



Directors

Richard E. Cross⁽³⁾
Counsel
Cross, Wrock, Miller & Vieson

A. E. Downing
Executive Vice President of the Company
President
Hiram Walker-Gooderham & Worts Limited

Charles T. Fisher, III
Chairman and President
National Bank of Detroit

Gordon C. Gray⁽¹⁾⁽²⁾
Chairman and Chief Executive Officer
A.E. LePage Limited

Richard F. Haskayne
Executive Vice President of the Company
President
Home Oil Company Limited

H. Clifford Hatch⁽¹⁾
Chairman, President and
Chief Executive Officer of the Company

H. Clifford Hatch, Jr.
Executive Vice President of the Company
Vice President
Hiram Walker-Gooderham & Worts Limited

Robert S. Hurlbut⁽²⁾
Chairman and President
General Foods, Inc.

Henry N.R. Jackman⁽⁴⁾
Chairman
The Empire Life Insurance Co.

Paul J.G. Kidd, Q.C.⁽⁴⁾
Corporate Director

Allen T. Lambert⁽¹⁾⁽⁴⁾
Corporate Director

Peter L.P. Macdonnell, Q.C.
Partner
Milner & Steer

Edmond G. Odette⁽²⁾
President
Eastern Construction Company Limited

Stanley G. Olson⁽¹⁾⁽³⁾
Corporate Director

John T. Sapienza
Partner
Covington & Burling

Robert C. Scrivener⁽³⁾
Corporate Director

Noah Torno⁽¹⁾⁽³⁾
Corporate Director

William P. Wilder⁽¹⁾⁽⁴⁾
Deputy Chairman of the Company

Member of:

1. Executive Committee
2. Audit Committee
3. Management Resources Committee
4. Pension Committee

Principal officers

H. Clifford Hatch, Chairman, President and
Chief Executive Officer

W.P. Wilder, Deputy Chairman

A.E. Downing, Executive Vice President

R.F. Haskayne, Executive Vice President

H. Clifford Hatch, Jr., Executive Vice
President

R.W. Martin, Executive Vice President

A.R. McCallum, Senior Vice President and
Chief Financial Officer

E.W.H. Tremain, Vice President and
Secretary

W.R. Fatt, Treasurer

J.B. Petrie, Corporate Comptroller

Index

Report to shareholders	2
Operating and financial review	4
Responsibility statement and auditors' report	16
Accounting policies	17
Consolidated financial statements	18
Notes to consolidated financial statements	22
Five year summary	37
Corporate information	40

Annual meeting

The Annual Meeting of Shareholders of Hiram Walker Resources Ltd. will be held in the Toronto Ballroom of The Westin Hotel, 145 Richmond Street West, Toronto, Ontario, on Wednesday, February 2, 1983, at 11:00 a.m.

The year in brief

Financial	1982	1981	1980
(Expressed in millions except shares and per share amounts)			
Operations			
Revenue	\$3,411.3	\$2,945.3	\$2,563.4
Operating income(1)	\$ 498.8	\$ 453.4	\$ 433.7
Net income (loss) applicable to common shares			
Before unusual item	\$ 98.9	\$ 222.3	\$ 217.9
Including unusual item	\$ (78.0)	\$ 222.3	\$ 217.9
Funds from operations	\$ 562.4	\$ 421.6	\$ 364.8
Capital expenditures	\$ 358.4	\$ 403.8	\$ 301.3
Common share data			
Weighted average number of shares outstanding (thousands)	69,217	68,881	68,465
Per common share			
Net income (loss)			
Before unusual item			
Basic	\$ 1.43	\$ 3.23	\$ 3.18
Fully diluted	\$ 1.43	\$ 3.02	\$ 3.01
Including unusual item			
Basic	\$ (1.13)	\$ 3.23	\$ 3.18
Fully diluted	\$ (1.13)	\$ 3.02	\$ 3.01
Funds from operations	\$ 8.12	\$ 6.12	\$ 5.33
Book value	\$ 17.19	\$ 19.72	\$ 17.88
Dividends	\$ 1.32	\$ 1.32	\$ 1.32
Financial position			
Total assets	\$4,963.6	\$4,918.2	\$3,610.7
Debt (including current portion)	\$2,130.8	\$2,172.0	\$1,192.6
Shareholders' equity	\$1,703.3	\$1,821.8	\$1,588.9

Operating

Distilled spirits

Gross revenue less excise taxes and import duties (millions)	\$ 1,084	\$ 1,068	\$ 1,008
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Natural resources

Crude oil and liquids production (barrels per day)	32,934	32,370	31,053
Natural gas sales (millions of cubic feet per day)	190.5	165.8	129.9

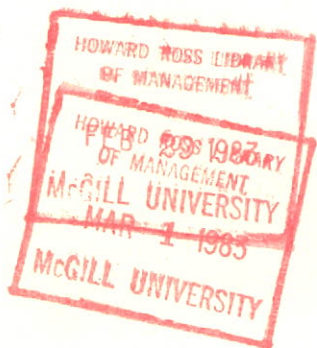
Gas utility

Volume of gas sold (billions of cubic feet)	308.8	296.9	286.1
Number of active customers	724,158	678,279	630,747

(1) Operating income represents income before interest, income taxes and other non-recurring revenues and expenses.

Corporate profile

Hiram Walker Resources Ltd. (the "Company") with assets of \$4.9 billion and revenue of \$3.4 billion, ranks among Canada's largest publicly-traded companies. The Company operates internationally in three main business areas: distilled spirits, natural resources, and gas distribution utility. The Company's common shares are listed on major Canadian stock exchanges and on the New York Stock Exchange. Application has been made to the federal government for a Canadian ownership rating of 88 per cent which, if approved, would qualify the Company for the highest level of petroleum incentives payable under The National Energy Program. Incorporated under the laws of the Province of Ontario, Canada, executive offices are maintained in Toronto, Ontario. The Company employs 11,020 people.





Members of the management committee: seated, left, H. Clifford Hatch, Chairman; W. P. Wilder, Deputy Chairman; standing, left to right, A. E. Downing, R. W. Martin and R. F. Haskayne, executive vice presidents.

The stability of Hiram Walker-Gooderham & Worts Limited and The Consumers' Gas Company Ltd., each long established and profitable leaders in their respective businesses of distilled spirits and natural gas distribution, protected the Company from the effects of the recession in 1982. In addition, these business segments provided the strength to help overcome difficulties being experienced by Home Oil Company Limited in the natural resource segment. The income contribution from the distilled spirits segment increased slightly over 1981, after excluding foreign currency translation gains and the non-recurring tax credit of \$37.0 million included in 1981 income. The combination of colder weather, additional customers and a higher allowable rate of return, significantly increased the income contribution from the gas utility.

Financial

Though gross revenue increased to \$3.4 billion in 1982 from \$2.9 billion in 1981, net income applicable to common shares, before an unusual item, decreased to \$98.9 million, or \$1.43 per share, in 1982, from \$222.3 million, or \$3.23 per share, in 1981. Including the unusual item, which is a provision for impairment of the United

States natural resource properties, the loss applicable to common shares for the year was \$78.0 million or \$1.13 per common share. Net income includes foreign currency translation gains of \$9.6 million in 1982 versus \$24.5 million in 1981.

In February of 1982 and in subsequent reports to shareholders, the Company discussed the necessity to reduce the carrying value of its United States resource properties, due principally to downward revisions in both oil and gas price forecasts and reserve volumes. Upon completion in the fourth quarter of the analysis of the engineering, accounting and income tax considerations relevant to this adjustment, net income was reduced by \$177.0 million, on an after tax basis, while the carrying value of the properties was reduced by \$276.1 million.

Also in the fourth quarter, the exploratory prospect in Guyana was revalued following the suspension of drilling activities. As a result, operating income was reduced by the amount of the expenditures incurred to date. The full value of the prospect will only be determined by additional exploration and to this end joint venture partners are being sought.

Neither the United States impairment nor the Guyana revaluation affected the Company's funds from operations. In 1982 funds from operations increased to \$562.4 million, or \$8.12 per common share, from the \$421.6 million, or \$6.12 per common share, achieved a year earlier.

Dividends of \$1.32 per common share continued in 1982.

The Directors recognize the necessity to improve the return on assets in the natural resource segment, and to reduce the Company's heavy debt load, most of which was incurred to finance expansion in this portion of the business. A reduced level of capital expenditures in 1983 will provide management with a degree of flexibility in debt reduction.

A number of significant steps were initiated during 1982 to improve the performance of the natural resource segment.

The appointment of a new president of Home Oil was accompanied by a strengthening of its management team. Capital expenditures in 1983 are being reduced, principally in the United States and abroad, and efforts will concentrate on those projects most likely to yield early

cash flows. Participation in areas of high potential, however, such as the Beaufort Sea, enhanced by government grants which reduce exploration costs, is being emphasized. Spending internationally will be directed mainly to Australia and Indonesia where production is expected to begin in 1983 and 1984, respectively.

At the corporate level, a management committee was established to assist in monitoring the performance of each of the three business segments. The committee comprises the Chairman, Deputy Chairman, and the presidents of the three operating companies.

In July of 1982, measures were announced to respond to the federal government's wage and price restraint program. The payroll level for all senior salaried employees was frozen for the balance of the 1982 fiscal year and will not exceed a six per cent increase in 1983.

Outlook

With these steps being taken, 1983 will be a year of consolidation which will place Hiram Walker Resources in a favorable position to become more aggressive and profitable in future years.

The distilled spirits segment, with the completion of a major modernization program, will be able to take full advantage of an economic upturn. In the years ahead, steady and continued progress is expected from leading brands such as Canadian Club Whisky, Ballantine's Scotch Whisky, Kahlua Liqueur and Courvoisier Cognac. Encouraging results are being achieved by two recent acquisitions, Maker's Mark Distillery, a Kentucky based distiller of sour mash bourbon whiskey, and Callaway Vineyard & Winery, a California winery. These acquisitions provide an entry into two premium brand categories in the important United States market.

Consumers' serves the large central Canadian market with abundant and secure supplies of domestic natural gas. Though the rapid rate of customer growth experienced in recent years slowed in 1982, continuing government incentives to convert to natural gas, coupled with an economic upturn, should ensure a growing customer base. The public sale during 1982 of approximately 10 per cent of Consumers' common shares enhances the utility's financing flexibility.

Some of the adverse aspects of Canadian energy policy were modified in 1982. The improvements will not restore industry profitability to pre-National Energy Program levels but are welcome steps in the right direction. In 1983, Home Oil will benefit

from increased gas sales through the "pre-build" section of the Alaska Highway Gas Pipeline Project. Further exports of gas to the United States, if approved by regulatory authorities, would also benefit Home. In addition, continuing exploration programs in traditional areas, coupled with greater exposure in the frontiers of Canada such as the Beaufort Sea, create the opportunity to participate in significant hydrocarbon discoveries.

In summary, net income for 1983 should improve over 1982, but is not expected to equal the level achieved in 1981.

✓ New dividend plan

The dividend plan introduced in late 1981 has proved to be very popular with shareholders. Holders of nine percent of the Company's outstanding common shares are now participating. The Company is expanding the attractiveness of the plan in a number of ways, including the introduction of a stock purchase program. Details of the revised plan are contained in a separate document, The Stock Dividend, Dividend Reinvestment and Stock Purchase Plan, which accompanies this report. Shareholders should familiarize themselves with this document to determine if personal tax planning or investment goals may be furthered.

The Board records with deep sorrow the deaths during the year of Senator Harry William Hays and Arthur Ross Poyntz, former Directors, each of whom contributed substantially over many years to the success of the organization.

An expression of thanks is extended to all employees for their dedication and untiring efforts. The hard work and excellence of the people who form such an important part of the Company make management's responsibilities easier and more rewarding.

On behalf of the Board of Directors:

H. Clifford Hatch
Chairman

W. P. Wilder
Deputy Chairman

November 17, 1982

Operating and financial review



Distilled Spirits

Principal manufacturing locations

- ① Walkerville, Ontario
- ② Kelowna, British Columbia
- ③ Burlingame, California
- ④ Fort Smith, Arkansas
- ⑤ Scotland
- ⑥ France
- ⑦ Mexico
- ⑧ Argentina

Natural Resources

Oil and gas exploratory land holdings

- ⑨ Canada
- ⑩ United States
- ⑪ Australia
- ⑫ Guyana
- ⑬ Philippines
- ⑭ Indonesia
- ⑮ United Kingdom
- ⑯ Netherlands

Gas Utility

Principal franchise areas

- ⑰ central and eastern Ontario
- ⑱ western Quebec
- ⑲ northern New York State

Operating review

DISTILLED SPIRITS

The world-wide economic recession, coupled with pressures from governments seeking increased revenues, created a poor marketing climate for the distilled spirits industry in 1982. As a result, industry sales volumes did not increase. The Company experienced a decline in sales volumes during the year, but remains well positioned to take advantage of an economic upturn.

Financial highlights: distilled spirits
millions of dollars

	1982	1981	1980
Operating revenue	\$1,435.8	\$1,434.9	\$1,417.2
Operating income	\$ 274.8	\$ 263.1	\$ 250.9
Funds from operations	\$ 222.2	\$ 211.5	\$ 198.0
Assets	\$1,569.3	\$1,540.3	\$1,440.0
Capital expenditures	\$ 52.7	\$ 84.9	\$ 51.5

Principal brands

In the important North American market, sales of Canadian Club were lower, reflecting a general decline in the sales of higher priced premium Canadian whiskies. Canadian Club continues to enjoy an excellent overall market share but adverse economic conditions have reduced the size of the market in which Canadian Club is positioned. When the economic turnaround occurs, it is expected that Canadian Club sales will resume their previous growth trend.

Kahlua retail sales in the United States remained at 1981 levels. Kahlua continues to be one of the top selling imported liqueurs in this important market. In Canada, consumer acceptance of Kahlua over the past few years has accelerated it to the position of the leading imported liqueur, and sales were substantially ahead of last year.

Ballantine's exhibited strength in most markets despite poor economic conditions. Sales in 1982 were up substantially over the prior year, primarily as a result of continuing demand in European markets. Ballantine's is an exceptionally well performing Scotch whisky brand in international markets where it is the number one selling Scotch in Italy, West Germany, Greece, Holland and Brazil. The brand is a strong second in France and Canada.

Key international markets for cognac were adversely affected by economic conditions and, as a result, sales of Courvoisier were lower. Shipments to some markets suffered as distributors lowered inventories. In North America, Courvoisier sales were about even with last year.

Sales of domestic cordials in the United States increased in 1982, one of the few industry categories to do so. Hiram Walker domestic cordials, including such favorites as Peppermint Schnapps, Amaretto & Cognac, and Blackberry Brandy, remain the largest selling line in this market category. During the year, three new flavors, Cinnamon Schnapps, Spearmint Schnapps and Cranberry Cordial were added to this product line.

Acquisitions

As part of a marketing strategy to focus on premium products in growing market categories, the Company acquired two new brands in the United States.

The purchase of Callaway Vineyard & Winery, a producer of premium California wines, was completed in late 1981. Callaway produces a highly acclaimed line of wines, primarily white, and has the potential for substantial volume growth. An expansion program to double capacity is now underway in order to meet the anticipated sales growth.

The Company also acquired Maker's Mark Distillery of Loretto, Kentucky, in December of 1981. Maker's Mark, a premium sour mash bourbon whiskey, is part of a profitable and growing market category. The brand has enjoyed strong sales growth in recent years, particularly in the Kentucky, Tennessee and Indiana markets where demand accounted for virtually all of the available supply. An expansion of the distilling facilities, now underway, coupled with the Company's national marketing capability, will enhance the brand's performance.

Excise taxes

The Company and other distillers vigorously opposed attempts in the United States during the year to double the federal excise tax on distilled spirits. No provision for an increase was included in the

approved federal budget for 1983 but future attempts to increase the tax appear likely. Though the federal excise tax has not increased since 1951, state taxes on distilled spirits have increased substantially during this period to the point where combined federal and state taxes now represent about 47 per cent of the average retail selling price. The Company will continue to oppose the excise tax increase through the industry association of which it is a member.

In Canada, the federal government introduced a system in April of 1981 under which the excise tax on distilled spirits is indexed to the alcoholic beverage component of the Consumer Price Index. Since provincial liquor boards include the excise tax as part of the cost base for calculating their markups, price increases to the consumer become self perpetuating. A price increase at the provincial level causes the alcoholic beverage component of the Consumer Price Index to rise and this, in turn, automatically triggers another excise tax increase. Since the introduction of the new federal system, the excise tax has increased by 29 per cent. Combined federal taxes and provincial markups now represent about 81 per cent of the average retail selling price. Opposition will be maintained as the new system seriously hurts distilled spirits sales in Canada and in the process ultimately will reduce government revenue.

Operations

In May of 1982, a new cordial blending and bottling plant officially opened at Fort Smith, Arkansas. This modern facility incorporates the use of the latest materials handling and process technology and is designed with sufficient capacity to satisfy forecast needs until the 1990's.

In Scotland, the new multi-million dollar bottling facilities at Kilmalid, near Dumbarton, are expected to be in operation in early 1983. They will provide modern, efficient facilities adequate to meet requirements for the next decade at the lowest possible unit cost.

The completion of the Dumbarton facilities will mark the end of a major capital spending program that will provide the Company with modern and efficient plant and distribution systems to serve all its principal markets.

NATURAL RESOURCES

As outlined in the Report to Shareholders on pages 2 and 3, significant steps were taken in 1982 to improve the return on assets in the natural resource segment of the business.

Financial highlights: natural resources

millions of dollars

	1982	1981	1980*
Operating revenue	\$ 476.4	\$ 349.4	\$ 231.3
Operating income	\$ 41.7	\$ 82.9	\$ 92.1
Funds from operations	\$ 225.7	\$ 149.2	\$ 112.5
Assets	\$1,893.8	\$2,076.3	\$1,100.4
Capital expenditures	\$ 207.9	\$ 222.8	\$ 146.1

*See note 3, page 22

Total capital expenditures in the segment will be reduced in 1983. The greatest portion of the reduction will be in the United States. During 1983, the Company will phase out its liquefied petroleum gas marketing operations which are generating insufficient returns.

Capital expenditures will also be reduced internationally, except for Australia and Indonesia. Production is expected to commence in Australia in 1983 and in Indonesia in 1984.

Capital expenditures in Canada will increase modestly. In 1982, the federal government moderated some adverse aspects of The National Energy Program ("NEP"), and the provincial governments of Alberta and Saskatchewan reduced royalties and offered a variety of other drilling and production incentives. Efforts will be concentrated in the western provinces and the frontiers. Frontier ventures, such as participation in the Beaufort Sea and Mackenzie Delta program, create the potential for the discovery of large accumulations of hydrocarbons. Such programs also permit the Company to take advantage of its high Canadian ownership rate, thereby qualifying for the highest available exploration incentive grants payable by the federal government. Projects which are not expected to be economic in the near term, such as in-situ recovery of heavy oil, and mining, will be curtailed.

Drilling

Reflecting reduced industry activity as the result of the NEP, the Company participated in the drilling of 245

Working interest wells

	Canada		United States		Other		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory								
Oil	8	2.98	4	1.16	1	1.00	13	5.14
Gas	3	2.34	5	2.14			8	4.48
Dry	8	2.75	23	11.28	6	1.00	37	15.03
	19	8.07	32	14.58	7	2.00	58	24.65
Development								
Oil	30	14.03	30	7.30	2	0.55	62	21.88
Gas	38	7.58	39	7.72			77	15.30
Dry	16	8.07	32	7.85			48	15.92
	84	29.68	101	22.87	2	0.55	187	53.10
Total	103	37.75	133	37.45	9	2.55	245	77.75

Gross refers to the number of wells in which an interest is held; net is the aggregate of the amounts for each gross well multiplied by the percentage of the working interest held.

exploratory and development wells during 1982, 20 per cent fewer than the previous year. The 1982 drilling program resulted in 75 oil and 85 gas wells. The table above details the 1982 drilling record.

The 79 successful exploratory and development wells drilled in Canada included one significant oil and three significant gas wells. A 16.67 per cent interest is held in the oil well which is located in the Shekelie area of Alberta and flowed at the rate of 673 barrels per day. The three gas discoveries, in which various interests are held, were made in the Harmattan, Pembina and Edson areas of Alberta.

In the Fort St. John area of British Columbia, the Company has an approximate 50 per cent interest in nine development oil wells which are expected to produce a total of 600 barrels per day. Most of this production qualifies for the highest oil price under the NEP.

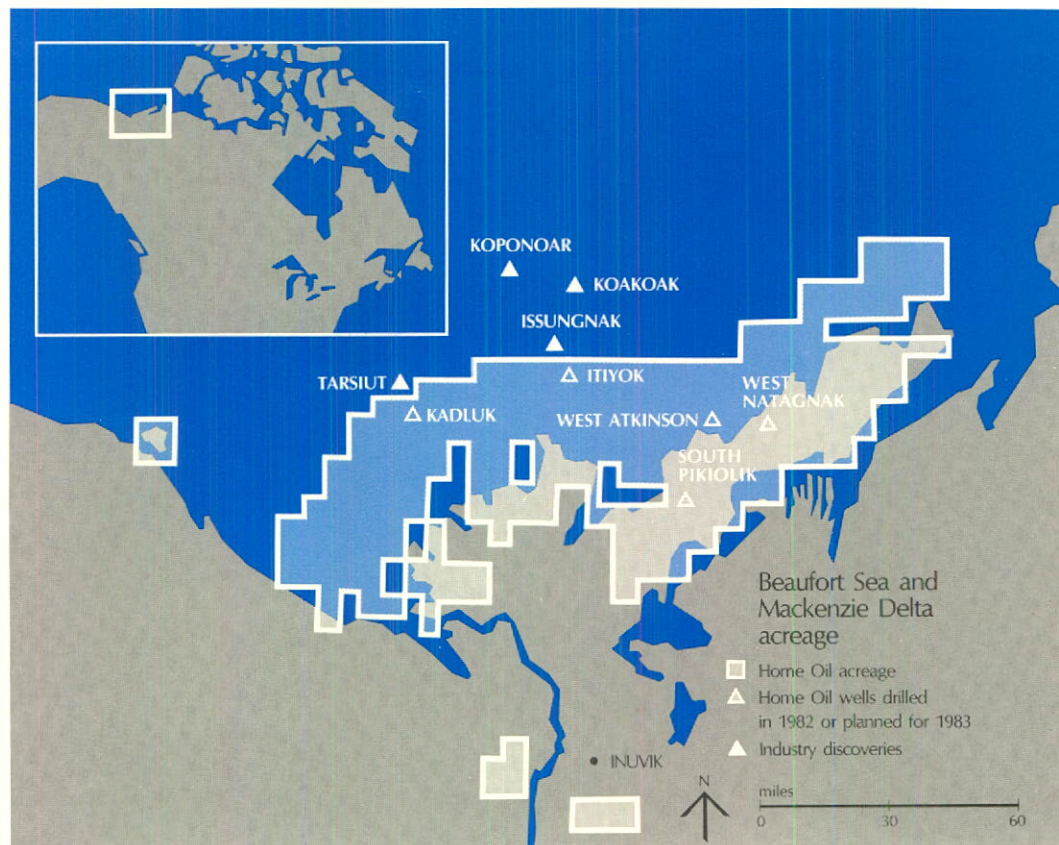
Further evaluation is required to determine the significance of the oil discovery at West Atkinson, the Company's first well in the Beaufort Sea program, which flowed at the rate of 1,072 barrels per day. The location of the West Atkinson well is shown in the map on page 8. Also shown are two additional offshore wells, Itiyok and Kadluk, and two onshore wells, West Natagnak and South Pikiolik, all of which are planned to be drilled in 1983. Under the program, the Company can earn an approximate 12.5 per cent interest in the 4.4 million net acres of exploratory land

held by Esso Resources Canada Limited. To earn this interest, the Company will participate in a five-year exploratory program involving the drilling of 23 onshore and offshore wells, 10 of which are optional. The Company's share of the costs, net of petroleum incentive payments and income taxes, is expected to total about \$20 million. In addition to the Company, which will act as operator, a number of other companies are also participating in the program.

In the Arctic Islands, Panarctic Oils Ltd. commenced a four well drilling program on the Sabine Peninsula of Melville Island. The Company is participating through a 4.7 per cent interest in Panarctic and a 2.7 per cent working interest in about 760,000 acres on which the drilling is taking place.

In the United States, Home participated in 78 successful exploratory and development wells. The most significant discovery was the Whitetail Federal #1 well in Wyoming now producing at the rate of about 720 barrels per day. A 25 per cent interest is held in this well. In the Calumet field of Oklahoma, three additional oil wells were placed on production.

Two additional development wells were drilled in the Blina field on Permit EP-129 in Western Australia where production is expected to commence in late 1983 at the rate of 800 barrels of oil per day. Before production begins, the Company must relinquish a significant portion of its interest to satisfy Australian ownership



regulations. The Company discovered the Blina field in 1981 and holds a 27.5 per cent interest in the 700,000 acre permit. During the year, the Company completed the first of three additional exploratory wells on EP-129. The first well, Aquanita, located nine miles west of the Blina discovery, was dry. The other two wells are expected to be completed by the end of calendar 1982. Also in Australia, a seismic and drilling program will be conducted in 1983 on permit ATP-299 in the Cooper Basin of Queensland where a 10 per cent interest can be earned in 1.8 million acres. A well will be drilled on permit WA-117P offshore Western Australia. A 25 per cent interest is held in the 4.7 million acre permit.

Three wells were drilled offshore Indonesia in the Malacca Strait to delineate the Lalang and Mengkapan oilfields in which a 1.95 per cent interest is held. Production from the Lalang field is expected to start in 1984 at the rate of 20,000 barrels per day.

Two exploratory wells were drilled in the Takutu Basin of Guyana, where a 72 per cent interest is held in 1.7 million acres. One of the wells tested light gravity oil at the rate of 416 barrels per day, but

subsequent production tests failed to sustain the rate and operations were suspended. Joint venture partners are being sought to continue exploration.

Production

Production of crude oil and natural gas liquids during 1982 averaged 32,934 barrels per day, before royalties, compared with 32,370 barrels per day in 1981. Canadian oil production decreased largely as a result of lower demand and historical production declines in mature fields, offset partially by improved production from the West Eagle field of British Columbia. In the United States, oil production increased to an average 6,255 barrels per day in 1982 from the 4,462 barrels per day in 1981. The successful in-fill drilling programs in the Powder River Basin of Wyoming and inclusion of production from the Atchafalaya Bay, Louisiana, discovery well of late 1981, contributed to the increase.

Production of natural gas in 1982 increased to an average of 190.5 million cubic feet per day, before royalties, compared with 165.8 million cubic feet per day a year earlier, largely as a result of increased production in the United States where shut in wells were connected to markets.

Production summary

	1982	1981
Crude oil and liquids (barrels per day)		
Canada	26,664	27,908
United States	6,255	4,462
Other	15	
Total	32,934	32,370
Natural gas (millions of cubic feet per day)		
Canada	108.3	106.5
United States	82.2	59.3
Total	190.5	165.8
Sulphur (long tons)	63,888	71,100

Efforts are being made to find new markets for shut in Canadian gas reserves. The Company's gas sales through the eastern leg of the "pre-build" section of the Alaska Highway Gas Pipeline Project are expected to increase significantly in 1983. Over 70 per cent of these additional sales will be from reserves previously shut in.

At Swan Hills in central Alberta, the Company's largest oil field, work continued on a program to improve operating efficiency by centralizing the battery facilities. The Company, which has a 17.2 per cent interest in the field, and acts as operator, continued studies on a tertiary recovery scheme to increase production. The additional incentives for such recovery schemes announced in late 1982 by the Alberta government improved the economics of this project.

Reserves

At year end, total proved reserves of crude oil and natural gas liquids were 118 million barrels before royalties, 13 million barrels or about 10 per cent less than a year earlier. Proved reserves of natural gas were 1,041 billion cubic feet, 67 billion cubic feet or about six per cent less than in 1981.

These declines resulted principally from the reserve revisions in the United States, and production in excess of new reserve additions, revisions and adjustments.

As the result of reduced royalties in Canada, the Company's proved reserves, after the deduction of royalties, increased from 1981 to 1982 as tabulated in note 17 of the Notes to Consolidated Financial Statements on page 33.

Proved reserves are the estimated quantities which geological and

engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under the economic and operating conditions prevailing at year end. The proved reserves were determined by company engineers with the assistance of independent reservoir engineering consultants.

Mining

Due to depressed world coal markets, planning activities associated with two coal projects were suspended during the year. Though the near term opportunities for coal are limited, the two properties, one in the Blairmore area of Alberta and the other in the Elk River area of British Columbia, contain substantial quantities of high grade thermal and metallurgical coal and still hold long term potential.

Land holdings acres

	Gross	Net
Canada		
Alberta	5,030,095	1,610,885
Arctic Islands	5,761,389	359,977
British Columbia	1,666,517	369,699
East coast offshore	2,010,081	150,756
Newfoundland	5,579,886	279,570
Saskatchewan	867,496	756,138
Other	7,483,090	435,050
	28,398,554	3,962,075
United States		
Alaska	106,512	105,528
Arizona	170,964	170,964
Montana	925,526	532,589
North Dakota	504,104	218,994
Texas	190,009	74,049
Wyoming	1,150,022	382,545
Other	947,944	383,458
	3,995,081	1,868,127
International		
Australia	8,508,229	1,661,984
Guyana	1,710,080	1,231,258
Indonesia	3,930,880	76,652
Philippines	2,036,149	276,240
Other	452,502	41,335
Total	49,031,475	9,117,671

The silver and gold mine in Nevada remained closed during the year. Production from the mine was suspended in May of 1981, following the sharp decline in the price of silver and gold, and consideration is being given to the sale of the mine.

GAS UTILITY

Total volumes of gas sold in 1982 increased four per cent to 308.8 billion cubic feet, largely as a result of slightly colder than normal weather and an increase in the number of customers.

Financial highlights: gas utility

millions of dollars

	1982	1981	1980
Operating revenue	\$1,422.6	\$1,093.9	\$ 859.0
Operating income	\$ 182.2	\$ 107.4	\$ 90.7
Funds from operations	\$ 117.3	\$ 60.9	\$ 54.3
Assets	\$1,500.5	\$1,301.6	\$1,070.2
Capital expenditures	\$ 97.8	\$ 96.1	\$ 103.7

Due to the recession, the rapid rate of customer growth experienced in recent years slowed somewhat in 1982, particularly during the latter half of the year. Nevertheless, 45,879 new customers during the year brought the total number of customers served to 724,158.

Sales in major market sectors are set forth both by volume and revenue in the following tables.

Gas sales

millions of cubic feet

	1982	1981	1980
Residential	87,949	81,121	73,756
Commercial	115,598	109,205	101,663
Industrial	104,817	106,148	105,077
Thermal generation	466	387	5,560
Total	308,830	296,861	286,056

Sales revenue

thousands of dollars

	1982	1981	1980
Residential	\$ 478,574	\$ 342,618	\$261,112
Commercial	484,897	370,601	283,408
Industrial	414,930	342,399	269,015
Thermal generation	1,896	1,214	14,412
Total	\$1,380,297	\$1,056,832	\$827,947

The 8.4 per cent increase in sales volume in the residential sector was due largely to the colder weather and the greater number of customers. Conversions from oil to gas decreased to 25,107 from the record 31,412 achieved in 1981 but remain high compared with yearly averages of 5,000 or less during the 1970's. Customer additions from new housing starts were 14,646, compared with 19,553 in 1981, reflecting

the low level of housing starts. Sales increased modestly in the commercial sector, but declined slightly in the industrial sector where the depressed economy reduced demand. Customer conservation efforts continued to impact on demand for natural gas.

Sales of natural gas benefited from those provisions of the NEP which are designed to encourage conversions from oil to natural gas.

Under the existing pricing agreements of the NEP, the wholesale price of natural gas is set at approximately 65 per cent of the price of crude oil in Toronto, thereby creating an incentive for customers to convert to gas. At year end, the wholesale price of gas was approximately 68 per cent of the price of crude oil.

Three programs also encourage customers to convert to gas. The Canada Oil Substitution Program, and the Industrial Conversion Assistance Program, provide grants to homeowners, industries and others to convert from oil to gas or other fuels. The third program, The Distribution System Expansion Program, provides grants to utilities to expand their distribution networks to areas that could not otherwise be economically served with gas.

A full line of gas and other appliances are merchandised through retail stores in the Company's service areas. Merchandising revenue declined to \$11.4 million in 1982 from the \$13.0 million achieved the previous year, largely as a result of the recession.

Supply

The recognition of natural gas as one of Canada's most valuable energy assets is due largely to the existence of abundant and secure supplies.

Substantially all of the Company's natural gas requirements are purchased under long term contracts with TransCanada Pipelines Limited which, in turn, secures its supplies from large reserves in western Canada, principally in Alberta.

Although TransCanada supplied 96.6 per cent of total supply needs in 1982, purchases from Ontario producers, and production from company-owned reserves, located mainly in Lake Erie, supplemented requirements. Production from the Company's 144 wells reached 25 million cubic feet per day in 1982, accounting for 2.2 per cent of total supply needs.



Pricing

The cost of purchasing natural gas has escalated rapidly in recent years, due to regularly scheduled price increases under the NEP and the federal/provincial government pricing agreements. At year end, the cost to the Company for its gas purchases in Toronto was \$3.32 per thousand cubic feet, up 27.2 per cent from a year ago.

The price the Company pays for its natural gas includes two special charges imposed by the federal government. The Natural Gas and Gas Liquids Tax, which is levied on all domestic sales of natural gas, remained constant at 67 cents per thousand cubic feet in 1982. The Canadian Ownership Special Tax, imposed by the federal government to help Petro-Canada or other government agencies purchase foreign controlled oil companies, also remained constant at 15 cents per thousand cubic feet in 1982. Together, these federal excise taxes collected from customers amounted to \$225.8 million in 1982.

Active customers

	1982	1981	1980
Residential	654,260	611,823	568,984
Commercial	63,381	60,041	55,590
Industrial and other	6,517	6,415	6,173
Total	724,158	678,279	630,747

Regulation

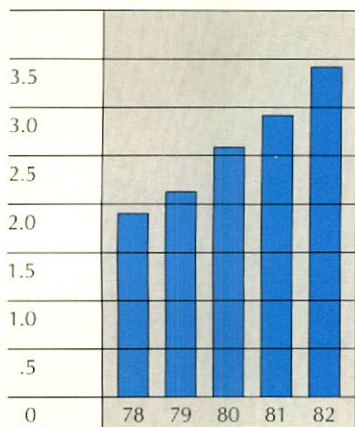
The rates charged its customers in Ontario

result from hearings before the Ontario Energy Board ("Board") which establishes the utility's rate base and a fair rate of return on this investment. In a decision dated January 27, 1982, the Board determined that the allowable rate of return on the rate base should be 13.0594 per cent, including a return to the common shareholder of 16.25 per cent. By applying the allowable return to the average net investment in Ontario utility assets, estimated to be \$1.1 billion for the year ended September 30, 1982, the Board found that, despite the interim relief of \$50.9 million granted on October 1, 1981, the Company was entitled to an additional increase in its revenues of \$26.7 million.

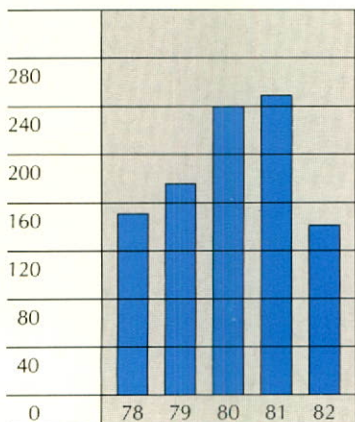
In March of 1982 testimony was filed seeking increased revenue of \$83.7 million for higher operating costs, caused mainly by inflation, and increased capital costs. A request was also made to include deferred taxes in rates. At the start of the rate hearings in August, the Company changed its application to reflect the federal government's call for wage and price restraint. The request to recover deferred taxes was withdrawn and this move, coupled with other changes, reduced the revenue deficiency claim to approximately \$46.0 million. A decision is expected prior to January of 1983 at which time the Board will then deal with the allocation of the revenue increase granted and rate design matters.

Financial review

Revenue
billions of dollars



Income before unusual item
millions of dollars



The following financial review discusses the results of operations and financial position of the Company for the three year period ended September 30, 1982. Comments contained in this section should be read in conjunction with the Consolidated Financial Statements and related notes, Supplementary Information, and the Five Year Financial and Operating Review.

Results of operations

In 1982, the loss applicable to common shares was \$78.0 million, while 1981 net income applicable to common shares was \$223.3 million. The 1982 results included a provision for impairment of United States natural resource properties amounting to \$177.0 million and a foreign currency translation gain of \$9.6 million. The 1981 results included a non-recurring tax benefit amounting to \$37.0 million related to United Kingdom stock appreciation relief and a foreign currency translation gain of \$24.5 million. After adjusting for these items, net income applicable to common shares would have been \$89.3 million in 1982 compared with \$160.7 million in 1981. This decline of \$71.4 million occurred primarily in the natural resource segment with the impact of a full year's operations of the United States properties acquired from Davis Oil Company in March of 1981 and the related financing costs, and the \$32.2 million charge to operating income in 1982 of all exploration expenditures incurred in Guyana. As well, there was an increase in preference share dividends due to two preference share issues for an aggregate of \$150 million in September and October of 1981. The unfavorable effect of these factors, however, was mitigated by significantly higher earnings of the gas utility segment.

In 1981, net income applicable to common shares, after the adjustments noted above, was \$160.7 million compared with \$223.1 million in 1980. This decline was principally due to the effects of The National Energy Program ("NEP") in Canada, enacted during 1981, reduced mining income because of lower prices and ore grades, higher interest rates, and the impact of the acquisition of United States oil and natural gas properties.

The following tables set forth the operating revenue and operating income by business segment for the three year period ended September 30, 1982.

Operating revenue
millions of dollars

	1982	1981	1980
Distilled spirits	\$1,435.8	\$1,434.9	\$1,417.2
Natural resources	476.4	349.4	231.3
Gas utility	1,422.6	1,093.9	859.0
Total	\$3,334.8	\$2,878.2	\$2,507.5

Operating income
millions of dollars

	1982	1981	1980
Distilled spirits	\$ 274.8	\$ 263.1	\$ 250.9
Natural resources	41.8	82.9	92.1
Gas utility	182.2	107.4	90.7
Total	\$ 498.8	\$ 453.4	\$ 433.7

Note: Operating income represents income before interest, income taxes and other non-recurring revenues and expenses.

Distilled spirits

In 1982, revenue increases generated by higher selling prices were offset by reduced sales volumes and lower foreign currency translation rates applied to the sales of European subsidiaries. Lower operating expenses, due principally to lower exchange rates for translating European operations, resulted in a slight increase in operating income.

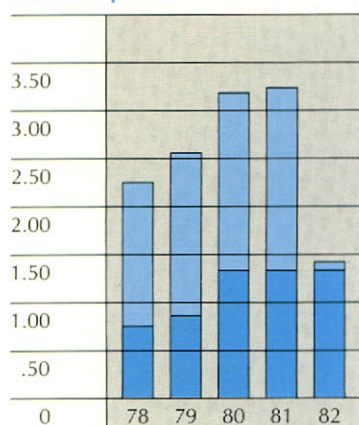
During 1980 and 1981, revenue and operating income in the segment increased modestly, mainly as a result of higher selling prices for principal brands, offset in part by increased operating expenses reflecting inflationary pressures, and higher foreign currency translation rates for European operations. A reduction in sales volumes affected 1981 results as well.

Natural resources

To provide a more meaningful comparison of the results of the natural resources segment, the 1980 operating revenue and operating income figures have been restated in the following table to reflect a full year's operations of Home Oil. (see note 2 of the Notes to the Consolidated Financial Statements)

In Canada, revenue increased during the three year period primarily because of higher prices for crude oil and natural gas in each of the years, and to a lesser extent by reductions in Crown royalty rates. However, during this period, the production of crude oil continued to decline while the production of natural gas remained relatively unchanged.

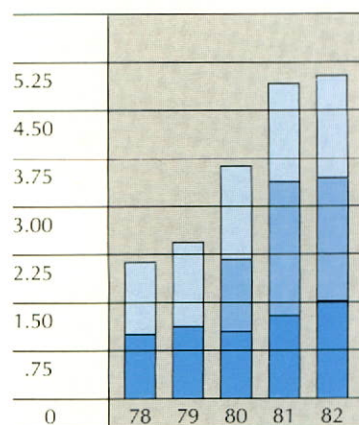
Net income before unusual item and dividends per common share



Basic net income
Dividends

Identifiable assets

billions of dollars



Distilled spirits
Natural resources
Gas utility

Operating revenue/income

millions of dollars

	1982	1981	1980
Operating revenue			
Canada	\$256.3	\$212.1	\$199.3
United States	\$220.1	\$137.3	\$110.0
Operating income (loss)			
Canada	\$ 77.9	\$ 98.1	\$ 99.5
United States	\$ (36.1)	\$ (15.2)	\$ 24.9

Despite higher operating revenue, operating income decreased through the same period. The adverse impact of additional resource taxes under the NEP in both 1981 and 1982 and the \$32.2 million charge to income in 1982 of all expenditures incurred in Guyana more than offset the revenue gains.

In the United States, revenue increased significantly in 1982 as a result of the full year's operations of the oil and gas properties acquired in 1981, offset in part by reduced mining revenues due to the closure of the silver and gold mine.

The operating loss increased significantly in 1982, however, as a result of the combined adverse effect of depressed oil prices, higher than anticipated costs, as well as the effect of a full year's depletion of a larger investment in natural resource properties.

In 1981, both revenue and operating results were affected by the mid-year acquisition of producing oil and gas properties. While revenue increased over 1980 levels, operating income declined as a result of higher operating expenses.

Gas utility

In the gas utility segment, revenue increased during the three year period to \$1,422.6 million in 1982, from \$859.1 million in 1980, primarily due to rate increases granted by the Ontario Energy Board to cover both increases in the costs of natural gas purchased and operating costs. In 1982, the Natural Gas and Gas Liquids Tax, and the Canadian Ownership Special Tax, levied under the NEP, accounted for 50 per cent of the increase in gas costs and amounted to \$225.8 million. In 1982 and 1981, sales volumes increased over 1980 levels due mainly to the colder weather and an increase in the number of customers, offset somewhat by continuing customer conservation.

Operating income increased in both 1981 and 1982 primarily due to rate increases

outlined above. However, operating income decreased in 1980 as a result of higher operating costs which were not recovered on a timely basis in the regulatory process.

Interest

Interest expense increased significantly to \$298.1 million in 1982 from \$117.9 million in 1980. The increase in interest expense in 1982 primarily reflected a full year's impact of the 1981 acquisition of natural resource properties, as well as the issue of additional debt by the utility to finance its growing asset base.

Income taxes

Income taxes increased to \$135.7 million in 1982 from \$98.7 million in 1981, after excluding the special credit of \$37.0 million in 1981 relating to stock appreciation relief as described in note 13 of the Notes to the Consolidated Financial Statements. The increase reflects higher effective tax rates, resulting primarily from the unfavorable impact of foreign currency translation rates in the distilled spirits segment, and increased earnings and the application in 1981 of previous years' tax losses in the gas utility segment. The increase was offset in part by losses incurred in the United States natural resource segment.

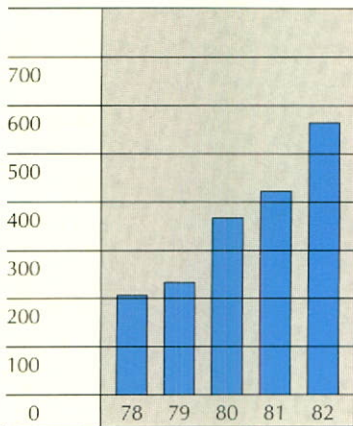
Income taxes declined from \$130.9 million in 1980 to \$98.7 million in 1981. This decrease was primarily the result of losses in the United States natural resource segment, lower effective tax rates in foreign jurisdictions and the application of investment tax credits. The decrease was offset in part by higher income taxes on the Canadian natural resource segment arising from the NEP.

Foreign currency translation

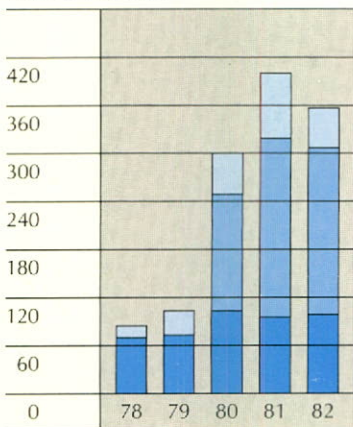
The foreign currency translation gain in 1982 of \$9.6 million arose principally from a modest decrease in the value of the French franc and the increase in the value of the United States dollar relative to the Canadian dollar.

The gain in 1981 of \$24.5 million arose from significant changes in the value of the United States dollar, the French franc and the United Kingdom pound sterling relative to the Canadian dollar. The loss in 1980 of \$5.2 million principally reflected the translation of a \$30 million United States debenture, due in December of 1980, at

Funds from operations
millions of dollars

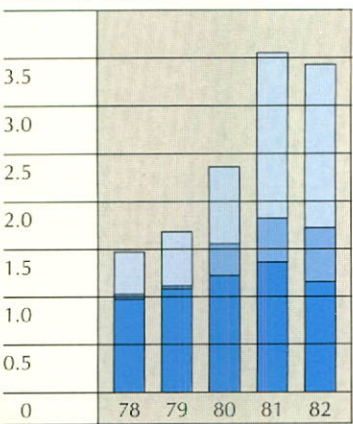


Capital expenditures
millions of dollars



■ Distilled spirits
■ Natural resources
■ Gas utility

Capital structure
billions of dollars



■ Long term debt
■ Preference shares
■ Common shareholders' equity

current rates which were much higher than historical rates.

During 1983, the Company expects to adopt the anticipated new accounting treatment for foreign currency translation as recommended by the Canadian Institute of Chartered Accountants.

Provision for impairment of United States natural resource properties

In 1982, the Company recorded, as a charge against income, a provision for impairment of \$177.0 million after deducting income tax relief of \$99.1 million. Accordingly, the carrying value of the United States oil and gas assets was reduced by \$276.1 million. This provision is described in more detail in note 6 of the Notes to the Consolidated Financial Statements.

Inflation

Inflation continued to have a significant impact on operations. However, the Company's financial statements are based on historical costs and do not reflect the full impact of inflation and changing prices. Although historical cost provides a basic measure of financial results, the matching of current revenues with the amortization of the original cost of assets generally overstates earnings during periods of high inflation.

In recognition of this deficiency in historical cost financial statements, the Canadian Institute of Chartered Accountants, after issuing two exposure drafts, approved its recommendations regarding "Reporting The Effects of Changing Prices". These disclosure requirements are effective for fiscal periods commencing January 1, 1983. While supporting the efforts being made to develop inflation accounting disclosures in principle, the Company has concerns regarding the appropriateness of the recommended disclosures as they apply to specialized industries. In its response to the draft proposals, the Company recommended that regulated utilities should be exempt from the proposed current cost disclosure requirements. Oil and gas enterprises should also be exempt from the disclosure requirements except for those supplementary disclosures related to reserve quantities, and exploration costs.

In the distilled spirits business, inflation has affected operating costs and expenses in all areas. However, selling prices have been

adjusted to maintain profit margins and the Company will, competitive conditions permitting, continue to take similar action in the future.

In the Canadian natural resource business, petroleum and natural gas prices are set by federal and provincial governments and while prices have been increasing steadily in recent years, they remain substantially below world price at the producer level. At the same time, operating and capital costs have escalated rapidly.

The main portion of the gas utility business is regulated by the Ontario Energy Board and the impact of inflation on operating costs is reflected in the regulatory process. This enables the Company to react to inflation and price on a timely basis.

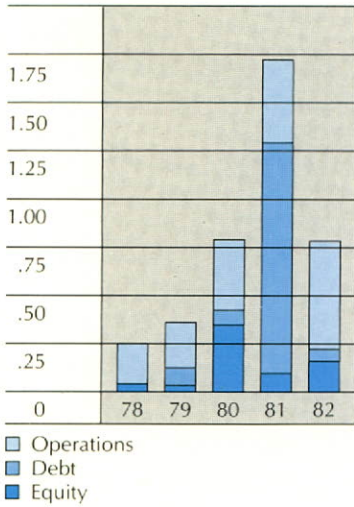
Financial position

The Company substantially expanded its asset base during 1980 and 1981. The growth in assets over the three year period was financed by funds generated from operations of \$1,348.7 million, as well as by the issuance of \$150.0 million of preference shares and \$1,354.2 million of long term debt. Since a large percentage of the related investment was financed by debt, the long term debt to equity ratio increased to 1:1 in 1982 from 0.5:1 in 1980.

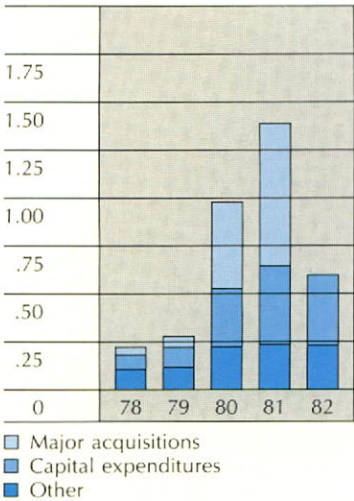
Funds generated from operations increased to \$562.4 million in 1982 from \$364.8 million in 1980 as a result of improved margins in the gas utility segment and the investment in the United States natural resource properties. In 1982, the recovery of United States income taxes paid in prior years, resulting from the application of the operating losses in the United States natural resource segment, contributed to the increase in funds from operations.

The additions to property, plant and equipment increased to \$358.4 million in 1982 from \$301.3 million in 1980, reflecting the development of the United States natural resource properties and international exploration in Australia and Guyana. Major capital projects in the distilled spirits segment consisted of a blending and bottling facility at Fort Smith, Arkansas, completed in 1981, and a bottling facility at Dumbarton, Scotland, which will be operational in early 1983. Capital expenditures in the gas utility segment increased modestly.

Source of funds
billions of dollars



Use of funds
billions of dollars



A decrease in the level of capital expenditures is planned for 1983. A significant reduction in the level of natural resource activity in the United States and internationally is planned as expenditures are concentrated in those areas where earlier returns can be realized. Expenditures in the distilled spirits segment will decrease. In the gas utility segment, expenditures will increase modestly.

In 1982, the gas utility issued three million common shares to the public, representing approximately 10 per cent of the total shares outstanding. This successful sale enhances the utility's financing flexibility. Also, additional preference shares and long term debt were issued during the year as part of its effort to finance independently its continuing growth. This will continue in the future as capital requirements are determined.

It is anticipated that funds from operations of the distilled spirits and natural resource segments in 1983 will be more than sufficient to fund both planned capital expenditures and dividend requirements.

Any excess funds, together with additional amounts available from the continuing rationalization of investments in the natural resource segment, will provide flexibility in debt reduction.

It is expected that the cash requirements of the parent company, which are primarily dividend payments to its shareholders, will be satisfied from dividends paid from earnings of the operating subsidiaries. The payment of dividends to the parent company by one of its principal subsidiaries, Walker-Home Oil Ltd., is subject to certain restrictions described in note 16 (a) of the Notes to the Consolidated Financial Statements. These restrictions, at September 30, 1982, limit transfer of funds to the parent company to future consolidated net income of that subsidiary plus \$79.0 million.

Outlook

Management's discussion of the outlook for the Company is incorporated in the Report to Shareholders on pages 2 and 3 of this report.

Statement of responsibility and auditors' report

Management's responsibility for financial statements

The accompanying consolidated financial statements of the Company were prepared by management in accordance with accounting principles generally accepted in Canada, applied on a consistent basis. The significant accounting policies, which management believes are appropriate for the Company, are described in the accompanying Summary of Significant Accounting Policies. The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. In the preparation of these statements, estimates are sometimes necessary when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Management believes such estimates are based on careful judgements and have been properly reflected in the accompanying consolidated financial statements. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board, which is composed of directors who are not employees of the Company. The committee meets periodically with management, the internal auditors and the external auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements.

The external auditors conduct an independent examination in accordance with generally accepted auditing standards and express their opinion on the financial statements. Their examination includes a review and evaluation of the Company's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and the maintenance of proper standards of conduct of its activities.

H. Clifford Hatch
Chairman

A. R. McCallum
Senior Vice President and
Chief Financial Officer

Auditors' report

To the Shareholders of Hiram Walker Resources Ltd.

We have examined the consolidated balance sheets of Hiram Walker Resources Ltd. as at September 30, 1982 and 1981 and the consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended September 30, 1982. 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 Company as at September 30, 1982 and 1981 and the results of its operations and the changes in its financial position for each of the three years in the period ended September 30, 1982 in accordance with generally accepted accounting principles in Canada applied on a consistent basis.

Toronto, Canada
November 17, 1982

Price Waterhouse
Chartered Accountants

Summary of significant accounting policies

Hiram Walker Resources Ltd.

The Company's accounting policies, which conform with accounting principles generally accepted in Canada, are summarized below:

Inventories

Inventories are stated at amounts not exceeding manufactured or purchased cost. They include substantial quantities of whiskies and cognac which will remain in storage over a period of years, but are classified as current assets in accordance with the general practice of the distilling industry.

Investments

Investments in joint venture companies and companies over which the Company exercises significant influence are accounted for on the equity method. Other investments are stated at cost.

Property, plant and equipment

Property, plant and equipment is stated at cost. Normal retirements of assets are recorded by relieving the asset account for the cost of the asset and charging this amount, net of any proceeds, to accumulated depreciation or depletion. Upon retirement or sale of major items of property, the asset accounts are relieved of the cost of such property together with accumulated depreciation or depletion. The difference between the depreciated value of such major items and the proceeds, if any, is included in income.

Maintenance and repair expenditures are charged to cost of production or other expense accounts. Costs of improvements which increase the service capacity or prolong the service life of the asset are capitalized.

Interest is capitalized on costs of acquiring and evaluating individually significant unproved properties and major development projects during the period of exploration and development and on costs incurred during construction of major additions to property, plant and equipment.

Depreciable property, plant and equipment (except for certain

petroleum production equipment) is depreciated on a straight line basis at rates varying from 2.5% to 8.0% for buildings, 1.6% to 7.5% for utility plant and 1.9% to 25.0% for other equipment. Production equipment used in petroleum operations is depreciated using the unit of production method.

The Company follows the full cost method of accounting for oil and gas operations whereby all exploration and development costs are capitalized and charged against income as set out below. Capitalized costs include land acquisition costs, geological and geophysical costs, lease rentals and related charges applicable to non-producing property, costs of drilling both productive and non-productive wells and overhead charges related to exploration and development activities. Such costs are generally limited to the future net revenues from estimated production of proved reserves at current prices and costs and the estimated fair market value of unproved properties. A separate cost centre is established for each country in which the Company is engaged in exploration or production activities. Such costs are depleted using the unit of production method based upon estimated proved reserves, as determined by independent and company petroleum engineers. Natural gas reserves and production are converted to equivalent barrels of crude oil based on the relative energy content. Costs of acquiring and evaluating significant unproved properties and costs of major development projects are excluded from the computation of depletion until such time as additional reserves are proved, the project is complete or an impairment in value has occurred.

Substantially all resource related activities are conducted jointly with others and accordingly these financial statements reflect only the Company's proportionate interest.

Foreign currency translation

The accounts of foreign subsidiaries and transactions of the Company denominated in foreign currencies are

translated into Canadian dollars on the following basis:

Current assets, except maturing distilled spirits inventories, and current liabilities are translated using the exchange rates at the dates of the balance sheets. Maturing distilled spirits inventories and other assets and liabilities are translated at the rates in effect at the time the original transaction took place. Revenue and expense items (excluding matured distilled spirits inventories charged to cost of sales, depreciation and depletion, all of which are translated at the rate of exchange applicable to the related asset) are translated using the average rates of exchange throughout the period. Translation gains and losses are included in income.

Pension plans

The Company has various pension plans covering a majority of its employees. The plans, certain of which require contributions by participating employees, provide pension benefits at normal retirement age. Unamortized prior years' service costs for these plans are being funded and charged to operations over periods varying from 15 to 30 years.

Consolidated statement of income – note 2

Hiram Walker Resources Ltd.

	Year ended September 30		
	1982	1981	1980
	(Expressed in thousands except per share amounts)		
Revenue			
Distilled spirits	\$1,435,764	\$1,434,952	\$1,417,175
Natural resources	476,436	349,386	231,279
Gas utility	1,422,561	1,093,862	859,054
Other	76,534	67,134	55,941
	3,411,295	2,945,334	2,563,449
Costs and expenses			
Costs of sales and operations			
Distilled spirits	812,143	810,817	847,195
Natural resources	160,408	129,913	82,915
Gas utility	1,136,176	898,083	695,600
Selling and general	433,747	420,038	362,041
Depletion and depreciation	293,517	165,962	86,050
Interest on long term debt (note 6)	229,152	131,882	66,588
Other interest	68,981	92,873	51,319
	3,134,124	2,649,568	2,191,708
Income before income taxes and undernoted items	277,171	295,766	371,741
Income taxes (note 13)	135,681	61,656	130,922
Income before undernoted items	141,490	234,110	240,819
Foreign currency translation gain (loss)	9,645	24,540	(5,195)
Minority interest	(8,925)	(8,589)	(6,012)
Equity in earnings of Home Oil Company Limited			9,910
Income before unusual item	142,210	250,061	239,522
Provision for impairment – United States natural resource properties (net of deferred income taxes of \$99,106,000) (note 6)	(176,985)		
Net income (loss)	\$ (34,775)	\$ 250,061	\$ 239,522
Dividends on preference shares	\$ 43,271	\$ 27,752	\$ 21,597
Net income (loss) applicable to common shares			
Before unusual item	\$ 98,939	\$ 222,309	\$ 217,925
Including unusual item	\$ (78,046)	\$ 222,309	\$ 217,925
Net income (loss) per common share			
Before unusual item			
Basic	\$ 1.43	\$ 3.23	\$ 3.18
Fully diluted	\$ 1.43	\$ 3.02	\$ 3.01
Including unusual item			
Basic	\$ (1.13)	\$ 3.23	\$ 3.18
Fully diluted	\$ (1.13)	\$ 3.02	\$ 3.01
Weighted average number of common shares outstanding	69,217	68,881	68,465

Consolidated balance sheet – note 2

Hiram Walker Resources Ltd.

	September 30	
	1982	1981
	(Expressed in thousands)	
Assets		
Current assets		
Cash and short term investments	\$ 202,090	\$ 111,562
Income taxes recoverable	73,250	38,191
Accounts receivable	524,165	443,760
Inventories (note 4)	1,196,407	1,137,393
Prepaid expenses	40,951	51,627
	2,036,863	1,782,533
Investments (note 5)	134,423	130,204
Property, plant and equipment (note 6)	2,742,737	2,952,406
Other assets and deferred charges	49,529	53,095
	\$4,963,552	\$4,918,238
Liabilities and shareholders' equity		
Current liabilities		
Loans and notes payable (note 7)	\$ 382,519	\$ 418,631
Income and other taxes	148,542	96,194
Accounts payable and accruals	382,852	356,338
Dividends payable	34,175	29,772
Current portion of long term debt	25,932	15,736
	974,020	916,671
Deferred production revenue	25,804	18,962
Long term debt (note 8)	1,722,320	1,737,634
Deferred income taxes (note 13)	308,959	287,565
Minority interest	90,186	42,543
Preference shares of subsidiary companies (note 9)	138,945	93,092
Commitments, contingencies and subsequent events (note 16)		
Shareholders' equity		
Capital stock (notes 10 and 11)		
Preference shares	508,497	459,471
Common shares	165,088	157,979
Retained earnings	1,032,194	1,206,338
	1,705,779	1,823,788
Deduct common shares held by Trustees at cost (note 11)	2,461	2,017
	1,703,318	1,821,771
	\$4,963,552	\$4,918,238

Approved by the Board:

H. Clifford Hatch, Director

Gordon C. Gray, Director

Consolidated statement of changes in financial position – note 2

Hiram Walker Resources Ltd.

	Year ended September 30		
	1982	1981	1980
	(Expressed in thousands)		
Funds were obtained from			
Operations			
Income before unusual item	\$ 142,210	\$ 250,061	\$ 239,522
Charges (credits) not affecting funds			
Depletion and depreciation	293,517	165,962	86,050
Deferred income taxes	120,713	(1,175)	40,399
Minority interest	8,925	8,589	6,012
Other	(2,997)	(1,845)	(7,228)
	562,368	421,592	364,755
Funds were used for			
Dividends	134,718	118,655	111,853
Reduction in long term debt	97,234	123,005	102,225
	231,952	241,660	214,078
Funds remaining for investment	330,416	179,932	150,677
Investment			
Acquisition of United States natural resource properties		736,987	
Acquisition of Home Oil Company Limited			438,688
Property, plant and equipment	358,413	403,798	301,316
Increase in other items, net	6,585	2,592	17,307
	364,998	1,143,377	757,311
Deficiency of funds before financing	34,582	963,445	606,634
Financing			
Issue of long term debt on acquisition of United States natural resource properties		758,834	
Issue of other long term debt	83,428	430,810	81,123
Issue of preference and common shares of subsidiary company	92,000		
Issue of preference and common shares	56,135	104,730	347,018
	231,563	1,294,374	428,141
Increase (decrease) in funds	\$ 196,981	\$ 330,929	\$ (178,493)
Changes in funds			
Cash and short term investments	\$ 90,528	\$ 25,413	\$ (10,868)
Income taxes recoverable	35,059	38,191	
Accounts receivable	80,405	90,479	77,537
Inventories	59,014	159,152	142,394
Prepaid expenses	(10,676)	17,009	10,068
Loans and notes payable	36,112	31,491	(215,192)
Income and other taxes	(52,348)	(51,183)	8,070
Accounts payable and accruals	(26,514)	(34,969)	(107,702)
Dividends payable	(4,403)	(30)	(22,221)
Current portion of long term debt	(10,196)	55,376	(60,579)
Increase (decrease) in funds	\$ 196,981	\$ 330,929	\$ (178,493)

Consolidated statement of retained earnings – note 2

Hiram Walker Resources Ltd.

	Year ended September 30		
	1982	1981	1980
	(Expressed in thousands)		
Balance at beginning of year	\$1,206,338	\$1,079,975	\$ 957,536
Net income (loss)	(34,775)	250,061	239,522
Other	333	130	110
	1,171,896	1,330,166	1,197,168
Deduct			
Dividends			
Preference shares	43,271	27,752	21,597
Common shares	91,447	90,903	90,256
Share issue expenses, net of income taxes	4,984	5,173	5,340
	139,702	123,828	117,193
Balance at end of year	\$1,032,194	\$1,206,338	\$1,079,975

Notes to consolidated financial statements

Hiram Walker Resources Ltd.

(Tabular amounts expressed in thousands except shares and per share amounts)

1. Accounting policies The Summary of Significant Accounting Policies on page 17 forms an integral part of these financial statements.

2. Basis of financial statement presentation Pursuant to an Arrangement, which became effective June 1, 1981, Hiram Walker Resources Ltd. (the Company), previously a subsidiary of Hiram Walker-Consumers Home Ltd. (renamed The Consumers' Gas Company Ltd.), became the parent of Consumers' by acquiring all of its common and convertible preference shares and options thereon for similar shares and options of the Company.

None of the Group 1 Preference Shares, which are non-voting and non-convertible, and none of the debt securities of The Consumers' Gas Company Ltd. were exchanged for securities of the Company.

As part of this reorganization, the Company acquired all of the shares of Walker-Home Oil Ltd. (previously a subsidiary of Consumers') which owns all the shares of Hiram Walker-Gooderham & Worts Limited and Home Oil Company Limited.

These financial statements have been prepared as though the Arrangement has been in effect since October 1, 1979.

These financial statements consolidate the accounts of Walker-Home Oil Ltd. reflecting its investments on the following basis:

a) the accounts of Hiram Walker-Gooderham & Worts Limited are consolidated under the pooling of interests method of accounting;

b) the investment in Home Oil Company Limited is accounted for on the equity method of accounting to December 31, 1979; and

c) the accounts of Home Oil Company Limited are consolidated from January 1, 1980, under the purchase method of accounting.

These financial statements consolidate the accounts of The Consumers' Gas Company Ltd. on the pooling of interests method of accounting.

3. Home Oil Company Limited Effective December 31, 1979, Home Oil Company Limited became a wholly-owned subsidiary when the remaining shares, not already owned, were acquired. The acquisition has been accounted for as a purchase.

The net assets acquired and consideration given as at December 31, 1979, are summarized below:

Total assets	\$ 999,583
Less:	
Total liabilities	372,502
Minority interest	8,192
	618,889
Net assets acquired prior to December 31, 1979	210,220
Net assets acquired as at December 31, 1979	\$ 408,669
Consideration	
Cash	\$ 65,177
7½% Convertible Voting Preference Shares, par value \$25.00 (13,739,667 shares)	343,492
	\$ 408,669

Had Home been wholly-owned since October 1, 1979, the Company's results of operations for the year ended September 30, 1980 would have been as follows:

	(Unaudited)
Revenue	\$2,648,452
Net income	\$ 250,656
Basic net income per common share	\$ 3.25

4. Inventories

	September 30	
	1982	1981
Finished goods	\$ 119,107	\$ 123,040
Natural gas in storage	307,094	254,897
Maturing whiskies and cognac	631,894	625,400
Raw materials and supplies	138,312	134,056
	\$1,196,407	\$1,137,393

5. Investments

	September 30	
	1982	1981
Investments accounted for on the equity method	\$ 54,424	\$ 44,936
Other investments - at cost	79,999	85,268
	\$ 134,423	\$ 130,204

Other investments include \$51,000,000 representing approximately a 12% interest in the Bacardi group of companies.

6. Property, plant and equipment

	September 30					
	1982			1981		
	Cost	Accumulated depreciation and depletion	Net	Cost	Accumulated depreciation and depletion	Net
Business segments						
Distilled spirits	\$ 535,839	\$ 219,023	\$ 316,816	\$ 489,163	\$202,444	\$ 286,719
Natural resources	2,185,478	653,682	1,531,796	1,979,518	147,365	1,832,153
Gas utility	1,133,768	239,643	894,125	1,044,058	210,524	833,534
	\$3,855,085	\$1,112,348	\$2,742,737	\$3,512,739	\$560,333	\$2,952,406

The Company determined that the combined effect of depressed oil prices, higher than anticipated costs, and the results of independent reserve studies relating to its United States natural resource properties necessitated a reduction of the carrying value of such properties.

In light of the unusual nature of these circumstances, the Company believed that a refinement of its stated accounting policy, regarding capitalized cost limitations, was appropriate. To reflect more accurately the economic realities of this event, the impairment was computed under conditions existing at the year end and was based on the aggregate of the present value of estimated future net revenues, discounted at 10 per cent, from estimated proved reserves under current production profiles at current prices plus the estimated fair market value of unproved properties.

Accordingly, the carrying value of the United States oil and gas assets was reduced by \$276,091,000. A provision for impairment of \$176,985,000 (net of deferred income tax relief of \$99,106,000) was recorded as a charge against income.

The amount of income tax relief has been limited to deferred income taxes accumulated in respect of the Company's United States operations. Had there been no such limitation, the amount of income tax relief would have been increased by \$27,900,000.

The cost of acquiring and evaluating significant unproved properties and costs of major development projects at September 30, 1982 and 1981, which were \$189,837,000 and \$449,457,000, respectively, are excluded from the amounts being depleted, as described in the Summary of Significant Accounting Policies on page 17. The recovery of such investment in future periods is dependent on successful exploitation of the properties.

During 1981, the Company acquired certain proved and unproved petroleum and natural gas properties located in the United States for a consideration of \$736,987,000. Based on reports by company petroleum engineers, \$303,740,000 of the cost of these properties was allocated to the unproved category, which was excluded from capitalized costs being depleted. As a result of the impairment in 1982 outlined above, \$219,850,000 of these unproved properties were transferred to the capitalized costs being depleted, leaving \$83,890,000 in the unproved category. These remaining properties are currently under various stages of exploration and development, and it is anticipated that the cost of all significant unproved properties will be included in the depletion computation by September 30, 1986.

Interest capitalized during the years ended September 30, 1982 and 1981, amounted to \$4,944,000 and \$11,033,000, respectively. Interest capitalized prior to October 1, 1980, was not significant.

7. Loans and notes payable

	September 30	
	1982	1981
Bank loans	\$ 140,572	\$ 224,168
Commercial paper	240,977	189,265
Other	970	5,198
	\$ 382,519	\$ 418,631

The Company has unused lines of credit at September 30, 1982 and 1981, of \$778,708,000 and \$791,387,000, respectively.

8. Long term debt

	Weighted average interest rate	Maturity	September 30	
			1982	1981
Canadian dollars				
Secured				
Bonds(5)(6)	9.57	1983-1996	\$ 181,376	\$ 185,788
Bonds(1)	10.71	1983-1986	6,625	9,125
Revolving bank term loan(2)	(2)	1992	7,450	66,350
Unsecured				
Debentures(5)	12.81	1984-1999	362,421	309,733
Debentures	13.37	1986-1998	194,217	195,311
Other			263	420
United States dollars				
Secured				
Bonds(5)(6)	6.70	1985-1993	23,758	24,568
Unsecured				
Revolving bank credit agreement	(3)	1985	245,672	551,264
Debentures	15.36	1984-1989	285,884	84,639
Other			28,122	24,352
British pounds				
Unsecured				
Debentures	14.25	1986	67,009	67,009
Notes	14.50	1986	22,916	22,916
Revolving credit facility	(4)	1985	108,120	109,306
Bank loans	12.15	1982-1988	43,300	44,657
Swiss francs				
Unsecured				
Notes	12.87(7)	1986-1988	170,709	57,475
Other			410	457
			1,748,252	1,753,370
Less amounts due within one year			25,932	15,736
			\$1,722,320	\$1,737,634

(1) Secured by mortgages on various producing properties and by term deposits.

(2) Secured by accounts receivable, inventory and certain oil and gas properties. The rate of interest is based on Canadian prime commercial lending rates. The weighted average interest rate was 18.77% during 1982 and the interest rate at September 30, 1982, was 15.0%.

(3) The rate of interest under this facility is based upon rates prevailing from time to time in the United States and/or the London inter-bank offered rate ("Libor"). The weighted average interest rate was 15.82% during 1982 and 11.77% at September 30, 1982.

(4) The rate of interest under this facility is a variable rate based upon Libor. The weighted average interest rate was 15.42% during 1982 and 14.21% at September 30, 1982.

(5) The Company is obligated to ensure that all amounts due on the First Mortgage Sinking Fund Bonds and Sinking Fund Debentures of a subsidiary are paid to holders of these securities. The Company's obligation to the holders of these First Mortgage Sinking Fund Bonds is secured by the shares of Walker-Home Oil Ltd.

(6) The First Mortgage Sinking Fund Bonds rank pari passu and are secured by a first fixed and specific mortgage, pledge and charge on assets.

(7) The rate of interest on certain of these notes includes the cost of hedge contracts.

The estimated amounts of long term debt maturities and sinking fund requirements for each of the five years subsequent to September 30, 1982, are: **1983**, \$25,932,000; **1984**, \$45,682,000; **1985**, \$373,725,000; **1986**, \$293,129,000; **1987**, \$156,471,000.

Long term debt payable in foreign currency, if converted into Canadian dollars on the basis of the exchange rates prevailing at September 30, 1982, would increase by \$1,214,000.

9. Preference shares
of subsidiary
companies

	September 30	
	1982	1981
Group 1 Redeemable Preference Shares, par value \$100 each, comprising 5½% Cumulative Preference Shares Series A and Series B and 5% Cumulative Preference Shares Series C (1)	\$ 11,745	\$12,292
Group 2 Redeemable Preference Shares, par value \$25 each, comprising 13½% Cumulative, Retractable Preference Shares Series A	50,000	
Cumulative Redeemable First Preference Shares, without nominal or par value (2)	42,000	44,000
Cumulative Redeemable Second Preference Shares, without nominal or par value (3)	35,200	36,800
	\$138,945	\$93,092

(1) The Company is obligated to ensure that all amounts due on these Group 1 Preference Shares are paid to holders of these securities. (see note 2, page 22)

(2) Dividends are payable at an annual rate of one-half of the published Canadian prime lending rate plus 1.25%. Annual redemption requirements are \$6,000,000 to 1985 and \$8,000,000 to 1988.

(3) Dividends are payable at an annual rate of one-half of the published Canadian prime lending rate plus 1%. Annual redemption requirements are \$1,600,000 in 1983, \$4,800,000 to 1986 and \$6,400,000 to 1989.

10. Capital stock

Preference shares
Authorized (issuable in series)
Class A - 10,000,000 shares of \$25.00 each
Class B - 10,000,000 shares of \$25.00 each
Class C - 19,924,605 shares of \$20.00 each
Class D - 49,998,116 shares of \$25.00 each

	September 30			
	1982		1981	
Outstanding	Shares	Amount	Shares	Amount
Class A 14.16% cumulative, first series, retractable at \$25.00 per share on September 30, 1984 or September 1, 1989, redeemable at varying premiums reducing from \$1.00 commencing October 1, 1986	2,000,000	\$ 50,000		
Class B 9½% cumulative, first series, convertible into common shares at \$31.50 per share up to September 30, 1988, redeemable at \$25.00 per share after September 30, 1984	4,000,000	100,000	4,000,000	\$100,000
Class C 9% cumulative, first series, convertible into common shares at \$15.00 per share up to November 1, 1984, redeemable at varying premiums reducing from \$1.00	567,848	11,357	618,088	12,362
Class D 7½% cumulative, voting, first series, convertible into common shares at \$28.00 per share up to December 31, 1989, redeemable at varying premiums reducing from \$1.875	13,885,616	347,140	13,884,351	347,109
	20,453,464	\$508,497	18,502,439	\$459,471

	September 30	
	1982	1981
Common shares		
Authorized	150,042,713	100,092,474
Outstanding (including shares held by Trustees)	69,623,786	69,207,872

Changes in capital stock	Preference shares		Common shares	
	Shares	Amount	Shares	Amount
Balance at October 1, 1979	922,225	\$ 18,444	68,787,657	\$147,311
Issued on acquisition of Home Oil Company Limited	13,739,667	343,492		
Conversion of preference to common Shares held by a subsidiary company and fractional shares cancelled on combination with Hiram Walker-Gooderham & Worts Limited	(195,612)	(3,945)	257,808	3,945
Issued on exercise of stock options, for cash	143,907	3,597	9,160	110
Balance at September 30, 1980	14,610,187	361,588	68,899,823	151,132
Issued for cash	4,000,000	100,000		
Conversion of preference to common	(200,433)	(4,433)	229,669	4,433
Issued on exercise of stock options, for cash	92,685	2,316	78,380	2,414
Balance at September 30, 1981	18,502,439	459,471	69,207,872	157,979
Issued for cash	2,000,000	50,000		
Conversion of preference to common	(55,135)	(1,127)	71,306	1,127
Issued pursuant to Stock Dividend and Dividend Reinvestment Plans	1,727	43	272,276	4,734
Issued pursuant to employees' Stock Purchase and Savings Plan			58,442	1,081
Issued on exercise of stock options, for cash	4,433	110	13,890	167
Balance at September 30, 1982	20,453,464	\$508,497	69,623,786	\$165,088

At September 30, 1982, 2,000,000 Common Share Purchase Warrants were outstanding. Each warrant entitles the holder to buy one common share at \$31.50 on or before September 30, 1986.

11. Stock options

Under the terms of a Share Option Plan, adopted on October 1, 1980, 4,136,850 common shares were reserved for issuance to certain key employees. At September 30, 1982, 3,108,850 common shares remain available to be granted under the plan. During the year ended September 30, 1982, options were granted for 239,500 shares under the plan at prices varying from \$15.125 per share to \$24.125 per share and options for 157,000 shares were cancelled. At September 30, 1982, options were outstanding for 963,000 shares.

Hiram Walker-Gooderham & Worts Limited has a stock option plan for certain key employees. Shares of the Company are purchased by Trustees on the open market to satisfy the outstanding options. Options outstanding are exercisable at various dates to 1989 at prices ranging from \$9.64 to \$18.89 per share. At September 30, 1982, options were outstanding for 188,928 shares. During the year ended September 30, 1982, options for 24,740 shares were exercised and options for 11,275 shares were cancelled. The cost of shares held by the Trustees has been deducted from "Shareholders' equity" in the Consolidated Balance Sheet. Shares held by the Trustees at September 30, 1982 and 1981, amounted to 129,380 shares and 113,723 shares, respectively.

At September 30, 1982, the Company is obligated to issue up to 82,839 of its 7½% Preference Shares to satisfy Home employees' stock options exercisable until 1989 at an average price of \$14.71 per share. During the year ended September 30, 1982, 76,503 options were exercised for which the Company issued 4,433 shares and paid \$1,801,760 in cash. Options for 1,268 shares were cancelled during the year.

The Consumers' Gas Company Ltd. had a stock option plan for certain key employees, which expired July 5, 1982. During the year ended September 30, 1982, options for 13,890 shares were exercised at \$12.00 per share and options for 1,920 shares were cancelled.

The following table summarizes the changes in options outstanding for the above plans during the year ended September 30, 1982.

	Common shares	7½% Preference shares
Shares under option at October 1, 1981	1,121,253	160,610
Options granted	239,500	
Options exercised	(38,630)	(76,503)
Options cancelled	(170,195)	(1,268)
Shares under option at September 30, 1982	1,151,928	82,839

12. Pension plans Pension expense during the three years ended September 30, amounted to \$19,160,000 in 1982, \$20,141,000 in 1981 and \$19,611,000 in 1980. Unfunded prior years' service costs, which have not been charged to operations, amounted to \$25,800,000 at September 30, 1982.

13. Income taxes The geographic components of income before income taxes and other items, and current and deferred income taxes are as follows:

	Year ended September 30		
	1982	1981	1980
Income before income taxes and other items			
Canada	\$224,387	\$144,643	\$143,622
United States	(56,242)	48,423	130,731
Other (principally Europe)	109,026	102,700	97,388
	\$277,171	\$295,766	\$371,741
Current income taxes			
Canada	\$ 65,367	\$ 33,744	\$ 23,897
United States	(74,756)	(4,078)	57,739
Other (principally Europe)	24,357	33,165	8,887
	14,968	62,831	90,523
Deferred income taxes			
Canada	32,550	23,834	20,333
United States	68,786	25,362	4,084
United Kingdom - stock appreciation relief		(37,042)	
Other (principally Europe)	19,377	(13,329)	15,982
	120,713	(1,175)	40,399
Total income tax expense	\$135,681	\$ 61,656	\$130,922

The Company provides for income taxes based on financial statement income, except in regulated gas utility operations. This provision differs from income taxes currently payable because certain items of income and expense are reported in the Consolidated Statement of Income in years different from those in which they are reported on income tax returns.

The aggregate of the tax effect of these timing differences is referred to in the Consolidated Balance Sheet as "Deferred income taxes". Components of the change in these amounts during the three year period ended September 30, 1982, are as follows:

	Year ended September 30		
	1982	1981	1980
Exploration and development expenditures deducted for income tax purposes in excess of depletion	\$ 96,954	\$ 36,116	\$21,016
Capital cost allowances deducted for income tax purposes in excess of depreciation	18,866	12,097	11,383
Stock appreciation relief - United Kingdom			
pre 1981 legislative change		(6,158)	7,751
post 1981 legislative change		(37,042)	
Interest capitalized in accounts, expensed for tax purposes	2,250	5,077	
Other	2,643	(11,265)	249
	\$120,713	\$ (1,175)	\$40,399

In the gas utility operations, rate and revenue structures are designed and approved not to recover deferred taxes in current revenues. Accordingly, the above amounts exclude deferred income taxes of \$11,000,000 in 1982, \$13,000,000 in 1981 and \$13,700,000 in 1980 and an accumulated amount of \$160,000,000 at September 30, 1982. These deferred income taxes are primarily based on timing differences between capital cost allowance and depreciation.

Under the terms of legislation enacted in the United Kingdom in July of 1981, deferred income taxes previously provided in respect of stock appreciation relief no longer represented a potential liability on a going concern basis. Accordingly, an amount of \$37,042,000, which represented the balance of such deferred income taxes accrued at June 30, 1981, was credited to income at that date.

Income tax expense differs from the amount which would be obtained by applying the Canadian statutory federal income tax rate to income before income taxes and other items. This difference results from the following:

	Year ended September 30		
	1982	1981	1980
Income before income taxes and other items	\$277,171	\$295,766	\$371,741
Canadian expected income tax rate	46.0%	46.0%	46.0%
Computed income tax expense	\$127,499	\$136,052	\$171,000
Add:			
Petroleum and Gas Revenue Tax, Incremental Oil Revenue Tax, royalties and other similar payments to governments not deductible for tax purposes	54,039	45,487	28,717
Unrecognized tax benefit available for application against future income	20,007		
Non-deductible depletion	5,958	6,350	3,131
	207,503	187,889	202,848
Deduct:			
Release of prior years' deferred income taxes relating to U.K. stock appreciation relief pre 1981 legislative change		6,158	7,751
post 1981 legislative change		37,042	
Federal resource allowance	32,082	27,546	19,974
Alberta Royalty Tax Credit	7,193	2,035	1,594
Depletion allowances on Canadian oil and gas production income	5,129	9,771	13,862
Items capitalized in gas utility accounts expensed for tax purposes for which no deferred income taxes are provided	9,182	11,984	12,326
Difference in effective tax rates for foreign subsidiaries	16,645	18,156	8,195
Investment tax credits	4,493	6,957	1,950
Other	(2,902)	6,584	6,274
Actual income tax expense	\$135,681	\$ 61,656	\$130,922
Actual income tax expense as a percentage of income before income taxes and other items	49.0%	20.8%	35.2%
Excluding 1981 stock appreciation relief (\$37,042,000)	49.0%	33.4%	35.2%

The potential income tax benefits associated with losses of certain subsidiaries in the current and prior years have not been recorded in the accounts. Net operating losses of \$109,500,000, relating to United States subsidiaries, are available to reduce taxable income in future years. The majority of these losses will expire between 1993 and 1997. In addition, the Company has recorded \$58,700,000 of expenses in its books which have not yet been claimed for tax purposes. The tax benefits will be realized in future years provided that the respective United States subsidiaries have sufficient income.

No provision has been made for taxes on undistributed earnings of foreign subsidiaries not currently available for paying dividends inasmuch as such earnings have been reinvested in the businesses.

14. Business segments

The operations of the Company consist of three business segments: distilled spirits, natural resources and gas utility. Information for the natural resources segment is shown for the full year in 1982 and 1981 and for nine months in 1980. Previously this segment was accounted for on an equity basis and included in the identifiable assets of the gas utility segment.

Presented below are financial data by business segment and geographic area for each of the three years ended September 30, 1982.

Business segments	Year ended September 30		
	1982	1981	1980
Operating revenue			
Distilled spirits	\$1,435,764	\$1,434,952	\$1,417,175
Natural resources	476,436	349,386	231,279
Gas utility	1,422,561	1,093,862	859,054
	\$3,334,761	\$2,878,200	\$2,507,508
Operating income			
Distilled spirits	\$ 274,823	\$ 263,101	\$ 250,927
Natural resources	41,745	82,898	92,074
Gas utility	182,202	107,388	90,706
Total before undernoted items	498,770	453,387	433,707
Interest	(298,133)	(224,755)	(117,907)
Income taxes	(135,681)	(61,656)	(130,922)
Equity and other income	76,534	67,134	65,851
Foreign currency translation gain	9,645	24,540	(5,195)
Minority interest	(8,925)	(8,589)	(6,012)
Provision for impairment – United States natural resource properties	(176,985)		
Net income (loss)	\$ (34,775)	\$ 250,061	\$ 239,522
Identifiable assets			
Distilled spirits	\$1,569,279	\$1,540,283	\$1,440,034
Natural resources	1,893,760	2,076,345	1,100,380
Gas utility	1,500,513	1,301,610	1,070,246
	\$4,963,552	\$4,918,238	\$3,610,660
Capital expenditures			
Distilled spirits	\$ 52,673	\$ 84,901	\$ 51,498
Natural resources	207,923	222,766(1)	146,137
Gas utility	97,817	96,131	103,681
	\$ 358,413	\$ 403,798	\$ 301,316
Depletion and depreciation			
Distilled spirits	\$ 24,348	\$ 21,158	\$ 21,360
Natural resources	232,193	112,388	37,426
Gas utility	36,976	32,416	27,264
	\$ 293,517	\$ 165,962	\$ 86,050

(1) Excludes the acquisition of United States natural resource properties in the amount of \$736,987,000.

Geographic areas	Year ended September 30		
	1982	1981	1980
Operating revenue			
Canada	\$1,912,209	\$1,524,003	\$1,226,641
United States	1,231,502	1,139,998	1,076,904
Other (principally Europe)	382,501	400,897	377,567
Eliminations (1)	(191,451)	(186,698)	(173,604)
	\$3,334,761	\$2,878,200	\$2,507,508
Operating income			
Canada	\$ 346,906	\$ 253,430	\$ 211,896
United States	78,987	104,386	131,841
Other (principally Europe)	72,877	95,571	89,970
	\$ 498,770	\$ 453,387	\$ 433,707
Identifiable assets			
Canada	\$2,811,570	\$2,538,310	\$2,285,893
United States	1,305,898	1,560,484	614,392
Other (principally Europe)	846,084	819,444	710,375
	\$4,963,552	\$4,918,238	\$3,610,660
Capital expenditures			
Canada	\$ 178,020	\$ 179,160	\$ 190,769
United States	121,762	178,473(2)	84,560
Other (principally Europe)	58,631	46,165	25,987
	\$ 358,413	\$ 403,798	\$ 301,316
Depletion and depreciation			
Canada	\$ 90,387	\$ 83,570	\$ 63,108
United States	163,371	74,467	14,648
Other	39,759	7,925	8,294
	\$ 293,517	\$ 165,962	\$ 86,050

(1) Inter-company sales between geographic areas are at approximate market prices.

(2) Excludes the acquisition of United States natural resource properties in the amount of \$736,987,000.

15. Oil and gas exploration and production activities

The Company's oil and gas exploration activities are carried out principally in Canada and the United States and as well as in Australia and other areas. Producing activities are currently concentrated in western Canada and the United States.

The information for 1980 includes only nine months' operations. Prior to January 1, 1980, these activities were accounted for on the equity basis as described in note 2 on page 22.

(a) Capitalized costs	1982	1981	1980
Petroleum and natural gas properties			
Canada	\$ 916,582	\$ 846,053	\$ 767,277
United States	1,107,661	1,003,013	154,943
Other	49,857	21,994	5,513
	2,074,100	1,871,060	927,733
Accumulated depletion and depreciation			
Canada	110,313	66,571	25,701
United States	498,158(1)	67,970	6,852
Other	32,365	130	151
	640,836	134,671	32,704
Net book value			
Canada	806,269	779,482	741,576
United States	609,503	935,043	148,091
Other	17,492	21,864	5,362
	\$1,433,264	\$1,736,389	\$ 895,029

(1) Includes the provision for impairment of \$276,091,000. (see note 6, page 23)

(b) Costs incurred

Acquisition of proved properties			
United States		\$ 437,538	
Acquisition of unproved properties			
Canada	\$ 3,436	\$ 5,246	\$ 9,201
United States	10,340	318,826	2,964
Other	66		
	\$ 13,842	\$ 324,072	\$ 12,165
Exploration costs			
Canada	\$ 23,931	\$ 28,920	\$ 39,221
United States	40,890	41,841	9,221
Other	26,255	16,471	4,615
	\$ 91,076	\$ 87,232	\$ 53,057
Development costs			
Canada	\$ 42,121	\$ 46,292	\$ 41,572
United States	52,580	52,165	35,900
Other	1,663	11	
	\$ 96,364	\$ 98,468	\$ 77,472
Production (lifting) costs			
Canada	\$ 38,913	\$ 33,774	\$ 18,886
United States	31,097	12,629	2,981
Other	204		
	\$ 70,214	\$ 46,403	\$ 21,867

Exploration and development costs are shown net of applicable government grants for the years ended September 30, 1982 and 1981 and nine months ended September 30, 1980 of \$68,231,000, \$16,205,000 and \$1,770,000, respectively.

(c) Net revenues from production of oil and gas			
Revenues, net of royalties			
Canada	\$ 235,181	\$ 192,361	\$ 130,989
United States	169,178	74,201	17,041
Other	206		
	404,565	266,562	148,030
Production (lifting) costs			
Canada	38,913	33,774	18,886
United States	31,097	12,629	2,981
Other	204		
	70,214	46,403	21,867
Petroleum and Gas Revenue Tax and Incremental Oil Revenue Tax - Canada			
	32,854	13,460	
Net revenues from oil and gas producing activities			
Canada	163,414	145,127	112,103
United States	138,081	61,572	14,060
Other	2		
	\$ 301,497	\$ 206,699	\$ 126,163

(d) Depletion and depreciation

Depletion and depreciation expense			
Canada	\$ 43,899	\$ 41,061	\$ 26,047
United States	150,333(1)	60,867	6,852
Guyana	32,195(2)		
	\$ 226,427	\$ 101,928	\$ 32,899
Average depletion and depreciation rate per equivalent barrel of oil produced			
Canada	\$ 2.68	\$ 2.46	\$ 1.95
United States	\$ 24.50(1)	\$ 17.82	\$ 6.11

(1) Excludes the provision for impairment of \$276,091,000. (see note 6, page 23)

(2) During the fourth quarter of 1982, the Company revalued its exploratory prospect in Guyana, following the suspension of drilling activities. As a result, operating income was charged with the expenditures incurred to date in the amount of \$32,195,000.

**16. Commitments,
contingencies
and subsequent
events**

(a) The indentures and agreements relating to certain long term debt obligations of Walker-Home Oil Ltd., a principal subsidiary of the Company, contain covenants limiting the transfer of funds by Walker-Home Oil Ltd. and its subsidiaries to the Company. Under the most restrictive of these covenants, as at September 30, 1982, such transfers of funds to the Company were limited to future consolidated net income of Walker-Home Oil Ltd. and its subsidiaries plus \$79,000,000. The Company's consolidated net assets at September 30, 1982, include \$1,332,350,000 of net assets of consolidated subsidiaries, which were restricted against transfer to the Company.

(b) A subsidiary of the Company, subsequent to its year end, entered into a term loan facility providing for £25,000,000 (\$50,680,000 Cdn.) principal amount. This loan is repayable in 1989 and the rate of interest under the facility is 13 per cent. Another subsidiary of the Company, subsequent to its year end, received \$22,462,000 U.S. (\$27,683,000 Cdn.) from the issue of Zero Coupon Debentures, due 1989.

(c) Due to the size, complexity and international scope of the Company's operations, a number of lawsuits are pending at any point in time in which the Company may be the plaintiff or defendant. In the opinion of management, the ultimate resolution of any current lawsuits would not have a material effect on the Company's consolidated financial position or results of operations.

17. Supplementary information

The Company has security holders resident in the United States and uses capital markets in that country. Supplementary information that is in conformity with the reporting practices of companies in the United States is included on pages 32 to 36.

United States accounting principles

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada. These principles differ in some respects from those applicable in the United States. These differences are as follows:

(a) Provision for impairment — United States natural resource properties

The provision for impairment in the Consolidated Statement of Income would be included as a component of "Income before income taxes" under United States generally accepted accounting principles. Specifically, the gross amount of the impairment of \$276,091,000 would be disclosed as a separate component of "Costs and expenses" and the related deferred income tax relief of \$99,106,000 would be offset against "Income taxes". However, these reclassifications would not change the Company's loss for 1982.

The accounting rules of the United States Securities and Exchange Commission ("SEC") relating to the full cost method of accounting for oil and gas properties contain a capitalized cost limitation for each country's cost centre ("cost centre ceiling") which limits the amount of capitalized costs that may be carried on the balance sheet to an amount determined by SEC rules. Pursuant to an SEC exemption procedure for major acquisitions of oil and gas properties, the Company was exempt from the application of the cost centre ceiling as at September 30, 1981. This exemption no longer applied as at September 30, 1982. The provision for impairment described above, however, has reduced the capitalized costs associated with the Company's United States full cost pool to the SEC cost centre ceiling calculated at the end of 1982. However, inasmuch as no "margin" exists between the capitalized costs as now carried, and the SEC cost centre ceiling, future impairments, if any, in the value of such properties may require a charge against income for purposes of these SEC rules.

(b) Basic net income per common share

The calculation of basic net income per share under United States generally accepted accounting principles would include the common stock equivalent of the 7½% Convertible Voting Preference Shares, 9½% Convertible Preference Shares, Common Share Purchase Warrants and any outstanding stock options granted where the average price for the year exceeds the option price.

	Year ended September 30		
	1982	1981	1980
Basic net income (loss) per common share			
Canadian basis			
Before unusual item	\$ 1.43	\$ 3.23	\$ 3.18
Including unusual item	\$(1.13)	\$ 3.23	\$ 3.18
United States basis	\$(0.61)	\$ 3.05	\$ 3.04

(c) Foreign currency translation

The Company follows the practice of translating long term debt obligations, which are fixed in foreign currencies, net of current maturities, at exchange rates applicable when the original obligations were assumed. Under accounting principles generally accepted in the United States, pursuant to Financial Accounting Standard No. 8, such obligations would be translated into Canadian dollars at rates in effect at the balance sheet dates and the resultant gain or loss would be included in the determination of net income. If United States generally accepted accounting principles were followed by the Company, in respect of long term debt obligations, net income (loss) and basic and fully diluted net income (loss) per share would be as follows:

	Year ended September 30		
	1982	1981	1980
Net income (loss) as reported	\$(34,775)	\$250,061	\$239,522
Foreign currency translation	(16,972)	19,391	3,715
Net income (loss) on a United States basis	\$(51,747)	\$269,452	\$243,237
Net income (loss) per common share			
Basic			
Canadian basis			
Before unusual item	\$ 1.43	\$ 3.23	\$ 3.18
Including unusual item	\$ (1.13)	\$ 3.23	\$ 3.18
United States basis	\$ (1.37)	\$ 3.51	\$ 3.24
Fully diluted			
Canadian basis			
Before unusual item	\$ 1.43	\$ 3.02	\$ 3.01
Including unusual item	\$ (1.13)	\$ 3.02	\$ 3.01
United States basis	\$ (1.37)	\$ 3.25	\$ 3.05

In addition, reported retained earnings would decrease by \$1,214,000 to \$1,030,980,000 at September 30, 1982 and increase by \$15,758,000 to \$1,222,096,000 at September 30, 1981.

(d) Pension plans

Under United States generally accepted accounting principles, additional information, as set out below, available only in respect of the Company's United States pension plans, would be disclosed. The data is based upon reports of independent consulting actuaries, as of the most recent valuation dates

(generally January 1 of each year), on the Company's United States pension plans which cover substantially all employees in the United States.

	1982	1981
Actuarial present value of accumulated plan benefits of which \$84,736,000 (1981 \$76,047,000) are vested	\$ 87,240	\$ 81,100
Net assets available for benefits	\$134,700	\$138,040
Assumed weighted average interest rate used in calculating plan benefits	10.0%	9.0%

(e) *Preference shares*

Under United States generally accepted accounting principles, the Company's preference shares, all of which are subject to mandatory redemption requirements, would be reported under a separate caption "Redeemable preference shares" rather than under the general heading "Shareholders' equity" in the Consolidated Balance Sheet.

Oil and gas exploration and production activities (unaudited)

(a) *Crude oil and natural gas reserves*

The proved reserves table for the year ended September 30, 1982, includes reserves in Canada, the United States, Indonesia and Australia. The proved reserves in Indonesia and Australia have been included under "Other". The calculation of reserves of crude oil, natural gas and natural gas liquids is based on the Company's share of proved reserves, after the deduction of royalties.

	Canada		United States		Other	Total	
	Oil(1)	Gas(2)	Oil(1)	Gas(2)	Oil(1)	Oil(1)	Gas(2)
Proved reserves							
Balance at January 1, 1980	68,366	542	673	32		69,039	574
Revisions of previous estimates and improved recovery	2,132	10	323	3		2,455	13
Discoveries and extensions	5	8	111	4		116	12
Production	(5,232)	(21)	(160)	(5)		(5,392)	(26)
Balance at September 30, 1980	65,271	539	947	34		66,218	573
Revisions of previous estimates and improved recovery	7,429	21	845	11		8,274	32
Purchase of reserves in place			8,215	88		8,215	88
Discoveries and extensions	642	21	1,422	6		2,064	27
Production	(6,713)	(28)	(851)	(13)		(7,564)	(41)
Balance at September 30, 1981	66,629	553	10,578	126		77,207	679
Revisions of previous estimates and improved recovery	9,758	115	(399)	(24)		9,359	91
Discoveries and extensions	1,087	37	994	26	1,119	3,200	63
Production	(6,612)	(29)	(1,932)	(25)		(8,544)	(54)
Balance at September 30, 1982	70,862	676	9,241	103	1,119	81,222	779
Proved developed reserves							
at September 30, 1980	65,271	539	901	32		66,172	571
at September 30, 1981	66,629	553	9,967	111		76,596	664
at September 30, 1982	70,862	676	8,620	94	1,054	80,536	770

(1) Oil includes condensate and natural gas liquids and is stated in thousands of barrels.

(2) Gas is stated in billions of cubic feet.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under economic and operating conditions at September 30. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

(b) *Estimated future net revenues*

Estimated future net revenues are computed by applying the year end prices, except for fixed and determinable escalation provisions in contracts for crude oil, including condensate and natural gas liquids, and natural gas to the estimated future production of proved oil and gas reserves, less the estimated future expenditures based on current costs to be incurred in developing and producing the proved reserves. In respect of Canadian proved oil and gas reserves, the estimated future net revenues are computed net of the Petroleum and Gas Revenue Tax and the Incremental Oil Revenue Tax introduced by the federal government. No provision is made, however, for income taxes.

The Company cautions that the calculation of the present value of future net revenues from estimated production of proved reserves does not represent the fair market value of oil and gas properties nor future cash flows expected to be generated from such properties. The computation does not include the fair market value of exploratory oil and gas properties and probable oil and gas reserves. Neither does it include anticipated future price increases of oil and natural gas and anticipated increases in future development and production costs. The computation excludes values attributable to the Company's marketing, storage, pipeline and other activities related to oil and gas production operations.

	Proved reserves				Proved developed reserves			
	Canada	United States	Other(1)	Total	Canada	United States	Other(1)	Total
Estimated future net revenues for the years ended September 30								
1983	\$ 155,500	\$119,393	\$ 1,634	\$ 276,527	\$ 155,500	\$121,787	\$ 1,634	\$ 278,921
1984	143,250	91,741	4,054	239,045	143,250	89,585	4,054	236,889
1985	157,250	64,632	5,671	227,553	157,250	62,391	5,671	225,312
Remainder	2,309,700	322,616	19,691	2,652,007	2,309,700	289,818	18,686	2,618,204
	\$2,765,700	\$598,382	\$31,050	\$3,395,132	\$2,765,700	\$563,581	\$ 30,045	\$3,359,326
Present value of estimated future net revenues discounted at 10%								
As at September 30, 1982	\$1,166,879	\$395,381	\$20,685	\$1,582,945	\$1,166,879	\$379,223	\$20,323	\$1,566,425
As at September 30, 1981	\$ 882,295	\$421,225		\$1,303,520	\$ 882,295	\$399,050		\$1,281,345
As at September 30, 1980	\$1,063,435	\$ 87,945		\$1,151,380	\$ 915,086	\$ 83,716		\$ 998,802

(1) Consisting of Indonesia and Australia.

(c) *Summary of changes in present value of estimated future net revenues and related reserve recognition accounting.*

The tables below show a Summary of Oil and Gas Producing Activities on the Basis of Reserve Recognition Accounting ("RRA") and a Statement of Changes in Present Value of Estimated Future Net Revenues from Proved Oil and Gas Reserves. RRA presents a significant departure from the conventional historical accounting principles generally accepted in Canada and the United States. Under RRA, a dollar valuation of proved oil and gas reserves is computed as described under "Estimated future net revenues". The RRA Summary of Oil and Gas Producing Activities is intended to present the results of such activities on the basis of new discoveries, revisions to prior years' estimates of proved reserves and certain other items. The statement of changes seeks to reflect changes in present value of estimated future net revenues from proved oil and gas reserves. **The Company does not believe that RRA statements accurately reflect the economic value of oil and gas reserves or the income to be derived therefrom.**

The present value of additions to estimated proved reserves reflects additions resulting from development and exploratory drilling and improved recovery techniques valued under the procedures described above. Changes in prices and royalties resulted in an increase in value of \$307 million in 1982, due to higher oil prices at the wellhead in Canada, and significant reductions in Crown royalties. Increases in crude oil and natural gas prices resulted in an increase in value of \$260 million for the nine months ended September 30, 1980.

Other revisions to present value of estimated proved reserves arise mainly from changes in estimates of future development costs, changes in the timing of estimated future development costs and estimated future production, and revisions to quantities of proved reserves determined in prior years. The effect of discounting in arriving at present values of reserves results in an increase in the value of proved oil and gas reserves in each of the reporting periods.

The deduction for costs incurred, including costs of acquiring unproved properties, costs of drilling exploratory and development wells, geological and geophysical costs, and costs of carrying and retaining undeveloped properties, excludes certain costs which are deferred pending valuation. Also excluded are development costs of \$561 million, \$569 million and \$233 million at September 30, 1982, 1981 and 1980, respectively, which were previously considered in the RRA valuation. These costs principally represent property acquisition costs of \$505 million, \$491 million and \$167 million of which \$14 million, \$324 million and \$12 million were added during the years ended September 30, 1982 and 1981 and the nine months ended September 30, 1980, respectively. The majority of the increase in the deferred property acquisition cost during 1981 reflects the acquisition of United States oil and gas properties completed in March of 1981. At September 30, 1982, a valuation allowance of \$209 million had been recorded against these costs of which \$157 million, \$30 million and \$22 million were added during the years ended September 30, 1982 and 1981 and nine months ended September 30, 1980, respectively. Of the \$157 million increase in the valuation allowance in 1982, \$137 million relates to the impairment of the investment in United States unproved properties acquired in 1981. This amount was included in the "Provision for impairment of United States properties" in the "Summary of oil and gas producing activities" below. Additional deferred costs of \$56 million, \$78 million and \$66 million at September 30, 1982, 1981 and 1980, respectively, pertain to costs of uncompleted wells pending evaluation.

The acquisition of United States properties involved the purchase of proved oil and gas reserves at a price which exceeded the present value of estimated future net revenues computed as described above under "Estimated future net revenues" by \$147 million. This excess, deferred at September 30, 1981, was written off during 1982 and is included in the "Provision for impairment of United States properties".

During 1982, the Company revised downwards estimates of its United States proved oil and natural gas reserves. (see note 6, page 23)

The provision for income taxes has been computed applying current statutory tax rates to the future taxable income to be generated from proved reserves after making provision for the tax basis of the oil and gas properties and after giving effect to the applicable tax credits and rebates, deductions for resource and depletion allowances and provisions for non-deductible Crown royalties and other permanent differences.

Summary of oil and gas producing activities prepared on the basis of RRA (unaudited)

	Year ended September 30		Nine months ended September 30
	1982	1981	1980
Additions and revisions to estimated proved reserves			
Present value of additions to estimated proved reserves	\$123,775	\$ 57,853	\$ 17,506
Present value of revisions to estimated reserves proved in prior years			
Changes in prices and royalties, net of lifting costs	307,046	(19,455)	260,149
Petroleum and Gas Revenue Tax		(184,945)	
Other changes	5,405	58,294	(39,422)
Accretion of discount	130,352	129,651	70,061
	566,578	41,398	308,294
Deduction for costs incurred	215,428	176,585	95,396
RRA income (loss) before undernoted items	351,150	(135,187)	212,898
Provision for impairment of United States properties	283,908		
RRA income (loss) before income taxes	67,242	(135,187)	212,898
Income taxes	83,143	42,992	100,126
Net income (loss) from oil and gas producing activities on the basis of RRA	\$ (15,901)	\$(178,179)	\$112,772
Pre-tax operating income (excluding interest) from operations for oil and gas activities on the basis reported in the Consolidated Statement of Income	\$ 38,629	\$ 85,377	\$ 76,805

Summary of changes in present value of estimated future net revenues from proved oil and gas reserves (unaudited)

	Year ended September 30		Nine months ended September 30
	1982	1981	1980
Balance at beginning of period	\$1,303,520	\$1,151,380	\$ 934,151
Additions and revisions	566,578	41,398	308,294
Purchase of minerals in place		290,230	
Projected development costs incurred	14,344	27,211	35,098
Production, net of lifting costs, Petroleum and Gas Revenue Tax and Incremental Oil Revenue Tax	(301,497)	(206,699)	(126,163)
Balance at end of period	\$1,582,945	\$1,303,520	\$1,151,380

Quarterly financial information (unaudited)

Year ended September 30

1982

1981

	Quarter							
	First	Second	Third	Fourth	First	Second	Third	Fourth
Revenue	\$932,603	\$1,000,007	\$823,214	\$ 655,471	\$807,748	\$851,110	\$692,505	\$593,971
Gross margin	\$322,926	\$ 324,147	\$287,891	\$ 291,070	\$279,278	\$265,982	\$249,927	\$244,200
Income (loss) before unusual item	\$ 47,822	\$ 70,168	\$ 33,992	\$ (9,772)(1)	\$ 93,643	\$ 68,969	\$ 67,847	\$ 19,602
Net income (loss)	\$ 47,822	\$ 70,168	\$ 33,992	\$ (186,757)(2)	\$ 93,643	\$ 68,969	\$ 67,847	\$ 19,602
Net income (loss) per common share								
Basic								
Before unusual item	\$0.54	\$0.86	\$0.33	\$(0.30)	\$1.26	\$0.90	\$0.88	\$0.19
Including unusual item	\$0.54	\$0.86	\$0.33	\$(2.86)	\$1.26	\$0.90	\$0.88	\$0.19
Fully diluted								
Before unusual item	\$0.54	\$0.80	\$0.33	\$(0.30)	\$1.13	\$0.83	\$0.82	\$0.19
Including unusual item	\$0.54	\$0.80	\$0.33	\$(2.86)	\$1.13	\$0.83	\$0.82	\$0.19

The results of the fourth quarter of 1982 include (1) the write off of expenditures of \$32,195,000 in Guyana and (2) the provision for impairment of United States natural resource properties of \$176,985,000 (net of deferred income tax relief of \$99,106,000). (see notes 15 and 6 on pages 30 and 23)

Market price of common shares and related security holder matters

The principal trading markets of the common shares of the Company in Canada and the United States are Toronto and New York, respectively. The common shares of the Company are also listed on the Montreal, Alberta and Vancouver stock exchanges.

The following tables set forth the reported high and low sales prices of the common shares of the Company on the Toronto and New York stock exchanges, as reported by the Toronto Stock Exchange Review and the New York Stock Exchange Monthly Market Statistics Report, respectively:

	Year ended September 30							
	1982				1981			
	Quarter							
	First	Second	Third	Fourth	First	Second	Third	Fourth
Toronto Stock Exchange (Canadian dollars)								
High	\$25	\$23½	\$18	\$20⅞	\$35¾	\$31¾	\$35½	\$35⅞
Low	20⅞	13⅞	14⅞	15¾	29⅞	26	24⅞	20⅞
New York Stock Exchange (United States dollars)								
High	21	19⅞	14½	16½	30¾	26⅞	29⅞	29⅞
Low	17½	11⅞	12	12¼	25	22	20½	17⅞

Quarterly dividends of \$0.33 per common share were paid in 1982 and 1981.

At September 30, 1982, there were 51,342 registered holders of common shares.

There are no restrictions on the export or import of capital which affect the remittance of dividends, interest or other payments to non-resident holders of the Company's securities.

The Foreign Investment Review Act requires prior approval by the government of Canada of the acquisition by, or transfer to, non-residents of Canada of direct or indirect control of a Canadian business entity, such as the Company. The Act does not apply to the purchase of shares or securities of a corporation where such purchases would not give the purchasers effective control of the corporation.

Cash dividends paid to shareholders resident in the United States, the United Kingdom and most western European countries are generally subject to Canadian withholding tax at a rate of 15 per cent. Cash dividends paid to other non-residents of Canada will also generally be subject to Canadian withholding tax at a maximum rate of 25 per cent, depending upon applicable tax treaties. Interest payable on the Company's debt securities held by non-Canadian residents may also be subject to Canadian withholding tax depending upon the terms and provisions of such securities. Stock dividends paid to non-Canadian residents are generally not subject to Canadian withholding tax.

Five year financial and operating review

FINANCIAL	1982	1981	1980	1979	1978
	(Expressed in thousands except per share amounts)				
Revenue					
Distilled spirits	\$1,435,764	\$1,434,952	\$1,417,175	\$1,318,904	\$1,129,107
Natural resources	476,436	349,386	231,279		
Gas utility	1,422,561	1,093,862	859,054	812,897	737,400
Other	76,534	67,134	55,941	12,429	25,714
	\$3,411,295	\$2,945,334	\$2,563,449	\$2,144,230	\$1,892,221
Operating income					
Distilled spirits	\$ 274,823	\$ 263,101	\$ 250,927	\$ 228,435	\$ 179,394
Natural resources	41,745	82,898	92,074		
Gas utility	182,202	107,388	90,706	94,346	89,066
	\$ 498,770	\$ 453,387	\$ 433,707	\$ 322,781	\$ 268,460
Income before income taxes and other items	\$ 277,171	\$ 295,766	\$ 371,741	\$ 260,139	\$ 235,258
Income taxes	(135,681)	(61,656)	(130,922)	(93,366)	(99,206)
Other items, net	720	15,951	(1,297)	10,391	18,326
Income before unusual item	142,210	250,061	239,522	177,164	154,378
Provision for impairment	(176,985)				
Net income (loss)	\$ (34,775)	\$ 250,061	\$ 239,522	\$ 177,164	\$ 154,378
Net income (loss) per common share					
Basic					
Before unusual item	\$ 1.43	\$ 3.23	\$ 3.18	\$ 2.56	\$ 2.23
Including unusual item	\$ (1.13)	\$ 3.23	\$ 3.18	\$ 2.56	\$ 2.23
Fully diluted					
Before unusual item	\$ 1.43	\$ 3.02	\$ 3.01	\$ 2.52	\$ 2.19
Including unusual item	\$ (1.13)	\$ 3.02	\$ 3.01	\$ 2.52	\$ 2.19
Dividends declared per common share	\$ 1.32	\$ 1.32	\$ 1.32	\$ 0.88	\$ 0.76
Funds from operations	\$ 562,368	\$ 421,592	\$ 364,755	\$ 231,145	\$ 203,396
Funds from operations per common share					
Basic	\$ 8.12	\$ 6.12	\$ 5.33	\$ 3.39	\$ 2.99
Capital expenditures	\$ 358,413	\$ 403,798(2)	\$ 301,316(1)	\$ 103,527	\$ 85,738
Identifiable assets					
Distilled spirits	\$1,569,279	\$1,540,283	\$1,440,034	\$1,296,861	\$1,130,161
Natural resources	1,893,760	2,076,345	1,100,380		
Gas utility	1,500,513	1,301,610	1,070,246	1,150,586	1,013,099
Total assets	\$4,963,552	\$4,918,238	\$3,610,660	\$2,447,447	\$2,143,260
Long term debt (including current portion)	\$1,748,252	\$1,753,370	\$ 742,466	\$ 556,636	\$ 477,478
Shareholders' equity					
Preference	\$ 508,497	\$ 459,471	\$ 361,588	\$ 18,444	\$ 22,647
Common	1,194,821	1,362,300	1,227,331	1,098,978	985,890
	\$1,703,318	\$1,821,771	\$1,588,919	\$1,117,422	\$1,008,537
Number of common shares outstanding (including shares held by Trustees)	69,624	69,208	68,900	68,788	68,453
Weighted average number of common shares outstanding	69,217	68,881	68,465	68,205	67,984

(1) Excludes acquisition of Home Oil Company Limited.

(2) Excludes acquisition of United States natural resource properties.

OPERATING

Distilled spirits	1982	1981	1980	1979	1978
Gross revenue less excise taxes and import duties (millions)	\$1,084	\$1,068	\$1,008	\$ 905	\$ 764
Natural resources					
Production, before royalties (1)					
Crude oil and natural gas liquids production (barrels per day)					
Canada	26,664	27,908	30,426	30,552	31,135
United States	6,255	4,462	627	311	177
Other	15				
	32,934	32,370	31,053	30,863	31,312
Natural gas sales (millions of cubic feet per day)					
Canada	108.3	106.5	109.3	117.8	105.0
United States	82.2	59.3	20.6	18.5	13.3
	190.5	165.8	129.9	136.3	118.3
Sulphur sales (long tons)	63,888	71,100	85,922	70,485	56,877
Drilling activity (2)					
Gross working interest wells	245	307	450	426	395
Net oil wells	27	48	36	27	20
Net gas wells	20	23	37	44	35
Net dry wells	31	40	29	20	24
Proved reserves, before royalties					
Crude oil and natural gas liquids (millions of barrels)					
	118	131	120	123	126
Natural gas (billions of cubic feet)	1,041	1,108	938	941	895
Gross acreage (thousands)					
Canada	28,398	23,373	26,442	26,148	23,030
United States	3,995	3,657	2,562	2,700	3,139
Other	16,638	14,184	11,245	9,703	7,645
	49,031	41,214	40,249	38,551	33,814
Net acreage (thousands)					
Canada	3,962	4,296	4,391	4,350	4,393
United States	1,868	1,840	1,328	1,365	1,471
Other	3,287	3,370	1,435	1,435	803
	9,117	9,506	7,154	7,150	6,667

(1) Includes production from United States natural resource properties since date of acquisition on March 11, 1981.

(2) Excludes wells drilled by others under farmout arrangements.

Gas utility	1982	1981	1980	1979	1978
Revenue (thousands)					
Gas sales					
Residential	\$ 478,574	\$ 342,618	\$261,112	\$234,422	\$212,663
Commercial	484,897	370,601	283,408	260,264	232,797
Industrial	414,930	342,399	269,015	245,110	214,233
Thermal generation	1,896	1,214	14,412	46,702	55,549
Total gas sales	1,380,297	1,056,832	827,947	786,498	715,242
Other revenue	63,497	48,553	37,928	34,803	29,245
Total revenue	\$1,443,794	\$1,105,385	\$865,875	\$821,301	\$744,487
Gas cost	\$1,080,965	\$ 851,025	\$654,845	\$622,439	\$558,506
Gas sales (millions of cubic feet)					
Residential	87,949	81,121	73,756	73,519	74,174
Commercial	115,598	109,205	101,663	101,156	101,431
Industrial	104,817	106,148	105,077	107,565	104,330
Thermal generation	466	387	5,560	21,356	29,640
Total sales	308,830	296,861	286,056	303,596	309,575
Daily sendout (millions of cubic feet)					
Maximum	1,958	1,856	1,735	1,781	1,756
Minimum	243	249	241	257	253
Average	850	825	793	840	853
Number of active customers (year end)					
Residential	654,260	611,823	568,984	530,636	504,725
Commercial	63,381	60,041	55,590	51,555	48,139
Industrial and other	6,517	6,415	6,173	5,987	5,734
Total active customers	724,158	678,279	630,747	588,178	558,598
Average revenue (per thousand cubic feet)					
Residential	\$5.44	\$4.22	\$3.54	\$3.18	\$2.86
Commercial	\$4.20	\$3.39	\$2.79	\$2.57	\$2.30
Industrial and other	\$3.96	\$3.22	\$2.56	\$2.26	\$2.01
Average use per residential customer (thousands of cubic feet)	134.8	134.1	130.4	137.8	145.4
Degree day deficiency (1)	4,322	4,202	4,040	4,246	4,434
Miles of mains in use (year end)	10,718	10,233	9,871	9,398	9,225

(1) Degree day deficiency figures, expressed in Celsius, are those for the Toronto area. The deficiency is a measure of coldness during the heating season and is calculated by adding together the total number of degrees by which the daily mean temperature fell below 18 Celsius (65°F).

Corporate information

Executive office

Hiram Walker Resources Ltd.
Suite 4200, 1 First Canadian Place
P.O. Box 90, Toronto, Ontario M5X 1C5
Telephone (416) 492-5900

Principal subsidiary offices

Hiram Walker-Gooderham & Worts
Limited
2072 Riverside Drive East
P.O. Box 2518,
Windsor, Ontario N8Y 4S5
Telephone (519) 254-5171

Home Oil Company Limited
2300 Home Oil Tower
324 Eighth Avenue South West,
Calgary, Alberta T2P 2Z5
Telephone (403) 232-7100

The Consumers' Gas Company Ltd.
Suite 4200, 1 First Canadian Place
P.O. Box 90, Toronto, Ontario M5X 1C5
Telephone (416) 492-5200

Auditors

Price Waterhouse

Stock exchange listings and symbol

Common shares — Toronto, Montreal,
Alberta, Vancouver, New York

The listing symbol for Hiram Walker
Resources Ltd. common shares on all
stock exchanges is **HWR** and is reported
in the newspapers by Canadian
exchanges under the W's as **Walker R**,
and by United States exchanges under
the W's as **WkHRs**.

Metric conversion factors

1 mile = 1.609 kilometres
1 foot = 0.305 metres
1 cubic foot = 0.028 cubic metres
(natural gas)
1 barrel = 0.159 cubic metres
(petroleum liquids)
1 acre = 0.405 hectares

Annual Information Form and Form 10-K

The Company files an Annual
Information Form and Form 10-K
Annual Report with the Ontario
Securities Commission and the United
States Securities and Exchange
Commission, respectively. These
reports will be made available, without
charge, to interested shareholders upon
written request to The Secretary of the
Company.

Registrar and transfer agents

Common shares and warrants
Canada Permanent Trust Company
20 Eglinton Avenue West, Toronto
M4R 2E2 and in Halifax, Montreal,
Calgary and Vancouver

Morgan Guaranty Trust Company of
New York
Stock Transfer Department
30 West Broadway
New York, N.Y. 10007

*14.16% Retractable Class A Preference
Shares*

National Trust Company, Limited
21 King Street East, Toronto M5C 1B3
and in Montreal, Winnipeg, Calgary and
Vancouver or its agent, The Royal Trust
Company, in Halifax and Regina

*9½% Convertible Class B Preference
Shares*

Canada Permanent Trust Company
20 Eglinton Avenue West, Toronto
M4R 2E2 and in Halifax, Montreal,
Calgary and Vancouver

*9% Convertible Class C Preference
Shares*

The Canada Trust Company
110 Yonge Street, Toronto M5C 1T4
and in Halifax, Montreal, Calgary and
Vancouver

*7½% Convertible Class D Preference
Shares*

Canada Permanent Trust Company
20 Eglinton Avenue West, Toronto
M4R 2E2 and in Halifax, Montreal,
Calgary and Vancouver

Dividend plan

Registered shareholders of the
Company's common shares are eligible
to participate in the Stock Dividend,
Dividend Reinvestment and Stock
Purchase Plan. Details may be obtained
upon written request to The Secretary of
the Company.

Principal subsidiaries

Walker-Home Oil Ltd.
Hiram Walker-Gooderham & Worts
Limited
Hiram Walker & Sons Limited
Corby Distilleries Limited (53.3%)
Maidstone Essex Limited
Courvoisier S.A.
Kahlua S.A.
Hiram Walker Holdings N.V.
Walker-Home Petroleum, Inc.
Maidstone Wine & Spirits, Inc.
HPC, Inc.
Home Petroleum Corporation
Hiram Walker & Sons, Inc.
Hiram Walker Incorporated
W.A. Taylor & Company
Hiram Walker & Sons (Scotland) P.L.C.
Home Oil Company Limited
Home Exploration Limited
Home Energy Company, Ltd.
Home Oil (U.K.) Limited
Scurry-Rainbow Oil Limited (88.5%)
Federated Pipe Lines Ltd. (50.0%)
The Consumers' Gas Company Ltd. (89.9%)
Fingas Investments Limited
Niagara Gas Transmission Limited
St. Lawrence Gas Company, Inc.
Gazifere Inc.
Tecumseh Gas Storage Limited (50.0%)
Underwater Gas Developers Limited

Principal Brands

Hiram Walker-Gooderham & Woods Limited

CANADA

Canadian Whiskies

Canadian Club
Special Old
Gooderham's Bonded Stock

Imported Scotch Whiskies

Ballantine's
Lauder's

Liqueurs

Hiram Walker's

Imported Liqueurs

Drambuie
Tia Maria
Kahlua
Venetian Cream

Cognac

Courvoisier

London Dry Gins

Hiram Walker's Crystal
Ballantine's (Imported)

Vodkas

Skol
Hiram Walker's Crystal

Rums

Government House

Imported Wines

J. Moreau et Fils (France)
Langenbach and Company
(Germany)
Tarride Ledroit & Cie (France)

UNITED STATES

Imported Canadian Whiskies

Canadian Club
Gooderham's Rich & Rare

Imported Scotch Whiskies

Ballantine's
Lauder's
Old Smuggler

Straight Bourbon Whiskeys

Walker's DeLuxe
Ten High

American Sour Mash Bourbon Whiskey

Maker's Mark

American Blended Whiskey

Imperial

Tequila

Two Fingers

London Dry Gins

Hiram Walker's Crystal Palace
Booth's High & Dry

Vodka

Hiram Walker's Crystal Palace

Cordials and Fruit Flavored Brandies

Hiram Walker's

Cognacs

Courvoisier
Salignac

Imported Liqueurs

Drambuie
Tia Maria
Kahlua
Venetian Cream

Premium California Wines

Callaway Vineyards

Imported Fine Wines

Those represented by
Frederick Wildman & Sons,
Limited





