeline extension from the Burnaby/Westridge crude oil loading line to the Shellburn Refinery was completed. The new line permits direct delivery of a semi-refined product stream produced at the new Scotford Refinery on the outskirts of Edmonton to the Shellburn Refinery in Burnaby where it will receive final processing. Following hydrostatic tests the new facility was placed in service on November 30, 1984. This additional usage of the Westridge line will not restrict the loading of crude oil tankers at the Westridge dock.

Again this year the Company has made good progress with its program to replace the roofs of a number of the crude oil tanks which have been in continuous service for over thirty years. Two tanks were refurbished at Burnaby terminal, one at Edson pump station and a defective shell course was replaced on one of the tanks at Edmonton terminal. The new floating roofs incorporate all of the latest design concepts to minimize the release of petroleum vapours into the atmosphere.

As part of the ongoing pipeline maintenance program several sections of the pipeline were cut out and replaced with new pipe. These defects had been identified during the non-destructive test program. In the Jackman Hill area near Valemount, several hundred feet of corroded pipe was replaced. This section of the line had not been cathodically protected during the early years of operation largely due to its remoteness. All sections of the system have been under cathodic protection for a number of years and are in good condition.

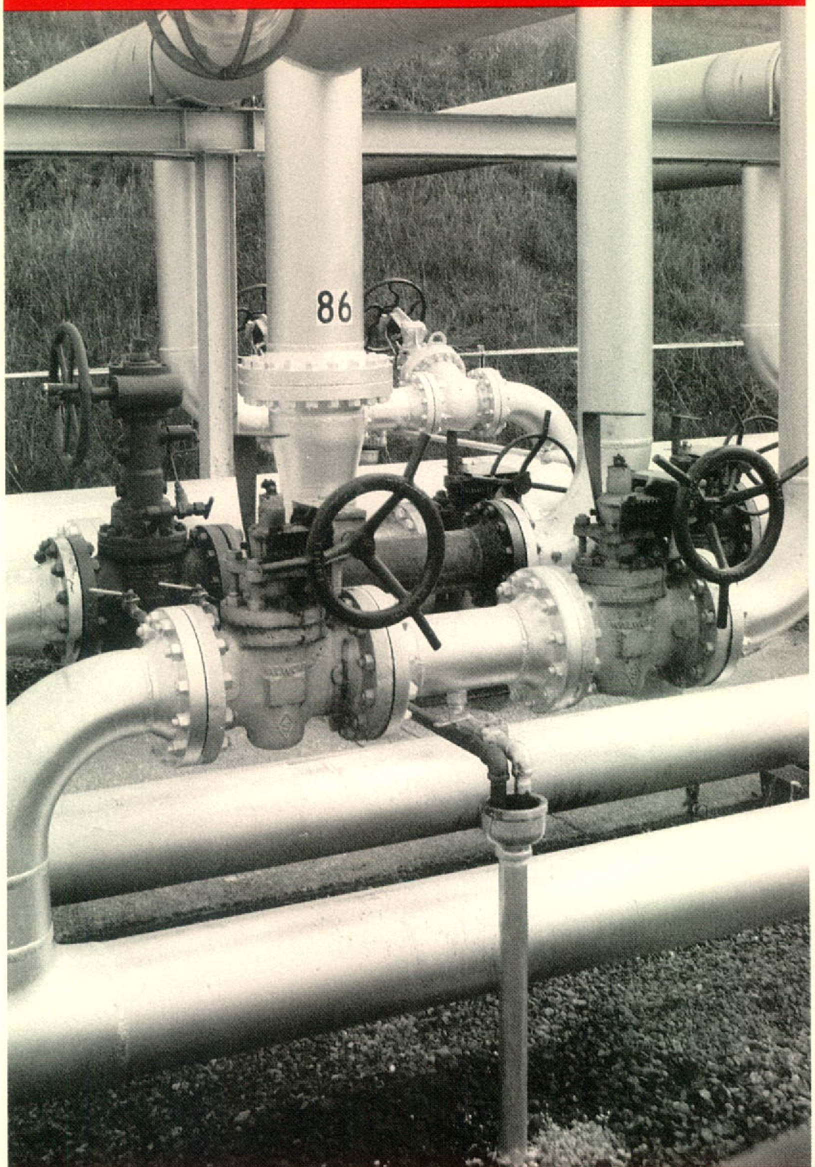
Reporting on Inflation

The Canadian Institute of Chartered Accountants has issued a standard recommending that large Canadian public companies supplement their historical cost financial statements with financial information based on current costs and disclose the effective changes in the general price levels.

The Company's allowed rates of return and allowed revenue are determined by the NEB on the basis of recorded historical costs.

The Company does not believe that the recommended disclosure of supplementary information will assist users of financial information in their assessment of the Company. Accordingly, this information has not been included in this Annual Report.

Consolidated Financial Statements



Delivery lines from Burnaby storage tanks to four local refineries.

Consolidated Balance Sheet

as at December 31 (thousands of dollars)

ASSETS	1984	1983
CURRENT ASSETS		
Cash and term deposits	$ 1,162	—
Accounts receivable	8,994	$ 6,372
Inventories (note 1)	3,549	2,759
Prepaid expenses and other	877	1,044
	14,582	10,175
OTHER ASSETS AND DEFERRED CHARGES		
Mortgages and deferred charges	597	271
Marketable securities, at cost (market value $2,165; 1983 — $2,460)	1,914	2,220
	2,511	2,491
INVESTMENT IN INLAND NATURAL GAS CO. LTD.	61,386	61,699
PROPERTY, PLANT AND EQUIPMENT (note 2)	164,113	171,048
Less accumulated depreciation and amortization	122,920	132,317
	41,193	38,731
	$119,672	$113,096

LIABILITIES	1984	1983
	(thousands of dollars)	
CURRENT LIABILITIES		
Bank indebtedness	$ 8,632	$ 4,884
Accounts payable and accrued liabilities	3,815	2,810
Current portion of long-term debt	2,750	3,245
	15,197	10,939
LONG-TERM DEBT (note 3)	47,250	49,855
DEFERRED INCOME TAXES	379	(430)
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Issued		
7,580,640 common shares	15,786	15,786
RETAINED EARNINGS	41,060	36,946
	56,846	52,732
	$119,672	$113,096

Approved by the Board of Directors:

Director

R Laidlaw

Director

R B Stokes

(See accompanying summary of accounting policies and notes)

Consolidated Statements of Income and Retained Earnings

year ended December 31 (thousands of dollars)

INCOME	1984	1983
REVENUE		
Crude oil and other transportation	$42,297	$41,610
Income from investments	3,481	2,002
Other	1,147	456
	46,925	44,068
EXPENSES		
Operating	20,067	19,787
Property and other taxes	8,158	8,105
Depreciation and amortization	3,229	2,994
Interest on long-term debt	6,178	3,007
	37,632	33,893
Income before income taxes and extraordinary items	9,293	10,175
Income taxes		
Current	2,007	3,628
Deferred	809	472
	2,816	4,100
Income before extraordinary items	6,477	6,075
Extraordinary items (note 5)	669	(72)
NET INCOME	$ 7,146	$ 6,003
EARNINGS PER SHARE		
Before extraordinary items	$0.85	$0.80
After extraordinary items	$0.94	$0.79

RETAINED EARNINGS	1984	1983
RETAINED EARNINGS AT BEGINNING OF YEAR	$36,946	$34,733
Net income	7,146	6,003
	44,092	40,736
Dividends — $0.40 per share (1983 — $0.50 per share)	3,032	3,790
RETAINED EARNINGS AT END OF YEAR	$41,060	$36,946

(See accompanying summary of accounting policies and notes)

Consolidated Statement of Changes in Financial Position

year ended December 31	(thousands of dollars)	
	1984	1983
WORKING CAPITAL DERIVED FROM		
Operations		
Income before extraordinary items	**$ 6,477**	$ 6,075
Items not involving working capital		
Depreciation and amortization	**3,229**	2,994
Deferred income taxes	**809**	472
Total from operations	**10,515**	9,541
Proceeds on redemption of portfolio investments	**306**	—
Decrease in investment in Inland Natural Gas Co. Ltd.	**313**	—
Net reduction in current income taxes arising from extraordinary items	**669**	539
Increase in long-term debt	**—**	49,855
Proceeds on disposal of property, plant and equipment, net	**—**	323
	11,803	60,258
WORKING CAPITAL APPLIED TO		
Acquisition of subsidiary companies	**—**	52,561
Working capital acquired	**—**	(212)
	—	52,349
Additions to property, plant and equipment	**5,677**	11,682
Dividends	**3,032**	3,790
Decrease in long-term debt	**2,605**	—
Costs related to Inland Natural Gas Co. Ltd.	**—**	698
Other	**340**	1
	11,654	68,520
INCREASE (DECREASE) IN WORKING CAPITAL POSITION	**149**	(8,262)
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	**(764)**	7,498
WORKING CAPITAL DEFICIENCY AT END OF YEAR	**$ 615**	$ 764

(See accompanying summary of accounting policies and notes)

Summary of Accounting Policies

The consolidated financial statements of the Company have been prepared on a consistent basis in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards on a historical cost basis. The significant accounting policies are summarized below.

Principles of consolidation

The consolidated financial statements include the accounts of Trans Mountain Pipe Line Company Ltd. and its wholly-owned Canadian subsidiaries: Trans Mountain Enterprises of British Columbia Limited, Trans Mountain Housing Limited, Alpac Construction & Surveys Limited, and Trans Mountain Holdings Ltd. (formerly Denton Investments Ltd.) and those of Trans Mountain Oil Pipe Line Corporation, a wholly-owned subsidiary in the United States.

Investment in Inland Natural Gas Co. Ltd.

The Company owns 49.9% of the common shares of its parent, Inland. This investment is recorded by the cost method and accordingly, only dividends received are included in income.

Regulation

The Company is primarily engaged in the transportation of petroleum from Northern Alberta to the west coast of British Columbia and Washington State and is regulated in Canada by the National Energy Board and in the United States by the Federal Energy Regulatory Commission. Regulation covers such matters as rates, construction, operations and accounting practices. The companies follow the accounting policies prescribed or authorized by these authorities.

Foreign currency translation

The United States operations, which are considered to be operationally dependent on the parent Company, have been translated to Canadian dollars using current rates of exchange for monetary assets and liabilities, historical rates of exchange for non-monetary assets and liabilities and average rates for the year for revenue and expense, except depreciation which is translated at the rate of exchange applicable to the related asset. Gains and losses arising on translation are included in income.

Property, plant and equipment

Property, plant and equipment are stated at cost which include all direct costs, an allocation of overhead costs and an allowance for funds used during construction.

Maintenance, repairs and minor renewals are charged to expense as incurred. Replacements and major renewals of property are accounted for as property additions. The original cost of depreciable property retired, together with the net cost of removal less salvage, is charged to accumulated depreciation.

Depreciation is provided on a straight-line basis on plant in service at rates approved by regulatory authorities which vary from 1.4% to 20%. The application of the rates in the current year is equivalent to an average rate of 2.2%.

Income taxes

The Company and its subsidiaries follow the tax allocation method of accounting whereby the income tax provisions are based on earnings reported in the accounts. Under this method deferred income taxes arise from deducting expenses for income tax purposes in excess of amounts claimed for accounting purposes.

Earnings per share

Earnings per share are computed by dividing the earnings by the monthly average number of shares outstanding.

Notes to Consolidated Financial Statements

year ended December 31, 1984

(tabular dollar amounts in thousands)

1. Inventories

Supplies are valued at the lower of cost, determined mainly on a moving average basis, and replacement cost. Crude oil inventories are valued at net realizable value. Inventories consist of:

	1984	1983
Supplies	**$1,412**	$1,461
Oil	**2,137**	1,298
	$3,549	$2,759

2. Property, plant and equipment

Property, plant and equipment comprise:

	1984			1983
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
Canada:				
Crude oil pipeline system	**$147,862**	**$113,080**	**$34,782**	$32,692
Construction in progress	**859**	**—**	**859**	151
Propane handling and common dock facilities	**5,795**	**3,993**	**1,802**	1,923
Jet fuel pipeline system	**2,467**	**1,163**	**1,304**	1,359
United States:				
Crude oil pipeline system	**7,130**	**4,684**	**2,446**	2,606
	$164,113	**$122,920**	**$41,193**	$38,731

Certain fully depreciated pump stations demolished during the year, and other assets no longer used and useful due to the Company's recent upgrading program, were written off against accumulated depreciation, and accordingly plant and accumulated depreciation have been reduced by $12,612,000. Plant additions during the year amounted to $5,677,000.

3. Long-term debt

Long-term debt is represented by:

	1984	1983
Term notes due		
July 5, 1989, interest at 14.45%	**$12,000**	—
August 31, 1990, interest at 14.6%	**8,000**	—
Promissory notes, interest averaging 10.92%	**30,000**	—
Bank loan	**—**	$53,100
	50,000	53,100
Less principal included in current liabilities	**2,750**	3,245
	$47,250	$49,855

The promissory notes are issued under a credit agreement with a chartered bank. The Company is currently negotiating the terms of repayment of, and security for, loans carried beyond January 31, 1985. Based on preliminary discussions with its bankers, the Company has provided for monthly principal repayments of $250,000.

The long-term debt is primarily secured by the hypothecation of 1,080,000 Inland common shares.

4. Pension plan

The Company has a contributory pension plan covering substantially all employees. Pension costs for current service are charged to earnings in the year incurred. The liability for past service is being funded based on actuarial advice over a five-year period. Actuarial reports are prepared every three years, the most recent report having been prepared as at December 31, 1982.

As at December 31, 1984, $1,029,000 of the actuarial estimate of the unfunded liability for past service as established at December 31, 1982, remains to be charged to earnings.

Total pension expense including past service costs was $893,000 for 1984 (1983 — $912,000).

5. Extraordinary items

	1984	1983
Reduction of current income taxes payable resulting from the application of losses carried forward	**$669**	$202
Costs related to the share exchange offer by Inland net of current income tax reduction of $357,000	**—**	(341)
Gain on sale of land and building, net of income taxes of $20,000	**—**	67
	$669	$ (72)

6. Variation in effective income tax rate

Consolidated income tax expense varies from the amount that would be computed by applying the Federal and British Columbia and Alberta Provincial statutory income tax rates to income before income taxes and extraordinary items as shown in the following table:

	1984		1983	
	Amount	**Rate**	Amount	Rate
Income before income taxes and extraordinary items	**$9,293**		$10,175	
Statutory corporate income taxes in the Provinces of British Columbia and Alberta	**$4,698**	**50.55%**	$ 5,230	51.40%
Decrease in income taxes resulting from:				
Non-taxable dividend income	**1,710**	**18.40**	929	9.13
Other, net	**172**	**1.85**	201	1.98
Actual consolidated corporate income taxes	**$2,816**	**30.30%**	$ 4,100	40.29%

7. Related party transactions

Included in income from investments are dividends received from Inland in the amount of $3,186,000. Included in accounts receivable at December 31, 1983 was a note receivable from Inland in the amount of $1,546,000 which was repaid during the year.

8. Segmented information

Substantially all of the Company's operations are comprised of the transportation of petroleum. At the present time the United States oil pipeline operations are not of significant size to be reportable as a geographic segment.

9. Comparative figures

Certain 1983 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1984.

Management's Responsibility

The accompanying consolidated financial statements and all other information contained in the Annual Report are the responsibility of management and have been approved by the Board of Directors of the Company. The consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Management has established and maintains appropriate systems of internal control, policies and procedures, which are designed to provide reasonable assurance that assets are safeguarded and that reliable financial records are maintained.

The Board of Directors has appointed an Audit Committee to review with management and the auditors the annual financial statements of the Company prior to submission to the Board of Directors for final approval.

Thorne Riddell, the auditors appointed by the shareholders, have reviewed the systems of internal control and examined the consolidated financial statements in accordance with generally accepted auditing standards to enable them to express an independent opinion on the financial statements. Their report is included below.

Auditors' Report

To the Shareholders of
Trans Mountain Pipe Line
Company Ltd.

We have examined the consolidated balance sheet of Trans Mountain Pipe Line Company Ltd. as at December 31, 1984 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

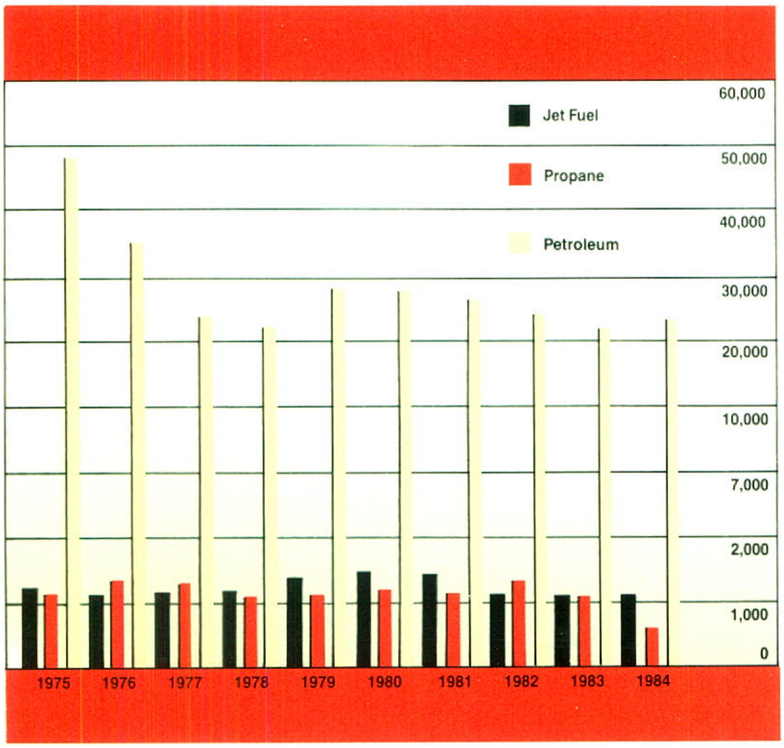
In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
February 1, 1985

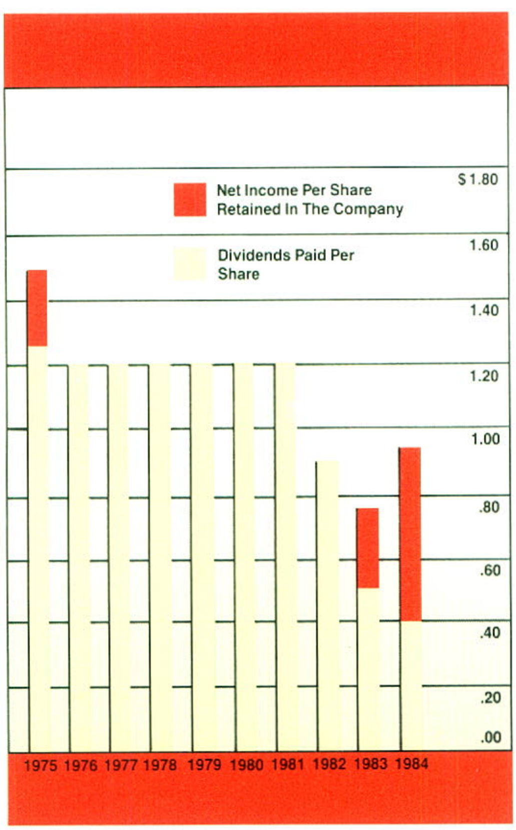
Thorne Riddell

Chartered
Accountants

Ten Year Summary



Deliveries
(cubic metres per day)



Net Income Retained and Dividends Per Share

Year Ended December 31

(thousands of dollars)

OPERATIONS

Revenue

Income before extraordinary items

Net income

Dividends

PER COMMON SHARE (7,580,640 shares)

Income before extraordinary items

Net income

Dividends

Dividend payout ratio (%)

ASSETS

Property, plant and equipment

Accumulated depreciation and amortization

Net plant

Net additions to property, plant and equipment

Long-term investments

Total assets

CAPITALIZATION

Long-term debt

Shareholders' equity

Return on average shareholders' equity (%)

CAPITALIZATION RATIOS

Long-term debt

Shareholders' equity (%)

DELIVERIES (cubic metres per day)

Petroleum

Propane

Jet fuel

Number of shareholders

Number of employees

*See note 2 to financial statements

1984	1983	1982	1981	1980	1979	1978	1977	1976	1975
$ 46,925	44,068	39,108	38,007	37,756	37,591	30,641	31,042	37,683	44,901
6,477	6,075	2,878	4,853	7,517	8,224	4,931	5,912	7,728	11,339
7,146	6,003	2,902	1,274	7,517	8,224	4,931	5,912	7,728	11,339
3,032	3,790	6.823	9,097	9,097	9,097	9,097	9,097	9,097	9,476
0.85	0.80	0.38	0.64	0.99	1.08	0.65	0.78	1.02	1.50
0.94	0.79	0.38	0.17	0.99	1.08	0.65	0.78	1.02	1.50
0.40	0.50	0.90	1.20	1.20	1.20	1.20	1.20	1.20	1.25
42	63	235	714	121	111	184	154	118	84
*164,113	171,048	169,569	167,560	165,616	165,474	165,896	165,438	164,944	164,363
122,920	132,317	139,290	133,524	127,753	122,544	116,696	110,412	105,005	99,821
41,193	38,731	30,279	34,036	37,863	42,930	49,200	55,026	59,939	64,542
*5,677	1,479	2,009	1,944	142	(422)	458	494	581	1,398
63,300	63,919	11,580	2,230	2,930	2,986	3,055	3,121	3,216	2,194
119,672	113,096	53,753	56,434	67,635	70,412	71,301	77,638	81,709	83,475
47,250	49,855	—	—	—	—	—	—	—	—
56,846	52,732	50,619	54,440	62,262	63,842	64,715	68,881	72,065	73,434
13.0	11.6	5.5	2.2	11.9	12.8	7.4	8.4	10.6	15.6
45.4	48.6	—	—	—	—	—	—	—	—
54.6	51.4	100	100	100	100	100	100	100	100
23,005	22,213	23,867	26,157	27,497	27,646	22,442	23,794	34,992	47,488
784	1,013	1,375	1,170	1,279	1,216	1,172	1,317	1,353	1,264
1,159	1,149	1,204	1,509	1,555	1,483	1,226	1,159	1,147	1,178
6,206	6,902	10,056	10,935	12,139	12,976	13,468	14,079	14,351	14,879
188	197	198	191	187	181	175	194	203	223

Corporate Information

Board of Directors

Robert G. Brodie
President, Cardiff Estates Limited

Ronald L. Cliff
Chairman of the Board, Trans Mountain Pipe Line Company Ltd., and Chairman of the Board, Inland Natural Gas Co. Ltd.

Roderick M. Hungerford
Consultant

J. Norman Hyland
Corporate Director

Robert E. Kadlec
President and Chief Executive Officer, Inland Natural Gas Co. Ltd.

Thomas G. Rust
Chairman, Crown Forest Industries Limited

Horace B. Simpson
Vice President, Okanagan Holdings Ltd.

Richard B. Stokes
President and Chief Executive Officer, Trans Mountain Pipe Line Company Ltd.

H. Richard Whittall
Vice Chairman, Richardson Greenshields of Canada Limited

All Directors reside in British Columbia.

Officers

Ronald L. Cliff
Chairman of the Board

Richard B. Stokes
President and Chief Executive Officer

D. Trevor Durrant
Assistant to the President

Ernest J. Lockwood
Vice President, Operations

Glenn A. Irving
Secretary and General Counsel

Michael J.G. Randall
Treasurer

Michael W.P. Boyle
Corporate Solicitor and Assistant Secretary

George F. Reeks
Comptroller and Assistant Treasurer

Executive Committee

R.L. Cliff
R.E. Kadlec
R.B. Stokes
H.R. Whittall

Audit Committee

R.G. Brodie
R.M. Hungerford
J.N. Hyland
R.E. Kadlec

Compensation Committee

R.L. Cliff
T.G. Rust
H.R. Whittall

Head Office

Suite 800 - 601 West Broadway,
Vancouver, British Columbia,
Canada V5Z 4C5

Transfer Agent & Registrar

The National Victoria & Grey Trust Company
Vancouver, Calgary, Edmonton, Winnipeg, Toronto and Montreal, Canada

Auditors

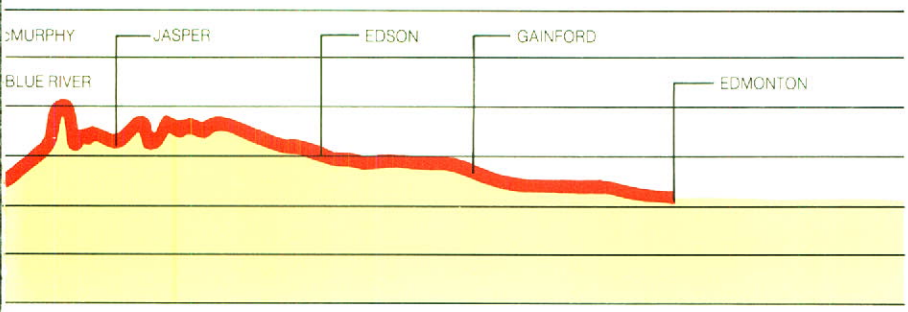
Thorne Riddell
Vancouver, British Columbia, Canada

Annual Meeting

The Annual Meeting of Shareholders will be held in the Social Suite of the Hotel Vancouver, in the City of Vancouver, British Columbia, Canada, on Wednesday, April 17, 1985 at 11:00 a.m. (local time).

Annual Report Distribution

We make an effort to eliminate duplications in our shareholders mailing list. However, if securities are registered in different names or addresses, multiple copies of our Annual Report and other material may be received. Those security holders receiving more than one copy of material may advise the Registrar that additional copies are not required. Parties interested in regular receipt of the Company's Annual Report, who are not shareholders, should contact the Company's Head Office directly.



Legend

EXISTING PIPELINE RIGHT-OF-WAY

TRANS MOUNTAIN PIPE LINE COMPANY LTD. 1145.9 KM.

TRANS MOUNTAIN OIL PIPE LINE CORPORATION 119 KM.

PUMP STATIONS & TERMINALS

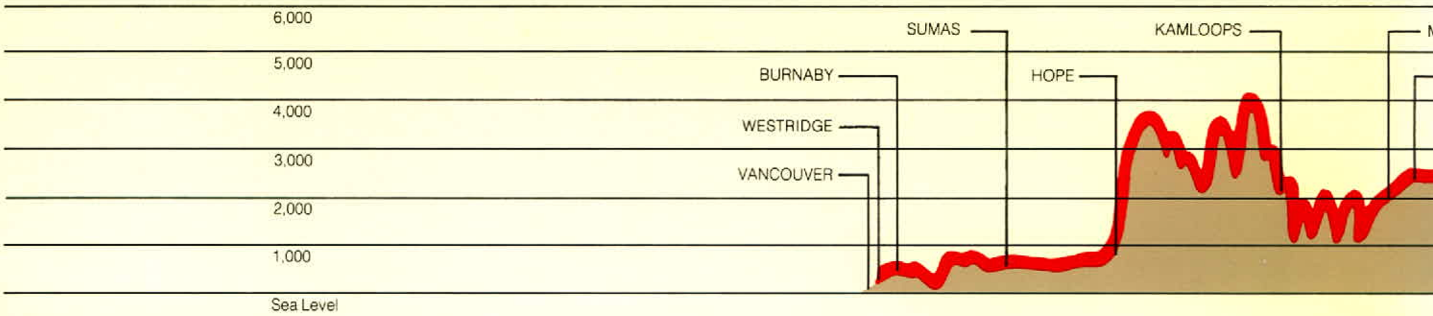
PIPELINE MAINTENANCE CREWS

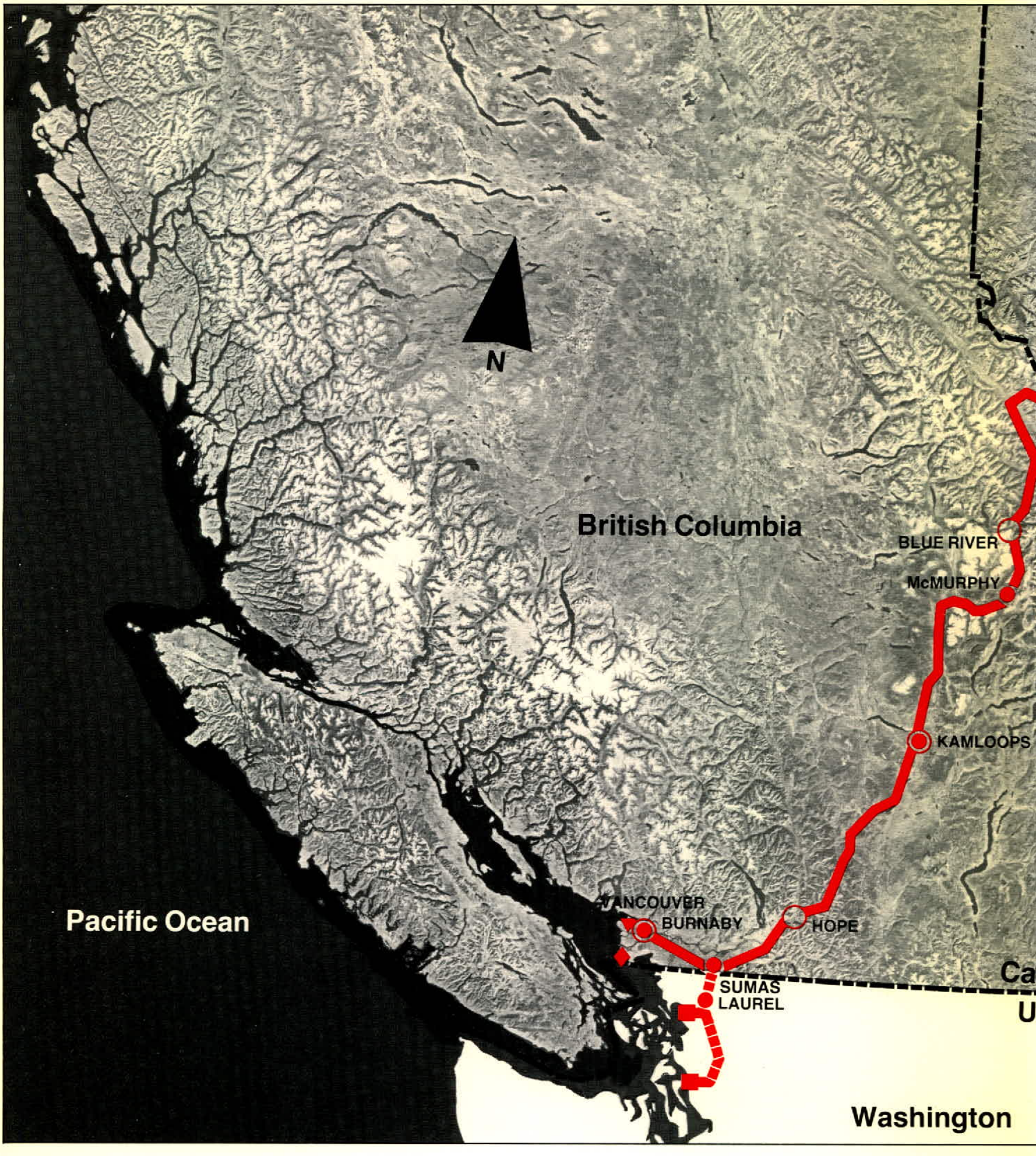
PORT FACILITIES

TRANS MOUNTAIN (WESTRIDGE)

ACCESSIBLE TERMINALS (FERNDALE, ANACORTES)

OTHER (ROBERTS BANK)


6,000
5,000
4,000
3,000
2,000
1,000
Sea Level
VANCOUVER
WESTRIDGE
BURNABY
SUMAS
HOPE
KAMLOOPS


N
British Columbia
Pacific Ocean
BLUE RIVER
McMURPHY
KAMLOOPS
HOPE
VANCOUVER
BURNABY
SUMAS
LAUREL
Washington

LITHO'D IN CANADA