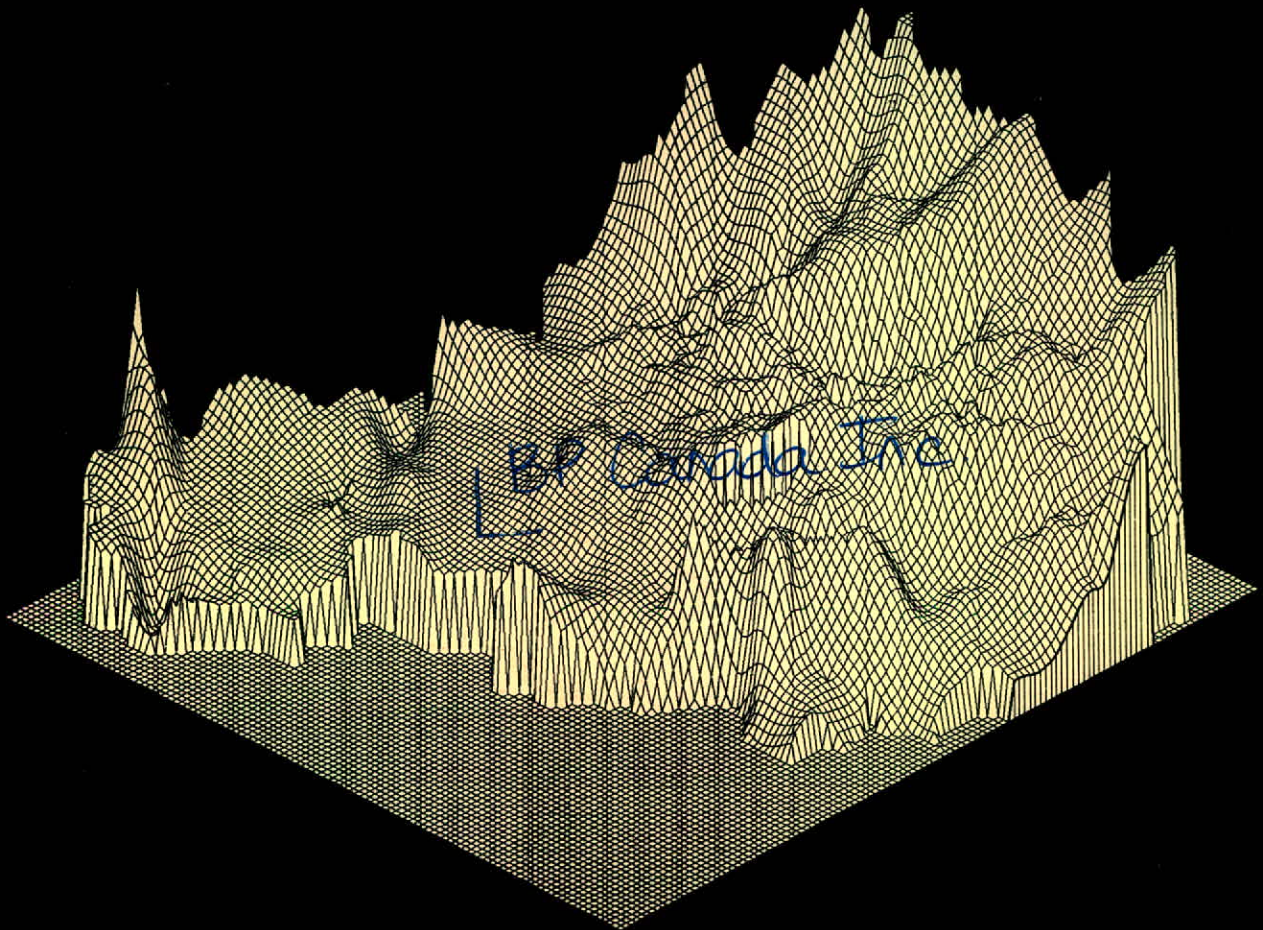
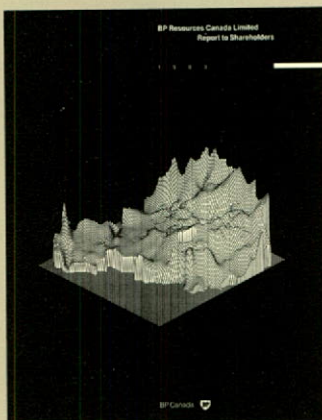


BP Resources Canada Limited
Report to Shareholders

1 9 8 3





About the Cover:

BP staff at Calgary fed data into a computer to generate this perspective display of a geological surface several thousand metres below the sea-bed off Labrador. It shows the formation as it would appear if its lower horizon were flat; the operator has also exaggerated the relief vertically to help interpretation. The computer could with equal ease be directed to produce "views" of this 80-kilometre-square area from any other viewpoint.

BP is now using this technology not only to prepare subsurface maps more quickly and economically than before, but also to give an immediate visual impression of geological formations.

Contents

1	Highlights
2	President's Report
4	Natural Resources
14	Corporate Affairs
16	Financial Review
19	Summary of Accounting Policies
21	Report of Management
21	Auditors' Report
22	Consolidated Financial Statements
32	Ten Year Summary
33	Directors and Officers

There will not be a general meeting of shareholders in 1983. The first annual general meeting will take place in April 1984.

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

Highlights for the year 1982

		1982	1981	%
		(thousands of \$ unless otherwise stated)		change
Financial	Net income for the year	32,063	55,010	-41.7
	Net income per share (dollars)	1.50	2.57	-41.6
	Return on average capital employed (%)	4.63	8.29	-44.1
	Shareholders' equity at end of year	539,163	531,866	+ 1.4
	Gross revenue — sales and services	1,683,843	1,593,986	+ 5.6
	Total funds derived from operations	92,655	136,243	-32.0
	Expenditures on property, plant and equipment, and exploration	80,788	129,923	-37.8
Operating		(thousands of cubic metres per day unless otherwise stated)		
	Refined product sales	15.6	16.8	-7.1
		(97,978 barrels)	(105,482 barrels)	
	Crude oil processed at refineries	17.1	18.4	-7.1
		(107,707 barrels)	(115,736 barrels)	
Gross sales of crude oil and natural gas liquids	2.5	3.0	-16.7	
	(16,011 barrels)	(18,801 barrels)		
Gross sales of natural gas (million cubic metres per day)	2.9	3.2	-9.4	
	(102,753 thousand cubic feet)	(112,055 thousand cubic feet)		

BP Canada Inc.'s capital stock was listed for trading on the Montreal, Toronto and Vancouver stock exchanges. Cash dividends paid, and the high and low prices of the common shares on the Toronto Stock Exchange for the last two years, are shown in the table.

	1982			1981		
	DIVIDENDS	HIGH	LOW	DIVIDENDS	HIGH	LOW
First Quarter	30¢	\$33¹/₄	\$22¹/₄	30¢	\$47 ¹ / ₄	\$36 ¹ / ₂
Second Quarter	30¢	34¹/₄	20³/₄	30¢	49 ³ / ₄	39 ¹ / ₂
Third Quarter	30¢	28³/₄	20³/₄	30¢	59 ¹ / ₂	28 ¹ / ₂
Fourth Quarter	30¢	43	25¹/₂	30¢	39 ³ / ₄	29
Year	\$1.20	\$43	\$20³/₄	\$1.20	\$59 ¹ / ₂	\$28 ¹ / ₂



President's Report to the Shareholders, April 1983

BP Resources Canada Limited came into existence in December, 1982, following an agreement reached in October 1982 under which Petro-Canada would offer to buy the refining and marketing business of BP Canada Inc. On January 28, 1983 BP Canada's shareholders approved the arrangement which gave effect to the agreement and on March 11, Petro-Canada announced that it had acquired control of the downstream business.

BP Resources is the ongoing BP public company in Canada, devoting itself to exploring for and developing a wide range of natural resources; in effect, encompassing all those activities previously undertaken by the Natural Resources Department of BP Canada Inc. With headquarters in Calgary, it has some 475 employees.

Because the majority of BP Resources' shareholders were, previously, shareholders of BP Canada Inc., you will find in this report an accounting of the stewardship exercised by the Board of the integrated Company during 1982. However, in recognition of present shareholders' primary interest in the ongoing resources business, the regular financial statements provide information relating separately to the "upstream" and "downstream" sectors, and the current status of the natural resources business is described in some detail.

1982 Results

The net income, after tax, of BP Canada Inc. in 1982 fell 42 per cent to \$32.1 million. This was entirely due to the sharply reduced contribution made by the refining and marketing sector, which suffered from a continuing decline in sales volumes and severely depressed margins stemming from intense competition in a diminishing market.

Net after-tax income from the refining and marketing sector (before corporate expenses) fell to \$23.9 million, compared with \$64.7 million in 1981. The total sales volume of petroleum products declined

by 7.1 per cent and gasoline sales volume dropped 12.3 per cent, as consumers increased their conservation efforts in response to higher product prices and government policies to discourage the use of oil in favour of other energy sources.

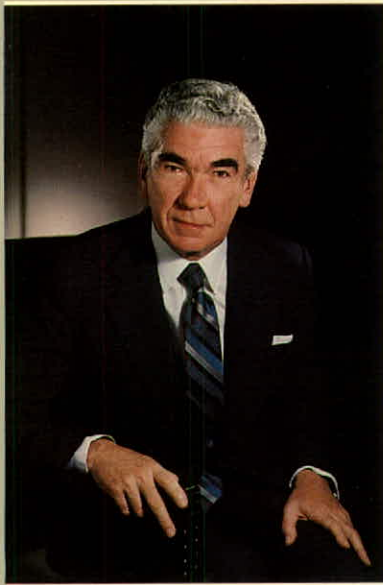
It was against the prospect of a further fall in demand resulting in a growing surplus of refining capacity that the decision was taken, in August of last year, to close the Montreal refinery and, in late October, to sell the refining and marketing business.

While production of crude oil and natural gas liquids, at 2,545 cubic metres per day, was some 15 per cent lower than in 1981, the natural resources sector produced a much improved net income (after tax, but before corporate expenses) of \$11.7 million, against a loss of \$7.5 million in 1981.

Production from the Company's more mature fields continued to decline and production from the Pembina Nisku fields, which had been expected to be in production during 1982, remained shut-in pending the conclusion of unitization agreements. It is now expected that production will begin again in July this year. One welcome improvement, however, was the sharply increased production of Saskatchewan heavy crude, in the final quarter of the year, as a result of changes in the federal government's export policy.

Production of natural gas was also lower, declining by about 9 per cent to 2,895 thousand cubic metres per day, in response to lower demand in both domestic and export markets. Several factors worked to depress demand - the economic recession, greater-than-expected conservation, and U.S. resistance to the high price of Canadian gas.

These lower production volumes, however, were offset by higher prices for both crude oil and natural gas. Gross selling prices for crude oil averaged \$151.90 per cubic metre, against \$115.97 in 1981, while the average selling price for natural gas rose to \$88.50 per thousand cubic metres from \$85.04.



Federal taxes at the well-head (Petroleum and Gas Revenue Tax and Incremental Oil Revenue Tax) totalled \$24.3 million (compared with \$13.5 million in 1981), or more than double the net income from the natural resources sector.

The New Company

While BP Resources Canada Limited is a new name among publicly traded companies, it inherits the achievements of 30 years of BP exploration and production activities in Canada. In addition to its existing reserves of oil and gas, the Company's strength lies in its extensive spread of properties, in its strong financial position and, above all, in its experienced people.

Without long-term debt, and with a substantial cash flow, BP Resources will pursue a single purpose, consistent with the international experience and historical success of the BP Group - the profitable exploitation of natural resource opportunities in Canada.

In the short term, effort is being devoted to an early improvement in cash flow by optimization of production from existing fields and adjacent areas. In addition, exploration has been concentrated on oil prospects in Western Canada, initially on geological and seismic work and acquisition of land. Drilling activity will be increased as progress is made.

For the medium term, BP has great hopes for the Wolf Lake heavy oil project, having concluded an agreement this month for Petro-Canada to participate as a 50 per cent partner and on the basis of obtaining improved fiscal terms from governments. Wolf Lake should begin to produce oil by mid-1985.

For the long term, the Company's interests in the frontier areas of Canada, particularly its 45 per cent share in extensive East Coast offshore holdings, are significant. Off the Newfoundland/Labrador coast, improved seismic was undertaken in 1981 and 1982 and several features mapped. Letters of intent for six exploration agreements covering the 5.3 million hectares of federal permits were issued by the Federal Government in mid-February. While drilling will not occur this summer, additional seismic will be undertaken to define the prospects further in anticipation of drilling in 1984.

One of the most promising mineral activities is the exploration venture in southern New Brunswick, where BP has found a substantial deposit of potash. The Company expects to be able to take a decision later this year on whether to proceed with the sinking of an exploratory mine shaft. If, in due course, the promising results achieved to date warrant the development of a commercial mine, significant benefit will result from its proximity to the port of Saint John, which provides a gateway to markets in the eastern United States.

The latter half of 1982 was a difficult period for the employees of BP Canada, with the announcements of two major decisions: in August, to close the Montreal Refinery, and in October, to sell the Refining and Marketing business. Here I must pay tribute to all our employees for their steadfast loyalty and dedication.

It gives me great satisfaction that BP Resources can continue to rely on the wise direction and counsel of a Board that remains unchanged apart from one exception. The Hon. Maurice Sauvé, P.C., who had been a Director of BP Canada Inc. since December 1971, did not join the Board of BP Resources Canada Limited. I would like to thank him for his support and advice over the years and to acknowledge the contribution he made.

For myself, I am pleased to say that I shall continue to serve as a Director of BP Resources Canada Limited after I retire on April 30 as President and Chief Executive Officer. Sharing in the growth of BP in Canada has made my twenty-two years with the Company a most rewarding experience, enriched by many friendships.

Mr. M.A. Kirkby has joined the Board, which has appointed him President and Chief Executive Officer of BP Resources Canada Limited with effect from May 1.

Mr. Kirkby is particularly well qualified for this position. He joined the BP Group in 1954 and held various exploration and production posts in Iran, Iraq, Kuwait and the United Kingdom before being appointed General Manager, Exploration and Production Department, in London, in 1976. In 1980, he was appointed Senior Vice-President, The Standard Oil Company (Sohio) in the United States.

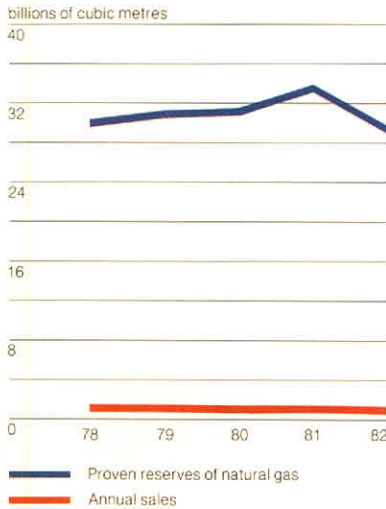
In conclusion, I would like to thank all the Directors for their ever-present support, hard work and advice during what was truly a most eventful year.

A handwritten signature in dark ink, appearing to read 'R.W.D. Hanbidge'. The signature is fluid and cursive.

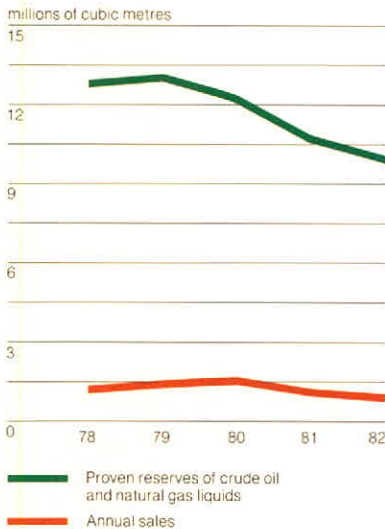
R.W.D. Hanbidge
President and Chief Executive Officer
April 27, 1983

Natural Resources

Proven reserves of natural gas and gross sales



Proven reserves of crude oil and natural gas liquids and gross sales



Despite continuing high levels of taxation and economic difficulties for the industry, 1982 was a more profitable year for the natural resources sector.

Pre-tax earnings from upstream activities increased to \$37.4 million from \$6.2 million in 1981, notwithstanding lower production volumes of both oil and gas, and accounted for 36 per cent of BP Canada's total net earnings, compared to a negative contribution in the previous year.

Highlights

Prominent among the year's activities was an intensified search for new oil in the Western Canada Basin. The Company's East Coast exploration program has not progressed as quickly as planned, but additional seismic work was carried out on the southern block of its Newfoundland hectare. Drilling on the New Brunswick potash prospect proved encouraging, and it has been decided to proceed with a small scale in situ oil sands project at Marguerite Lake in Alberta.

Sales of crude oil and natural gas liquids, at 2,545 cubic metres per day, were 14.9 per cent lower than in 1981. However, gross selling prices averaged \$151.90 per cubic metre, against \$115.97 in 1981, and more than compensated for the decreased production.

Demand for Saskatchewan and Alberta crude oil was weak in the early part of the year. Production from mature fields, particularly Redwater, the Company's largest producer, continued to decline. In the West Pembina area, the Company's production continued to be shut in, pending unitization of the pools and the implementation of pressure maintenance schemes. Production is expected to resume in 1983.

Natural gas production declined by 8.8 per cent in 1982 to an average of 2,895 thousand cubic metres per day. This was due largely to sharp decreases in demand. In Alberta, gas sales were curtailed to about 64 per cent of contracted supply, and in British Columbia to about 42 per cent.

BP's lower natural gas sales volumes, however, were offset by the rise in average selling price to \$88.50 per thousand cubic metres from \$85.04 per thousand cubic metres in 1981.

The average price received for sulphur also rose, to \$80.40 per tonne, compared to \$68.12 in the previous year. After a strong beginning, however, sales volumes and price declined in the face of new foreign competition and declining demand due to the world economic downturn. The 1982 sales volume of 63,700 tonnes was 6 per cent below 1981 levels.

BP, which has an 8.3 per cent interest in the natural gas marketing consortium ProGas, has also taken a 5.8 per cent equity interest in a \$40 million joint venture to extract liquids from gas. The extraction plant near Empress, Alberta is expected to go on stream in mid-1983, with BP's share of liquid production estimated to be 78 cubic metres per day.

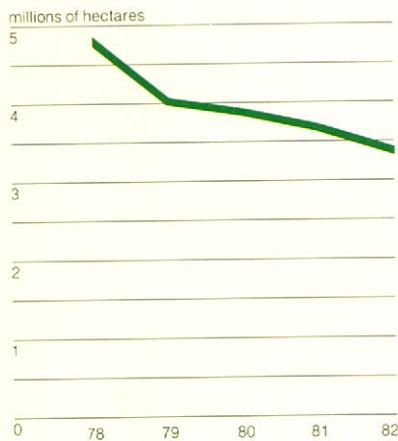
At the end of 1982, the Company's reserves of crude oil and natural gas liquids were 7 per cent lower than a year earlier. Upward revisions to pools in the Chauvin area of Alberta were largely responsible for the partial offset to the year's production. Reserves of natural gas declined by 11 per cent during the year, due to a revision of the Bullmoose field in northeastern British Columbia and to production of gas during the year.

Product from the heavy oil pilot plant at Marguerite Lake is trucked to Lloydminster for distribution.

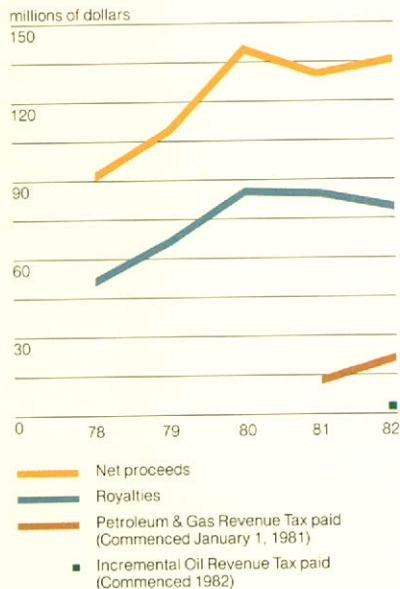


Natural Resources (continued)

Net land holdings



Net proceeds compared to royalties, Petroleum & Gas Revenue Tax, and Incremental Oil Revenue Tax paid



During 1982, BP participated in the drilling of 25 exploratory wells, resulting in four oil discoveries and seven gas discoveries. The Company also participated in 70 development wells, of which 48 were oil wells and nine gas wells.

Oil and gas land holdings at year end amounted to 3,030,161 net hectares, a decrease of 9.7 per cent from year end 1981. BP is well-positioned with a mix of short, medium and long-term prospects, and has identified further areas for investment in the Western Canada Basin.

Western Canada Basin

Exploration

In the Western Canada Basin the Company has two priorities: first, to improve cash flow from established reserves by various methods, such as infill drilling and field extensions; second, to explore for new oil prospects. In 1982, investment in gas exploration was decreased to the level required to maintain economically attractive gas-prone hectareage and to evaluate those properties foreseen to have early production potential.

The Company embarked on a program of detailed and extensive regional studies to develop new oil exploration prospects within Western Canada. Expenditures were concentrated on seismic work on these projects and on land acquisition. As a result, drilling activity was at a relatively low level during the year but is expected to increase as progress is made.

In the Alberta and British Columbia Foothills, because of the economic disincentives to drilling for gas, BP restricted 1982 drilling activity to its 19 per cent participation in an exploratory gas discovery in the Findley area and the drilling in northern British Columbia of the West Bullmoose exploratory well (BP 50 per cent), which was suspended in March after encountering mechanical problems.

In the Deep Basin area south of Grande Prairie, Alberta, where BP has varying interests in approximately 76,000 gross hectares (15,000 net hectares), an extensive exploratory drilling program over the last several years has proved the existence of gas-bearing sands throughout most of this area.

In the Bellis area of east central Alberta, where the Company has interests ranging from an overriding royalty to 100 per cent in approximately 89,000 gross hectares (49,000 net hectares), an extensive and successful gas exploratory drilling program has been undertaken in previous years. Drilling activity decreased in 1982; however, the two exploratory wells which were drilled encountered gas.

In 1982, the Company participated in a Cardium oil discovery in the Edson area (BP 16 per cent) and a Cretaceous oil discovery at Alderson in southern Alberta (BP 90 per cent).

In the Peace River area of Alberta, BP has varying interests in approximately 145,000 gross hectares (55,000 net hectares), and has carried out an active exploration and development program for a number of years. In 1982, four exploratory wells were drilled in the area, of which two were gas discoveries (BP 100 per cent and 50 per cent) and one is to be production tested for a possible oil-bearing zone.

In the Red Earth/Loon area of north central Alberta, the Company's interests range from 20 per cent to 100 per cent in approximately 37,000 gross hectares (12,500 net hectares). BP's exploration activity in the area has been at a low level in recent years, but in 1982 it participated in one exploration well (BP 25 per cent) which has been cased for further evaluation. Additional exploration is planned for 1983.

In the Fort Nelson area of northeastern British Columbia, a gas-prone region, BP has widespread interests in approximately 211,000 gross hectares (72,000 net hectares), but in 1982 activity was at a low level because of the depressed gas market.

A number of other exploratory wells were drilled, either directly or through farm-out, in widely scattered areas of Alberta.

Development

The Chauvin oil fields in Eastern Alberta were the scene of extensive development drilling throughout 1982, resulting in 18 oil wells, and one gas well, with six abandonments.

At the Sibbald oil field in Southern Alberta, 13 infill development wells were drilled.

Elsewhere in Alberta, at Pembina, Bonanza, Belloy and Provost, a further six development wells were drilled, resulting in two oil wells, one gas well, and three abandoned wells.

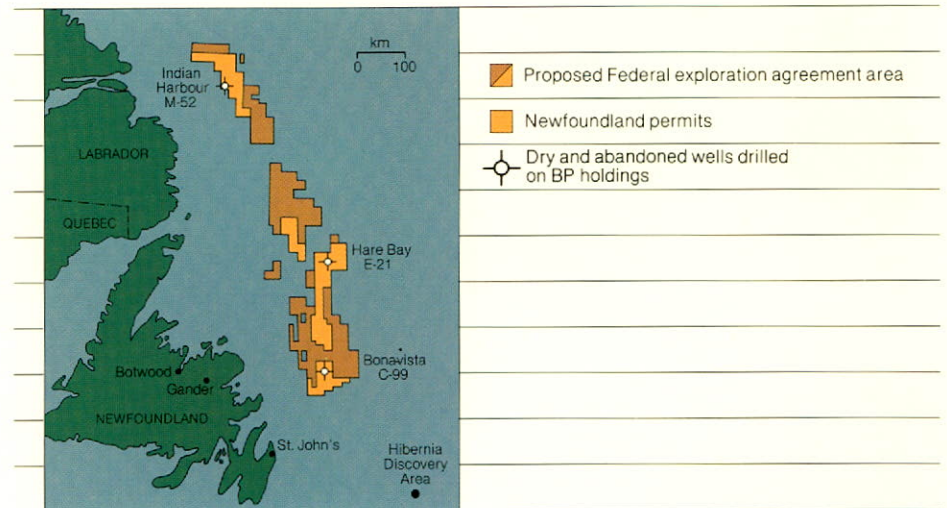
In southeastern Saskatchewan, eight development oil wells were drilled and in southwest Saskatchewan, one, at Radpan, for a polymer enhanced-recovery feasibility study.

Frontiers

BP completed a further seismic program of 3,200 kilometres on its holdings offshore Newfoundland/Labrador, where it has a 45 per cent interest in 5.3 million hectares. The work was concentrated on the south block, closest to the Avalon Basin area where several hydrocarbon discoveries have been made.

The Company received, in February 1983, a letter of intent from the Federal Minister of Energy, Mines and Resources, outlining the terms of six exploration agreements covering the Company's East Coast holdings. Besides work commitments, the proposed agreements included

East Coast holdings



environmental and industrial benefits programs. Exploratory drilling had been planned for summer 1983; instead, additional seismic will be undertaken to define further the prospect, in anticipation of drilling in 1984.

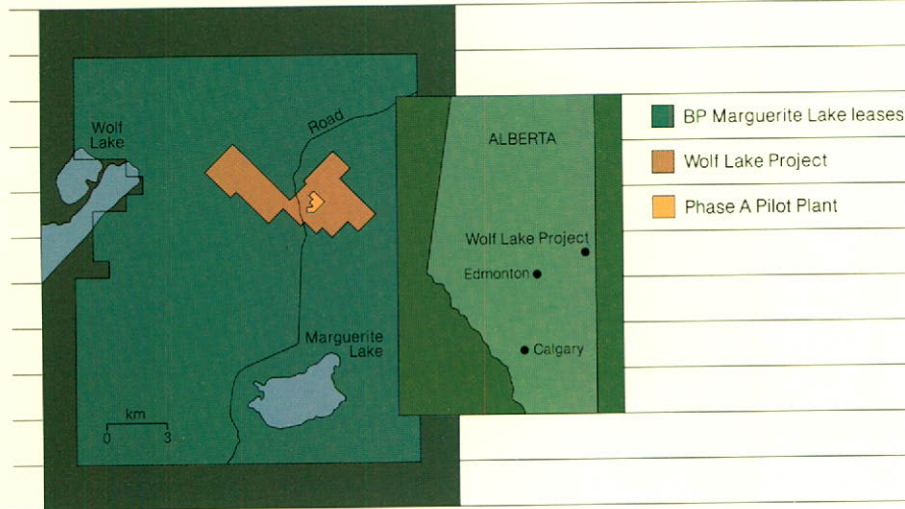
Also offshore the East Coast, BP (25 per cent) in consort with three partners submitted a bid on one of the seven parcels offered for sale by the federal government. Awards have not yet been made.

BP initiated permit-renewal negotiations for 198,000 gross hectares (BP 45 per cent) in Cumberland Sound, off Baffin Island, but was unable to reach a satisfactory agreement and the permits will lapse.

BP has a 38.8 per cent equity interest in Magnorth Petroleum Ltd., which has a 75 per cent interest in approximately 950,000 hectares of permits, most of which are located in Lancaster Sound. An exploration agreement has not yet been negotiated with the federal government, and no exploration was undertaken on the hectareage in 1982, nor is any planned for 1983.

In the Arctic Islands, where BP has relatively small interests in a number of different areas, exploration agreements covering the Company's 1,480,000 gross hectares (83,000 net hectares) have recently been issued by the federal government. The Company has a 2.0 per cent working interest in the Marryatt K-71 deep exploratory test being drilled in the Sabine Peninsula on Melville Island.

**Oil sands interests
Wolf Lake Project**



8

In the Beaufort Sea, the Company has a small interest in approximately 520,000 gross hectares (30,000 net hectares), none of which has yet been evaluated by exploratory drilling. In the Herschel Island sector of the western Beaufort Sea, it has a 2.26 per cent working interest, carried through the first well to be drilled, in a proposed 400,000 hectare exploration agreement area. In the eastern Beaufort, BP has small interests in individual blocks within two proposed exploration agreement areas.

Expenditures in the Arctic Islands and Beaufort Sea will be at a low level in 1983.

Oil Sands

At Marguerite Lake, in the Cold Lake region of Alberta, the Phase A pilot oil sands project has been successfully testing cyclic steam stimulation as a recovery process for over four years. Preparations

are now underway to convert the project to in situ combustion, which has the potential to recover even more of the oil in place. Experiments with in situ combustion have been conducted on some special test wells at the Phase A Pilot for nearly three years to gain experience for the conversion of the entire project.

A second mini-pilot was started on the Marguerite Lake lease in 1982 to evaluate the response of a second oil-bearing horizon to cyclic steam stimulation. If the test is successful, a follow-up project on the scale of the Phase A pilot may be proposed.

Also on the Marguerite Lake leases, BP continued engineering of the larger Wolf Lake project, designed to produce 1,100 cubic metres of oil per day.

In October preliminary construction of the project commenced. By December road construction and site preparation was completed and work continued at a low level through the winter. In April 1983 the Company completed a farmout at the Marguerite Lake hectarage with Petro-Canada Exploration Inc. whereby Petro-Canada will earn a 50 per cent interest, subject to obtaining improved fiscal terms from government. If these are received, construction of the project will be accelerated and is expected to be completed by mid-1985.

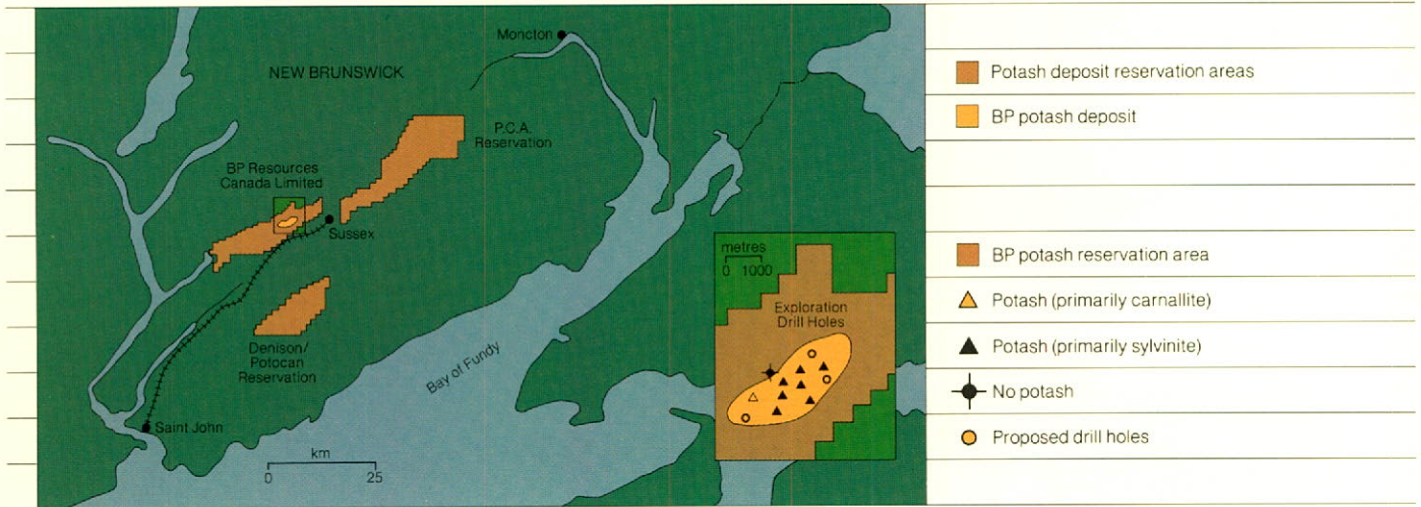
Minerals

In 1982 activity was concentrated on a few selected commodities, particularly precious metals, and in a few geographic areas. Through farmouts, however, additional activity was generated.

Bushland beyond BP's Phase A heavy oil pilot project is the site of the larger Wolf Lake commercial project.



Potash deposits



BP explored for copper, molybdenum, lead, zinc, tin, tungsten and precious metals mainly in the Cordillera of western Canada and in the Atlantic provinces.

In the Northwest Territories, the Company has a large hectareage at Hornby Bay and Thelon, which hold promise for uranium accumulations similar to those of the Athabasca Basin of Northern Saskatchewan. BP expenditures on these holdings were at a low level in 1982 as will also be the case in 1983. A large-scale program was commenced in 1982 by a farmee in the Hornby Bay area.

At the Mount Aylwin prospect in southern British Columbia (BP 50 per cent), copper/gold/silver mineralization was encountered in drilling during 1980 and 1981. In 1982, diamond drilling intersected another mineral zone which yielded significant grades of copper, gold and silver.

On the Sikanni properties in northeastern British Columbia, BP is farming in for a 40 per cent interest in 13,250 hectares from Riocanex and has additional 100 per cent hectareage. These properties are adjacent to the Cyprus Anvil lead/zinc/silver discovery.

At the Island Lake, Manitoba, gold prospect (BP 50 per cent), St. Joe Canada earned its 50 per cent by drilling 11 holes. Gold was present in most of them, and two showed significant values.

Potash

Throughout 1982 drilling continued on the Millstream reservation near Sussex, New Brunswick, which has proved to contain substantial resources of high grade sylvinite ore.

The drilling program of nine holes, which intersected beds of carnallite and sylvinite, has encouraged the Company to undertake a preliminary feasibility study before taking a decision in late 1983 on whether to proceed with the sinking of an exploratory mine shaft. An environmental monitoring program has been started.

Coal

The Company decided in early 1982 not to proceed with the development of the Sukunka coal project because of market uncertainties under present economic conditions. The properties were shut down and expenditures reduced to lease maintenance. No coal exploration was undertaken during the year.

Mineral drilling-core samples from Island Lake, Manitoba, where BP is exploring for gold, and from West Wedge, New Brunswick, which is prospective for copper and lead.

10



Natural Resources (continued)

Gross quantities sold — crude oil and natural gas liquids	1982	1981
	(cubic metres per day)	(cubic metres per day)
Alberta		
Redwater	581	879
Chauvin	298	318
Pembina	283	293
South Sturgeon	200	202
Swan Hills	175	178
Kaybob	131	143
Harmattan	75	80
Joarcam	49	56
Red Earth	29	25
Alexis	21	19
Medicine River	20	21
House Mountain	18	23
Carson Creek	15	13
Ponoka	14	16
Sibbald	12	20
Others	72	200
Total	1,993	2,486
British Columbia		
Beatton River	80	79
Others	9	9
Total	89	88
Saskatchewan		
Dollard	96	112
Weyburn	57	46
Instow	40	49
Kenosee	40	51
Rapdan	27	34
Steelman	22	24
Arlington	18	21
Others	163	78
Total	463	415
Total all areas	2,545	2,989

Production is recorded in volumes gross before royalty.

Summary of drilling	Oil		Gas		Dry	
	Gross	Net	Gross	Net	Gross	Net
Exploratory wells						
Working interest	2	1.2	3	1.7	7	4.5
Farmout (interest retained)	2	0.2	4	0.3	7	2.1
Development wells						
Working interest	43	27.0	4	1.9	11	7.5
Farmout (interest retained)	5	0.1	5	0.3	2	—

This table excludes the following wells: two water-injection; two suspended; one water-disposal; two oil sands.

Gross sales — natural gas	1982	1981
	(thousands of cubic metres per day)	(thousands of cubic metres per day)
Alberta		
Edson	525	529
S.E. Alberta	171	214
Craigend	167	184
Atmore	127	143
Minnehik/Buck Lake (Pembina)	95	100
Kaybob	82	75
Stolberg	74	63
Okotoks	59	51
Harmattan Elkton	56	40
Chauvin	55	48
Calgary	49	62
Cessford	42	55
Marten Hills	40	35
Bellis	37	63
Ghost Pine	34	38
Doe Creek	29	52
Sullivan Lake	28	36
Redwater	27	42
Crossfield	24	27
Others	194	171
Total	1,915	2,028
British Columbia		
Sukunka	482	598
Yo Yo/Cabin	412	360
Bullmoose	2	51
Others	67	116
Total	963	1,125
Saskatchewan	17	21
Total all areas	2,895	3,174

Land summary	December 31, 1982 (gross hectares)	(net hectares)	December 31, 1981 (gross hectares)	(net hectares)
Exploration lands				
Petroleum & Natural Gas Leases				
Arctic Islands	—	—	51,444	2,428
Alberta	670,968	267,373	1,085,207	429,837
British Columbia	339,455	155,491	346,119	157,292
Saskatchewan	5,309	963	32,207	9,376
Northwest Territories	12,773	1,277	68,295	8,996
	1,028,505	425,104	1,583,272	607,929
Reservations & Permits				
Alberta	106,297	58,823	113,913	49,229
British Columbia	135,195	57,576	150,809	59,472
Northwest Territories	520,305	29,694	104,440	21,664
Arctic Islands	1,483,732	82,634	1,516,025	166,502
East Coast	5,280,733	2,376,330	5,445,362	2,450,413
	7,526,262	2,605,057	7,330,549	2,747,280
Total Petroleum & Natural Gas — Exploration	8,554,767	3,030,161	8,913,821	3,355,209

Proven lands				
Petroleum & Natural Gas Leases				
Arctic Islands	1,771	56	1,771	56
Alberta	335,505	125,830	333,698	126,844
British Columbia	17,655	7,458	16,571	7,309
Saskatchewan	26,906	8,415	26,906	8,415
Total Petroleum & Natural Gas — Proven	381,837	141,759	378,946	142,624
Coal	26,404	17,339	61,101	59,634
Minerals & Potash	354,367	221,356	536,255	272,719

Proven reserves (Gross before royalty)	Oil & NGL (cubic metres)	Natural Gas (thousand cubic metres)
Proven reserves at 31 December 1981	10,690,768	33,501
Add: Discoveries and extensions	244,805	622
Purchases of reserves in place	21,656	—
	10,957,229	34,123
Less: Net revisions to existing reserves	93,873	3,587
Sales of reserves in place	2,512	19
Production during 1982	929,041	1,057
Proven reserves at 31 December 1982	9,931,803	29,460
Locations of reserves by province:		
Alberta	7,903,822	18,833
Saskatchewan	1,725,865	76
British Columbia	302,116	10,551

This table does not include the Company's share of natural gas reserves delineated in the Arctic Islands, nor any heavy viscous oil in the Company's various Alberta oil sands properties.

Coal resources (Millions of tonnes)

Measured and indicated in situ	318
--------------------------------	-----

All are located in British Columbia

BP's share of these resources is estimated to be 90 million tonnes (measured) and 57 million tonnes (indicated).



A finalist in the world-wide BP Energy Prize, Doctor Jacques Desnoyers (right), received a gold medal for his study of micro-emulsions in treating oil sands.

Extensive environmental protection and conservation work was undertaken during 1982.

In the Cold Lake region of Alberta, the Company has spared no effort to ensure the environmental acceptability of its Wolf Lake bitumen project. Alberta's Ministry of the Environment has approved BP's program of environmental protection including site clearing, timber disposal, and construction of roads and pipelines.

The environmental monitoring program at the Company's Millstream potash project near Sussex, New Brunswick, began in November. It covers a wide range of elements including hydrology, water quality and soil chemistry.

BP conducted courses to alert employees to the environmental hazards of hydrogen sulphide at several oil and gas production locations in Alberta. Company personnel also participated in oil spill response exercises conducted by three of the 14 co-operatives to which BP belongs in Alberta. Comprehensive safety and environmental audits were completed at most production locations in that province.

BP took part in joint industry-government trials of dispersant application from helicopters, to deal with possible East Coast marine spills.

The Company's corporate donations program continued to emphasize health and welfare causes, with United Way campaigns being the major beneficiaries. Some 125 cultural organizations also received financial support, and BP Canada Scholarships were awarded to 35 students at 18 universities and other post-secondary institutions.

Five students from Memorial University of Newfoundland spent part of their scholastic year working at BP's Calgary offices to complement their studies. The Institute for Education Research at St. John's received funds from the Company to complete a study on the impact of offshore development on education in Newfoundland.

BP is participating in the communications campaign mounted by the Canadian Petroleum Association, which is designed to increase public understanding of the industry. A report at year-end indicated that the campaign was achieving its objective and would continue in 1983.



Helicopters were used in 1982 in tests of BP dispersants for potential use on marine oil spills.

A BP innovation is the mapping of variations in tank and pipe wall thickness, using ultrasonic reflection from which the measurements are transposed to a computer screen.



Financial Review

Consolidated net income for 1982 declined to \$32.1 million, or \$1.50 per share from \$55.0 million in 1981, a decline of 41.6 per cent, following a decline of 47.3 per cent from the previous year's earnings.

The consolidated net income represents a rate of return on average capital employed of 4.63 per cent compared to 8.29 per cent for 1981. Revenue from gross sales and services increased to \$1,683.8 million from \$1,594.0 million in the previous year, an increase of 5.6 per cent.

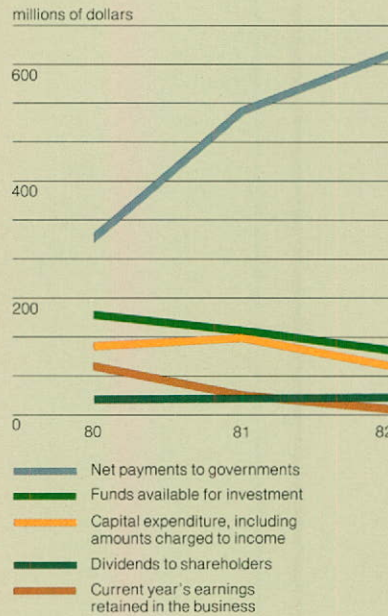
In the natural resources sector income before income taxes and corporate items increased substantially, largely due to reduced dry hole costs (reflecting a decrease in exploration drilling) and a reduction in other exploration expenses. Revenues increased as a result of higher prices for crude oil and natural gas, but two thirds of

this increase was eliminated by a higher Petroleum and Gas Revenue Tax and the new Incremental Oil Revenue Tax.

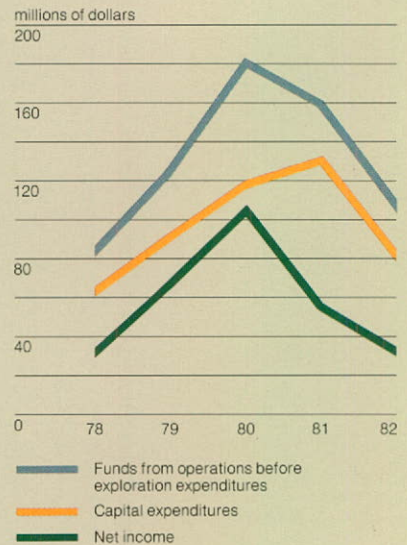
In the refining and marketing sector sales remained severely depressed due to energy conservation, high prices, and the decline in business activity. Crude oil and other costs continued to climb, lower margins (caused largely by changes in the Petroleum Compensation Charges, which produced inventory holding gains in 1981, but resulted in losses in 1982) and lower sales volumes reduced income before income taxes in this sector by some 63 per cent from the previous year.

In spite of the depressed earnings, net payments to governments continued to climb, increasing by 18.3 per cent, following a 74.7 per cent increase between 1980 and 1981. Funds generated by operations before exploration expenditures

Highlights of some significant changes



Financial review BP Canada Inc. Consolidated

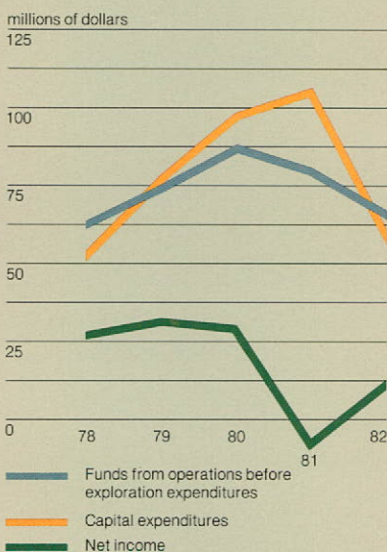


charged directly to income decreased by 32.4 per cent; total capital expenditures including exploration expenditures charged directly to income dropped by 37.8 per cent to \$80.8 million. Repayment of long term debt at \$4.2 million was roughly the same as last year, and cash dividends of \$24.8 million were paid to shareholders. The provision made for deferred income taxes was down sharply to \$1.7 million from \$9.4 million in 1981, principally reflecting the reduced level of exploration expenditures. Under the agreement with Petro-Canada for the sale of the refining and marketing business crude oil inventories were replaced by the year end with those owned by Petro-Canada, and this resulted in an increase in cash balances at the year end.

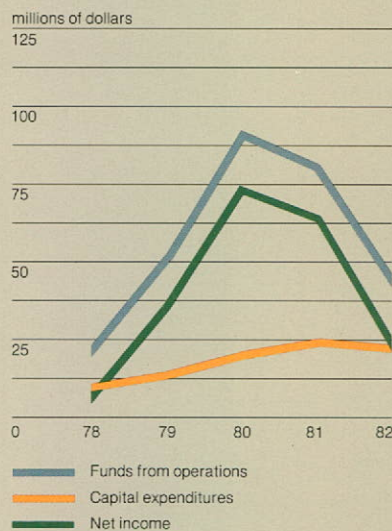
The table below highlights some significant changes:

	1982	1981	Change (%)
	(millions of \$)	(millions of \$)	
1. Net payments to governments	\$619.6	\$523.6	+ 18.3
2. Funds available for investment	106.3	140.4	-24.3
3. Capital expenditure, including amounts charged to income	80.8	129.9	-37.8
4. Dividends to shareholders	25.7	25.6	+ 0.4
5. Current year's earnings retained in the business	6.4	29.4	-78.2

Segment information Natural Resources

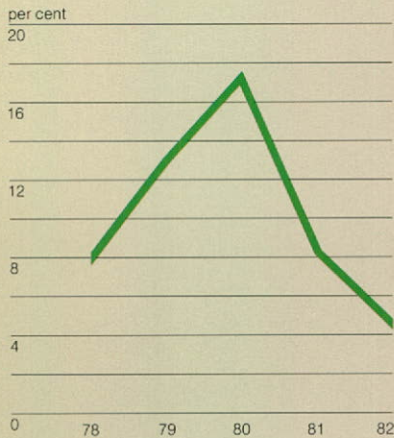


Segment information Refining and Marketing



Reporting the Effect of Changing Prices

Return on average capital employed



In periods of rapidly rising prices, historical costs normally used in the determination of financial results are generally considerably less than the current cost of replacing the assets used in producing current revenues. This is particularly true in the oil and gas industry, especially with respect to the value of oil and gas reserves.

There have been a number of attempts to show more clearly the impact of inflation on business enterprises, most recently the supplemental disclosures required by the Canadian Institute of Chartered Accountants to report the effect of changing prices. By reducing income based on historical costs by the amounts needed to maintain the business as a going concern to arrive at "current cost income", and by allocating some of this additional provision to borrowed capital, the amount of "current cost income attributable to the common shareholders" is determined.

Reporting the effect of changing prices on the results of the company's refining and marketing segment is not considered meaningful in view of the sale of this segment to Petro-Canada Exploration Inc. Application of the proposals to the results of the natural resources segment would

increase depreciation and depletion to provide for replacement cost of fixed assets greater than their original costs and for finding costs adjusted to current costs by \$30 million (\$23 million in 1981) so that current cost income before taxes for the natural resources segment would be \$4 million (\$16 million loss in 1981). The comparative figures for 1981 have been restated for the change in the general purchasing power of the dollar.

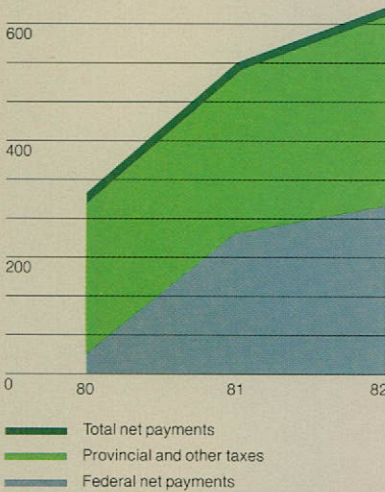
It is, however, important to note that the foregoing does not give recognition to the increase in value of oil and gas reserves which could be very significant. Because the estimation of reserves cannot be an exact process and because of the wide uncertainty surrounding future oil and gas prices, no attempt has been made to estimate the current value of the company's proven reserves or to calculate the increase in value during the year. Information as to the volume of reserves is given on page 13.

Summary of Accounting Policies

The principal accounting policies of BP Canada Inc. are as follows:

Government taxes, levies, compensation and incentives

millions of dollars



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 including goodwill 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.

Property, plant and equipment; depreciation, depletion and amortization

Marketing, refining and production assets

Property, plant and equipment includes the cost of land and facilities, assets under capital leases based on the present value of the future net minimum lease payments 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		
	Refining	Marketing	Natural Resources
<i>Owned assets:</i>			
Buildings	30 to 50	10 to 20	
Tanks and pipelines	30	10 to 20	25
Equipment	20	10	4 to 12
Automotive equipment	5	5	5
<i>Assets under capital leases:</i>			
Buildings	10 to 20	10 to 20	
Equipment	5 to 10	5 to 10	
Automotive equipment	5	5	

Exploration and development costs

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. Exploratory dry hole and property costs judged to be impaired are charged against income. 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. Other exploration expenditures are charged against income.

Property acquisitions and pre-production costs related to coal mining development are capitalized and are to be amortized at the commencement of commercial production. Coal and mineral exploration costs are charged to income in the year incurred.

Research costs

The capital costs of a field project to produce heavy oil from the Company's deposits in Alberta are amortized on a straight line basis over the life of the project, planned to be concluded in 1986. Other research costs are charged to income in the year incurred.

Summary of Accounting Policies

(continued)

Inventories

Inventories of crude oil include the Company's own production valued at the wellhead price set by governmental authority and other crude oil valued at its cost, or at net realizable value, if lower. Inventories of refined products and merchandise are valued at the lower of cost (including the cost of crude oil determined as indicated above) and net realizable value. Cost is determined on a first-in, first-out basis.

Sales and services

Government authorities set the price at which the Company's own production of crude oil will be sold, and for production in British Columbia and from Alberta crown leases require the sale to, and possible repurchase from, these authorities. The Company recognizes the production profit by including all its own production of crude in gross sales and services at this price and the value of the portion of this crude which has been refined and sold is shown as a deduction in arriving at net sales and services.

The Company purchases crude oil from other producers and sells to other companies in the oil industry the portion of its own net production and purchases which is not required for its own refineries. The Company's practice is to exclude such transactions from both net sales and services and costs.

Government taxes, levies, compensation and incentives

Federal sales taxes are included in gross sales and services revenue and are shown separately as a deduction in arriving at net sales and services revenue. Gasoline and fuel taxes collected for provincial governments and excise taxes collected for the federal government have been excluded from the consolidated statement of income.

Federal levies (such as petroleum compensation charges and the Canadian Ownership Special Charge) and subsidies (such as oil import compensation) are included in crude oil, product and merchandise expenses and in inventories, as applicable. Special levies, such as the federal Petroleum and Gas Revenue Tax and the Incremental Oil Revenue Tax are shown separately and deducted in arriving at net sales and services revenue.

Provincial royalties on crude oil production from Crown leases are required to be delivered in kind, and are not reflected in the financial statements. All other royalty entitlements and mineral taxes are reflected in crude oil, products and merchandise expenses and in inventories.

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; long term debt — at the rate of exchange prevailing at the date the debt was incurred; 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 maintains 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 direct 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.

April, 1983

Auditors' Report

Clarkson Gordon

To the Shareholders of
BP Canada Inc.:

We have examined the consolidated balance sheet of BP Canada Inc. as at December 31, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, Canada,
March 4, 1983.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 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.

Clarkson Gordon

Chartered Accountants

BP Canada Inc.
Consolidated Statement of Income

for the year ended December 31, 1982

		Refining and Marketing	
		1982	1981
		(thousands of dollars)	(thousands of dollars)
Revenue	Gross sales and services	\$1,523,760	\$1,449,974
	Less —		
	Federal sales taxes	(74,905)	(70,696)
	Petroleum and Gas Revenue Tax		
	Incremental Oil Revenue Tax		
	Own production of crude oil included in sales of refined product		
	Net sales and services	1,448,855	1,379,278
Expenses	Crude oil, products and merchandise	1,178,684	1,049,891
	Operating and administrative	209,021	195,286
	Depreciation	18,892	18,340
	Depletion		
	Amortization		
	Dry hole costs		
	Exploration expenditures		
	Total expenses	1,406,597	1,263,517
	Income before income taxes	42,258	115,761
	Income taxes (note 8)		
Current	17,023	50,290	
Deferred	1,378	793	
	18,401	51,083	
Income (loss) before corporate items	\$ 23,857	\$ 64,678	
Corporate items	Revenues		
	Expenses		
	Income tax recovery		
Net income for the year			
Net income per common share (dollars)			

See accompanying notes and summary of accounting policies

Natural Resources		Total	
1982 (thousands of dollars)	1981 (thousands of dollars)	1982 (thousands of dollars)	1981 (thousands of dollars)
\$160,083	\$144,012	\$1,683,843	\$1,593,986
		(74,905)	(70,696)
(21,679)	(13,483)	(21,679)	(13,483)
(2,610)		(2,610)	
		(89,095)	(78,525)
135,794	130,529	1,495,554	1,431,282
		1,089,589	971,366
45,867	46,202	254,888	241,488
6,528	6,796	25,420	25,136
7,214	8,058	7,214	8,058
12,829	3,521	12,829	3,521
14,160	37,414	14,160	37,414
14,556	22,305	14,556	22,305
101,154	124,296	1,418,656	1,309,288
34,640	6,233	76,898	121,994
22,574	5,039	39,597	55,329
359	8,649	1,737	9,442
22,933	13,688	41,334	64,771
\$ 11,707	\$ (7,455)	35,564	57,223
		3,528	3,378
		(10,011)	(7,477)
		2,982	1,886
		(3,501)	(2,213)
		\$ 32,063	\$ 55,010
		\$1.50	\$2.57

Consolidated Statement of Retained Earnings

for the year ended December 31, 1982

	1982 (thousands of dollars)	1981 (thousands of dollars)
Balance, beginning of the year	\$342,210	\$312,843
Net income for the year	32,063	55,010
	374,273	367,853
Dividends	25,685	25,643
Balance, end of the year	\$348,588	\$342,210

See accompanying notes and summary of accounting policies

BP Canada Inc.
Consolidated Statement of
Changes in Financial Position

for the year ended December 31, 1982

		Refining and Marketing	
		1982	1981
		(thousands of dollars)	(thousands of dollars)
Source of funds	Net Income (loss) from operating segments	\$ 23,857	\$ 64,678
	Net corporate income (loss)		
	Net income (loss) for the year	23,857	64,678
	Add (deduct) items not resulting in a flow of funds in the current year —		
	Depreciation, depletion, amortization and dry hole costs	18,892	18,340
	Deferred income taxes	1,378	793
	Profit on redemption of long term debt	(587)	(617)
	Other	216	(1,986)
	Total funds derived from operations	43,756	81,208
	Add exploration expenditures		
	Funds from operations before exploration expenditures	43,756	81,208
	Proceeds on sale of property, plant and equipment	1,988	3,142
	Gas supply contract advances		
	Obligations under capital leases	2,032	2,839
	Issues of common shares		
	Coal project advance from parent company		
	Other	257	
Total funds derived		48,033	87,189
Application of funds:	Expenditures for property, plant and equipment	22,808	24,129
	Exploration expenditures charged directly to income		
		22,808	24,129
	Repayments of long term debt	4,246	4,064
	Cash dividends		
	Other		1,349
Total funds applied		27,054	29,542
Increase (decrease) in working capital		\$ 20,979	\$ 57,647
Working capital, beginning of the year			
Working capital, end of the year			
Changes in the components of working capital reflect	Increased (decreased) investment in inventories		
	Changes in cash balances and bank borrowings		
	Decrease in accounts receivable		
	Decrease in accounts payable		
	Other		

See accompanying notes and summary of accounting policies

Natural Resources		Total	
1982 (thousands of dollars)	1981 (thousands of dollars)	1982 (thousands of dollars)	1981 (thousands of dollars)
\$ 11,707	\$ (7,455)	\$ 35,564 (3,501)	\$ 57,223 (2,213)
11,707	(7,455)	32,063	55,010
40,731	55,789	59,623	74,129
359	8,649	1,737	9,442
(397)	265	(587)	(617)
		(181)	(1,721)
52,400	57,248	92,655	136,243
14,556	22,305	14,556	22,305
66,956	79,553	107,211	158,548
778	67	2,766	3,209
21,108	3,352	21,108	3,352
		2,032	2,839
		33	72
30,576		30,576	
811		1,068	
120,229	82,972	164,794	168,020
43,424	83,489	66,232	107,618
14,556	22,305	14,556	22,305
57,980	105,794	80,788	129,923
		4,246	4,064
		24,797	24,727
	1,627		2,976
57,980	107,421	109,831	161,690
\$ 62,249	\$ (24,449)	54,963	6,330
		195,216	188,886
		\$ 250,179	\$195,216
		\$(124,260)	\$108,498
		219,572	(149,101)
		(16,165)	(7,058)
		3,798	5,850
		(27,982)	48,141
		\$ 54,963	\$ 6,330

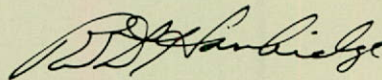
BP Canada Inc.
(Continued under the
Canada Business Corporations Act)
Consolidated Balance Sheet

December 31, 1982

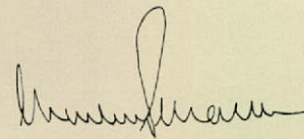
Assets	1982 <small>(thousands of dollars)</small>	1981 <small>(thousands of dollars)</small>
Current		
Cash and short term investments, at cost which approximates market value	\$102,439	
Accounts receivable	159,352	\$ 175,517
Inventories (note 2)	202,976	327,236
Prepaid expenses and deposits	2,967	3,564
Income taxes recoverable		11,897
Total current assets	467,734	518,214
Investments and advances		
Investments in other companies, at cost	3,420	3,263
Mortgages, loans and other assets	11,276	11,743
Total investments and advances	14,696	15,006
Property, plant and equipment		
at cost less accumulated depreciation, depletion and amortization (note 3)	503,101	498,850
	\$985,531	\$1,032,070

Liabilities and Shareholders' Equity	1982 <small>(thousands of dollars)</small>	1981 <small>(thousands of dollars)</small>
Current		
Bank indebtedness		\$ 117,133
Accounts payable and accrued liabilities (note 5)	\$169,399	173,197
Income and other taxes payable	46,589	30,336
Current maturities of long term debt	1,567	2,332
Total current liabilities	217,555	322,998
Coal project advance from parent company	30,576	
Gas supply contract advances	41,273	20,165
Long term debt (note 6)	50,253	53,054
Deferred income taxes	106,711	103,987
Shareholders' equity		
Share capital (note 7)	190,575	189,656
Retained earnings	348,588	342,210
	539,163	531,866
	\$985,531	\$1,032,070

On behalf of the Board:



R. W. D. Hanbidge, Director



Charles Perrault, Director

See accompanying notes and summary of accounting policies

BP Canada Inc.
Notes to Consolidated
Financial Statements

December 31, 1982

1. Sale of the refining and marketing business

The Company and The British Petroleum Company p.l.c. entered into an agreement on October 29, 1982 to sell the Company's refining and marketing business to Petro-Canada Exploration Inc. (Petro-Canada). Pursuant to this agreement, on February 25, 1983 the Company declared and paid a special dividend of \$180,000,000 (approximately \$8.35 per share) to its shareholders. In addition, on February 28, 1983 the Company was reorganized into two separate publicly traded companies, one owning the refining and marketing business and the other owning the natural resources business. On reorganization the Company's shareholders received three Class A shares and one Class B share of the new refining and marketing company and one common share of the

natural resources company for each share previously held in the Company. On February 28, 1983 Petro-Canada offered to purchase all of the shares of the refining and marketing company for approximately \$16.12 per BP Canada Inc. share. Details of these transactions were included in the Management Proxy Circular dated January 4, 1983.

As part of the agreement to purchase the refining and marketing business Petro-Canada began supplying crude oil to the Company in October, 1982. This crude oil remained the property of Petro-Canada until it entered the refining process at one of the Company's refineries, at which time it was purchased by the Company. The effect of this agree-

ment has been to eliminate the Company's crude oil inventory at the year end.

In August 1982 the Company announced its decision to close its Montreal refinery in early 1983, and at the same time announced a long term arrangement with Shell Canada Limited for the manufacture of products for its Quebec customers. The Montreal refinery and the Shell processing contract have been included in the business sold to Petro-Canada and accordingly no provision for a writedown of the refinery or for the costs of its closure was made at December 31, 1982.

2. Inventories

	1982 (thousands of dollars)	1981 (thousands of dollars)
Inventories consist of:		
Crude oil (note 1)		\$161,039
Refined products and merchandise	\$191,267	154,952
Materials and supplies	11,709	11,245
	\$202,976	\$327,236

3. Property, plant and equipment

	1982		1981	
	Investment at cost (thousands of dollars)	Accumulated depreciation, depletion and amortization (thousands of dollars)	Net investment (thousands of dollars)	Net investment (thousands of dollars)
Natural resources:				
Oil and gas	\$448,555	\$184,286*	\$264, 269	\$261,772
Coal mining	47,540		47,540	47,276
Refining	206,484	119,143	87,341	88,719
Marketing	194,405	95,404	99,001	96,493
Assets under capital leases	10,548	5,598	4,950	4,590
	\$907,532	\$404,431	\$503,101	\$498,850

*Includes depletion of \$127,459 (1981 — \$120,245).

4. Sukunka coal project — northeastern British Columbia

In 1977, the Company acquired interests in certain coal licences in northeastern British Columbia for a purchase price of \$30,000,000, of which \$5,000,000 is payable conditional upon completion of certain railroad and port facilities to be installed by other parties. The Company also has entered into an agreement with BP Canadian Holdings Limited, which owns 64.3% of the issued common shares

of the Company, under which BP Canadian Holdings Limited was assigned a 50% working interest in the property, and undertook to pay one-half of the acquisition and development costs. Under this agreement, the Company would initially contribute 100% of the costs until, after reflecting the timing of payments, it had paid 50% of the total costs of the project.

Acquisition and development costs to December 31, 1982 totalled \$47,540,000, of which \$264,000 was expended in 1982 on exploration, studies relating to the development of the property and administrative costs.

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

4. (continued) Sukunka coal project — northern British Columbia

The Company has been unable to negotiate sufficient long term marketing contracts for the sale of coal to establish the viability and to justify commercial development of the project at this time. The project has been curtailed until conditions indicate that a commercial mine can be established within a reasonable period. If,

in accordance with the terms of the agreement, BP Canadian Holdings Limited had been required to contribute its share of costs at December 31, 1981, its contribution would have amounted to \$30,576,000. Under an amendment to the agreement, pending a decision as to the future of the project, this amount is not subject to any

further timing adjustment and was lent interest-free by BP Canadian Holdings Limited to the Company on January 5, 1982, with BP Canadian Holdings Limited continuing to share in further costs and expenses incurred subsequent to December 31, 1981.

5. Accounts payable and accrued liabilities

	1982 (thousands of dollars)	1981 (thousands of dollars)
Accounts payable and accrued liabilities	\$163,140	\$167,022
Dividends payable:		
Parent company	4,132	4,132
Others	2,127	2,043
	\$169,399	\$173,197

6. Long term debt

	1982 (thousands of dollars)	1981 (thousands of dollars)
BP Canada Inc.:		
6% Sterling loan maturing in 1983 (\$392,000 at 1982 year end exchange rate)	\$ 487	\$ 1,462
7 ³ / ₄ % U.S. dollar Series A debentures, maturing February 15, 1993 (\$22,111,000 at 1982 year end exchange rate)	17,923	18,919
8 ¹ / ₄ % Series B debentures, maturing February 15, 1993	17,075	17,500
Subsidiary of BP Canada Inc.:		
BP Oil Limited —		
5 ³ / ₄ % sinking fund debentures Series A maturing October 1, 1986	10,944	12,171
Obligations under capital leases	5,217	4,796
Mortgage loans payable	174	538
	51,820	55,386
Less current maturities included in current liabilities	1,567	2,332
	\$ 50,253	53,054

Interest expense deducted in arriving at net income was \$9,272,000 in 1982 and \$7,578,000 in 1981, of which \$4,825,000 (\$4,964,000 in 1981) was related to long term debt.

Repayment and sinking fund requirements, excluding obligations under capital leases, during the four years subsequent to December 31, 1983 are as follows:

1984 —	\$2,805,000
1985 —	\$3,996,000
1986 —	\$9,246,000
1987 —	\$1,996,000

Total future minimum lease payments under capital leases extending over various periods to 2006 amount to \$10,852,000 of which \$5,624,000 represents interest at rates ranging from 6% to 18% (at December

31, 1981 payments to 2006 amounted to \$8,853,000, of which \$4,057,000 represents interest over the same range of rates).

Total future minimum lease payments under operating leases amount to approximately \$41,154,000 (\$35,950,000 at December 31, 1981) which are payable as follows:

1983 —	\$ 6,640,000
1984 —	\$ 6,194,000
1985 —	\$ 5,824,000
1986 —	\$ 5,305,000
1987 —	\$ 4,727,000
Thereafter —	\$12,464,000

7. Share capital

	1982 (thousands of dollars)	1981 (thousands of dollars)
Authorized:		
30,000,000 common shares without nominal or par value		
Issued:		
21,422,624.8 common shares (21,387,442.8 in 1981)	\$190,575	\$189,656
During 1982, 32,682 (24,602 in 1981) common shares were issued pursuant to the Company's optional stock dividend policy.	purchase common shares as follows:	cised. Under the agreement with Petro-Canada described in note 1, all options became exercisable and were exercised prior to February 28, 1983, the new expiry date.
At December 31, 1982 options were outstanding to officers and employees to	(a) options for 18,000 shares exercisable at \$13.05. (b) options for 118,000 shares exercisable at \$35.10. During 1982, no new options were granted and options on 2,500 shares were exer-	The exercise of options does not have a material dilutive effect.

8. Government taxes, levies, compensation and incentives

	1982 (thousands of dollars)		1981 (thousands of dollars)	
	Federal	Provincial and other	Federal	Provincial and other
Payments excluded from the financial statements:				
Gasoline and fuel taxes		\$250,224		\$184,710
Royalties (in kind)		67,991*		74,884*
Excise taxes	\$ 34,179		\$ 37,660	
Crude and products export charges	14,983		9,732	
	49,162	318,215	47,392	259,594
Payments included in the financial statements:				
Sales taxes	74,905		70,696	
Petroleum and Gas Revenue Tax	21,679*		13,483*	
Incremental Oil Revenue Tax	2,610			
Petroleum compensation charges	198,717		282,838	
Canadian Ownership Special Charge	36,345		30,167	
Mineral taxes		942*		1,461*
Property and other taxes		14,159		11,767
Income taxes payable currently	34,857	1,758	40,241	13,202
	369,113	16,859	437,425	26,430
Total payments	418,275	335,074	484,817	286,024
Less amounts recoverable:				
Compensation on imported crude oil	130,988		244,785	
Petroleum incentive payments	1,503		380	
Drilling incentives		1,239		2,070
	285,784	333,835	239,652	283,954
Net payments	\$619,619		\$523,606	

* Royalties are included, and the Petroleum and Gas Revenue Tax and mineral taxes are not allowed as deductions, in computing taxable income, and increase the effective rate of tax as indicated in the following table.

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

8. (continued) Government taxes, levies, compensation and incentives

Total income tax expense in 1982 and 1981 was \$38,352,000 and \$62,885,000 respectively. Such income tax expense varies from the amounts that would be

computed by applying the Canadian federal and provincial income tax rate to income before income taxes for the following reasons:

	1982 (thousands of dollars)		1981 (thousands of dollars)	
		% of pretax income		% of pretax income
Income tax expense calculated at the statutory rate	\$34,503	49	\$57,830	49
Increase (decrease) in income taxes resulting from:				
Tax on aviation fuel exports	2,513	3		
Non-deductible royalties, mineral taxes and expenses	33,983	48	39,381	33
Petroleum and Gas Revenue Tax	10,701	15	6,742	6
Incremental Oil Revenue	(1,287)	(1)		
Federal resource allowance	(20,004)	(28)	(20,635)	(17)
Provincial rebates	(7,084)	(10)	(5,552)	(5)
Depletion allowance earned by exploration and development expenditures	(9,817)	(14)	(7,056)	(6)
Inventory allowance	(4,738)	(7)	(3,219)	(3)
Other	(418)	(1)	(4,606)	(4)
Total income tax expense	\$38,352	54%	\$62,885	53%
Allocated as follows:				
Income from —				
Natural resources	\$22,933	68	\$13,688	220
Refining and marketing	18,401	43	51,083	44
Corporate	(2,982)	(46)	(1,886)	(46)
Total income tax expense	\$38,352	54%	\$62,885	53%

Deferred income taxes result from timing differences in recognition of income and expenses for income tax and financial statement purposes. The sources of these differences and the tax effect of each are as follows:

	1982 (thousands of dollars)	1981 (thousands of dollars)
Capital cost allowance claimed for income tax purposes in excess of depreciation and amortization	\$1,460	\$2,652
Exploration and development expenditures claimed for income tax purposes in excess of (less than) depletion	(531)	9,041
Other	808	(2,251)
Deferred income taxes	\$1,737	\$9,442

9. Transactions with related parties

The Company purchases a portion of its crude oil and product requirements from the BP Group of companies. During 1982 and 1981, such purchases aggregated \$146,921,000 and \$245,267,000 respectively. The Company also sells refined product to or on behalf of the BP Group. In

addition to transactions with BP Canadian Holdings Limited related to the development of its coal interests described in note 4, the Company also has technical service agreements with the BP Group under which it paid \$605,000 in 1982 (\$776,000 in 1981). Included in accounts

receivable at the year end is an amount of \$835,000 (\$1,381,000 in 1981) due from BP Canadian Holdings Limited and \$1,812,000 due from other affiliates (\$2,223,000 in 1981). Amounts due to related companies are detailed in note 5.

10. Pension plans

Based on the latest actuarial valuation of the pension plans as at December 31, 1981, all liabilities were fully funded.

11. Segmented information

The Company's primary activities are the exploration for and the development of natural resources and the refining and marketing of petroleum products. Segmented financial information with respect

to sales and services, operating profit, depreciation, depletion, amortization and dry hole costs is presented in the consolidated statement of income and, with respect to funds derived from operations,

long term debt transactions, capital expenditures and dividends, in the consolidated statement of changes in financial position. Segmented financial information relating to the identifiable assets is as follows:

	1982 (millions of dollars)	1981 (millions of dollars)
Identifiable assets —		
Natural resources:		
Oil and gas	\$309.9	\$ 315.7
Coal mining	47.5	47.3
Refining and marketing	520.2	664.3
Corporate	107.9	4.8
	\$985.5	\$1,032.1

While reasonable allocations have been made between the segments, the financial information presented for individual segments should be considered in the context

of the Company operating as an integrated oil company. The comparative figures have been reclassified to provide similar information for 1981.

Ten Year Financial Summary

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
(thousands of dollars except per share amounts)										
Balance Sheet										
Current assets	\$ 467,734	\$ 518,214	\$ 435,063	\$ 359,048	\$ 280,529	\$ 257,421	\$ 218,969	\$ 222,912	\$ 230,366	\$ 119,704
Current liabilities	217,555	322,998	246,177	214,364	158,051	143,244	108,208	105,250	131,508	63,313
Working capital	250,179	195,216	188,886	144,684	122,478	114,177	110,761	117,662	98,858	56,391
Investments and advances	14,696	15,006	13,710	9,687	8,822	8,428	9,980	10,584	15,206	36,385
Property, plant and equipment – net	503,101	498,850	466,478	410,777	368,578	355,079	321,148	301,008	292,086	268,860
Capital employed	767,976	709,072	669,074	565,148	499,878	477,684	441,889	429,254	406,150	361,636
Deduct: Long term debt	122,102	73,219	71,557	68,115	69,789	75,588	81,951	88,594	99,019	109,105
Deferred income taxes	106,711	103,987	96,006	78,718	65,846	60,496	47,096	41,950	32,650	11,929
Shareholders' equity	\$ 539,163	\$ 531,866	\$ 501,511	\$ 418,315	\$ 364,243	\$ 341,600	\$ 312,842	\$ 298,710	\$ 274,481	\$ 240,602
Per common share	\$25.17	\$24.87	\$23.48	\$19.64	\$17.19	\$16.20	\$14.83	\$14.15	\$13.00	\$11.38
Income										
Net revenue	\$1,499,082	\$1,434,660	\$1,130,310	\$904,044	\$752,422	\$656,967	\$556,415	\$497,384	\$415,044	\$286,524
Expenses	1,428,667	1,316,765	927,771	782,870	699,652	587,360	514,078	441,620	345,157	252,610
Income before income taxes	70,415	117,895	202,539	121,174	52,770	69,607	42,337	55,764	69,887	33,914
Income taxes	38,352	62,885	98,235	54,185	20,761	31,364	19,365	23,412	30,797	13,156
Net income for the year before extraordinary items	32,063	55,010	104,304	66,989	32,009	38,243	22,972	32,352	39,090	20,758
Extraordinary items	—	—	—	—	—	—	—	—	—	(684)
Net income for the year	\$ 32,063	\$ 55,010	\$ 104,304	\$ 66,989	\$ 32,009	\$ 38,243	\$ 22,972	\$ 32,352	\$ 39,090	\$ 20,074
Total funds derived from operations	\$ 92,655	\$ 136,243	\$ 163,355	\$ 115,953	\$ 72,265	\$ 82,399	\$ 59,155	\$ 70,939	\$ 69,231	\$ 56,267
Per common share										
Net income for the year	\$1.50	\$2.57	\$4.89	\$3.16	\$1.52	\$1.82	\$1.09	\$1.53	\$1.86	\$.95
Dividends	\$1.20	\$1.20	\$1.05	\$.58	\$.49	\$.44	\$.40	\$.38	\$.24	\$.15

Additional Information Relating to Segments — Five Years

	Natural Resources					Refining and Marketing				
	1982	1981	1980	1979	1978	1982	1981	1980	1979	1978
Income before taxes	\$ 33,606	\$ 6,233	\$ 61,172	\$ 57,635	\$ 46,852	\$ 43,292	\$115,761	\$138,088	\$ 63,939	\$ 8,418
Income taxes	22,933	13,688	31,881	25,980	19,829	18,401	51,083	64,846	28,389	2,084
Net income before corporate items	11,707	(7,455)	29,291	31,655	27,023	23,857	64,678	73,242	35,550	6,334
Net corporate expenses allocated equally	1,751	1,106	(886)	108	674	1,750	1,107	(885)	108	674
Net income (loss)	9,956	(8,561)	30,177	31,547	26,349	22,107	63,571	74,127	35,442	5,660
Funds from operation before exploration expenses	66,956	79,553	87,278	74,274	62,603	43,756	81,208	91,043	51,250	21,357
Capital expenditures	57,980	105,794	97,812	77,323	52,503	22,808	24,129	20,152	13,938	10,088
Net income (loss) per common share	\$.47	\$ (.40)	\$ 1.41	\$ 1.49	\$ 1.25	\$ 1.03	\$ 2.97	\$ 3.48	\$ 1.67	\$.27

Ten Year Operating Summary

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
(thousands of cubic metres per calendar day unless otherwise stated)										
Refined product sales	15.6	16.8	17.4	17.6	17.6	17.1	16.8	16.6	15.4	15.3
Crude oil processed at refineries	17.1	18.4	17.9	18.2	17.9	20.3	20.4	19.3	17.0	16.6
Gross sales of crude oil and natural gas liquids	2.5	3.0	4.1	3.9	3.3	3.5	3.4	3.6	4.5	5.1
Gross sales of natural gas (million cubic metres per day)	2.9	3.2	2.7	3.1	3.1	3.5	3.0	2.8	2.9	2.9

Board of Directors

As at May 1, 1983

R.W. Adam
London, England
Deputy Chairman,
The British Petroleum
Company p.l.c.

***Robert A. Bandeen, O.C.**
Toronto
Chairman, President and
Chief Executive Officer,
Crown Life Insurance
Company

Roy F. Bennett
Mississauga
President and Chief
Executive Officer,
Bennecon Ltd.

Dr. E.W. Best
Calgary
Vice-President,
Operations,
BP Resources Canada Limited

Roger Bexon
London, England
A Managing Director,
The British Petroleum
Company p.l.c.

R.W.D. Hanbidge
Toronto
Former President and
Chief Executive Officer,
BP Resources Canada
Limited

M.A. Kirkby
Calgary
President and Chief
Executive Officer,
BP Resources Canada
Limited

***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,
BP Resources Canada
Limited

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

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

* Member of Audit
Committee

Officers

As at May 1, 1983

Roy F. Bennett
Chairman

M.A. Kirkby
President and Chief
Executive Officer

Dr. E.W. Best
Vice-President,
Operations

Donald C. Smith
Vice-President,
Finance and
Administration

John C. Bonnycastle
Treasurer

A.V. Comeau
Secretary

W.A. Melrose
Assistant Treasurer

F.D. Pynn
Assistant Treasurer

K. Healy
Assistant Secretary

Offices

Executive Office
333 - 5th Avenue S.W.
Calgary, Alberta
T2P 3B6

Newfoundland Office
Royal Trust Building, 6th floor
139 Water Street
St. John's, Newfoundland
A1C 5V3

BP Minerals
890 West Pender Street
Vancouver, British Columbia
V6C 1L1

**Transfer Agent and
Registrar**
The Canada Trust Company
Montreal, Toronto,
Calgary, Vancouver

Stock Exchange Listings
Montreal, Toronto, Vancouver

