SHELL CANADA

Shell Canada
1982 Annual Report

C

THE CORPORATION

Shell Canada, with assets of $4.7 billion, is one of the largest integrated petroleum companies in Canada.

It is a major producer of liquid hydrocarbons (crude oil and natural gas liquids) and one of Canada's largest producers of natural gas and sulphur. It is also a leading manufacturer and marketer of a wide range of refined petroleum products across Canada. In addition, it is engaged in coal exploration and development and in the manufacture and marketing of petrochemicals.

Operations are grouped in three business segments. **Shell Canada Resources Limited,** a wholly-owned subsidiary, encompasses crude oil and natural gas activities as well as a coal subsidiary, Crows Nest Resources Limited. Oil product refining and marketing operates under a Shell Canada division, **Shell Canada Products Company.** Petrochemical manufacturing and sales are conducted by **Shell Canada Chemical Company,** a division of Shell Canada.

1982 Financial performance

Shell Canada's 1982 earnings of $133 million compared with $236 million in 1981. The year-to-year decline was mainly attributable to an increase in the Petroleum and Gas Revenue Tax, lower inventory gains, reduced Oil Products and Chemicals sales volumes, higher financing costs and an unusual write-down provision for the planned closing of the St Boniface refinery. These factors were partially offset by higher earnings in the Resources segment.

Internally generated cash in 1982 amounted to $773 million, an increase of $106 million over 1981. This was supplemented by external borrowing of approximately $600 million to fund the Corporation's capital and exploration expenditures, which totalled about $1 billion.

Contents

Unless the context indicates otherwise, the terms 'Shell', 'Shell Canada', 'Corporation', 'Company', 'we', 'our', and 'its', are used interchangeably in this report to refer to Shell Canada Limited and consolidated subsidiaries.

On peut obtenir ce rapport en français sur demande.

Annual meeting

The annual meeting of shareholders will be held at 11:00 a.m. Wednesday, April 27, 1983, in the Regency Ballroom of the Four Seasons Hotel, Toronto, Ontario.

10-K Report

A copy of the Corporation's 10-K Report for 1982, as filed with the Securities and Exchange Commission in the United States, is available to shareholders upon request to the Corporation's Secretary.

Approximate metric conversion factors

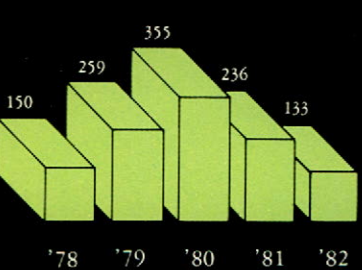
1 cubic metre of liquids	=	6.29 barrels
1 cubic metre of gases	=	35.3 cubic feet
1 tonne	=	2 205 pounds
	or	0.984 long ton
1 kilometre	=	0.621 mile
1 hectare	=	2.47 acres
1 litre	=	0.22 gallon

HIGHLIGHTS

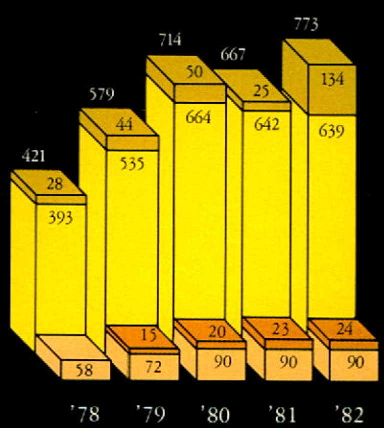
Shell Canada

Financial ($ millions, except per share amounts)	1982	1981
Earnings	**133**	236
Return on Average Capital Employed	**5.0%**	8.8%
Earnings per Class "A" Common Share	**1.09**	2.12
Dividends paid per Class "A" Common Share	**0.90**	0.90
Adjusted for General Inflation		
Earnings (loss)	**(13)**	154
Return on Average Capital Employed	**0.6%**	3.8%

Operating	1982	1981
Crude Oil and Natural Gas Liquids Produced – Gross (m^3/d)	**10 000**	10 000
Natural Gas Produced and Sold – Gross (thousands of m^3/d)	**16 400**	16 400
Sulphur Sales – Gross (tonnes/d)	**3 512**	4 213
Coal Sales – Gross (tonnes/d)	**1 955**	—
Crude Oil Processed by Shell Refineries (m^3/d)	**36 200**	38 600
Petroleum Product Sales (m^3/d)	**33 900**	37 100
Chemical Sales (tonnes/d)	**1 346**	1 413



Earnings ($ millions)



Cash internally generated ($ millions)

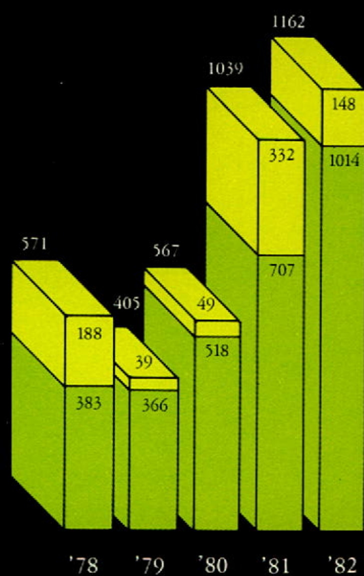
Other

Cash from operations

Dividends

Preferred

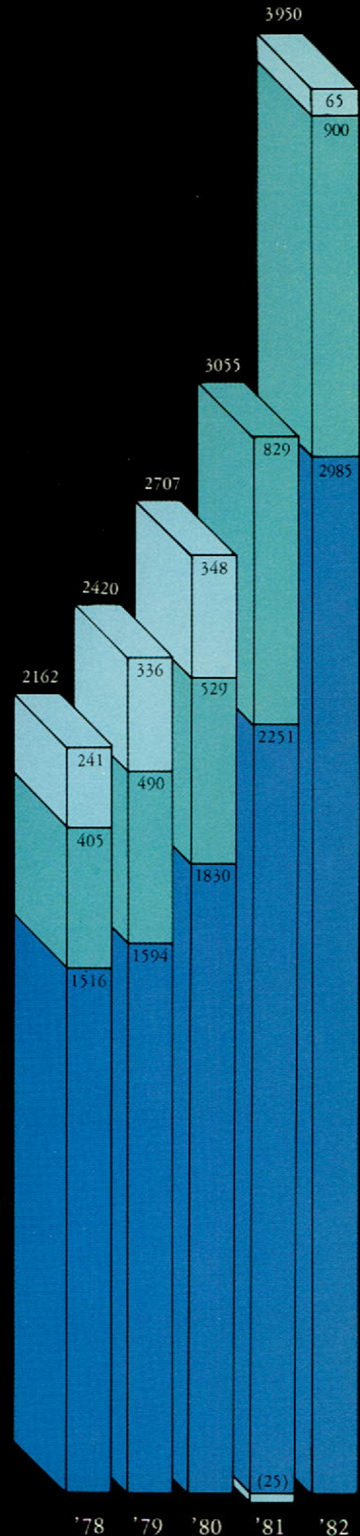
Common



Cash invested ($ millions)

Working capital (excluding cash) and other investments

Capital and exploration expenditures



Capital employed ($ millions)

Cash and short-term investments less short-term borrowings

Working capital (excluding cash)

Net fixed assets and other investments

OPERATIONS SUMMARY

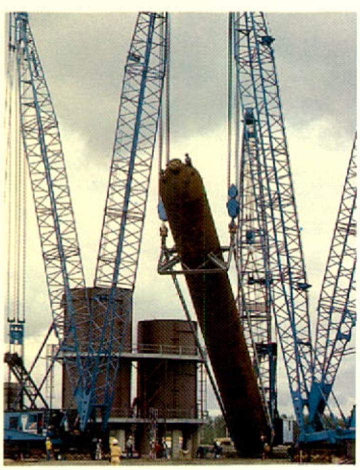
Resources

1982 Performance

Resources earnings improved to $133 million, up $44 million from 1981. The year-to-year increase resulted from higher prices, reduced provincial royalty rates and lower exploration expenses. These factors were partially offset by the Petroleum and Gas Revenue Tax, which rose $50 million to $119 million in 1982, and by reduced sulphur sales. Capital and exploration expenditures decreased by $128 million to $378 million in 1982, primarily as a result of the completion of the Line Creek coal mine in British Columbia. Capital employed at the end of 1982 amounted to $1.5 billion, or 39 per cent of the corporate total, compared with $1.4 billion and 46 per cent at the end of 1981.

Natural gas sales volumes, at 16 million cubic metres a day, were the same as in 1981. Deliveries under new sales contracts were offset by over-all lower demand. Gross production of crude oil and natural gas liquids was 10 000 cubic metres daily, unchanged from 1981. Sulphur sales averaged 3512 tonnes a day, down 17 per cent due mainly to the effect of the worldwide recession on fertilizer demand. Sulphur production averaged 3190 tonnes a day compared with 3445 tonnes in 1981.

Thermal coal sales to South Korea from the Line Creek mine commenced in April,



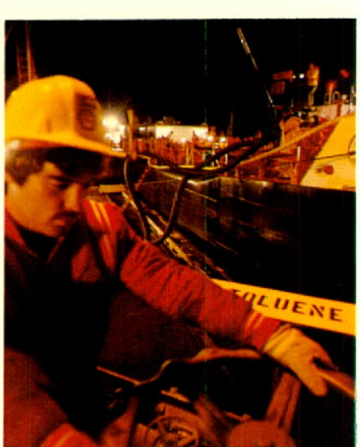
Oil Products

1982 Performance

Oil Products earnings for 1982 were $53 million, down substantially from 1981, as lower industry product demand and excess refinery capacity led to intense price competition and the erosion of operating margins. The results reflected inventory gains which were $45 million lower than the previous year. In addition, an unusual $17 million write-down provision was included for the planned closing of the St. Boniface refinery in 1983. Capital employed at the end of 1982 amounted to $1.6 billion, or 40 per cent of the corporate total, compared with $1.2 billion and 40 per cent at the end of 1981.

Capital spending of $313 million during the year was directed primarily towards increasing the Corporation's supply position in Western Canada. Construction continued on Shell's Scotford refinery, near Edmonton, Alberta. In addition, the Corporation opened a bulk lubricants and grease manufacturing plant in Calgary (the grease facility is the first in Western Canada) and an expansion at the Shellburn refinery in British Columbia neared completion.

Petroleum product sales of 33 900 cubic



Chemicals

1982 Performance

The steady growth of Chemicals earnings in prior years was not sustained in 1982. The slack world economy, higher petroleum-based feedstock costs, and surplus production capacity worldwide, which began to adversely affect profit margins in the fourth quarter of 1981, continued to severely depress domestic and world markets through 1982. Earnings amounted to $14 million, down from $24 million in 1981 and $21 million in 1980.

Total chemical sales revenues in 1982 were $328 million, about the same level as in 1981, while sales volumes declined by five per cent to 1346 tonnes a day. The severe decline in demand for chemicals in Canada was partially offset by increased export sales of polypropylene and hydrocarbon solvents to the United States,

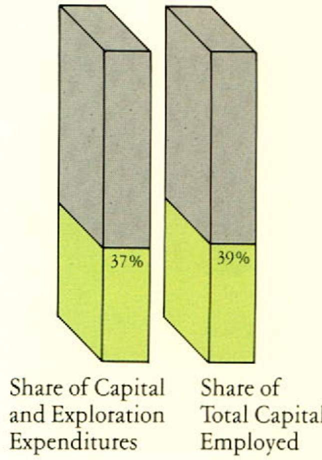
Note: Interest on long-term debt is not allocated to Resources, Oil Products or Chemicals.

1982, and by year-end 593 000 tonnes had been shipped.

Outlook
High taxes and royalties, together with the current economic environment, will continue to constrain cash flow and overall levels of investment in 1983. Moderate oil and gas exploration and development programs are being continued in Western Canada and exploration drilling has recommenced in the Nova Scotia offshore area. This offshore program will initially concentrate on the gas-prospective Sable Island area where success would enable participation in domestic and export market opportunities in the second half of the 1980s.

In oil sands, an important synthetic crude oil supply opportunity, operations of the Peace River in-situ pilot project are being continued to establish the technical viability of recovering oil from this major deposit. Investments are also being made toward long-term programs to increase oil recovery from existing conventional crude oil reserves by enhanced recovery methods.

Thermal coal shipments from Line Creek to South Korea will continue in 1983 to meet long-term contracts of 1.1 million tonnes annually. Metallurgical coal deliveries will begin early in 1983 on long-term contracts of one million tonnes a year to Japan.

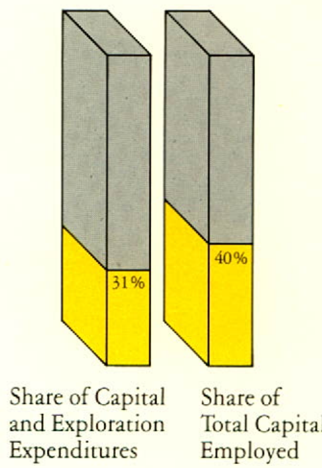


metres a day in 1982 were down by nine per cent from 1981, reflecting the weak economy, energy conservation and fuel substitution.

Outlook
Oil products demand is expected to continue to fall in 1983. As a result, excess refinery capacity in the industry will continue to place a severe squeeze on product margins. Consolidation of Shell's refinery operations will increase capacity utilization and thereby improve operating efficiency.

In Eastern Canada, the Oakville refinery will be closed in 1983 and Ontario refining will be consolidated at Shell's Sarnia Manufacturing Centre. Utilization will be improved at the Montreal East refinery by processing crude oil for another refiner. In Western Canada, the St. Boniface refinery in Manitoba will be closed late in 1983. Product supply for the Manitoba market will be obtained on an interim basis from another refiner until Scotford comes on stream in 1984. Then, Shell's western refining will be concentrated at Scotford and Shellburn.

Investment spending in 1983 is mainly for the major refinery project at Scotford, supplemented by modest maintenance capital.

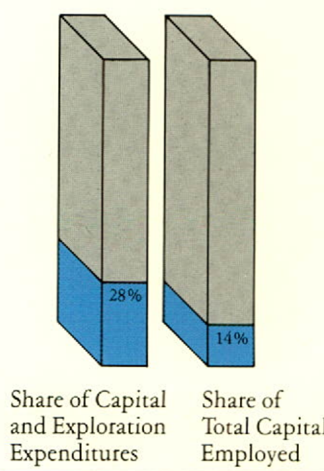


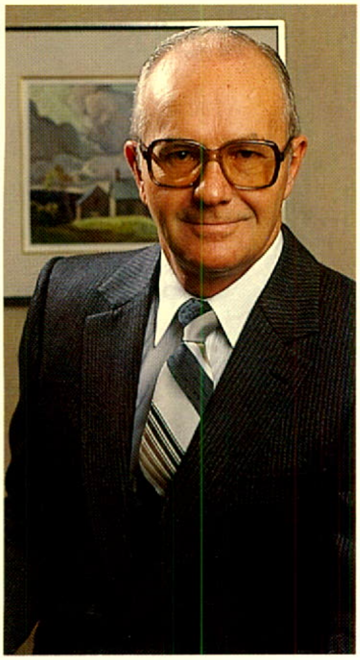
South America and the Far East.

Capital expenditures of $288 million in 1982 reflected increased activity in construction of benzene and styrene monomer plants at Scotford in Alberta. Capital employed amounted to $568 million, or 14 per cent of the corporate total, up from $327 million, or 11 per cent in 1981.

Outlook
Shell anticipates that slack economic conditions will continue to impact on demand in 1983 and maintain downward pressure on petrochemical product margins. The Corporation expects, however, to maintain sales tonnages and further develop export markets.

Investment spending in 1983 is mainly for the construction of the Alberta chemical projects as well as modest maintenance capital.





C. William Daniel
President and Chief Executive Officer

I am confident that Shell will grow as a Corporation and play a leading role in the economic recovery and future development of Canada.

Severe recession pervaded Canada in 1982 as the worst economic decline in the post-war period adversely affected all segments of our economy. Continuing high interest rates were accompanied by sharp drops in industrial production, business investment, residential construction and consumer spending. Unemployment rose sharply and corporate profits fell significantly. All of these factors had a negative effect on Canadian business generally and, for the oil and gas industry, came on top of the severely adverse impact of the National Energy Program and energy pricing agreements.

Shell Canada's performance reflected these pressures, as earnings in 1982 fell to $133 million from $236 million the previous year. At the same time, the Corporation's internal cash generation increased by $106 million to $773 million.

Notwithstanding the earnings decline, Shell's high level of investment, in excess of $1 billion in both 1981 and 1982, provides for future corporate growth and contributes substantially to the Canadian economy.

Shell has taken initiatives to adjust the Corporation's business strategies to the new Canadian environment. We have withdrawn from several activities in keeping with our re-emphasis on the Corporation's basic business areas of oil, natural gas, coal, oil refining and marketing, and petrochemicals. This more focussed approach was necessary because of the magnitude of investment required in the principal business areas, reduced earnings and constrained cash flow. New investment commitments have been curtailed, particularly the cancellation in 1982 of the Alsands mining project, where the economic, financial, oil pricing and operational risks did not justify the very large investment amounts involved.

Throughout the Corporation, efforts to constrain costs and improve productivity have been intensified. Programs in place are already showing promising results which will serve us well both now and in the future.

Economic outlook

The outlook for the Canadian economy can best be described as uncertain, but signs are emerging to indicate that the worst of the downturn may be behind us. Interest rates, while still high in real terms, have declined from previous high levels. Inflation is easing and governments convey a new recognition of the need to establish fiscal conditions conducive to private sector investment as the stimulus for longer-term economic renewal. An improvement in co-operation among governments, business and labour further supports the view that economic recovery, while beginning slowly, may well be on the horizon.

Increasingly, we realize that Canada has endured more than a normal cyclical downturn. Our country, like much of the rest of the industrial world, faces major economic changes. The impact of new technologies, increased efficiency in energy usage, changing societal expectations and dramatic shifts in international trading and financial patterns will all cause economic changes to which Canada must respond. A key element in Canada's longer-term response must be the continued pursuit of oil self-sufficiency, an objective that could easily be overlooked in today's environment of uncertain world oil prices and plentiful supply from external sources.

Rapid change heightens uncertainties in the business environment, but it also produces new opportunities. Full economic recovery will not occur in the short term. But when it does, Shell believes that Canada will offer longer-term investment opportunities in the energy sector that will provide for profitable growth. Your Corporation is well positioned to participate in these opportunities.

Long-term plans

In the Oil and Gas sectors, we will continue with our exploration and development programs in Western Canada and have also recommenced exploration drilling in the Nova Scotia offshore area. In Alberta, performance of the Peace River in-situ oil sands pilot project, which we are conducting with the financial support of the provincial government, is encouraging and will be continued. Further, we are maintaining our prime Athabasca oil sands mining leases for possible future development. Plans to increase oil recovery from existing conventional crude oil reserves by enhanced recovery methods have also been initiated.

Coal production from the Corporation's mine in British Columbia commenced in 1982 and sales of thermal and metallurgical coal are expected to reach approximately two million tonnes in 1983. However, with the world economy in recession, no new significant investment commitments in coal development are anticipated for several years.

Shell Canada is an active participant in the emerging petrochemical industry in Alberta, which is being developed to take advantage of the availability of natural gas as an abundant, competitively priced feedstock. Construction of benzene facilities and a world-scale styrene monomer plant will be completed in 1984 at Scotford.

In Oil Products, the strategic thrust is to consolidate our refining operations while strengthening our products supply position in Western Canada. To this end, our Oakville and St. Boniface refineries will be closed in 1983 while the new refinery at Scotford, Alberta, will be operational in 1984.

Because of the current environment and the need to fund the expenditures noted above, the Corporation has limited its new investment commitments in 1983 to about \$370 million compared with more than \$900 million in 1982. Our investment plans are sufficiently flexible to allow adjustment of the investment levels should economic conditions change. The investment plan now in place will require further borrowing which is well within the Corporation's financial capacity.

The severity of the recession and the actions that your Corporation has taken to adjust to the difficult and uncertain environment have affected many of our employees, dealers and agents. Their dedication, loyalty and support are recognized and sincerely appreciated.

The business environment is likely to remain difficult for at least a year or two. However, I am confident that with the promising long-term investment opportunities, and the support of a first-class Shell team, we will grow as a Corporation and play a leading role in the economic recovery and future development of our country.

On behalf of the Board,

CW Daniel

C. William Daniel
President and Chief Executive Officer
Toronto, Ontario, March, 1983

D. G. Stoneman
Senior Vice President
(Oil and Gas)

The oil and gas investment and operating programs are designed to enhance near-term earnings while focussing on key opportunities for future growth.

Oil and gas exploration and development activities of Shell Canada Resources were restrained in 1982. This reflects the continued negative impact of the National Energy Program, the pricing regime established by the federal-Alberta energy agreement of September, 1981, the economic recession and conservation measures. Although the provincial governments modified their royalty structures significantly and the federal government made modest adjustments to certain aspects of the NEP in 1982, these changes were not of sufficient magnitude to allow an increase in Shell's exploration and development programs.

During 1982, 42 conventional oil and gas exploration and development wells were drilled at a cost of about $72 million, resulting in 24 successful completions. Encouraging performance was also experienced in 1982 at the Peace River in-situ pilot project in Alberta. This pilot is the key to unlocking the potentially large Peace River oil sands reserves which are too deep to be recovered by surface mining methods. The Alsands mining project, in which Shell Canada had a 25-per-cent interest, was terminated in April, 1982.

The Corporation's exploration effort in 1983 will consist of a balanced program to pursue short-term oil opportunities while continuing sufficient natural gas exploration activities to maintain Shell's long-term position as one of Canada's leading gas producers.

In January, 1983, the National Energy Board recommended new export licences which could expand the market for Canadian gas, with deliveries contingent on U.S. import approvals. The gas export market to the United States is expected to remain soft in the short term due to a continuing surplus of lower-priced U.S. domestic supplies, slow recovery of the economy, conservation and competition from other fuels. However, in the last half of the 1980s Shell expects a strong export market to emerge as U.S. domestic supplies decrease.

Sulphur sales in 1983 will continue to decline, largely because of the effect of the worldwide recession and reduced demand for fertilizers, the largest end-use for this commodity. As Canada's largest sulphur producer, Shell is well positioned to take advantage of future expected increases in market demand as the world economy strengthens.

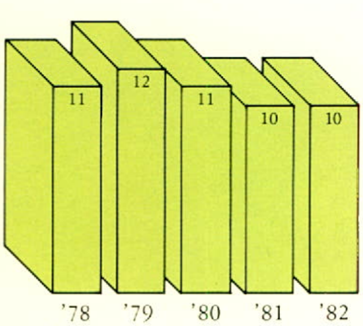
Offshore drilling started

The sedimentary basins off Canada's East Coast hold high potential for oil and gas development. The gas discoveries near Sable Island will likely be the next production from Canada's frontier lands to reach markets and, with significant land holdings in this region, Shell is well positioned strategically to participate in future opportunities.

During the year, the Corporation negotiated exploration agreements with the federal and provincial governments covering land holdings offshore Nova Scotia. Shell has an interest of approximately 25 per cent in more than two million gross hectares of lands on the continental shelf (water depth less than 200 metres) and approximately 50 per cent in 3.9 million gross hectares on the continental slope (water depth greater than 200 metres). Shell Canada, operator of the programs, has commenced drilling with the Sedco 709 drilling rig.

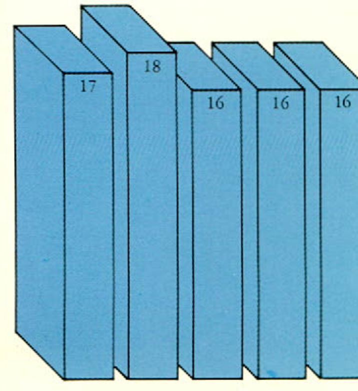
The first test, Shubenacadie H-100, completed in early 1983 on the Nova Scotia slope in more than 1450 metres of water, encountered no hydrocarbon zones and was abandoned. A second test, Glenelg J-48 near Sable Island on the Nova Scotia shelf in 85 metres of water, was commenced in February, 1983.

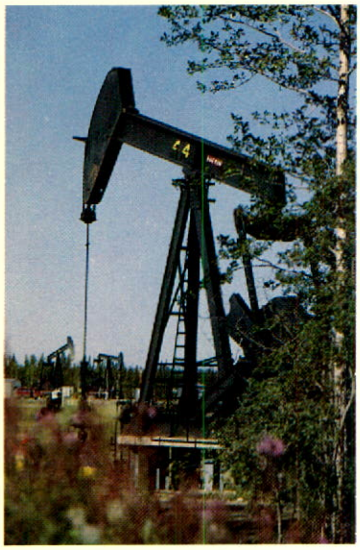
Gross production of crude oil and natural gas liquids was unchanged from 1981
(thousands of cubic metres daily)



The East Coast exploration program off Nova Scotia recommenced in 1982 with the Sedco 709 semi-submersible drilling vessel.

Gross natural gas volumes produced and sold were the same as in 1981
(millions of cubic metres daily)





A steam-drive thermal recovery process is being tested at the Peace River in-situ oil sands pilot project.

Crude oil activities

Most of the Corporation's exploration in Western Canada during 1982 was conducted in Alberta, with limited work in Saskatchewan and northeastern British Columbia.

Drilling operations in 1982 resulted in a modest oil discovery at Braeburn in north-central Alberta. Follow-up drilling was done in four areas in Alberta where Shell made discoveries in 1981 and results of these wells are being evaluated.

The Virginia Hills Permian Belloy oil pool northwest of Edmonton was unitized to allow the full benefit of a secondary recovery scheme and a corresponding increase in production. During 1982, production of 582 cubic metres a day from this pool contributed approximately nine per cent to Shell's crude oil sales. Additional development drilling is under review.

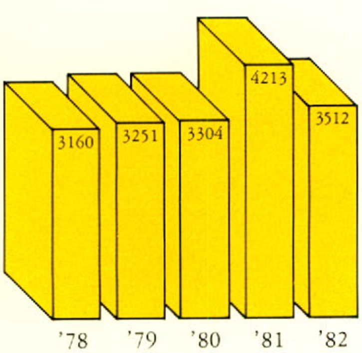
As a result of new incentives for enhanced oil recovery projects recently introduced by the Alberta government, the timing of such commercial developments is expected to be accelerated. Plans for enhanced oil recovery to increase production from established fields were advanced in Harmattan East and Virginia Hills. Enhanced recovery schemes have the potential to make a significant contribution to the Corporation's crude oil production by the late 1980s.

Synthetic oil developments

The Peace River in-situ pilot project completed its third year of operation in 1982, achieving a daily production as high as 410 cubic metres. The operating performance continues to be encouraging and should lead to an assessment of the technical feasibility of this method of recovery within two to three years.

In April, 1982, the Alsands consortium decided to wind down the proposed surface mining project. This followed the decision in February by five of the eight participants to withdraw from the group due to the failure to negotiate satisfactory terms with the federal and Alberta governments, leaving Shell Canada Resources, Gulf Canada Resources and Petro-Canada. New participants could not be attracted despite a subsequent improved offer from governments. Shell has maintained its prime oil sands mining leases and will continue to investigate alternative options for the future development of an oil sands mining venture.

Sulphur sales in 1982 declined 17 per cent
(tonnes daily)



Heavy oil programs

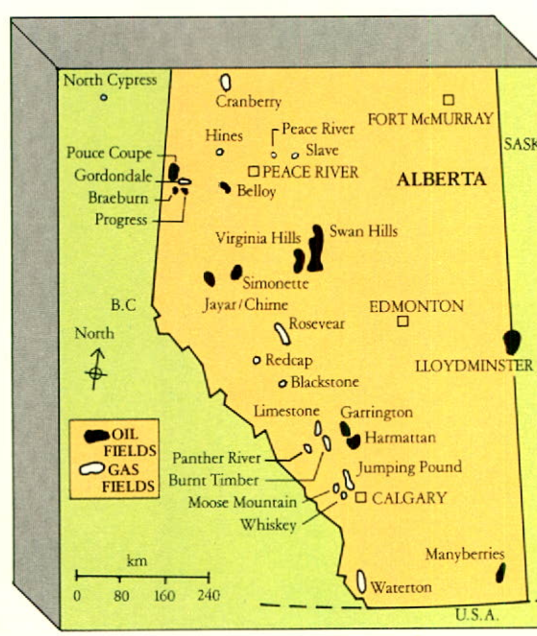
Some exploration and development drilling in the Lloydminster heavy oil region of Saskatchewan continued during 1982. Shell now holds 142 000 gross hectares of wholly-owned or farm-in land.

Exploration and development activities in heavy oil during 1983 will be substantially below 1982 levels. This reduction of activity reflects a shift in investment priorities following an assessment of the relative potential of all projects necessitated by constrained cash flows.

Natural gas activities

Natural gas sales volumes were maintained during the year and little change is expected in the next few years. However, the Corporation is well placed to participate in the expected improved market potential in the last half of this decade.

During 1982, seismic and drilling programs were continued in the Alberta and British Columbia foothills. These activities resulted in a gas discovery at North Cypress in northeastern British Columbia. Northwest of Calgary, successful stepout wells to previous gas discoveries were drilled at Redcap, Black-



Producing region activities

stone and Panther River and development drilling programs to maintain productivity for existing gas contracts were conducted in the Limestone and Jumping Pound West fields. Limited drilling programs for gas will continue to be concentrated principally in the foothills during 1983.

Drilling in the Alberta plains resulted in a small gas discovery at Slave and in four development gas wells at Pouce Coupe-Progress and at Hines in north-central Alberta.

Modernization of Shell's Jumping Pound gas plant was completed in 1982 at a cost of $35 million. In addition, construction of a new $65 million deep-cut facility will be completed by mid-1983 to recover additional volumes of propane, butane and ethane. Major compression projects to maintain field deliverability were completed at Waterton and are under construction at Harmattan East for a combined cost of about $33 million.

Access to natural gas export markets in the U.S. has enabled the early development of the Corporation's reserves in northwestern Alberta. The Cranberry-Slave Point accumulation was placed on production in April, and a plant serving the Gordondale field commenced operations in March. These development activities increased Shell's 1982 production capacity by 670 000 cubic metres a day.

Early in the year, the Alberta Energy Resources Conservation Board denied Shell a construction permit for the Moose-Whiskey gathering system west of Calgary because of a potential conflict with public recreation plans for the area. Favourable resolution of alternative plans, being assessed in co-operation with provincial authorities, could result in these reserves being available for sale by 1985.

Oil and gas reserves

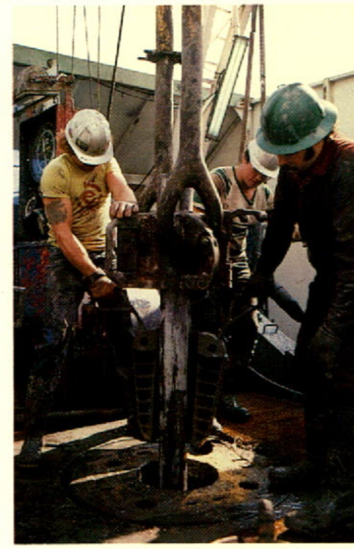
Net proved developed crude oil and natural gas liquid reserves remained about the same with additions through lower royalties, new liquid petroleum gas facilities at Jumping Pound and extension of the Waterton deep-cut operation, offset by 1982 production volumes.

Net proved developed natural gas reserves decreased five per cent because of greater royalties, revisions reflecting actual field performance and 1982 production volumes.

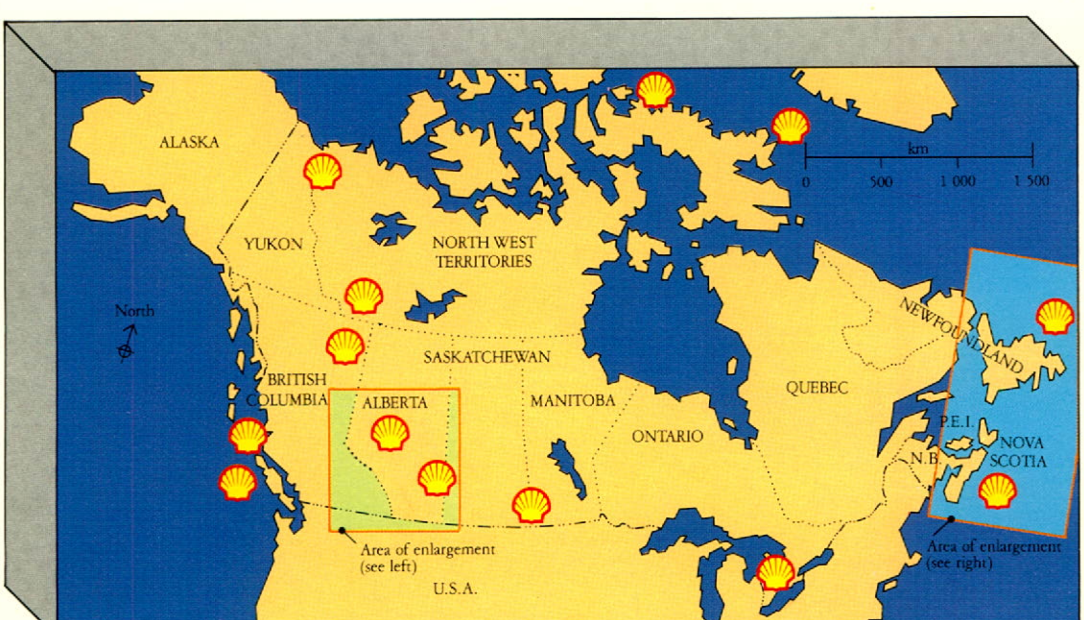
All potential reserves associated with recent discoveries are not included in the above. Details of the Corporation's reserve position are shown on page 36 of this report.

Mineral properties sold

Shell's decision to withdraw from minerals activities resulted in the disposal during 1982 of virtually all mineral properties, including the sale of the tin deposit in Nova Scotia.



Roughnecks drill for gas at Limestone field in Alberta, about 120 kilometres northwest of Calgary.



Areas of Shell Canada Resources lands

East Coast lands

R. A. King
Vice President (Coal)

Although growth in coal demand has slowed, Crows Nest is seeking additional export sales, particularly to Pacific Rim countries.

Construction has been completed on the Line Creek coal mine in southeastern British Columbia operated by the Company's wholly-owned subsidiary, Crows Nest Resources.

Thermal coal sales from Line Creek commenced in April, 1982, and by year end a total of 593 000 tonnes of thermal coal had been shipped to customers in South Korea. Thermal coal production will continue to increase to meet deliveries under long-term contracts signed by 1982 which total 1.1 million tonnes a year.

Construction of the Line Creek metallurgical coal processing plant was completed on schedule by late 1982. The plant was commissioned in time to begin contract deliveries in April, 1983, to a consortium of Japanese steel mills. These long-term contracts are for one million tonnes annually.

Exploration and marketing

The Corporation's net coal land holdings at year end comprised some 362 000 hectares in British Columbia, Alberta and Saskatchewan. Exploration in 1982 concentrated primarily on bituminous thermal coal properties, with major programs at the Bryan Mountain property near Hinton, Alberta, and at the Telkwa property near Smithers in northwestern British Columbia. Exploration also continued in the Line Creek area to support long-term development plans. At December 31, 1982, commercially-recoverable proved and probable reserves of clean bituminous coal from all of these properties totalled 185 million tonnes.

Despite the worldwide economic recession and weakened oil prices which have slowed growth in coal demand, a condition expected to persist over the next two to three years, Crows Nest continues to seek further coal sales. During 1982, arrangements were made for trial shipments to potential long-term customers in Hong Kong, Denmark and the U.S. Pacific Northwest. On February 28, 1983, Crows Nest signed an additional long-term contract with Korea Electric Power Company for the supply of thermal coal at the rate of 400 000 tonnes a year.

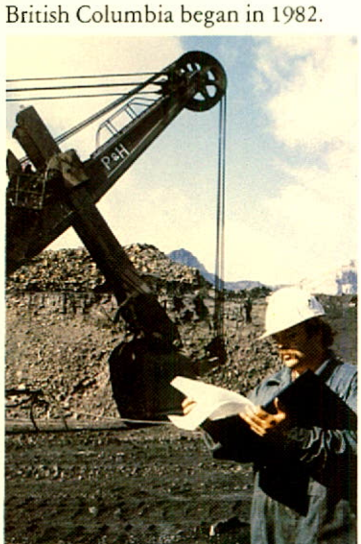
Over the longer term, renewed demand is anticipated, particularly for thermal coal in Pacific Rim countries. Modest increases in demand for metallurgical coal are expected for the remainder of the 1980s.

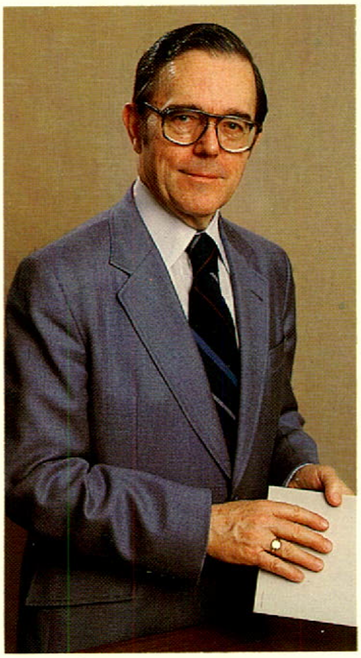
Environmental, employee policies

Crows Nest Resources received British Columbia's top mining reclamation award for 1981, a joint industry-government award recognizing the "unique management system which addresses environmentally sound mine planning and development practices." Activities in this area are in keeping with the Corporation's policy of pursuing development in harmony with the natural environment.

Employee relations policies, benefits and programs, including multi-skilling of employees at the Line Creek mine, reflect the importance of human resources within Crows Nest. The emphasis is on employee job satisfaction and labour harmony, thereby enhancing productivity.

Coal shipments from Crows Nest Resources' Line Creek mine in British Columbia began in 1982.





W. M. Catterson
Senior Vice President (Oil Products)

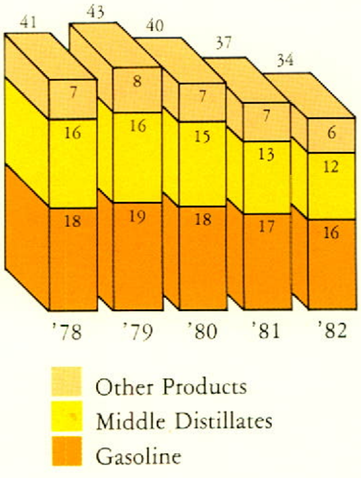
Adapting to falling demand and severe price competition, Oil Products is improving refinery utilization and streamlining marketing operations.

Canada's petroleum refining and marketing business continued to be constrained in 1982 by the sluggish economy, energy conservation and the effect of government off-oil programs. As a result, demand for petroleum products continues to decline, adding to excess refinery capacity. This has led to intense price competition and severely depressed product prices and margins. This situation is likely to prevail for some time before conditions improve.

Shell Canada, with approximately 16 per cent of the Canadian petroleum product market, established a separate division in 1982, Shell Canada Products Company, to manage its oil refining, supplies and marketing business.

Due to declining petroleum products demand, total crude oil purchases by Shell Canada decreased by about three per cent during 1982 to 13.3 million cubic metres. Imports of Mexican crude, purchased under an arrangement with the Canadian government, and purchases of a special crude from Venezuela required for Shell's lubricating oil refinery at Montreal were reduced more than 40 per cent to about 1.6 million cubic metres. But domestic crude purchases were up marginally to 11.5 million cubic metres, in keeping with initiatives to maximize the use of Canadian crude oil.

Petroleum product sales were down nine per cent in 1982
(thousands of cubic metres daily)



Improved refinery utilization

The Corporation announced actions to improve refinery utilization, beginning with the closure in 1983 of its refinery at Oakville, Ontario. Required light oil products will be supplied from the larger Sarnia Manufacturing Centre, and from another refiner who will process crude for Shell under a long-term contract. Plans for the disposition of the Oakville refinery facilities and property are under way.

At Shell's Montreal East refinery, throughput will increase as a result of an agreement whereby Shell will process crude oil for BP Canada over 10 years, beginning in mid-1983. Petro-Canada has advised that it will assume the processing agreement as a result of its announced acquisition of BP's refining and marketing businesses.

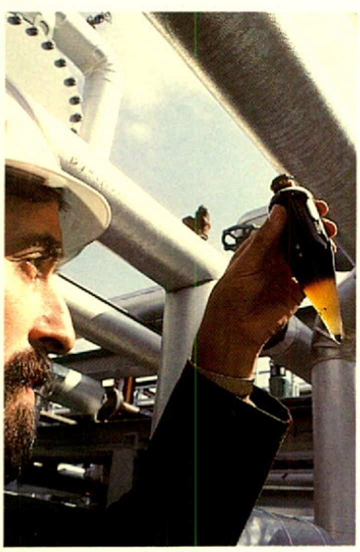
These decisions in Eastern Canada will substantially increase utilization of the refineries at Sarnia and Montreal and thereby significantly improve operating efficiency.

Shell is also strengthening its supply position by new construction and by consolidating refinery operations in Western Canada where there is growth potential as a result of population shifts, resources development and increased industrialization. The St. Boniface refinery in Manitoba will be closed in late 1983. Following closure, Western refining will be concentrated at the Scotford refinery, under construction near Edmonton, and at Shellburn, which is being expanded at Burnaby, B.C. Until Scotford is completed in 1984, product supply for the Manitoba market will be provided to Shell by another refiner.

Construction programs on schedule

At year end, construction of the refinery at Scotford was on schedule. Engineering and procurement were virtually complete. Significant progress was made on foundations and underground piping, and hydrocracker reactors and storage tanks have been installed. The refinery was being constructed under a joint venture agreement with Husky Oil Operations, a subsidiary of Nova, an Alberta corporation (Nova). Husky withdrew from the venture

Robin Delany, lubricants development representative, examines equipment at the new Calgary bulk lubricants and grease plant.



Chemist Sheldon Brontman inspects used oil that will be recycled into quality stocks at the Toronto re-refinery.

in April, 1982, following which Shell assumed full responsibility.

The Scotford refinery, which together with an adjacent benzene manufacturing facility will cost about $1 billion, will be the world's first to process synthetic crude oil exclusively. It has an initial design capacity of 8000 cubic metres of oil a day. When the refinery goes into production, synthetic feedstock will be supplied from existing oil sands plants.

The $46 million expansion and upgrading of the Shellburn refinery will be completed in 1983. The refinery expansion will increase capacity almost 50 per cent to 5500 cubic metres a day, including 1685 cubic metres daily of semi-finished product which will be transported via pipeline from the Scotford refinery.

Shell Canada's total grease production capacity doubled to 9000 tonnes annually with the start-up of a bulk lubricants and grease manufacturing plant at Calgary in June, 1982. The grease facility is the first in Western Canada. The $14 million plant will enable the Corporation to expand markets, particularly in British Columbia and Alberta.

Construction of Shell's recycling plant in Toronto for used lubricating oil was virtually completed at year end at a cost of about $21 million. The re-refinery's installed production capacity is 36 000 cubic metres a year of first-quality lubricating oil basestocks. Feedstock is acquired from service stations and from independent used oil collectors.

Marketing operations streamlined

In its marketing activities Shell is placing its emphasis on supplying the key transportation market sector and improving the efficiency of its marketing and distribution facilities. The Corporation maintains a strong retail network which provides a full range of high-quality petroleum products and services to consumers. Shell has concentrated on the development of strategically-placed, high-volume service stations able to take advantage of economies of scale and continues to dispose of small uneconomic outlets. In recognition of growing consumer interest in alternative fuels, Shell has opened the first Ontario location, in Toronto, for the retailing of compressed natural gas as an automotive fuel.

Although the home heating oil market is declining because of conversions to natural gas and electricity, Shell continues to supply and service its heating oil customers. In Quebec, the Corporation is in the forefront of the home heating business by marketing electric heaters for use in conjunction with oil furnaces. These heaters offer customers substantial cost savings through increased energy efficiency.

In Eastern Canada, a number of marketing terminals were closed or consolidated during the year to improve efficiency and reduce costs.

Changes in workforce

As a result of significant changes in the total business environment, the Oil Products workforce is being tailored to meet emerging needs by curtailing recruitment, by normal staff attrition and by selective terminations. Wherever possible, employees affected by refinery and plant closures or organizational change are offered positions elsewhere in the Corporation.

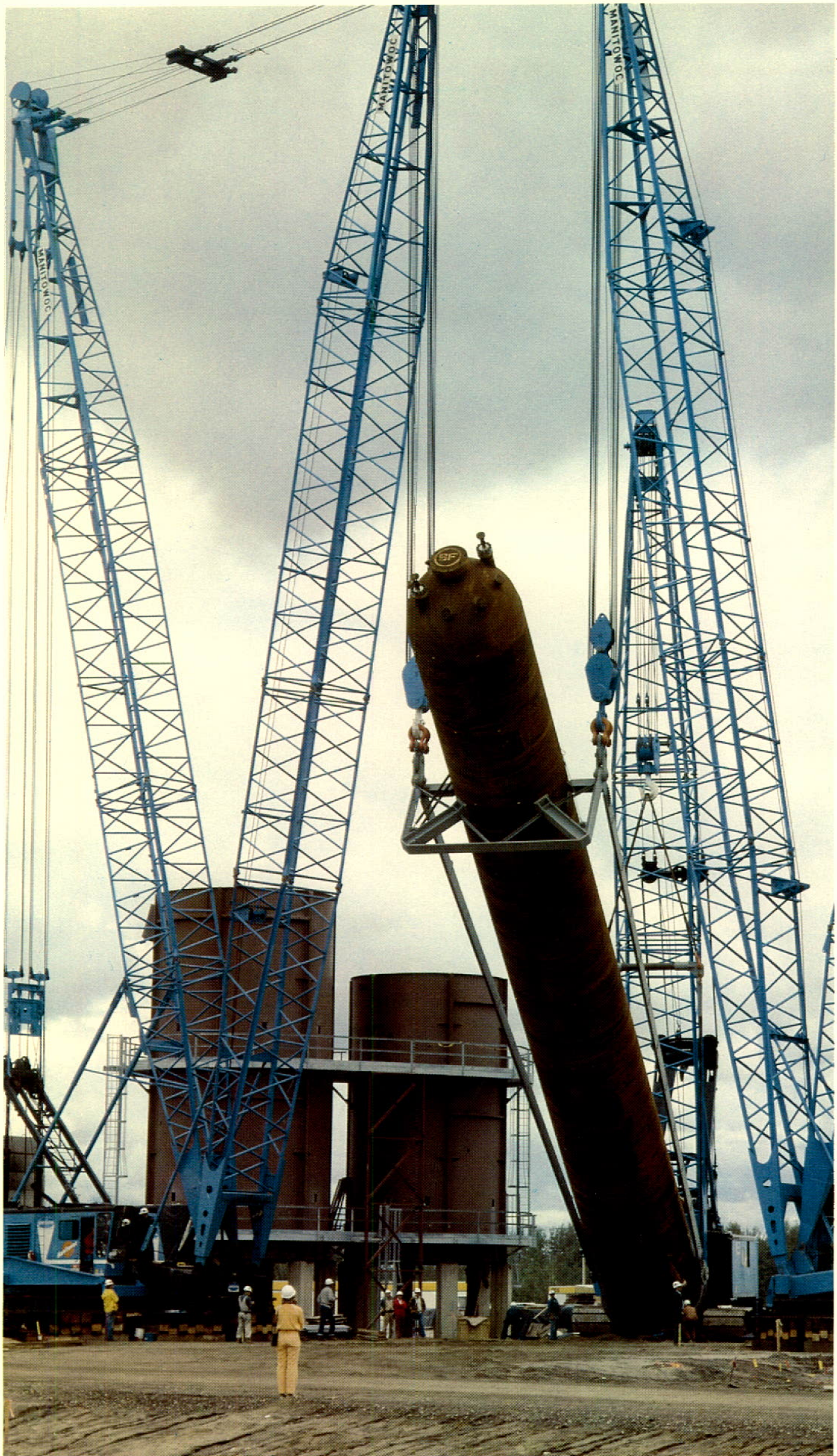
Petroleum inquiry response

The Restrictive Trade Practices Commission's inquiry into the Canadian petroleum industry continued through 1982. It resulted from the 1981 Bertrand Report, which alleged that the major integrated oil companies had acted in an anti-competitive manner. Considerable Shell financial and staff resources continue to be utilized in demonstrating that the report is ill-founded.

Shell Canada witnesses testified before the commission concerning purchases of offshore crude oil during the period 1958 to the present. This testimony clearly demonstrated that the Corporation bargained hard for its crude oil purchases and, contrary to the Green Book assertions, obtained the best deal possible – quality, contract terms and security of supply considered.

In addition, the Corporation tabled with the commission detailed rebuttals of the second and third volumes of the Bertrand Report, which deal with Canada's domestic oil policy and international crude purchases respectively. These rebuttals reveal the inadequate analysis and misrepresentation of fact that is characteristic of the report generally.

Appearance and service, as provided by dealer Robert Dionne of St. Laurent, Quebec, are important aspects of Shell's retail operations.



One of four hydrocracker reactor vessels is raised during construction of the Scotford refinery in Alberta.

L. F. J. Bolger
Vice President (Chemicals)

Through participation in the development of Alberta's petrochemical industry, Shell Canada Chemical Company is looking to renewed growth in the long term.

By reorienting its sales thrusts to export markets in late 1981, Shell Canada Chemical Company was able to moderate the adverse impact on earnings being experienced generally in the chemicals industry. International sales in 1982 were $112 million, which represents 34 per cent of total chemicals sales in 1982, up from 22 per cent in 1981.

Some 16 products were sold to more than 30 countries. These export sales, helped by the devalued Canadian dollar, were achieved despite a declining international market caused by the worldwide recession. International market pressures have also restricted chemical price increases and this situation is projected to last into 1983.

However, Canada's competitive advantage in natural gas feedstock costs, and the policies of the federal and Alberta governments in petrochemical development, point to encouraging growth prospects for the industry. Shell Canada Chemical Company is participating in this opportunity by developing new capacity in Alberta.

A worldwide restructuring of the petrochemical industry is under way, involving a shift to countries with feedstock abundance. Factors critical to the success of Shell's ventures include access to world markets and modern technology. The Corporation believes the start-up of its Alberta projects is well-timed with the restructuring that is taking place.

Shell is the only Canadian producer of isopropyl alcohol. Shift team member Mark Donald takes a test sample at the Sarnia facility.

Alberta construction advances

Start-up of a $359 million world-scale styrene monomer plant being built at Scotford, Alberta, with a planned capacity of 300 000 tonnes a year, is scheduled for 1984. It will utilize the entire production of benzene from a Shell plant being constructed adjacent to the Scotford refinery. In preparation for the start-up, marketing activities will be intensified during 1983 to secure future sales of styrene monomer, used by manufacturers of synthetic rubber, polystyrene and other plastics.

Total Canadian consumption of styrene monomer is currently about 200 000 tonnes yearly and is supplied by domestic production. As a result, emphasis is being placed on the development of export markets, particularly in the United States and Pacific Rim countries, and on encouraging Canadian companies to establish new plants to use styrene monomer for the manufacture of value-added derivatives.

The styrene monomer plant, together with a linear low-density polyethylene plant, were originally to be developed under a joint venture between Shell, with 40 per cent ownership, and Nova. The joint venture, known as Enesco Chem Ltd., was terminated in July, 1982. Each company shared in wind-up costs. Shell is continuing with the styrene monomer plant, and Nova is proceeding with the linear low-density polyethylene plant.

Developments in Eastern Canada

Engineering work began on a $22 million construction project to expand the hydrocarbon solvents facilities at the Sarnia Manufacturing Centre. When completed in 1984, it will improve product characteristics to meet changing customer requirements and substantially increase production capability. Specialty hydro carbon solvents are used in paints, printing inks, rubber processing, dry cleaning, household and automotive specialties.

Construction proceeds on schedule at the Scotford, Alberta, styrene monomer petrochemical plant.

Dockworker Don Dowswell loads benzene, toluene and xylenes from Sarnia into giant barge for shipment to the U.S.

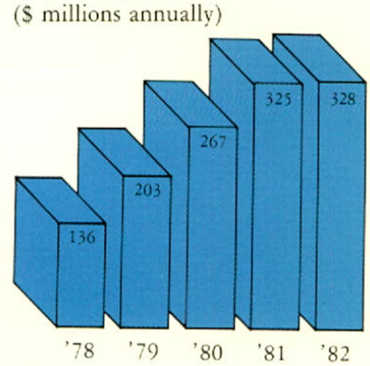
World-scale plants at Sarnia to manufacture isopropyl alcohol and polypropylene completed their third year of operation in 1982 with a combined utilization rate in excess of 80 per cent. Shell is the only Canadian producer of isopropyl alcohol.

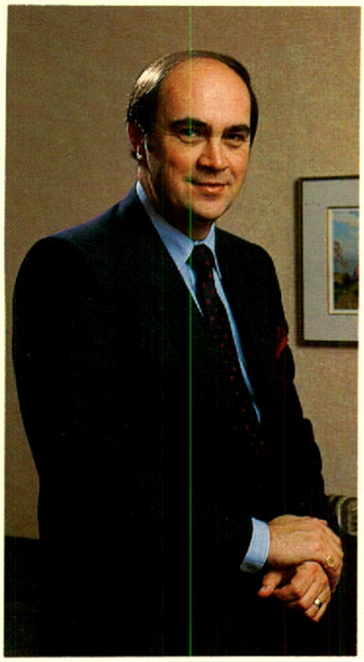
The aromatics plant at Sarnia operated at full capacity in 1982, supplying benzene, toluene and xylenes for industrial chemical uses in Canada as well as meeting export demand abroad, notably in the U.S. and European markets.

Agrochemicals business sold

Under business strategies set out early in 1982 to concentrate cash flow on basic business activities, Shell sold its agrochemical formulating and marketing facilities to Ciba-Geigy Canada Ltd. of Mississauga, Ontario. Ciba-Geigy offered employment to the majority of Shell's agrochemical staff and are marketing the former Shell Canada line of agrochemicals under the Ciba-Geigy label.

Chemical revenues were about the same as in 1981
($ millions annually)





R. F. Taylor
Vice President
(Corporate Development)

Corporate department activities continue to support Shell's strategic thrust to achieve long-term profitable growth.

While its primary commercial contribution is to Canada's economic well-being through the efficient provision of petroleum energy resources, Shell Canada stresses the importance of operating and social integrity in all of its activities. This philosophy is carried into areas such as environmental protection, employee health and safety and community involvement.

To support its principal businesses, Shell has expanded its research capability, increased its emphasis on strategic planning and continued effective communications programs.

In addition to the withdrawal from minerals activities and the sale of the agricultural chemicals business, Shell has also practically completed withdrawal from all of its small new venture activities through sale or other means of disposition.

Research efforts expand

Research and development enhances the Corporation's operations through the development and application of technology as well as improving the quality of Shell's products.

With the opening of the $21 million Calgary Research Centre in early 1983, increased efforts will be directed toward improving techniques for oil and gas exploration and production and for recovery technology involving oil sands, heavy oils and conventional fields. Work at the centre will complement oil sands in-situ field research and development which is taking place at Peace River as a joint venture with the Alberta Oil Sands Technology and Research Authority.

Shell's Oakville Research Centre investigates improvements to petroleum and petrochemical products and to manufacturing processes that will reduce costs and save energy. It is particularly active in the development of fuel-efficient engine oils and lubricants. A $3 million addition, completed during 1982, houses modernized and expanded pilot plant facilities designed to test improved refining processes by simulating refinery operations on a small scale. Under development is a new refining process for upgrading heavy oil residues to more valuable gasolines and distillates.

Research operating expenditures by Shell Canada in 1982, at $29 million, were about the same as in 1981. An additional $18 million was spent on capital projects, including completion of the Calgary centre, the addition at Oakville, and new equipment to increase technical capability and productivity.

A cost-sharing agreement with Shell Internationale Research provides some funding for Shell Canada research and gives the Corporation access to technology developed in Shell laboratories around the world. In 1982, Shell Canada received $4 million under the agreement and paid $14 million toward research projects costing all associated Shell companies more than $600 million.

Fuel from forest wastes

BioShell Inc., a wholly-owned subsidiary of Shell Canada, produces and markets solid fuel pellets from sawmill wastes as a competitive substitute for non-renewable fuels.

The first BioShell plant, at Hearst, Ontario, completed its second year of operation in 1982. A second plant, at Iroquois Falls, Ontario, began production in May. A third, constructed at Lac Megantic, Quebec, at a cost of about $6 million, began operating in late 1982.

Each plant can produce up to 100 000

tonnes of wood pellets a year, equivalent to 47 million litres of domestic fuel oil or sufficient energy to heat more than 12 000 homes yearly.

Most of the production is sold to pulp and paper companies for steam generation. A slowdown in that industry in 1982 held production at the two Ontario plants to about 60 per cent of their capacity.

Human resources

In all its activities, Shell has placed increased emphasis on improving its operational effectiveness by restructuring its business activities, reducing manpower levels and restraining all costs. Wage and salary measures have been put in place that are consistent with the federal government's 6-and-5 restraint program.

Reduction in manpower levels resulted from the decision to withdraw from some businesses, redundancies created by curtailing investment because of the recession and some organizational streamlining. The Corporation is assisting affected employees through the readjustment period and in finding alternate jobs.

Organizational effectiveness and employee quality of work life programs are being implemented at various locations throughout the Corporation. An innovative approach, directed to increasing productivity and maximizing the opportunity for employee contribution by developing multi-skilled, team-oriented work groups, is successfully in place at the Sarnia chemical plant, South Rosevear gas plant and Peace River in-situ pilot. It was extended during the year to the Calgary grease and lubricants plant, Line Creek coal mine and is planned for the Scotford refinery and styrene monomer chemical plant.

Expansion of the occupational health and industrial hygiene departments, and computerization of all health-related data, is reflective of the Corporation's over-all concern for employee health and safety, and could further advance safety practices.

Responsible community involvement

Shell Canada assumes a responsibility to assist in the social and cultural development of Canada, particularly in those communities in which the Corporation operates. In 1982, Shell provided $2.3 million in financial support to some 650 Canadian social, educational and cultural organizations.

The Corporation also recognizes the volunteer efforts of employees who serve their communities in non-profit, charitable organizations. A program of community service grants provides a wide range of groups covering a number of different activities with financial aid through Shell employees.

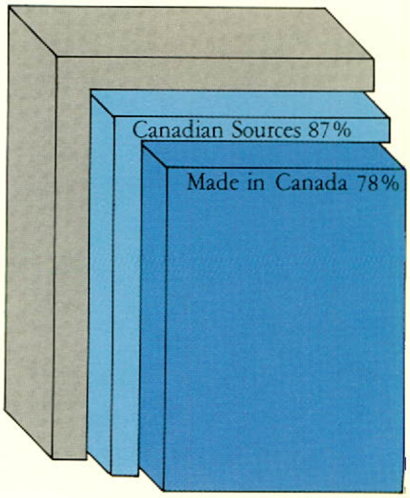
Canada Benefits promoted

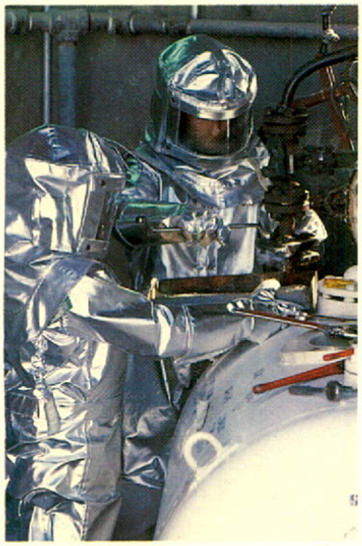
Shell Canada's business operations contribute positively to Canadian society. For example, Shell's purchases in 1982 of services and materials, excluding crude oil, amounted to $1.3 billion. Of this total, 87 per cent or $1.1 billion came from Canadian-based suppliers. About $1 billion, or 78 per cent of the total, actually was spent on Canadian-made goods and services.

The Corporation is keenly aware that well-developed local sources of supply result in purchasing efficiency for the Corporation and a more secure economic base for Canada. To this end, Shell actively follows a "buy Canadian" policy. Prefer-

Lynn Chandler, technologist, works at the new Calgary Research Centre which opened in early 1983.

Shell Canada's 1982 purchases of goods and services (excluding oil purchases) ($1 271 million)





Shift team members Jim Frey, left, and Charlie Korzeniewski, Sarnia Manufacturing Centre, wear special safety suits when handling pyrophoric chemicals.

Fuel pellets, made from forest wastes, come off the production line at BioShell's Iroquois Falls plant in Ontario.

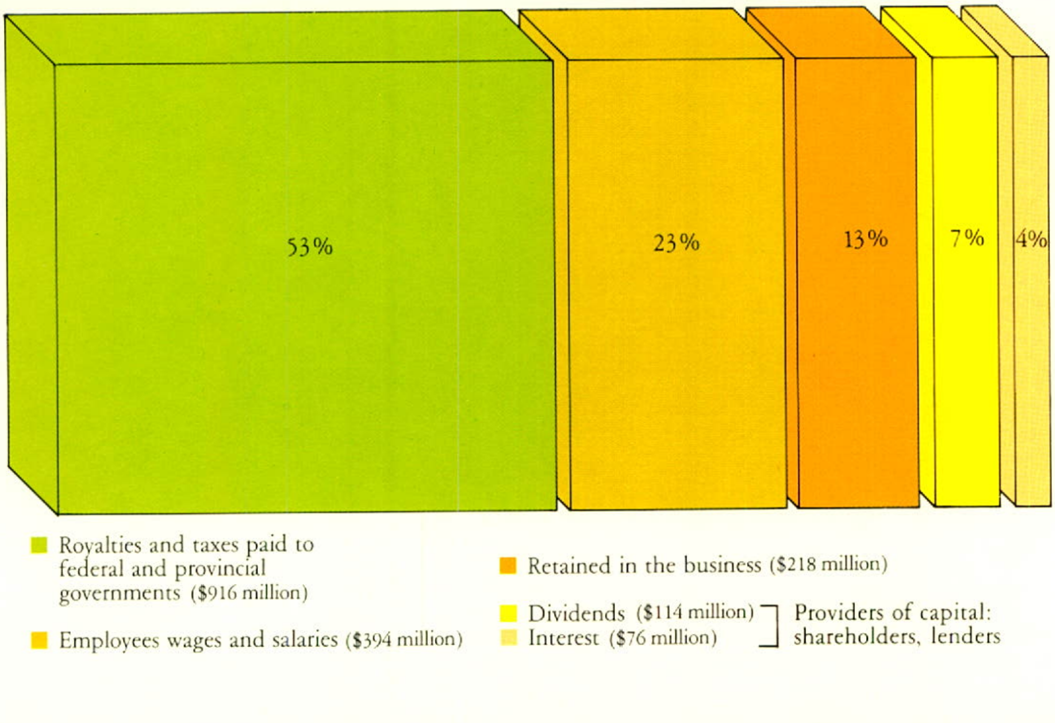
ence is given to local suppliers, consultants, contractors and service companies who are not only technically acceptable and generally competitive, but who also offer a high level of Canadian content. In addition, under its vendor development policy, Shell works with Canadian vendors to help them develop improved goods and services.

During 1982, Shell announced its Canada Benefits plans for exploration activities offshore Nova Scotia over the next five years. The plan ensures full and fair access of Canadian goods and services on a competitive basis. As well, a special effort is directed to developing Nova Scotia firms. Approximately 350 firms are expected to benefit from Shell's East Coast operations. In terms of employment, all of Shell staff are Canadian, and more than 90 per cent of contract rig crews will be Canadian by the end of 1987. Shell is also funding cold-ocean research and providing support for post-secondary education through research liaisons.

All of the Corporation's activities add value to the economy. Through the combined efforts of employees and the capital provided by shareholders and lenders, wealth is created which is shared by employees, shareholders, lenders and governments. In 1982, Shell bought raw materials and services for \$3.5 billion and produced revenues of \$5.2 billion. The difference, \$1.7 billion, is the value added, most of which is returned to Canadian society.

Of the value added, governments received \$916 million, or 53 per cent, through royalties and taxes. Shell employees earned \$394 million or 23 per cent in salaries, wages and contributions to pensions and social insurance. Shareholders and lenders of capital received \$190 million or 11 per cent as dividends and interest payments. The remainder, \$218 million, or 13 per cent was reinvested into the business.

Shell Canada's 1982 'value added'
(\$1 718 million)



K. J. Turpin
Vice President (Finance)

In a depressed and uncertain business environment, Shell Canada is maintaining financial flexibility to adjust new investment for changes in economic conditions.

Shell Canada's consolidated earnings for 1982 amounted to $133 million or $1.09 per Class "A" Common Share compared with $236 million ($2.12 a share) in 1981 and $355 million ($3.34 a share) in 1980. The return on average capital employed in 1982 was 5.0 per cent, as against 8.8 per cent in 1981 and 14.5 per cent in 1980.

Significant factors contributing to the earnings decline over the last two years have been the reduction in oil product demand, a higher tax burden on income from crude oil and natural gas production and the costs of additional financing for the Corporation's investment program. Another factor in 1982 was the provision for the write-down of the St. Boniface, Manitoba, refinery.

The Corporation's internally generated cash amounted to $773 million in 1982, compared with $667 million in 1981 and $714 million in 1980. The improvement over the previous two years mainly reflects increases in deferred gas production revenue.

Business segment earnings*

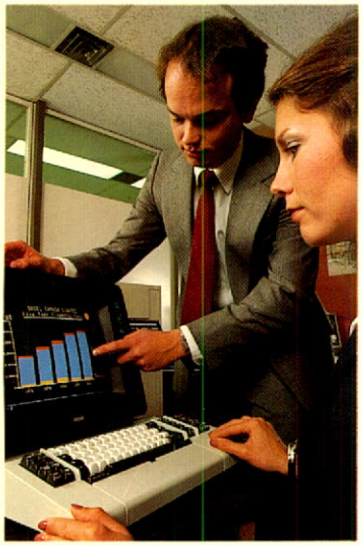
Earnings in the Resources segment were $133 million in 1982, up $44 million from $89 million in 1981, but less than the $158 million reported in 1980. The improvement over 1981 was mainly attributable to higher crude oil, natural gas and gas liquid prices, reduced provincial royalty rates and lower exploratory dry hole write-offs. A large part of these improvements was offset by a $50 million increase in the Petroleum and Gas Revenue Tax, and by reduced sulphur sales tonnages as a result of the effect of the worldwide recession on fertilizer demand.

*Interest on long-term debt is not allocated to Resources, Oil Products or Chemicals.

Compared to 1980, Resources 1982 earnings declined, due mainly to the introduction of the Petroleum and Gas Revenue Tax, despite price increases for crude oil, natural gas liquids, natural gas and sulphur over the last two years. The tax, which amounted to $119 million in 1982, was implemented in January 1981.

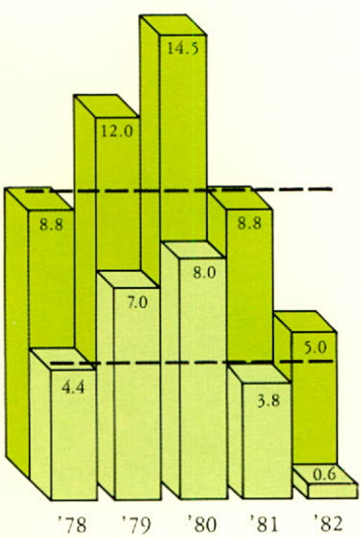
Oil Products earnings were $53 million in 1982, down sharply from $148 million in 1981 and $188 million in 1980. The decline in earnings over the past two years has resulted from reduced demand for petroleum products due to the economic recession, energy conservation and fuel substitution. This lower demand, coupled with excess industry refining capacity, led to intense price competition and the erosion of product margins. The year-to-year comparison of earnings is distorted by inventory gains arising from the imposition and flow-through of federal levies on crude oil and from wellhead price increases. These gains (after tax) amounted to $29 million in 1980, rose to $67 million in 1981, and in 1982 declined to $22 million. In 1982, there was a $17 million write-down provision for the closing of St. Boniface refinery scheduled for late 1983 which also contributed to lower earnings. The closing of Oakville refinery in 1983, announced in September, did not require any write-down provision.

Earnings from Chemicals dropped to $14 million from $24 million in 1981 and $21 million in 1980. This decline was attributable to impairments in product margins and sales tonnage as a result of poor economic conditions. Although the worldwide recession affected international demand for chemicals, the Corporation was able to moderate the decline in its Chemical earnings through increased sales to export markets.



Analyst Kevin Brine describes computerized display of financial data to Beverly Wilson, manager, corporate accounting.

Return on average capital employed*
(%)



Return on historical cost basis
— — Five-year average (9.4)
Return adjusted for general inflation
— — Five-year average (4.6)

*Earnings before interest expense as a percentage of average capital employed.

Impact of inflation

The measurement of financial performance under conventional, historical cost accounting has serious limitations in an economic environment marked by strong and persistent inflation. The chart on this page illustrates this point by comparing the Corporation's returns on capital under the conventional accounting method with the much lower returns shown when allowing for the effects of inflation under the constant dollar accounting method followed by Shell Canada since 1974. The 1982 return on capital was 5.0 per cent under conventional accounting, as against 0.6 per cent under constant dollar accounting. Information on the constant dollar and current cost methods of accounting for inflation and their impact on reported financial results is included on pages 40 and 41 of this report.

Increased investment spending

Total investment by the Corporation in 1982 amounted to $1 162 million, 12 per cent more than the 1981 figure of $1 039 million, and about twice the $567 million invested in 1980. Total investment represented 182 per cent of 1982 cash from operations, 162 per cent in 1981, and 85 per cent in 1980 (see chart on page 21).

Capital and exploration expenditures accounted for $1 014 million of total investment in 1982, up from $707 million in 1981 and $518 million in 1980. The higher levels of expenditures in the past two years result mainly from construction of new refinery and petrochemical plants in Alberta and development of the Line Creek coal mine in southeastern British Columbia.

Capital and exploration expenditures for oil, natural gas and coal totalled $378 million in 1982, compared with $506 million in 1981 and $433 million in 1980. The higher expenditures in 1981 reflected the phasing of expenditures on the Line Creek coal mine. Expenditures for oil and gas exploration and development declined from 1980 to 1981 and remained at about the same level in 1982, reflecting cash flow constraints resulting primarily from the National Energy Program and subsequent federal-provincial pricing agreements.

Oil Products capital expenditures increased to $313 million from $150 million in 1981 and $71 million in 1980. The rise in expenditures over the past two years is mainly attributable to construction of the Scotford refinery in Alberta and expansion of the Shellburn refinery.

Capital expenditures for Chemicals also increased with the construction of benzene and styrene monomer plants at Scotford, Alberta. Expenditures were $288 million in 1982, compared with $33 million in 1981 and $4 million in 1980.

Other capital expenditures, at $35 million in 1982, were up from $18 million in 1981 and $10 million in 1980. The increase resulted from construction of a new research centre in Calgary, the expansion of Oakville research facilities and the construction of BioShell plants at Iroquois Falls, Ontario, and Lac Megantic, Quebec.

Increases in working capital, long-term receivables and other investments accounted for $148 million, or 13 per cent of total 1982 investment, reflecting the impact of crude oil and petroleum product cost increases on inventories and trade receivables. The effect of such cost increases has been mitigated by actions taken over the last two years to reduce inventory levels and the average collection period for accounts receivable.

Improved cash generation

Internally generated cash increased to $773 million in 1982, from $667 million in 1981 and $714 million in 1980, largely due to increases in deferred gas production revenue and proceeds from asset disposals. Cash from operations in 1982 accounted for $639 million of internally generated cash and was about the same as in 1981 ($642 million) and 1980 ($664 million) as the effects of lower product demand and additional financing costs were offset by current tax deferrals. This deferment in payment of tax resulted from capital cost allowances associated with the Corporation's heavy investment in refining and petrochemical projects.

Deferred gas production revenue, at $99 million, was $76 million higher than in 1981, mainly as a result of additional payments received from a major gas purchaser under an agreement whereby

Quarterly financial and stock-trading information

	1982					1981				
	Quarter				Total	Quarter				Total
	1st	2nd	3rd	4th	Year	1st	2nd	3rd	4th	Year
Earnings ($ millions)	**24**	**49**	**41**	**19**	**133**	89	74	47	26	236
Earnings per share (dollars)	**0.17**	**0.44**	**0.34**	**0.14**	**1.09**	0.84	0.68	0.40	0.20	2.12
Cash dividends declared (dollars)										
Per Class "A" Common Share	—	**0.45**	—	**0.45**	**0.90**	—	0.45	—	0.45	0.90
Per Class "B" Common Share	—	**1.80**	—	**1.80**	**3.60**	—	1.80	—	1.80	3.60
Share prices* (dollars)										
High	**$19\frac{3}{8}$**	**$19\frac{3}{8}$**	**$23\frac{5}{8}$**	**$27\frac{3}{4}$**	**$27\frac{3}{4}$**	$27\frac{7}{8}$	$28\frac{7}{8}$	28	$22\frac{1}{8}$	$28\frac{7}{8}$
Low	**$15\frac{3}{4}$**	**$15\frac{3}{4}$**	**$16\frac{3}{8}$**	**$18\frac{3}{4}$**	**$15\frac{3}{4}$**	24	$24\frac{3}{4}$	$17\frac{1}{4}$	$18\frac{3}{4}$	$17\frac{1}{4}$
Shares traded** (thousands)	**1 125**	**1 312**	**1 756**	**1 823**	**6 016**	1 835	2 250	1 942	1 264	7 291

* Toronto Stock Exchange quotations.
** Volume traded on the Montreal, Toronto, Alberta and Vancouver stock exchanges.

the purchaser's contractual "take-or-pay" commitments were reduced to a level more closely aligned with current gas deliveries.

Proceeds from asset disposals, at $35 million, were up $33 million over 1981 due to the sale of certain business operations which were outside the scope of the Corporation's re-assessed investment strategy. The program to sell or phase out such businesses, announced early in 1982, was nearing completion by year end and had no material effect on consolidated earnings.

Total investment, together with dividend payments on preferred and common shares, exceeded total cash generated by $503 million in 1982 and substantial new financing was undertaken during the year.

Additional standby lines of credit which Shell Canada arranged with two Canadian banks in 1981, together with the ability to issue commercial paper, provide a high degree of financing flexibility in terms of market selection and timing. Shell Canada reduced its lines of credit from $1 billion to $500 million early in 1983, consistent with planned lower levels of new investment commitments.

The Corporation arranged long-term financing which comprised:

May – $125 million (U.S.) of 14 $\frac{3}{8}$ per cent debentures, due 1992, in the European capital market.

August – $100 million floating rate private placement, due 1992, with four Canadian trust and loan companies.

August – $200 million (U.S.) of 14 $\frac{1}{8}$ per cent debentures, due 1997, in the United States public market.

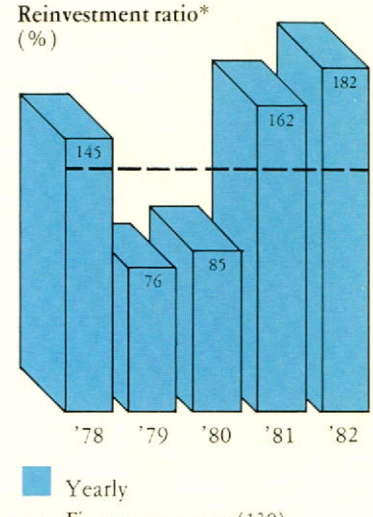
December – $100 million 11 $\frac{3}{4}$ per cent debentures, due 1988, in the Canadian public market.

These new issues, with a total Canadian equivalent value of $601 million, brought the long-term debt outstanding at the end of 1982 to $1 billion or 25 per cent of total capital employed. At the end of 1982, the Corporation had cash and short-term investments of $65 million, up $27 million over the previous year end.

Uncertain economic outlook

The difficult operating environment which prevailed in 1982 appears likely to continue through 1983, dampening prospects for earnings improvement. The Canadian economic outlook is uncertain but, at best, it appears that 1983 will see only a moderate recovery. In any event, a further decline in petroleum product consumption is forecast due to energy conservation and the effect of fuel substitution. Indications are that natural gas sales will continue to be constrained by modest demand growth in domestic

Reinvestment ratio*
(%)



*Total cash invested as a percentage of cash internally generated from operations.

markets and by competition in United States markets from domestic gas supplies and other fuels.

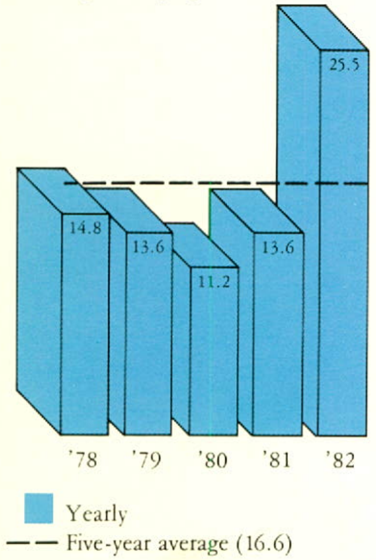
Shell Canada is responding to the difficulties of the current environment with a number of specific programs to improve efficiency and constrain costs. Details are provided in the Operations section of this report.

In 1983, total investment spending is expected to be in the order of $1 billion, about the same as the previous year. Some $945 million of this is for capital projects and exploration programs, the balance being additions to working capital, long-term receivables and other investments. Projected 1983 capital and exploration expenditures are down slightly from 1982. The decline is due mainly to the completion of the initial coal development program at Line Creek, the new research facility at Calgary and the expansion of Oakville Research Centre. Outlays for refining and petrochemical plants now under construction in Alberta will continue at a high level, accounting for about half of total 1983 expenditures. Oil and gas exploration and development is expected to account for about one-third of 1983 expenditures, the same as in 1982.

It is expected that internal cash generation will fund a substantial portion of the Corporation's total 1983 investment spending. Further borrowing will be necessary, but it will be less than in 1982.

In response to current economic conditions, new investment commitments in 1983 will be limited to approximately $370 million compared with $919 million in 1982 and $1 635 million in 1981. The lower level of new investment commitments will allow greater financial flexibility to adjust investment plans for changes in economic conditions.

Long-term debt as a percentage of total capital employed



ACCOUNTING POLICIES

Shell Canada's consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada. The Corporation's major accounting policies are summarized below.

Principles of consolidation

The accounts of Shell Canada Limited and its subsidiary companies are included in the consolidated financial statements. Interests in oil and gas joint ventures are accounted for using the proportionate consolidation method.

Investments

Investments in companies in which Shell Canada exercises significant influence are accounted for using the equity method. Other long-term investments are recorded at cost with provision made where a permanent decline in the value of such investments has occurred.

Inventories

Inventories of crude oil, products and merchandise are stated at the lower of cost, applied on a "first-in, first-out" basis, and net realizable value. Materials and supplies are stated at the lower of cost and estimated useful value.

Exploration and development costs

The Corporation follows the successful efforts method of accounting for exploration and development activities. Under this method, acquisition costs of resource properties are capitalized. Exploratory drilling costs are initially capitalized and wells subsequently determined to be unsuccessful are charged to earnings. Other exploration and predevelopment costs, including geological and geophysical costs, are charged to earnings currently. All development costs are capitalized.

Expenditures related to the Alsands mining project, which was terminated in 1982, were expensed when incurred.

Depreciation and amortization

Depreciation and amortization on resource assets are provided on the unit of production basis. Costs of producing properties are depleted and gas plants depreciated over remaining proved reserves. The costs of non-producing properties are amortized in accordance with experience. Resource development expenditures are amortized over remaining proved developed reserves. Other plant and equipment are depreciated on a straight-line basis over their estimated useful lives.

Pensions

The Corporation has retirement programs which cover virtually all employees. The cost of the programs is charged to earnings in the year incurred. Pension plan contributions are based upon annual actuarial valuations using a method which essentially spreads the cost of future benefits as a level percentage of payroll of active employees over their future years of service with the Corporation. The Corporation's policy is to fully fund these programs.

Royalties and mineral taxes

Alberta royalties on crude oil obtained from its Crown leases are required to be delivered in kind, and accordingly are not reflected in these financial statements. All other royalty entitlements, which are not delivered in kind, and mineral taxes are reflected in the cost of purchased crude oil, petroleum products and other merchandise.

Government incentives and investment tax credits

Petroleum Incentive Program grants, investment tax credits and other government incentives, other than tax rate reductions, are deducted from the related qualifying expenditures and are reflected in earnings immediately if the related qualifying expenditures are expensed, or through future depreciation and amortization provisions if the related qualifying expenditures are capitalized.

CONSOLIDATED STATEMENT OF EARNINGS ($ millions, except per share amounts)

Year ended December 31	1982	1981	1980
Revenues			
Sales and other operating revenue	5 149	4 751	3 962
Dividends, interest and other income	42	50	61
	5 191	4 801	4 023
Expenses			
Purchased crude oil, petroleum products and other merchandise	3 249	2 851	2 235
Operating expense	638	580	440
Selling and general expenses	525	466	401
Exploration and predevelopment expenses (Note 3)	157	193	169
Depreciation, amortization and retirements	119	118	106
Interest on long-term debt	76	34	31
Petroleum and gas revenue tax	119	69	—
Incremental oil revenue tax	6	—	—
Income taxes (Note 6)	152	254	286
	5 041	4 565	3 668
Earnings before unusual item	150	236	355
Unusual item, after income tax (Note 7)	17	—	—
Earnings for the year	133	236	355
Earnings per Class "A" Common Share (dollars)	1.09	2.12	3.34

CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS ($ millions)

Year ended December 31	1982	1981	1980
Balance at beginning of year	1 357	1 234	989
Earnings for the year	133	236	355
	1 490	1 470	1 344
Dividends paid (Note 9)	114	113	110
Balance at end of year	1 376	1 357	1 234

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ($ millions)

As at December 31	1982	1981
Assets		
Current assets		
Cash	26	38
Short-term investments, at cost which approximates market	39	—
Accounts receivable	666	638
Inventories		
Crude oil, products and merchandise	865	762
Materials and supplies	33	32
Prepaid expenses	46	57
	1 675	1 527
Investments, long-term receivables and other assets	180	134
Properties, plant and equipment (Note 10)	2 805	2 117
	4 660	3 778

Liabilities, deferred credits and shareholders' investment		
Current liabilities		
Short-term borrowings	—	63
Accounts payable and accrued liabilities	660	534
Income and other taxes payable	44	120
Long-term debt due within one year	6	6
	710	723
Long-term debt (Note 12)	1 007	414
Deferred gas production revenue	197	98
Deferred income taxes	611	427
Shareholders' investment		
Capital stock (Note 9)	468	468
Contributed surplus	291	291
Earnings retained in the business	1 376	1 357
Total shareholders' investment	2 135	2 116
Contingencies (Notes 14 and 15)		
	4 660	3 778

The Corporation follows the successful efforts method of accounting for oil and gas operations.
The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION ($ millions)

Year ended December 31	**1982**	1981	1980
Cash internally generated			
Operations*	**639**	642	664
Sales of properties, plant and equipment and miscellaneous items	**35**	2	13
Deferred gas production revenue	**99**	23	37
	773	667	714
Cash invested			
Capital and exploration expenditures	**1 014**	707	518
Investments, long-term receivables and other assets	**77**	32	10
Working capital excluding cash	**71**	300	39
	1 162	1 039	567
Dividends paid			
Preferred shares	**24**	23	20
Common shares	**90**	90	90
	1 276	1 152	677
Cash surplus (deficiency) before external financing	**(503)**	(485)	37
External financing			
Capital stock	**—**	—	1
Long-term debt	**593**	112	(26)
	593	112	(25)
Increase (decrease) in cash**	**90**	(373)	12

*Cash from operations comprises earnings before exploration and predevelopment expenses adjusted for deferred income taxes, depreciation, amortization and other items not affecting cash.
**Cash comprises cash and short-term investments less short-term borrowings.

The accompanying notes are an integral part of these statements.

The consolidated financial statements have been approved by the Board:

C. William Daniel, Director

Peter J. G. Bentley, Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies
A summary of major accounting policies of Shell Canada is presented on page 23 of this report.

2. Taxes and royalties
The following amounts were charged to earnings:

($ millions)	1982	1981	1980
Income taxes (excludes $15 million deferred tax reduction for 1982 unusual item)	**152**	254	286
Petroleum and gas revenue tax	**119**	69	—
Incremental oil revenue tax	**6**	—	—
Crown royalties and mineral taxes	**241**	234	241
Royalties paid to private leaseholders	**47**	42	40
Petroleum compensation charges	**520**	529	111
Oil import compensation received	**(236)**	(373)	(266)
Canadian ownership charge	**95**	47	—
Federal sales tax	**199**	189	138
Provincial capital tax	**13**	14	10
Property taxes	**24**	21	21
Other taxes	**9**	8	6
Total	**1 189**	1 034	587
Items not included in revenues and expenses:			
Retail sales taxes collected and remitted to governments	**584**	485	392
Royalties paid in kind to the Alberta government	**113**	90	75

3. Exploration and predevelopment expenses

($ millions)	1982	1981	1980
Conventional oil and gas exploration	**116**	131	126
Alsands mining	**9**	13	10
Oil sands in-situ	**4**	5	4
Heavy oil	**15**	14	—
Coal	**8**	15	15
Minerals	**5**	15	14
Total	**157**	193	169

4. Pension plan
The Corporation's contributions to the pension plan were $27 million (1981 – $23 million; 1980 – $18 million).

The most recent actuarial valuation was made as at December 31, 1981. A comparison of accumulated pension benefits and pension net assets using an actuarial rate of return of 8% is:

December 31 ($ millions)	1981	1980
Actuarial present value of accumulated pension benefits		
Vested	250	194
Non-vested	4	3
Total	254	197
Market value of pension assets	274	250

5. Other statement of earnings information
The following amounts were charged to earnings:

($ millions)	1982	1981	1980
Maintenance and repairs	**135**	155	121
Short-term interest expense	**14**	3	5
Research and development	**29**	30	25

6. Income taxes

The income tax provision in the consolidated statement of earnings is developed by applying Canadian federal and provincial statutory tax rates to pre-tax earnings, with adjustments as set out in the following table:

(% of pre-tax earnings)	1982	1981	1980
Statutory rate (weighted average)	**50.8**	50.0	50.1
Increase (decrease) resulting from:			
Non-deductibility of crown royalties and other payments to provinces	**58.7**	33.8	25.3
Non-deductibility of petroleum and gas revenue tax	**19.9**	7.0	—
Resource allowance and other abatement measures to partially offset non-deductibility of crown royalties	**(46.9)**	(24.7)	(18.0)
Depletion earned by exploration and development expenditures	**(21.8)**	(10.1)	(7.8)
Frontier exploration allowance	—	—	(0.5)
Drilling and geophysical incentives	—	—	(1.5)
Inventory allowance (partially offsetting the effect of inflation)	**(3.9)**	(1.9)	(1.0)
Manufacturing and processing tax credit	**(1.6)**	(2.4)	(2.2)
Adjustments arising from re-assessments	**(3.0)**	—	—
Research allowance	**(2.1)**	—	—
Other	**0.3**	0.1	0.3
Effective income tax rate reflected in the statement of earnings	**50.4**	51.8	44.7

Deferred taxes included in income tax provisions related to: ($ millions)	1982	1981	1980
Depreciation and amortization	**192**	65	16
Intangible drilling costs	**3**	15	18
Other	**4**	10	(4)
Total (excludes $15 million deferred tax reduction for 1982 unusual item)	**199**	90	30

7. Unusual item

The Corporation announced the closing of refineries in 1983 at Oakville, Ontario, and St. Boniface, Manitoba. Closing of the Oakville unit will have no adverse effect on earnings or financial position and no provision has been recorded in the accounts in this regard. Shutdown of the St. Boniface refinery resulted in a one time charge to earnings in 1982 of $32 million before reduction for deferred income tax of $15 million. This charge included the write-down of assets to net realizable value, employee relocation and termination costs, and other anticipated shutdown costs.

8. Financial results by industry segment

Shell Canada operates principally in three industry segments: Resources, Oil Products and Chemicals. Segmented financial results are reported as if the segments were separate entities. Inter-segment sales of products,

	Resources		
($ millions)	**1982**	1981	1980
Sales and other revenue	**1 192**	1 018	932
Inter-segment sales	—	—	—
Total revenue	**1 192**	1 018	932
Operating profit (loss)	**307**	226	279
Interest on long-term debt*	—	—	—
Income taxes	**174**	137	121
Earnings before unusual item	**133**	89	158
Unusual item, after income tax	—	—	—
Earnings	**133**	89	158
Identifiable assets	**1 722**	1 532	1 278
Capital employed**	**1 542**	1 391	1 132
Capital and exploration expenditures	**378**	506	433
Depreciation, amortization and retirements	**67**	66	61

*Not allocated to industry segments.
**Capital employed is identifiable assets less current liabilities.

Resources comprises exploration and production activities for crude oil, natural gas, gas liquids, sulphur, oil sands, synthetic oils, coal and minerals.

9. Capital stock

Shell Canada Limited carries on business under the Canada Business Corporations Act. Under the terms of this Act, all classes of shares are without nominal or par value and are authorized in unlimited number.

($ thousands)	1982 Issued	1982 Dividends	1981 Issued	1981 Dividends	1980 Issued	1980 Dividends
10 000 000 Series "A" Preferred Shares	**250 000**	**24 512**	250 000	22 377	250 000	19 672
100 4% Preference Shares	**1 000**	**40**	1 000	40	1 000	40
63 979 943 Class "A" Common Shares (1981 – 63 930 493; 1980 – 63 924 738)	**188 218**	**57 537**	187 509	57 537	187 429	57 528
9 087 039 Class "B" Common Shares	**29 107**	**32 713**	29 107	32 713	29 107	32 713
Total	**468 325**	**114 802**	467 616	112 667	467 536	109 953

Series "A" Preferred Shares

The holders of Series "A" Preferred Shares are entitled to receive cumulative preferential dividends fixed at a rate of one-half of the Canadian bank prime rate plus five-eighths of one per cent. These shares are retractable at the holders' option on February 15, 1989 at the price of $25 per share plus accrued dividends. The shares are redeemable at the option of Shell Canada Limited on not less than 60 days notice, at a price equal to $25 per share plus accrued dividends to the redemption date.

4% Preference Shares

The holder of the Preference Shares is entitled to receive fixed cumulative dividends at the rate of four per cent (4%) per annum. Preference Shares may be redeemed at the amount paid-up thereon plus accrued dividends.

Common Shares

The holder of Class "B" Common Shares is entitled on a share-for-share basis to four times any amount paid or distributed by way of dividend or other distribution to the holders of Class "A" Common Shares.

which are included as revenues in the segment making the transfer, are eliminated from total revenues of the Corporation. Inter-segment sales are accounted for at estimated market-related values.

Oil Products 1982	Oil Products 1981	Oil Products 1980	Chemicals 1982	Chemicals 1981	Chemicals 1980	Other 1982	Other 1981	Other 1980	Total 1982	Total 1981	Total 1980
3 632	3 412	2 756	**332**	325	267	**35**	46	68	**5 191**	4 801	4 023
137	122	95	—	—	—	**4**	4	—	—	—	—
3 769	3 534	2 851	**332**	325	267	**39**	50	68	**5 191†**	4 801†	4 023†
108	266	341	**22**	45	38	**(59)**	(13)	14	**378**	524	672
—	—	—	—	—	—	**76**	34	31	**76**	34	31
38	118	153	**8**	21	17	**(68)**	(22)	(5)	**152**	254	286
70	148	188	**14**	24	21	**(67)**	(25)	(12)	**150**	236	355
17	—	—	—	—	—	—	—	—	**17**	—	—
53	148	188	**14**	24	21	**(67)**	(25)	(12)	**133**	236	355
2 065	1 707	1 403	**627**	349	290	**246**	190	478	**4 660**	3 778	3 449
1 569	1 235	1 070	**568**	327	280	**271**	102	225	**3 950**	3 055	2 707
313	150	71	**288**	33	4	**35**	18	10	**1 014**	707	518
35	36	29	**10**	11	11	**7**	5	5	**119**	118	106

†After elimination of inter-segment sales.

Oil Products and Chemicals include the manufacture, distribution and marketing of refined products and chemical products respectively.

Other includes cash, short-term securities, pipeline investments, miscellaneous corporate ventures, long-term debt, general corporate facilities and unallocated corporate income and expenses, and interest on long-term debt.

10. Properties, plant and equipment

($ millions)	Principal depreciation and amortization rates	Cost	Accumulated depreciation and amortization	1982 net book value	1981 net book value
Resources segment					
Exploration and development	Unit of production	**1 546**	**457**	**1 089**	1 012*
Coal and other	Unit of production	**379**	**27**	**352**	292*
Oil Products segment					
Refining	4% to 13%	**903**	**336**	**567**	352
Marketing and transportation	4% to 13%	**429**	**191**	**238**	201
Chemicals segment	4% to 13%	**547**	**54**	**493**	218
Other	4% to 13%	**95**	**29**	**66**	42
Total December 31, 1982		**3 899**	**1 094**	**2 805**	
Total December 31, 1981		3 078	961		2 117

*Reclassified.

11. Transactions with affiliated companies

Shell Canada, in the course of its regular business, has routine transactions at commercial rates with affiliates of the Royal Dutch/Shell Group of Companies. Such transactions are not material in relation to the Corporation's overall activities.

12. Long-term debt

($ millions)	Maturity	1982	1981
15¾% Debentures (1982 – U.S. $100; 1981 – U.S. $100)	1991	**120**	120
14⅜% Debentures (1982 – U.S. $125)	1992	**154**	—
11¾% Debentures	1988	**100**	—
Sinking fund debentures			
Series F – 5¾%	1983	**1**	2
1 – 7½% (1982 – U.S. $60; 1981 – U.S. $64)	1994	**64**	68
2 – 9¼% (1982 – U.S. $75; 1981 – U.S. $75)	1996	**74**	74
9⅜% Debentures	2003	**120**	120
14⅛% Debentures (1982 – U.S. $200)	1997	**247**	—
Promissory notes			
7% (1982 – £4 million; 1981 – £7 million)	1983 to 1984	**8**	13
Floating rate*	1992	**100**	—
Other long-term obligations	Varying dates	**25**	23
		1 013	420
Included in current liabilities as due within one year		**6**	6
Total		**1 007**	414

*Interest is payable monthly at ¾ of 1% below prime rates prevailing at Canadian chartered banks to August, 1986, subject thereafter to annual renegotiation. In the event that agreement cannot be reached with respect to a new interest rate, the principal amount may be repaid in full without penalty.

Of the $1 013 million long-term debt, the aggregate amount of payments required to meet sinking fund or retirement provisions will be $6 million in 1983, $15 million in 1984, $11 million in 1985, $16 million in 1986, and $13 million in 1987.

The principal amounts of the U.S. Debentures and of the U.S. and Sterling Promissory Notes included in the consolidated financial statements are expressed in terms of Canadian dollars, translated at the rates of exchange prevailing when the funds were received. The aggregate principal amount, if translated at the rate of exchange prevailing at December 31, 1982 would have been $698 million, compared with $668 million included in the financial statements (1981 – $300 million, compared with $276 million included in the financial statements).

13. Lines of credit

In 1981, the Corporation entered into agreements with two Canadian chartered banks for revolving lines of credit at prevailing market rates, each in the amount of $500 million, expiring in July, 1986. One agreement permits the Corporation, at any time prior to July 2, 1986, to convert amounts outstanding to term loans repayable by July, 1996. The other agreement permits the Corporation to convert amounts outstanding on July 2, 1986 to a term loan repayable by July, 2001. At December 31, 1982, the unused portion of these lines of credit amounted to $1 billion (1981 – $960 million). Subsequent to December 31, 1982, the Corporation reduced the aggregate amount of these lines of credit to $500 million.

14. Legal proceedings

A statement of claim was filed on February 19, 1982 by an Indian band and certain individual plaintiffs against the Province of Alberta and 10 oil companies, including Shell Canada Limited and Shell Canada Resources Limited. The plaintiffs are claiming Indian title, aboriginal rights and personal rights including the exclusive use and enjoyment of minerals and natural resources in an area of land in northern Alberta in which the province has granted oil and gas leases. The plaintiffs are claiming $700 million in lieu of royalties and revenues to date, $200 million in damages, a declaration that the leases are null and void, an injunction restraining the corporate defendants from carrying out exploration and production operations in the area and corollary relief. Shell Canada disputes the claim and will defend the action.

The extent of liability, if any, with respect to the total claim, cannot be determined at this time. However, based on a preliminary consideration of the claim, counsel for Shell Canada considers it unlikely that the claim can be established with respect to the minerals and natural resources in the area held by the corporate defendants or that the claims for $700 million and $200 million, which are based on the claim to the exclusive use and enjoyment of the minerals and natural resources, will succeed.

15. Commitments and other contingent liabilities

At December 31, 1982, the Corporation had non-cancellable operating leases, with an initial or remaining term of one year or more, covering service stations, offshore drilling equipment, office space, and other facilities. Future minimum payments (without reduction for related rental income) under such leases are estimated at $115 million in 1983, $99 million in 1984, $30 million in 1985, $20 million in 1986, $16 million in 1987 and $128 million thereafter.

To assure a long-term supply of ethylene, the Corporation has entered into a take-or-pay contract to purchase 107 000 tonnes of ethylene per annum. The Corporation expects delivery of ethylene to commence in 1984 for a term of 20 years. The price of the product is to be determined on a cost of service basis. Shell estimates its minimum payments, which are related to the depreciation and interest components of the cost of service, will be $8 million in 1984, $15 million in 1985, $15 million in 1986, $14 million in 1987 and $132 million thereafter. Subsequent to December 31, 1982, the Corporation entered into agreements which, under certain conditions relating to the availability of funds in U.S. financial markets, could require the advance payment of up to $104 million; such maximum payment would have the effect of eliminating the take-or-pay contract obligations.

The Corporation has entered into a number of contracts relating to the construction of a synthetic crude oil refinery, a benzene chemical plant and a styrene monomer chemical plant at Scotford, Alberta. The total estimated cost is $1 382 million, of which $654 million has been incurred to December 31, 1982.

AUDITORS' REPORT

To the Shareholders of Shell Canada Limited:

We have examined the consolidated statement of financial position of Shell Canada Limited as at December 31, 1982 and 1981 and the consolidated statements of earnings, earnings retained in the business and changes in financial position for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and 1981 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1982 in accordance with generally accepted accounting principles consistently applied.

Price Waterhouse
Toronto, Ontario, February 18, 1983

FIVE-YEAR FINANCIAL DATA

	1982	1981	1980	1979	1978
Statement of earnings ($ millions)					
Revenues					
Petroleum products	**3 531**	3 336	2 640	2 195	1 762
Natural gas*	**616**	549	537	430	356
Crude oil and natural gas liquids*	**465**	338	375	434	318
Chemicals	**328**	325	267	203	136
Other operating revenue*	**209**	203	143	117	94
Sales and other operating revenue	**5 149**	4 751	3 962	3 379	2 666
Dividends, interest and other income	**42**	50	61	47	19
	5 191	4 801	4 023	3 426	2 685
Expenses					
Purchased crude oil, petroleum products and other merchandise	**3 249**	2 851	2 235	2 039	1 660
Operating expense	**638**	580	440	357	312
Selling and general expenses	**525**	466	401	329	293
Exploration and predevelopment expenses	**157**	193	169	134	96
Depreciation, amortization and retirements	**119**	118	106	84	66
Interest on long-term debt	**76**	34	31	31	28
Petroleum and gas revenue tax	**119**	69	—	—	—
Incremental oil revenue tax	**6**	—	—	—	—
Income taxes – current	**(47)**	164	256	140	—
– deferred	**199**	90	30	53	80
	5 041	4 565	3 668	3 167	2 535
Earnings before unusual item	**150**	236	355	259	150
Unusual item, after income tax	**17**	—	—	—	—
Earnings for the year	**133**	236	355	259	150
Statement of changes in financial position ($ millions)					
Cash internally generated					
Operations	**639**	642	664	535	393
Sales of properties, plant and equipment and miscellaneous items	**35**	2	13	20	14
Deferred gas production revenue	**99**	23	37	24	14
	773	667	714	579	421
Cash invested					
Capital and exploration expenditures	**1 014**	707	518	366	383
Purchase of Crows Nest Industries Limited	—	—	—	—	56**
Investments, long-term receivables and other assets	**77**	32	10	(46)	89
Working capital excluding cash	**71**	300	39	85	43
	1 162	1 039	567	405	571
Dividends paid					
Preferred shares	**24**	23	20	15	—
Common shares	**90**	90	90	72	58
	1 276	1 152	677	492	629
Cash surplus (deficiency) before external financing	**(503)**	(485)	37	87	(208)
External financing					
Capital stock	—	—	1	1	250
Long-term debt	**593**	112	(26)	7	139
	593	112	(25)	8	389
Increase (decrease) in cash	**90**	(373)	12	95	181

*Reclassified to conform with the 1982 presentation.

**Net of working capital.

FIVE-YEAR FINANCIAL DATA

	1982	1981	1980	1979	1978
Financial position at year end ($ millions)					
Cash and short-term investments	65	38	348	361	241
Short-term borrowings	—	(63)	—	(25)	—
Other working capital	900	829	529	490	405
Total working capital	965	804	877	826	646
Investments, long-term receivables and other assets	180	134	111	107	158
Properties, plant and equipment – net	2 805	2 117	1 719	1 487	1 358
Total capital employed	3 950	3 055	2 707	2 420	2 162
Less: Long-term debt	1 007	414	302	328	321
Deferred gas production revenue	197	98	75	38	14
Deferred income taxes	611	427	337	307	253
Shareholders' investment at book value	2 135	2 116	1 993	1 747	1 574
Per common share data* (dollars)					
Earnings	1.09	2.12	3.34	2.42	1.49
Dividends paid	0.90	0.90	0.90	0.72	0.58
Cash from operations (before exploration and predevelopment expenses)	6.12	6.18	6.42	5.19	3.93
Shareholders' investment	18.78	18.60	17.37	14.93	13.21
Common share data*					
Common shares outstanding at year end (millions)	100	100	100	100	100
Shareholders (number at year end)	15 734	17 563	18 911	16 887	17 370
Ratios					
Return on average capital employed (%)	5.0	8.8	14.5	12.0	8.8
Earnings attributable to common shares					
as % of average common shareholders' equity	5.8	11.8	20.7	17.2	11.7
as % of revenues	2.1	4.4	8.3	7.1	5.6
Common share dividends as % of earnings attributable to common shares	82.6	42.5	26.9	29.7	38.8
Current assets to current liabilities	2.4	2.1	2.2	2.5	2.3
Long-term debt as % of total capital employed	25.5	13.6	11.2	13.6	14.8
Employees					
Salaries, wages and employee benefits ($ millions)	394	332	269	226	200
Employees (number at year end)	8 611	8 822	8 045	7 801	7 750
Capital employed per employee ($ thousands)	459	346	336	310	279

*Class "A" Common Share equivalent is calculated on the basis that the holder of Class "B" Common Shares is entitled, on a share-for-share basis, to four times any amount paid or distributed to holders of Class "A" Common Shares. Cash from operations and earnings per common share have been calculated using monthly weighted average Class "A" equivalent.

SUPPLEMENTAL PRODUCTS DISCLOSURE (unaudited)

	1982	1981	1980	1979	1978
Crude oil processed by Shell refineries (thousands of cubic metres daily)	**36.2**	38.6	44.4	44.7	41.9
Rated refinery capacity at year end (thousands of cubic metres daily)	**46.8**	47.2	47.0	47.0	47.0
Percentage of rated refinery capacity utilized	**77**	82	94	95	89
Petroleum product sales (thousands of cubic metres daily)					
Gasolines	**16.1**	17.2	18.3	18.9	18.3
Middle distillates	**12.1**	13.3	15.1	16.5	15.4
Lubricants, asphalts, heavy fuel oil and greases	**5.7**	6.6	7.0	7.8	7.1
Total	**33.9**	37.1	40.4	43.2	40.8
Petroleum product sales ($ millions)					
Gasolines	**1 830**	1 665	1 248	1 018	845
Middle distillates	**1 227**	1 170	968	797	635
Lubricants, asphalts, heavy fuel oil and greases	**474**	501	424	380	282
Total	**3 531**	3 336	2 640	2 195	1 762
Retail outlets (number at year end)	**3 512**	3 628	3 626	3 754	3 880
Chemical sales					
Tonnes daily	**1 346**	1 413	1 407	1 296	1 072
Millions of dollars annually	**328**	325	267	203	136

SUPPLEMENTAL OIL, GAS AND COAL DISCLOSURE (unaudited)

	1982	1981	1980	1979	1978
Production					
Crude oil and natural gas liquids (thousands of cubic metres daily)					
Gross	**10.0**	10.0	11.3	12.1	10.5
Net	**6.7**	6.3	7.1	7.4	6.5
Natural gas (millions of cubic metres daily)					
Gross	**16.4**	16.4	16.3	18.0	17.0
Net	**11.2**	10.9	10.2	12.3	11.7
Sulphur – gross (thousands of tonnes daily)	**3.2**	3.4	3.4	3.5	3.2
Clean coal – gross (thousands of tonnes daily)	**2.2**	—	—	—	—
Sales					
Sulphur – gross (thousands of tonnes daily)	**3.5**	4.2	3.3	3.3	3.2
Coal – gross (thousands of tonnes daily)	**2.0**	—	—	—	—

Gross production includes all production attributable to Shell's interest before deduction of royalties.

Net production is determined by deducting overriding royalties and the share of mineral owners and/or governments from gross production. Net production figures are not applicable to sulphur and coal as royalties are applied to sales volumes rather than production volumes.

Land holdings

Oil and gas at December 31, 1982	Exploration rights		Leases	
(thousands of hectares)	Gross	Net	Gross	Net
Onshore within the provinces				
Conventional oil and gas				
Alberta	365	311	1 281	822
Other	692	373	738	495
Synthetic oils				
Heavy oil	49	49	93	52
Oil sands – mining	—	—	20	10
– in-situ	—	—	153	77
Canada lands				
East Coast offshore				
Nova Scotia	5 927	2 476	—	—
Newfoundland	2 252	633	—	—
Baffin Bay and Davis Strait	1 514	1 514	—	—
Northwest and Yukon Territories				
MacKenzie Delta	480	212	—	—
Other	25	19	—	—
West Coast offshore	5 598	2 642	—	—
Total	16 902	8 229	2 285	1 456

Gross hectares include the interests of others, and net hectares exclude the interests of others.

Exploration rights, comprising Crown reservations, permits, exploration agreements and licences, are acquired from the Canadian government or the provinces through application or competitive bidding, and confer upon the holder the right to explore for crude oil, natural gas and sulphur and to lease the crude oil, natural gas and sulphur rights under a specified percentage of the lands covered. The holder is generally required to make cash payments or to undertake specified amounts of work in order to retain the rights to the land. No deduction has been made from Crown reservations, permits and exploration agreements to reflect that only a portion of these areas may be converted to lease.

The recently enacted Canada Oil and Gas Act reserves to the Canadian government a 25% carried interest in Canada Lands. The above Canada Lands acreages have not been discounted to reflect this carried interest.

Of the total leased acreage, approximately 376 000 gross hectares or 140 000 net hectares in western Canada, primarily in Alberta, are classified as developed acreage. The remaining leased acreage and exploration rights, consisting of approximately 18.8 million gross hectares or 9.5 million net hectares, are undeveloped.

Leases essentially confer upon the lessee the right to remove crude oil and natural gas from the property, with the lessee paying all development and operating costs and being entitled to the production subject to the payment of a rental and/or a reserved royalty.

Coal at December 31, 1982	Licences and leases	
(thousands of hectares)	Gross	Net
Alberta	314	287
British Columbia	76	72
Saskatchewan	3	3
Total	393	362

Gross hectares include the interests of others, and net hectares exclude the interests of others.

Coal land holdings have not been discounted to reflect the fact that Shell Canada is required by the Foreign Investment Review Agency (FIRA) to undertake to divest itself of a 20% undivided interest (or an equivalent amount approved by FIRA), or approximately 7 000 hectares of coal rights in British Columbia by December 31, 1985.

Reserve quantity information

Oil, gas and sulphur reserves

Estimation of reserve quantities is a complex procedure. Although based on sound geological and engineering principles, the results are still estimates based on judgemental interpretation of reservoir data. They are subject to revision as additional information regarding producing fields and technology becomes available and as economic and operating conditions change.

The Canadian Government and provincial government royalty rates vary depending on prices, production volumes, the timing of initial production and changes in legislation; the net reserves set forth below have been calculated on the basis of royalty rates in force as of the dates the estimates were made.

Shell Canada's estimated proved reserves (excluding any reserves from oil sands or heavy oil deposits and any reserves in the Mackenzie Delta and other frontier areas) are all located in Canada, with approximately 90% in Alberta.

	Crude oil and NGL			Natural gas			Sulphur		
	(million cubic metres)			(billion cubic metres)			(million tonnes)		
	1982	1981	1980	**1982**	1981	1980	**1982**	1981	1980
Net proved developed and undeveloped reserves									
Beginning of year	**30.7**	30.8	34.0	**79.0**	80.5	94.0	**20.3**	20.0	24.4
Revisions of previous estimates	**4.0**	2.2	(1.1)	**(2.5)**	2.0	(11.2)	**0.5**	1.1	(3.7)
Extensions, discoveries and other additions	—	—	0.5	**0.4**	0.5	1.4	—	0.5	0.3
Production	**(2.5)**	(2.3)	(2.6)	**(4.1)**	(4.0)	(3.7)	**(1.1)**	(1.3)	(1.0)
End of year	**32.2**	30.7	30.8	**72.8**	79.0	80.5	**19.7**	20.3	20.0
Net proved developed reserves									
Beginning of year	**27.6**	27.0	31.6	**62.3**	60.2	74.0	**16.3**	16.0	20.0
End of year	**28.0**	27.6	27.0	**59.1**	62.3	60.2	**15.3**	16.3	16.0
Gross proved developed and undeveloped reserves at end of year	**45.0**	44.6	44.7	**108.1**	115.7	122.6	**23.0**	23.0	23.1

The upward revision to crude oil and natural gas liquids (NGL) reserves in 1982 is due to lower provincial royalty rates for oil, coupled with increased NGL recoveries from the Jumping Pound and Waterton deep-cut operations.

The downward revision to natural gas reserves in 1982 reflects an increased royalty share in the Limestone and Burnt Timber fields due to lower royalty gas cost allowances.

The upward extension to natural gas reserves in 1982 is due to contracting of reserves in the Sarnia, Ontario, field.

Definitions:

Proved reserves – Estimated quantities of crude oil, natural gas liquids, natural gas and sulphur which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs. These estimates are based on existing economic and operating conditions (prices, costs, royalties and income taxes) as of the date the estimate is made and include only natural gas volumes which have been contracted.

Proved developed reserves – Reserves which can be expected to be recovered through existing wells with existing equipment and operating methods, and which are economically recoverable under current prices, costs, royalties and income taxes.

Proved undeveloped reserves – Reserves which are expected to be recovered from new wells on undrilled acreage adjacent to producing acreage, or from existing wells where further significant expenditure is required.

Gross proved reserves – Reserve estimates before the deduction of royalty interests owned by others.

Net proved reserves – Reserve estimates after deduction of royalties and therefore, represent only those quantities which Shell Canada has a right to retain.

Other reserves

Reserves of clean bituminous coal (million tonnes)	**1982**	1981	1980
Proved	**53**	54	*
Probable	**132**	60	*

*Not available.

Oil sands synthetic crude potential reserves* (million cubic metres)			
Mining (Athabasca)	**300**	300	300
In-situ (Peace River and Athabasca)	**500-800**	500-800	500-800

*Production of these reserves is dependent on the development of economically viable recovery technology.

Exploration and development wells drilled (conventional oil and gas excluding heavy oil)

Year ended December 31	1982		1981		1980		1979		1978	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploration										
Oil	4	4	3	1	1	1	1	—	4	4
Gas	2	2	10	4	14	10	12	11	8	6
Dry	19	17	33	29	52	45	48	40	51	47
Total	25	23	46	34	67	56	61	51	63	57
Development										
Oil	15	9	10	7	28	18	17	12	19	11
Gas	12	9	5	4	14	11	11	9	17	13
Dry	2	1	5	4	11	7	10	8	4	4
Total	29	19	20	15	53	36	38	29	40	28
Total exploration and development	54	42	66	49	120	92	99	80	103	85

All wells in the above table were drilled onshore within the provinces with the exception of one exploratory well drilled off the East Coast in 1979.

In addition, at December 31, 1982, the Corporation was participating in 29 gross wells (17 net wells), which were either drilling, waiting for service rigs or testing. One of these wells was an exploratory well being drilled off the East Coast.

Definitions:

Exploration well – In general, a well drilled either in search of a new and as yet undiscovered pool of oil or gas, or with the expectation of significantly extending the limits of an established pool. All other wells are development wells.

Gross wells – The number of wells in which Shell Canada has a working interest.

Net wells – The aggregate of the numbers obtained by multiplying each gross well by the percentage working interest of Shell Canada therein, rounded to the nearest whole number.

Oil and gas exploration and producing activities

In 1982, the Financial Accounting Standards Board (FASB) in the United States issued Statement 69 which establishes a comprehensive set of disclosures for oil and gas producing activities. This Statement was adopted by the Securities and Exchange Commission in place of its own disclosure requirements for oil and gas producing activities. The information presented on this page was prepared in accordance with the provisions of FASB Statement 69 and, accordingly, replaces the cost and revenue data previously disclosed.

Capitalized costs

As at December 31 ($ millions)	**1982**	1981*	1980*
Unproved oil and gas properties	**346**	363	321
Proved oil and gas properties	**1 200**	1 046	965
	1 546	1 409	1 286
Accumulated depreciation and amortization	**457**	397	343
Net capitalized costs	**1 089**	1 012	943

*Restated to conform with the 1982 presentation.

The above represents conventional oil and gas exploration and development costs, including heavy oil, that are capitalized as properties, plant and equipment of the Resource segment's exploration and production operations as shown in Note 10 of the financial statements. These costs are categorized between those properties with proved reserves and those properties with no proved reserves.

Cost incurred

Year ended December 31 ($ millions)	**1982**	1981	1980
Property acquisition – unproved	**15**	36	78
Exploration costs	**132**	143	150
Development costs	**128**	96	114

The above costs were incurred by the Corporation in oil and gas operations during the year and include costs that are capitalized or expensed when incurred.

Results of operations from producing activities

Year ended December 31 ($ millions)	**1982**	1981	1980
Revenues	**841**	703	612
Less: Production costs	**171**	144	112
Petroleum and gas, and incremental oil revenue taxes	**125**	69	—
Exploration expenses	**131**	145	126
Depreciation and amortization	**72**	64	58
Income taxes	**241**	182	146
Results of operations from producing activities	**101**	99	170

The above revenues and costs exclude corporate overhead and other operating costs and revenues not directly related to conventional oil and gas exploration and producing activities. Consequently, the above results differ from those reported in the financial results of the Resources segment.

Standardized measure of discounted future net cash flows

The following future net revenue information has also been prepared in accordance with the provisions of FASB Statement 69. The information should be interpreted with considerable caution for the following reasons:

1. Actual future cash flows will differ from future net cash flows presented in that:
   (a) Future cash flows will be derived not only from proved reserves but also from probable and potential reserves which ultimately may become proved,
   (b) Future, rather than current year, costs and prices will apply, and
   (c) Future economic, regulatory and operating conditions can change.
2. The increase in present value does not represent cash available to the Corporation. Actual cash flows will be realized over the producing life of the reserves.
3. The increase in present value during the year tends to be dominated, in times of rising prices, by the effect of current year changes in crude oil and natural gas prices.

Because of these inherent limitations, the data shown below should not be construed as being the value of Shell Canada's oil and gas resource business.

Standardized measure of discounted future net cash flows from proved oil and gas reserves

Year ended December 31 ($ millions)	1982	1981	1980
Future cash inflow*	**13 669**	12 781	11 416
Less: Future production and development costs	**2 864**	2 695	2 337
Petroleum and gas, and incremental oil revenue taxes	**2 089**	1 159	—
Future income tax expense	**5 092**	5 103	4 733
Future net cash flows	**3 624**	3 824	4 346
Less: 10% annual discount for estimated timing of cash flow	**2 008**	2 129	2 270
Standardized measure of discounted future net cash flows from proved oil and gas reserves	1 616	1 695	2 076

Changes in the standardized measure of discounted future net cash flows

	1982	1981	1980
Sales, net of production costs**	**(545)**	(490)	(500)
Net changes in prices and production costs	**587**	504	1 046
Extensions, discoveries and improved recovery, less related costs**	**16**	128	40
Development costs incurred during the period	**128**	96	114
Revisions of previous quantity estimates**	**110**	125	(602)
Petroleum and gas, and incremental oil revenue taxes	**(522)**	(639)	—
Accretion of discount	**414**	442	385
Net change in income taxes	**58**	(100)	(343)
Other	**(325)**	(447)	92
Net increase (decrease) for the year	(79)	(381)	232

*Future net cash flows were computed using year-end prices and costs, and year-end statutory tax rates that relate to existing proved developed and undeveloped oil and gas reserves in which the Corporation has mineral interests.

**Costs include petroleum and gas, and incremental oil revenue taxes.

ACCOUNTING FOR INFLATION (unaudited)

Persistent high rates of inflation in recent years have focused attention on the limitations of traditional financial statements that are prepared on the basis of actual historical costs. These statements do not reflect the economic effects of changes in the general purchasing power of the dollar or in changes in specific prices of assets and commodities.

In 1982, the Canadian Institute of Chartered Accountants (CICA) issued a pronouncement requiring large publicly-held enterprises to provide supplementary disclosure of current cost-adjusted financial information to reflect the effects of changing prices. This supplementary disclosure is experimental, subject to further review within five years. In presenting the data below, Shell Canada has followed the CICA pronouncement except that deferred taxes have been treated as a monetary item. In addition, the current cost data have been expressed in year-end general purchasing power dollars. The Corporation believes that this presentation is more informative and in keeping with the experimental nature of current cost accounting.

Constant dollar information

Since 1974, Shell Canada has used the method of portraying the effects of inflation known as general price-level accounting (GPLA) or constant dollar accounting. The Gross National Expenditure Implicit Price Index has been used to restate historical cost financial statements into units of the same purchasing power. Shell Canada believes GPLA deals adequately with changes in the general price level.

Current cost information

The purpose of current cost accounting is to reflect the effects of changes in the specific prices of property, plant and equipment and inventories which often differ from general price level changes.

The reported current costs of inventories and purchases are the Corporation's best estimates of the costs of reproducing the same amount of inventories at current prices. The current costs of property, plant and equipment have been estimated using specific price indexes which were found to be consistent with cost changes experienced by Shell Canada. Although the Corporation believes these estimated costs are reasonable, because of the subjective judgments involved, these costs are, at best, broad indicators of the cost of replacing the assets at today's prices; they do not represent appraised values nor indications that these assets will necessarily be replaced in future or the manner in which such replacements might be made.

A significant portion of the Corporation's assets are capitalized costs related to the exploration and development of existing oil and gas reserves. Being unique and finite in nature, these reserves are not replaceable in kind. As acknowledged by the CICA, there is still no acceptable method of determining the current cost of such resource assets. For instance, the current cost of drilling

Statement of earnings attributable to common shares
(In terms of general purchasing power at the end of 1982, except historical cost amounts)

Year ended December 31 ($ millions, except per share amounts)	1982 Historical cost	1982 Constant dollar	1982 Current cost	1981 Historical cost	1981 Constant dollar*	1981 Current cost
Revenue	5 191	5 359	5 359	4 801	5 524	5 524
Less: Purchases	3 249	3 443	3 466	2 851	3 356	3 546
Operating and other expenses	1 396	1 452	1 452	1 273	1 474	1 474
Depreciation, depletion and amortization	119	244	294	118	241	295
Petroleum and gas, and incremental oil revenue taxes	125	129	129	69	79	79
Earnings before income taxes and unusual item	302	91	18	490	374	130
Less: Income taxes – current	(47)	(48)	(48)	164	188	188
– deferred	199	205	205	90	104	104
Reduction of assets to recoverable amounts, including unusual item	17	47	54	—	—	—
Earnings (loss)	133	(113)	(193)	236	82	(162)
Less: Preferred share dividends	24	24	24	23	25	25
Add: Purchasing power gain	—	100	—	—	72	—
Financing adjustment	—	—	66**	—	—	75**
Earnings (loss) attributable to common shares	109	(37)	(151)	213	129	(112)
Earnings (loss) per Class "A" Common Share (dollars)	1.09	(0.37)	(1.51)	2.12	1.27	(1.14)
Earnings as a % of average common shareholders' equity	5.8	(1.2)	(4.0)	11.8	4.0	***

*Restated to conform with the 1982 presentation.
***Not available.
**The financing adjustment would amount to $144 million (1981-$82 million) if the unrealized gain on current cost were included.

and equipping existing wells was estimated by using an index based on the industry's average drilling costs. The resultant estimates do not represent the current cost of finding and developing similar quantities of reserves but are gross approximations of what it might cost if past exploration and development experiences were to be repeated at today's prices. Similarly, due to the lack of suitable alternatives, the historical cost of oil and gas leaseholds and rights were merely adjusted to reflect the effects of general inflation.

The inclusion of the estimated current cost of resource assets reduces the usefulness of the overall current cost-based measurement of the Corporation's performance.

Interpretation of information presented

Increases in purchases expressed on a constant dollar basis remove the inflationary gain from profit on sale of inventories. Similar increases, on a current cost basis, represent the higher cost of replacing inventory at the time of sale, mainly as a result of increases in the price of crude oil.

Depreciation, depletion and amortization measured in constant dollars increase due to decline in the purchasing power of the dollar. The same increase on a current cost basis reflects the higher replacement cost of assets.

Income taxes

The present Canadian tax laws do not permit deductions for increased depreciation and other costs stemming from adjustments for the effects of inflation. This results in an effective tax rate of about 110% for 1982 (65% for 1981) on a constant dollar basis and 950% for 1982 (140% for 1981) on a current cost basis.

Purchasing power gain

Holders of net monetary liabilities gain purchasing power during inflationary periods because less purchasing power will be required to satisfy future obligations. The use of long-term debt and non-participatory preferred shares to finance major investments in the past provided a hedge against inflation. For the years presented, the purchasing power gain has measured favourably against interest expenses and preferred share dividends.

Financing adjustment

The CICA requires disclosure of a financing adjustment to reflect the benefit or cost attributable to common shares that results from realization during a reporting period of changes in the portion of the current cost of assets that have been financed by net monetary liabilities. The concept and usefulness of this adjustment is controversial. Other equally valid approaches to accounting for inflation do not require such an adjustment.

Other supplementary information
(In terms of the general purchasing power at the end of 1982, $ millions)

	Properties, plant and equipment – net		Inventory	
	1982	1981	**1982**	1981
Current cost amount at beginning of year	**4 066**	3 852	**940**	944
Current year additions (reductions)	**562**	302	**(6)**	(120)
Increase in current cost during the year	**578**	270	**88**	192
Inflation component of current cost increase*	**(411)**	(358)	**(87)**	(76)
Reduction to recoverable amounts	**(59)**	—	—	—
Current cost amount at end of year	**4 736**	4 066	**935**	940
Historical cost amount at end of year	**2 805**	2 117	**898**	794

*This component has already been included in the opening balance as a result of general purchasing power restatement.

Net assets on a current cost basis amount to $3 733 million (1981-$3 753 million) in terms of general purchasing power at end of 1982.

Five-year summary of earnings on constant dollar basis
(In terms of the general purchasing power at the end of 1982, $ millions, unless otherwise indicated)

	1982	1981	1980	1979	1978
Earnings attributable to common shares (historical cost)	**109**	213	335	243	150
Constant dollar restated earnings (loss) attributable to common shares	**(37)**	129	309	255	161
Earnings attributable to common shares as a % of average common shareholders' equity	**(1.2)**	4.0	10.1	8.9	5.8
Earnings as a % of average capital employed	**0.6**	3.8	8.0	7.0	4.4
Purchasing power of the Canadian dollar (amount needed on January 1 each year to purchase what $1.00 would buy on December 31, 1982)	**0.90**	0.82	0.74	0.66	0.63

Directors
at December 31, 1982

Sir Peter Baxendell
Chairman and Managing Director, The "Shell" Transport and Trading Company, p.l.c., London, England.

Peter J.G. Bentley
President and Chief Executive Officer, Canadian Forest Products Ltd., Vancouver.

C. William Daniel
President and Chief Executive Officer, Shell Canada Limited, Toronto.

A. Davidson Dunton
Professor and Fellow, Institute of Canadian Studies, Carleton University, Ottawa.

Dr. James M. Ham
President, University of Toronto, Toronto.

J.M. MacLeod
Executive Vice President, Shell Canada Limited, Toronto.

D.W. Menzel
Management Consultant and Corporate Director, Toronto.

Louis Rasminsky
Corporate Director, Ottawa.

Margaret Southern
President, Spruce Meadows Equestrian Centre, Calgary.

Donald J. Taylor
Executive Vice President, Shell Canada Limited, Toronto.

Antoine Turmel
Chairman and Chief Executive Officer, Provigo Inc., Montreal.

L.C. van Wachem
President and Managing Director, Royal Dutch Petroleum Company, The Hague, Netherlands.

In 1982, Mr. L.C. van Wachem was elected to the Board to replace Mr. D. de Bruyne who retired after five years as a Director.

Committees of the Board of Directors

- **Audit**, composed of Messrs. Bentley, Rasminsky and Turmel reviews Shell's financial statements, the scope and results of the shareholders' auditor's work, the adequacy of internal accounting controls and internal audit programs, and the compliance with accounting and reporting standards.

- **Management Resources and Compensation**, composed of Messrs. Daniel, Dunton and Rasminsky, reviews and recommends to the Board succession plans for senior management and reviews and approves executive compensation.

Officers
at December 31, 1982

C. William Daniel,
President and Chief Executive Officer, Toronto

J.E. Czaja,
Executive Vice President, Toronto

J.M. MacLeod,
Executive Vice President, Toronto

Donald J. Taylor,
Executive Vice President, Toronto

W.M. Catterson,
Senior Vice President (Oil Products), Toronto

D.G. Stoneman,
Senior Vice President (Oil & Gas), Calgary

R.S. Aberg,
Vice President (Special Assignment), Calgary

L.F.J. Bolger,
Vice President (Chemicals), Toronto

D.C. Hayes,
Vice President (General Counsel), and Secretary, Toronto

R.A. King,
Vice President (Coal), Calgary

I.J.O. Korchinski,
Vice President (Manufacturing), Toronto

G. Robertson,
Vice President (Exploration), Calgary

A.G. Seager,
Vice President (Marketing), Toronto

R.H. Shaw,
Vice President (Development), Calgary

R.F. Taylor,
Vice President (Corporate Development), Toronto

K.J. Turpin,
Vice President (Finance), Toronto

K.B. Munnoch,
Treasurer, Toronto

G.L. Peterson,
Controller, Toronto

Executive changes during 1982

Effective June 30, 1982

Mr. D.W. Menzel, formerly a Senior Vice President, retired.

Effective July 1, 1982

Mr. J.E. Czaja, formerly a Senior Vice President was designated an Executive Vice President.

Mr. J.M. MacLeod, formerly a Senior Vice President was designated an Executive Vice President.

Mr. Donald J. Taylor, formerly a Senior Vice President was designated an Executive Vice President.

Mr. W.M. Catterson, formerly Vice President (Manufacturing) was designated Senior Vice President (Oil Products).

Mr. D.G. Stoneman, formerly Vice President (Development) was designated Senior Vice President (Oil and Gas).

Mr. R.S. Aberg, formerly Vice President (Oil Sands Administration) became Vice President (Special Assignment).

Mr. I.J.O. Korchinski, formerly General Manager (Refining and Chemical Plants) became Vice President (Manufacturing).

Mr. A.G. Seager, formerly Vice President (Oil Products) became Vice President (Marketing).

Mr. R.H. Shaw, formerly Vice President (Oil Sands Mining Development), became Vice President (Development).

INVESTOR INFORMATION

SHELL CANADA LIMITED
(incorporated under the laws of Canada)
505 University Avenue, Toronto, Ontario M5G 1X4

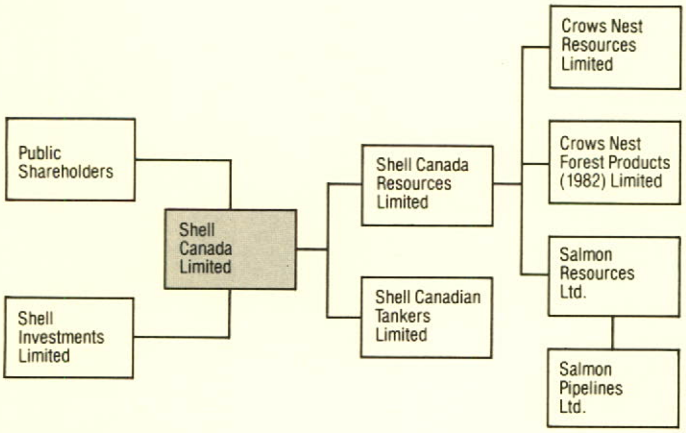
Voting rights, ownership and major subsidiaries of Shell Canada Limited (at December 31, 1982)

Voting rights
A total of 21.4 million Class "A" Common Shares, representing 29 per cent of the voting rights of Shell Canada Limited, are publicly available for trading on the Montreal, Toronto, Alberta and Vancouver stock exchanges.

Approximately 67 per cent of Class "A" shares and all of Class "B" shares are owned by Shell Investments Limited and represent 71 per cent of the voting rights.

Ownership
The public shareholding of Shell Canada constitutes 21 per cent of the equity, while Shell Investments' holdings constitute 79 per cent.

Shell Investments Limited is a Canadian company, wholly-owned by Shell Petroleum N.V. of The Netherlands which, in turn, is owned 40 per cent by The "Shell" Transport and Trading Company, Public Limited Company, an English company, and 60 per cent by Royal Dutch Petroleum Company of The Netherlands.



Transfer agent and registrar
Shell Canada's transfer agent and registrar is National Trust Company, Limited – Toronto, Montreal, Winnipeg, Calgary and Vancouver and its agent in Halifax, Canada Permanent Trust Company.

Changes of address or inquiries about shares and dividends should be directed to the transfer agent.

Stock exchange listings
The Class "A" Common Shares of Shell Canada Limited are listed on the Montreal, Toronto, Alberta and Vancouver stock exchanges. The stock symbol is SHC.

Investor Information
Investors may obtain information about the Corporation's operations and results from the Assistant Treasurer, Shell Canada Limited, 505 University Avenue, Toronto, Ontario M5G 1X4.

Shell Canada Limited

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