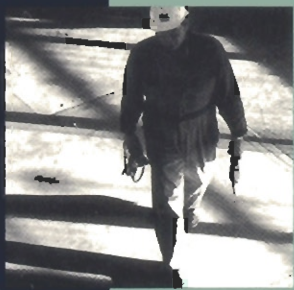
ANNUAL REPORT


1988

ALBERTA
NATURAL GAS
COMPANY
LTD

Annual Meeting

The Annual Meeting of Shareholders will be held in the Bonavista Room, Westin Hotel, Calgary, Alberta, on Thursday, the 27th day of April, 1989 at 9:30 a.m.

The notice of the meeting and proxy form are being mailed with this report to all shareholders of record.

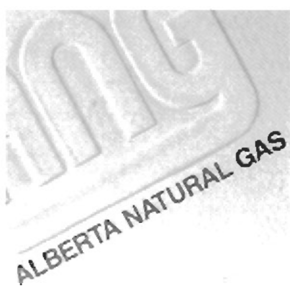
About the cover

The motion depicted in this photograph at Alberta Natural's Compressor Station No. 1 at Crowsnest Pass sets the photographic theme for this Annual Report. Natural lighting in a black-and-white environment provides an interesting artistic effect in a world of colour photography.

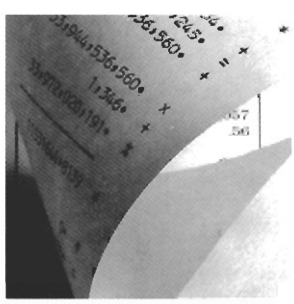
ABLE OF CONTEN

Corporate Profile

To Our Shareholders



Review of Operations



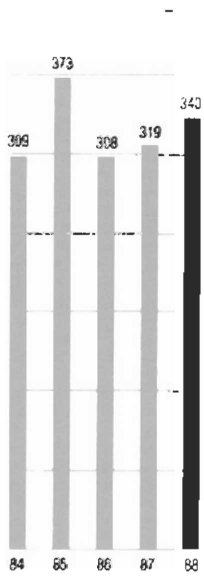
Consolidated

Financial Statements

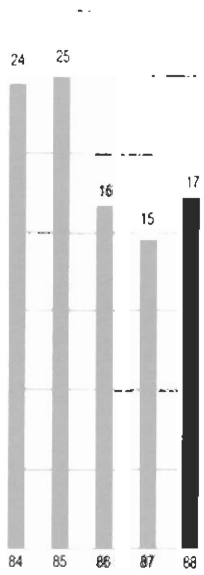
FINANCIAL HIGHLIGHT

Years ended December 31	1988	1987
Operating revenue ($)	340,400,000	318,797,000
Income ($)		
before extraordinary items	17,025,000	14,893,000
after extraordinary items	4,511,000	16,906,000
Income per average outstanding common share ($)		
first quarter	.22	.23
second quarter	.23	.22
third quarter	.17	.15
fourth quarter	.23	.22
annual		
before extraordinary items	.85	.82
after extraordinary items	.23	.93
Common shareholders' equity ($)		
total at year-end	145,211,000	134,332,000
per average outstanding common share	7.23	7.36
Return on average common shareholders' equity (%)	12.18	11.31
Dividends paid per common share ($)		
annual rate	.68	.68
Total assets ($)	376,790,000	386,527,000
Capital expenditures ($)	14,484,000	40,127,000
Average number of common shares outstanding	20,083,593	18,262,748
Number of shareholders at year-end	1,283	1,305

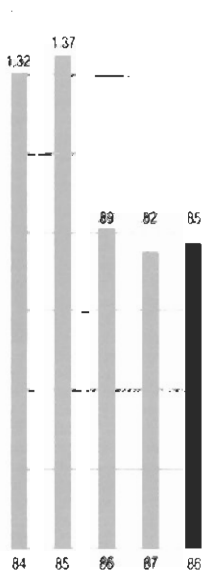
Operating Revenue
(in million of dollars)



Income Before Extraordinary Items
(in millions of dollars)



Income per average Outstanding Common Share
(in millions of dollars)



CORPORATE PROFILE

CORPORATE PROFILE

Alberta Natural is a Calgary-based company involved in processing and marketing of specialty chemicals and natural gas liquids, and the ownership and operation of natural gas pipelines.

Pacific Gas Transmission Company, a U.S. federally-regulated pipeline company, owns 49.2% of the issued and outstanding common shares of Alberta Natural. In turn, Pacific Gas and Electric Company, a major investor-owned utility based in San Francisco, California, owns 100% of Pacific Gas Transmission. The balance of the shares of Alberta Natural are held predominantly by Canadian institutions and individuals.

Through its subsidiary, ANGUS Chemical Company, Alberta Natural is engaged in the production and marketing of nitroparaffins and their derivatives, and the manufacture and marketing of specialty chemicals in the United States and abroad.

Through the Cochrane Extraction Plant Partnership, Alberta Natural owns and operates a world-scale natural gas liquids and ethane extraction facility near Cochrane, Alberta , on the western leg of Nova Corporation of Alberta's pipeline system. This facility also produces and contracts for the marketing of carbon dioxide.

Alberta Natural is engaged in the business of natural gas and natural gas liquids brokerage in Canada and the United States, through ANG liquids Ltd. and its wholly owned subsidiaries, and has an interest in an NGL fractionation and storage facility located at Marysville, Michigan.

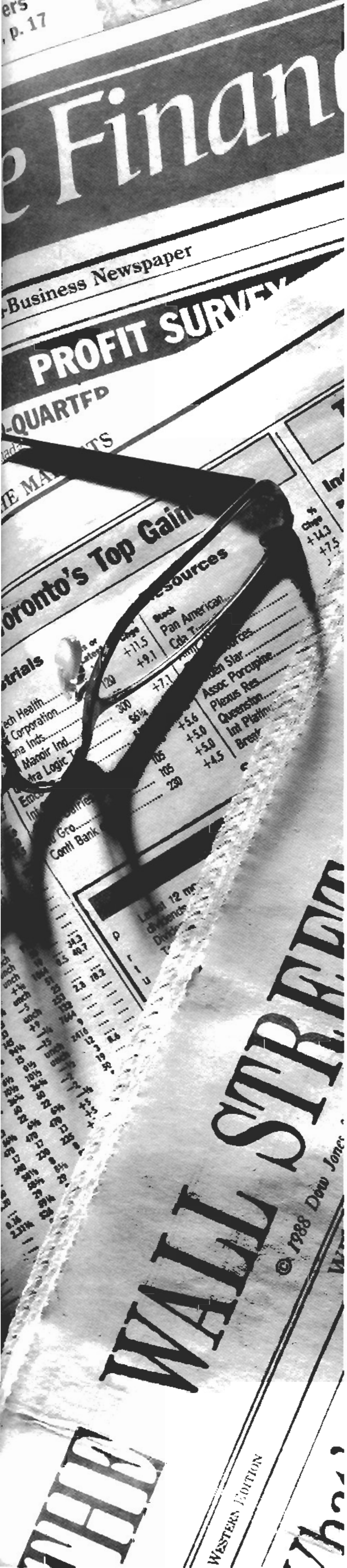
Alberta Natural is a 50% equity owner in a new company, Magnesium Company of Canada Ltd., that is presently constructing a processing facility near High River, Alberta, to produce and market high purity magnesium.

The Company owns and operates a large-diameter natural gas pipeline which links the systems of Nova and Pacific Gas Transmission, to move natural gas from Alberta to California. Alberta Natural has a 49% interest in and operates Foothills Pipe Lines (South B.C.) Ltd., a pipeline which parallels about one-half of Alberta Natural's line in south-eastern British Columbia, as a "pre-build" portion of the Alaska Highway Pipeline Project.

The Company also owns and operates a pipeline which transports natural gas for Shell Canada Resources Limited, in the Peace River area of Alberta.

Alberta Natural has a 50% interest in the Amoco Centre tower located in downtown Calgary.

Alberta Natural has a 24% interest in International Permeation Inc., a private Alberta company which has developed a membrane technology for the separation and recovery of various components from gas mixtures and natural gas streams.



TO OUR SHAREHOLDERS

Consolidated earnings in 1988, before extraordinary items, improved by 15% over 1987 to $17,025,000, equivalent to 85¢ per average outstanding common share. 1987 earnings, again before extraordinary items, amounted to $14,893,000, or 82¢ per share. The earnings per share in 1988 reflect the issuance of an additional 3,050,305 common shares in May (a 16% increase), following successful completion of the Rights Offering.

1988's extraordinary loss resulted from the decision, in December, to discontinue the commercial production at the California erythromyciu facility. The Company will concentrate $1.5 million during the first six months of 1989 on research and process development to determine if production deficiencies can be successfully overcome.

As evidenced by the increase in consolidated earnings before extraordinary items, 1988 was a successful year for the Company. Both the Cochrane plant and the pipeline operations achieved record annual production and throughput levels. ANGUS Chemical's core nitroparaffins business again achieved excellent results and the ANGUS Fine Chemicals' plant in Ireland is performing very well, with increased capacity utilization.

Amoco Centre, a prestigious 32-storey, 630,000 square foot office tower in central Calgary was opened for business in 1988, with Amoco Canada Petroleum Company Ltd. the lead tenant. Some space remains to be occupied and our partners, Olympia & York Developments Limited, are marketing it.

PRESIDENT DOUG FENTON OVERSEES THE BROAD RANGE OF ALBERTA NATURAL'S INVOLVEMENTS WORLDWIDE.

Our investment in the marketing of natural gas and natural gas liquids remains encouraging for the future. Operating income for 1988 increased over 1987, due to improved product margins.

TO OUR SHAREHOLDERS

Magnesium Company of Canada has the construction of its plant near High River about half complete for startup late this year. This facility will produce 12 500 tonnes per year of high quality magnesium metal for the markets of the world. A new, patented process will be used to extract magnesium from magnesite ore. The ore will be brought to the plant from a mine near Radium, British Columbia. ANG believes this will prove to be only the first step toward a much larger facility at High River. With the creation of 120 new permanent jobs, this project promises to be beneficial for the Company, the region, and the Province.

Canadian exports of natural gas to the United States have continued at record levels for several years and our pipeline has been full. In recognition of the market potential for natural gas in California, Pacific Gas Transmission Company, owner of the pipeline connecting Alberta Natural's line at the Canadian border, is seeking to expand its delivery capacity for the northwest California market for delivery of about 750 million cubic feet per day. Connecting pipelines in British Columbia and Alberta will also have to be expanded. The proposed completion date for the new pipeline is late 1993 and it is likely that ANG will construct the new facilities in British Columbia.

This affords the Company the opportunity to further reinforce the strong cost-of-service base of operations, providing stability and revenue for the Shareholders.

Dr. R.J. Richardson of Montreal, former President of Bell Canada Enterprises Inc., was elected to the Board of Directors of Alberta Natural at the Annual Meeting of Shareholders, April 29, 1988, following the retirement from the Board of Mr. J.S. Poyen. The contributions made by Mr. Poyen to the affairs of the Company were very much appreciated.

Dr. N.E. Wagner, former President and Vice-Chancellor, The University of Calgary, and a Director of the Company since 1986, was appointed to the position of Chairman of the Board of Alberta Natural following the retirement of Mr. J.E. Goudie on June 1, 1988. Mr. Goudie has been associated with the Company in various capacities since 1961, and contributed substantially to its growth. He remains a member of the Board of Directors and Chairman of the Board of affiliate Alberta and Southern Gas Co. Ltd.

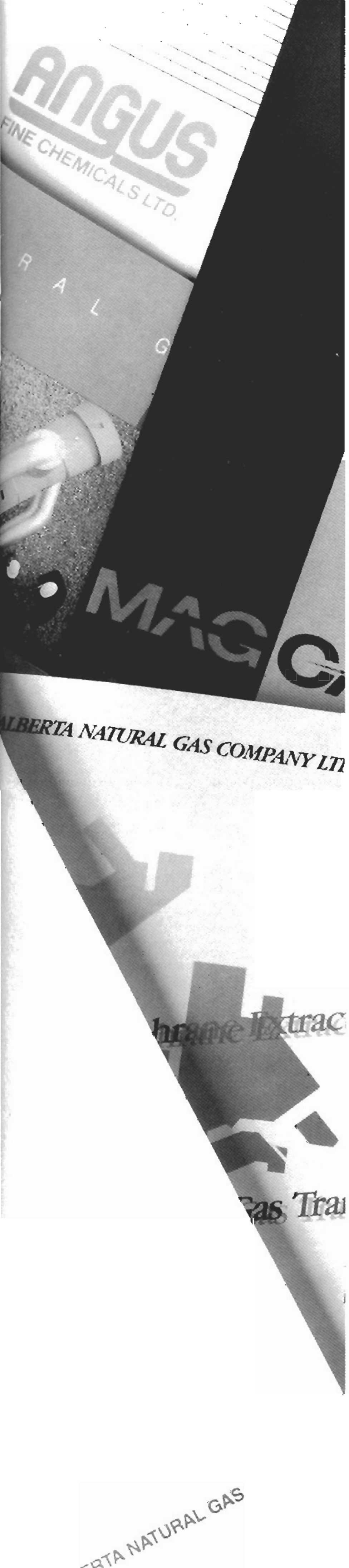
Mr. F.G. Homer was promoted to the position of Vice-President and Secretary at the June Board Meeting.

The Board of Directors takes this opportunity to acknowledge, with sincere appreciation, the loyalty and continued dedication of our employees, without whom none of this would have been possible.

FOR THE BOARD OF DIRECTORS,

D.R. FENTON
PRESIDENT AND CHIEF EXECUTIVE OFFICER

MARCH 1, 1989



REVIEW OF OPERATIONS

ANGUS Chemical Company

ANGUS Chemical's results were mixed in 1988. The company's core nitroparaffins business enjoyed another excellent year, with earnings once again at record levels. Progress at ANGUS Fine Chemicals Ltd. (AFCL) was also encouraging, with that facility positioned to be a significant contributor to earnings in 1989 and beyond. Results at ANGUS Biotech, Inc. were disappointing, where start-up and process problems continued throughout the year.

Continued favourable feedstock costs, combined with strong sales activity in most key markets, were the main contributors to the core business performance. Both basic nitroparaffins and nitroparaffins derivatives sales were at or above prior year levels.

AFCL continues to operate its Chemical Building #2 at capacity. Several new products were successfully introduced in the larger Chemical Building #1 in 1988, with additional opportunities being finalized to further increase capacity utilization in 1989.

In December of 1988, Alberta Natural announced that ANGUS Chemical Company would be curtailing the full-scale operation of ANGUS Biotech's erythromycin facility in Long Beach, California, effective immediately. This decision resulted from the necessity to perfect the process that produces the antibiotic. The commercial start-up of the facility had been hampered by inconsistent product yields and recoveries, and has incurred substantial losses for some time. This action will result in a significant reduction of these losses and their depressive effect on future earnings.

The Company has committed funds to a concentrated process development effort which is currently underway in a pilot plant for a six-month period. A decision to resume commercial scale operation of the facility will be dependent upon the results achieved.

Alberta Natural incurred a write-down of $12 million, or 62¢ per share as a result of this decision. A successful pilot phase would result in a return to full-scale plant operations in the future.

Cochrane Extraction Plant

Record volumes were processed through the Cochrane extraction plant during 1988. This was due to an increase in the sale of gas owned by the shippers utilizing the Nova Corporation of Alberta pipeline and ultimately bound for export to the United States market areas.

REVIEW OF OPERATIONS

This, combined with the high propane content contained in the inlet stream, saw liquids production averaging a record 2 480 m^3 (15,613 Bbls per day). The previous record for NGL production was established in 1973, when production averaged 2 462 m^3 (15,500 Bbls per day). A new ethane production level of 6 481 m^3 (40,981 Bbls per day), was also achieved, surpassing the 1987 record of 6 349 m^3 (40,146 Bbls per day). The CO_2 liquefaction plant also had a record year of CO_2 produetion.

Production and Feed Gas Volumes (average per day)

	1988		1987	
Inlet volumes	31.6 $10^6 m^3$	1,121 Mmcf	30.9 $10^6 m^3$	1,096 Mmcf
NGL	2 480 m^3	15,613 Bbls	2 326 m^3	14,645 Bbls
Ethane	6 481 m^3	40,981 Bbls	6 349 m^3	40,146 Bbls
CO_2	72.1 Tonnes	79.5 Tons	52.4 Tonnes	57.8 Tons

The Cochrane plant operated continuously during 1988, with the exception of a 42-hour shutdown in conjunction with a scheduled shutdown on the Alberta-California pipeline system. Major maintenance inspections were carried out during this period.

Plant personnel are to be commended for the reputation the Cochrane plant enjoys throughout the world as a model for efficiency and peak performance. During 1988, a group from Thailand was trained at Cochrane in this particular type of plant operation.

The CO_2 plant was modified to accommodate a new catalyst bed, which assures the production of quality food-grade product. Storage capacity was also increased to approximately 640 tonnes (705 tons).

On October 14, 1988, the Alberta Government announced the adoption of the principal recommendations from the Alberta Energy Resources Conservation Board study concerning Alberta's Ethane Policy. As a result, a minimum threshold volume level of ethane will continue to be available for extraction at the straddle plants in order to provide a guaranteed feed stock volume to the petrochemical industry. While the threshold was set lower than both the extraction plant owners and the petrochemical industry had requested, current indications are that the petrochemical industry expansion which fueled the original request for feedstock protection may still

◀ NATURAL LIGHT FLOODS THE LABORATORY AT ANGUS CHEMICAL'S PLANT IN IBBENBUEREN, WEST GERMANY.

▶ THE HARSH EVENING SUN ADDS A DRAMATIC EFFECT TO THIS EMPLOYEE AS HE TURNS A LARGE VALVE AT THE COCHRANE STRADDLE PLANT.

proceed under the terms of the policy. Pending resolution of the details of the policy implementation, the short term effect on Alberta Natural's plant is expected to be minimal.

NATURAL GAS LIQUIDS

Through its 50% ownership of the CanStates Energy Partnership, ANG Liquids provides Alberta Natural with an entry into the marketing of NGLs, petrochemical feedstocks and refinery specialty streams. CanStates' market volumes increased by approximately 7% in 1988 over 1987, and operating income increased by approximately 25% in 1988 due primarily to improved product margins.

CanStates, as agent for Marysville, Michigan Underground Storage Terminal, leased over 1.6 million barrels of LPG storage in 1988, a substantial increase over 1987, reflecting a growing awareness within the industry of Marysville's strategic location for LPG marketing in central Canada and the northeastern United States.

CanStates is also the marketing agent for the Marysville fractionator. Delivery of NGL mix to the fractionator from the Sarnia, Ontario refining area will commence in the second quarter of 1989, at which time the facility is expected to commence batch fractionation operations. CanStates is a participant in the proposed High Speed Injection facilities at Fort Saskatchewan, Alberta, which will provide NGL mix access to the Interprovincial Pipe Line Company system.

LARGE WRENCHES AND STRONG ARMS ARE NECESSARY COMPONENTS TO THIS ROUTINE MAINTENANCE OPERATION.

CanStates completed its first full year of natural gas marketing in 1988, and late in the year, expanded these activities through the addition of Gas Trade Inc. as a partner in a new marketing venture known as CanStates Gas Marketing.

GAS TRANSMISSION DIVISION

ANG's major shareholder, Pacific Gas Transmission, filed an application in late 1988 with the Federal Energy Regulatory Commission, to expand its pipeline in the Pacific northwest. Pacific Gas & Electric (PG&E), will file its application with the California Public Utilities Commission in 1989 for the California portion of the expansion. The 2 253 km (1,400 mile) Alberta-

REVIEW OF OPERATIONS

California pipeline has been in operation since 1961 and currently provides PG&E with half of its supply, or about 28.3 10^6m^3 (1 Bcf) per day. Alberta Natural plans to file an application in 1989 with the National Energy Board to construct and operate the British Columbia leg of this project which would parallel the existing system. The current cost of this expansion is estimated to be approximately $120 million with construction expected to begin in 1993.

The British Columbia pipeline operated virtually trouble-free throughout the year. The predictive preventative maintenance program, in place to ensure maximum reliability for the shippers, proved to be very effective.

New gas throughput records were established during the year. Alberta Natural realized a record maximum day delivery of 45.4 10^6m^3 (1.60 Bcf) during January.

The pipeline division has converted several of the Company vehicles to operate on natural gas. This conversion will be cost evaluated in 1989 to determine the feasibility of converting additional vehicles to natural gas.

The Peace River pipeline system operated trouble-free throughout the year. The Company relocated 2 kilometres of pipeline to accommodate the construction of the Peace River Pulp Company mill near Peace River. Negotiations are in progress to provide the mill with a secure supply of natural gas.

Deliveries of Natural Gas (average per day)

	1988		1987	
	Million cubic metres	Million cubic feet	Million cubic metres	Million cubic feet
For export at Kingsgate	**39.1**	**1,380**	37.60	1,327
Interruptible deliveries	**0.8**	27.7	1.03	36.5
Off-line sales	**0.6**	**22**	1.06	37.4
For the Shell Peace River Expansion Project	**0.53**	**18.7**	0.56	20

Magnesium Company of Canada Ltd. (MAGCAN)

MAGCAN, 50% owned by Alberta Natural, was formed in 1987 to construct a magnesium metal production facility near High River, Alberta. A new process developed by Magnesium International (Canada) Ltd. is being utilized.

Phase 1 of the construction is proceeding on budget and on schedule. By year-end 1988, the project was 25% complete. Approximately half of the major structural steel erection was completed by year-end, and all major equipment is on order for delivery in the first half of 1989. Mechanical, electrical and refractory brick installation contracts will commence in early 1989 and continue until start-up in the fourth quarter of 1989.

MAGCAN's marketing efforts have been directed to confirming the structure and format of the magnesium market in North America. Markets remain strong, and since the project was undertaken, prices have been steadily increasing.

Office Building

Construction of Amoco Centre, in downtown Calgary, jointly owned by Alberta Natural and Olympia & York Developments Limited, was completed in the spring of 1988. Olympia & York is responsible for arranging the interim and permanent financing for the project.

At year end, lead tenant Amoco Canada Petroleum Ltd. occupied approximately 70% of the leasable space; Olympia & York is actively seeking additional tenants.

Soligaz

During the second quarter of 1988, the Company decided to withdraw its 20% interest from the Soligaz project, which was a consortium formed in 1986 to determine the feasibility of transporting natural gas liquids by pipeline from western Canada to Montreal. A write-off of 2¢ per share was reflected in net income for the period.

REGULATORY REVIEW

◀ THE MASSIVE FRAMEWORK OF THE DEVELOPING MAGCAN PLANT AT HIGH RIVER, ALBERTA, SURROUNDS THIS WORKMAN WITH AN IMPRESSIVE ARRAY OF CONVERGING LINES.

The Company's affiliate and major transmission customer, Alberta and Southern Gas (A&S), received approval on March 28, 1988, from the National Energy Board (the Board), to extend the $1.81 per Mmbtu (U.S.) commodity price in its international contract with Pacific Gas Transmission (PGT) for the period April 1, 1988 to March 31, 1989. Sales under the A&S/PGT contract amounted to approximately 382 Bcf, or approximately 102% of the annual authorized volume, thus providing Alberta Natural with maximum throughputs in its Cochrane extraction plant and its southeastern British Columbia pipeline.

During December of 1988, the Board conducted a public hearing of an application by Alberta and Southern to extend its existing authorization to October 31, 2010, from the present October 31, 1994. The current authorized average daily contract volume at the Canada/United States border is 28.979 10^6m^3 (1,023 Bcf) per day, and the application seeks to continue exports at that level. A decision is pending.

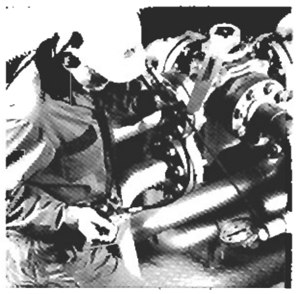
SAFETY PROGRAM

▶ A SAFETY TECHNICIAN CARRIES OUT A ROUTINE TEST FOR LEAKAGE AT ANG'S COMPRESSOR STATION NO. 1.

The Company continually monitors its training programs to ensure a safe work environment throughout all operations.

During 1988, several programs were conducted, such as Rescue Training from Confined Spaces, Fire Training, Emergency Preparedness, First-Aid, Defensive Driving, Cardio-pulmonary Resuscitation, Workplace Hazardous Materials Information System and Waste Management.

Safety is the responsibility of all levels of management and staff, and is an integral part of day-to-day activities.

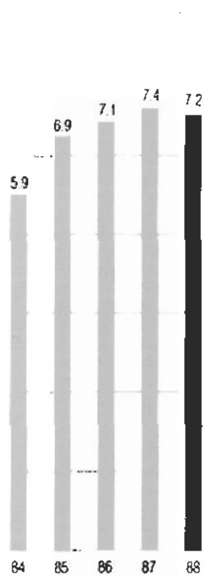


The consolidated income of Alberta Natural for 1988, before extraordinary items, was $17,025,000 or 85¢ per average outstanding common share. After the extraordinary item discussed previously is included, net income was reduced to $4,511,000, or 23¢ per share. In 1987, consolidated income, before the addition of extraordinary items resulting in a net gain of 11¢ per share, was $14,893,000, or 82¢ per share.

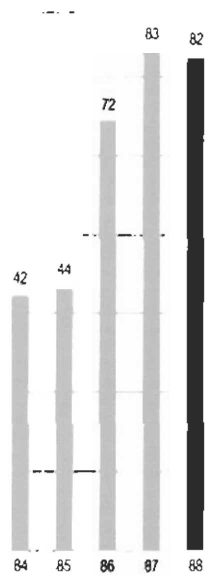
The Company, as part of its long term financial strategy, completed a successful Rights Offering in May, 1988. Existing shareholders were entitled to subscribe for one additional common share for every six shares then held , at a price of $11.50 per share. The record date for the Rights Offering was May 10, 1988 and the Rights expired on May 31, 1988. The offering raised $34.6 million, which was used to reduce outstanding short term debt. An additional 3,050,305 common shares were issued, increasing the number of shares outstanding by approximately 16%. Again, the 1988 per share figure reflects this equity infusion.

The annual dividend rate during 1988 was held constant at the 1987 level of 68¢ per share. Dividends were payable quarterly on the last banking day of each quarter.

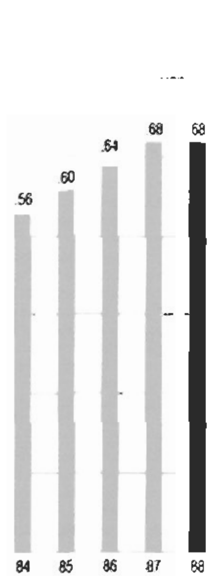
COMMON SHAREHOLDERS' EQUITY PER AVERAGE OUTSTANDING COMMON SHARE
(in dollars)



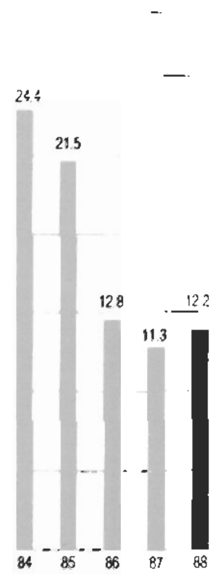
DIVIDEND PAYOUT RATIO
(in percentage)



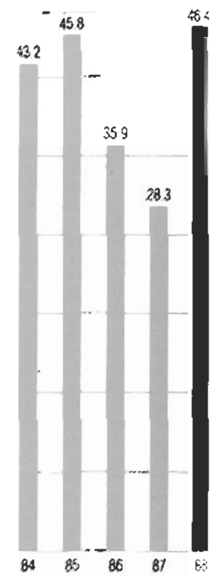
ANNUAL DIVIDEND RATE PER COMMON SHARE
(year end in dollars)



RETURN ON AVERAGE COMMON SHAREHOLDERS' EQUITY
(in percentage)



FUNDS PROVIDED FROM OPERATIONS
(in millions of dollars)



CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Report of Management

The accompanying consolidated financial statements have been prepared by management, which is responsible for the integrity and objectivity of this information. These financial statements, prepared on an historic cost basis, are in accordance with generally accepted accounting principles in Canada and are also in conformity with International Accounting Standards. Where appropriate, amounts based on estimates and judgements are included. Other financial information included in the Annual Report is consistent with that in the financial statements.

Management has established and maintains appropriate systems of internal control, policies and procedures which are designed to meet its responsibility for reliable and accurate reporting. These systems of control include periodic reviews by the internal auditors.

Arthur Andersen & Co., independent auditors appointed by the shareholders, have reviewed the systems of internal control and examined the consolidated financial statements in accordance with generally accepted auditing standards, to enable them to express an opinion on the fairness of the statements. Their report is included herewith.

Through its appointed Audit Committee, the Board of Directors oversees management's responsibilities for financial reporting. The Audit Committee meets annually with management, the internal auditors and the independent auditors to review auditing and financial matters. Internal and independent auditors have free access to the Audit Committee. The consolidated financial statements have been approved by the Board on the recommendation of the Audit Committee.

Auditors' Report

To The Shareholders of
Alberta Natural Gas
Company Ltd:

We have examined the consolidated balance sheet of Alberta Natural Gas Company Ltd (a Canada corporation) as at December 31, 1988 and 1987 and the related consolidated statements of income, reinvested earnings and changes in cash flow for the years then ended. 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 Alberta Natural Gas Company Ltd as at December 31, 1988 and 1987 and the results of its operations and the changes in its cash flow for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.
Chartered Accountants

Calgary, Alberta
February 3, 1989

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1988 (WITH 1987 FIGURES FOR COMPARISON)

Thousands of dollars	1988	1987
OPERATING REVENUE:		
Chemical	$135,373	$116,980
Natural gas processing	146,285	149,559
Transportation and sale of gas	58,742	52,258
	340,400	318,797
OPERATING EXPENSES:		
Operating and maintenance	203,215	194,142
Gas purchases	33,150	21,863
Selling, administrative and research	37,290	39,172
Depreciation and amortization	21,406	20,335
Property taxes and other	5,986	6,036
	301,047	281,548
OPERATING INCOME	39,353	37,249
INTEREST AND OTHER INCOME	3,906	6,022
INCOME BEFORE INCOME DEDUCTIONS	43,259	43,271
INCOME DEDUCTIONS:		
Interest on long term debt	7,366	8,748
Interest on other debt	8,587	5,266
	15,953	14,014
INCOME BEFORE INCOME TAXES, MINORITY INTEREST AND EXTRAORDINARY ITEMS	27,306	29,257
PROVISION FOR INCOME TAXES	10,281	13,564
MINORITY INTEREST	–	800
INCOME BEFORE EXTRAORDINARY ITEMS	17,025	14,893
EXTRAORDINARY ITEMS	(12,514)	2,013
NET INCOME	$ 4,511	$ 16,906
EARNINGS PER SHARE:		
Before extraordinary items	$.85	$.82
Extraordinary items	(.62)	.11
After extraordinary items	$.23	$.93

SEE ACCOMPANYING SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1988 (WITH 1987 FIGURES FOR COMPARISON)

Thousands of dollars	1988	1987
ASSETS		
CURRENT ASSETS:		
Cash and interest bearing deposits	$ 6,130	$ 19,623
Accounts and notes receivable	65,651	50,123
Inventories	41,815	35,446
Other	2,047	1,268
Total current assets	115,643	106,460
INVESTMENTS AND ADVANCES	48,459	28,458
PLANT, PROPERTY AND EQUIPMENT	346,341	368,679
Less accumulated depreciation	154,389	139,349
Net plant, property and equipment	191,952	229,330
DEFERRED CHARGES	20,736	22,279
TOTAL	$376,790	$386,527

Consolidated Balance Sheet

December 31, 1988 (with 1987 figures for comparison)

Thousands of dollars	1988	1987
Liabilities and Shareholders' Equity		
Current Liabilities:		
Notes payable	$ 86,382	$ 92,363
Accounts payable	25,511	27,471
Income taxes payable	816	3,843
Other	9,452	15,111
Total current liabilities	122,161	138,788
Long Term Debt	82,109	88,172
Deferred Income Taxes	27,309	25,235
Shareholders' Equity:		
21,332,035 common shares (1987—18,242,430)	53,780	18,439
Reinvested earnings	99,549	109,348
Cumulative translation adjustment	(8,118)	6,545
Total shareholders' equity	145,211	134,332
Total	$376,790	$386,527

Approved by the Board:

Director

Director

See accompanying summary of significant accounting policies and notes.

Consolidated Statement of Reinvested Earnings

For the Year Ended December 31, 1988 (with 1987 figures for comparison)

Thousands of dollars	1988	1987
Balance at Beginning of the Year	$109,348	$105,205
Net Income	4,511	16,906
	113,859	122,111
Purchase and Cancellation of Common Shares	317	344
Dividends	13,993	12,419
Balance at End of the Year	$ 99,549	$109,348

See accompanying summary of significant accounting policies and notes.

CONSOLIDATED STATEMENT OF CHANGES IN CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 1988 (WITH 1987 FIGURES FOR COMPARISON)

Thousands of dollars	1988	1987
OPERATING ACTIVITIES:		
Income before extraordinary items	$ 17,025	$ 14,893
Items not affecting cash:		
Depreciation and amortization	21,406	20,335
Deferred income taxes	10,924	(5,931)
Equity earnings and partnership earnings	(2,668)	(2,080)
Minority interest	–	800
Other	(322)	356
	46,365	28,373
Change in working capital items other than cash	(36,494)	7,898
Effect of exchange rate changes	(2,966)	(3,531)
	6,905	32,740
INVESTING ACTIVITIES:		
Acquisition of subsidiaries	–	(85,458)
Net plant, property and equipment expenditures	(14,484)	(40,127)
Investments and advances	(17,639)	(1,905)
Other	479	4,288
	(31,644)	(123,202)
FINANCING ACTIVITIES:		
Common shares—issued	35,386	778
—purchased and cancelled	(363)	(370)
Increase (decrease) in long term debt	(3,803)	(2,361)
Dividends	(13,993)	(12,419)
	17,227	(14,372)
CASH PROVIDED BY (USED IN):		
Operating activities	6,905	32,740
Investing activities	(31,644)	(123,202)
Financing activities	17,227	(14,372)
	(7,512)	(104,834)
CASH, INTEREST BEARING DEPOSITS AND NOTES PAYABLE:		
Beginning of year	(72,740)	32,094
End of year	$(80,252)	$ (72,740)

SEE ACCOMPANYING SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES.

Summary of Significant Accounting Policies
December 31, 1988

Operations:

Alberta Natural owns and operates, through the Cochrane Extraction Plant Partnership, an extraction plant near Cochrane, Alberta, which removes propane and heavier liquids (NGL) and ethane from the gas stream.

Alberta Natural also owns and operates two pipeline transportation facilities:

a) a 914 mm (36 inch) pipeline, from a point near Coleman, Alberta to Kingsgate, on the British Columbia-Idaho border, for the transportation of gas owned by Alberta and Southern Gas Co. Ltd. and Westcoast Transmission Company Limited and a number of interruptible shippers and for the transportation of gas for Foothills Pipe Lines (South B.C.) Ltd. Alberta Natural also operates the pipeline facilities owned by Foothills Pipe Lines (South B.C.) Ltd. located in southeastern British Columbia.

b) a 324 mm (12 inch) pipeline, from a point near Warrensville, Alberta to an oil sands recovery facility owned by Shell Canada Resources Limited, for the transportation of gas owned by Shell Canada.

The sale agreements with the purchasers of NGL and ethane and the gas transportation contracts and operating agreement with the gas shippers provide for the full recovery of all operating expenses, depreciation, property and income taxes, together with a return on the unrecovered investment. In addition, Alberta Natural is entitled to approximately 25% of the cumulative net marketing profits arising from the sale of the NGL by each of the buyers, Dome Petroleum Limited and Amoco Canada Petroleum Company Ltd.

ANGUS Chemical Company, a U.S. subsidiary, owns and operates nitroparaffins production facilities located in the United States and West Germany. The facilities utilize feedstocks derived from natural gas in the production of nitroparaffins and other derivative products that are marketed worldwide. ANGUS Chemical, through other subsidiaries, also owns and operates a fine chemical production facility located in Ireland and an erythromycin production facility located in California.

ANG Liquids Ltd., a subsidiary of the Company, is engaged in various aspects of the natural gas and NGL business in both Canada and the United States, which it conducts in partnership with subsidiaries of Polysar Limited through the CanStates group. In addition to these marketing operations, the CanStates group has an interest in certain NGL fractionation and storage facilities located in Marysville, Michigan.

Summary of Significant Accounting Policies

December 31, 1988

Consolidation:

The consolidated financial statements include the accounts of Alberta Natural and its wholly owned subsidiaries ANGUS Chemical Company, ANG Liquids Ltd., ANG Processing Ltd. and the Cochrane Extraction Plant Partnership. All intercompany accounts and transactions have been eliminated upon consolidation.

Investments:

Alberta Natural follows the equity method of accounting for its 49% investment in Foothills Pipe Lines (South B.C.) Ltd., its 24% investment in International Permeation Inc., its 50% interest in the Amoco Building joint venture and its 50% interest in Magnesium Partnership No. 1.

Regulation:

The pipeline facility located in British Columbia is subject to the National Energy Board Act and to the jurisdiction of the Board created thereby. This Board regulates accounting matters, export of gas, construction and operation of gas pipelines and rates, tolls and tariffs charged for such operations.

Foreign Currency Translation:

The accounts of U.S. subsidiaries have been translated into Canadian dollars using the year-end rate of exchange for all assets and liabilities and average rates of exchange for the year for revenues and expenses. The cumulative effects of foreign currency translations are included in a separate component of shareholders' equity.

Plant, Property and Equipment:

Plant, property and equipment is carried at cost.

An allowance for funds used during construction is capitalized for plant under construction. Any such allowance recorded is included in other income.

Depreciation is provided on a straight-line basis over the term of the contracts associated with the pipeline facilities and the Cochrane extraction plant.

Chemical production facilities are being depreciated on a straight-line basis over the estimated useful life of the assets. Buildings are depreciated over 9 to 25 years and equipment is depreciated over 3 to 15 years.

Summary of Significant Accounting Policies December 31, 1988

Inventories:

Chemical product inventories are carried at the lower of cost or market on the last-in, first-out (LIFO) method of accounting for inventory cost. Inventories of materials and supplies are carried at average cost.

Income Taxes:

Income taxes are provided on the tax allocation basis for all income except liquids extraction income which is subject to cost of service contracts. Income taxes are provided on this source of income only to the extent that they have been included in costs of service under such contracts.

Deferred Charges:

Project costs are initially recorded as deferred charges pending evaluation of the projects. Deferred charges applicable to projects which have been terminated are expensed.

Notes to the Consolidated Financial Statements
December 31, 1988

(Tabular amounts shown in thousands of dollars)

1. Plant, Property and Equipment:

	1988	1987
Natural gas processing	$137,013	$135,719
Chemical	121,746	142,042
Pipeline transport	79,616	78,279
Under construction	7,966	12,639
	346,341	368,679
Less accumulated depreciation	154,389	139,349
Net plant, property and equipment	$191,952	$229,330

During 1988, an allowance for funds used during construction of $1,149,000 (1987—$1,246,000) has been recorded.

2. Investments and Advances:

	1988	1987
Foothills Pipe Lines (South B.C.) Ltd.	$ 6,285	$ 6,684
Foothills Pipe Lines (Yukon) Ltd. (preferred shares at cost)	3,025	3,085
International Permeation Inc.	911	927
The "Amoco Centre" joint venture	696	444
Magnesium Partnership No. 1	23,000	2,656
CanStates Partnerships	10,734	10,982
Other	3,808	3,680
	$48,459	$28,458

Construction of the "Amoco Centre" building in downtown Calgary is complete, and the building was occupied, to the extent leased, by its major tenant, Amoco Canada Petroleum Company Ltd., on October 1, 1988. Alberta Natural's share of construction costs totals $46,868,000 as at December 31, 1988, and security pledged, by the Company, for construction loans is restricted to its share of the project development. The results of operations have been included in other income, and amount to $235,000 for 1988.

The Company is in partnership with Magnesium International (Canada) Ltd., for the joint construction and operation of a magnesium metal production facility located near High River, Alberta. The initial phase of the project is proceeding on schedule at a budgeted cost of approximately $139,000,000. At December 31, 1988, the Company has advanced $23,000,000 towards the cost of its 50% participation in this project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1988

(TABULAR AMOUNTS SHOWN IN THOUSANDS OF DOLLARS)

2. INVESTMENTS AND ADVANCES (CONT'D):

The total cost of Alberta Natural's participation will be the first $25,000,000 of equity financed construction expenditures, and 50% of any subsequent equity requirements. The plant will be financed on a 75% debt, 25% equity basis. A non-recourse debt financing arrangement, which is guaranteed by the Government of Alberta, is in place to complete the initial phase of the project. At December 31, 1988, Alberta Natural's share of debt-financed construction expenditures totals $4,650,000.

3. DEFERRED CHARGES:

	1988	1987
Unamortized goodwill	$18,938	$19,822
Unamortized debt expense	770	930
Unamortized organization and capital stock expense	40	45
Other	988	1,482
	$20,736	$22,279

4. SHAREHOLDERS' EQUITY:

The classes of shares Alberta Natural is authorized to issue consist of an unlimited number of preference shares, having such rights and privileges attached to them as the Directors may by resolution determine, and an unlimited number of common shares.

On May 31, 1988, Alberta Natural completed a Rights Offering. An additional 3,050,305 common shares were issued for proceeds of $34,640,000 which was used to reduce notes payable.

In accordance with the provisions of a Senior Management Stock Option Plan, 1,140,000 common shares were reserved for issuance under the Plan. Options have been made available on 746,300 shares at prices ranging from $7.55 to $13.92 per share. As of December 31, 1988, substantially all of the options have been exercised in the amount of $7,548,000. An additional 67,100 shares were issued in May, 1988, for $772,000 as a result of rights offered on shares outstanding under the Plan. Of these amounts $5,354,000 (1987—$4,089,000) is included in accounts receivable. A cumulative total of 355,500 common shares have been purchased by the Company at market prices and cancelled in accordance with the provisions of the Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1988

(TABULAR AMOUNTS SHOWN IN THOUSANDS OF DOLLARS)

5. LONG TERM DEBT:

	Year Issued	Maturity	1988	1987
Debentures 10 1/8%—unsecured	1986	1993	$60,000	$60,000
Revenue Bonds 6 3/4% ($13,008,000 U.S.)	1978/79	2004/08	15,516	16,908
First Mortgage Pipe Line Bonds	—	—	—	6,343
Other ($7,047,000 U.S.)	1985/87	1992	8,405	12,361
			83,921	95,612
Less amounts due within one year			1,812	7,440
			$82,109	$88,172

Repayment requirements for other long term debt are $1,519,000 U.S. for 1989 and subsequent years.

The debentures and the revenue bonds have no repayment requirements before maturity.

The First Mortgage Pipe Line Bonds were retired, in full, on February 1, 1988. A foreign exchange loss of $453,000, with respect to this retirement, was included in extraordinary items in 1987.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1988

(TABULAR AMOUNTS SHOWN IN THOUSANDS OF DOLLARS)

6. INCOME TAXES:

The provision for income taxes varies from the amount that would be computed by applying current federal and provincial income tax rates for the reasons shown in the following table:

	1988	1987
INCOME BEFORE INCOME TAXES, MINORITY INTEREST AND EXTRAORDINARY ITEMS	$27,306	$29,257
Less: Income which is not subject to tax allocation	6,058	5,934
Equity earnings	1,151	1,069
Add: Amortization of acquisition costs in excess of book value	1,957	1,604
INCOME SUBJECT TO TAX ALLOCATION	$22,054	$23,858
EXPECTED PROVISION FOR INCOME TAXES AT 47.25% (1987–50.7%)	$10,421	$12,096
Add (deduct) adjustments to income taxes:		
Manufacturing and processing profits deduction	(492)	(228)
Tax credits	(71)	(607)
Tax relief available to foreign subsidiary	(919)	(1,144)
Loss carry forwards of foreign subsidiaries for which no current benefit is provided	2,345	4,167
Lower effective tax rate of foreign subsidiaries	(432)	–
Provision for withholding taxes on foreign income	(276)	242
Tax recovered through cost of service contracts	224	–
Other	(519)	(962)
ACTUAL PROVISION FOR INCOME TAXES	$10,281	$13,564

Notes to the Consolidated Financial Statements
December 31, 1988

(Tabular amounts shown in thousands of dollars)

7. Segmented Information:

a) Financial information by segment:

1988	Chemical	Natural Gas Processing	Pipeline Transport	Other	Eliminations	Total
Operating revenue	$135,373	$146,285	$28,416	$35,190	$(4,864)	$340,400
Depreciation and amortization expense	8,880	7,964	2,605	1,957	–	21,406
Operating income	15,080	19,470	4,386	417	–	39,353
Identifiable assets	180,951	111,709	33,928	50,202	–	376,790
Capital expenditures	11,730	1,146	1,608	–	–	14,484
1987						
Operating revenue	$116,980	$149,559	$28,381	$23,877	$ –	$318,797
Depreciation and amortization expense	8,548	7,888	2,295	1,604	–	20,335
Operating income	12,754	22,866	4,340	(2,711)	–	37,249
Identifiable assets	206,853	115,975	33,339	30,360	–	386,527
Capital expenditures	36,106	1,023	2,998	–	–	40,127

b) Financial information by reportable geographic area:

1988	Domestic	Foreign
Operating revenue	$205,027	$135,373
Operating income	24,273	15,080
Total identifiable assets	187,773	189,017
1987		
Operating revenue	$201,817	$116,980
Operating income	24,495	12,754
Total identifiable assets	170,862	215,665

Notes to the Consolidated Financial Statements
December 31, 1988

(Tabular amounts shown in thousands of dollars)

8. Related Party Transactions:

Alberta and Southern Gas Co. Ltd. and Pacific Gas Transmission Company are wholly owned subsidiaries of Pacific Gas and Electric Company. Pacific Gas Transmission Company in turn owned 49.2% of the outstanding capital stock of Alberta Natural Gas Company Ltd at December 31, 1988. Alberta Natural owns 49% of the outstanding capital stock of Foothills Pipe Lines (South B.C.) Ltd., 50% of Magnesium Company of Canada Ltd. and Magnesium Partnership No. 1, 100% of ANGUS Chemical Company, 24% of International Permeation Inc., 100% of ANG Processing Ltd. and 100% of ANG Liquids Ltd., which holds a 50% interest in the CanStates group of partnerships. Significant transactions with these related entities were as follows:

	1988	1987
(a) Net charges for personnel and related administrative costs from:		
Alberta and Southern	$ 6,616	$ 8,112
Pacific Gas Transmission	341	326
(b) Charges for liquids extraction feedstock and fuel purchased from Alberta and Southern	62,789	72,729
(c) Net charge for transportation of gas to:		
Alberta and Southern	12,284	12,089
Foothills (South B.C.)	1,812	1,708
(d) Net charges for gas sales to Alberta and Southern	7,653	6,684
(e) Capital transactions:		
Magnesium Partnership No. 1	20,344	2,656
(f) Amounts outstanding at December 31:		
Payable to:		
Alberta and Southern	1,127	1,070
Pacific Gas Transmission	59	52
Receivable from:		
Alberta and Southern	2,231	3,581
Foothills (South B.C.)	223	183
Management—ANGUS Chemical	954	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1988

(TABULAR AMOUNTS SHOWN IN THOUSANDS OF DOLLARS)

9. PENSION PLAN:

Alberta Natural and its subsidiaries maintain defined benefit pension plans for substantially all of their employees. Information relating to the plans, on a consolidated basis, as at December 31, 1988, is provided below.

	1988	1987
Actuarial present value of accumulated pension benefits	$9,034	$8,151
Market value of pension fund assets	$7,427	$7,056

10. ACQUISITIONS:

On March 27, 1987, Alberta Natural purchased 100% of the capital stock of Rankin Holdings Ltd. for cash of $12,100,000 and the assumption of $3,100,000 of short term debt, representing all of the liabilities of the company. The results of operations have been included in these consolidated financial statements from January 1, 1987. The cost of the purchase was fully allocable, at fair value, to the Company's interest in the assets and liabilities acquired except for $4,939,000 arising as goodwill which is included in deferred charges and is being amortized over a period of 30 years. On December 11, 1987, Rankin Holdings Ltd. changed its name to ANG Liquids Ltd.

On April 23, 1987, Alberta Natural purchased from Pacific Gas Transmission the minority interest share of the capital stock of ANGUS Chemical Company for cash of $70,236,000. As additional consideration for this purchase Alberta Natural also sold its 20% interest in ANGUS Petroleum Corporation, an affiliate, for $11,600,000 resulting in a $2,466,000 net gain included in net income as an extraordinary item. Of the purchase price, $32,600,000 was in excess of book value and was allocable at fair value to the Company's interest in plant, property and equipment acquired except for $15,355,000, arising as goodwill which is included in deferred charges and is being amortized over a period of 30 years.

11. EXTRAORDINARY ITEM:

In December, 1988, the Company made the decision to curtail the operation of its erythromycin production facility located in California. The plant will be reduced to a pilot phase which will concentrate on a process development effort during 1989. As a result of this decision, the Company has written down its investment in related plant, property and equipment and product inventories in the amount of $12,514,000 (net of tax of $8,343,000).

12. PRIOR YEAR FINANCIAL STATEMENTS:

Certain prior year figures have been reclassified where necessary to conform to the 1988 presentation.

Years ended December 31	1988	1987	1986
Financial			
Operating revenue ($000's)	340,400	318,797	308,454
Income before extraordinary items ($000's)	17,025	14,893	16,247
Earnings per average outstanding common share ($)	.85	.82	.89
Common shareholders' equity per average outstanding common share ($)	7.23	7.36	7.08
Price/earnings ratio	17.06	15.85	15.02
Return on average common shareholders' equity (%)	12.18	11.31	12.82
Return on capital employed (%)	6.69	6.01	5.34
Income before interest, income taxes, minority interest and extraordinary items ($000's)	43,259	43,271	43,966
Interest expense ($000's)	15,953	14,014	8,291
Interest coverage (x)	2.71	3.09	5.30
Dividends ($000's)	13,993	12,419	11,653
Dividend payout ratio (%)	82.2	83.4	71.7
Annual dividend rate per common share ($)—year end	.68	.68	.64
Financial Position ($000's)			
Capital provided:			
Common shareholders' equity—total	145,211	134,332	128,977
Long term debt (including current portion)	83,921	95,612	95,395
Short term debt	86,382	92,363	16,343
Minority interest	—	—	50,156
Deferred income taxes	27,309	25,235	31,317
Average equity outstanding	139,772	131,655	126,781
Average debt outstanding	179,139	149,857	102,237
Total assets	376,790	386,527	360,283
Current assets	115,643	106,460	136,195
Current liabilities	122,161	138,788	55,791
Working capital	(6,518)	(32,328)	80,404
Share Data			
Common shares outstanding—year-end	21,332,035	18,242,430	18,205,130
Average number of common shares outstanding	20,083,593	18,262,748	18,210,696
Closing share price ($)	14.50	13.00	13.37
Capital Expenditures ($000's)	14,484	40,127	43,722
Plant			
At year end: ($000s)			
Original cost	346,341	368,679	318,392
Depreciated cost	191,952	229,330	196,672
Operational			
Daily volume of gas exported (average per day):			
(10^6m^3)	39.1	37.6	27.0
(Mmcf)	1,380	1,327	953
Daily production: (average)			
NGL (m^3)	2 480	2 326	1 802
(Bbls)	15,613	14,645	11,345
Ethane (m^3)	6 481	6 349	5 045
(Bbls)	40,981	40,146	31,935

Notes:

1988 earnings per share figures reflect the effect of the May, 1988 Rights Offering.

1988 ratios do not include the effect of extraordinary items ($12,514,000, or $.62 per share).

1987 ratios do not include the effect of extraordinary items ($2,013,000, or $.11 per share).

Certain of the comparable figures for 1986 and 1987 have been reclassified to conform with the financial statement presentation adopted for 1987 and 1988.

Share information has been adjusted to give retroactive effect to the five-for-one stock split on May 16, 1980 and the three-for-one stock split on May, 1984.

Accounts of ANGUS Chemical Company have been consolidated since July, 1982.

1981 results do not include the effect of an extraordinary item ($4,786,000, or $.27 per share).

Closing price—Valuation Day, December 22, 1971—$1.33

ELEVEN YEAR COMPARATIVE HIGHLIGHTS

1985	1984	1983	1982	1981	1980	1979	1978
372,806	309,201	290,257	214,618	130,904	116,135	110,207	62,150
24,968	24,178	22,779	16,004	14,104	12,304	10,057	7,271
1.37	1.32	1.27	.89	.78	.69	.56	.41
6.86	5.89	5.04	4.04	3.64	2.92	2.52	2.15
11.58	10.42	6.83	8.43	11.76	9.30	8.34	7.80
21.51	24.40	27.96	23.29	23.85	25.27	24.09	20.23
10.27	11.28	11.89	9.68	13.40	13.46	11.36	9.00
59,820	56,646	49,143	38,054	25,410	23,209	19,898	15,352
6,709	7,739	8,216	8,073	2,000	1,915	2,615	3,051
8.92	7.32	5.98	4.71	12.71	12.12	7.61	5.03
10,911	10,234	7,932	7,873	5,964	5,009	3,459	2,255
43.7	42.3	34.8	49.2	42.6	40.7	34.4	31.0
.60	.56	.44	.44	.33	.28	.19	.13
124,584	107,549	90,635	72,282	65,171	52,335	45,040	38,442
35,961	31,979	30,546	31,374	17,755	20,128	22,502	24,875
56,774	45,787	54,687	69,102	13,083	–	–	11,011
47,437	39,917	32,164	28,596	–	–	–	–
36,569	36,882	40,116	34,521	23,209	20,475	22,476	18,974
116,067	99,092	81,459	68,727	58,753	48,688	41,741	35,934
85,251	81,500	92,855	65,657	25,483	21,315	29,194	34,067
340,183	301,044	279,223	262,363	128,385	110,681	100,531	100,326
145,606	123,909	94,080	81,503	24,385	31,603	18,772	18,004
96,986	86,710	87,633	97,109	23,769	19,262	12,032	19,554
48,620	37,199	6,447	(15,606)	616	12,341	6,740	(1,550)
18,223,430	18,236,130	18,162,630	17,892,330	17,892,330	17,892,330	17,892,330	17,892,330
18,174,171	18,256,683	17,982,677	17,892,330	17,892,330	17,892,330	17,892,330	17,892,330
15.87	13.75	8.67	7.50	9.17	6.42	4.67	3.20
27,801	10,243	13,875	40,982	22,569	1,499	5,073	23,926
277,058	245,878	232,912	221,750	137,488	120,921	199,449	144,419
171,751	156,239	160,052	163,842	89,320	73,984	78,308	79,112
31.9	23.2	24.7	26.6	26.6	27.8	34.0	30.6
1,127	818	871	940	938	982	1,200	1,079
2 235	1 625	1 630	1 970	1 600	1 705	1 930	1 680
14,070	10,230	10,270	12,385	10,085	10,730	12,160	10,540
6 160	4 695	3 920	3 025	3 370	3 480	3 485	2 630
38,940	29,575	24,780	19,105	21,230	21,800	21,920	16,530

Common Share Market Information

Toronto Stock Exchange

1988	High	Low	Close	Shares Traded	Dividends Paid
First quarter	$15.00	$12.87	$14.37	670,486	$0.17
Second quarter	14.37	13.00	13.87	1,156,878	0.17
Third quarter	15.50	13.12	14.75	500,784	0.17
Fourth quarter	16.25	13.87	14.50	596,593	0.17
YEAR	$16.25	$12.87	$14.50	2,924,741	$0.68
1987	$16.00	$10.75	$13.00	2,882,069	$0.68
1986	16.00	11.00	13.37	3,285,744	0.64
1985	16.25	12.75	15.87	6,917,476	0.60
1984	14.50	8.00	13.75	1,558,196	0.56

Corporate Information

Corporate Office
East Tower, Esso Plaza
2400, 425 - First Street S.W.
Calgary, Alberta
T2P 3L8
(403) 260-9000

Stock Exchange Listings
Common shares are listed for trading on the Alberta, Montreal, Toronto and Vancouver Stock Exchanges, and trade under the symbol ANG

Transfer Agent and Registrar
(Capital Stock)
Montreal Trust Company, Calgary, Montreal, Regina, Toronto, Vancouver, Winnipeg
(10⅛% Debentures)
Royal Trust, Calgary; Toronto; London, England

Direct Deposit Service
Shareholders of Alberta Natural may elect to have their dividends deposited directly into the bank account of their choice by advising Montreal Trust Company

Subsidiary Companies
ANGUS Chemical Company
Northbrook, Illinois
(100% owned by Alberta Natural)

ANGUS Executives
R.E. Secrist, Chairman and Chief Executive Officer
O.W. Chandler, President and Chief Operating Officer

ANG Liquids Ltd.
Calgary, Alberta
(100% owned by Alberta Natural)

Auditors
Arthur Andersen & Co.
Chartered Accountants, Calgary, Alberta

Notice of change of address should be sent to the Transfer Agent

Directors and Officers

Directors

Harry Booth [3,4]
Calgary, Alberta
Consultant.

R.A. Clarke
San Francisco, California
Chairman of the Board and
Chief Executive Officer,
Pacific Gas and Electric Company

D.R. Fenton [2,3,4]
Calgary, Alberta
President and
Chief Executive Officer,
Alberta Natural Gas Company Ltd and
Alberta and Southern Gas Co. Ltd.

J.E. Goudie [1,3,4]
Calgary, Alberta
Chairman of the Board,
Alberta and Southern Gas Co. Ltd.

R.A. MacKimmie Q.C.[1]
Calgary, Alberta
Counsel, MacKimmie Matthews

Frederick W. Mielke Jr. [1]
San Francisco, California
Consultant.

R.J. Richardson
Montreal, Quebec
Management Consultant.

B.W. Shackleford
San Francisco, California
Consultant.

S.T. Skinner
San Francisco, California
Vice Chairman of the Board,
Pacific Gas and Electric Company

John A. Sproul [2,3,4]
San Francisco, California
Chairman of the Board,
Pacific Gas Transmission Company and
Executive Vice President,
Pacific Gas and Electric Company

N.E. Wagner [2,3]
Calgary, Alberta
Chairman of the Board,
Alberta Natural Gas Company Ltd

Officers

N.E. Wagner
Chairman of the Board

D.R. Fenton
President and Chief Executive Officer

D. McMorland
Senior Vice-President

W.J. Demcoe
Vice-President,
Finance and Administration

F.G. Homer
Vice-President and
Secretary

E.W. Mychaluk
Vice-President,
Business Development

G.T. Noland
Vice-President,
Corporate Planning

D.A. Sharp
Vice-President,
Operations and Engineering

G.R. Walsh
Vice-President

P.M. Mahoney
Treasurer

A. Kenney
Assistant Secretary

[1] Member of Audit Committee
[2] Member of Compensation Committee
[3] Member of Executive Committee
[4] Director of ANGUS Chemical Company

Alberta Natural Gas Company Ltd

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