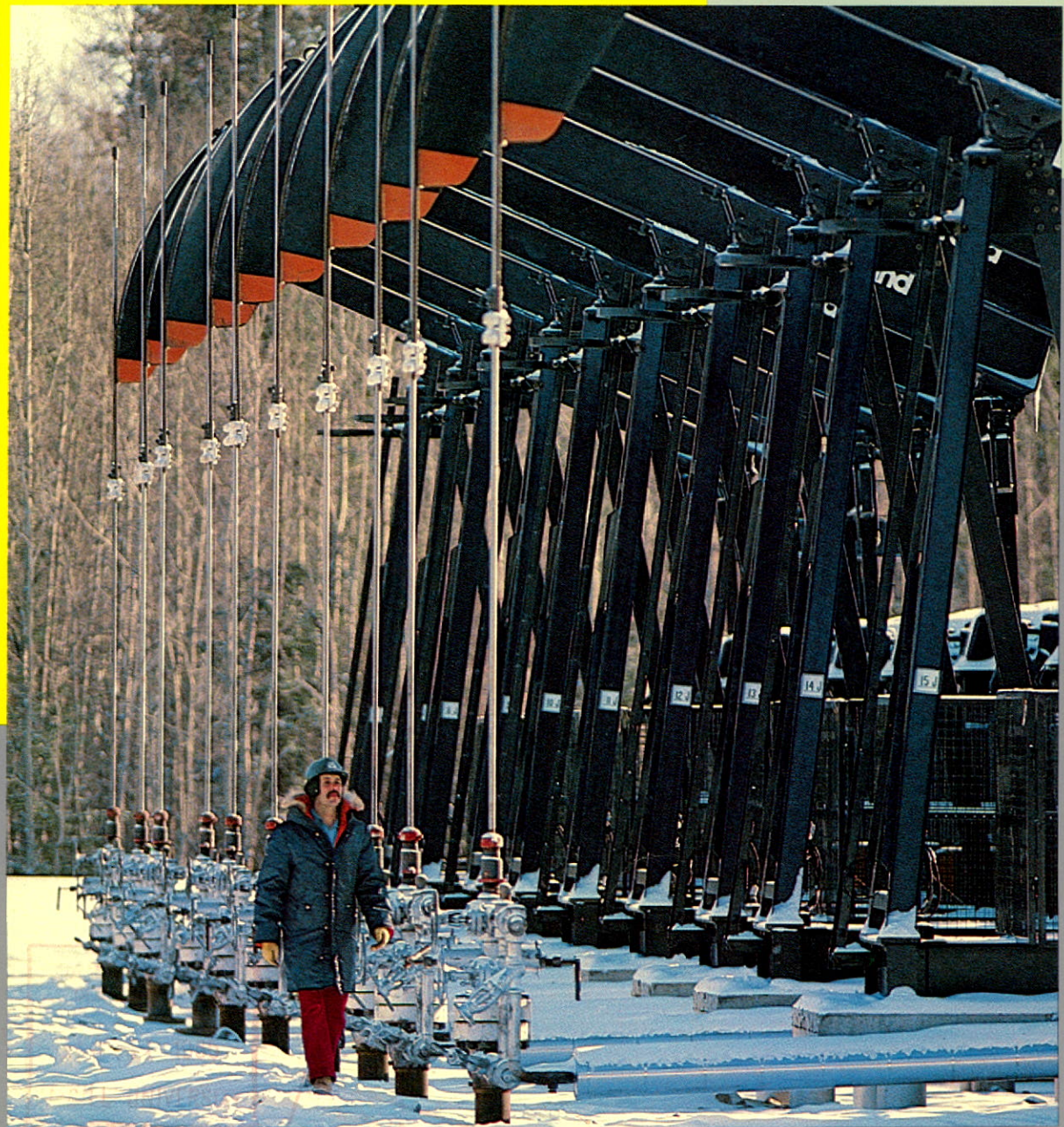
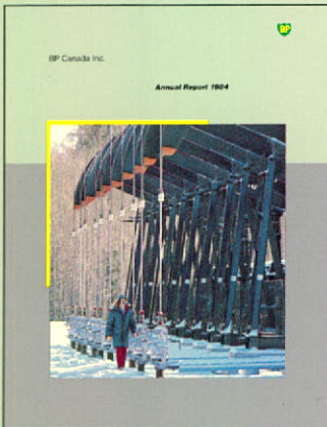




BP Canada Inc.

**Annual Report 1984**





### **About the cover**

The cover photograph shows one of the 10 well clusters at Wolf Lake, where in situ production of bitumen will begin in April 1985.

The Annual and a Special Meeting of shareholders of BP Canada Inc. will be held at 11:30 a.m. on Wednesday, April 24, 1985 in the Four Seasons Hotel, 21 Avenue Road, Toronto, Ontario. Shareholders who are unable to attend the meeting are requested to return their proxies to the Registrar in the envelope which is enclosed with this report.

### **Corporate Profile**

BP Canada is a natural resources company. It produces crude oil, natural gas and sulphur in the Western Canada Basin, where it has operated since 1953, and has exploration interests in the Western Canada Basin, the Northwest Territories, the Arctic Islands and the East Coast offshore. It is a leader in the development of thermal recovery technology, which it is applying on a commercial scale at its Marguerite Lake oil sands leases in northeastern Alberta.

BP Canada also has major mining and minerals activities. It operates an underground copper/gold/silver mine in northwestern Quebec, where a second ore body, primarily zinc, is being developed as an open-pit mine. Other operations include the provision of airborne geophysical survey and data plotting services, limestone and lime products production in British Columbia, and coal reclamation in Nova Scotia. It explores extensively for minerals across Canada; two exploration successes currently being evaluated are a potash deposit in New Brunswick and a gold discovery in Newfoundland.

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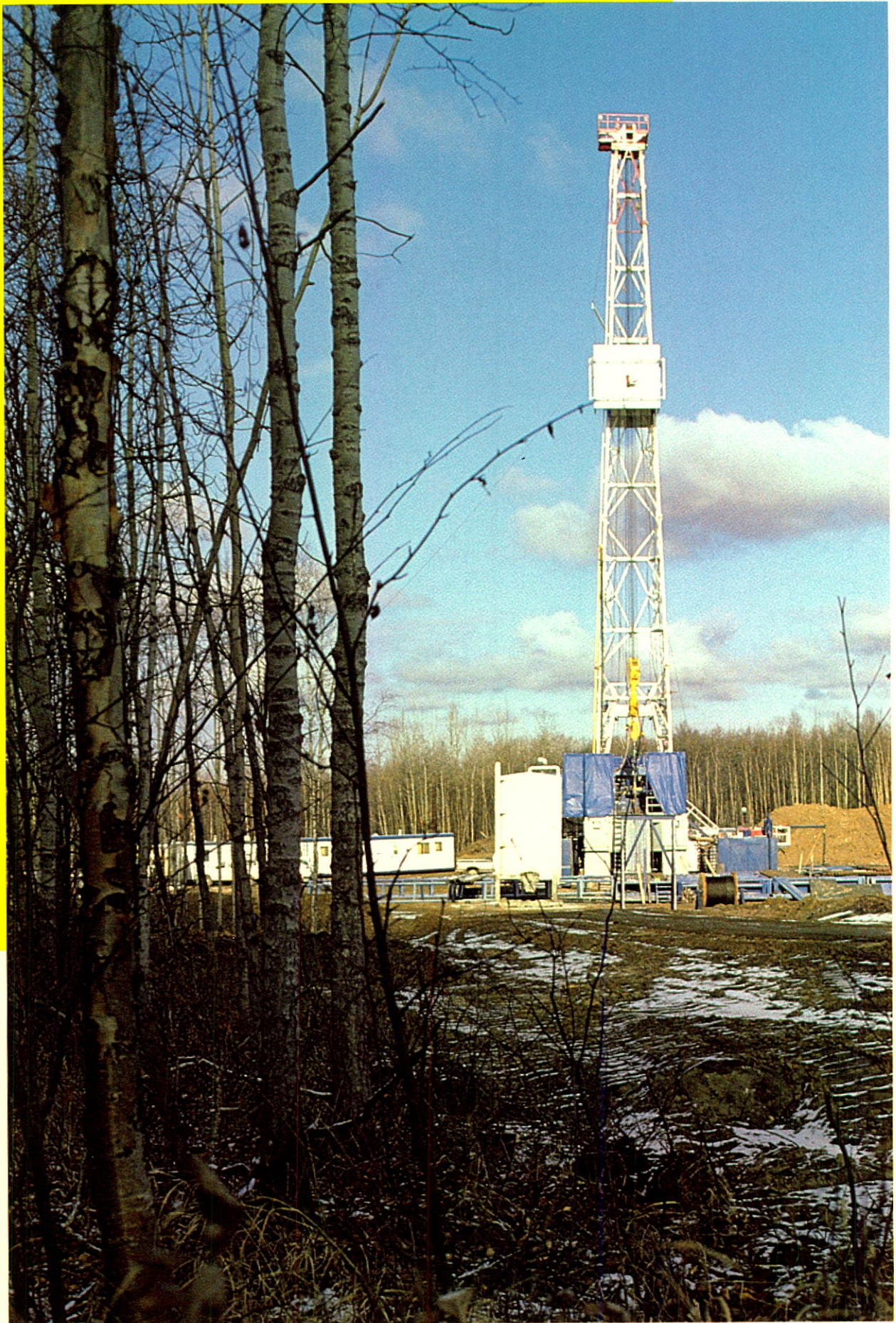
Pour obtenir un exemplaire du rapport en français, prière d'écrire au Directeur, Affaires publiques, BP Canada Inc., 333 - 5th Avenue S.W., Calgary, Alberta, T2P 3B6.

## Highlights for the Year 1984

	1984	1983	% change
(thousands of dollars, unless otherwise stated)			
<b>Financial</b>			
Net income for the year			
Before extraordinary item	<b>35,686</b>	23,561	+51.5
After extraordinary item	<b>38,528</b>	34,413	+12.0
Net income per share (dollars)			
Before extraordinary item	<b>1.66</b>	1.09	+52.3
After extraordinary item	<b>1.79</b>	1.60	+11.9
Return on average capital employed (%)			
Before extraordinary item	<b>10.1</b>	7.4	+36.5
After extraordinary item	<b>10.9</b>	10.8	+0.9
Shareholders' equity at end of year	<b>277,070</b>	248,169	+11.6
Gross sales	<b>366,212</b>	286,042	+28.0
Funds from operations before exploration expenditures	<b>104,916</b>	77,990	+34.5
Expenditures on property, plant and equipment, exploration and acquisitions	<b>100,412</b>	100,981	—
<b>Operating</b>			
Gross sales of crude oil and natural gas liquids (thousand cubic metres per day)	<b>2,960</b>	2,762	+7.2
Gross sales of natural gas (million cubic metres per day)	<b>2,927</b>	2,644	+10.7
Metal content of recovered concentrates*			
Copper (thousand kilograms)	<b>16,932</b>	2,779	
Silver (thousand grams)	<b>15,706</b>	2,706	
Gold (thousand grams)	<b>684</b>	93	

\* 1983 figures include recoveries from date  
of acquisition of Selco on October 31, 1983.

- **Wolf Lake oil sands project completed five months early and 40 per cent below budget**
- **Good-quality, medium-gravity crude discovered in Alberta at Provost**
- **Low-cost "frontier" exploration started on Vancouver Island**
- **Gold discovery made in Newfoundland**
- **Open-pit zinc mine to be developed in Quebec**



# President's Report to the Shareholders

With earnings up by 51.5 percent, the Wolf Lake project completed ahead of schedule and well below budget, and the seeds sown for further growth in both oil and gas and mining and minerals operations, 1984 proved to be a highly successful year for BP Canada.

Higher prices and increased production of crude oil and natural gas resulted in the Company's net income, before the extraordinary item, rising \$12.1 million to \$35.7 million.

The increase in crude oil production resulted from the implementation of enhanced oil recovery schemes at West Pembina and to infill drilling programs in Saskatchewan and Alberta.

Sales of natural gas were up significantly in the first quarter of the year due to abnormally cold weather in eastern North America. Sales continued at a high level throughout the summer to replenish storage, but slackened off towards year-end because of unseasonably warm temperatures in eastern Canada and a reduction in export volumes pending the renegotiation of contracts.

Mining and minerals operations, bedevilled by continuing weak metals prices, resulted in a loss of \$2.3 million, before depreciation and exploration expenditures.

## Rate of Return

The rate of return on average capital employed increased again last year, reaching 10.1 percent, after tax and before the extraordinary item, compared with only 7.4 percent in 1983. While this result represents a great improvement, profitability is still too low.

Capital and exploration expenditure in 1984 was \$100.4 million, with Wolf Lake and other development accounting for \$38.2 million, conventional oil and gas exploration for \$28.9 million and mining and minerals activities for \$33.3 million, which includes the cost of acquisition of Hudbay Mining (Quebec) Limited allocated to fixed assets. In 1985, expenditures are expected to increase to \$188.3 million, with oil and gas operations taking \$100.8 million, of which \$44.4 million is expected to be spent on exploration. Mining and minerals expenditures in 1985 are likely to be in the order of \$87.5 million.

## Wolf Lake

The major event of 1984 was the completion of the Wolf Lake project five months ahead of schedule and at a total cost of some \$110 million, or 40 percent lower than was originally estimated.

As a result, not only will the return to shareholders be improved, but both levels of government will also benefit. Their taxes and royalties on the revenue generated by the project will be greater and will start to flow sooner.

This tremendous achievement resulted partly from the rate of inflation being much lower than anticipated and to intense competition among suppliers and contractors stemming from the depressed economy. However, it was also, in large measure, the result of outstanding performances by the BP project teams, which used numerous innovative techniques to cut costs and speed progress.

The first steaming cycle at Wolf Lake has started and the first bitumen will be produced in April. Full production of 1,100 cubic metres per day is expected to be achieved in the third quarter of 1985.

It is intended to expand production capacity at Wolf Lake to 5,600 cubic metres per day by the end of the decade and to this end initial engineering work has already commenced.

## Provost Discovery

In the Western Canada Basin, the geological and geophysical studies which the Company has been pursuing for some time paid their first dividends with a discovery, on lands wholly-held by BP, of good-quality, medium-gravity crude oil at Provost, in southeastern Alberta.

Crude oil production is expected to rise further in 1985 as a result of Wolf Lake's contribution, the discovery at Provost and enhanced oil recovery, provided that no serious prorating problems emerge.

An increase in natural gas production is also anticipated this year as a result of bringing in supplies from Bellis to Wolf Lake, probable contract redeterminations and a more market-responsive pricing system for exports.

## Open Pit

On the mining and minerals front, there were three major events during the year.

***"It is intended to expand production capacity at Wolf Lake to 5,600 cubic metres by the end of the decade and to this end initial engineering work has already commenced."***

***One of three wells drilled at Willesden Green in west-central Alberta, which were under evaluation at the end of 1983, was successfully completed as a light oil producer.***

Of most immediate importance was the decision to proceed with the open-pit development of the A-1 zone at Les Mines Selbaie in north-western Quebec. This ore body, primarily zinc, will be brought into production in 1986 at a cost of \$125 million.

The gold discovery made at Chetwynd in Newfoundland is extremely promising and further exploratory work is proceeding to determine its size and economic potential.

At the Sussex, New Brunswick, potash discovery, a pilot hole to permit shaft design was completed as a first step in the decision process which may lead to underground exploration and eventually to production.

***"... it is well worth bearing in mind that the financial health of the Western Canada oil industry is determined overwhelmingly by the level of taxes and royalties with which it is burdened by governments."***

### **Debt-Free**

The Company remains in an extremely strong financial position, debt-free and with a cash balance of \$71 million. Funds from operations before exploration expenditures increased by 34.5 per cent to \$104.9 million. A further improvement in cash flow is expected this year, with Wolf Lake coming into production and increased sales of conventional crude oil and natural gas.

No difficulty is seen in financing from BP's own resources the capital and exploration expenditures anticipated over the next two or three years. The Company retains an open mind about the possibility of growth through acquisition, but none of the opportunities so far evaluated make economic sense for the shareholders. However, internally-generated growth should continue at a very satisfactory rate.

### **Encouraging signs**

The federal-provincial agreement on prices and revenue sharing, which should have been reached by December 31, 1984, was postponed until January 31 this year. This date, too, proved to be unattainable and the agreement is now scheduled to be in place by the end of March.

Certain encouraging signs for the industry have emerged from the discussions between the federal Minister of Energy, Mines and Resources and her provincial counterparts—the removal of price controls on exports of crude oil and a movement towards more market-sensitive prices for exports of natural gas. Above all, however, there is a new willingness on the part of governments to consult with and listen to the industry.

Much has been made over the last several months of the weakness in international oil prices and the potential effect on the fortunes of Canadian producers. However, it is well worth bearing in mind that the financial health of the Western Canada oil industry is determined overwhelmingly by the level of taxes and royalties with which it is burdened by governments.

### **Deregulated**

Vital though it is for the Canadian oil prices to be deregulated and allowed to find their own, market-determined levels, it is even more important that the petroleum industry be treated in the same manner as other industries and be taxed on its profits, not on its revenue.

***"No difficulty is seen in financing from BP's own resources the capital and exploration expenditures anticipated over the next two or three years ... internally-generated growth should continue at a very satisfactory rate."***

If "new" oil prices decline following their promised deregulation, the need for a reduction in government tax will become even more pressing if the industry is to maintain its investment ability.

For BP Canada, there would probably be an overall net gain from oil price deregulation. The Company has about 30 percent of its production classified as "new" oil, the price of which is likely to fall by \$3 to \$4 per barrel following a move to current world prices, and 70 percent classified as "old" oil, the price of which could rise by \$6 to \$7 per barrel.

The move towards more market-responsive prices for natural gas is also essential if Canadian producers are to maintain—and over the longer term, increase—their sales to the United States. There is also a great benefit to be derived by both producers and consumers through keeping the gas pipelines full to decrease the cost of transmission.

### Commitments

The Progressive Conservative Party, during the last federal election campaign, made public commitments to modify many of the provisions of the National Energy Program which are inhibiting the industry's ability to invest and thereby to fuel a more general economic recovery, leading to new job creation.

BP Canada's experience illustrates the results which can be achieved when governments adopt a more realistic attitude towards the taxation burden which the petroleum industry has to bear.

The Wolf Lake project, which could not have gone ahead without the special fiscal and royalty regime negotiated with the federal and Alberta governments, will, according to a study by the Canadian Energy Research Institute, generate 22,000 "person years" of employment over its 25-year life. These jobs are not located only in Alberta; they have been—and will be—created across Canada as a spin off from the Wolf Lake investment.

Another BP project, the development of the A1 zone at Les Mines Selbaie, which will create 200 new permanent jobs at the mine, was greatly facilitated by the decision of the Quebec government to make a grant of 20 percent of the capital cost of the project (estimated at \$125 million) up to a maximum of \$25 million to help defray infrastructure costs.

### Initiatives

This and similar initiatives by the Quebec government in support of natural resources industries throughout northern Quebec, are responsible for the continuing development of investment and employment opportunities in the region and for an expanding infrastructure to support future growth. Such government initiatives are appreciated and commended.

It is a source of particular pride that these two revenue-generating projects will, over the three years 1984-1986, increase the number of our employees by some 30 percent. BP's actions show that increased revenues to the industry rapidly translate into increased employment.

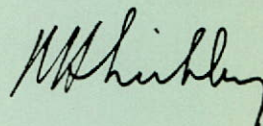
### Option

In January we established a dividend reinvestment option, under which shareholders can elect to have their cash dividends reinvested in additional common shares of the Company. Shareholders may also continue to elect to receive their dividends in the form of additional BP Canada common shares—the stock dividend option. The Directors trust that the additional flexibility offered by the new dividend option will be well received by shareholders.

The Company announced on March 4 an increase in its semi-annual dividend to 35 cents per share. We expect to be able to at least maintain this level of payment.

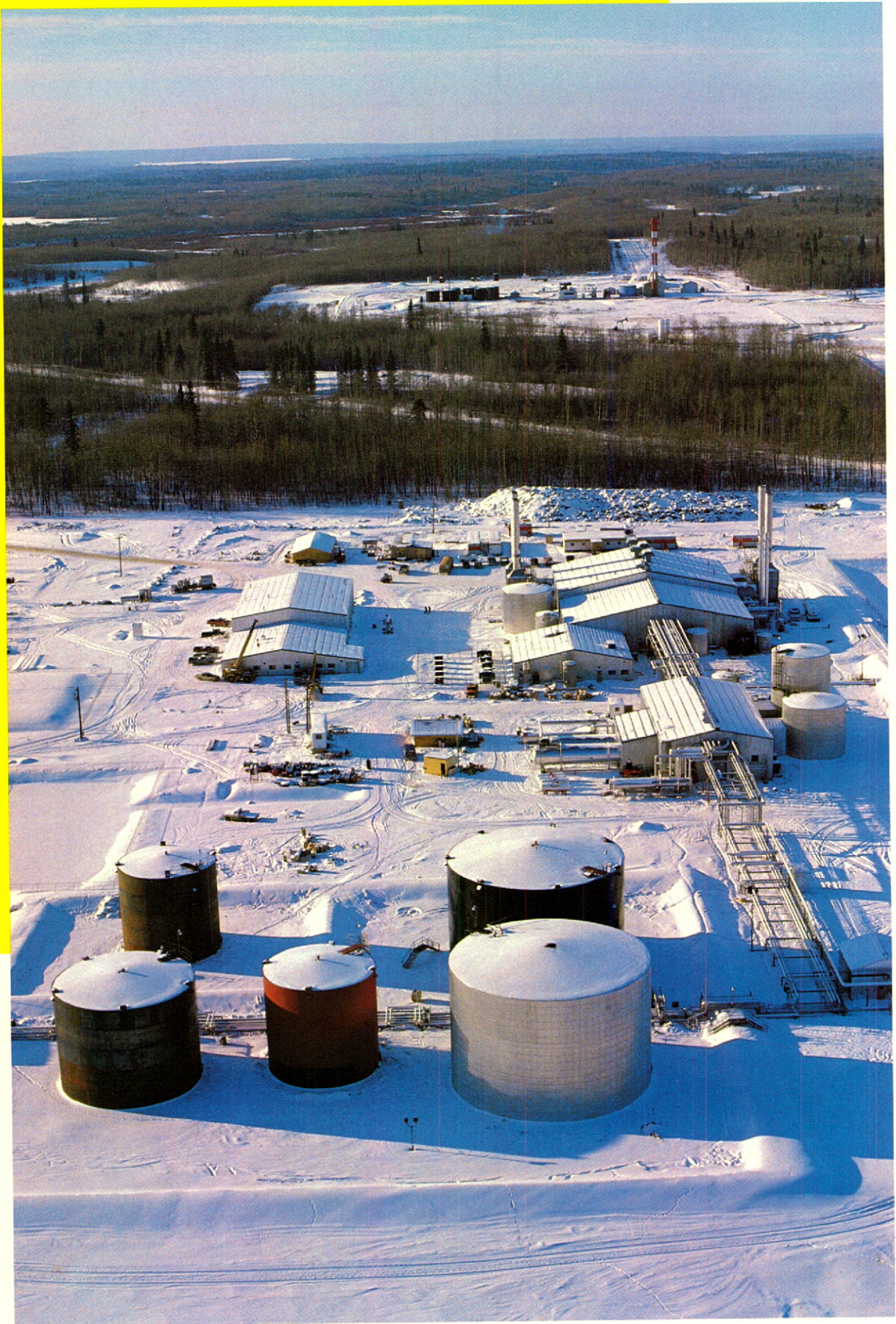
BP Canada now employs over 1,270 people, including 110 temporary employees. I wish to thank all of them for their efforts over the past year which resulted in such a marked improvement in the Company's performance.

I would also like to thank the Directors for the time and attention they devote to the affairs of BP Canada and for their unstinting support and invaluable advice.



M.A. Kirkby  
President and Chief Executive Officer  
March 7, 1985

***"BP's actions shows that increased revenues to the industry rapidly translate into increased employment."***





# Oil and Gas

## Highlights

Again in 1984, sales of crude oil and natural gas liquids improved—increasing by 7.2 per cent to 2,960 cubic metres per day, largely as a result of enhanced oil recovery schemes at West Pembina and infill drilling programs in Alberta and Saskatchewan. With the startup of the Wolf Lake project and anticipated modest increases in conventional production, the Company's crude oil sales should increase further in 1985, unless there is a serious prorating problem.

In spite of difficult natural gas marketing conditions in 1984, BP's sales rose by 10.7 per cent to 2,927,000 cubic metres per day. With gas sales to the Wolf Lake project, anticipated contract redeterminations and a more market-responsive pricing system for exports, company gas sales are expected to increase further in 1985.

Gross selling prices for crude oil and natural gas liquids averaged \$192.79 per cubic metre, compared with \$186.75 in 1983. Gross selling prices for natural gas averaged \$95.32 per thousand cubic metres, against \$89.58.

Sales of sulphur were 16.7 per cent higher and the average price rose to \$75.30 per ton from \$58.65 in 1983.

As a result of higher volumes and prices, net sales, after royalties and Petroleum and Gas Revenue Tax, increased by 13.7 per cent to \$197,447,000; cash flow before income tax rose by 17 per cent to \$147,771,000.

Capital and exploration expenditures in 1984 totalled \$671 million, with exploration taking \$28.9 million and the Wolf Lake project and other development work accounting for \$38.2 million. In 1985, planned expenditure will increase to \$100.8 million, with exploration expected to take \$44.4 million.

At the end of 1984 reserves of conventional crude oil and natural gas liquids were 9,924,997 cubic metres, with 98 per cent of the year's production being replaced. Bitumen reserves were unchanged, since production at Wolf Lake will not start until 1985.

Natural gas reserves rose to 29,106 million cubic metres, largely due to revisions to existing reserves, with 114 per cent of 1984 production being replaced.

## Exploration

### Western Canada Basin

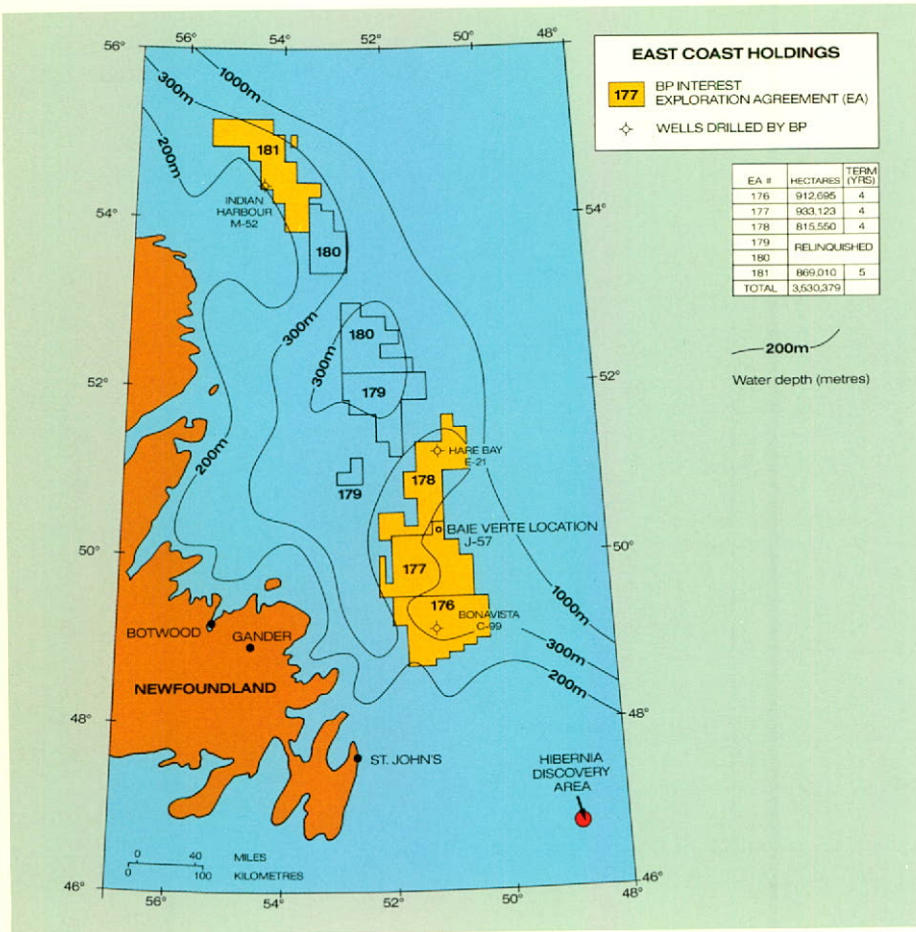
BP continued to focus efforts on the identification of commercially attractive oil plays through geological and geophysical studies. As a result, in the latter half of the year new prospective opportunities were increasingly being pursued at provincial land sales. By year-end, the Company had spent \$13.3 million to purchase 19,840 hectares of land, all in Alberta, providing a significant new mix of exploration areas for future activity. Reflecting this renewed thrust into Alberta exploration, the Company ranked fifteenth in Alberta land acquisition expenditures in 1984, against its fortieth position in 1983.

Seismic and drilling operations started on these new lease areas during the latter half of the year and will accelerate in 1985. An early success was achieved on lands wholly held by BP with the discovery of medium-gravity crude oil in the Provost area of south-eastern Alberta.

***“BP continued to focus efforts on the identification of commercially attractive oil plays through geological and geophysical studies.”***

***The central plant at Wolf Lake, where steam is generated and the bitumen treated before moving to storage. In the background is the Phase A pilot plant.***

**Work was completed at Bellis in northeastern Alberta to supply 340,000 cubic metres per day of gas to fuel the steam generators at Wolf Lake.**



### Oil and Gas (continued)

In Western Canada, BP participated in 17 exploratory wells in 1984, of which four were oil wells, one was a gas well and 12 were dry and abandoned. Sixteen wells were drilled in Alberta and one in British Columbia. Six of these wells were drilled at no cost to BP through farm outs. Additionally, one of the three wells at Willesden Green (BP 50 per cent) in west-central Alberta, which were under evaluation at the end of 1983, was successfully completed as a light oil producer.

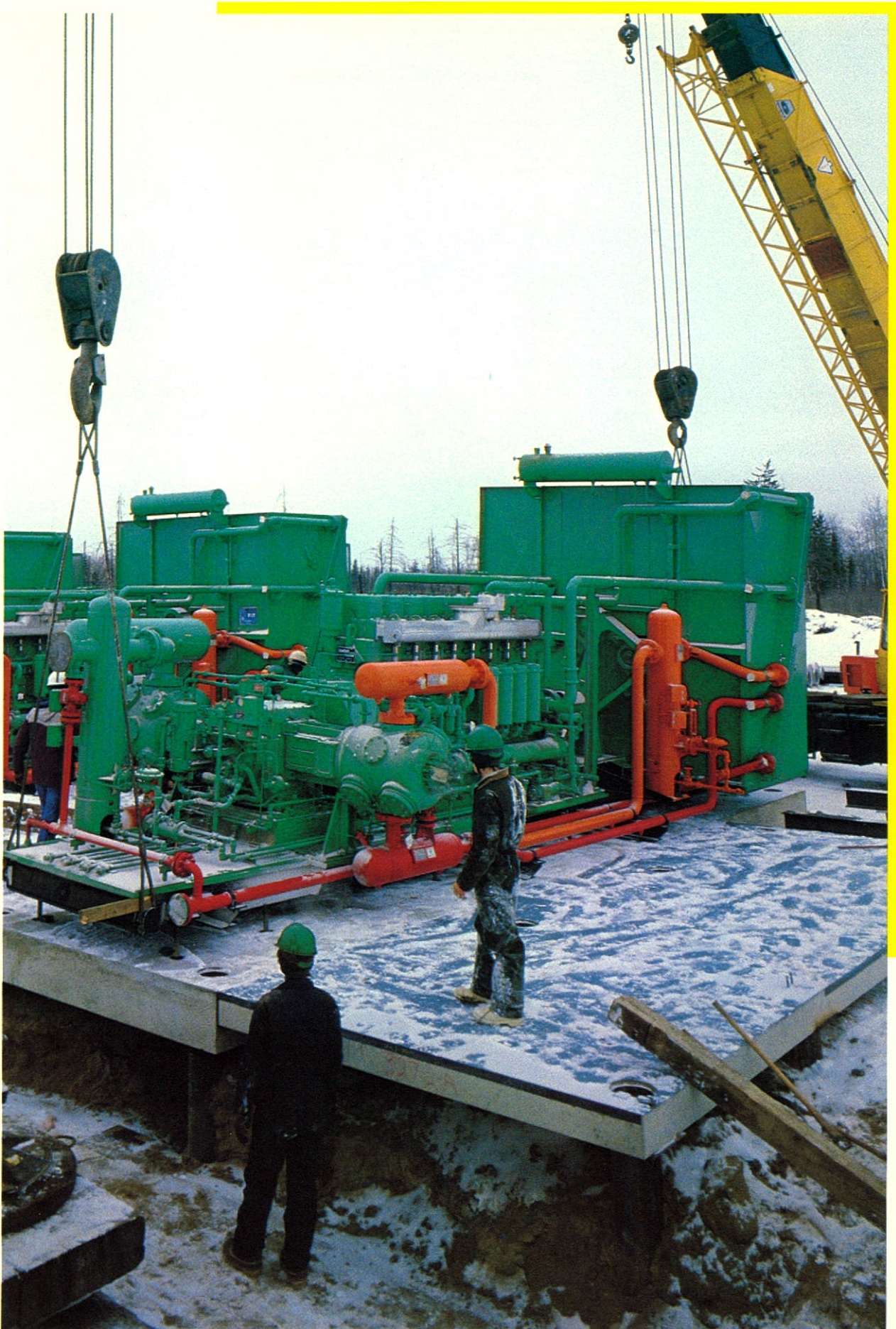
While the main exploration effort in 1984 was towards oil plays, exploration studies of prospective gas areas intensified in the latter part of the year, partly with a view to securing additional supplies of natural gas to fuel the Wolf Lake steam generators. These studies may lead to more active gas exploration in 1985.

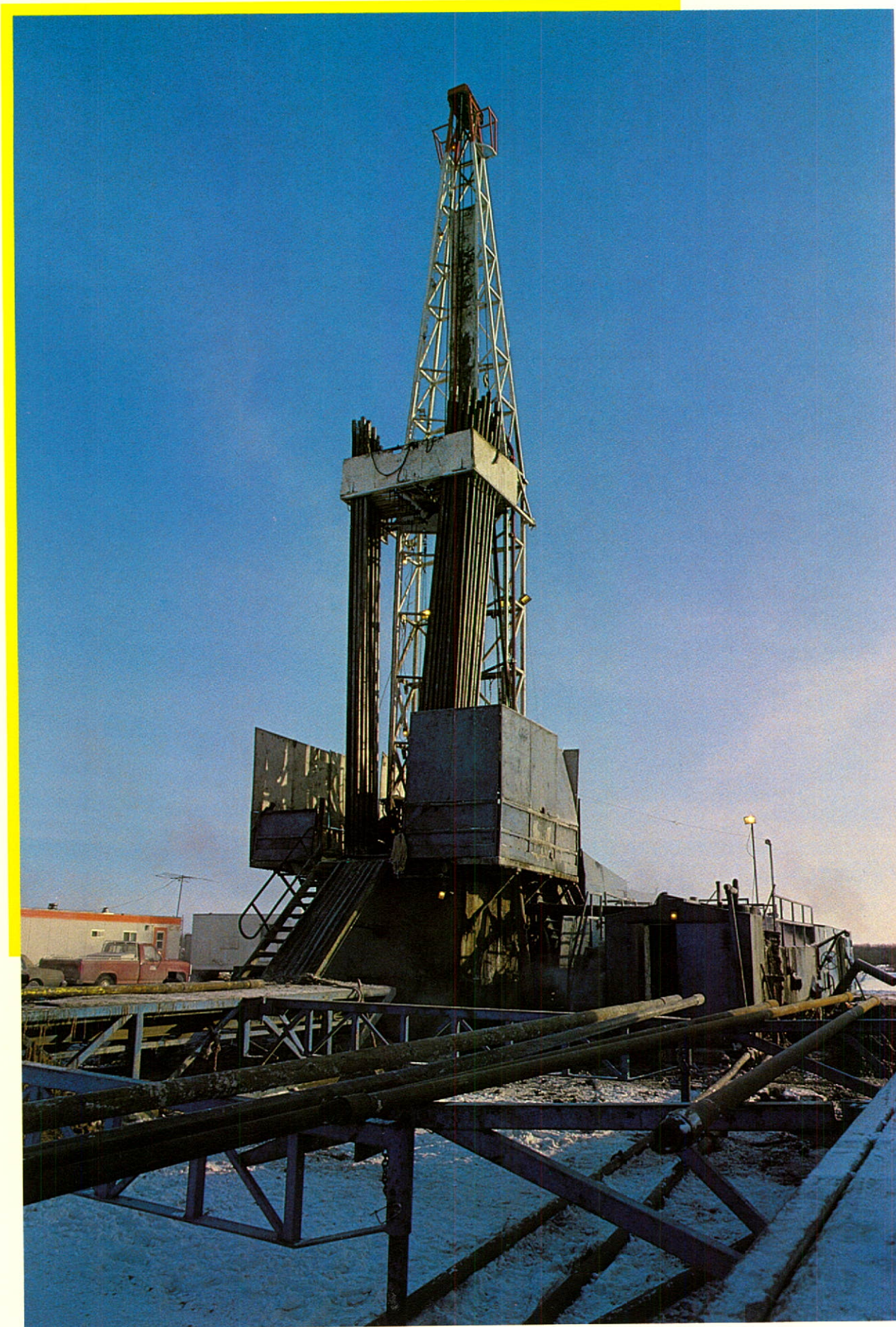
### Frontiers

Offshore Newfoundland, BP's gross hectareage was reduced by 1.750 million hectares when the two least-prospective of six Exploration Agreements were relinquished in March, 1984. This permitted full retention of the other four more-prospective Exploration Agreements for another

Revenue (thousands of dollars)	1984				1983			
	Gross* Sales	Royalties	Petroleum and Gas Revenue Tax	Net* Sales	Gross* Sales	Royalties	Petroleum and Gas Revenue Tax	Net* Sales
<b>Crude oil and natural gas liquids</b>								
Alberta	164,891	46,926	15,906	102,059	146,821	43,190	12,925	90,706
British Columbia	5,752	1,796	511	3,445	6,094	1,870	574	3,650
Saskatchewan	38,837	14,579	3,571	20,687	35,621	15,259	3,283	17,079
Total	209,480	63,301	19,988	126,191	188,536	60,319	16,782	111,435
<b>Natural gas</b>								
Alberta	73,834	20,434	6,927	46,473	56,850	15,615	4,009	37,226
British Columbia	27,967	7,575	2,326	18,066	29,484	7,414	1,876	20,194
Saskatchewan	343	32	35	276	203	18	16	169
Total	102,144	28,041	9,288	64,815	86,537	23,047	5,901	57,589
<b>Sulphur</b>								
Alberta	5,251	709	—	4,542	3,519	362	—	3,157
<b>Pipeline</b>								
Alberta	1,899	—	—	1,899	1,399	—	—	1,399
<b>Total</b>	<b>318,774</b>	<b>92,051</b>	<b>29,276</b>	<b>197,447</b>	<b>279,991</b>	<b>83,728</b>	<b>22,683</b>	<b>173,580</b>

\*Before operating costs.





**Delineation wells are being drilled at Provost in southeastern Alberta, where BP Canada discovered good-quality, medium-gravity crude oil in 1984.**

**Oil and Gas (continued)**

year. The remaining total holding is now 3.530 million hectares, which is still being operated under the federal ministerial letter of intent received in February, 1983, pending the signing of the final agreements.

BP was sufficiently encouraged by the results of the 1983 seismic survey over the three southern Exploration Agreements to propose to partners the drilling of a 4,725-metre exploratory well on the Baie Verte Prospect, in Exploration Agreement 177. Scheduled spud date is June 15, 1985.

BP will finance its 45 per cent working interest and the anticipated 25 per cent working interest to be surrendered by partners in the Baie Verte structure via a farmout to Beau Canada Exploration Limited.

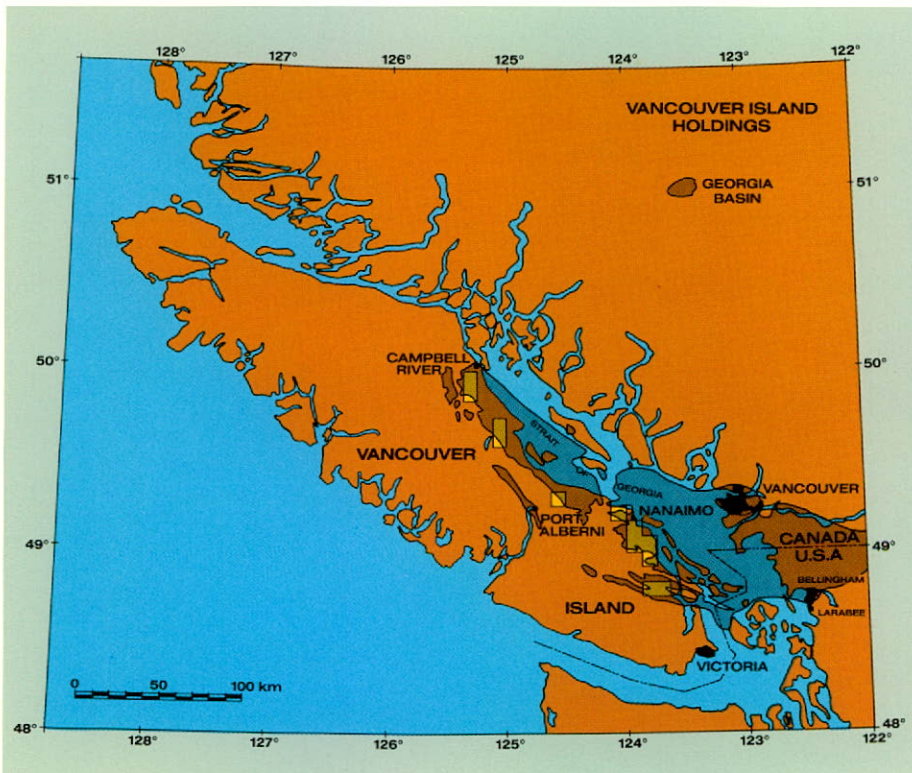
Under the terms of the arrangement, BP acquired 1,000,000 treasury common shares of Beau Canada for \$1.25 million in February, 1985 and now holds 11.4 per cent of the issued common shares of that company. BP

will also fund the anticipated 70 per cent cost of the Baie Verte well and Beau Canada's remaining expenditures on two other remaining frontier farmouts by flow-through preferred shares. BP's net cost, before tax, for the Beau Canada preferred shares on this basis is estimated at \$7 million.

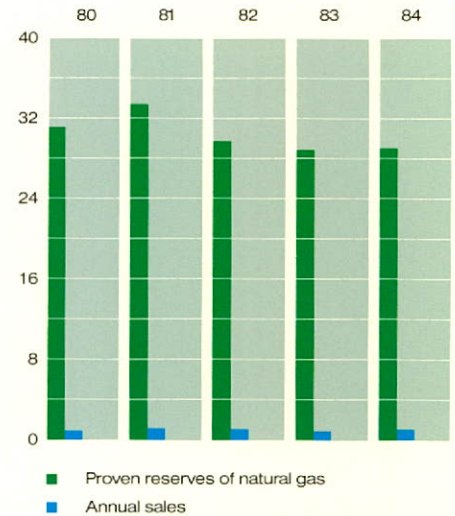
BP remained relatively inactive in the Arctic Islands. It had a minor interest (1.96 per cent) in the Sherard Bay F-34 exploratory well, which was abandoned early in the year.

Elsewhere, there was no exploration activity in the Lancaster Sound hectareage of Magnorth Petroleum Limited (BP 38.8 per cent equity interest), nor significant work in BP's minor Beaufort Sea holdings.

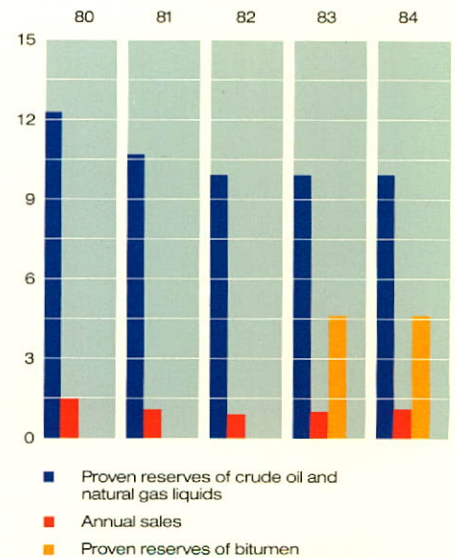
BP established operatorship in one new area of "frontier" exploration in 1984 when it acquired various lands along the east coast of Vancouver Island (amounting to 81,808 hectares) to test a new exploration concept. Some 125 kilometres of seismic data were acquired in the late summer and fall. Initial interpretation established



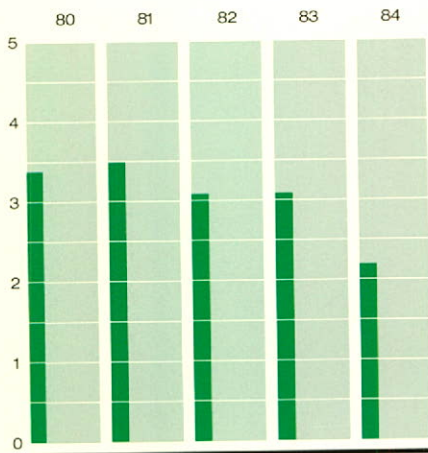
**Proven reserves and gross sales of natural gas**  
(billions of cubic metres)



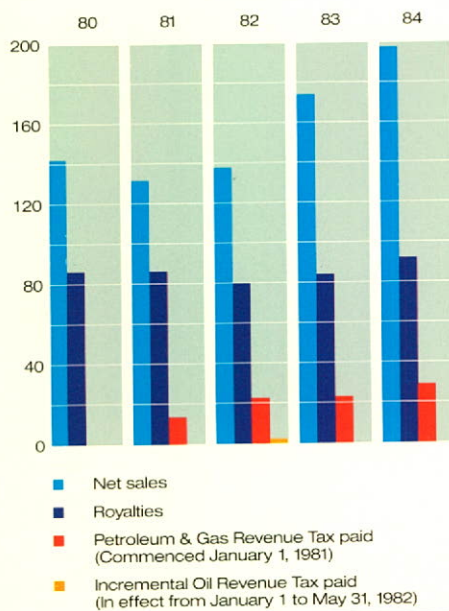
**Proven reserves and gross sales of crude oil, natural gas liquids and bitumen**  
(millions of cubic metres)



**Net oil and gas land holdings**  
(millions of hectares)



**Net sales compared to royalties, Petroleum & Gas Revenue Tax and Incremental Oil Revenue Tax paid**  
(millions of dollars)



## Oil and Gas (continued)

the presence of a sedimentary basin with several structures indicated. Further seismic work is programmed for the second quarter of 1985, with the possibility of exploratory drilling being undertaken in the summer. The company is pursuing other analogous low-cost, frontier-type opportunities, which, if successful, could lead to earlier production than from the traditional frontier investments.

### Development

BP participated in 215 development wells in 1984, of which 187 were oil wells, 17 were gas wells and 11 were dry and abandoned.

Primary emphasis was placed on major infill drilling programs at oil properties in the Swan Hills and Mitsue areas of Alberta and the Star Valley, Queensdale, Gleneath and Parkman areas of Saskatchewan.

BP participated in two enhanced oil recovery (EOR) schemes operating at the West Pembina field and in three projects being implemented in other Alberta pools. It also has an interest in another EOR project which is getting under way in Saskatchewan.

The Company has conducted a major study to screen each of its operated reservoirs for EOR potential, and a further 12 have been identified where EOR processes appear to be both technically and economically feasible. More detailed work has commenced on two of the projects.

Increased activity in the Chauvin area resulted in a 36.5 per cent increase in pipeline throughput over that achieved in 1983. Pipelines were built to tie in two further batteries.

At the Sibbald oil field, in southern Alberta, battery construction was undertaken early in the year and the field unitized in the summer. Water-flood facilities were completed late in the year which are expected virtually to double BP's share of production from the field.

At Bellis, work proceeded throughout the year to complete wells and

other facilities to supply 340,000 cubic metres per day of natural gas for the Wolf Lake project, some 100 kilometres to the northeast.

Work started late in the year on a new gas plant at Medicine Lodge, with completion scheduled for the first quarter of 1985.

### Oil Sands

The Wolf Lake project (BP 50 per cent) was essentially completed in December, five months ahead of schedule and at a final cost of some \$110 million, or 40 per cent below the amount originally estimated. Steaming will commence in March, 1985 and the first bitumen is expected to be produced in April. Full production of 1,100 cubic metres per day should be achieved in the third quarter.

Consistent with BP's strategy of concentrating on in situ production from the Marguerite Lake leases, plans are now being developed for a staged expansion of its Wolf Lake facilities to produce approximately 5,600 cubic metres of bitumen per day by the end of this decade.

A 40-well drilling program was started on the Company's Marguerite Lake leases in February to define the locations for expansion and initial engineering work has commenced.

At the Phase A pilot plant, the first cycle of oxygen injection for in situ combustion was completed with encouraging results. Experimental work on oxygen combustion will continue into 1988. If successful, combustion would follow the cyclic steam process being used at Wolf Lake and would improve oil recovery significantly.

At the B Unit pilot, about 10 kilometres to the south of the Phase A pilot, results from the single-well steam test of the Lower Grand Rapids bitumen-bearing formation, which has been underway since 1982, were better than anticipated. It is expected that the success achieved by this test will lead to early commercialization, possibly as the second development phase of Wolf Lake.

<b>Gross quantities sold— crude oil and natural gas liquids</b> (cubic metres per day)	<b>1984</b>	<b>1983</b>
<b>Alberta</b>		
Pembina	599	420
Redwater	347	443
Chauvin	339	309
South Sturgeon	196	202
Swan Hills	168	186
Kaybob	84	106
Harmattan Elkton	69	61
Joarcam	47	50
Sibbald	44	39
Ante Creek	44	18
Empress	37	5
Red Earth	26	26
Crossfield	22	20
Medicine River	21	19
Bonanza	20	14
Snipe Lake	20	22
Mitsue Gilwood	18	23
Alexis	15	12
East Buffalo Lake	15	8
Edson	15	19
Carson Creek	13	12
Ponoka	12	12
Others	129	101
	<b>2,300</b>	<b>2,127</b>
<b>British Columbia</b>		
Beatton River	78	84
Others	7	7
	<b>85</b>	<b>91</b>
<b>Saskatchewan</b>		
Dollard	108	112
Weyburn	52	54
Kenosee	50	57
Instow	50	49
Steelman	41	40
Parkman	36	34
Battrum	35	23
Rapdan	34	32
Arlington	27	28
Wapella	23	18
Arcola	13	14
Cannington Manor	13	12
Others	93	71
	<b>575</b>	<b>544</b>
<b>Total all areas</b>	<b>2,960</b>	<b>2,762</b>

Sales are volumes gross before royalty.

<b>Gross quantities sold— natural gas</b> (thousands of cubic metres per day)	<b>1984</b>	<b>1983</b>
<b>Alberta</b>		
Edson	403	342
Alderson	141	117
Atmore	128	95
Craigend	122	85
Harmattan Elkton	110	45
Grande Prairie	96	103
Kaybob	78	60
Sullivan Lake	66	22
Crossfield	58	69
Stolberg	53	58
Pouce Coupé	53	60
Okotoks	44	55
Chauvin	43	37
Bellis	37	34
Pembina	31	34
Cessford	31	13
Minnihik Buck Lake	30	44
Granor	29	21
Marten Hills	27	25
Ghost Pine	26	23
Redwater	24	21
Olds	17	17
Swan Hills	16	15
Marguerite Lake	15	14
Radial	12	14
Mikwan	11	12
Shane	11	11
Strathmore	11	13
Others	228	132
	<b>1,951</b>	<b>1,591</b>
<b>British Columbia</b>		
Yo Yo Cabin	389	400
Sukunka	338	465
Bullmoose	159	125
Gote	18	21
Others	45	24
	<b>949</b>	<b>1,035</b>
<b>Saskatchewan</b>	<b>27</b>	<b>18</b>
<b>Total all areas</b>	<b>2,927</b>	<b>2,644</b>

Sales are volumes gross before royalty.

## Oil and Gas (continued)

Land summary	December 31, 1984		December 31, 1983	
	(gross hectares)	(net hectares)	(gross hectares)	(net hectares)
<b>Exploration lands</b>				
Petroleum and Natural Gas Leases				
Alberta	514,698	226,802	635,056	291,778
British Columbia	320,243	122,886	351,841	136,563
Saskatchewan	3,670	618	2,663	279
Northwest Territories	12,773	1,277	12,773	1,277
	851,384	351,583	1,002,333	429,897
Licences and Permits				
Alberta	47,104	34,837	71,289	46,016
British Columbia	35,165	19,528	37,947	21,492
Northwest Territories	520,305	29,694	520,305	29,694
Arctic Islands	1,483,732	82,634	1,483,732	82,634
East Coast	3,530,307	1,588,639	5,280,733	2,376,330
	5,616,613	1,755,332	7,394,006	2,556,166
Total petroleum and natural gas exploration	6,467,997	2,106,915	8,396,339	2,986,063
<b>Proven lands</b>				
Petroleum and Natural Gas Leases				
Arctic Islands	1,771	56	1,771	56
Alberta	339,897	115,054	341,347	117,303
British Columbia	33,951	14,414	29,117	12,132
Saskatchewan	28,155	8,612	29,290	8,960
Total petroleum and natural gas proven	403,774	138,136	401,525	138,451

Summary of drilling	Oil		Gas		Oil Sands		Dry	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Exploratory wells</b>								
Working interest	3	3.0	1	0.5	—	—	8	4.85
Farmout (interest retained)	1	0.3	—	—	—	—	5	0.75
<b>Development wells</b>								
Working interest	173	22.52	2	1.84	—	—	8	4.82
Farmout (interest retained)	14	0.68	15	0.17	204	103	3	0.15

This table excludes the following wells: seven water-injection; four drilling; two water-disposal; two non-consent.

Proven reserves (Gross before royalty)	Oil and NGL (cubic metres)	Bitumen (cubic metres)	Natural Gas (million cubic metres)
<b>Proven reserves at December 31, 1983</b>	9,947,498	4,600,000	28,954
Add: Discoveries and extensions	434,692	—	111
Net revisions to existing reserves	626,218	—	1,113
	11,008,408	4,600,000	30,178
Less: Production During 1984	1,083,411	—	1,072
<b>Proven reserves at December 31, 1984</b>	9,924,997	4,600,000	29,106
<b>Location of reserves by province:</b>			
Alberta	8,227,244	4,600,000	19,055
Saskatchewan	1,487,463	—	55
British Columbia	210,290	—	9,996

This table does not include the Company's share of natural gas reserves delineated in the Arctic Islands.



# Mining and Minerals

## Highlights

Severely depressed metals prices adversely affected the results of the Selco Division, resulting in a loss of \$2.3 million before depreciation and exploration expenditures.

The metal content of recovered concentrates was: copper, 16,932,000 kilograms; silver, 15,706,000 grams; and gold, 684,000 grams.

An area of significant gold mineralization was discovered at Chetwynd, Newfoundland, an exploration project in which the Company holds the sole interest.

Work started late in the year to bring the A-1 zone at Les Mines Selbaie into production in 1986 as an open-pit mine.

## Operations

Les Mines Selbaie is a joint-venture mining complex in the Abitibi region of north-western Quebec in which BP holds a majority interest and is the operator. Three mineral deposits have been identified, one of which, the B-zone, was in production throughout the year. A second deposit, the A-1 zone, was put into development at the end of the year, and a third, the A-2 zone, remains to be further explored.

The B-zone operated at full capacity in 1984, producing 551,000 tonnes of ore grading 3.15 per cent copper, 31.25 grams per tonne silver and 1.25 grams per tonne gold. Results were severely affected by the sharp decline in the average prices received for the metals, which are shown in the following table:

	Average Prices Received		Percent Change
	(\$U.S.)		
	1984	1983	
Copper (per pound)	0.60	0.65	-7.7
Gold (per ounce)	341.17	390.33	-12.6
Silver (per ounce)	7.45	9.68	-23.0

In the last quarter of the year, a decision was taken to develop the A-1 zone for production as a 5,000 tonnes-per-day open-pit mine, to be completed in late 1986. The zone contains an ore reserve of 23 million tonnes, grading 2.0 per cent zinc, 0.8 per cent copper, 29.0 grams per tonne silver and 0.5 grams per tonne gold. Zinc will be the main component of the mine's output over its first seven years of production.

The new mine will have the advantage of sharing with the B-zone many of the facilities and services already in place on site, and both mines will benefit from the provision of hydro-generated electricity through a new power line to be constructed to site.

The Quebec government has made a grant to the project of 20 per cent of capital costs (estimated at \$125 million) up to a maximum of \$25 million.

In December, BP Canada purchased Hudbay Mining (Quebec) Ltd., which owned a one-third interest in Les Mines Selbaie. Subsequently, TCPL Resources Ltd., which had held a 12½ per cent interest in Hudbay, acquired a 4 per cent interest in the property. TCPL Resources Ltd. has an option, expiring on May 10, 1985, to increase this interest to 33⅓ per cent.

On Cape Breton Island, where the Company manages and has an 80 per cent interest in the joint venture which operates two coal reclamation plants, sales increased slightly in 1984. Arrangements were also made to treat material from two additional dumps.

On the west coast, at Langley, British Columbia, the Texada quick lime and limestone processing plant increased its 1984 sales significantly.

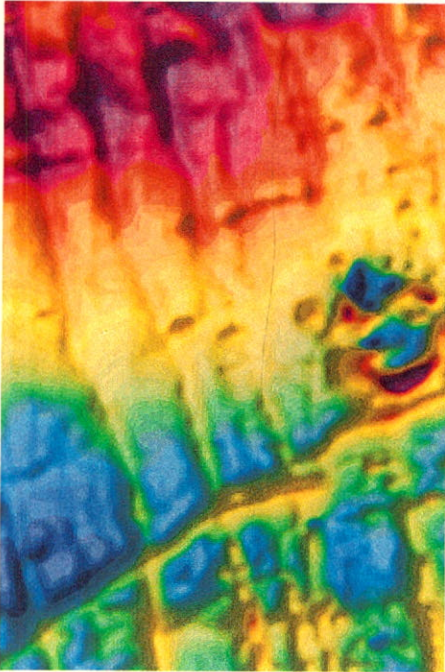
## Services

The Selco Division owns two businesses which supply services on a contractual basis to natural resource companies and to Canadian and foreign governments.

Questor Surveys, which conducts airborne geophysical surveys, was able to maintain sales in spite of the continuing depressed state of the mining industry.

***“With a permanent professional staff numbering 37 and an exploration budget in 1984 of some \$13 million, BP is one of Canada’s most active minerals explorers.”***





Using data acquired by an airborne survey, Selco Division's Dataplotting Services produced this pseudo-topographical map to show magnetic values over an area of the James Bay lowlands. The blue areas show low magnetic values, the red and purple areas high values.

## Mining and Minerals (continued)

Dataplotting Services, a developer and vendor of business and scientific computer-graphics programs and a service bureau for the processing and graphical presentation of resource industry data, increased its sales in 1984.

### Millstream Potash Project

BP holds, under an exploration permit from the provincial government, approximately 10,117 hectares near Sussex, New Brunswick, on which drilling carried out by the Company has indicated a large deposit of potash.

During 1984, feasibility studies for a potential underground mining operation were carried out and a pilot hole was drilled for a possible 860-metre exploration shaft. The decision will be taken in 1985 on whether to sink this shaft and conduct underground exploration to confirm the ore reserves.

The development of the Millstream property is a long-term project, with production not anticipated to begin before the end of this decade.

### Exploration

BP has a strong commitment to minerals exploration in Canada. With a permanent professional staff numbering 37 and an exploration budget in 1984 of some \$13 million, BP is one of Canada's most active minerals explorers.

One of BP Canada's strengths is its ability to draw upon geological and ore-deposition concepts developed in BP Group operations in other parts of the world and to apply them to Canada in conjunction with the

local knowledge of its own exploration geologists.

During 1984, such an approach, together with careful field prospecting and mapping, brought about the discovery of significant gold mineralization at Chetwynd, some 80 kilometres east of Port aux Basques, Newfoundland.

Since the original announcement of the discovery in August, 1984, a further 25 holes have been drilled on the property. This latest drilling in the discovery zone—the Hope Brook zone—intersected the mineralization with widely spaced holes.

The results indicate that the zone has a near surface strike length of about 400 metres and that it extends to a depth of at least 300 metres.

Field work will resume in April 1985, with a major program of infill diamond drilling and sampling planned. The present drill hole spacing is considered too wide to permit grade and tonnage estimates and, therefore, the next phase of activity will focus on further defining the zone as well as extending it.

Elsewhere on the property, an additional 11 holes were drilled on exploration targets. This work will continue in 1985.

In addition to the Chetwynd activity, a number of other exploration programmes, ranging from grass-roots to detailed drilling and underground exploration, were carried out. BP's search is for precious metal and poly-metallic deposits, in which both precious and base metals can be found.

A key part of this exploration effort, which covers most provinces in Canada, is the search for opportunities to farm in to or purchase mineral properties of interest held by others.

Land Summary	December 31, 1984		December 31, 1983	
	(gross hectares)	(net hectares)	(gross hectares)	(net hectares)
Coal	20,394	17,611	21,979	20,522
Potash	10,117	10,117	10,117	10,117
Minerals	571,975	445,788	814,301	545,066

Diamond drilling in progress at the Chetwynd gold discovery in Newfoundland.



## Corporate Affairs

BP's Human Resources groups experienced a year of intense activity, with three major projects being successfully completed.

A new variable benefits program for staff, called "Select," was created over the last seven months of 1984 and was implemented on January 1, 1985. It enables employees to develop



**A group of BP's Calgary employees braved a snow storm to enter the inter-company canoe race as part of their United Way fundraising drive. The Company's employee canvass contributed over \$22,000 to the 1984 Calgary campaign, to which BP Canada added \$40,000.**

their own benefits plans to match their current needs while also allowing them to adapt those plans as their circumstances change during their career with the Company.

The other two projects were closely linked. One resulted in the establishment of a new performance appraisal system, the other in new systems of salary administration and position evaluation.

Using these new systems, BP will be better able to pursue the twin objectives of its compensation policy—to be competitive with other companies and to establish a direct relationship between remuneration and performance—while also ensuring that employees' full potential can be realized through career development.

As an extension of its compensation objectives, BP introduced in 1984 a system of cash awards for employees who achieve outstanding performances which result in significant benefit to the Company.

The Wolf Lake project figured largely in the work of the Environmental Affairs group. Drilling and construction activities were monitored, and the environmental aspects of drilling waste management and disposal were investigated. Licences to operate were obtained from the Alberta government and monitoring programs are being implemented to ensure compliance with environmental standards.

In the Selco Division, an application for approval to construct an exploration shaft on the Millstream potash property was submitted to the New Brunswick Department of Environment.

An environmental review was undertaken in connection with the open-pit development of the A-1 zone at Les Mines Selbaie, while initial environmental investigations and a water-quality monitoring program were initiated at the Chetwynd gold discovery in Newfoundland.

BP expanded its corporate donations program in 1984, more than doubling, to \$300,000, its contributions to charitable and other causes across Canada. Health and welfare organizations were again the main beneficiaries, but the Company also considerably increased its support for education, including the establishment of BP bursaries at 13 Canadian universities.

***"... BP will be better able to pursue the twin objectives of its compensation policy—to be competitive with other companies and to establish a direct relationship between remuneration and performance ..."***



# Financials

## Financial Review

The Company's results for 1984 include the operations of the Selco mining and minerals business for the full year, but only from the date of acquisition of Selco Inc. on October 31, 1983 in the previous year's comparative results.

The consolidated net income for the year, before extraordinary credit of \$2.8 million, was \$35.7 million, or \$1.66 per share. This was an increase of \$12.1 million, or 51.5 percent, from the previous year's earnings, before extraordinary credit, of \$23.6 million, or \$1.09 per share. The rate of return on average capital employed, including deferred income tax, was 10.1 percent, against 7.4 percent in 1983.

Consolidated net income, after extraordinary credit, amounted to \$38.5 million, or \$1.79 per share, compared with \$34.4 million, or \$1.60 per share.

Revenue from gross sales increased by \$80.2 million to \$366.2 million. Improved oil and gas gross sales revenues accounted for \$38.8 million, or 48.3 percent, of the increase and were primarily attributable to higher prices and increased volumes. The balance of the increase results from the inclusion of the Selco mining and minerals business for the full year.

Investment income increased to \$7.0 million from \$3.4 million due to an increase in funds available for investment and to higher yields.

After deduction of royalties and Petroleum and Gas Revenue Tax, net sales were \$244.9 million, compared with \$179.6 million.

Total expenses increased by \$54.5 million, primarily reflecting the inclusion of the full year's expenses for the Selco mining and minerals business, which included an increase of \$10.1 million in exploration expenditures.

Income, before tax and extraordinary credit, increased by \$14.4 million to \$80.6 million.

*A volunteer works on a house at Fort Norman, Northwest Territories, under a program operated by Frontier Foundation, one of many charitable organizations supported by BP Canada.*

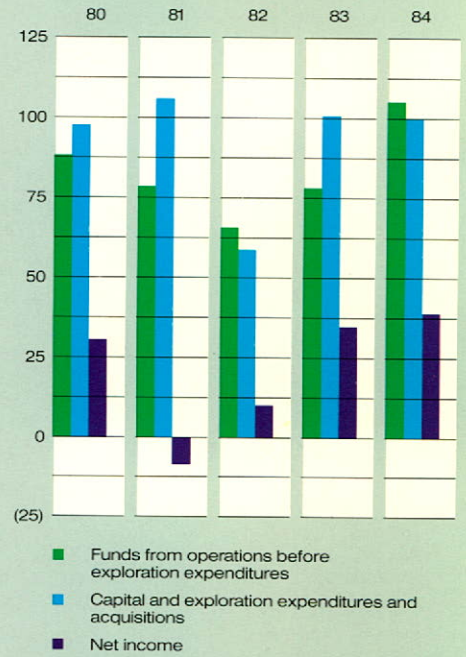
A Consolidated Statement of Cash Flows is provided, in accordance with the proposals of the Canadian Institute of Chartered Accountants, which highlights cash activities rather than working capital. The statement shows that funds from operations before exploration expenditures increased by 34.5 percent to \$104.9 million and that cash provided by operating activities increased to \$118.6 million. Improved oil and gas cash flow was partially offset by a negative cash flow in the mining and minerals operations.

Working capital at the end of 1984 was \$100.0 million, down marginally from 1983 as an increase in cash balances of \$48.7 million was offset by reductions in taxes recoverable and accounts receivable and an increase in accounts payable.

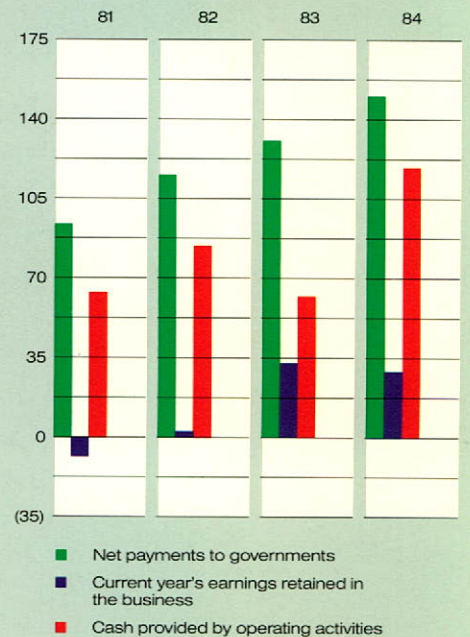
The provision for income taxes amounts to \$44.9 million, including a provision for deferred tax of \$3.5 million, and represents an effective rate of tax on income of 56 percent.

The results reported give no effect to the impact of inflation. While it is recognized that during periods of rapidly rising prices, costs used in the determination of financial results generally are less than the current cost of replacing assets used in producing current revenues, the technique for accounting for the effects of inflation remains in the experimental stage. Reasonable methods of restating inventories, certain fixed assets, cost of goods sold and depreciation to reflect the current purchasing power of money are available; however, in the resource industries, any statement must also recognize the increase in value of oil, gas and minerals reserves. Estimation of reserves is an inexact process and the uncertainty associated with future prices of oil, gas and minerals does not permit an acceptable determination of the current value of reserves or the calculation of the increase in value in the year. Accordingly, the Company's view is that publication of financial results based on the traditional historical cost accounting basis continues to represent the most appropriate form of useful disclosure for the Company. While, therefore, no adjustment of financial results is made to reflect the effect of changing prices, information as to the volumes of reserves is provided on page 14.

Financial Review BP Canada Inc.  
(millions of dollars)



Highlights of some significant changes  
(millions of dollars)



**Payments to Governments**  
for the year ended December 31

<b>Payments to governments</b>						
(thousands of dollars)	1984		1983		1982	
	Federal	Provincial	Federal	Provincial	Federal	Provincial
Royalties (in kind)		<b>80,143</b>		74,999		67,991
Petroleum and Gas Revenue Tax	<b>29,276</b>		22,683		21,679	
Incremental Oil Revenue Tax	—		—		2,610	
Mineral taxes		<b>612</b>		910		942
Property and other taxes	<b>87</b>	<b>2,629</b>	353	1,763	475	1,532
Income taxes payable currently	<b>32,469</b>	<b>6,053</b>	29,785	2,113	24,222	(1,648)
<b>Total payments</b>	<b>61,832</b>	<b>89,437</b>	52,821	79,785	48,986	68,817
Less amounts recoverable:						
Petroleum incentive payments	<b>549</b>		756		1,503	
Drilling incentives		<b>666</b>		1,631		1,239
	<b>61,283</b>	<b>88,771</b>	52,065	78,154	47,483	67,578
<b>Net payments</b>	<b>150,054</b>		130,219		115,061	



## BP Canada Inc.

### Summary of Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, therefore, conform in all material respects with International Accounting Standards.

The principal accounting policies are as follows:

#### Investment in subsidiary companies -

The consolidated financial statements include the accounts of subsidiary companies, all of which are wholly owned. When a business is purchased, assets and liabilities are recorded at their fair values at the date of acquisition and depreciation, depletion and amortization from that date are based on these values. The Company uses the proportionate consolidation method to account for its investment in joint ventures whereby its pro rata share of each of the assets, liabilities, revenues and expenses of joint ventures is included in the consolidated financial statements.

#### Property, plant and equipment; depreciation, depletion and amortization -

##### Production and mining assets:

Property, plant and equipment includes the cost of land and facilities and of significant improvements thereto. Generally, depreciation and amortization are provided on assets on a straight line basis over their estimated useful lives which are as follows:

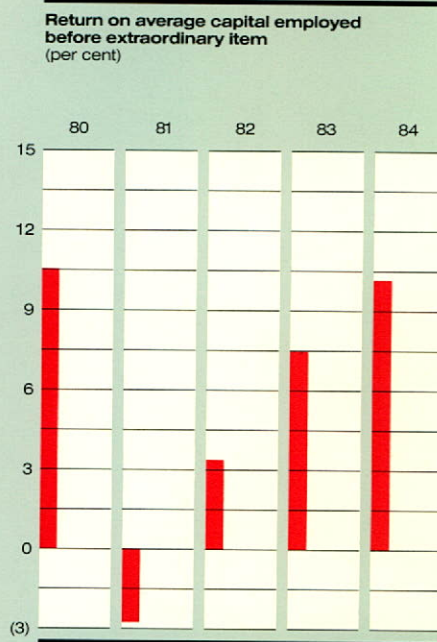
	Number of years
Production assets -	
Tanks and pipelines	25
Equipment	4 to 12
Automotive equipment	5

Depreciation and depletion of mining assets are charged against income on the unit of production method based on estimated recoverable ore reserves.

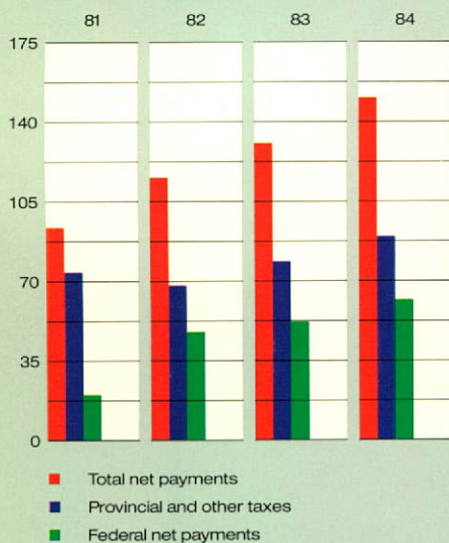
#### Exploration and development costs:

##### Oil and Gas -

A successful efforts method of accounting is used, whereby the acquisition costs of oil and gas properties, the costs of exploratory wells and the costs of drilling and equipping development wells are capitalized. Acquisition costs are amortized on a straight line basis over the term of the lease until such time as they are determined to be productive or judged to be impaired. Unamortized acquisition costs of productive oil and gas properties and costs of successful exploratory drilling and of drilling and equipping development wells are charged against income on the unit of production method based upon proven reserves of oil and gas. Exploratory dry hole and acquisition costs judged to be impaired are charged against income. Other exploration expenditures are charged against income.



**Government taxes, levies and incentives**  
(millions of dollars)



### **Summary of Accounting Policies (continued)**

**Mining and Minerals -**  
Expenditures on exploration, including indirect overhead, are charged to income in the year incurred. When management determines that an exploration project is commercially viable, any subsequent costs are capitalized, as are property acquisition costs of commercially viable projects.

#### **Research and development costs:**

The capital costs of a field project to produce heavy oil from deposits in Alberta are amortized over the life of the project, planned to be concluded in 1985. Other research costs are charged to income in the year incurred. Development costs related to commercially viable projects are deferred and amortized over periods not exceeding five years, commencing in the year the technology is placed in service.

#### **Inventories -**

Inventories of products are valued at the lower of cost and net realizable value. Materials in process, raw materials and supplies are valued at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis.

#### **Gas supply contract advances -**

Payments received under take or pay contracts for gas which is not delivered are deferred, and are recognized as revenue when deliveries are made, or at the end of the period allowed for such deliveries.

#### **Sales -**

Revenue from metals contained in mine concentrates is recognized at the time of production based on an estimated realizable value, and is subsequently adjusted to reflect actual metal prices at the date of settlement.

### **Government taxes and incentives -**

Federal and provincial exploration incentives (such as those received under the Petroleum Incentive Program and Alberta drilling incentive credits) are deducted from the related expenditures which are then included in expense in accordance with the applicable accounting policy.

Income taxes are provided on the tax allocation basis of accounting under which the provision for income taxes is computed on the basis of income reported in the financial statements rather than that reported in the Company's tax returns.

#### **Foreign currency translation -**

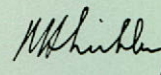
Amounts in currencies other than Canadian dollars have been translated as follows: current assets and current liabilities—at the rate of exchange prevailing at the year-end; revenues and expenses—at rates prevailing throughout the year. Gains and losses resulting from the translation are recognized in the consolidated statement of income.

## **Report of Management**

The Board of Directors is responsible for the financial statements of the Company but has delegated responsibility for their preparation to management. Management, in fulfilling its responsibilities, has developed and maintained a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the financial records are reliable for preparing the financial statements. Management exercises its judgment in determining that a reasonable balance is maintained between the costs of such controls and the benefits to be derived therefrom. The financial statements necessarily include some amounts that are based on management's best estimates and judgments.

The Board of Directors, through its audit committee, is responsible for ensuring that management fulfills its responsibilities in the preparation of the financial statements.

Each year the shareholders appoint independent auditors to examine and report directly to them on the financial statements. The audit committee, which is composed of directors who are not employees of the Company, meets with management, the internal auditors and the independent auditors to review the audit scope and any recommendations for improvements in the Company's internal controls. The independent auditors, upon completion of their audit, issue a report as to whether the financial statements in their opinion present fairly the financial position and results of operations of the Company in accordance with generally accepted accounting principles applied on a consistent basis.



M. A. Kirkby  
President and Chief Executive Officer  
March 4, 1985

## **Auditors' Report**

To the Shareholders of  
BP Canada Inc:

We have examined the consolidated balance sheet of BP Canada Inc. as at December 31, 1984 and the consolidated statements of income and retained earnings and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company

as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada,  
March 4, 1985

*Clarkson Gordon*

Chartered Accountants

**BP Canada Inc.****Consolidated Statement  
of Income and  
Retained Earnings  
for the year ended December 31**

(thousands of dollars)	1984	1983
<b>Revenue:</b>		
Gross sales	366,212	286,042
Less:		
Royalties	92,051	83,728
Petroleum and Gas Revenue Tax	29,276	22,683
Net sales	244,885	179,631
Investment income	6,970	3,375
Total revenue	251,855	183,006
<b>Expenses:</b>		
Operating and administrative	107,507	62,292
Depreciation	8,491	7,369
Depletion	10,638	8,643
Amortization	9,111	10,633
Dry hole costs	9,731	12,878
Exploration expenditures	25,783	14,954
Total expenses	171,261	116,769
Income before the following:	80,594	66,237
<b>Income taxes (note 6):</b>		
Current	41,364	42,750
Deferred	3,544	(74)
	44,908	42,676
<b>Income before extraordinary item</b>	<b>35,686</b>	<b>23,561</b>
<b>Extraordinary income tax recovery</b>	<b>2,842</b>	<b>10,852</b>
<b>Net income for the year</b>	<b>38,528</b>	<b>34,413</b>
<b>Retained earnings beginning of the year</b>	<b>51,793</b>	<b>19,536</b>
	90,321	53,949
Dividends	9,702	2,156
Retained earnings end of the year	80,619	51,793
<b>Net income per common share (dollars):</b>		
Before extraordinary item	1.66	1.09
After extraordinary item	1.79	1.60

See accompanying notes and summary of accounting policies

**BP Canada Inc.****Consolidated Statement  
of Cash Flows**  
for the year ended December 31

(thousands of dollars)	1984	1983
<b>Operating activities</b>		
Income before extraordinary item	35,686	23,561
Add charges to operations not requiring a current cash payment	43,447	39,475
Exploration expenditures	25,783	14,954
<b>Funds from operations before exploration expenditures</b>	<b>104,916</b>	77,990
Net change in non-cash working capital balances related to operations*	13,647	(16,056)
<b>Cash provided by operating activities</b>	<b>118,563</b>	61,934
<b>Investing activities</b>		
Additions to property, plant and equipment including exploration expenditures	(87,155)	(50,981)
Proceeds from disposal of property, plant and equipment	1,261	248
Acquisition of Hudbay Mining (Quebec) Ltd.	(15,681)	—
Acquisition of Selco Inc.	—	(50,000)
Extraordinary income tax recovery	2,842	10,852
Realization of income taxes recoverable	37,972	—
Other	(509)	(2,703)
<b>Cash used in investment activities</b>	<b>(61,270)</b>	(92,584)
<b>Financing activities</b>		
Note issued to acquire Hudbay Mining (Quebec) Ltd.	1,981	—
Gas supply contracts	(1,014)	6,697
Dividends	(9,627)	(2,156)
Other	48	377
<b>Cash provided by (used in) financial activities</b>	<b>(8,612)</b>	4,918
Net increase (decrease) in cash during the year	48,681	(25,732)
Cash position at beginning of the year	22,542	48,274
Cash position at end of the year	71,223	22,542
<b>*Changes in the components of non-cash working capital balances related to operations:</b>		
Decrease (increase) in accounts receivable	12,309	(12,137)
(Decrease) in taxes payable	(383)	(15,682)
Increase in accounts payable	2,571	15,032
(Decrease) other	(850)	(3,269)
	13,647	(16,056)

See accompanying notes and summary of accounting policies

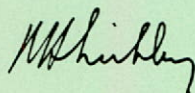
## BP Canada Inc.

### Consolidated Balance Sheet at December 31

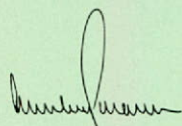
<b>Assets</b>		
(thousands of dollars)	1984	1983
<b>Current:</b>		
Cash and short term investments	71,223	22,542
Accounts receivable	66,166	74,352
Inventories (note 3)	10,607	9,966
Income taxes recoverable	—	37,972
Prepaid expenses and deposits	680	471
Total current assets	148,676	145,303
<b>Investments and advances, at cost:</b>		
Investments in other companies	2,482	1,949
Mortgages, loans and other assets	1,929	1,953
Total investments and advances	4,411	3,902
<b>Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization (note 4)</b>		
	310,933	277,515
	<b>464,020</b>	<b>426,720</b>
<b>Liabilities</b>		
(thousands of dollars)	1984	1983
<b>Current:</b>		
Accounts payable and accrued liabilities	47,454	41,202
Income and other taxes payable	1,159	1,542
Total current liabilities	48,613	42,744
<b>Gas supply contract advances</b>	<b>46,955</b>	<b>47,969</b>
<b>Deferred income taxes</b>	<b>91,382</b>	<b>87,838</b>
<b>Shareholders' equity:</b>		
Share capital (note 5)	100,878	100,803
Contributed surplus	95,573	95,573
Retained earnings	80,619	51,793
	<b>277,070</b>	<b>248,169</b>
	<b>464,020</b>	<b>426,720</b>

See accompanying notes and summary of accounting policies

On behalf of the Board:



M.A. Kirkby, Director



Charles Perrault, Director

## **BP Canada Inc.**

### **Notes to the Consolidated Financial Statements** December 31, 1984

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#### **1. The Company**

On April 27, 1984 approval was given under the Canada Business Corporations Act to change the name of the Company from BP Resources Canada Limited to BP Canada Inc. The Company's primary activities are the exploration

for and the production of oil and gas and the exploration for and mining of minerals. The mining and minerals operations acquired from Selco Inc. on October 31, 1983 are reflected from date of acquisition only in the 1983 comparative figures.

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#### **2. Acquisition of Hudbay Mining (Quebec) Ltd.**

Effective October 31, 1984 the Company acquired from Hudson's Bay Oil and Gas Company Limited and TCPL Resources Ltd. all of the outstanding shares of Hudbay Mining (Quebec) Ltd., which owns the one-third interest in Les Mines Selbaie not held by BP Canada Inc. Concurrently, the Company granted an option to TCPL Resources Ltd. to acquire up to a

33-1/3% working interest in the mine property, which option expires on May 10th, 1985.

The consideration paid by BP Canada was \$15,680,954 of which \$13,700,120 was paid in cash and the balance of \$1,980,834 by issue of a note payable. The allocation of the purchase price to the assets acquired is summarized as follows:

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(thousands of dollars)

Working capital	2,423
Mineral resource properties	13,258
Purchase consideration	15,681

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**BP Canada Inc.**  
**Notes to the Consolidated**  
**Financial Statements**  
**(continued)**

**3. Inventories**

(thousands of dollars)	1984	1983
Oil and gas:		
Materials and supplies	5,441	6,001
Sulphur	839	885
	6,280	6,886
Mining and minerals:		
Materials and supplies	4,327	3,080
	10,607	9,966

**4. Property, plant and equipment**

(thousands of dollars)	1984		1983	
	Investment at cost	Accumulated depreciation, depletion and amortization	Net investment	Net investment
Oil and gas:				
Petroleum and natural gas rights	321,180	149,150	172,030	180,535
Production equipment	167,404	69,985	97,419	72,022
Mining and minerals:				
Mineral resource properties	45,675	4,191	41,484	24,958
	534,259	223,326	310,933	277,515

**5. Share capital**

(thousands of dollars)	1984	1983
Authorized: 30,000,000 common shares without nominal or par value		
Issued: 21,561,625.8 common shares (21,558,626.8 in 1983)	100,878	100,803

During 1984 2,999 shares were issued pursuant to the Company's optional stock dividend policy. In September 1984 the Board of

Directors of BP Canada Inc. approved a dividend reinvestment plan to be effective in 1985 and subsequent years.



## 6. Income taxes

Income tax expense varies from the amounts that would be computed by applying the Canadian

federal and provincial income tax rates to income before income taxes for the following reasons:

(thousands of dollars)	1984		1983	
		% of pretax income		% of pretax income
Income taxes calculated at the statutory rate	<b>37,878</b>	<b>47</b>	31,794	48
Increase (decrease) in income taxes resulting from:				
Non-deductible royalties, mineral taxes and expenses	<b>38,149</b>	<b>47</b>	36,703	55
Petroleum and Gas Revenue Tax	<b>13,835</b>	<b>17</b>	10,970	16
Federal resource allowance	<b>(26,214)</b>	<b>(32)</b>	(24,114)	(36)
Provincial rebates	<b>(4,055)</b>	<b>(5)</b>	(6,869)	(10)
Depletion allowance earned by exploration and development expenditures	<b>(10,689)</b>	<b>(13)</b>	(6,256)	(9)
Non-taxable dividends	<b>(1,125)</b>	<b>(1)</b>	—	—
Other	<b>(2,871)</b>	<b>(4)</b>	448	—
Income taxes	<b>44,908</b>	<b>56</b>	42,676	64

Income tax recovery from acquired tax allowances is shown as an extraordinary item.

**BP Canada Inc.  
Notes to the Consolidated  
Financial Statements  
(continued)**

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**7. Transactions with related parties**

In addition to the transactions disclosed elsewhere in the financial statements, the Company has

transactions with other companies within the BP Group, none of which are material in amount.

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**8. Pension plans**

An actuarial valuation of the Company's pension plans as at

December 31, 1983 indicated that all liabilities were fully funded.

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**9. Commitments and contingencies**

Total future minimum lease payments under operating leases amount to approximately \$15,335,000 (\$16,750,000 at December 31, 1983) which are payable as follows:

(thousands of dollars)

1985 - 4,262  
1986 - 3,615  
1987 - 3,698  
1988 - 2,613  
1989 - 380  
thereafter - 767

As part of the Company's acquisition of Selco Inc. in October 1983

the purchase price of \$50,000,000 is subject to adjustment for the effect of changes in metal prices in the subsequent five years and could increase or decrease by a maximum of \$25,000,000. The application of the price adjustment formula in 1984 has not resulted in a material change to the purchase consideration.

In the last quarter of the year a decision was taken to develop the A-1 Zone of Les Mines Selbaie, in Quebec. No material commitments in respect of this project were outstanding at December 31, 1984.

## 10. Segmented information

The segmented consolidated statement of income is set out below. The mining and minerals operations acquired from Selco Inc. on October 31, 1983 are reflected in the 1983 comparative figures from the date of acquisition.

for the year ended December 31	Oil and Gas		Mining and Minerals		Corporate		Total	
(thousands of dollars)	1984	1983	1984	1983	1984	1983	1984	1983
<b>Revenue:</b>								
Gross sales	318,774	279,991	47,438	6,051			366,212	286,042
Less:								
Royalties	92,051	83,728					92,051	83,728
Petroleum and Gas Revenue Tax	29,276	22,683					29,276	22,683
Net sales	197,447	173,580	47,438	6,051			244,885	179,631
Investment income					6,970	3,375	6,970	3,375
Total revenue	197,447	173,580	47,438	6,051	6,970	3,375	251,855	183,006
<b>Expenses:</b>								
Operating and administrative	49,676	47,222	49,698	9,163	8,133	5,907	107,507	62,292
Depreciation	7,559	7,356	899	6	33	7	8,491	7,369
Depletion	10,638	8,643					10,638	8,643
Amortization	9,111	10,633					9,111	10,633
Dry hole costs	9,731	12,878					9,731	12,878
Exploration expenditures	12,383	11,623	13,400	3,331			25,783	14,954
Total expenses	99,098	98,355	63,997	12,500	8,166	5,914	171,261	116,769
Income (loss) before the following:	98,349	75,225	(16,559)	(6,449)	(1,196)	(2,539)	80,594	66,237
Income taxes (note 6):								
Current							41,364	42,750
Deferred							3,544	(74)
							44,908	42,676
Income before extraordinary item							35,686	23,561
Extraordinary income tax recovery							2,842	10,852
Net income for the year							38,528	34,413
Summary of capital expenditures by segment is as follows:								
							1984	1983
<b>Oil and Gas</b>							67,035	44,395
<b>Mining and Minerals</b>							20,120	6,586
							87,155	50,981

## Five Year Financial Summary

	1984	1983	1982	1981	1980
(thousands of dollars, except per share amounts)					
<b>Balance sheet</b>					
Current assets	148,676	145,303	106,058	106,780	114,876
Current liabilities	48,613	42,744	43,394	26,272	51,380
Working capital	100,063	102,559	62,664	80,508	63,496
Investment and advances	4,411	3,902	1,199	844	646
Property, plant and equipment—net	310,933	277,515	311,809	309,048	281,355
Capital employed	415,407	383,976	375,672	390,400	345,497
Deduct:					
Long term debt	46,955	47,969	71,848	89,054	44,239
Deferred income taxes	91,382	87,838	87,912	87,553	78,904
Shareholders' equity	277,070	248,169	215,912	213,793	222,354
Per common share	\$12.85	\$11.51	\$10.02	\$9.92	\$10.31
<b>Income</b>					
Total revenue	251,855	183,006	136,827	131,267	140,614
Expenses	171,261	116,769	103,938	126,140	78,556
Income before income taxes	80,594	66,237	32,889	5,127	62,058
Income taxes	44,908	42,676	22,933	13,688	31,881
Net income for the year, before extraordinary item	35,686	23,561	9,956	(8,561)	30,177
Extraordinary item	2,842	10,852	—	—	—
Net income for the year	38,528	34,413	9,956	(8,561)	30,177
<b>Funds from operations before exploration expenditures</b>					
	104,916	77,990	65,256	78,152	88,164
<b>Cash provided by operating activities</b>					
	118,563	61,934	84,304	63,786	83,754
<b>Capital expenditures</b>					
	100,412	100,981	58,429	105,794	97,812
<b>Per common share</b>					
Net income for the year	\$1.79	\$1.60	\$0.46	\$(0.40)	\$1.40

## Five Year Operating Summary

	1984	1983	1982	1981	1980
Gross sales of crude oil and natural gas liquids (thousand cubic metres per day)	3.0	2.8	2.5	3.0	4.1
Gross sales of natural gas (million cubic metres per day)	2.9	2.6	2.9	3.2	2.7
Metal content of recovered concentrates*					
Copper (thousand kilograms)	16,932	2,779	—	—	—
Silver (thousand grams)	15,706	2,706	—	—	—
Gold (thousand grams)	684	93	—	—	—

\*1983 figures include recoveries from date of acquisition of Selco on October 31, 1983.

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### **Board of Directors**

**Robert A. Bandeen, O.C.**  
Toronto  
President,  
Crownx Inc.

**Roy F. Bennett**  
Mississauga  
President,  
Bennecon Limited

**E. W. Best**  
Calgary  
Vice-President,  
Oil and Gas,  
BP Canada Inc.

**Roger Bexon**  
London, England  
Deputy Chairman,  
The British Petroleum  
Company p.l.c.

**R. W. D. Hanbidge**  
Toronto

**Donald S. Harvie**  
Calgary  
Chairman,  
Devonian Foundation

**Robert B. Horton**  
London, England  
A Managing Director,  
The British Petroleum  
Company p.l.c.

**M. A. Kirkby**  
Calgary  
President and Chief  
Executive Officer,  
BP Canada Inc.

**P. C. MacCulloch**  
Toronto  
Vice-President,  
Mining and Minerals,  
BP Canada Inc.

**W. A. L. Manson**  
New York  
President,  
BP North America Inc.

**Charles Perrault**  
Montreal  
President,  
Perconsult Limited

**Donald C. Smith**  
Calgary  
Vice-President,  
Finance and Administration,  
and Treasurer,  
BP Canada Inc.

**P. N. T. Widdrington**  
London, Ontario  
President and Chief  
Executive Officer,  
John Labatt Limited

**H. E. Wyatt**  
Calgary  
Vice-Chairman,  
Royal Bank of Canada

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### **Committees of the Board**

**Executive Committee**  
M. A. Kirkby (Chairman)  
Donald S. Harvie  
W. A. L. Manson  
Donald C. Smith  
P. N. T. Widdrington

**Audit Committee**  
Charles Perrault (Chairman)  
Robert A. Bandeen, O.C.  
W. A. L. Manson  
H. E. Wyatt

**Compensation and  
Management Succession  
Committee**  
P. N. T. Widdrington (Chairman)  
Robert A. Bandeen, O.C.  
Roy F. Bennett  
Roger Bexon  
Charles Perrault

**Pension Funds Committee**  
H. E. Wyatt (Chairman)  
R. W. D. Hanbidge  
Robert B. Horton  
M. A. Kirkby  
Donald C. Smith

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### **Officers**

**Donald S. Harvie**  
Chairman

**M. A. Kirkby**  
President and Chief  
Executive Officer

**E. W. Best**  
Vice-President,  
Oil and Gas

**P. C. MacCulloch**  
Vice-President,  
Mining and Minerals

**Donald C. Smith**  
Vice-President,  
Finance and Administration,  
and Treasurer

**A. V. Comeau**  
Secretary

**W. A. Melrose**  
Assistant Treasurer

**F. D. Pynn**  
Assistant Treasurer

**Kenneth Healy**  
Assistant Secretary

# Investor Information

## Share Capital

Authorized: 30,000,000 common shares without nominal or par value.  
 Issued: 21,561,625.8 common shares (December 31, 1984).  
 Majority shareholder: BP Canadian

Holdings Limited (a wholly-owned subsidiary of The British Petroleum Company p.l.c.) with 13,772,724 shares, or 63.88 per cent of common shares issued.

## Geographical Distribution of Minority Shareholders

	Number of Shareholders	Number of Shares	Percentage of Shares issued
Ontario	1,670	6,318,320	29.30
British Columbia	277	431,603	2.00
Quebec	443	361,417	1.68
Other Provinces	455	354,881	1.65
<b>Total Canada</b>	<b>2,845</b>	<b>7,466,221</b>	<b>34.63</b>
United Kingdom	176	198,404	0.92
United States	556	116,970	0.54
Other Countries	46	7,306.8	0.03
<b>Total World</b>	<b>3,623</b>	<b>7,788,901.8</b>	<b>36.12</b>

## Market Information, 1984

	Dividends	Toronto Stock Exchange Share Price		Shares Traded
		High	Low	
First Quarter	20 cents	23 7/8	21 3/8	860,638
Second Quarter		24 7/8	20 1/2	746,474
Third Quarter	25 cents	28 5/8	22 7/8	513,266
Fourth Quarter		29	24 3/8	354,021
Year	45 cents	29	20 1/2	2,474,399

## Return on Shareholders' Investment

It is the Company's aim, at the very least, to provide shareholders with a real return, which, over the long run, is not less than that which they could have obtained from equity holdings in a comparable business.

## Dividend Options

Effective January 1, 1985, shareholders can elect either to receive their dividends in cash, or in the form of additional common shares of the Company (stock dividend option), or to have their dividends reinvested in additional common shares (dividend reinvestment option).

## Stock Exchange Listings

Toronto, Montreal, and Vancouver.  
 Symbol: BPC.

## Transfer Agent and Registrar

The Canada Trust Company  
 Toronto, Montreal, Vancouver, Calgary.

## Investor Relations Contacts

Donald C. Smith, Vice-President,  
 Finance and Administration:  
 (403) 237-1395  
 Graham Sterry, Manager, Public  
 Affairs: (403) 237-1362.

## Offices

**Executive Office**  
 333 - 5th Avenue S.W.  
 Calgary, Alberta  
 T2P 3B6  
 (403) 237-1234

**Oil and Gas Division**  
 333 - 5th Avenue S.W.  
 Calgary, Alberta  
 T2P 3B6  
 (403) 237-1234

**Selco Division  
 (Mining and Minerals)**  
 55 University Avenue  
 Toronto, Ontario  
 M5J 2H7  
 (416) 361-0794

## **Metric Measurements**

<b>To convert from</b>	<b>into</b>	<b>multiply by</b>
Cubic metres	Barrels	6.293
Cubic metres	Cubic feet	35.300
Metres	Feet	3.281
Kilometres	Miles	0.621
Hectares	Acres	2.471
Tonnes (2,204 pounds)	Long tons (2,240 pounds)	0.984
Tonnes	Short tons (2,000 pounds)	1.102
Kilograms	Pounds	2.205
Grams	Ounces	0.032
Grams per tonne	Ounces per long ton	0.032
Grams per tonne	Ounces per short ton	0.029

BP