DOME PETROLEUM LIMITED

ANNUAL REPORT 1982

The Company

Dome Petroleum Limited is a major Canadian explorer, developer and producer of oil and gas. Its working interests in Canadian oil and gas lands total approximately 69 million gross acres. The Company's exploration activities are carried out primarily in Western Canada and the Beaufort Sea.

Current proved reserves of oil and the oil equivalent of gas amount to 1.5 billion barrels. Average daily production of oil and natural gas liquids in 1982 was 123,777 barrels. Average daily production of natural gas was 585 million cubic feet.

Dome holds a major interest in an integrated natural gas liquids system, which includes extraction and gathering facilities in Alberta and processing and distribution facilities in Eastern Canada and the United States. The Company is also a partner in and operates the Cochin Pipeline system, carrying ethane and propane from Western Canada to Eastern Canada and the United States.

Dome owns Canadian Marine Drilling Limited ("Canmar"), which conducts contract drilling in the Beaufort Sea.

As of March 30, 1983 the Company also holds an approximate 40 per cent interest in Dome Mines Limited, a 48 per cent interest in Dome Canada Limited, a 9.6 per cent interest in TransCanada PipeLines Limited which, combined with that of Dome Canada Limited, amounts to 21.4 per cent, a 100 per cent interest in Davie Shipbuilding Limited, an 87.5 per cent interest in Cyprus Anvil Mining Corporation and a 22.9 per cent interest in Sovereign Oil & Gas PLC.

Head Office

The Dome Tower
333 - 7th Avenue S.W.
Calgary, Alberta, Canada

Mailing Address
P.O. Box 200,
Calgary, Alberta, Canada
T2P 2H8

Auditors

Clarkson Gordon
Calgary, Alberta

Stock Listings

Toronto Stock Exchange
Montreal Exchange
American Stock Exchange
(common shares only)
London Stock Exchange
(common shares only)

Registrars and Transfer Agents

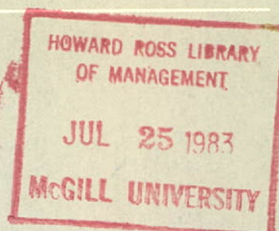
Common Shares:

Canada Permanent Trust Company
Calgary, Montreal, Toronto and Regina

The Bank of New York
New York, N.Y.

Preferred Shares Series A and B:

National Trust Company, Limited
Calgary, Montreal, Toronto and Vancouver


HOWARD ROSS LIBRARY OF MANAGEMENT
JUL 25 1983
McGILL UNIVERSITY

Comparative Highlights (a)

(Millions of Canadian Dollars, Except Per Share Amounts)

	1982	1981	1980
Financial			
Revenue	**$2,999.7**	$2,204.2	$1,143.6
Cash Flow after preferred share dividends	**$ 211.9**	$ 369.7	$ 430.7
Per Share (b)	**$0.95**	$1.66	$1.94
Net Income (Loss) excluding write-down and disposal losses (c)	**$ (55.3)**	$ 199.1	$ 287.2
Per Share	**$(0.31)**	$0.80	$1.20
Net Income (Loss)	**$ (369.3)**	$ 199.1	$ 287.2
Per Share (b)	**$(1.71)**	$0.80	$1.20
Capital Expenditures (d)	**$ 640.4**	$1,470.0	$1,059.4
Operating			
Oil and Natural Gas Liquids Production (barrels per day)	**123,777**	108,829	71,812
Natural Gas Production (million cubic feet per day)	**584.9**	476.2	343.8
Natural Gas Liquids Sales (barrels per day)	**122,884**	118,816	101,384
Recoverable Reserves of Oil, Natural Gas Liquids and Oil Equivalent of Natural Gas (millions of barrels) (e)	**1,540.7**	1,969.3	1,010.4
Wells Drilled (incl. farmouts)	**1,110**	1,791	1,322
Land —			
Working Interest, Gross Acres (000)	**72,343**	123,322	70,514
Working Interest, Net Acres (000)	**27,825**	53,867	31,557

(a) Includes results of Hudson's Bay Oil and Gas Company Limited ("HBOG") for the period from July 1, 1981 to February 28, 1982, less minority interest (47.1%) with respect to net income, and 100% of HBOG for the remainder of 1982.

(b) Based on average common shares outstanding, excluding the Company's pro rata interest in its own shares held by Dome Mines and restated to reflect Dome's five for one split effective May 22, 1981.

(c) For further detail on write-down and disposal losses, see Management Discussion and Analysis of the Company's Results of Operations and Financial Condition.

(d) Exclusive of corporate acquisitions, but inclusive of investment in Panarctic Oils Ltd.

(e) Excludes the Company's interest in substantial gas reserves in the Canadian Arctic Islands and major oil and gas discoveries in the Beaufort Sea.

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REPORT OF THE DIRECTORS

The economic environment in which Dome conducted its business in 1982 changed significantly from that experienced in recent years of strong corporate growth. The worldwide deterioration of general economic and financial conditions bore heavily on the Company's situation.

While the Company was in the process of completing the major acquisition of Hudson's Bay Oil and Gas Company Limited ("HBOG"), several detrimental factors combined to severely reduce Dome's cash flow. These included historically high interest rates, adverse oil and gas taxation measures and a softening in world oil prices accompanied by falling rates of consumption.

The original intent of the Company was to acquire HBOG by a combination of debt and equity. However, due to depressed conditions in the financial markets at the time, the acquisition was financed entirely by debt. This substantial increase in debt load, when measured against the reduced level of cash flow and a high level of current debt maturities, placed the Company in a difficult financial position.

Sensitive negotiations with the Company's lenders and the Government of Canada regarding restructuring of the Company's debt have been underway for some time. The establishment of revised debt repayment schedules related to projected cash flows is vital to the restoration of the Company's liquidity and its continuance as a going concern.

Funds to repay the major portion of the Company's debt will be generated by its assets, many of which have productive lives of as much as 30 years, well in excess of the approximate 10-year repayment schedule under discussion.

This report endeavors to provide shareholders with a broad view of the Company's plans and responses to present circumstances, insofar as is possible at this time, as well as a review of operating results for 1982.

1982 Review

The acquisition of HBOG, completed in March, over-extended the Company and brought about the need for special assistance from the Company's four principal Canadian banks (the "Four Canadian Banks") and the Government of Canada. On September 29, the Four Canadian Banks, the Canadian government and Dome signed an Agreement in Principle which provides a plan for restructuring the Company's debt.

In brief, the agreement (see "Agreement in Principle") contemplates that repayment of a substantial portion of the Company's existing debt be extended over at least 10 years; that up to $1 billion of new capital be made available to the Company, to be drawn, if required, one half from the government and one half from the Four Canadian Banks through the sale of convertible debentures; and that a rights offering be made to Dome shareholders permitting them to purchase debentures having substantially the same terms. To date, no final agreement has been reached and therefore none of the $1 billion has been made available to the Company.

The acquisition of HBOG was completed on March 10, 1982, when Dome purchased the remaining 47.1 per cent of the shares of HBOG held by minority shareholders in exchange for securities valued at $2,065 million. Simultaneously, the Company sold approximately 34.1 per cent of its interests in HBOG to three companies for a total of $1,499 million.

The HBOG acquisition provided Dome with a greatly expanded base of oil and gas production and enhanced the Company's activities in the production of natural gas liquids.

Dome holds the largest spread of exploratory lands in Western Canada, and ranks as one of Canada's largest producers of natural gas, crude oil, natural gas liquids and sulphur.

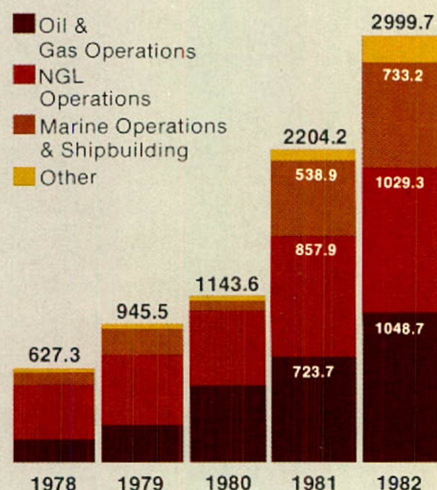
The Company's broad asset base and diverse sources of income are its principal strengths and will be major factors in the planned restoration of the Company's financial health while preserving its potential for future growth.

During the second half of the year Dome's cash flow improved, due primarily to falling interest rates, and administrative and operating efficiencies implemented by the Company. All interest and preferred share dividend payments were met by the Company on schedule, although a moratorium of debt repayments by certain of the Company's lenders was agreed to pending the finalization of rescheduling the Company's debt repayment.

Through the cooperation of the Company's principal lenders, scheduled debt repayments which were

REVENUES BY BUSINESS SEGMENT

Millions of Canadian Dollars



due in 1982 and additional amounts which subsequently fell due in early 1983 have been extended on a short term basis pending the outcome of negotiations in progress. The Company believes that additional extensions may be necessary before negotiations on financial restructuring are completed.

Contributions to improved liquidity and reduced debt were made by selling selected assets during 1982, for a total realization of $414 million. Assets sold include substantially all the Company's foreign properties (excluding properties in the United States and shares of Sovereign Oil & Gas PLC), the Branch Lines shipping fleet of Davie Shipbuilding Ltd., certain coal properties and sulphur inventories, and other miscellaneous assets. Further divestitures of selected assets in 1983 are contemplated.

Subsequent to year end, the sale to the public of six million of the 10.3 million TransCanada PipeLines Limited ("TCPL") shares held by Dome yielded $146.8 million net proceeds to the Company. The transaction closed on March 16, 1983.

A number of operating and administrative expense reduction measures, including salary and staff reductions were introduced during the year, resulting in an approximate $100 million annualized saving.

Financial Results

For 1982, revenue was $3 billion, up 36 per cent from the level achieved in the previous year, primarily reflecting the merging of HBOG operations and higher prices for Canadian crude oil and natural gas.

Funds generated from operations, after deducting preferred share dividends, amounted to $211.9 million, or $0.95 per common share. This amount is after deduction of $127 million provision for current income taxes, of which the Company believes up to $122.2 million may be recoverable during 1983, and after a $35.4 million unrealized foreign exchange loss. Excluding these two items, funds generated totalled $369.5 million, or $1.65 per common share, essentially unchanged from the $369.7 million generated in 1981.

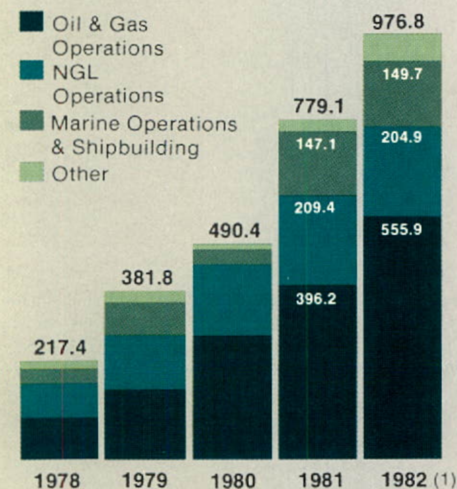
During 1982, the Company incurred a loss of $100.4 million, net of related deferred income taxes, on the disposal of certain assets, primarily the international holdings of HBOG. At year end the Company recorded a $213.6 million write-down in the book value of its United States oil and gas properties, reflecting the adverse effect of the world economic recession on United States oil and gas prices and property values. Excluding the $314 million of write-down and disposal losses, the Company recorded a loss of $55.3 million, or $0.31 per common share, compared with net income of $199.1 million, or $0.80 per common share, in 1981. After deduction of these items, the net loss for 1982 amounted to $369.3 million, or $1.71 per common share.

A meaningful comparison of results for 1982 and 1981 is difficult, primarily due to the impact of the different levels of ownership in HBOG in each of those years.

During the third and fourth quarters of 1982, the Company's financial situation improved as interest rates fell, production of crude oil returned to

OPERATING INCOME BY BUSINESS SEGMENT (1)

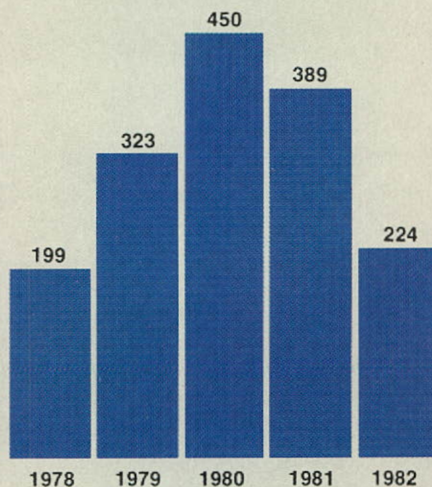
Millions of Canadian Dollars



(1) Before corporate expenses, income taxes and equity in earnings of associated companies
Before write-down and disposal losses

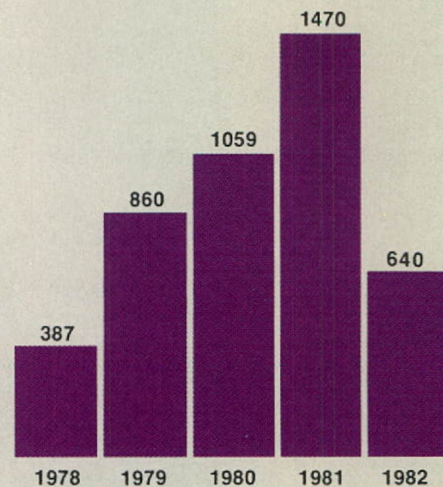
FUNDS GENERATED FROM OPERATIONS

Millions of Canadian Dollars



EXPLORATION & CAPITAL EXPENDITURES (1)

Millions of Canadian Dollars



(1) Includes investment in Panarctic Oils Ltd. and excludes acquisitions

more normal levels and prices for crude oil and natural gas in Canada, and for natural gas liquids increased. For the fourth quarter, revenues increased to $808 million, 22 per cent above the third quarter level, and net income, excluding $306 million in write-down and disposal losses, totalled $37.6 million, or $0.15 per common share.

Capital expenditures in 1982, excluding corporate acquisitions, amounted to $638 million, a substantial decline from the $1,463 million spent in 1981.

Long term debt at year end, including the portion due within one year, totalled $6.5 billion, compared to a peak of $7.1 billion reached in April 1982, and a balance of $6.4 billion outstanding at the end of 1981.

Operating Results

Production of crude oil and natural gas liquids ("NGL"), including NGL production from straddle plants, averaged 123,777 barrels per day, 14 per cent higher than in 1981.

Natural gas production averaged 584.9 million cubic feet per day, up 23 per cent from 1981.

Sales of natural gas liquids averaged 122,884 barrels per day, a slight improvement over the 1981 level.

Dome's established gross reserves of crude oil, natural gas liquids and oil equivalent of natural gas at 1982 year-end amounted to 1.5 billion barrels. This figure excludes reserves for Dome's discoveries in the Beaufort Sea and the Arctic Islands.

At year-end, working and royalty interest land holdings in Canada totalled approximately 80 million gross acres. Of this acreage, approximately 30 million acres are located in the traditional producing areas of Western Canada, of which 18 per cent is freehold land for which the Company holds title to the mineral rights in perpetuity.

During 1982, 1,110 wells were drilled on lands in which the Company held an interest. Of this total, 424 were exploration wells which resulted in 127 oil and 138 gas wells for a success rate of 63 per cent. The remaining 686 were development wells which resulted in 325 oil and 277 gas wells. Farmouts to Dome Canada Limited (48 per cent owned by Dome) and to other companies accounted for 278 of the exploration wells and 346 of the development wells, all drilled with no cash outlay by the Company.

Dome's activity in the Beaufort Sea in 1982 included participation in the completion and testing of seven exploratory wells, of which five encountered hydrocarbons, including an oil discovery at Nerlerk.

Arctic Island exploratory work on Dome-interest lands resulted in one oil discovery, one gas discovery and one dry hole. Two additional wells were drilling in early 1983.

In February 1983, the National Energy Board gave conditional approval to natural gas exports in support of Dome's proposal to build a major liquefaction facility in British Columbia for producing liquefied natural gas ("LNG") for sale under contract to Japanese buyers. Subject to the satisfaction of all federal and provincial conditions of approval, including pricing arrangements, the Company expects to proceed with construction of the facilities in late 1983 with startup and delivery of product expected in 1986/87. Dome's cash outlay in the project is limited, due to the provision of project financing for the LNG plant and terminal by the Japanese LNG purchasers, and for other facilities and equipment by other key participants.

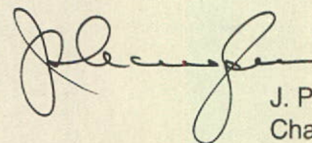
Outlook for 1983

Cash flow will continue to be sensitive to interest rate fluctuations until debt is reduced to more acceptable levels.

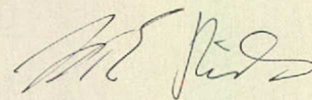
The outlook for energy prices and volumes in the markets served by Dome is unclear. Although uncertainty exists over world oil prices, it is expected that average Canadian producer prices for crude oil will remain stable during 1983 due to the existing differential between domestic Canadian and world prices.

In 1982, the Company's staff faced the considerable challenge of merging the operations of two major oil and gas companies, of struggling with the Company's financial problems, and of making major operating, financial and development decisions.

The board of directors wishes to acknowledge and thank the shareholders for their patience and support, the employees for their great dedication during this critical period and the Company's creditors and suppliers for their understanding.



J. P. Gallagher
Chairman



W. E. Richards
President

March 30, 1983

FINANCIAL RECOVERY PLAN

Financial restructuring is fundamental to protecting shareholders' investments.

Dome expects to continue to be an active and important participant in the Canadian oil and gas industry.

The primary objective of the Company is to re-establish its financial health.

A cornerstone of Dome's plan is to conclude negotiations with its lenders and to complete the financial restructuring of the Company. By so doing, repayment terms for the Company's debt should be established which more nearly match projected cash flows over a reasonable term than is the case at present (see "Agreement in Principle" elsewhere in this report).

The effects on shareholders' investment will depend on several key factors. Internally, operating and capital expenditure levels, project financing and farm-out activity, and the net cash proceeds from asset dispositions will all have a material impact. Externally, the results will remain sensitive to the level of interest rates, to domestic and U.S. prices and demand for crude oil, natural gas and NGL products, and to the possible infusion of additional equity from shareholders and/or the public.

When the Company's financial problems arose, the first priority in dealing with the liquidity problem was the institution of stringent operating and capital expenditure controls. Operating costs have been significantly reduced and net cash outlays for capital projects are now at a rate significantly below previous levels. Current expenditures are sufficient to meet operating requirements and maintain oil, gas and NGL production at appropriate deliverability levels. Additional funds available from incremental operating cash flows and external sources will augment the capital program.

In addition to activities financed internally, an active exploration and development program is expected to be maintained on Dome lands as a result of significant expenditures by others. This will be achieved as a result of Dome Canada's active exploration and development program and through farmouts to third parties. (A farmout consists of an outside party paying for the Company's share of the cost of a well or wells on the Company's land in return for earning a share in the oil and gas rights on that property.) The Company also has identified specific facility investments which are attractive vehicles for possible financing by third parties on a project basis.

Through the use of these internal and external funds Dome expects to continue to be an active and important participant in the Canadian oil and gas industry.

Simultaneously with the above steps, a program has been implemented to reduce the Company's long term debt through cash proceeds from the sale of certain assets. Proceeds from dispositions in 1982 amounted to approximately $414 million. The March 16, 1983, sale of six million shares of TCPL yielded net proceeds of $146.8 million. Further dispositions may be made in 1983.

These measures, combined with a substantial drop in interest rates, improved industry prices and royalty and tax reliefs have already resulted in an improvement in cash flow and in the repayment of a portion of the large outstanding debt. Dome expects to make continued progress and, as in the past, expects to meet all interest and dividend obligations when due. Principal repayments on most outstanding loans are expected to be rescheduled upon completion of negotiations now in progress with lenders.

Additional equity, which is required to improve further the Company's financial health and reduce the need for special government and/or bank support, may be sought from shareholders or other public sources.

OPERATIONS

Dome participated in the drilling of 350 exploration wells in Canada, one of the most active programs in the industry.

Exploration

Dome holds one of the largest spreads of oil and gas lands in Canada, with working and royalty interests totalling 80 million gross acres (32 million hectares). Of this acreage, 29.6 million acres (12 million hectares) are located in the traditional producing areas of Western Canada, of which 18 per cent is freehold land for which the Company holds the mineral rights in perpetuity.

During 1982, Dome, directly and through farmouts, continued to maintain one of the most active exploration programs in Canada. A total of 1.5 million feet of exploratory hole was drilled, representing an estimated 16 per cent of all exploratory footage drilled in Canada.

A large part of the exploration was carried out by Dome Canada, in which Dome holds a 48 per cent equity interest. Dome Canada pays geological, geophysical and drilling costs in return for varying interests in land surrounding well locations.

Including wells farmed out to and paid for by third parties, Dome participated in the drilling of 350 exploration wells in Canada during the year, compared to 495 wells in 1981. Of these, 278 were located in Alberta, 13 in British Columbia, 39 in Saskatchewan, 11 in Manitoba and nine in the frontier areas of Canada.

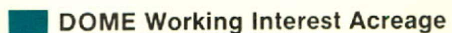
Western Canada

During 1982, the Company maintained a substantial farmout program on its undeveloped acreage with Dome Canada and other companies. These arrangements provide Dome with the opportunity to explore and develop its land holdings with a minimum commitment of capital.

Well drilling at Caroline, 65 miles northwest of Calgary in Alberta foothills, is one of more than 1,000 drilled on Dome lands in 1982. It is estimated that, directly and through farmouts, the Company participated in 16 per cent of all exploratory wells drilled in Canada during the year. The development drilling program was similarly active.

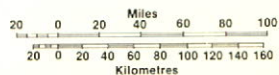
ACREAGE HOLDINGS IN

ALBERTA & N.E. BRITISH COLUMBIA



1982 EXPLORATORY & DEVELOPMENT DRILLING

1 No. of Oil Wells
1 No. of Gas Wells



NORTHWEST TERRITORIES

SASK.

ALBERTA

B.C.

Ft. St. John

Peace River

Grande Prairie

EDMONTON

Red Deer

CALGARY

Lethbridge

CANADA
UNITED STATES

1 5 6 3 4 9 3 2 9 3 18 3 7 3 1 17 3 34 2 7 38 5 20 2 4 3 4 42 4 2 4

Of the direct participation wells, the 17 oil discoveries resulted in 11.2 wells net to Dome, and the 25 gas discoveries resulted in 14.3 net wells. Normally, Dome retains approximately 50 per cent of its interest in each well farmed out.

Heavy emphasis was placed on exploring oil-prone areas during 1982, and the ratio of oil discoveries to gas discoveries continued to improve.

The more significant areas of exploratory activity were as follows:

— Carrot Creek in west-central Alberta where two oil discoveries were made on Dome interest lands.

— The Travers area of south-central Alberta where an exploratory test resulted in a dual zone gas discovery.

— Wolf Creek, 100 miles west of Edmonton, where continued exploration resulted in a dual zone oil and single zone gas discovery.

— Red Earth, located 140 miles northeast of Edmonton, where a successful oil discovery was made and further drilling is planned.

— Shekilie in the northwest corner of Alberta, where two wildcat wells were completed as oil discoveries. One of the wells also encountered potentially significant reserves of gas.

— The Saddle Hills and Gordondale areas of northern Alberta, which yielded two oil discoveries.

— The Hourglass, Blackhawk and Alces areas in northeastern British Columbia, where exploratory wells encountered gas.

Gross Exploratory Wells

	Oil	Gas	Dry	Total
Direct participation wells	17	25	27	69
Farmout wells:				
To Dome Canada	14	35	17	66
To third parties	78	68	60	206
Total Dome interest wells	109	128	104	341

Land Holdings Summary at December 31, 1982
(Thousands of Acres)

	Working Interest Gross	Working Interest Net	Royalty Interest (1)
Canada			
Alberta	20,030	9,035	1,087
British Columbia	3,785	1,370	215
Manitoba	1,129	888	—
Ontario	71	18	1
Saskatchewan	3,232	2,280	150
Arctic Islands	10,266	3,304	6,969
Beaufort Sea	12,801	4,992	—
Hudson Bay	—	—	15
McKenzie Valley	4,146	1,234	788
East Coast	13,479	3,304	1,582
	68,939	26,425	10,807
United States	3,404	1,400	—
Total (2)	72,343	27,825	10,807

(1) These royalty interest holdings are in respect of land in which the Company held only a royalty interest. The Company also held royalty interests in approximately 14.1 million acres of its gross working interest lands, primarily in Alberta (approximately 1.2 million gross acres), the Arctic Islands (approximately 5.8 million gross acres) and the Beaufort Sea (approximately 5.9 million gross acres).

(2) Excluded from the above table are working interests in the United Kingdom, Italy and Norway totalling 379,629 gross acres (196,373 net acres) for which sale completion was pending certain government consents at December 31, 1982.

The Canadian Frontier

Dome's primary area of Frontier activity has been the Beaufort Sea, where strategic emphasis has been given to meeting drilling and earning commitments in order to earn exploratory acreage.

Past drilling activity has been directed toward testing structures in that portion of the Beaufort Sea where the Company's geological studies indicated that the most prospective structures would be found. Results have supported this strategy, and Dome now holds extensive lands in these areas.

To maximize the opportunities in the region for Dome and its associates, the Company will balance its emphasis between further wildcat tests of major prospects, and delineation drilling of the more significant discoveries to determine their potential for possible commercial development.

Since commencement of activity in 1976, Dome has only been permitted deep drilling from its ships in the Beaufort Sea for approximately 600 drilling days due to ice conditions and government regulations. A total of five significant oil or oil and gas discoveries and three significant gas discoveries have been made in this short period on the Company's land.

Dome Canada pays Dome's current Beaufort Sea exploration costs in return for working interests in the land explored. Dome Canada qualifies for the highest level of petroleum incentive program ("PIP") grants, equal to 80 per cent of eligible exploration expenses, enabling it to carry out the exploration at minimum net cost.

Beaufort Sea

During the 1982 Beaufort Sea drilling season, all four drillships operated by Canadian Marine Drilling Ltd., ("Canmar"), a wholly owned contract drilling subsidiary, were used, as well as the drilling caisson at Tarsiut Island and the Semi-Submersible Drilling Caisson ("SSDC"), a fully-equipped drilling vessel built by modifying the forward half of a 250,000 ton super-tanker. The SSDC, which came into service at the Uviluk P-66 island location in October, permits year-round drilling operations in the Beaufort Sea, in contrast to the approximate four-month "summer season" to which drillships are limited.

The accompanying map locates the wells referred to in this text.

Results of the 1982 Beaufort Sea drilling program are as follows:

Nerlerk Structure

The Nerlerk M-98 well was drilled to 16,200 feet and partially tested in 1979. Testing was resumed and completed in August, 1982. Eight out of nine zones tested flowed oil at rates of up to 400 barrels per day. More detailed seismic studies suggest that more favorable structural and stratigraphic locations are present. Dome and Dome Canada together own 99.75 per cent of the Nerlerk structure, for which seismic exploration indicates potential hydrocarbon reservoir closure of over 90,000 acres. Work has begun on two delineation wells (see map) as follows:

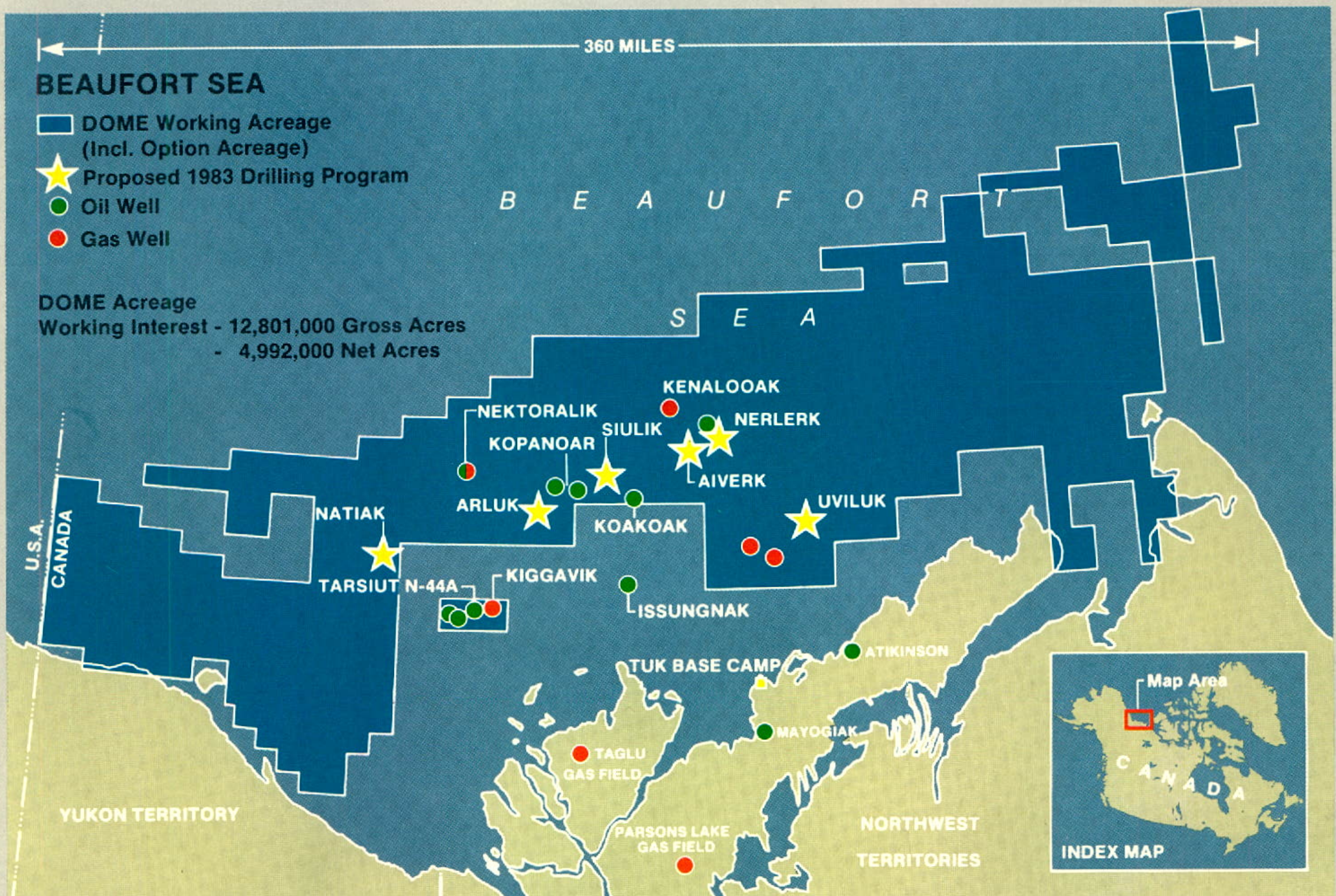
At Nerlerk B-67, construction of an artificial island by Canmar was largely complete by the end of the marine drilling season. Drilling is scheduled to begin in late 1983, using the SSDC.

The Aiverk 2I-45 delineation well was spudded by a drillship late in the 1982 drilling season and is scheduled to be completed and tested in 1983.

Tarsiut Structure

East Tarsiut N-44, the first well drilled from the artificial island built on the structure in 1981, was tested early in the second quarter of 1982. Located about 3.5 miles east of the A-25 discovery well, N-44 tested oil through restricted chokes at a cumulative flow rate of 5,700 barrels per day.

East Tarsiut N-44A, a second delineation well directionally drilled to the northeast from the same island, confirmed the presence of hydrocarbon-



bearing sands similar to those of N-44. Two zones flowed oil at rates of up to 2,175 barrels per day, and further tests confirmed reservoir continuity to N-44.

Kiggavik A-43, a step-out well on the Tarsiut structure about eight miles east of the N-44 island wells, was drilled to 11,519 feet but encountered only gas in a zone not present in the Tarsiut wells.

Other wells

Kenalooak J-94, completed to a total depth of 15,256 feet, tested gas at an estimated absolute open flow rate of 50 million cubic feet per day.

Orvilruk 0-3 and Irkaluk B-35 wells were dry holes.

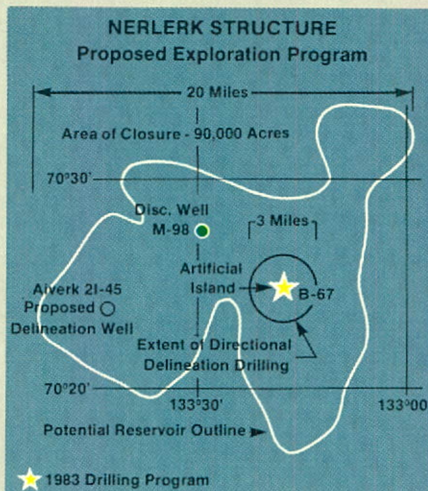
At the Uviluk P-66 site, the newly built SSDC drilling unit was placed on a previously constructed sand berm in 100 feet of water, and commenced drilling in November. In mid-March 1983, the well was drilling at a depth of 14,900 feet and had encountered encouraging hydrocarbon shows. The well is scheduled to be tested and completed by late April, 1983. On completion, Dome together with Dome Canada will have earned an approximate 30 per cent interest in the surrounding 43,343 acres.

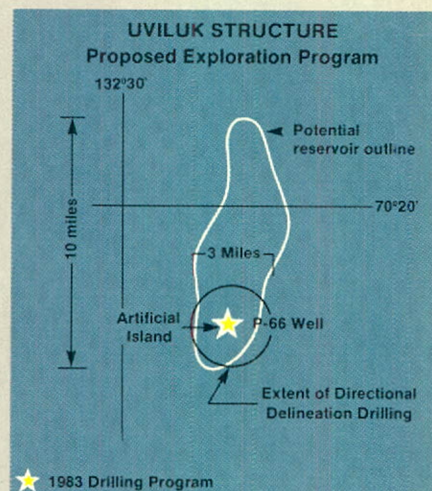
At Natiuk O-44, work commenced prior to the end of the 1982 drillship season. Drilling at that location is expected to begin in 1983.

In March, 1983 the Company, Dome Canada and other participants concluded five-year exploration agreements with the Canadian government covering exploration in the Beaufort Sea. The Company's share of the $720 million in expenditures to be incurred by it and Dome Canada over this period will be funded pursuant to its exploration agreement with Dome Canada. During the term of the agreements, the Company and its associates will relinquish to the federal government a total of 50 per cent of their present interests in the 8.4 million gross acres of land covered by the agreements, after first selecting those lands they wish to retain. In addition to the lands covered by these agreements, the Company holds drilling rights on another 4.4 million gross acres in the Beaufort Sea.

Arctic Islands

At year-end Dome's working interest landholdings in the Arctic Islands amounted to about 10.3 million gross acres (3.3 million net acres). In addition, the Company holds an approximate 8.3 per cent direct and





Dome's latest class 3 icebreaking supply ship, the Robert Lemeur, clears a path for a Dome drillship in the Beaufort Sea. Incorporating the innovative design features of the icebreaker Kigoriak as well as further refinements, it is part of a 37-vessel fleet operated by Canmar, Dome's wholly owned contract drilling subsidiary which operates in the Beaufort Sea.

indirect interest in Panarctic Oils Ltd., which holds 30.2 million gross acres.

Panarctic, as operator, drilled three wells from marine ice platforms in 1982. Skulpin K-08, west of Ellef Ringnes Island, was a gas discovery which tested 7.5 million cubic feet per day. Cisco C-42 , west of Lougheed Island, produced up to 900 barrels of oil per day during testing. Cape Mamen F-24, off the southeast corner of Mackenzie King Island, was a dry hole.

In early 1983, Panarctic was drilling two additional wells: Marryatt Point K-71, on the Sabine Peninsula of Melville Island, and Cape McMillan 2K-15, two miles south of Ellef Ringnes Island.

East Coast

Dome currently holds a 43.8 per cent working interest in a 592,548 acre block 25 miles northeast of Sable Island, offshore Nova Scotia. Agreements relating to a farmout of up to three wells are being negotiated which, if concluded, will reduce the Company's interest in these lands, in return for the farmees paying the Company's share of drilling costs.

Foreign Operations

United States

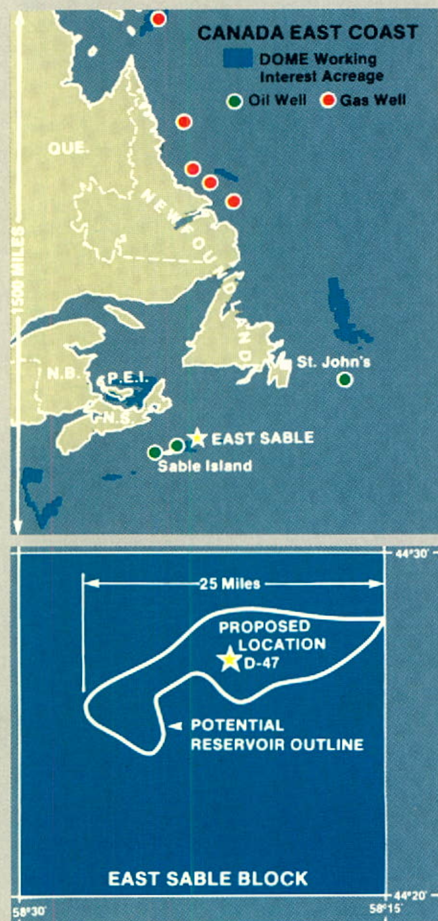
During 1982 the Company participated in the drilling of 43 gross (13 net) exploratory wells in the United States, resulting in five oil and four gas discoveries. It also drilled 68 gross (24 net) development wells, resulting in 33 producing oil wells and 22 producing gas wells. Activity was concentrated in the Williston Basin area, and in Oklahoma and Colorado.

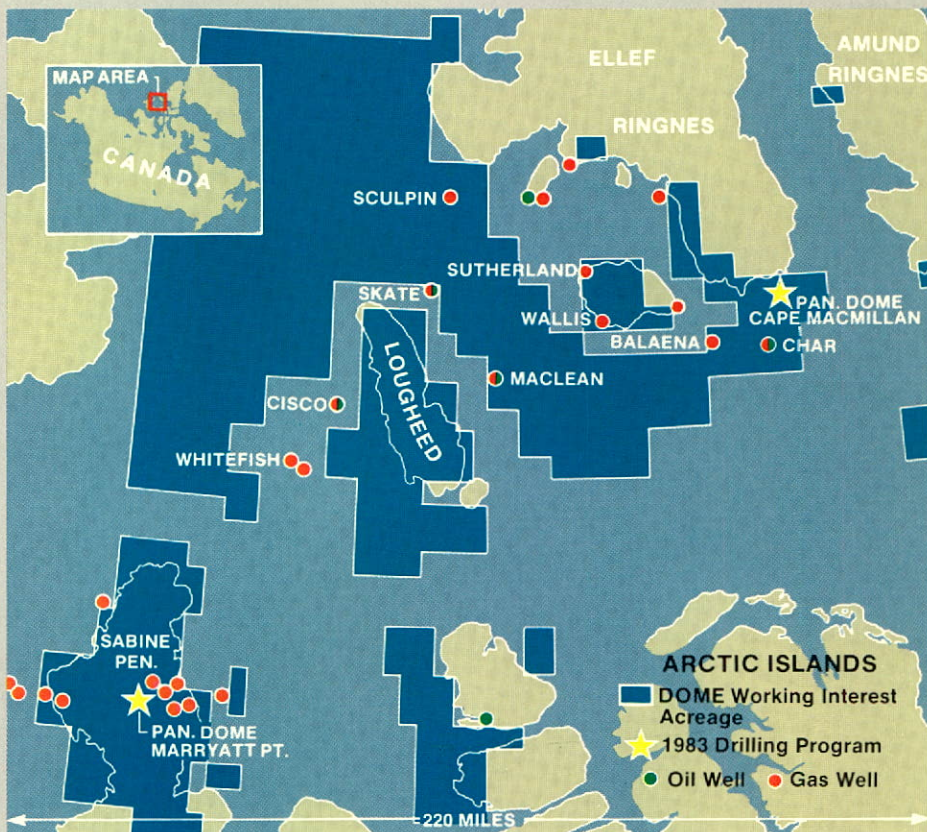
Dome's United States production in 1982 averaged 3,953 barrels per day of oil, 27.9 million cubic feet per day of gas, and 2,753 barrels per day of natural gas liquids. At year-end, the Company had interests in approximately 3.4 million gross acres (1.4 million net acres), 1,001 producing wells, and seven natural gas liquids extraction plants in the United States.

Other

On December 9, 1982, Dome completed the sale of all of its exploration and production interests in Indonesia, Australia, Brazil, Egypt and the Netherlands, for a total of approximately $328 million.

As a result of the sale of the properties, Dome has effectively disposed of all of its significant interests outside of North America with the exception of its 22.9 per cent interest in Sovereign Oil & Gas PLC.





Development activity was selective, emphasizing projects generating early cash flows and high rates of return.

Development

In 1982, the Company concentrated Canadian development activity on oil production eligible for the highest prices and on contracted gas properties in which Dome held substantial working interests. Such projects offer the highest rates of return and maximum early benefit from the projects available to the Company.

The following table summarizes the Company's direct participation in Canadian development drilling activity in 1982:

Development Wells

	Gross	Net
Crude Oil		
Conventional	102	20
Heavy	42	28
Natural gas	82	25
Dry and abandoned	17	12
Total	243	85
Wells drilling at year end	7	2

The proportion of these successful gross wells which were oil producing was 64 per cent in 1982, reflecting the continuing emphasis given to oil in Dome's strategic plan. In addition, 346 development wells were drilled at no cost to the Company as a result of farmout arrangements. Of these wells, 121 were oil discoveries and 171 were gas discoveries.

The Company's active development program in 1982 was achieved by encouraging third party funding of much of the Company's share of drilling costs in return for a share of resultant production. Such activity is expected to continue in 1983. Opportunities for third party financing of downstream facilities are also being pursued.

Conventional Oil

At Pouce Coupé in northwestern Alberta, eight development wells were drilled in the continued delineation of the Boundary B pool. These wells each have average production rates of 90 barrels per day, and qualify for NORP pricing. Dome's interest in the pool averages 25 per cent. A gas conservation and waterflood project is planned for 1983, which is expected to increase the recoverable reserves from the pool.

At Garrington, 60 miles northwest of Calgary, the Company has an interest averaging 28 per cent in 10 multizone wells in newly discovered oil pools. Ten additional wells are planned in 1983 as part of an ongoing development program. All production qualifies for NORP prices.

The application of NORP prices to oil production from certain enhanced recovery schemes, together with recent changes in provincial fiscal regimes in the form of reduced royalty rates or royalty holidays, have significantly increased the attractiveness of these kinds of projects. Enhanced recovery involves the application of advanced techniques to increase the amount of oil recoverable from a reservoir. New enhanced recovery projects being developed by Dome include the following:

At Kaybob South Triassic Unit 1, where a recent review indicated recoverable waterflood reserves of 30 million barrels of crude oil (7.5 million bar-

Canada has a three tier oil pricing system, with the highest price ("NORP") applying to new discoveries and the lowest ("COOP") to old (pre-April, 1974) discoveries. The intermediate price ("SOOP"), set at 75 per cent of the NORP price, applies to production between these limits. NORP roughly equates to world prices landed at Montreal, while the COOP price is subject to semi-annual increases until it reaches the SOOP level, expected to happen in 1983.

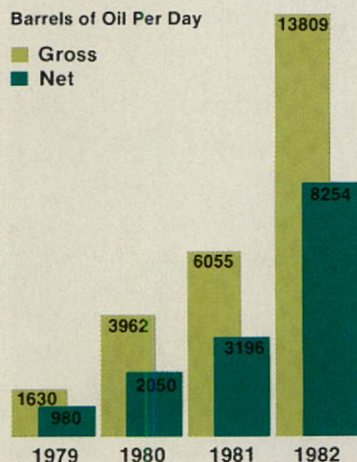
rels Dome net), a miscible flood installation proposed for half of this field in 1983 may add 3.2 million barrels to the Company's recoverable reserves.

At Caroline, water injection commenced in October, 1982 in the Cardium E pool. Production is expected to commence in early 1983, following repressurization, building to over 1,000 barrels per day of oil (442 barrels per day Dome net). Miscible flooding facilities, proposed for installation in late 1983, could add 3.3 million barrels to the Company's recoverable reserves.

At the Willesden Green miscible flood project, one of the world's first nitrogen rejection plants using cryogenic technology is being constructed to remove nitrogen from gas produced during oil production. This project will allow Dome to continue selling 30 million cubic feet per day of solution gas production.

Heavy Oil

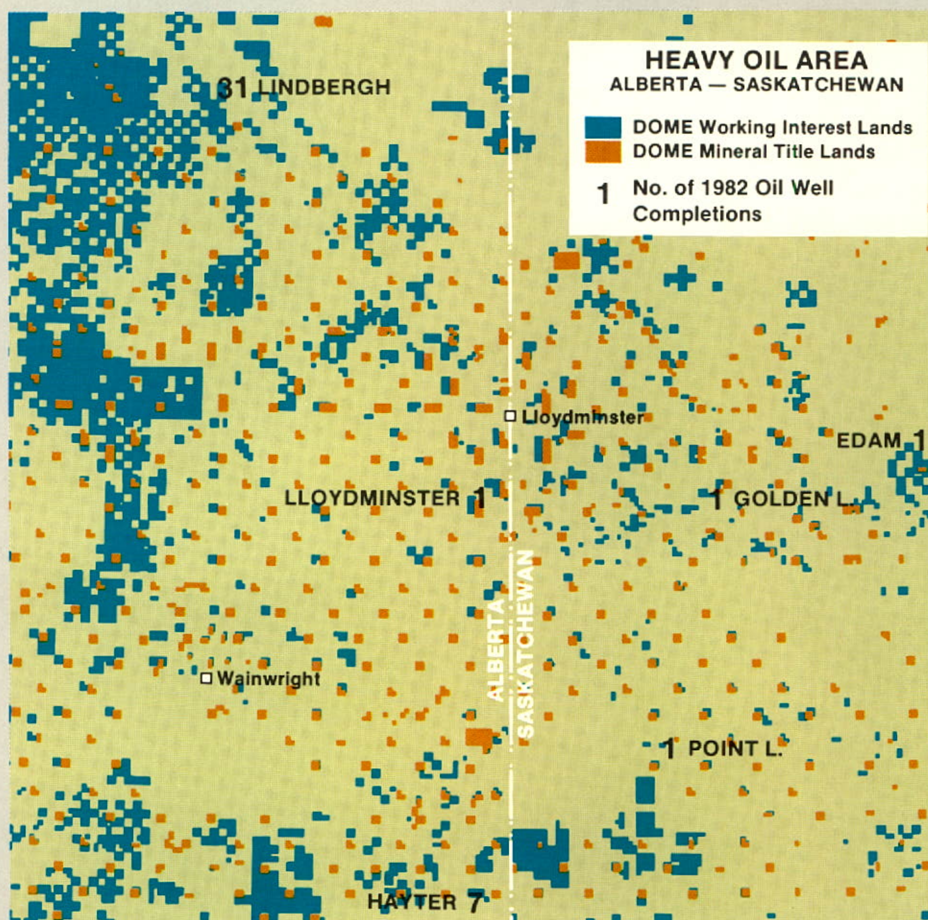
The Company has become the second largest producer of Lloydminster-type heavy crude oil in Canada. Average net daily production exceeded 8,250 barrels in 1982, over 50 per cent of which received NORP pricing.



Dome operates about 900 heavy oil producing wells from a field office at Lloydminster, Alberta. About two-thirds of these wells are in Alberta, and the balance in Saskatchewan.

In 1982, 81 exploratory and development wells (66 net wells) were drilled by Dome in heavy oil areas. Of these, 42 were drilled in the traditional heavy oil areas of Alberta and Saskatchewan, and the remainder in the Primrose Air Weapons Range in Alberta. In addition, the Company participated in 68 wells farmed out to other companies, 34 of them to Dome Canada.

The large increase in production in 1982 was primarily due to the startup of several projects based on the use of thermal enhanced recovery techniques. Thermal recovery involves the use of heat in the producing formation to increase both the rate of production and the ultimate total production from the reservoir, and may result in recovery of up to 35 per cent of total heavy oil in place, compared to only five per cent using primary production methods. Incremental oil recovered using such techniques qualifies for NORP pricing.



Near Lindbergh, Alberta, where Dome has a large land position, two projects comprising a 40-well combined thermal drive and a 13-well oxygen enriched air fireflood produced an average of 2,000 barrels per day of heavy oil in 1982 (1,500 barrels per day Dome net).

At the Primrose Air Weapons Range in northeast Alberta, upon completion of steam injection and stimulation, a single well yielded an average 120 barrels of oil per day (100 per cent Dome net) over an eight month period. In 1983 this project will be expanded to 31 wells.

Other enhanced recovery projects include a combination steam and air injection system at Morgan, Alberta, which currently produces an average of 1,000 barrels per day (750 barrels per day Dome net) from 45 wells, and a steam drive project at Prairie Lake, Alberta, which produced an average of 250 barrels per day (62.5 per cent Dome net) from five wells during 1982.

Oil Sands

Dome holds a 3.75 per cent interest in the Syncrude oil sands project as a result of its acquisition of HBOG. Production throughout 1982 averaged 85,800 barrels per day of synthetic crude oil, up five per cent from the previous year. Plant output continued to be hampered by periodic operational problems. Several reliability and efficiency programs were undertaken during the year with a view to increasing production in 1983. In addition, approval was given during the year for a de-bottlenecking program which is expected to increase plant capacity by 11,000 barrels per day by 1985.

Dome's share of 1982 production was approximately 3,239 barrels per day, and its share of capital expenditures amounted to about $3.1 million.

Early in 1982 the Alsands project, in which Dome held a 12 per cent interest, was terminated due to depressed industry conditions and other factors.

Natural Gas

In the Medicine Hat field, 150 miles southeast of Calgary, Dome participated in 35 shallow gas wells, all of which were successful. Dome working interests vary from eight to 31 per cent. Most of these wells, plus 30 wells on the Suffield block, are already on production and the remainder are expected to be tied in during 1983.

In the Birch-Wavy contract area of east-central Alberta, about 60 wells were drilled as a result of several large farmouts by Dome. Of these, 30 were completed as gas wells. A further 10 gas wells were drilled in the area to hold mineral leases.

Among the major gas plant projects in 1982 were the following:

At the Chinchaga plant in northwestern Alberta, operated by Dome, gas inlet capacity has been expanded from 40 to 80 million cubic feet per day. The plant is now capable of producing 7,000 barrels per day of NGL.

At Cutbank, 250 miles northwest of Edmonton, construction of a 70 million cubic feet per day gas plant was completed in August, 1982. The plant also has a capacity of 1,250 barrels per day of NGL. Production commenced in August at 40 million cubic feet per day (18 million cubic feet per day net to Dome).

In the West Pembina area, 100 miles west of Edmonton, regulatory approval was obtained to build a 60 million cubic feet per day sour gas plant which will be capable of producing 10,000 barrels per day of NGL. Construction, to be project financed, is expected to be completed by mid-1984. Four Nisku gas pools have been evaluated for NGL recovery potential using gas cycling production techniques. Dome's share of recoverable NGL reserves associated with three of these pools, to be produced by cycling commencing on completion of the plant, is estimated to total 2.5 million barrels of propane and butane and 6.5 million barrels of condensate.

At Edson, 150 miles west of Edmonton, 14 million cubic feet per day (2.6 million cubic feet per day net to Dome) of gas was gathered, compressed and sent from the Muskeg Nordegg operation to the Edson gas plant.

At Goodfare, Alberta, expansion of the gas plant was completed, increasing inlet capacity from 50 to 72 million cubic feet per day, in anticipation of increased production due to a 47 per cent increase in the daily contract quantity as a result of a reserve redetermination. The Company's net interest in the production is approximately 60 per cent. The plant's output capacity includes 460 barrels per day of condensate.

At Zama, 3 gas wells were tied in to the Zama gas plant and placed on production, under an industrial gas sales contract, at approximately five million cubic feet per day (3.8 million cubic feet per day net to Dome).

Net production of sulphur, a natural gas by-product, averaged 830.6 long tons per day in 1982.

Natural Gas Liquids

Dome's natural gas liquids system continues to make a significant contribution to the Company's operating income.

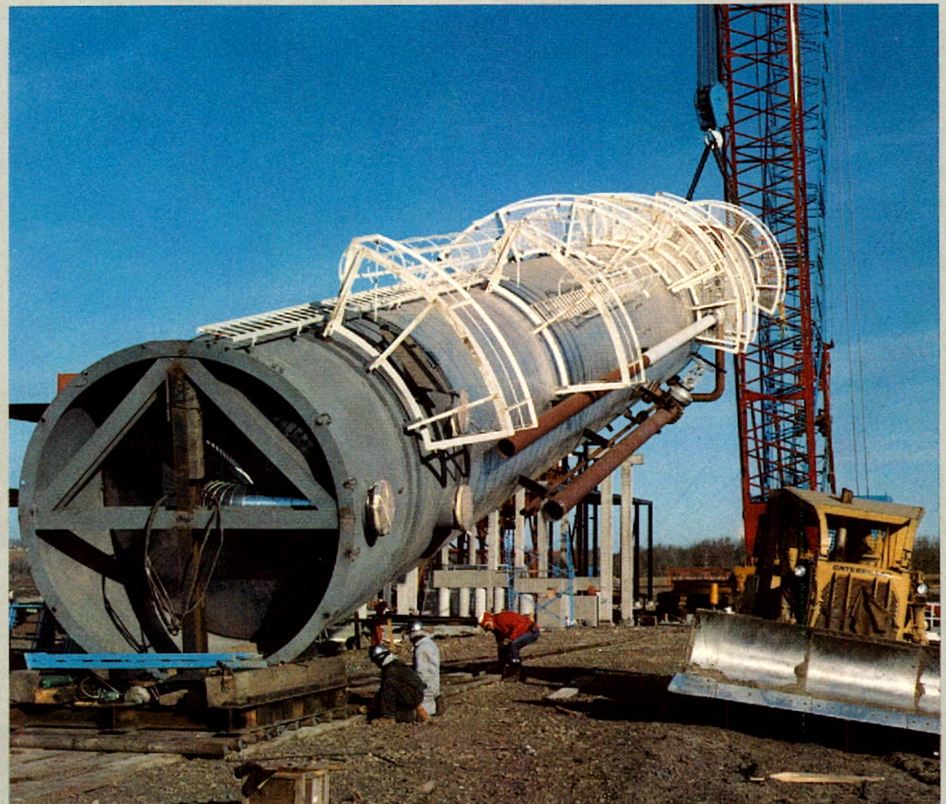
The production, purchase, transportation and marketing of NGL form a major segment of Dome's operating activities, providing significant cash flows with relatively low maintenance costs. Facilities supporting these extensive operations include the integrated Natural Gas Liquids System, the Ethane System and the Cochin Pipeline, and certain smaller facilities, including an NGL plant at Steelman, Saskatchewan and a 3.7 million barrel underground storage terminal at Melville, Saskatchewan.

As a result of the acquisition of HBOG, the Company owns and operates the Rangeland crude oil and natural gas liquids pipeline system, which consists of 962 miles of trunk and gathering lines in Alberta. The trunk line system extends from Rimbey in central Alberta to the Alberta-Montana border. Through connections with other major trunk line systems, deliveries may be made to carriers serving Eastern and Western Canada and the Rocky Mountain area of the United States. During 1982, the Rangeland system transported an average 91,200 barrels per day of crude oil and natural gas liquids.

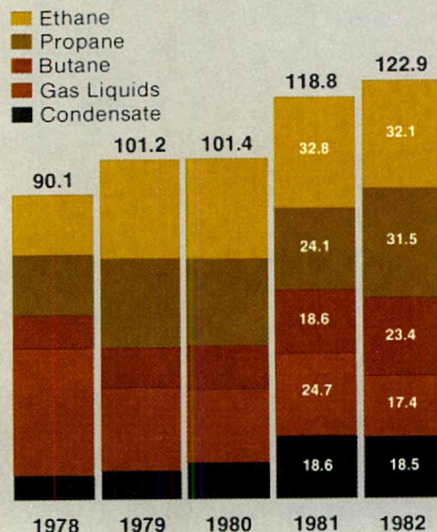
Steelgas Utilities Ltd., a wholly-owned subsidiary, distributes propane in several communities in Northern Manitoba.

Dome ranks as the largest marketer of NGL in Canada and the fourth overall in North America. The Company obtains NGL from a number of sources: straddle plants (these plants "straddle" major natural gas transmission pipeline systems and extract NGL from the gas under long term contracts), production from field extraction plants, purchases of mixed liquids from other producers and the purchase (for resale) of specification products. During 1982, the Company's total sales of NGL averaged 122,884 barrels per day, 3.4 per cent higher than the level achieved in the previous year.

Depropanizer unit at Fort Saskatchewan, Alberta is raised into place at Dome-operated fractionation plant in the east Edmonton area of Alberta. The plant, due to come on stream in May, 1983, is capable of separating about 25,000 barrels of propane daily from a stream of 50,000 barrels of natural gas liquids. The depropanizer is located at a major storage facility for liquids.



NATURAL GAS LIQUIDS SALES
Thousands of Barrels per Day



NGL System

Dome is the operator of and owns varying interests, averaging 50 per cent, in the integrated Natural Gas Liquids System, which is concentrated in Alberta and Eastern Canada, and extends to the Eastern United States.

A substantial part of the NGL production is derived from Dome-operated straddle plants at Edmonton and Empress in Alberta,owned 50 per cent and 37 per cent respectively by Dome, and from a plant at Cochrane, Alberta in which Dome has a 50 per cent interest in production.

The Company transports its NGL production, together with product purchased from other interconnected plants, to Dome-interest storage facilities at Edmonton and at Kerrobert, Saskatchewan. NGL are shipped from these two locations through the pipeline system of Interprovincial Pipe Lines Limited to Dome-operated storage and fractionation facilities at Sarnia, Ontario. There the liquids are separated into propane, isobutane, normal butane and condensate. These NGL products and certain other purchased products are marketed in Eastern Canada and in the United States.

At Fort Saskatchewan, Alberta, a 75 per cent owned depropanizer is expected to go on stream before mid-1983. This 25,000 barrel per day facility will provide propane for Western Canadian and U.S. markets.

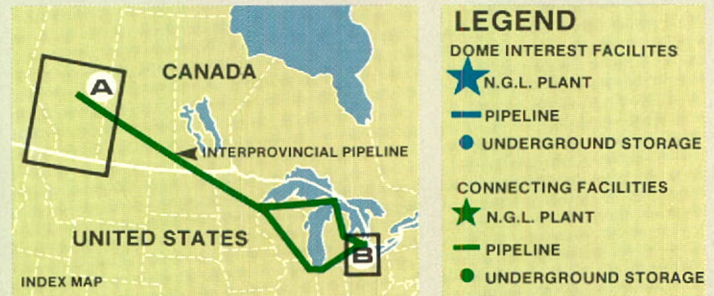
Another new source of supply will be the second straddle plant at Empress, expected to start up in the second half of 1983. Although Dome has no ownership interest in the new plant, it will operate the facility and contract to purchase all of the NGL output on a cost of service basis.

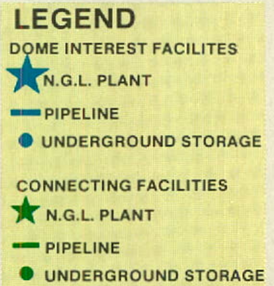
Ethane System and Cochin Pipeline

Dome holds a one-third interest in and operates both the Alberta Ethane Gathering System and the Cochin Pipeline System. The Alberta Ethane Gathering System is a 530 mile-long complex in Alberta. It delivers ethane from five plants that extract the liquid from natural gas, to the Cochin Pipeline terminus at Fort Saskatchewan, Alberta and to a world-scale petrochemical plant near Red Deer, owned by companies other than Dome, which produces ethylene.

The Cochin Pipeline System is a 12-inch diameter, 1,870 mile pipeline

DOME NGL PIPELINE SYSTEM





EASTERN DELIVERY SYSTEM

system which transports ethane and ethylene to eastern Canada and the United States. The same pipeline also ships propane to distribution terminals in the United States.

In 1982, the Alberta Ethane Gathering System delivered approximately 74,100 barrels per day of ethane. The Cochin Pipeline System delivered a daily average of 52,134 barrels of ethane, 4,015 barrels of ethylene and 16,575 barrels of propane.

Marketing

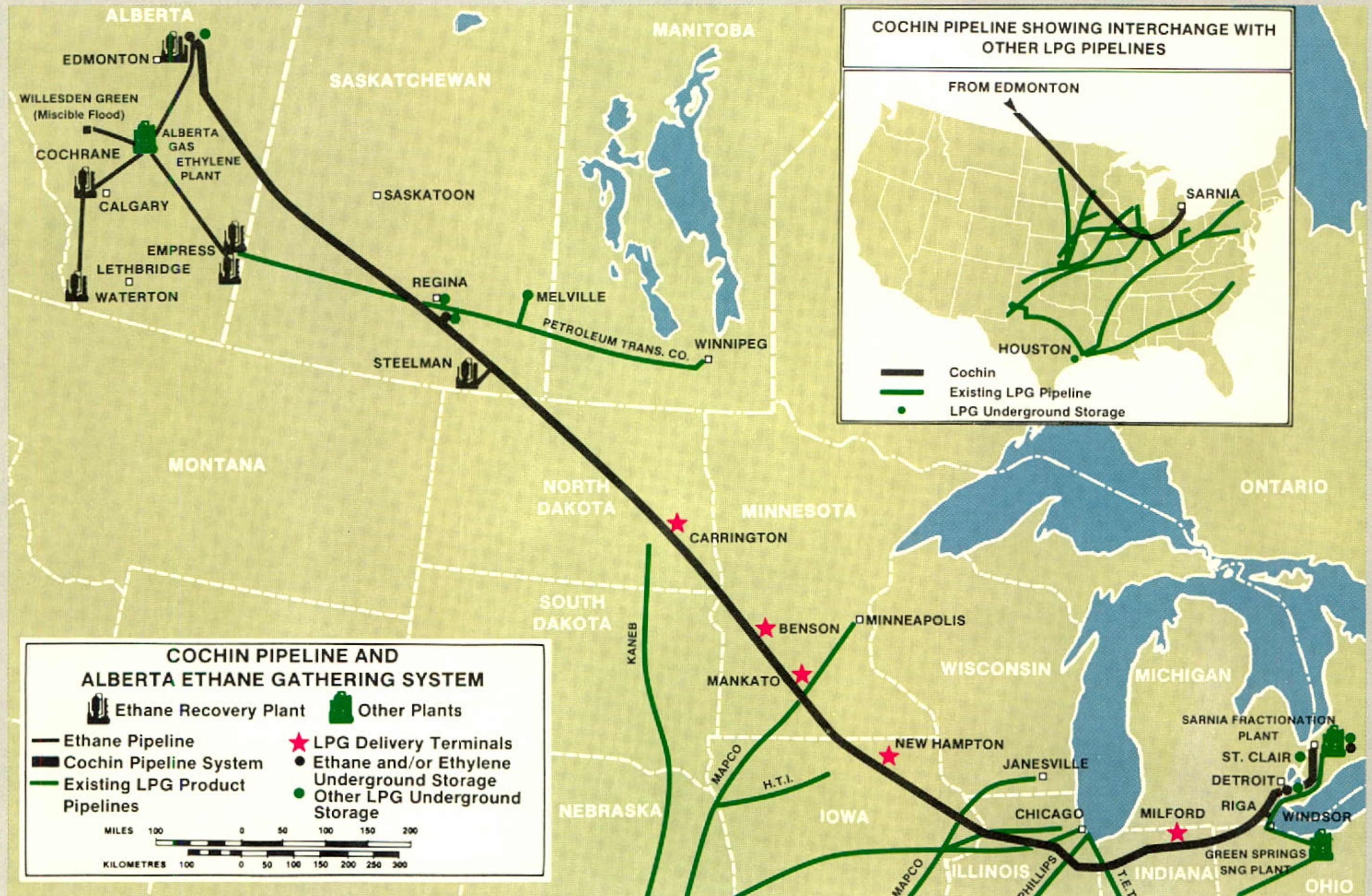
As indicated in the accompanying chart, the Company's marketing operations have achieved significant growth since 1978. The outlook for 1983 is positive.

Dome is concluding NGL supply agreements for the new Empress plant, now under construction, and is negotiating for the processing of additional natural gas through the Edmonton straddle plant. Also, the Company anticipates the availability of increased quantities of mixed liquids from field and extraction plants. The long term contract with the Company's major ethane customer in the United States was renegotiated in 1982 and now requires U.S. government regulatory approval.

Average prices realized through marketing operations in 1982 and 1981 were as follows:

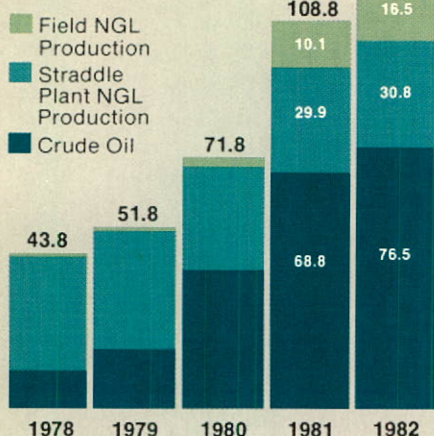
	1982	1981
Condensate (per barrel)	**$ 28.57**	$ 24.26
NGL (excluding condensate) (per barrel)	**$ 21.89**	$ 18.96
Sulphur (excluding disposal of accumulated inventory) (per long ton)	**$104.98**	$111.03

Dome is one of the country's largest sulphur producers and markets sulphur directly in Canada and the United States. Sales to the international market outside of North America are handled by Cansulex Ltd., a producer-owned marketing consortium in which Dome holds an interest. During 1982, in addition to marketing its entire sulphur production, the Company disposed of 420,000 tons of accumulated sulphur inventory. The Company already has in place contracts at competitive prices for the sale of its entire 1983 production.



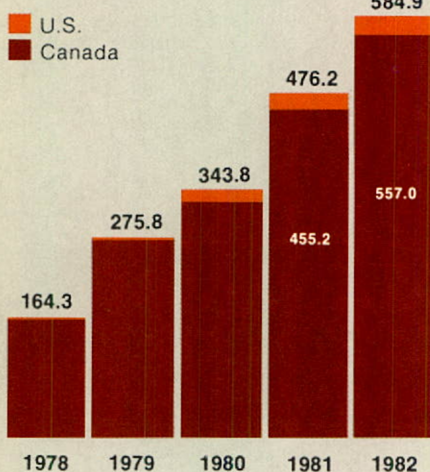
OIL AND NATURAL GAS LIQUIDS PRODUCTION

Thousands of Barrels per Day



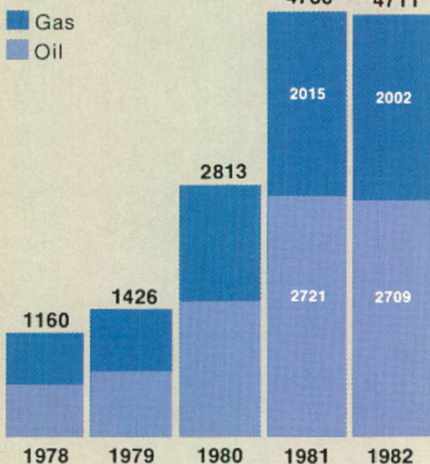
NATURAL GAS PRODUCTION

Millions of Cubic Feet per Day



NET PRODUCING WELLS

1981 includes Dome's 52.9 percent equity in HBOG'S net wells



Production and Reserves

The Company's total production of crude oil and natural gas liquids averaged 123,777 barrels per day during 1982, a 13.7 per cent increase from the previous year. These volumes include synthetic crude oil averaging 3,239 barrels per day and NGL from straddle plant locations which averaged 30,789 barrels per day. Natural gas production averaged 584.9 million cubic feet per day, an increase of 23 per cent, and sulphur production climbed to 830.6 long tons per day, 46 per cent higher than in 1981.

Volume increases primarily reflect the inclusion of a full year of HBOG operations, partially offset by prorationing of Canadian crude oil production and the effects of energy conservation on demand for oil and gas. Although Dome supported various new export markets for natural gas and also committed to substantial industrial gas contracts within Alberta, natural gas sales volumes continued to be dampened by deterioration of traditional markets in Canada and the U.S.

Approximately 81 per cent of Dome's conventional crude oil production and 85 per cent of natural gas production in 1982 came from Alberta. Of this Alberta production, 20 per cent of crude oil and 15 per cent of natural gas was from freehold leases.

The average prices realized by the Company for its Canadian production in 1982 and 1981 were as follows:

	1982	1981
Conventional and heavy crude oil (per barrel)	**$25.38**	$18.16
Synthetic crude oil (per barrel)	**$43.97**	$41.67
Natural gas (per thousand cubic feet)	**$ 2.69**	$ 2.45

During 1982, the allocation of Dome's Canadian conventional and heavy oil production over the various crude oil price categories averaged: NORP — 7.3 per cent, SOOP — 12.2 per cent and COOP — 80.5 per cent. In January, 1983, more than 13 per cent of the Company's production qualified for NORP pricing.

At 1982 year-end, the Company's established reserves, as determined by its reservoir engineers in accordance with Canadian industry standards, were as detailed below. These reserves are expressed after deduction of gross overriding and freehold royalties but before deduction of Crown royalties.

Established Reserves at December 31, 1982

	Canada	United States	Total
Crude oil (millions of barrels)			
Conventional	283.1	21.2	304.3
Heavy	88.3	—	88.3
Synthetic	37.6	—	37.6
Total crude oil	409.0(1)	21.2	430.2
Natural gas liquids (millions of barrels)	103.7	—	103.7
Natural gas (billions of cubic feet)	5,721.9	117.6	5,839.5
Sulphur (thousands of long tons)	3,809.1 (2)	—	3,809.1

(1) Canadian crude oil reserves include 68.8 million barrels which do not fall within the U.S. Securities and Exchange Commission ("SEC") definition of proved reserves. These additional reserves relate to the Company's interests in certain heavy oil reserves, Syncrude mineable reserves and reserves recoverable from proposed enhanced recovery projects.

(2) Sulphur reserves do not include sulphur inventories which at December 31, 1982 amounted to approximately 400,000 long tons.

The equipment and technology employed by Canmar are unique and well proven.

Canmar

Canadian Marine Drilling Ltd., a wholly owned contract drilling subsidiary operating in the Beaufort Sea, generated significant operating income and completed 55,800 feet of drilling during 1982. All of Dome's drilling and construction work in the Beaufort Sea is carried out by Canmar. In 1982 Canmar also contracted two of its drilling systems to others.

During the year, two major vessels were added to its Arctic fleet: the Robert Lemeur, a Class 3 icebreaking supply ship with a displacement of 6,500 tons; and the Semi-Submersible Drilling Caisson ("SSDC"), a 660-foot vessel built by modifying the forward half of a 250,000 ton supertanker.

The SSDC is designed to be towed to a drill site and, by filling its cargo tanks with water, sunk on a sand berm (a submerged island) built to within 30 feet of the surface. The SSDC is capable of drilling continuously in all seasons and weather conditions, and is equipped with a 25,000 foot capacity drilling rig, crew quarters and all equipment necessary to drill two wells without re-supply.

The Canmar operated fleet now has 37 vessels, including four drillships, three dredges, two Class 3 icebreakers, a seismic survey ship, seven supply boats, and a variety of smaller craft. Additional facilities include a floating drydock able to accommodate the drillships, and other equipment.

The equipment and technology employed by Canmar are unique and well proven, and have been developed specifically for conditions found in the Beaufort Sea. The organization is well placed to take advantage of new contracting and consulting opportunities which are arising from new Alaskan offshore exploration activity.

Davie Shipbuilding

Davie Shipbuilding Limited, acquired by Dome in 1981, is located at Lauzon, Quebec.

During 1982, operations were consolidated at a lower level than that of the previous year, reflecting a forecast of reduced activity in the short to medium term. At year-end employment had decreased to approximately 1,000 from a high of 2,800.

The semi-submersible drilling caisson ("SSDC"), which began drilling Uviluk P-66 well in November, is a technological innovation in Arctic marine drilling. Dome, the operator and drilling contractor, built it by modifying at modest cost the front half of a supertanker. In October it was positioned on a sand and gravel berm built to within 30 feet of the surface in 100 feet of water and sunk onto the berm. The berm is designed to cause ice to grind to a halt on its slope, forming a protective rubble field which minimizes ice pressure on the caisson. Experience gained from the SSDC is expected to reduce future drilling costs as well as the cost of building production loading facilities.

The Branch Lines fleet of coastal tankers was sold in mid-1982 for $41 million. Of this, $26 million was applied to reduce debt and the balance of $15 million, bearing interest at 16 per cent, will be received in monthly payments over 10 years.

During 1982, the shipyard launched four jack-up marine drilling units and one petroleum products tanker. In addition, it undertook ship repair, industrial fabrication and miscellaneous work. Davie also participated in the submission of a final proposal for a $2 billion Canadian Forces patrol frigate program as the lead shipyard in the Scan Marine consortium, one of two finalists bidding for the contract.

Other significant events included the securing of licences to build harsh weather environment semi-submersible drilling rigs for offshore East Coast Canadian waters, and extension of subcontracts for the supply of components to United States Navy shipbuilders.

In early 1983, Davie signed a contract for construction of a $122 million icebreaking passenger car ferry for CN Marine. The contract, designed to be self-financing, will provide a baseload of work from late 1983 into late 1985. In connection with this order, new collective agreements with Davie's unions were signed, with increases covering all monetary items limited to six per cent in 1984 and five per cent in 1985.

Cyprus Anvil Mining

Cyprus Anvil Mining Corporation, 87.5 per cent owned by Dome, operates a large mining complex near Faro, Yukon Territory. Its major asset is an open pit lead-zinc-silver mine and mill complex capable of milling more than 12,000 tons per day.

Operations at the mine, which commenced in 1969, were suspended in June, 1982 because of depressed economic conditions.

Since the suspension of the mine's operations, proposals have been made to and discussions held with the federal government, and negotiations have been concluded with the mine's labor union with the objective of improving the economic viability of the mine's operations. Improvements in productivity are made possible by collective bargaining agreements with two locals of the United Steelworkers of America, ratified by union members in December. Discussions with the federal government are continuing.

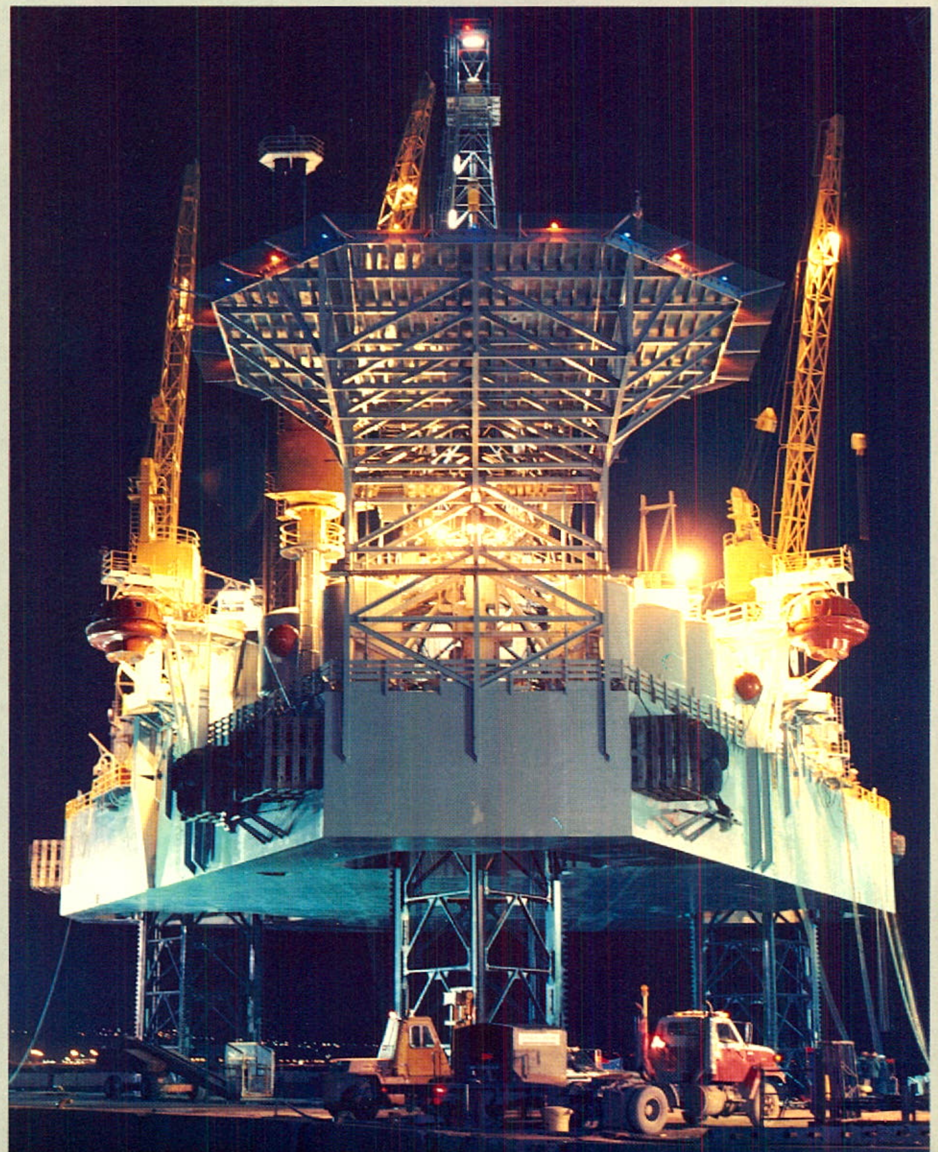
More than 60 million tons of mineable open pit reserves are available in the Anvil district, the greater part of which is in the Faro pit itself. During 1982 lead and zinc prices declined to historically low values.

Les Mines Selbaie

Les Mines Selbaie, a copper-silver-gold mine in northwestern Quebec, one-third owned by a subsidiary in which the Company has an 87.5 per cent interest, began production in the fall of 1981. The mine, operated by a major mining company, achieved design capacity of 1,650 tons per day and treated 518,470 tons of ore in 1982.

The subsidiary's share of production was 6,560 tons of copper, 197,000 troy ounces of silver and 9,645 troy ounces of gold.

At December 31, 1982 the subsidiary's share of mineable ore reserves amounted to 1.43 million tons grading 3.5 per cent copper with 0.96 troy ounces per ton of silver and 0.035 troy ounces per ton of gold.



LNG PROJECT

The LNG project is an innovative response to the need for new markets for Canada's natural gas surplus.

Dome's LNG Project proposes to deliver 154 billion cubic feet per year of liquefied natural gas ("LNG") to five major utility companies in Japan. The gas will be produced in Alberta and British Columbia, and will be liquefied and sold under a 20-year, 100 per cent take-or-pay sales contract. NIC Resources Inc., a Canadian subsidiary of Nissho Iwai Corporation of Japan, is a partner with Dome in this project.

The project is of major national significance because it provides gas producers with an additional market for some of Canada's large surplus of natural gas. Demand from the United States, Canada's sole export market to date, has been soft and is expected to remain so in the near future.

The project involves the construction of a gas liquefaction plant and shipping terminal on the British Columbia coast near Prince Rupert, 368 miles of pipeline facilities, and a fleet of five conventional LNG carriers. The Japanese buyers are proceeding with the construction of facilities in Japan which will handle the LNG.

The project will require a direct investment of about $3.4 billion for the plant, terminal, and pipeline. The Japanese purchasers of the LNG have signed a letter of intent to provide $2.4 billion in financing at attractive rates, an amount sufficient to cover the full estimated cost of the liquefaction plant, shiploading terminal and related storage facilities, including interest during construction. The pipeline facilities, costing an estimated $1 billion, are expected to be built and operated by Westcoast Transmission Company, and to be project financed independently. The five LNG carriers required are expected to be chartered.

It is anticipated that Dome will retain an ownership position of about 30 per cent of the liquefaction plant. As a major natural gas producer, the Company will also benefit from the sale of gas to TransCanada PipeLines and to the British Columbia Petroleum Corporation for supply to the project.

During 1982, progress on this project included the signing of the sales contract with the Japanese buyers in March, and the selection of the project by the Government of British Columbia over other LNG projects competing for the available supply of natural gas in the province. In February, 1983 Dome received from the Government of Canada conditional export approval for the required surplus gas which provides for a firm allocation of gas supply for 15 years, together with continuation for an additional five years subject to deliverability of the necessary gas being established to the satisfaction of the government.

A number of important matters must be resolved in 1983 to allow the project to proceed. Among them are the final financing agreement with the Japanese, National Energy Board facilities approvals, gas removal permits and pricing arrangements from the governments of Alberta and British Columbia, an energy project certificate from British Columbia, a gas purchase agreement with the British Columbia Petroleum Corporation and plant ownership agreements with prospective partners.

The LNG Project is one of the few very large energy projects in Canada still being actively developed. Its realization will inject billions of dollars into the national economy and create thousands of jobs in several provinces.

One of four large jack-up marine drilling units constructed in 1982 at Davie Shipbuilding Limited, a wholly owned Dome subsidiary near Quebec City, nears completion. In late 1983 the shipyard will commence construction of a $122 million icebreaking passenger car ferry.

OTHER INTERESTS

Dome Canada is a vital partner in the ongoing exploration of Dome's extensive landholdings.

Dome Canada

Dome Canada Limited, 48 per cent owned by Dome, was formed to explore for oil and gas in Canada while realizing the maximum benefit from the exploration and development incentives offered by the National Energy Program to Canadian owned companies.

On October 27, 1982 Dome Canada completed the first determination of its Canadian Ownership Rating ("COR") in accordance with the provisions of the Canadian Ownership and Control Determination Act. Its COR was determined to be 78 per cent, confirming its qualification for the maximum level of payments under the petroleum incentives program.

During 1982, Dome Canada earned varying interests in Canadian exploratory lands by farming in on Dome's exploration drilling program. It also participated in a number of Dome's development and semi-development type plays not covered under the terms of the exploratory agreement with Dome.

In March, 1982 Dome Canada purchased an effective 12.5 per cent interest in the Canadian oil and gas properties of HBOG.

For the period subsequent to the purchase of HBOG assets, Dome Canada's average daily production in 1982 amounted to 8,068 barrels of crude oil and natural gas liquids, and 43 million cubic feet of natural gas.

Dome Canada's total 1982 exploration and development expenditures amounted to $188.6 million, net of federal PIP grants. Forty per cent of these expenditures were made in Western Canada and 60 per cent in frontier regions. Dome Canada participated in the entire 1982 Dome Beaufort Sea drilling program.

At year-end, Dome Canada's established reserves amounted to 46.2 million barrels of crude oil and natural gas liquids and 544 billion cubic feet of natural gas.

Dome Canada's cash flow for the year was $82.6 million, equal to $0.93 per share, versus $82.8 million or $0.94 per share in 1981. Net income was $40.2 million, or $0.45 cents per share, versus $57.3 million or $0.65 per share in 1981. Revenues totalled $116 million compared to $77.2 million in 1981.

Subsequent to year-end, Dome Canada sold five million of the 10.3 million shares of TransCanada PipeLines held by it at year-end, for net proceeds of $122.4 million.

Dome Mines

Dome Mines Limited and its subsidiaries, Campbell Red Lake Mines Limited (57 per cent owned by Dome Mines) and Sigma Mines (Quebec) Limited (66 per cent owned by Dome Mines) are collectively the largest gold producer in North America.

At year-end, Dome Petroleum owned about 40.1 per cent of the common shares of Dome Mines, making it Dome Mines' largest shareholder. Dome Mines directly owned 24.6 per cent of the shares of Dome Petroleum and is its largest shareholder. Campbell Red Lake and Sigma together owned an additional 1.3 per cent of Dome Petroleum.

DOME MINES GROUP: MINE LOCATIONS INCLUDING NEW DETOUR LAKE MINE

Dome Mines owns and operates a gold mine in the Porcupine district of northern Ontario, and owns substantial oil and gas producing and exploratory rights in Western Canada operated by Dome Petroleum.

Gold prices increased in the latter part of 1982 from lows reached earlier in the year, but bullion revenue for the year declined to $171.2 million from $180.5 million in 1981. Before deducting its equity interests in the losses of certain associated companies, principally Dome Petroleum, Dome Mines' consolidated income for 1982 was $37.5 million. The equity losses reduced this income to a net loss of $74.6 million.

In January, 1983, Dome Mines announced that Campbell Red Lake had purchased its 25 per cent share of the Detour Lake mine, increasing Campbell's interest in the project to 50 per cent.

TransCanada PipeLines

At year-end Dome Petroleum and Dome Canada together owned approximately 46 per cent of the outstanding common shares of TransCanada PipeLines Limited.

TCPL operates the principal natural gas transmission system in Canada, transporting Western Canadian natural gas to markets in Eastern Canada and the United States.

In 1982, consolidated operating revenues totalled $3.5 billion, and net income applicable to common shares was $161 million. Capital expenditures were $833 million.

In March, 1982 TCPL acquired a 12.5 per cent undivided interest in essentially all of the properties of HBOG. This more than doubled its

Photo at left is view of the Dome Mine headframe in South Porcupine, Ontario. Dome Petroleum owns about 40 per cent of the outstanding shares of Dome Mines Limited which, with its subsidiaries, is the largest gold producer in North America.

TRANSCANADA PIPELINES AND CONNECTING SYSTEMS

- TransCanada PipeLine System
- Trans Quebec Maritime PipeLine System (Proposed Extension - 50% Interest)
- Northern Border - PipeLine System (Under Construction - 30% Interest)
- Great Lakes Transmission System (50% Interest)
- Foothills Saskatchewan PipeLine System (44% Interest)
- Foothills Alberta PipeLine System
- Union Gas

oil and gas landholdings, most of which are operated by Dome.

TCPL owns 50 per cent of Trans Quebec & Maritimes Pipeline Inc., which in 1982 constructed a pipeline from a point on the TCPL system near Montreal to Trois Rivieres, Quebec. TCPL owns 30 per cent of the Northern Border Pipe Line, which commenced deliveries of natural gas from Alberta to the midwestern United States in October. TCPL is also a partner in the Alaska portion of the proposed Alaska Natural Gas Transportation System, construction of which has been delayed.

Subsequent to year-end, on March 16, 1983, Dome Petroleum and Dome Canada sold six million shares and five million shares respectively of their holdings in TCPL to the public, reducing their aggregate holdings to 21.4 per cent.

Sovereign Oil & Gas

Sovereign Oil & Gas PLC., 22.9 per cent owned by Dome, is an independent British company engaged in oil and gas exploration and development, primarily in the North Sea.

Sovereign holds a four per cent carried interest in the South Brae Field, operated by Marathon Oil Company, which contains an estimated 267 million barrels of recoverable oil reserves and 33 million barrels of natural gas liquids. Production from this field is scheduled to start in July 1983, and is expected to build up to a peak rate of 112,000 barrels per day. An application is expected to be made in 1983 for approval to develop the nearby North Brae Field in which Sovereign also has a four per cent carried interest.

During 1982 an encouraging oil discovery was tested at 4,700 barrels per day on the Sovereign-operated block 3/11b. This well confirmed the extension of the field established on the adjacent blocks 2/15 and 2/10, in which Sovereign has a significant interest.

A new deep water semi-submersible drilling rig, expected to be delivered in September 1983, has been contracted to Sovereign for a minimum three year period for use in the North Sea.

Self-propelled semi-submersible drilling rig under construction at Birkenhead in the United Kingdom is one of the most advanced of its kind in the world. Built for Dome and a partner, it will be able to drill to 25,000 feet deep in 2,000 feet of water. Dome's Canmar subsidiary will provide crew and logistical support for the vessel, which will drill for Sovereign Oil & Gas and other North Sea operators.

In the badlands of North Dakota, construction proceeds on the Northern Border Pipeline, which commenced delivery of Alberta natural gas to the U.S. Midwest in October, 1982. Northern Border is 30 per cent owned by TransCanada PipeLines Limited ("TCPL"). Dome and Dome Canada together own 21.4 per cent of the shares of TCPL.

FINANCIAL REVIEW

Management Discussion and Analysis of the Company's Results of Operations and Financial Condition

Summary Financial Data (1)

	Three Months Ended, December 31,		Years Ended December 31		
	1982	1981	**1982**	1981	1980
	(Millions of Canadian Dollars)				
Revenue	**$ 808.3**	$ 722.4	**$2,999.7**	$2,204.2	$1,143.6
Funds generated from operations (after preferred share dividends)	**87.6**	86.1	**211.9**	369.7	430.7
Results excluding write-down of U.S. oil and gas properties and loss on disposal of assets:					
Operating income (2)	**287.2**	212.8	**976.8**	779.1	490.4
Income (loss)	**37.6**	48.9	**(55.3)**	199.1	287.2
Results after write-down of U.S. oil and gas properties and loss on disposal of assets:					
Operating income (loss) (2)	**(70.3)**	212.8	**608.6**	779.1	490.4
Net income (loss)	**(268.3)**	48.9	**(369.3)**	199.1	287.2
Working capital (deficiency) (3)	**(2,524.3)**	(5.6)	**(2,524.3)**	(5.6)	158.6
Long term debt (3)	**6,521.1**	6,394.5	**6,521.1**	6,394.5	2,705.4
Less: portion due within one year	**2,228.5**	150.7	**2,228.5**	150.7	59.2
	4,292.6	6,243.8	**4,292.6**	6,243.8	2,646.2

(1) The financial statements of the Company are stated in Canadian dollars and have been prepared in accordance with accounting principles generally accepted in Canada which, in the case of the Company, conform in all material respects with those in the United States except as described in Note 22 to the consolidated financial statements.

(2) Operating income is after depletion, depreciation and amortization but before corporate expense (see Note 19 to the consolidated financial statements).

(3) At end of periods indicated.

Results of Operations

The financial results for 1982 include the consolidation of HBOG, less minority interest of 47.1% with respect to net income for the two months ended February 28, and the consolidation of 100% of HBOG for the remainder of the year, after reflecting the effective disposition of approximately a 34.1% interest in HBOG on March 10, 1982. The results for 1981 include the consolidation of HBOG, less minority interest of 47.1% with respect to net income, subsequent to July 1, and the consolidation of Davie effective January 1. The results for 1980 relate solely to the operations of the Company prior to the acquisition of HBOG and Davie. Although the financial results for the three years ended December 31, 1982 are not directly comparable, the following is a discussion of the major components of revenue and expense which affected the operations of the Company during this period.

Three Months Ended December 31, 1982 and 1981

Funds generated from operations for the fourth quarter of 1982, after deduction of preferred share dividends, were $87.6 million or $0.39 per common share, compared with $86.1 million or $0.39 per common share in the corresponding quarter of 1981. This amount is after deduction of a provision for current income taxes of $122.2 million in respect of a newly acquired subsidiary company, and after a $5.6 million unrealized foreign exchange gain. The Company may be able to recover some or all of these taxes through the loss carryback provisions of the Canadian Income Tax Act resulting from a proposed reorganization of subsidiaries, but no assurance can be given that such recoveries will be achieved.

The Company's income, excluding the write-down of the United States oil and gas properties and a loss on disposal of assets ("write-down and disposal losses"), for the fourth quarter of 1982 amounted to $37.6 million or $0.15 per common share compared with $48.9 million or $0.20 per common share for the corresponding quarter of 1981. The effects of a

reduction in interest on long term debt and a $74.4 million increase in operating income in the fourth quarter of 1982 were more than offset by increases in preferred share dividends of subsidiaries and income taxes.

The funds generated from operations and income, excluding write-down and disposal losses, for the fourth quarter of 1982 represent a significant improvement over the results for each of the first three quarters of 1982. The main components of this improvement were the impact of declining interest rates during the latter part of the year, operating and overhead cost efficiencies and higher Canadian prices for crude oil, natural gas and NGL.

Write-down and disposal losses recorded during the fourth quarter of 1982 amounted to $305.9 million, net of related deferred income taxes of $51.5 million. These items contributed to the loss of $268.3 million for the quarter but had no impact on funds generated from operations.

The Company has determined that, primarily due to the adverse effect of the world economic recession on oil and gas prices and property values, a write-down of $213.6 million in the carrying value of its United States oil and gas properties was required at December 31, 1982. This write-down has been calculated in accordance with the accounting regulations of the SEC. The Company has determined that no write-down in the value of its Canadian oil and gas properties was required.

As part of the Company's plan to reduce debt by disposing of assets that are not an integral part of its primary business, the Company disposed of certain assets, including the majority of its exploration and production interests outside North America, but excluding its interest in Sovereign in the United Kingdom. As a result of depressed world markets for oil and gas, the Company incurred a loss of $92.3 million, net of related deferred income taxes of $51.5 million, on disposal of these assets.

Three Years Ended December 31, 1982

Funds generated from operations for the year ended December 31, 1982, after deduction of preferred share dividends, amounted to $211.9 million or $0.95 per common share, a decrease of $157.8 million from 1981. The main components of this decrease were higher interest expenses and increases in preferred share dividends of subsidiaries and current income taxes, partially offset by increased operating income.

The Company's loss for 1982, excluding write-down and disposal losses, was $55.3 million or $0.31 per common share which represents a reduction of $254.4 million from net income of $199.1 million or $0.80 per common share for 1981. This reduction is mainly due to the same factors which caused the above noted decrease of $157.8 million in funds generated from operations. The remaining decrease of $96.6 million resulted primarily from an increase of $149.6 million in depletion, depreciation and amortization, partially offset by a gain of $70.0 million on the cancellation of Dome Resources Limited Class A Preferred Shares and a reduction in certain other non-cash items. The impact of write-down and disposal losses of $314.0 million, net of related deferred income taxes, most of which occurred in the fourth quarter as described in the previous section, increased the net loss for 1982 to $369.3 million.

Funds generated from operations during 1981, after deduction of preferred share dividends, decreased by $61.0 million from the 1980 level of $430.7 million. The main factor contributing to this decline was a substantial increase in interest expense, including interest on debt connected with the acquisition of HBOG, which was only partially offset by increased operating income. Net income declined by $88.1 million from $287.2 million in 1980, mainly as a result of the reduction in funds generated from operations.

A discussion of major changes in consolidated revenue and expense for the three years ended December 31, 1982 is set out below:

Revenue

Revenue for 1982 was $2,999.7 million, an increase of $795.5 million from the 1981 level. This increase can be identified by business segment as follows: crude oil and natural gas revenues increased by $325.0 million, due to higher prices and increased sales volumes combined with additional revenue of $187.1 million arising from the inclusion of HBOG's operations for a full year; NGL revenues increased by $171.4 million, due to higher prices and increased sales volumes; and marine operations and shipbuilding revenue increased by $194.3 million, principally as a result of expanded marine drilling operations in the Beaufort Sea. Other income items not attributable to any specific business segment increased by $104.8 million in 1982, which amount included a $70.0 million gain arising on the cancellation of Dome Resources Class A Preferred Shares during the second and third quarters of 1982.

Revenue for 1981 was $2,204.2 million, an increase of $1,060.6 million from the 1980 level. This increase can be identified by business segment as follows: crude oil and natural gas revenues increased by $306.4 million, principally as a result of the inclusion of HBOG's oil and gas revenues; NGL revenue increased by $217.5 million, due to an improvement in prices and sales volumes; and marine operations and shipbuilding revenue increased by $464.3 million, mainly as a result of the Company's expanding marine operations and the inclusion of Davie's shipbuilding operations. Other income

increased by $72.4 million in 1981 from the 1980 level, primarily due to the inclusion of HBOG's minerals operations.

Operating Income Excluding Write-Down and Disposal Losses

Operating income, excluding write-down and disposal losses, amounted to $976.8 million in 1982, an increase of $197.7 million from 1981, and amounted to $779.1 million in 1981, an increase of $288.7 million from 1980. Higher revenues in both years were partially offset by increases in cost of product, operating expenses and depletion, depreciation and amortization.

Cost of product was $730.5 million in 1982, an increase of $148.9 million or 25.6 per cent over 1981, resulting from higher product and processing costs and increased purchases of NGL volumes. Cost of product was $581.6 million in 1981, up $163.1 million or 39 per cent from 1980, primarily due to the cost of increased NGL volumes purchased.

Marine operations and shipbuilding costs for the year ended December 31, 1982 were $546.7 million, an increase of $176.1 million or 47.5 per cent over the $370.6 million recorded in 1981, reflecting a higher level of shipbuilding and drilling activity. Marine operations and shipbuilding costs in 1981 of $370.6 million were $329.7 million higher than the previous year, reflecting the inclusion of Davie's operations in 1981 and expanded marine drilling operations.

Operating expenses were $340.3 million in 1982, an increase of $73.8 million from the corresponding period in 1981. This increase was attributable primarily to the inclusion of HBOG's operating expenses. Operating expenses amounted to $266.5 million in 1981, an increase of $155.6 million from the 1980 level. Of this amount, $116.3 million resulted from the inclusion of HBOG.

Minerals production costs of $92.4 million in 1982 related to HBOG's minerals operations. This amount was partially offset by minerals revenues of $59.6 million. HBOG's mining operations at Faro, Yukon have been suspended since June, 1982. Minerals production costs in 1981 amounted to $43 million and were offset by minerals revenues of $44.9 million.

Depletion, depreciation and amortization amounted to $313 million in 1982, an increase of $149.6 million from 1981. The inclusion of HBOG's operations accounted for $66.4 million of the increase. The remaining increase reflects the full year effect of capital expenditures made during 1981. Depletion, depreciation and amortization of $163.4 million in 1981 represented an increase of $80.5 million from 1980. The inclusion of HBOG accounted for $51.8 million of this increase.

Other Expenses

Other expenses, excluding write-down and disposal losses, increased by $376.6 million to $946.6 million in 1982, and by $380 million to $570 million in 1981. The main factors contributing to these increases were interest and financing charges related to the HBOG acquisition together with the impact of high interest rates on the Company's other outstanding debt.

Interest on long term debt increased by $121.4 million to $788.3 million in 1982 and by $382.6 million to $666.9 million in 1981. Interest attributable to the HBOG acquisition increased by $78.2 million to $229.9 million in 1982. In 1981, approximately $151.7 million in intersst charges was due to the HBOG acquisition and an additional $39.7 million was interest incurred by HBOG.

Interest capitalized in 1982 amounted to $212.9 million, virtually unchanged from the $215.1 million in 1981. Capitalized interest increased in 1981 by $72.7 million to $215.1 million as a result of higher interest rates and interest capitalized on certain properties acquired as a result of the purchase of HBOG.

General and administrative expenses in 1982, net of recoveries, amounted to $98.7 million compared with $46.1 million in 1981. The majority of this increase reflects the inclusion of HBOG for a full year in 1982 and the inclusion in 1982 of certain of HBOG's general and administrative expenses which were previously charged to operating expense. Administrative expenses in 1981 of $46.1 million were $24.4 million higher than the 1980 level resulting from the growth of the Company.

Preferred share dividends of a subsidiary increased by $139.5 million, in 1982 to $163.5 million reflecting the dividends on the Dome Resources Class A Preferred Shares, which were issued in 1982 upon the acquisition of HBOG.

Income Taxes

Income taxes, net of the $54.2 million recovery related to write-down and disposal losses, increased by $15.7 million to $93.9 million in 1982. Although the Company incurred a loss of $338 million before income taxes, equity earnings and minority interest in 1982, a provision for income taxes was required. This resulted mainly from the non-deductibility for income tax purposes of certain items such as the write-down of United States oil and gas properties, preferred share dividends of subsidiaries, and petroleum and gas revenue tax (see Note 7 to the consolidated financial statements). Current income taxes of $127 million in 1982 primarily relate to the operations of HBOG.

Impact of Inflation

The Canadian Institute of Chartered Accountants issued an Accounting Recommendation in December, 1982, effective for years commencing on or after January 1, 1983 entitled "Reporting the Effects of Changing Prices", which proposed that certain supplementary information about the effects of changing prices be presented with the annual financial statements. The Company is currently reviewing these requirements for adoption in 1983 but for the purpose of aiding the understanding of the 1982 financial statements the following is a general discussion of the impact of inflation on the Company.

The Company's revenue is indirectly affected by inflation. Approximately 35 per cent of 1982 revenue is from production of oil and gas, the selling price being subject to government policy which is influenced by the international price of oil. Approximately 34 per cent of total revenue is from NGL, prices of which fluctuate in a free market system and are influenced by the price of and demand for alternative fuels and feedstock. The remaining revenues are primarily from marine operations and shipbuilding where the level of business activity is the prime factor affecting revenue.

Although operating and general expense is affected by inflation, most of the annual increases are related to the Company's expanding operations. A large portion of the Company's long term debt is tied to the Canadian prime bank rate and the London Interbank Offered Rate. Government monetary policy directly affects these rates and, to the extent they vary, the Company's interest expense is affected.

Current cost and constant dollar methods of analysis used to restate the financial results of integrated companies in the oil and gas industry have generally indicated lower earnings and a lower return on a company's asset base than conventional accounting methods. The differences arise from inflation adjustments where inventories are a significant component of total assets and where depreciation and depletion are calculated on property, plant and equipment acquired in past years at significantly lower costs than today's market values and are recorded at historic cost. In the Company's case, these inflation adjustments would not cause a significant decrease in income or return on assets employed, since inventories are only 3.8 per cent of the total assets and over 70 per cent of property, plant and equipment has been acquired in the past three years.

Financial Condition

Liquidity

During 1982 the liquidity of the Company was seriously affected, principally by the following factors:

1) Bank loans totalling $1,128.4 million as at December 31, 1982 became due during the second half of 1982, and are being extended on a short term basis (see "Repayment of Long Term Debt"). The Company's working capital deficiency of $2,524.3 million at year-end is largely a result of $2,228.5 million of long term debt due within one year.

2) High interest costs due to the combination of high interest rates and the Company's large debt.

3) Lower than anticipated revenue from oil and gas operations due to the effects of energy conservation and the economic recession in North America, and due to reduced Canadian oil production as a result of the impact of federal subsidies making it more attractive for refiners to purchase offshore crude.

Essentially all assets of the Company that generate revenue and a significant proportion of other assets are either pledged as security for existing indebtedness or are the subject of covenants in financial instruments whereby the Company's ability to give security on such assets is restricted. In addition, the Company has agreed not to grant additional security pending completion of negotiations regarding the Agreement in Principle (see page 29).

As a result of the current financial situation of the Company, access to the capital markets for funds to finance corporate obligations has been almost entirely curtailed. Funds available for the Company's operations are currently limited to those provided from operating revenues, the unused portion of existing lines of credit which at December 31, 1982 amounted to $145.8 million, and to a limited extent, proceeds from the sale of assets after any associated indebtedness has been retired.

Repayment of Long Term Debt

As at December 31, 1982, the schedule of repayments of the $2,228.5 million current portion of the Company's long term debt was as follows (in millions):

For the three months ended:

March 31, 1983	$1,859.9
June 30, 1983	$ 67.4
September 30, 1983	$ 87.3
December 31, 1983	$ 213.9

The Company has determined that it is not reasonable to expect that such obligations can be repaid as presently scheduled. Through the cooperation of certain of the Company's lenders, certain of the Company's bank loans and other obligations are currently being extended on a short term basis pending the outcome of negotiations regarding the Agreement in Principle. Repayment of bank loans originally due on September 30, 1982 was extended to December 31, 1982. Repayment of these loans, which totalled $1,365.3 million before deduc-

tion of associated funds on deposit of $236.9 million, as at December 31, 1982, and other debts which fell due in the intervening periods was subsequently extended to February 28, 1983 and currently has been extended to March 31, 1983 and, in the case of the Company's Canadian bankers, until April 4, 1983. The Company believes that additional extensions will be necessary before negotiations are concluded. Implementation of the proposal currently being considered by the Company's lenders would result in scheduled debt repayments totalling up to $2,153.1 million that would otherwise have been due in 1983 being rescheduled over a period of at least 10 years.

The Company has sold certain assets for proceeds totalling $413.9 million during 1982, the majority of which was used to reduce debt (see Note 14 to the consolidated financial statements). Additional asset sales have been completed (see Note 24 to the consolidated financial statements) and are expected to continue in 1983. As part of its financial plan the Company has been considering the possibility of the disposition of a substantial portion of its holdings in Dome Mines.

Substantially all of the debt instruments of the Company contain cross-default provisions which permit acceleration of such debt if a default occurs permitting the acceleration of any other debt of the Company.

Outlook

During 1982, the liquidity of the Company was seriously affected by lower than anticipated revenue, high rates of interest, and long term debt due within one year totalling $2,228.5 million as at December 31, 1982. A severe cash flow shortfall caused the Company to approach the Canadian government and the Company's principal Canadian bankers for assistance. As a result, on September 29, 1982, an Agreement in Principle for restructuring and increasing the Company's capitalization was reached with the Government of Canada and the Canadian Imperial Bank of Commerce, the Bank of Montreal, The Toronto-Dominion Bank and The Royal Bank of Canada (the "Four Canadian Banks"), the Company's principal Canadian bankers (see "Agreement in Principle").

The Company's ability to meet its capital expenditures and operating commitments is dependent on the continuing deferral of repayment of the Company's long term debt as described above. However, the Company's funds generated from operations improved during the second half of 1982, mainly as a result of the following factors:

1) a sharp decline in interest rates in recent months;
2) a firming of NGL prices resulting in increased margins in the Company's NGL marketing operations;
3) a decrease in oil production cutbacks within Western Canada; and
4) a decrease in operating, general and administrative expenses.

The Company believes that operating and capital requirements and interest and preferred share dividend payments can be met during 1983 without the need for additional funds, other than those provided by normal use of its existing lines of credit, subject to the continued deferral of certain principal repayments (see "Repayment of Long Term Debt", page 28) and provided certain contractual obligations can be deferred or resolved (see Notes 10, 18 and 21 (i) to the consolidated financial statements regarding Series D Cumulative Preferred Shares, Dome Canada and Maligne respectively).

The Company's 1983 capital requirements for exploration and development of its land holdings have been reduced significantly as a result of its policy of farming out to Dome Canada and other companies. The 1983 capital expenditure program involves no material multiple year commitments.

On September 1, 1982, the Company implemented a 10% reduction in salaries and an elimination of several employee benefits. This is in addition to a reduction of head office staff of approximately 22% during the year and the implementation of stringent operating cost control measures.

The Company's existence as a going concern is primarily dependent upon a successful restructuring of substantially all of its debt repayments to more nearly match projected cash flows than is the case at present and thereby contribute to restoring liquidity. The debt restructuring must be accompanied by an injection of funds through an issue of new equity capital and a disposition of certain assets. However, the successful consummation of a financial restructuring plan is not assured.

Agreement in Principle

On September 29, 1982, an Agreement in Principle ("AIP") was concluded with the Government of Canada and the Company's four principal Canadian bankers (the "Four Canadian Banks"), which forms an integral part of the Company's financial plan for restructuring its debt and provides for sources of additional capital.

The proposal, which has three principal elements, provides for:

1) rescheduling repayments for a substantial portion of Dome's existing debt over a period of at least 10 years;
2) up to $1 billion of new capital, with one half of any portion of such funds to be provided by the Four Canadian Banks and one

half by the government, through the purchase of debentures convertible into common shares;

3) the opportunity for existing shareholders to participate in the refinancing through the right to subscribe for an additional $500 million of similar convertible debentures.

The following is a summary of some of the main provisions of the AIP, concluded in September. Some provisions may be subject to modification before final agreements with the government and the Company's lenders regarding rescheduling debt repayments are concluded.

The debentures would be convertible for the first 1½ years at a rate of $2.50 per share, increasing in stages to a rate of $5.00 per share after 5½ years. The conversion privilege would expire after seven years.

The debentures would bear interest at a rate related to the Four Canadian Banks' prime lending rate and would be paid in shares at the debenture conversion rate for the first two years, after which interest may be paid in cash.

Purchasers of each $1,000 of debentures would receive 33⅓ detachable warrants, 10 per cent of which would become exercisable each year at $2.50 per share.

Shares issued under the debentures subscribed for by Canadians would be constrained to holders having a Canadian ownership rate of at least 50 per cent, while all other shares issued would be unconstrained.

The AIP provided that any required amounts of these 10 year convertible debentures would be determined by the end of a period of approximately 1½ years from the anticipated closing date of the AIP.

Covenants attaching to the debentures purchased by the Four Canadian Banks and the government would require their approval for annual operating budgets, principal financial transactions, the composition of the board of directors, senior management appointments and other material matters.

The debt restructuring plan contemplates that interest on Dome's outstanding debt would continue to be paid currently, and obligations to pay both the interest and principal on publicly traded debt securities would continue to be met. The balance of Dome's existing indebtedness would be rescheduled over at least 10 years and repaid out of a share of available cash flow after necessary capital expenditures.

Several conditions must be satisfied before the AIP can be implemented, including the settlement of formal agreements, with the concurrence of other lenders to Dome, and the approval of the shareholders of Dome.

The Four Canadian Banks have agreed in principle to extend debt repayment over a 10-year period. Discussions with the Company's other lenders are in progress concerning a rescheduling of their loans and related matters. Final agreement with all parties may require several months to complete, and is not expected to be presented for approval of shareholders until the second half of 1983.

The effects of the financial restructuring on shareholders' investment will depend on several factors, including the willingness of lenders to reschedule an orderly retirement of the Company's debts. In addition, both industry and general economic conditions will influence the Company's cash flow from operations as a source of funds. Shareholders' investment will also be affected by the availability to the Company of additional equity from capital markets.

Consolidated Statement of Income

Three Years Ended December 31, 1982

(Millions of Canadian Dollars, Except Per Share Amounts)

	1982	1981	1980
Revenue (Note 19)			
Operating and other	**$2,929.7**	$2,204.2	$1,143.6
Gain on cancellation of preferred shares (Note 9)	**70.0**	—	—
	2,999.7	2,204.2	1,143.6
Expense			
Cost of product	**730.5**	581.6	418.5
Marine operations and shipbuilding	**546.7**	370.6	40.9
Operating and general	**439.0**	312.6	132.6
Minerals production	**92.4**	43.0	—
Interest on long term debt	**788.3**	666.9	284.3
Less interest capitalized (Note 1)	**(212.9)**	(215.1)	(142.4)
Other interest and financing charges	**73.6**	48.1	8.2
Depletion	**194.4**	99.7	53.6
Depreciation and amortization	**118.6**	63.7	29.3
Unrealized foreign exchange loss on long term debt due within one year	**35.4**	—	—
Preferred share dividends of subsidiaries	**163.5**	24.0	18.2
Write-down of United States oil and gas properties (Note 13)	**213.6**	—	—
Loss on disposal of assets (Note 14)	**154.6**	—	—
	3,337.7	1,995.1	843.2
	(338.0)	209.1	300.4
Income Taxes (Note 7)			
Current	**127.0**	24.6	(33.0)
Deferred	**(33.1)**	53.6	117.3
	93.9	78.2	84.3
	(431.9)	130.9	216.1
Equity In Earnings of Associated Companies	**57.1**	78.0	71.1
Income (Loss) Before Minority Interest	**(374.8)**	208.9	287.2
Minority interest	**(5.5)**	9.8	—
Net Income (Loss)	**$ (369.3)**	$ 199.1	$ 287.2
Net Income (Loss) Per Common Share (Note 15)	**$ (1.71)**	$ 0.80	$ 1.20
Average Number of Common Shares Outstanding (in millions) (Notes 11 and 15)	**223.8**	223.4	221.5

See accompanying notes.

Consolidated Balance Sheets

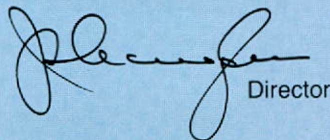
December 31, 1982 and 1981
(Millions of Canadian Dollars)

	1982	1981
Assets		
Current		
Cash and short term deposits	$ 2.4	$ 33.3
Accounts receivable (Notes 6 and 18)		
Dome Canada Limited	141.3	75.6
Other	689.7	712.3
Inventories (Note 6)		
Product	182.9	178.8
Materials and supplies	193.4	223.1
	1,209.7	1,223.1
Investments (Note 8)		
Dome Mines Limited (Market value December 31, 1982 — $598.2; 1981 — $556.9) (Note 2)	210.3	195.4
Less Dome Petroleum's pro rata interest in its shares held by Dome Mines Limited	(112.0)	(108.5)
	98.3	86.9
Dome Canada Limited (Market value December 31, 1982 — $176.2; 1981 — $259.9) (Note 3)	417.5	417.7
TransCanada PipeLines Limited (Market value December 31, 1982 — $280.9; 1981 — $249.9) (Note 4)	257.0	246.8
Sovereign Oil & Gas PLC (Market value December 31, 1982 — $23.7; 1981 — $67.5)	11.8	11.7
Panarctic Oils Ltd. (No quoted market value)	35.6	33.0
Other	9.7	11.4
	829.9	807.5
Property, Plant and Equipment (Notes 5 and 8)	7,753.2	8,048.6
Other Assets	123.8	129.5
	$9,916.6	$10,208.7

See accompanying notes.

	1982	1981
Liabilities and Shareholders' Equity		
Current		
Bank loans (Note 6)	**$ 224.5**	$ 231.1
Accounts payable and accrued liabilities		
Dome Canada Limited (Note 18)	**186.0**	48.7
Other	**826.2**	772.2
Income and other taxes payable (Note 7)	**268.8**	26.0
Long term debt due within one year	**2,228.5**	150.7
	3,734.0	1,228.7
Long Term Debt (Note 8)	**4,292.6**	6,243.8
Deferred Revenue	**177.1**	112.4
Deferred Income Taxes (Note 7)	**500.2**	554.3
Minority Interest	**48.6**	494.9
Redeemable Preferred Shares		
Issued by subsidiaries (Note 9)	**225.0**	225.0
Issued by the Company (Notes 10 and 22)	**97.9**	159.6
Contingent Liabilities and Commitments (Notes 21, 23 and 25)		
Shareholders' Equity		
Preferred shares (Notes 10 and 22)	**117.2**	119.9
Common shares (issued and outstanding at December 31, 1982 — 257,397,146; 1981 — 250,062,776) (Note 11)	**162.3**	136.2
Common share warrants (Note 12)	**47.2**	—
Contributed surplus	**5.2**	2.8
Retained earnings	**621.3**	1,039.6
Dome Petroleum's pro rata Interest in its shares held by Dome Mines Limited (Note 2)	**(112.0)**	(108.5)
	841.2	1,190.0
	$9,916.6	$10,208.7

On behalf of the Board:


Director

Director

Consolidated Statement of Retained Earnings

Three Years Ended December 31, 1982
(Millions of Canadian Dollars)

	1982	1981	1980
Retained Earnings, Beginning of Year	**$1,039.6**	$ 861.3	$595.1
Net income (loss) for the year	**(369.3)**	199.1	287.2
	670.3	1,060.4	882.3
Preferred share dividends — stock	**(1.7)**	(2.0)	(2.1)
— cash	**(12.1)**	(18.8)	(18.9)
Termination of stock purchase plans and disposition of common shares held by an acquired company (net of deferred income taxes of $10.9 million) (Note 11)	**(35.2)**	—	—
Retained Earnings, End of Year	**$ 621.3**	$1,039.6	$861.3

See accompanying notes.

Auditors' Report

To the Shareholders of Dome Petroleum Limited

We have examined the consolidated balance sheets of Dome Petroleum Limited as at December 31, 1982 and 1981 and the consolidated statements of income, retained earnings and changes in financial position for the three years ended December 31, 1982. 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, 1982 and 1981, the results of its operations and the changes in its financial position for the three years ended December 31, 1982 in accordance with generally accepted accounting principles consistently applied.

Calgary, Canada
March 7, 1983

Clarkson Gordon
Chartered Accountants

Comment on difference in Canada-United States reporting standards for auditors.

The above opinion is expressed in accordance with standards of reporting generally accepted in Canada. Had the report been prepared in accordance with United States reporting standards, our opinion on the 1982 financial statements would have been qualified as being subject to the outcome of the uncertainties described in Notes 23 and 25 to the consolidated financial statements.

Calgary, Canada
March 7, 1983

Clarkson Gordon
Chartered Accountants

Consolidated Statement of Changes in Financial Position

Three Years Ended December 31, 1982
(Millions of Canadian Dollars)

	1982	1981	1980
Funds Were Provided From:			
Funds generated from operations (Note 16)	**$ 224.0**	$ 388.5	$ 449.6
Less preferred share dividends	**(12.1)**	(18.8)	(18.9)
	211.9	369.7	430.7
Issue of long term debt	**1,998.5**	3,743.6	1,756.8
Issue of common shares	**26.1**	32.2	19.9
Issue of common share warrants (Note 17)	**47.2**	—	—
Issue of preferred shares of a subsidiary net of cost of shares cancelled in the amount of $1,238.0 million (Note 17)	**780.2**	—	—
Less funds on deposit with a trustee net of $1,367.4 million used for cancellation	**(728.6)**	—	—
Deferred natural gas revenue	**103.8**	26.5	—
Proceeds on disposal of assets	**413.9**	—	—
Other	**8.6**	(2.4)	—
Decrease in working capital	**2,518.7**	164.2	—
	$5,380.3	$4,333.8	$2,207.4
Funds Were Used For:			
Expenditures for property, plant and equipment	**$ 638.1**	$1,463.3	$1,043.0
Acquisitions (Note 17)	**221.9**	2,284.6	604.7
Less amounts contributed through participation agreements	**—**	—	(12.6)
	860.0	3,747.9	1,635.1
Reduction in long term debt	**3,949.7**	387.2	442.8
Minority interest acquired in Hudson's Bay Oil and Gas Company Limited (Note 17)	**450.4**	—	—
Investments in:			
Dome Canada Limited	**—**	400.7	—
Less related disposition of shares of TransCanada PipeLines Limited	**—**	(251.2)	—
TransCanada PipeLines Limited	**—**	—	19.8
Dome Mines Limited	**6.4**	—	—
Panarctic Oils Ltd.	**2.3**	6.7	16.4
Increase in other investments and other assets	**25.5**	39.2	43.6
Redemption of preferred shares	**63.8**	3.3	4.1
Disposition of common shares held by an acquired company	**22.2**	—	—
Increase in working capital	**—**	—	45.6
	$5,380.3	$4,333.8	$2,207.4

See accompanying notes.

Consolidated Components of Changes in Working Capital

Three Years Ended December 31, 1982
(Millions of Canadian Dollars)

	1982	1981	1980
Increase (Decrease) In Current Assets			
Cash and short term deposits	**$ (30.9)**	$ (17.2)	$ (4.5)
Accounts receivable:			
Dome Canada Limited	**65.7**	75.6	—
Other	**(22.6)**	300.7	95.9
Inventories	**(25.6)**	161.6	117.7
	(13.4)	520.7	209.1
Increase (Decrease) In Current Liabilities			
Bank loans	**(6.6)**	222.3	2.3
Accounts payable and accrued liabilities:			
Dome Canada Limited	**137.3**	48.7	—
Other	**54.0**	296.4	132.6
Income and other taxes payable	**242.8**	26.0	—
Long term debt due within one year	**2,077.8**	91.5	28.6
	2,505.3	684.9	163.5
Increase (Decrease) In Working Capital	**$(2,518.7)**	$(164.2)	$ 45.6

See accompanying notes.

Notes to Consolidated Financial Statements

(Millions of Canadian Dollars, Except Per Share Data and as Otherwise Noted)

1. Summary Of Significant Accounting Policies

The financial statements of the Company are stated in Canadian dollars and have been prepared on a going concern basis (see Note 25) in accordance with accounting principles generally accepted in Canada which, in the case of the Company, conform in all material respects with those in the United States except as described in Note 22. A summary of the Company's major accounting policies is presented below to assist in the review of the financial statements and other information contained in this report.

Principles of Consolidation

The consolidated financial statements include the accounts of Dome Petroleum Limited and its subsidiary companies. The excess of the consideration paid for the shares of subsidiaries over their net book values at dates of acquisition has been attributed to the related property, plant and equipment.

Foreign Currency Translation

The accounts of foreign operations are stated in Canadian dollars. Current assets and current liabilities are translated at the rates of exchange prevailing at the balance sheet dates. Long term assets and liabilities are translated at rates in effect at the dates the assets were acquired or obligations incurred. Revenue and expense items are translated at monthly average rates during the year with the exception of depletion, depreciation and amortization which are translated at the rates of exchange used for the related assets. The resulting gains and losses are included in income. At December 31, 1982 the noon rate payable in Canadian dollars, based upon a report by the Bank of Canada, was United States $0.8134 = Canadian $1.00.

Inventories of Product, Materials and Supplies

Inventories of product are valued at the lower of average cost and net realizable value. Materials and supplies are valued at average cost.

Investments

The Company's investments in Dome Mines Limited ("Dome Mines") (40.1%), Dome Canada Limited ("Dome Canada") (48.0%), Sovereign Oil & Gas PLC ("Sovereign") (22.9%) and TransCanada PipeLines Limited ("TransCanada")

(23.0%) (see Note 4) are accounted for by the equity method. Under this method, these investments are carried at cost plus the related equity in undistributed earnings less the amortization of the excess of the purchase price over the net book value at dates of acquisition. The Company's 8.0% interest in Panarctic Oils Ltd. is carried at cost.

Property, Plant and Equipment

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas and related reserves are capitalized. Such costs include land acquisition, geological and geophysical, interest (see "Capitalized Interest") and other carrying charges of non-producing property, costs of drilling both productive and non-productive wells and related overhead. The Company's share of costs incurred in drilling in the Beaufort Sea includes depreciation of drillships and related facilities, interest and operating costs.

The Company expenses all minerals exploration project costs outside defined areas of interest in the year in which they are incurred.

The Company defers mining exploration and development costs within defined areas of interest at such time as it is determined that there is a reasonable degree of certainty as to the existence of economically recoverable mineral reserves. Such costs will be amortized against future production from that area or written off if the property is abandoned.

Maintenance and repair costs are charged against income. Significant improvements are capitalized and replaced assets, if any, are retired from the accounts.

Gains or losses are not recognized upon disposition of oil and gas properties accounted for under the full cost method unless such a disposition would significantly alter the relationship between capitalized costs and proved reserves of oil and gas. Gains or losses are recognized upon disposition of other assets.

Depletion, Depreciation and Amortization

Effective January 1, 1981, provisions for depreciation of Canadian production facilities and depletion of Canadian oil and gas properties have been based on production revenues rather than on production quantities. Accordingly, the depreciation and depletion charges included in the 1981 and 1982 financial statements have been calculated as the proportion of net property and production facility costs that current production revenues are to current plus estimated future revenues from proved reserves as determined by Company engineers. These estimated future revenues are based on prices contained in the Energy Pricing and Taxation Agreements reached between the Federal Government and the producing provinces. As a result, the provision for depreciation and depletion for 1981 is $40.9 million less than it would have been had the calculation been based on reserve quantities. Prior to 1981 and for United States production facilities and oil and gas properties and other foreign properties, the provisions for depreciation and depletion are computed on the composite unit of production method based on proved reserves of oil and gas as determined by Company engineers. In the unit of production calculation, natural gas and natural gas liquids reserves and production are converted to equivalent barrels of crude oil based on the relative energy content of each product.

Costs incurred in Frontier areas, including the Beaufort Sea, Arctic Islands and East Coast, are excluded from the depletion calculation until the quantities of proved reserves can be ascertained through further exploration. In addition, certain significant acquisition costs of undeveloped properties are also excluded from the depletion calculation and are added to the depletion base as actual exploration activities are carried out, but in any event over a term not to exceed five years.

The natural gas liquids system, pipe lines, drillships and supply vessels, shipyard facilities and vessels and other assets are depreciated on the straight-line basis at rates designed to amortize the assets over their estimated useful lives.

Depreciation of metals, mines and related facilities is calculated on the basis of tonnes of ore milled in relation to total estimated mineable ore reserves not exceeding the useful life of the asset.

Developed oil sands rights and mining and related facilities are depreciated on the unit of production method. Undeveloped oil sands rights are amortized to income on the straight-line method.

Shipyard Operations

The Company reports revenue from contracts on the percentage of completion basis determined by the ratio of incurred costs to management's estimates of total anticipated costs. If a loss on a contract becomes apparent, the entire amount of the estimated loss is accrued.

Deferred Revenue

Payments received for undelivered gas are deferred and are recognized as revenue when deliveries are made or upon expiry of the period allowed for such deliveries.

Capitalized Interest

Interest is capitalized on all oil and gas properties undergoing exploration and development activities that are not subject to depletion and on costs incurred during the construction of major additions to property, plant and equipment. Once the exploration stage is complete, or the facility commences operations, subsequent interest costs are charged to income. This policy is in accordance with the provisions of the United States Financial Accounting Standards Board ("FASB") Statement Number 34.

Income Taxes

The Company follows the deferral method of tax allocation accounting under which the income tax provision is based on the income reported in the accounts. Under this method, the Company makes full provision for income taxes deferred principally as a result of claiming capital cost allowance and exploration and development costs in excess of depreciation and depletion provided in the accounts.

Comparative Figures

Certain comparative figures for the two years ended December 31, 1981 have been reclassified to conform to the current year's financial statement presentation.

2. Investment in Dome Mines Limited

At December 31, 1982 the Company owned 31,077,184 common shares of Dome Mines representing a 40.1% interest therein and Dome Mines owned 25.9% of the outstanding common shares of the Company resulting in the Company having a pro rata interest of 10.4% in its own shares. The investment in Dome Mines and shareholders' equity have therefore been reduced by the allocated portion of the cost of the investment in shares of Dome Mines related thereto. The excess of the purchase price over the net book value of Dome Mines at dates of acquisition, other than its holdings in the Company, amounts to $53.7 million and is attributable to the value of the mineral assets held by Dome Mines. This excess is being amortized over the expected life of these mineral assets.

Details of the Company's investment in Dome Mines for the three years ended December 31, 1982 are as follows:

Years Ended	Number of Shares Owned (1)	Shares Acquired Number	Shares Acquired Amount	Dividends Received	Interest in Dome Mines (1)	Dome Mines' Interest in the Company (1)	Pro Rata Interest (1)
1982	**31,077,184**	**561,400**	**$6.4**	**$3.5**	**40.1%**	**25.9%**	**10.4%**
1981	30,515,784	—	—	7.0	39.3	26.7	10.5
1980	30,515,784 (2)	—	—	5.1	39.3	25.7	10.1

(1) At end of years indicated
(2) Adjusted for 4:1 stock split in 1981

DOME MINES
Summarized Financial Information

Balance Sheets	December 31, 1982	1981
Current assets	**$105.7**	$ 66.2
Investments — Dome Petroleum Limited	**231.2**	344.5
— Other	**32.5**	70.1
Property, plant and equipment — net	**322.5**	237.8
	$691.9	$718.6
Current liabilities	**$ 85.9**	$ 45.6
Long term debt	**87.1**	94.3
Deferred income and mining taxes	**82.4**	66.3
Minority interest in subsidiary companies	**74.9**	65.6
Shareholders' equity	**361.6**	446.8
	$691.9	$718.6

Statement of Income

	Years Ended December 31,		
	1982	1981	1980
Revenue	**$182.6**	$188.4	$240.9
Income before taxes and other items	**$105.0**	$126.0	$195.0
Income, mining and other taxes	**(50.4)**	(60.6)	(106.2)
Income after taxes, before other items	**54.6**	65.4	88.8
Equity in income (loss) of affiliated companies:			
Dome Petroleum Limited	**(110.4)**	48.4	62.8
Canadian Tungsten Mining Corporation Limited	**(1.7)**	0.5	4.5
Minority interest in net income of subsidiary companies	**(17.1)**	(22.9)	(29.6)
Net income (loss)	**$ (74.6)**	$ 91.4	$126.5

3. Investment in Dome Canada Limited

At December 31, 1982 and 1981 the Company owned 42,461,538 common shares of Dome Canada representing a 48% interest therein. The Company acquired its investment in 1981 through the transfer to Dome Canada of 10,306,886 common shares of TransCanada valued at $251.2 million and cash in the amount of $149.5 million. At December 31, 1982 Dome Canada's interest in the common shares of TransCanada was 23.0% (see Note 24). The Company holds 8,492,307 common share warrants, entitling the Company to purchase one common share of Dome Canada for each common share warrant at a price of $12.50 per share on or before November 1, 1983.

DOME CANADA
Summarized Financial Information

Balance Sheets

	December 31,	
	1982	1981
Current assets:		
Due from Dome Petroleum Limited	**$ 186.0**	$ 48.7
Other	**198.6**	737.5
Investment in TransCanada	**266.0**	260.3
Property, plant and equipment — net	**755.6**	84.9
	$1,406.2	$1,131.4
Current liabilities:		
Due to Dome Petroleum Limited	**$ 141.3**	$ 75.6
Other	**14.9**	0.2
Deferred revenue	**22.4**	—
Long term debt	**229.0**	129.5
Deferred income taxes	**66.9**	34.6
Shareholders' equity	**931.7**	891.5
	$1,406.2	$1,131.4

Statement of Income

	Years Ended December 31,	
	1982	1981(1)
Revenue	**$116.0**	$ 77.2
Income before taxes and equity in earnings of TransCanada	**$ 60.5**	$ 70.9
Taxes	**(38.2)**	(34.6)
Equity in earnings of TransCanada	**17.9**	21.0
Net income	**$ 40.2**	$ 57.3

(1) Includes operations from March 19, 1981, the date of public issue.

4. Investment in TransCanada PipeLines Limited

Details of the Company's investment in TransCanada for the three years ended December 31, 1982 are as follows:

	Number of shares owned (1)	Shares acquired (sold) Number	Amount	Dividends received	Percentage interest in TransCanada (1)
1982	**10,306,885**	—	**$ —**	**$12.3**	**23.0%**
1981	10,306,885	(10,306,886)	(251.2)	12.0	23.2
1980	20,613,771	900,000	19.8	23.7	46.9

(1) At end of years indicated

On December 13, 1982 the Board of Directors authorized Management to investigate the disposition of the Company's investment in TransCanada. On March 1, 1983 a prospectus was filed pursuant to which the Company and Dome Canada offered for sale six million and five million shares respectively of their shareholdings in TransCanada, at a price of $24.47 per share, net of fees and commissions, with closing on March 16, 1983.

As a result, the Company's and Dome Canada's interests in TransCanada will be reduced to approximately 9.6% and 11.8% respectively. Accordingly, the Company has decided to cease equity accounting for this investment effective December 1982.

5. Property, Plant and Equipment

	Depletion, Depreciation and Amortization Rates	**1982** **Investment at Cost**	**Accumulated Depletion, Depreciation and Amortization**	**Net Investment**	1981 Net Investment
Oil and gas properties:					
Depleted	Unit of revenue or production	**$4,495.5**	**$ 624.4**	**$3,871.1**	$3,858.2
Not depleted Beaufort and Arctic		**572.7**	**—**	**572.7**	519.3
Other		**785.9**	**—**	**785.9**	965.5
Oil sands:					
Mining and related facilities and developed rights	Unit of production	**121.2**	**6.1**	**115.1**	187.6
Undeveloped rights	5.0%	**219.2**	**9.1**	**210.1**	219.2
Production facilities	Unit of revenue or production	**664.8**	**82.4**	**582.4**	676.8
Natural gas liquids system and pipe lines	3.3% to 6.7%	**592.5**	**127.6**	**464.9**	460.3
Drillships, other vessels and shipyard facilities	6.7% to 15.0%	**666.5**	**141.5**	**525.0**	555.7
Metals mines and related facilities	Unit of production	**571.6**	**25.1**	**546.5**	506.8
Other assets	5.0% to 30.0%	**101.8**	**22.3**	**79.5**	99.2
		$8,791.7	**$1,038.5**	**$7,753.2**	$8,048.6

6. Short Term Bank Loans

Short term bank loans bear interest at various rates between the prime bank rate and the prime bank rate plus 1%. A portion of the short term bank loans is secured by an assignment of accounts receivable and inventories. As at December 31, 1982 there were unused lines of credit under these arrangements of approximately $145.8 million (see Note 8, Debt Repayment Deferral Agreements, item 7).

7. Income Taxes

Income tax provisions differ from the calculated tax obtained by applying the Canadian corporate tax rate to income (loss) before income taxes. These differences are accounted for as follows:

	Years Ended December 31,		
	1982	1981	1980
Corporate tax rate	**47.8%**	47.8%	47.8%
Calculated income tax provision (recovery)	**$(161.5)**	$100.0	$143.6
Add (deduct) tax effect of:			
Crown charges disallowed for tax purposes, less provincial rebates	**124.1**	82.4	48.7
Federal resource allowance	**(108.3)**	(87.1)	(42.6)
Earned depletion allowance	**(45.3)**	(43.5)	(25.1)
Frontier exploration allowance	**—**	—	(45.4)
Investment tax credit	**(7.5)**	(10.2)	(2.0)
Manufacturing and processing tax rate reduction	**—**	—	(3.3)
Income debenture interest	**8.6**	10.3	7.8
Preferred share dividends of subsidiaries	**78.2**	11.3	9.7
Non-deductible depletion and depreciation	**31.9**	10.8	6.2
Depreciation claimed for tax purposes which has no accounting equivalent	**—**	(16.8)	(17.1)
Petroleum and gas revenue tax	**47.4**	24.9	—
Incremental oil revenue less related tax	**(6.2)**	—	—
Cancellation of Dome Resources preferred shares	**(33.6)**	—	—
Foreign exchange gains and losses	**14.7**	—	—
Write-down of United States oil and gas properties	**102.1**	—	—
Differences between the Canadian corporate rate and those rates applicable to foreign and mining operations	**23.4**	—	—
Loss on disposal of assets	**24.6**	—	—
Other	**1.3**	(3.9)	3.8
Income tax provision	**$ 93.9**	$ 78.2	$ 84.3

The domestic and foreign components of income (loss) before income taxes together with related income taxes are set out below.

	Years Ended December 31,								
	1982			1981			1980		
	Canada	**Foreign**	**Total**	Canada	Foreign	Total	Canada	Foreign	Total
Income (loss) before income taxes, equity earnings and minority interest	**$ (87.4)**	**$(250.6)**	**$(338.0)**	$180.6	$28.5	$209.1	$ 268.0	$32.4	$ 300.4
Income taxes:									
Current	**$ 115.0**	**$ 12.0**	**$ 127.0**	$ 17.5	$ 7.1	$ 24.6	$ (33.0)	$ —	$ (33.0)
Deferred	**45.0**	**(78.1)**	**(33.1)**	55.5	(1.9)	53.6	104.4	12.9	117.3
	$ 160.0	**$ (66.1)**	**$ 93.9**	$ 73.0	$ 5.2	$ 78.2	$ 71.4	$12.9	$ 84.3

8. Long Term Debt

	1982	1981
Long term debt is summarized as follows:		
Bonds and debentures	**$ 723.7**	$ 752.9
Term bank loans	**4,753.1**	4,764.1
Promissory notes	**992.1**	793.4
Obligations under capital leases and other	**52.2**	84.1
	6,521.1	6,394.5
Less amounts due within one year	**2,228.5**	150.7
	$4,292.6	$6,243.8

Approximate installments of long term debt (including sinking fund repayments) in each of the years 1983 to 1987 are (in millions): 1983 — $2,228.5; 1984 — $488.7; 1985 — $330.8; 1986 — $727.1; 1987 — $1,238.0.

Debt Repayment Deferral Agreements

On September 29, 1982, the Company reached an Agreement in Principle for restructuring its debt and increasing the Company's capitalization (see Note 25) with the Government of Canada, the Canadian Imperial Bank of Commerce, the Bank of Montreal, The Toronto-Dominion Bank and The Royal Bank of Canada (the "Four Canadian Banks"). As at December 31, 1982, certain bank loans totalling $1,128.4 million, which became due during the second half of 1982 and which were included in long term debt due within one year, were being extended on a short term basis to February 28, 1983 as negotiations between the Four Canadian Banks and the Company's other lenders continued. On February 28, 1983 the Company reached a further agreement with its lenders for extensions to March 31, 1983. Debt obligations which have been the subject of deferral agreements are discussed below:

1) Repayment of the secured Four Canadian Bank loan of $1,043.8 million to Dome Energy Limited ("Dome Energy"), a subsidiary of the Company, was deferred. See "Term Bank Loans" below.

2) Principal payments under certain other secured loans from the Four Canadian Banks were deferred in whole or in part. Of loans totalling $1,590.4 million outstanding as at December 31, 1982, repayment of a total of $25.9 million had been deferred as at that date.

3) All principal payments due under the secured Syndicated Bank Loan of $1,498.5 million to Dome Energy had been made as of December 31, 1982. The syndicate of banks agreed to the deferral of a U.S. $69.0 million payment due January 2, 1983 to February 28, 1983 on the condition that the cash collateral account, which forms a part of the security for the loan, was increased by the amount of the payment. The Company applied this U.S. $69.0 million in the cash collateral account against the loan on February 28, 1983. See "Term Bank Loans" below.

4) Repayment of a secured bank loan of $60.0 million from a Canadian subsidiary of a foreign lender was being deferred. The security for the loan is a charge on interests in certain Canadian oil and gas properties and related assets, and a cash deposit of $1.3 million. The interest rate is equal to prime plus ¾%.

5) A secured bank loan of $127.6 million (U.S. $107.5 million) to a subsidiary of the Company was the subject of a deferral agreement. The security for the loan is a charge on interests in certain U.S. oil and gas properties and related assets plus a cash deposit of $2.4 million (U.S. $2.0 million). The Company agreed, commencing in 1982, to deposit monthly into a cash collateral account 90% of the production proceeds received during the previous month from the charged properties less interest paid on the loan in that month. The amount of $19.0 million, which has been included in the current portion of long term debt due within one year, represents estimated 1983 payments into the cash collateral account, even though the loan is not otherwise due to be repaid until 1986. The interest rate is equal to the London Interbank Offered Rate ("LIBOR") plus 1%.

6) Holders of certain unsecured promissory notes in the principal amount of $75.0 million with interest at prime plus 1% became entitled to request security during 1982. The Company was subsequently given notice requiring it to provide security to the noteholders. The noteholders have extended the time for providing security to March 31, 1983. In addition, since December 31, 1982, noteholders have agreed to defer payment of two installments totalling $6.0 million. See "Promissory Notes" below.

7) Pursuant to the Agreement in Principle, the Four Canadian Banks have agreed to allow the Company to maintain its current operating lines of credit with such banks at existing authorized levels. In addition, two Canadian subsidiaries

of foreign lenders holding in total $75.0 million in short term promissory notes due from the Company, which have been included in bank loans, have agreed not to require repayment of the notes prior to March 31, 1983. The interest rate on the notes is prime plus 1%.

Acceleration

Substantially all of the debt instruments of the Company contain cross-default provisions which permit acceleration of such debt if a default occurs permitting the acceleration of any other debt of the Company.

Cash Deposits

As at December 31, 1982, some of the Company's long term debt was secured by cash deposits invested in certain classes of negotiable instruments, which deposits totalled $8.3 million and U.S. $730.4 million. In the consolidated financial statements, these deposits have been deducted from the principal amount of the associated debt and interest earned on such deposits has been deducted from interest expense on the associated debt wherever a right of offset by the lender existed. Unless otherwise stated, the Company has no right to have earnings on these deposits released. The Company will use the deposits to retire the associated debt in the future, thereby reducing payments to be made in the year of maturity.

Security

Essentially all the assets of the Company are either pledged as security for existing indebtedness or are the subject of covenants in financial instruments whereby the Company's ability to give security on such assets is restricted. In addition, the Company has agreed not to grant additional security pending completion of negotiations regarding the Agreement in Principle (see Note 25).

A. **Bonds and Debentures**

Bonds and debentures consist of:

	1982	1981
Income Debenture, with interest at 52% of the prime bank rate plus ¾%, due 1988	**$200.0**	$200.0
5¾% Bonds due 1991 (Swiss francs 100.0 million)	**61.4**	61.4
7¼% Bonds due 1990 (Swiss francs 100.0 million)	**58.2**	58.2
7.85% Collateral Trust Bonds due 1994 (U.S. $18.6 million, net of funds on deposit of 1982 — U.S. $18.6 million; 1981 — $ nil)	**—**	20.0
10% Debentures due 1994 (U.S. $50.0 million)	**57.5**	57.4
10⅜% Sinking Fund Debentures due 1996	**27.0**	27.9
10½% Series A Debentures due 1993 (1982 — U.S. $142.4 million; 1981 — U.S. $150.0 million)	**152.2**	158.8
13½% Debentures due 1992 (1982 — U.S. $43.1 million; 1981 — U.S. $44.8 million)	**50.5**	52.3
14¾% Debentures due 2006 (U.S. $100.0 million, net of funds on deposit of 1982 — U.S. $0.5 million; 1981 — $ nil)	**116.9**	116.9
	$723.7	$752.9

The Income Debenture is secured by a charge on the Company's interest in the natural gas liquids system together with an assignment of related supply and sales contracts. The debenture is repayable in varying quarterly amounts in each of the years 1984 to 1988.

The 5¾% bonds are unsecured and are subject to a purchase obligation which requires the Company to purchase on the market Swiss francs 5.0 million par value of bonds in each year from 1986 to 1990 to the extent that bonds can be purchased at prices not exceeding their par value. The balance is due in 1991.

The 7¼% bonds are unsecured and are subject to a purchase obligation which requires the Company to purchase on the market Swiss francs 5.0 million par value of bonds in each year from 1985 to 1989 to the extent that bonds can be purchased at prices not exceeding their par value. The balance is due in 1990.

The 7.85% Collateral Trust Bonds, an obligation of Hudson's Bay Oil and Gas Company Limited ("HBOG"), are entirely secured by cash deposited with a trustee on March 10, 1982. The bonds are subject to sinking fund payments in the

amount of U.S. $1.25 million per annum to 1993 and U.S. $6.25 million at maturity in 1994. The cash deposit, in the amount of $22.6 million (U.S. $18.6 million), will provide funds to make the sinking fund repayments, and interest earned on the cash deposit is used to make interest payments on the bonds.

The 10% Debentures are unsecured and are subject to annual sinking fund payments in the amount of U.S. $2.8 million in each of the years 1984 through 1993. The balance is due in 1994.

The 10⅜% Sinking Fund Debentures, an obligation of a subsidiary of the Company, are unsecured. All other bank loans to that subsidiary have been subordinated to the debentures in accordance with the provisions of the trust deed governing the debentures. The debentures are subject to sinking fund payments in the amount of $1.5 million per year to 1995. The balance is due in 1996.

The 10½% Series A Debentures are secured by a charge on certain interests in oil and gas properties and related assets. During 1982, in return for the waiver of certain restrictive convenants in the trust deed, the Company agreed to increase the interest rate on the debentures from 9½% to 10½%, and to alter the repayment schedule so that the debentures are repayable by quarterly payments in the amount of U.S. $5.75 million (which amount includes interest), to December 1992, with final payment of U.S. $3.2 million in 1993.

The 13½% Debentures are unsecured and are subject to a purchase fund which requires that the Company use all reasonable efforts to purchase in the market debentures in the amount of U.S. $2.0 million in each twelve month period up to and including May 1, 1986 at prices not exceeding 100% of the principal amount. During 1982, 1981 and 1980, U.S. $1.7 million, U.S. $3.8 million and U.S. $1.4 million of debentures were purchased. The balance is due in 1992.

The 14¾% Debentures, an obligation of HBOG, are secured by the same trust deed as the Syndicated Bank Loan to Dome Energy by a charge on interests in certain Canadian oil and gas properties and related assets of HBOG (see "Term Bank Loans" below) plus a cash deposit of approximately U.S. $0.5 million. The debentures are subject to an annual sinking fund requirement of U.S. $6.5 million from 1992 to 2005, for which purpose the deposit can be used. The balance is due in 2006.

Approximate installments of debentures (including sinking fund repayments) due in each of the years 1983 to 1987 are (in millions): 1983 — $14.2; 1984 — $49.3; 1985 — $56.9; 1986 — $64.7; and 1987 — $67.7.

B. **Term Bank Loans**

Term bank loans consist of:

	1982	1981
Four Canadian Bank loan, due 1983 (1982 — U.S. $1,000.0 million plus Cdn. $50.0 million; 1981 — U.S. $1,650.0 million plus Cdn. $177.7 million), net of funds on deposit of 1982 — $4.9 million and U.S. $186.3 million; 1981 — $ nil	**$1,043.8**	$2,161.3
Other loans from the Four Canadian Banks (excluding the Four Canadian Bank loan) with interest rates varying up to 1% in excess of the prime bank rate		
In Canadian funds, due 1983 — 1988, net of funds on deposit of $1.8 million; 1981 — $ nil	**1,365.4**	1,407.9
In U.S. funds, due 1983 (1982 — U.S. $77.2 million; 1981 — U.S. $210.7 million)	**95.0**	239.3
Syndicated Bank loan, due 1989 (U.S. $1,757.4 million), net of funds on deposit of U.S. $522.7 million	**1,498.5**	—
Syndicated Bank loan, due 1987	**130.0**	15.5
Other loans with interest rates varying up to ¾% in excess of the prime bank rate and up to ⅝% in excess of LIBOR		
In Canadian funds, due 1983, net of funds on deposit of $1.3 million; 1981 — $ nil	**88.6**	352.1
In U.S. funds, due 1985 — 1991 (1982 — U.S. $445.5 million; 1981 — U.S. $493.3 million), net of funds on deposit of 1982 — U.S. $2.0 million; 1981 — U.S. $ nil	**531.8**	588.0
Non-recourse bank loan due 1989	**229.2**	—
Less balance of purchase price receivable	**(229.2)**	—
	$4,753.1	$4,764.1

The term bank loans include both secured and unsecured loans from both Canadian and foreign banking institutions. As at December 31, 1982, $4,213.7 million of these loans was secured and $539.4 million was unsecured.

Certain of the term bank loans have multi-currency options whereby the Company may choose to convert the loans from one currency to another, including Canadian dollars, U.S. dollars, Swiss francs and other Euro-currencies. The total amount of such multi-currency loans as at December 31, 1982 was $2,011.1 million, before deduction of associated funds on deposit of $236.9 million.

The security granted for secured term bank loans includes cash deposits, both floating and fixed charges on interests in Canadian and U.S. oil and gas properties and related assets, floating and fixed charges on the Company's natural gas liquids system and related supply contracts, a fixed charge on the Cochin Pipeline System and related supply contracts and pledges of shares of TransCanada, Dome Mines, Dome Canada, Sovereign and certain subsidiaries.

The Four Canadian Bank loan of $1,229.4 million (U.S. $1.0 billion) and $50.0 million is secured by fixed charges on interests in certain U.S. oil and gas properties and related assets, fixed and floating charges on interests in certain Canadian oil and gas properties and related assets, a charge on the Cochin Pipeline System and related supply contracts, pledges of shares of Dome Mines, TransCanada and certain subsidiaries, a $250 million limited guarantee by Dome Mines, certain other assets and two cash deposits of $230.7 million (U.S. $186.3 million) and $4.9 million held by a trustee and one of the banks respectively. Interest earned on the deposit held by the trustee can be applied towards interest payments on the loan. To the extent the Company does not require the funds contained in this deposit in addition to monies to be provided in 1983 under the Agreement in Principle, the funds will be used to reduce the loan on December 31, 1983. The interest rate on this loan is equal to LIBOR plus ¾% on U.S. $1.0 billion and prime plus ¼% on $50.0 million.

The Syndicated Bank loan of $2,133.2 million (U.S. $1,757.4 million) is secured by a charge on the interests of HBOG in certain Canadian oil and gas properties and related assets and a cash collateral account of $590.6 million (U.S. $487.2 million) plus a second cash deposit of $44.1 million (U.S. $35.5 million) both held by a trustee. The terms of the loan include repayment in quarterly installments which commenced in 1982, with a final maturity in 1989. Scheduled principal repayments during the next five years are as follows (in U.S. millions): 1983 — $160.0; 1984 — $218.0; 1985 — $38.0; 1986 — $ nil; 1987 — $824.0. The Company is required to maintain certain minimum balances on deposit in the cash collateral account with the trustee, which amounts change quarterly. All amounts in excess of these minimum required balances at the end of any quarter are released to the Company. The minimum required balances scheduled to be maintained in the cash collateral account at December 31 for the years indicated are as follows (in U.S. millions): 1983 — $345.6; 1984 — $335.4; 1985 — $488.3; 1986 — $655.6; 1987 — $ nil. The interest rate is equal to LIBOR plus ⅝%.

Cyprus Anvil Mining Corporation ("Cyprus"), an 87.5% owned subsidiary of the Company, has an unsecured term bank loan of $130 million with interest at prime plus ½% from a syndicate of banks. Under the loan agreement, the ability of Cyprus to dispose of or pledge its assets is restricted. The loan is repayable in equal quarterly installments of $6.5 million commencing on March 31, 1983, and is scheduled to be repaid in 1987.

Dome Energy has a secured loan from a syndicate of banks in the amount of $229.2 million. The banks' recourse on the loan is limited to realization of their security which consists of interests in certain oil and gas properties and related assets previously owned by HBOG. Such interests were acquired by Maligne Resources Limited ("Maligne"), a wholly-owned subsidiary of Dow Chemical Canada Inc., from Dome Energy during 1982. The loan is repaid in quarterly installments as the receivable for the balance of the purchase price is repaid over an anticipated period of nine years commencing in 1982. The receivable for the balance of the purchase price is included in the consolidated balance sheet as a deduction from long term debt (see Note 17).

Approximate installments of term bank loans due in each of the years 1983 to 1987 are (in millions): 1983 — $2,020.1; 1984 — $357.3; 1985 — $230.7; 1986 — $550.5 and 1987 — $1,125.9.

C. **Promissory Notes**

Promissory notes consist of:

	1982	1981
With interest at the prime bank rate between 8¼% and 10¼% per annum adjusted for one half the differential in prime below or above these limits, due 1988	**$ 16.5**	$ 19.5
With interest at prime less ¼%, due 1991	**105.0**	105.0
With interest at prime plus 1%, due 1984	**75.0**	75.0
With interest at varying rates from 6% to prime plus 1¼%, due 1988, net of funds on deposit of 1982 — $ 0.3 million; 1981 — $123.3 million;	**211.2**	179.7
due 1999	**74.8**	79.4
With cost of borrowing of up to 16%, due 2030	**175.0**	175.0
With interest at LIBOR plus ⅝%, due 1983 (U.S. $93.6 million)	**115.1**	—
With interest at LIBOR plus ¼%, due 1988 (U.S. $75.0 million)	**90.3**	90.3
With interest at LIBOR plus ¼%, due 1989 (U.S. $50.0 million)	**59.7**	—
With interest at 6%, due 1986 (Swiss francs 100.0 million)	**69.5**	69.5
	$992.1	$793.4

The promissory notes with interest at the prime rate between 8¼% and 10¼% plus adjustments are secured by an assignment of the interests of the Company in certain Canadian oil and gas properties. The notes are subject to fixed semi-annual payments of $1.5 million until repayment in 1988.

The promissory notes with interest at prime less ¼%, due in 1991 in the amount of $105.0 million, are unsecured. Holders of the notes have the right to request that the Company repurchase the notes in whole or in part in any year commencing in 1986.

The promissory notes with interest at prime plus 1%, due in 1984 in the amount of $75.0 million, are unsecured. Under the trust deed pursuant to which the notes were issued, the noteholders became entitled to request security for the notes during 1982. On May 20, 1982, the trustee, at the request of noteholders, served notice, requiring the Company to provide security to the trustee. The noteholders have extended the period for providing security to March 31, 1983. In return, the Company has agreed to certain changes in the trust deed governing the notes, including an alteration of the repayment schedule to $36.0 million in 1983 and $39.0 million in 1984. The noteholders have also commenced judicial proceedings to determine whether the trustee is entitled to take security under the terms of the trust deed.

The promissory notes with rates of interest varying from 6% to prime plus 1¼% are secured by the assignment of rights relating to certain Canadian oil and gas properties, other assets purchased in 1979, and a cash deposit of $0.3 million. Of the notes, $211.2 million is repayable in quarterly installments of $7.1 million with the balance being due in 1988. During 1982, a cash deposit of $123.3 million, which previously was security for this portion of the notes, was released by the noteholders. The Company used $63.3 million of this deposit to reduce the amount of the notes outstanding, and the balance to retire other long term debt. The remaining $74.8 million of the notes are repayable in monthly installments which total $4.7 million per annum with maturity in 1999.

The promissory notes with cost of borrowing of up to 16% are held by Arctic Petroleum Corporation of Japan. The notes are secured by a floating charge on the oil and gas interests of the Company and Dome Canada in the Beaufort Sea region. The Company arranged that Arctic Petroleum Corporation of Japan advance $400.0 million during 1981 and 1982 to be used in conducting exploration activities in the Beaufort Sea. The first $175.0 million was assigned to the Company in respect of 1980 Beaufort drilling activities, and the remaining $225.0 million has been retained by Dome Canada. The Company and Dome Canada are jointly and severally liable for repayment of the principal balance by the year 2030. Prior to that date, repayment of the principal amount is to be made from 20% of the net proceeds of production from certain fields to be developed in the Beaufort Sea. The cost of borrowing will be based on production from the Beaufort Sea and will not exceed 16% per year compounded annually from the date funds were advanced. Any payment in excess of the principal amount is contingent upon proceeds of production from the Beaufort Sea which cannot be determined. Accordingly, no provision will be made for such cost of borrowing until production commences.

The promissory notes with interest at LIBOR plus 5/8% in the amount of $115.1 million (U.S. $93.6 million) relate to interim financing obtained for construction of a semi-submersible drilling caisson. The principal amount of the notes plus accrued interest is due October 31, 1983.

All promissory notes, other than those specifically described above as being secured, are unsecured and are repayable in single payments in the years indicated.

Approximate installments of promissory notes (including sinking fund repayments) due in each of the years 1983 to 1987 are (in millions): 1983 — $186.9; 1984 — $75.2; 1985 — $36.2; 1986 — $105.7; 1987 — $36.2.

9. Redeemable Preferred Shares Issued by Subsidiaries

Redeemable preferred shares issued by subsidiaries and outstanding at December 31, 1982 and 1981 were as follows:

		1982		1981	
	Authorized	**Outstanding**	**Amount**	Outstanding	Amount
Dome Resources Limited					
Class A Preferred Shares	Unlimited	**12,719,149**	**$731.4**		
Less unamortized discount on issue			**(2.8)**		
			728.6		
Escrow funds			**(749.8)**		
			(21.2)		
Reclassified to accounts payable			**21.2**		
			—		
Provo Gas Producers Limited Series A	2,200,000	**2,200,000**	**220.0**	2,200,000	$220.0
Davie Shipbuilding Limited Class A	50,000	**50,000**	**5.0**	50,000	5.0
		14,969,149	**$225.0**	2,250,000	$225.0

The $5.75 Class A Retractable Preferred Shares ("Class A Preferred Shares") were issued by Dome Resources Limited ("Dome Resources") on March 10, 1982 in exchange for the outstanding common shares of HBOG held by minority interest shareholders (see Note 17). The Class A Preferred Shares bear fixed cumulative preferential cash dividends at the annual rate of $5.75 payable quarterly and will be redeemed at $57.50 per share plus an amount equal to accrued dividends on March 25, 1983 (see Note 24). The Class A Preferred Shares were recorded at a discount of $1.315 per share which is being amortized over the period to date of redemption of such shares. Such amortization amounted to $18.4 million and is included in preferred share dividends of subsidiaries. During the year ended December 31, 1982 the Company purchased 9,237,565 Class A Preferred Shares at $50.00 per share plus costs of purchase and 13,963,966 Class A Preferred Shares at $55.50 per share plus costs of purchase. These shares were surrendered to Dome Resources for cancellation. The gain on cancellation of the Class A Preferred Shares in the amount of $70.0 million is included in revenue in the consolidated statement of income.

The escrow funds held by a trustee are sufficient at all times to retract the outstanding Class A Preferred Shares together with an amount equal to one quarterly dividend payment. These funds are invested in certain restricted classes of negotiable instruments, with interest earned being paid into the cash collateral account which forms a part of the security for the Syndicated Bank Loan (see Note 8). In the consolidated financial statements, interest earned on the escrow funds has reduced the interest expense on the related Syndicated Bank Loan in the amount of $178.3 million.

The 2,200,000 Series A cumulative, non-voting, first preference shares are redeemable in 1988. The subsidiary has agreed to redeem the preferred shares upon the occurrence of certain events of default, which include the acceleration of other debt of the Company (see Note 8). If the subsidiary fails to redeem the preferred shares when required, the Company can be required to purchase the preferred shares, and a Canadian bank has agreed to provide an unsecured term bank loan for that purpose. The dividend rate is 52% of the prime rate plus 3/4%. By agreement dated November 22, 1982, the subsidiary and the Company have given the Canadian bank a joint and several promissory note evidencing

their obligation to satisfy the redemption obligation by five equal payments of $44.0 million in each of the years 1989 to 1993. The repayment schedule for this loan may be altered in the future when the provisions of the Agreement in Principle are implemented. The interest rate will be prime plus 1¼%.

The 50,000 Class A 5% cumulative preferred shares are required to be redeemed at par value of $100 per share prior to September 26, 1983.

10. Preferred Shares

Authorized:

An unlimited number of preferred shares issuable in series.
An unlimited number of subordinated preferred shares issuable in series.

Preferred shares outstanding at December 31, 1982 and 1981 were as follows:

		1982		1981	
	Authorized	**Outstanding**	**Amount**	Outstanding	Amount
Redeemable at the option of the Company:					
7.76% Series A and B	10,500,000	**4,875,578**	**$119.9**	4,951,516	$123.1
Stock dividends		**152,420**	**1.7**	133,251	2.0
Purchased		**(180,349)**	**(4.4)**	(209,189)	(5.2)
		4,847,649	**$117.2**	4,875,578	$119.9
Redeemable at the option of the holder: (1)					
6.98% Series C	1,450,000	**1,450,000**	**$ 36.2**	1,450,000	$ 36.2
7.25% Series D	4,110,517	**4,110,517**	**61.7**	4,110,517	61.7
7% Series E	4,110,516	**—**	**—**	4,110,516	61.7
		5,560,517	**$ 97.9**	9,671,033	$159.6

(1) Amounts shown for 1981 were unchanged from the prior year.

Series A Cumulative Preferred Shares and Series B Cumulative Stock Dividend Preferred Shares were issued at $25 per share and are interconvertible at any time on a share for share basis at the option of the holder. The shares are redeemable at the option of the Company after August 31, 1984 at $26 per share to August 31, 1985, declining thereafter by $0.20 per share annually to $25 after August 31, 1990. The Company is required to use all reasonable efforts to purchase in the market each year a number of Series A or Series B Preferred Shares equal to the sum of 50,000 shares per quarter and 1% of the number of Series B shares issued as stock dividends since August 31, 1979, less certain other adjustments, provided such shares are available at prices not exceeding $25 per share plus cost of purchase.

During 1982, the Company purchased for cancellation 180,349 (1981 — 209,189) Series A and B Preferred Shares at a discount of $2.4 million (1981 — $1.8 million), which has been credited to contributed surplus.

Series C Cumulative Preferred Shares were issued at $25 per share with an annual requirement to redeem 5% of the issued shares beginning in 1985 at $25 per share. Each holder has the right to waive this redemption obligation of the Company in any year. The dividend rate will be adjusted in 1984 and each fifth year thereafter.

The Series D Cumulative Preferred Shares were issued at $15 per share and, until July 2, 1982, had a stated dividend rate of 7.25% per annum and were redeemable in whole or in part at the holder's option at $15 per share on January 3, 1984 and at the end of each five year period thereafter. Under an agreement dated February 26, 1982, in return for the waiver of certain restrictive covenants in the share provisions, the Company agreed to increase the effective dividend rate on the preferred shares from 7.25% to 9% per annum from December 1, 1981 and to redeem or purchase these shares for $61.7 million on July 2, 1982. The Company did not redeem these shares on the agreed date but, under an agreement entered into July 9, 1982, agreed to purchase these shares no later than October 8, 1982. This date has subsequently been extended and currently the holder may nominate March 31, 1983 or any subsequent date up to and including January 3, 1984 as the date upon which the Company is obliged to purchase the shares, upon giving two business days notice. As part of this arrangement, the Company has agreed to pay the holder, in lieu of dividends, interest from July 2, 1982 to the date of repurchase at a rate equal to prime plus 2%.

The Series E Cumulative Preferred Shares were redeemed for $61.7 million on January 4, 1982.

11. Common Shares

Authorized:

An unlimited number of common shares of no par value.

Common shares issued and cancelled for the years ended December 31, 1982, 1981 and 1980 were as follows:

	1982		1981		1980	
	Shares	**Amount**	Shares	Amount	Shares	Amount
For Employee Profit Sharing Plan	**9,550,000**	**$ 25.8**	—	$ —	—	$ —
On acquisition of subsidiaries (Note 17)	—	—	1,328,920	25.4	—	—
For Every Employee Share Plan	**108,568**	**0.3**	—	—	—	—
Under Key Employee Stock Incentive plans	**(2,325,000)**	—	463,125	6.8	1,969,675	19.9
In exchange for shares of a subsidiary	**802**	—	7,926	—	5,280	—
On exercise of options	—	—	2,000	—	24,500	—
Net increase in common shares outstanding	**7,334,370**	**26.1**	1,801,971	32.2	1,999,455	19.9
Common shares outstanding, beginning of year	**250,062,776**	**136.2**	248,260,805	104.0	246,261,350	84.1
Common shares outstanding, end of year	**257,397,146**	**$162.3**	250,062,776	$136.2	248,260,805	$104.0

At the Company's Annual and Special Meeting of Shareholders on June 18, 1982, the shareholders approved a By-Law under which certain provisions of the Employee Profit Sharing Plan were amended and the directors were authorized to provide various incentives and awards to employees of the Company. The more important features of this By-Law are as follows:

a) The Company was authorized to sell previously unissued common shares of the Company at prevailing market prices from time to time to the trustees of the Company's Employee Profit Sharing Plan instead of requiring the trustees to invest contributions to this plan by purchasing common shares of the Company on the open market. Pursuant to these arrangements 9,550,000 common shares were issued by the Company to the Employee Profit Sharing Plan in 1982 and an additional 5,450,000 shares have been reserved for issuance to the Plan.

b) The By-Law reserved and set aside 10,000,000 common shares of the Company to be used to provide various employee incentives and awards. Of this amount 108,568 common shares were sold in 1982 to the trustees of the Every Employee Share Plan. Prior to the confirmation of the By-Law the common shares required for issue under this Plan had been purchased by the trustees on the open market.

c) The By-Law authorized the directors to grant stock options to key employees of the Company. In 1982, options on 1,363,000 common shares of the Company were granted to officers of the Company at a price of $3.50 per share and options on 6,319,175 common shares were granted to other key employees at a price of $2.75 per share. These options will be earned by the employees if they continue in the employ of the Company for various periods ranging up to four years. The shares necessary for these options will be provided from the 10,000,000 common shares set aside for employee incentives under the By-Law.

d) A maximum of 300,000 of the 10,000,000 reserved shares referred to in (b) above were allocated to the Share Bonus Plan under which the directors may provide share bonuses to selected key employees, other than officers, as an incentive to the employees to remain in the employ of the Company. No shares were issued under this Plan in 1982.

At December 31, 1982, 63,351,994 shares were reserved for issue as follows: 15,341,432 under the Company's employee savings and incentive plans referred to above; 116,322 for shares of a subsidiary not yet presented for exchange and 47,894,240 for the exercise of the Company's outstanding common share warrants (see Note 12).

Of the 2,325,000 shares cancelled under Key Employee Stock Incentive plans, 472,250 were with respect to shares previously issued which had reverted to the trustee as a result of employee terminations. An additional 1,852,750 common shares were cancelled following the termination of certain of the stock purchase agreements whereby these shares were surrendered to the Company and amounts due from employees for the purchase of shares were cancelled. These transactions are recorded as capital transactions which reduced other assets and retained earnings by $23.9 million.

In addition, retained earnings has been charged with $11.3 million (net of deferred taxes amounting to $10.9 million) as a result of the disposition of 1,369,500 common shares of the Company previously held by an acquired company.

The Company has made interest free loans to officers to enable them to purchase shares from the Company under stock purchase plans. At December 31, 1982, $6.8 million (December 31, 1981 — $16.7 million) was receivable under the above arrangements and is included in other assets.

12. Common Share Warrants

On the acquisition of HBOG, the Company issued 47,894,240 common share warrants (see Note 17). Each warrant enables the holder to purchase one common share of the Company up to December 31, 1984 at $23.1125 per share. For accounting purposes these warrants have been valued at $0.98625 each based on the ratio of the average market price of the warrants to the Class A Preferred Shares of Dome Resources over the first 10 days of trading subsequent to date of issue.

13. Write-Down of United States Oil and Gas Properties

The Company has determined that, primarily due to declines in oil and gas prices and property values, a write-down of $213.6 million in the carrying value of its United States oil and gas properties was required at December 31, 1982. This write-down has been calculated in accordance with the accounting regulations of the United States Securites and Exchange Commission ("SEC") as described below.

The write-down was based on the difference between the recorded value of United States oil and gas properties, plant and equipment and the aggregate of the present value, using a 10% discount factor, of estimated future net revenues from estimated proved reserves, after deducting estimated future expenditures to be incurred in developing and producing these reserves, plus the estimated fair market value of unproved properties. Estimated future net revenues were computed using 1982 year end prices and were based on estimated proved reserves, as determined by the Company's engineers and independent evaluations, and current production forecasts.

14. Loss on Disposal of Assets

During 1982 the Company sold certain of its assets including its exploration and production interests in Indonesia, Australia, Brazil, Egypt and the Netherlands. The total sales proceeds were $413.9 million, which resulted in a loss of $100.4 million, net of related deferred income taxes of $54.2 million.

15. Net Income (Loss) Per Common Share

Net income (loss) per common share is calculated, after deduction of preferred share dividends, using the weighted monthly average number of shares outstanding, which amounts have been reduced by the Company's pro rata interest in its outstanding shares held by Dome Mines. There are no factors, including the exercise of the outstanding common share warrants and stock option plans, that would have a dilutive effect on net income (loss) per common share.

16. Funds Generated From Operations

Funds generated from operations are determined as follows:

	1982	1981	1980
Net income (loss)	**$(369.3)**	$199.1	$287.2
Add (deduct) items not resulting in flow of funds:			
Depletion, depreciation and amortization	**313.0**	163.4	82.9
Write-down of United States oil and gas properties	**213.6**	—	—
Loss on disposal of assets	**154.6**	—	—
Deferred income taxes	**(33.1)**	53.6	117.3
Equity in undistributed earnings of associated companies	**(41.3)**	(59.0)	(42.3)
Minority interest	**(5.5)**	9.8	—
Gain on cancellation of Dome Resources Class A Preferred Shares	**(70.0)**	—	—
Amortization of discount on Dome Resources Class A Preferred Shares	**18.4**	—	—
Elimination of intercompany transactions with respect to equity accounted associates	**28.9**	4.0	—
Other — net	**14.7**	17.6	4.5
Funds generated from operations	**$224.0**	$388.5	$449.6

17. Acquisitions

(a) During 1980, the Company acquired the shares of a number of oil and gas exploration and development companies, including Kaiser Petroleum Ltd. in February 1980, which have been accounted for by the purchase method. The details of the transactions are as follows (in millions):

Value attributed to property, plant and equipment, net of deferred income taxes	$874.8
Net proceeds of subsequent dispositions	(270.1)
Acquisitions per consolidated statement of changes in financial position	604.7
Working capital and other assets	8.6
Long term debt assumed	(30.0)
Net purchase price	$583.3

(b) During 1981, the Company acquired the shares of a number of companies, the most significant of which are as follows:

(i) On June 10, 1981, Dome Energy acquired 22,000,000 common shares of Conoco Inc., for a consideration of $1,719.4 million. Subsequently Dome Energy exchanged its holdings in Conoco Inc., together with cash in the amount of $294.6 million, for Conoco's 52.9% interest in HBOG, representing 40,156,268 common shares. To fund this acquisition Dome Energy entered into a loan agreement with the Four Canadian Banks (see Note 8).

(ii) During August, 1981, the Company concluded an agreement for the acquisition of all the issued and outstanding common shares and certain preferred shares of Davie Shipbuilding Limited ("Davie") for a total consideration of $37.8 million consisting of $15.0 million in cash and 1,221,500 common shares of the Company.

(iii) Effective August 31, 1981, HBOG acquired 100% of the outstanding shares of Cyprus. The purchase price of $345.3 million was financed by term bank loans.

These acquisitions have been accounted for by the purchase method as follows (in millions):

	HBOG	Davie	Cyprus	Total
Value attributed to property, plant and equipment	$2,601.0	$54.0	$396.1	$3,051.1
Minority interest	(487.5)	—	—	(487.5)
Liabilities net of other assets	(201.0)	(19.2)	(58.8)	(279.0)
Acquisitions per consolidated statement of changes in financial position	1,912.5	34.8	337.3	2,284.6
Working capital acquired	120.6	3.0	8.0	131.6
Less interest capitalized June 10 to June 30, 1981	(19.1)	—	—	(19.1)
Net purchase price	$2,014.0	$37.8	$345.3	$2,397.1

(c) (1) On March 10, 1982, the Company acquired all the outstanding shares of HBOG not already owned in exchange for securities valued at $2,065.4 million consisting of:

(a) 35,920,680 Class A Preferred Shares of Dome Resources (see Note 9); and

(b) 47,894,240 common share warrants of the Company (see Note 12).

(2) On the same date the Company sold approximately 34.1% of its interest in HBOG as follows:

(a) 11.1% was sold to Dome Canada for a consideration of $488 million in cash and marketable securites;

(b) 10% was sold to Maligne for a consideration of $451 million which was received as follows:

(i) $192 million in cash;

(ii) an account receivable of $19 million; and

(iii) a $240 million receivable for the balance of the purchase price to be repaid over nine years with interest; and

(c) 13% was sold to TCPL Resources Ltd., a wholly-owned subsidiary of TransCanada, for a consideration of $560 million in cash.

The net acquisition cost of $670.3 million was allocated as follows (in millions):

Value attributed to net property, plant and equipment acquired	$182.9
Assumption of deferred natural gas revenue	39.0
Acquisitions per consolidated statement of changes in financial position	221.9
Minority interest acquired	450.4
Disposition of inventory	(2.0)
Net purchase price	$670.3

The excess of the purchase price over the net book value of assets acquired has been attributed to the value of property, plant and equipment and is being depleted, depreciated or amortized over the expected life of the related assets.

18. Related Party Transactions

In addition to those described in Notes 2, 3, 4 and 17, the Company undertook the following related party transactions:

TransCanada

(a) The utility operations of TransCanada are regulated and establish the terms and conditions under which TransCanada deals with outside parties including the Company. The Company has contracts with TransCanada for the sale of gas and extraction of gas by-products. Revenue and cost of product arising from these transactions and included in the consolidated statement of income for the years ended December 31, amounted to (in millions): 1982 — $267.2; 1981 — $224.1; 1980 — $142.0 and 1982 — $30.5; 1981 — $27.0; 1980 — $25.0 respectively. Accounts receivable, arising from sales to TransCanada, at December 31, amounted to (in millions): 1982 — $25.1; 1981 — $21.9. In addition, there was an amount receivable of $20.6 million representing TransCanada's portion of expenditures incurred to December 31, 1982, for the Empress gas plant expansion.

(b) During 1980, the Company sold to TransCanada, for approximately $126.0 million, a 12½% interest in certain oil and gas properties.

Dome Canada

(a) Included in the $186 million payable to Dome Canada is $100 million secured by a fixed and floating charge on the Company's natural gas liquids system, payable on demand together with accrued interest at prime plus ¾% per annum and a premium, which at December 31, 1982, amounted to $3.2 million. During 1982 the Company paid to Dome Canada $12.2 million in related interest.

(b) The Company is party to certain agreements with Dome Canada which enable Dome Canada to earn interests in certain Canadian exploratory lands held by the Company in return for the obligation to fund all exploration including the drilling of exploratory wells and geological and geophysical surveys. Subsequent development costs will be borne by the Company and Dome Canada in proportion to their respective interests. The operations of Dome Canada, including the majority of administration, are carried out by the Company on behalf of Dome Canada.

(c) With respect to the Dome Exploratory Lands Agreement and the Corporate Services Agreement the Company charged Dome Canada during 1982 and 1981 the following:

(i) $446.6 million and $161.7 million with respect to capital expenditures for exploration, development and Beaufort Sea drilling services.

(ii) $6.5 million and $6 million, inclusive of out of pocket expenses, with respect to corporate services.

By agreement Dome Canada can earn a discount of approximately 1¼% per month for early payment of costs and expenses incurred under the Dome Exploratory Lands Agreement. As a result, Dome Canada earned discounts of $0.5 million during 1982 and at December 31, 1982 accounts receivable from Dome Canada have been reduced by $40 million under this agreement.

Dome Mines

(a) During 1980, the Company sold to subsidiaries of Dome Mines a 5% interest in certain resource properties for a consideration of approximately $42.5 million. In addition, these subsidiaries have earned an interest in certain exploratory oil and gas rights by spending approximately $100 million.

(b) The Four Canadian Bank loan is secured by certain oil and gas properties, certain other assets and a limited guarantee in the amount of $250 million from Dome Mines. During 1982 the Company paid to Dome Mines $8.2 million with respect to this guarantee.

19. Information by Business Segment and Geographic Area

The Board of Directors of the Company has determined that the following segments are the principal business segments of the Company.

Crude oil and natural gas	Exploration, development and production activities for crude oil, natural gas, field liquids, sulphur, and oil sands
Natural gas liquids operations	The extraction, transportation and marketing of natural gas liquids
Marine operations and shipbuilding	Drilling and dredging contracting in the Beaufort Sea and marine shipyard and shipping operations

The data for 1982 includes the consolidation of HBOG for the two months ended February 28, 1982, less minority interest of 47.1% with respect to net income, and the consolidation of 100% of HBOG (after giving effect to the March 10, 1982 transactions described in Note 17) for the remainder of the year. Additionally in 1982, allocation of certain general and administrative expenses by HBOG to operating divisions was discontinued in accordance with the Company's existing practice. The results for 1981 include the consolidation of HBOG, less minority interest of 47.1% with respect to net income, subsequent to July 1, and 100% of Davie from January 1, 1981. The results for 1980 relate solely to the operations of the Company prior to the acquisition of HBOG and Davie. For the above reasons segmented data presented below is not directly comparable from year to year.

BUSINESS SEGMENTS	1982	1981	1980
REVENUE			
Crude oil and natural gas	**$1,048.7**	$ 723.7	$ 417.3
Natural gas liquids operations	**1,029.3**	857.9	640.4
Marine operations and shipbuilding	**733.2**	538.9	74.6
Other	**188.5**	83.7	11.3
	$2,999.7	$ 2,204.2	$1,143.6
OPERATING INCOME			
Crude oil and natural gas	**$ 555.9**	$ 396.2	$ 282.5
Natural gas liquids operations	**204.9**	209.4	170.3
Marine operations and shipbuilding	**149.7**	147.1	27.2
Other	**66.3**	26.4	10.4
	976.8	779.1	490.4
Write-down of United States oil and gas properties	**(213.6)**	—	—
Loss on disposal of assets (primarily oil and gas)	**(154.6)**	—	—
Operating income	**608.6**	779.1	490.4
CORPORATE EXPENSES			
General and administrative expenses — net of recoveries	**(98.7)**	(46.1)	(21.7)
Interest and financing charges — net	**(649.0)**	(499.9)	(150.1)
Unrealized foreign exchange loss	**(35.4)**	—	—
Preferred share dividends of subsidiaries	**(163.5)**	(24.0)	(18.2)
Income taxes	**(93.9)**	(78.2)	(84.3)
Equity in earnings of associated companies	**57.1**	78.0	71.1
Minority interest	**5.5**	(9.8)	—
Net income (loss)	**$ (369.3)**	$ 199.1	$ 287.2
IDENTIFIABLE ASSETS			
Crude oil and natural gas	**$6,581.3**	$ 6,899.6	$3,153.2
Natural gas liquids operations	**931.7**	813.0	662.9
Marine operations and shipbuilding	**705.9**	759.5	346.2
Other	**867.8**	929.1	303.7
	9,086.7	9,401.2	4,466.0
Investments	**829.9**	807.5	612.7
	$9,916.6	$10,208.7	$5,078.7
CAPITAL EXPENDITURES			
Crude oil and natural gas	**$ 734.9**	$ 2,980.9	$1,492.2
Natural gas liquids operations	**31.3**	76.3	72.2
Marine operations and shipbuilding	**32.2**	295.8	21.4
Other	**61.6**	394.9	49.3
	$ 860.0	$ 3,747.9	$1,635.1
DEPLETION, DEPRECIATION AND AMORTIZATION			
Crude oil and natural gas	**$ 222.4**	$ 122.9	$ 61.5
Natural gas liquids operations	**25.4**	10.1	14.0
Marine operations and shipbuilding	**36.8**	21.2	6.5
Other	**28.4**	9.2	0.9
	$ 313.0	$ 163.4	$ 82.9

GEOGRAPHIC AREAS	1982	1981	1980
REVENUE			
Canada	**$2,488.3**	$ 1,788.8	$ 815.2
United States	**479.6**	387.3	328.4
Other foreign	**31.8**	28.1	—
	$2,999.7	$ 2,204.2	$1,143.6
TRANSFERS BETWEEN GEOGRAPHIC AREAS			
Canada	**$ 310.2**	$ 304.2	$ 243.8
United States	**—**	—	0.5
Eliminations	**(310.2)**	(304.2)	(244.3)
	$ —	$ —	$ —
OPERATING INCOME			
Canada	**$ 940.5**	$ 776.7	$ 441.2
United States	**30.4**	4.1	49.2
Other foreign	**5.9**	(1.7)	—
	976.8	779.1	490.4
Write-down of United States oil and gas properties	**(213.6)**	—	—
Loss on disposal of assets (primarily foreign)	**(154.6)**	—	—
Operating income	**608.6**	779.1	490.4
CORPORATE EXPENSES			
General and administrative expenses — net of recoveries	**(98.7)**	(46.1)	(21.7)
Interest and financing charges — net	**(649.0)**	(499.9)	(150.1)
Unrealized foreign exchange loss	**(35.4)**	—	—
Preferred share dividends of subsidiaries	**(163.5)**	(24.0)	(18.2)
Income taxes	**(93.9)**	(78.2)	(84.3)
Equity in earnings of associated companies	**57.1**	78.0	71.1
Minority interest	**5.5**	(9.8)	—
Net income (loss)	**$ (369.3)**	$ 199.1	$ 287.2
IDENTIFIABLE ASSETS			
Canada	**$8,470.0**	$ 8,027.8	$3,820.0
United States	**595.2**	898.0	646.0
Other foreign	**21.5**	475.4	—
	9,086.7	9,401.2	4,466.0
Investments	**829.9**	807.5	612.7
	$9,916.6	$10,208.7	$5,078.7

The majority of the crude oil and natural gas produced in Canada by the Company is sold to government marketing agencies or transmission companies. Approximately 70% of the Company's domestic crude oil production is sold to the Alberta Petroleum Marketing Commission, a provincial government agency. The largest customer for natural gas is TransCanada, which accounts for approximately 60% of the Company's total natural gas sales. Due to the nature of the Company's marketing arrangements, the portion of the Company's Canadian crude oil and natural gas production that is ultimately exported cannot be identified. The transfers between geographic segments reported above are sales of natural gas liquids.

20. Pension and Savings Plans

The Company's voluntary contributory pension plan and employee savings plan are available to substantially all of its permanent employees. Employee and Company contributions made under the pension plan are paid to, and invested by, an insurance company. Similar contributions made under the savings plan are invested by the trustees in the common shares of the Company on behalf of the employees. Pension costs are funded in accordance with actuarial requirements. Amounts charged to income to fund the plans (in millions) were: 1982 — $36.3; 1981 — $21.7; 1980 — $10.7. There are no material unfunded past service liabilities at December 31, 1982.

21. Contingent Liabilities and Commitments

a) Maligne has required the Company for 1982, with closing expected in 1983, and can require the Company for the next four years, to purchase producing oil and gas properties of approximately $75 million per year.

b) The Company is contingently liable for the $225 million advanced to Dome Canada by the Arctic Petroleum Corporation of Japan (see Note 8).

c) The Company is obligated to purchase certain common shares and preferred shares of Beaufort Energy Limited, Beaufort Exploration Limited and Beaufort Petroleum Investment Limited in order that these companies can redeem certain issued and outstanding preferred shares. Such redemption is at the option of the holders of the preferred shares. The total contingent obligation of the Company is $5.5 million at December 31, 1983 and an additional $12.9 million at December 31, 1984.

d) To assist Maligne in financing the acquisition of approximately 10% of the Company's interest in HBOG, the Company pledged interests in certain oil and gas properties plus 5,000,000 Dome Mines shares to support a loan by a syndicate of lenders to Garfin Resources Ltd., which in turn loaned the money to a partnership at the request of Maligne. The lenders' recourse against the Company for repayment of this loan is limited to realization of their security on assets pledged by the Company.

22. Differences Between Canadian and United States Generally Accepted Accounting Principles

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian basis"). These principles differ in some respects from those applicable in the United States ("U. S. basis") as disclosed below:

Statement of Income

	1982	1981	1980
Net income (loss) in accordance with the Canadian basis as reported	**$(369.3)**	$199.1	$287.2
Add (deduct) adjustments for:			
Foreign currency translation (a)	**(44.9)**	20.1	(7.5)
Investment tax credits (b)	**(3.5)**	31.0	14.5
Other (c)	**4.2**	(6.3)	(2.8)
Net income (loss) in accordance with U.S. basis	**$(413.5)**	$243.9	$291.4
Net income (loss) per share in accordance with U.S. basis	**$ (1.91)**	$ 1.00	$ 1.22

Balance Sheets

	1982		1981	
	Canadian basis	**U.S. basis**	Canadian basis	U.S. basis
Investment in TransCanada	**$ 257.0**	**$ 255.6**	$ 246.8	$ 241.4
Long term debt	**4,292.6**	**4,363.2**	6,243.8	6,242.3
Deferred income taxes	**500.2**	**415.0**	554.3	480.3
Redeemable preferred shares issued by the Company	**97.9**	**215.1**	159.6	279.5
Preferred shares	**117.2**	**—**	119.9	—
Contributed surplus	**5.2**	**7.2**	2.8	5.0
Retained earnings	**621.3**	**632.5**	1,039.6	1,095.0

Notes to Statement of Income

(a) FASB Statement No. 8 requires that long term debt payable in foreign currencies be translated at the rate of exchange in effect at the end of the year with the resulting translation gains and losses being included in income in the current period.

(b) Under United States generally accepted accounting principles the Company is required to deduct from the provision for deferred income taxes certain of the available investment tax credits on eligible expenditures. In Canada, the

investment tax credits are only deductible to the extent that the Company believes that they will be realized as a deduction from income taxes.

(c) Comprised of interest capitalized by an equity accounted associate not in accordance with FASB Statement No. 34, and a deemed gain relating to shares in TransCanada which under United States accounting practice would be included in contributed surplus.

At December 31, 1982 retained earnings of the Company included $265.1 million representing cumulative earnings of equity accounted associates.

Realized foreign exchange gains (losses) included in income for the years ended December 31, 1982, 1981 and 1980 amounted to $12.8 million, $(11.1) million and $4.1 million respectively.

23. Cyprus Anvil Mining Corporation

Cyprus, an 87.5% owned subsidiary of the Company, was acquired by HBOG during August 1981. It owns extensive developed and undeveloped reserves of lead and zinc together with less significant deposits of silver. On June 4, 1982 the operations of Cyprus were suspended because of depressed economic conditions and high operating costs. The Company has an investment of approximately $326 million in Cyprus, in addition to approximately $135 million long term financing of Cyprus.

Subsequent to suspension of the mine's activities, efforts have been directed towards improving the mine's viability by implementation of a plan to reduce future operating costs. Such plan includes productivity improvements, decreased overhead, and reductions in electric power and transportation costs. Profitable operations are dependent upon implementation of the proposed operating cost efficiencies, improved market conditions and conclusion of satisfactory financing arrangements. The ultimate realization of the Company's investment in Cyprus cannot be determined at the present time.

24. Events Subsequent to December 31, 1982

a) On March 1, 1983, a prospectus was filed pursuant to which the Company and Dome Canada offered for sale shares of TransCanada (see Note 4).

b) Under an agreement with Dome Resources, on January 11, 1983 the Company served notice on Dome Resources requiring it to redeem on March 25, 1983 the 12,719,149 outstanding $5.75 Class A Preferred Shares of Dome Resources for $57.50 per share plus an amount equal to accrued dividends. On January 31, 1983, Dome Resources gave notice of such redemption to holders of the Class A Preferred Shares. The Class A Preferred Shares will be redeemed with funds held on deposit with a trustee (see Note 9).

c) On February 28, 1983, the Company reached an agreement with certain of its lenders for extensions regarding the repayment of certain bank loans and promissory notes to March 31, 1983 (see Note 8).

25. Refinancing

During 1982, the liquidity of the Company was seriously affected by lower than anticipated revenue, high rates of interest, and long term debt due within one year totalling $2,228.5 million as at December 31, 1982. A severe cash flow short-fall caused the Company to approach the Canadian government and its principal Canadian bankers for assistance. As a result, on September 29, 1982, an Agreement in Principle for restructuring and increasing the Company's capitalization was reached with the Government of Canada and the Four Canadian Banks.

Three of the principal elements of the proposal are:

1) The rescheduling of the term of a substantial portion of the Company's existing debt to at least ten years;

2) A capital injection of up to $1 billion, one half of which is to be provided by the Government and one half of which is to be provided by the Four Canadian Banks, through the purchase of convertible debentures; and

3) The opportunity for existing shareholders to participate in the refinancing through the right to subscribe for an additional $500 million of similar debentures.

Implementation of the proposal is subject to the satisfaction of a number of conditions, including: approval of the shareholders of the Company; directors and senior officers of the Company being satisfactory to the Government of Canada and the Four Canadian Banks; and the concurrence of other lenders to various features of the Agreement in

Principle, such as the debt restructuring aspects and the participation of certain lenders in a secured loan of the Four Canadian Banks to Dome Energy in the aggregate amount of $500 million.

The Company has determined that it is not reasonable to expect that the current portion of long term debt can be repaid as originally scheduled. Through the cooperation of certain of the Company's lenders, certain of the Company's bank loans totalling $1,365.3 million, before deduction of associated funds on deposit of $236.9 million as at December 31, 1982, are currently being extended on a short term basis to March 31, 1983 as negotiations regarding the Agreement in Principle continue (see Note 8). The Company believes that additional extensions will be necessary before negotiations are concluded.

The Company's existence as a going concern is primarily dependent upon a successful restructuring of substantially all of its debt repayments to match more nearly projected cash flows than is the case at present and thereby contribute to restoring liquidity. The debt restructuring must be accompanied by an injection of funds through an issue of new equity capital and a disposition of certain assets. However, the successful consummation of a financial restructuring plan is not assured.

Unaudited Supplementary Information

(Millions of Canadian Dollars)

The following unaudited supplementary information is disclosed in accordance with the provisions of FASB Statement No. 69 "Disclosures about Oil and Gas Producing Activities". Information for 1981 and 1980, which was previously disclosed under the provisions of SEC Regulation S-X, Rule 4-10 has been restated to conform to the 1982 disclosures.

SEC definitions exclude from oil and gas producing activities the extraction of hydrocarbons from oil sands, and therefore the Company's interests in synthetic crude oil projects are not reflected in the information provided.

The unaudited supplementary information regarding the Company's proportionate interests in companies accounted for by the equity method excludes its interest in TransCanada since the Company ceased equity accounting for TransCanada effective December 1982.

Capitalized Costs Relating to Oil and Gas Producing Activities
December 31, 1982 and 1981

	1982	1981
Oil and gas properties	**$6,518.9**	$6,298.3
Less accumulated depletion and depreciation	**706.8**	278.5
Net capitalized costs	**$5,812.1**	$6,019.8
Company's proportionate interests in capitalized costs of companies accounted for by the equity method	**$ 436.1**	$ 125.3

Costs Incurred in Oil and Gas Property Acquisition, Exploration, and Development Activities
Three Years Ended December 31, 1982

	1982			1981			1980		
	Canada	**Foreign**	**Total**	Canada	Foreign	Total	Canada	Foreign	Total
Property acquisition	**$257.9**	**$ 0.4**	**$258.3**	$1,902.2	$345.7	$2,247.9	$680.2	$198.8	$879.0
Exploration	**187.5**	**90.2**	**277.7**	274.1	164.1	438.2	388.4	42.2	430.6
Development	**162.2**	**34.7**	**196.9**	374.9	81.6	456.5	203.2	40.2	243.4
Company's proportionate interests in costs of property acquisition, exploration, and development of companies accounted for by the equity method	**305.0**	**12.1**	**317.1**	76.4	9.6	86.0	25.7	—	25.7

Results of Operations for Oil and Gas Producing Activities
Three Years Ended December 31, 1982

	1982			1981			1980		
	Canada	**Foreign**	**Total**	Canada	Foreign	Total	Canada	Foreign	Total
Revenue	**$859.4**	**$100.5**	**$959.9**	$590.2	$94.0	$684.2	$353.3	$42.2	$395.5
Production costs	**197.7**	**42.5**	**240.2**	132.6	29.8	162.4	57.3	10.7	68.0
Depletion and depreciation	**140.3**	**67.6**	**207.9**	80.4	37.8	118.2	49.8	11.1	60.9
	521.4	**(9.6)**	**511.8**	377.2	26.4	403.6	246.2	20.4	266.6
Income taxes	**278.6**	**6.1**	**284.7**	148.4	2.3	150.7	46.5	7.4	53.9
Results of operations from producing activities (excluding corporate overhead and interest costs)	**$242.8**	**$ (15.7)**	**$227.1**	$228.8	$24.1	$252.9	$199.7	$13.0	$212.7
Company's proportionate interests in results of operations for producing activities of companies accounted for by the equity method	**$ 10.4**	**$ —**	**$ 10.4**	$ 0.9	$ —	$ 0.9	$ 0.5	$ —	$ 0.5

The results of operations above exclude the $213.6 million write-down of the United States oil and gas properties and the loss on disposition of assets of $100.4 million, net of deferred income taxes of $54.2 million.

Reserve Quantity Information
Three Years Ended December 31, 1982 (1)

	Canada		Foreign		Total	
	Oil	Gas	Oil	Gas	Oil	Gas
Proved reserves at December 31, 1979	166,270	2,912	9,927	89	176,197	3,001
Revisions of previous estimates	6,025	97	(2,733)	(3)	3,292	94
Improved recovery	17,756	—	—	—	17,756	—
Purchases of minerals in place	79,468	464	6,453	69	85,921	533
Extensions and discoveries	32,389	520	4,713	16	37,102	536
Production	(14,308)	(120)	(1,114)	(6)	(15,422)	(126)
Proved reserves at December 31, 1980 (2)	287,600	3,873	17,246	165	304,846	4,038
Revisions of previous estimates	16,941	(134)	(6,378)	(83)	10,563	(217)
Improved recovery	5,088	—	—	—	5,088	—
Purchases of minerals in place	264,154	3,537	9,551	30	273,705	3,567
Extensions and discoveries	8,115	254	11,624	13	19,739	267
Production	(21,788)	(166)	(3,450)	(8)	(25,238)	(174)
Proved reserves at December 31, 1981 (2)(3)	560,110	7,364	28,593	117	588,703	7,481
Revisions of previous estimates	**5,753**	**(208)**	**(607)**	**1**	**5,146**	**(207)**
Improved recovery	**322**	**—**	**2,598**	**—**	**2,920**	**—**
Extensions and discoveries	**10,203**	**121**	**7,833**	**12**	**18,036**	**133**
Production	**(28,640)**	**(199)**	**(4,117)**	**(10)**	**(32,757)**	**(209)**
Sales of minerals in place	**(103,815)**	**(1,356)**	**(13,127)**	**(2)**	**(116,942)**	**(1,358)**
Proved reserves at December 31, 1982 (2)	**443,933**	**5,722**	**21,173**	**118**	**465,106**	**5,840**

	Canada		Foreign		Total	
	Oil	Gas	Oil	Gas	Oil	Gas
Proved developed reserves at December 31,						
1980	210,137	1,635	12,306	120	222,443	1,755
1981	493,064	5,522	23,316	71	516,380	5,593
1982	**364,361**	**3,890**	**18,629**	**100**	**382,990**	**3,990**
Company's proportionate interests in proved reserves of companies accounted for by the equity method at December 31,						
1980	2,318	15	—	—	2,318	15
1981	2,803	50	2,748	—	5,551	50
1982	**20,521**	**288**	**18,778**	**—**	**39,299**	**288**

(1) Oil reserves are stated in thousands of barrels; gas reserves are stated in billions of cubic feet.

(2) Includes natural gas liquids reserves of (in millions of barrels): 1982 — 103.7, 1981 — 128.0 and 1980 — 49.1.

(3) Includes reserves of 261.3 million barrels of crude oil and 3,458 billion cubic feet of gas attributable to HBOG in which there was a 47.1% minority interest at December 31, 1981.

All reserve figures are stated after overriding royalties and freehold royalties but before deduction of Crown royalties, since it is not practical to project full-life Crown royalty rates, given the numerous and variable factors prevailing in the various jurisdictions.

There have not been any major discoveries or other events since December 31, 1982 that would cause a significant change from the estimated reserves reported.

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves

Future net cash flows are based on year end prices of oil and gas with consideration of future price increases only to the extent provided by contractual arrangements and after deducting future expenditures (based on year end costs) to be incurred in developing and producing these reserves. In Canada, future net cash flows at December 31, 1982 and 1981 were calculated using the price escalations contained in the Energy Pricing and Taxation agreements reached between the Federal Government and the producing provinces, assuming the existing world price remains constant. A 10% discount factor has been applied in determining the standardized measure of discounted future net cash flows.

The "Standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves" disclosed in the following table should not be construed as representing the fair market value of the Company's oil and gas properties.

An estimate of fair market value would have to take into account additional factors, including:

1) The value of proved reserves in frontier areas which have not been included in the valuation due to such factors as lack of transportation systems and governmental approvals;

2) Reserves presently classified by engineers as probable but unproved which will ultimately become proved;

3) Additional reserves which may be discovered on unproved acreage.

In addition, the calculation of future net cash flows may be inaccurate due to the probability that:

1) Future recoveries of oil and gas from present proved properties will differ from the reserves presently estimated;

2) Future oil and gas prices and the costs of developing and producing the estimated reserves will change from current levels;

3) The actual production schedule will change significantly from the currently estimated schedule;

4) Tax rates on oil and gas production and net income will change; and

5) Tax allowances from the ongoing exploration program will offset taxes on production income.

Furthermore, a discount rate of 10% may not adequately reflect future interest rates and a uniform discount rate may not be appropriate due to differing risk factors for development of offshore or frontier areas relative to more conventional areas.

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

December 31, 1982, 1981 and 1980

	1982			1981			1980		
	Canada	**Foreign**	**Total**	Canada	Foreign	Total	Canada	Foreign	Total
Future cash inflows	**$20,231.6**	**$489.1**	**$20,720.7**	$27,180.6	$725.0	$27,905.6	$9,298.6	$780.0	$10,078.6
Future production and development costs	**6,473.8**	**43.0**	**6,516.8**	6,470.0	128.4	6,598.4	2,700.5	68.6	2,769.1
Future income taxes	**7,882.6**	**—**	**7,882.6**	12,007.2	36.9	12,044.1	3,285.3	—	3,285.3
Future net cash flows	**5,875.2**	**446.1**	**6,321.3**	8,703.4	559.7	9,263.1	3,312.8	711.4	4,024.2
Less 10% annual discount for estimated timing of cash flows	**2,935.5**	**170.2**	**3,105.7**	4,434.7	173.6	4,608.3	1,554.0	204.2	1,758.2
Standardized measure of discounted future net cash flows	**$ 2,939.7**	**$275.9**	**$ 3,215.6**	$ 4,268.7	$386.1	$ 4,654.8(1)	$1,758.8	$507.2	$ 2,266.0
Company's proportionate interests in standardized measure of discounted future net cash flows of companies accounted for by the equity method	**$ 167.1**	**$ 26.3**	**$ 193.4**	$ 16.7	$ 3.9	$ 20.6	$ 10.4	$ —	$ 10.4

(1) Includes $1,693.1 million attributable to HBOG in which there was a 47.1% minority interest at December 31, 1981.

Principal Sources of Change in the Standardized Measure of Discounted Future Net Cash Flows

Three Years Ended December 31, 1982

	1982	1981	1980
Production	**$ (738.7)**	$ (521.8)	$ (327.5)
Net changes in prices and production costs	**(2,234.2)**	1,034.4	269.1
Extensions, discoveries, and improved recovery, less related costs	**225.9**	340.6	432.4
Development costs incurred during the period	**132.2**	319.0	182.5
Revisions of previous quantity estimates	**(116.1)**	(163.7)	(13.5)
Accretion of discount	**976.1**	358.2	188.7
Net change in income taxes	**2,105.2**	(3,790.4)	(1,315.9)
Sales of reserves in place	**(1,561.9)** (1)	—	—
Other — purchase of reserves	**—**	4,812.5 (1)	963.1
— adjustments and changes	**(227.7)**	—	—
	$(1,439.2)	$2,388.8	$ 378.9

(1) The purchase of reserves in 1981 consists primarily of 100% of the oil and gas reserves of HBOG. The sales of reserves in 1982 reflect the effective disposition of approximately 34.1% of the Company's interest in HBOG on March 10, 1982.

Market for the Company's Equity and Related Stockholder Matters

The Company's common shares are listed on the Toronto, Montreal, American and London Stock Exchanges. The Toronto and American Stock Exchanges are the principal markets in which the Company's common shares are traded. Quarterly price ranges of the Company's common shares in Canadian and United States dollars which traded during the periods indicated, as reported by the Toronto Stock Exchange and American Stock Exchange, respectively, were as follows:

	Toronto Stock Exchange (Canadian dollars)		American Stock Exchange (U.S. dollars)	
	High	Low	High	Low
1982				
1st quarter	**$15.00**	**$ 7.88**	**$12.63**	**$ 6.50**
2nd quarter	**11.25**	**4.95**	**9.25**	**3.80**
3rd quarter	**5.88**	**2.85**	**4.75**	**2.19**
4th quarter	**3.70**	**2.55**	**3.00**	**2.07**
1981				
1st quarter	17.70	14.10	14.95	11.80
2nd quarter	25.38	17.50	21.25	14.70
3rd quarter	24.88	11.25	21.25	9.38
4th quarter	16.25	11.63	13.75	9.63

The approximate number of registered holders of common shares as of December 31, 1982 was 43,204. The Company has not paid dividends on its common shares since the Company's inception and there is no expectation to do so in the near future. Per share amounts have been restated to reflect the five for one common share split effective May 22, 1981.

Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter(1)	Year(1)
1982					
Revenue	**$751.6**	**$779.2**	**$660.6**	**$ 808.3**	**$2,999.7**
Operating income (2)	**$254.0**	**$207.7**	**$217.2**	**$ (70.3)**	**$ 608.6**
Net loss attributable to common shares	**$ (25.7)**	**$ (85.7)**	**$ (0.4)**	**$(271.3)**	**$ (383.1)**
Net loss per share	**$ (0.11)**	**$ (0.39)**	**$ —**	**$ (1.21)**	**$ (1.71)**
1981 (3)					
Revenue	$354.5	$434.9	$692.4	$ 722.4	$2,204.2
Operating income (2)	$141.8	$162.2	$262.3	$ 212.8	$ 779.1
Net income attributable to common shares	$ 54.1	$ 50.0	$ 30.5	$ 43.7	$ 178.3
Net income per share	$ 0.24	$ 0.23	$ 0.13	$ 0.20	$ 0.80

(1) Results for the fourth quarter and full year of 1982 were affected significantly by write-down and disposal losses which are discussed in the Management Discussion and Analysis.

(2) Operating income is after depletion, depreciation and amortization and after certain write-down and disposal losses but before corporate expenses (see Note 19 to the consolidated financial statements).

(3) Revenue figures for the year ended December 31, 1981, have been reclassified to conform to the current year's financial statement presentation.

FIVE YEAR FINANCIAL REVIEW

(Millions of Canadian Dollars, Except Per Share Amounts)

	1982	1981	1980	1979	1978
Revenue (after royalties and revenue taxes)					
Oil and gas operations:					
Crude oil	**$ 512.5**	$ 371.6	$ 183.4	$ 71.6	$ 44.8
Natural gas	**401.9**	294.3	212.1	125.8	67.3
Natural gas liquids (field plants)	**63.1**	39.6	—	—	—
Sulphur and other	**71.2**	18.2	21.8	19.6	—
Net revenue from oil and gas operations	**1,048.7**	723.7	417.3	217.0	112.1
Natural gas liquids extraction, transportation and marketing operations	**1,029.3**	857.9	640.4	503.8	402.8
Marine operations and shipbuilding	**733.2**	538.9	74.6	202.9	95.0
Other	**188.5**	83.7	11.3	21.8	17.4
	2,999.7	2,204.2	1,143.6	945.5	627.3
Expense					
Cost of product	**730.5**	581.6	418.5	328.1	292.1
Marine operations and shipbuilding	**546.7**	370.6	40.9	106.8	43.1
Operating and general	**439.0**	312.6	132.6	78.0	51.0
Minerals production	**92.4**	43.0	—	—	—
Interest and financing charges	**649.0**	499.9	150.1	111.6	46.6
Depletion, depreciation and amortization	**313.0**	163.4	82.9	62.6	30.9
Unrealized foreign exchange loss	**35.4**	—	—	—	—
Preferred share dividends of subsidiaries	**163.5**	24.0	18.2	22.9	2.2
Write-down of United States oil and gas properties	**213.6**	—	—	—	—
Loss on disposal of assets	**154.6**	—	—	—	—
	3,337.7	1,995.1	843.2	710.0	465.9
	(338.0)	209.1	300.4	235.5	161.4
Provision for income taxes	**93.9**	78.2	84.3	95.9	47.5
Equity in earnings of associated companies	**57.1**	78.0	71.1	42.1	11.2
Minority interest	**(5.5)**	9.8	—	—	—
Net income (Loss)	**$ (369.3)**	$ 199.1	$ 287.2	$ 181.7	$ 125.1
Average number of common shares outstanding (in millions)	**223.8**	223.4	221.5	223.1	224.3
Net income (loss) per common share	**$ (1.71)**	$ 0.80	$ 1.20	$ 0.78	$ 0.56
Funds generated from operations	**$ 224.0**	$ 388.5	$ 449.6	$ 323.4	$ 198.7
Capital expenditures:					
Crude oil and natural gas	**$ 734.9**	$ 2,980.9	$1,492.2	$ 879.2	$ 236.3
Natural gas liquids operations	**31.3**	76.3	72.2	38.7	68.4
Marine operations and shipbuilding	**32.2**	295.8	21.4	76.9	6.2
Other	**61.6**	394.9	49.3	9.0	1.1
	$ 860.0	$ 3,747.9	$1,635.1	$1,003.8	$ 312.0
Total assets	**$9,916.6**	$10,208.7	$5,078.7	$3,130.5	$1,713.4
Long term debt obligations and redeemable preferred shares (excluding current portion)	**$4,615.5**	$ 6,628.4	$3,025.8	$1,711.7	$ 797.1

Acquisitions during these years are discussed in Note 17 to the consolidated financial statements.

A discussion of uncertainties related to the Company's future operations is contained in Notes 23 and 25 to the consolidated financial statements.

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada. If the financial statements had been prepared in accordance with accounting principles generally accepted in the United States certain of the financial data above would be restated as follows:

	1982	1981	1980	1979	1978
Net income (loss)	**$ (413.5)**	$ 243.9	$ 291.4	$ 199.0	$ 112.5
Net income (loss) per share	**$ (1.91)**	$ 1.00	$ 1.22	$ 0.86	$ 0.50
Total assets	**$9,915.2**	$10,203.3	$5,077.4	$3,132.0	$1,713.4
Long term obligations	**$4,803.4**	$ 6,746.8	$3,186.4	$1,865.4	$ 828.4

FIVE YEAR OPERATING REVIEW

	1982	1981	1980	1979	1978
Production Volumes (1)					
Crude oil (barrels per day):					
Canada — conventional	**64,686**	56,704	37,280	17,853	12,145
— synthetic	**3,239**	2,670	—	—	—
Foreign	**8,529**	9,452	3,051	—	—
Natural gas liquids (barrels per day):					
Field plants	**16,534**	10,082	1,919	1,591	1,096
Straddle plants	**30,789**	29,921	29,562	32,358	30,605
Total petroleum liquids	**123,777**	108,829	71,812	51,802	43,846
Natural gas (million cubic feet per day)	**584.9**	476.2	343.8	275.8	164.3
Sulphur (long tons per day)	**830.6**	570.6	—	—	—
Sales Volumes (1)					
Natural gas liquids (barrels per day)	**122,884**	118,816	101,384	101,200	90,078
Sulphur (long tons per day)	**2,125.9**	803.6	—	—	—
Gross Wells (including farmouts)					
Exploratory — Canada — oil	**113**	81	75	69	25
— gas	**131**	234	214	163	89
— dry	**106**	180	137	128	108
— Foreign — oil	**14**	32	23	9	4
— gas	**7**	11	6	9	7
— dry	**53**	86	59	25	14
Total gross exploratory wells	**424**	624	514	403	247
Development — Canada — oil	**265**	412	238	152	65
— gas	**253**	433	342	220	107
— dry	**71**	90	95	61	35
— Foreign — oil	**60**	164	42	16	6
— gas	**24**	30	55	53	9
— dry	**13**	38	36	19	3
Total gross development wells	**686**	1,167	808	521	225
Total gross wells	**1,110**	1,791	1,322	924	472
Reserves (millions of barrels) (2)					
Estimated recoverable reserves of oil, natural gas liquids and oil equivalent of natural gas	**1,540.7**	1,969.3	1,010.4	665.9	379.9
Land Holdings (thousands of acres)					
Gross working interest	**72,343**	123,322	70,514	66,938	42,150
Net working interest	**27,825**	53,867	31,557	35,906	21,235
Gross royalty interest (3)	**10,807**	28,422	26,737	31,660	26,789

(1) Production and sales volumes are before deduction of royalties and participation interests of host governments.

(2) Reserves volumes are after deduction of gross overriding and freehold royalties but before Crown royalties and exclude the Company's interests in substantial gas reserves in the Canadian Arctic Islands and major oil and gas discoveries in the Beaufort Sea.

(3) These are lands in which only a royalty interest is held. The Company also holds royalty interests in approximately 14.1 million gross acres of its working interest lands at December 31, 1982.

Exchange rates

The exchange rates for Canadian dollars at the end of each of the five years ended December 31, 1982 and the average, the high and the low exchange rates for the five years then ended were as follows (such rates, which are expressed in United States dollars, being the noon buying rates in New York City for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York):

	1982	1981	1980	1979	1978
Average annual	**.8088**	.8338	.8546	.8543	.8743
Last day	**.8132**	.8430	.8372	.8559	.8427
High in year	**.8430**	.8499	.8754	.8771	.9159
Low in year	**.7691**	.8048	.8258	.8326	.8404

Directors

Officers

(as of March 30, 1983)

Norman J. Alexander, * **
Winnipeg, Manitoba
Investment Consultant

René Amyot,
Québec, Québec
Partner, Amyot Lesage

Marshall A. Crowe, **
Ottawa, Ontario
President,
M.A. Crowe Consultants, Inc.

Fraser M. Fell, Q.C., **
Toronto, Ontario
Partner, Fasken & Calvin

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Toronto, Ontario
Chief Executive,
Dome Mines Limited

* Audit Committee Member
** Executive Committee Member

John P. Gallagher
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John M. Beddome
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Senior Vice President, Exploration

Valden M. Eshleman
Senior Vice President,
Administration

Ronald Sedgewick
Senior Vice President,
Production and Exploitation

H. James Strain
Senior Vice President,
Drilling and Heavy Oil

Murray B. Todd
Senior Vice President,
Frontier Drilling and Production

Robert R. Andrews
Vice President, Marketing

Ewan M. Cotterill
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J. Graham Day
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and Marine Development

Earle L. Forgues
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Business Development

Raymond R. Forseth
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Japanese Business Relations

Dean P. Geddes
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Donald R. Gilley
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Akira Masuda
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Exploration and Land

George W. Watson
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Andrew H. Younger
Vice President, NGL

Karl G. Leitl
Controller

Henry T. Astle
Treasurer

Harry M. Eisenhauer
Secretary

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