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Nineteen Ninety-Two Annual Report

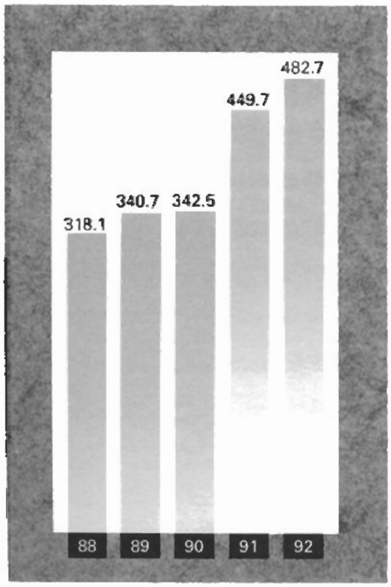
Alberta Natural Gas Company Ltd

ANG

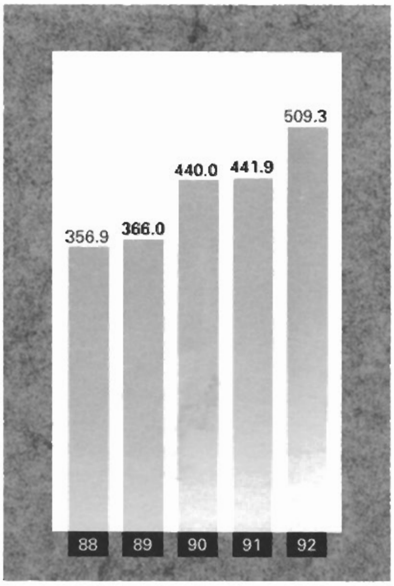
Financial Highlights

(in thousands except for share data)	1992	1991 *restated*
Operating revenue	$ 482,719	$ 449,665
Income from continuing operations	$ 17,799	$ 15,659
Net income (loss)	$ 17,905	$ (44,620)
Net property, plant and equipment additions	$ 85,409	$ 78,519
Total assets (year-end)	$ 509,272	$ 441,919
Shareholders' equity (year-end)	$ 169,476	$ 105,392
Average number of shares outstanding	21,831	21,021
Share data		
Earnings per share		
Continuing operations	$ 0.82	$ 0.74
Net income (loss)	$ 0.82	$ (2.12)
Dividends paid per share	$ 0.68	$ 0.68
Shareholders' equity per share (year-end)	$ 6.61	$ 5.02
TSE market price per share (year-end)	$ 15.75	$ 13.88
Dividend yield (% on year-end market price)	4.32	4.90
Number of shareholders (year-end)	861	878

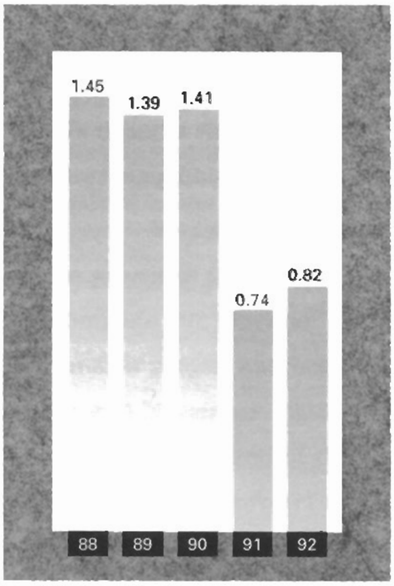
Operating Revenue
(millions of dollars)



Total Assets
(millions of dollars)



Earnings Per Share
From Continuing Operations
(dollars)



Calgary-based Alberta Natural Gas Company Ltd (ANG) has been active in the natural gas industry for more than 30 years. Originally founded as a pipeline company, ANG's operations are now divided into four business segments: Pipelines, Extraction, Marketing and Chemicals.

ANG owns and operates natural gas pipelines in northern Alberta and southeastern British Columbia. The British Columbia pipeline is an important link in the Alberta/California natural gas transportation system. Major expansion is underway which will significantly increase natural gas exports to the United States.

ANG's Extraction business consists of a natural gas liquids (NGL) and ethane extraction plant located near Cochrane, Alberta. Planning has commenced to expand the plant's capacity to process larger volumes of natural gas which will be available upon completion of the British Columbia pipeline expansion.

ANG's Marketing business is engaged in the purchase and sale of natural gas and NGL. ANG also has an interest in a NGL storage facility located at Marysville, Michigan.

The Chemicals business consists of wholly-owned subsidiary ANGUS Chemical Company (ANGUS) which produces and markets nitroparaffins and their derivatives. Derived from propane and nitric acid, nitroparaffins are marketed worldwide to a broad range of industries including the agricultural and pharmaceutical industries.

TransCanada PipeLines Limited (TransCanada) owns 49.98 per cent of ANG's shares, with the balance predominantly held in Canada. ANG shares are listed on the Toronto, Montreal, Vancouver and Alberta exchanges and trade under the symbol ANG.

Nineteen ninety-two was a turnaround year for ANG. In conjunction with higher earnings, we improved our cash position and achieved a major reduction in debt. Operationally, each of our four business segments performed well, and continued progress was made towards our goal of long-term profitable growth.

In the Pipelines business, expansion of the British Columbia system proceeded on schedule for start-up in November 1993. In the Extraction business, we advanced plans to increase the processing capacity of the Cochrane extraction plant for completion in 1994. Our Marketing business showed improved performance in a highly competitive environment, and good recovery was made by our Chemicals business following the accelerated reconstruction of the nitroparaffins plant at Sterlington, Louisiana.

Earnings and Financial Position In 1992, ANG recorded net income of $17.9 million or $0.82 per share. This was a substantial improvement from a loss of $44.6 million or $2.12 per share in 1991. Income from continuing operations increased by 14 per cent rising to $17.8 million in 1992 from $15.7 million in 1991. This represents earnings of $0.82 per share in 1992 compared to $0.74 per share in 1991.

Improved results from operations, a rights offering and the sale of our fine chemicals business in Ireland contributed to a major improvement in our financial position. The offering was fully subscribed and raised $59.3 million. The sale of the fine chemicals operation generated US $43.0 million. This business had adversely affected earnings for some time. With its disposition, ANG is now comprised of four profitable business segments with significant growth potential.

John Beddome

Objectives We are targeting longterm profitable growth by pursuing opportunities related to our existing businesses. We have initiated an aggressive capital program to enhance ANG's financial strength and ensure strong future earnings.

We have established three priorities for 1993:

Complete our pipeline expansion project and begin service in November 1993;

Begin construction of the recommissioning project at our Cochrane extraction plant;

Reacquire lost markets to enable ANGUS to approach its historical profitability.

Pipeline Expansion The pipeline expansion project in southeastern British Columbia is a key element in our growth strategy. This project is co-sponsored by ANG and Foothills Pipe Lines (South B.C.) Ltd. (Foothills (South B.C.)), a company in which ANG holds a 49 per cent interest.

The capital cost is estimated at $224.0 million. This includes about $96.0 million for ANG's compression facilities and approximately $128.0 million for pipeline segments to be owned by Foothills (South B.C.).

On May 21, 1992, ANG received National Energy Board (NEB) approval to expand its pipeline facilities. Clearing of the pipeline right-of-way has been completed and construction has commenced. Most of the work will take place in the spring and summer of 1993. All major equipment has been ordered and the project is on schedule and on budget.

The British Columbia pipeline system is being expanded in conjunction with an expansion in the United States sponsored by Pacific Gas Transmission Company (PGT) and Pacific Gas and Electric Company (PG&E). The PGT/PG&E pipeline expansion is well underway. By year-end, 65 per cent of their facilities had been completed.

The expansion projects, which connect at the British Columbia/Idaho international boundary near Kingsgate, British Columbia, will increase capacity of the Alberta/California pipeline system by more than 50 per cent. The additional capacity has been contracted under long-term arrangements.

By increasing the capacity of the Alberta/California pipeline system, Canadian producers will have greater access to the growing Pacific Northwest and California markets. Greater access to markets will help Canadian producers compete where the gas is consumed, rather than competing for access to pipelines. This should help maximize the value of their production.

Cochrane Extraction Plant Recommissioning The Cochrane extraction plant recommissioning project arose as a result of an opportunity created by the pipeline expansion project. By recommissioning and upgrading certain facilities, the Cochrane plant will be capable of processing the volumes of natural gas which will be available upon completion of the pipeline expansion. The plant recommissioning project will increase our NGL extraction capabilities by up to 70 per cent.

In December 1992, ANG signed a product sale agreement with Amoco Canada Petroleum Company Ltd. and Amoco Canada Resources Ltd. (Amoco). The agreement provides for the use of Amoco's NGL infrastructure downstream of the plant in a manner similar to existing arrangements.

Chemical Plant Reconstruction On May 1, 1991, the ANGUS nitroparaffins facility at Sterlington, Louisiana was severely damaged in a tragic fire and explosion. Less than one year later, the facility was reconstructed. During the fourth quarter of 1992, the plant was operating at full capacity. By restoring operations as quickly as possible, ANGUS was able to maintain continuity of supply for most products and begin to regain nitromethane markets which suffered shortages during the plant outage.

In July 1992, ANGUS reached an insurance settlement with its property insurer totalling US $150.0 million. This settlement was related to damage and loss to the Sterlington operation resulting from the explosion. ANGUS is continuing to seek further recoveries from the former operator of the facility.

The progress made in 1992, which included completion of the reconstruction program and the sale of the fine chemicals operation, has helped position ANGUS for improved performance.

Ownership On June 30, 1992, Calgary-based TransCanada announced it had acquired the 49.98 per cent interest in ANG held by PGT, a wholly-owned subsidiary of PG&E. This was a significant event in our corporate history. ANG was founded more than 30 years ago by PG&E as the Canadian link in the Alberta/California natural gas pipeline system.

TransCanada is well managed, well financed and a highly regarded player in the natural gas industry. We look forward to renewed growth with the support of TransCanada as ANG's major shareholder.

Outlook The natural gas industry in Western Canada has been undergoing a painful transition from the sharp gas price inflation of the early 1980s to the severe gas price deflation of recent years. Clearly, the future success of our industry will depend upon its ability to provide services more effectively and more economically than in the past. Ineffective services are being improved or phased out. This includes both services to external customers and internal services provided within company organizations.

ANG's success in this broad process of enhancing organizational effectiveness will be critical to meeting our objective of building shareholder value in the future.

There is good reason to expect a successful emergence from this transitionary process. Increased effectiveness will be the key to making the rest of the nineties a period of efficient and profitable growth for ANG and the Western Canadian natural gas industry. ANG is optimistic as it looks to the future.

Reorganization As we forge ahead with our expansion projects in the Pipelines and Extraction businesses, and with rebuilding the profitability of the Chemicals business, we have reorganized our management team. On September 2, 1992, Norman E. Wagner announced that he was stepping down as President and Chief Executive Officer, but would continue to serve as Chairman of the Board.

John Beddome was appointed President and Chief Executive Officer of ANG. Mr. Beddome has served in executive capacities with Canadian and international oil and gas companies and has extensive experience in natural gas processing and NGL extraction, and natural gas and NGL transmission and marketing.

On August 1, 1992, Wayne E. Lunt was appointed Senior Vice President and Chief Financial Officer. Mr. Lunt brings extensive financial and natural gas industry experience to ANG. In particular, he provides significant strength in strategic planning.

People Concurrent with TransCanada's acquisition of PGT's interest in ANG, four new members joined the ANG Board of Directors: Gerald J. Maier, Chairman, President and Chief Executive Officer of TransCanada; George W. Watson, Chief Financial Officer of TransCanada; Robert A.M. Young, Senior Vice President, Law of TransCanada; and Derek E. Henwood, former Senior Vice President of TransCanada. Mr. Henwood later stepped down from the ANG Board following his appointment as President and Chief Executive Officer of Great Lakes Gas Transmission Company.

Mr. Beddome joined the Board of Directors upon the resignation of Mr. Henwood.

The following four directors resigned from the ANG Board: Richard A. Clarke, Chairman and Chief Executive Officer of PG&E; Stanley T. Skinner, President and Chief Operating Officer of PG&E; Jerry R. McLeod, Executive Vice President of PG&E; and Stephen P. Reynolds, President and Chief Executive Officer of PGT. We would like to express our sincere appreciation to each of these gentlemen for their valued contribution.

The success we achieved in 1992 was the result of the commitment, dedication and expertise of our employees. We commend the employees of ANG and its subsidiaries for their strong performance.

ANG is a company poised for growth. Sound operations and our dedicated people provide a strong foundation on which to build. We believe that the expansion projects underway along with other opportunities will create real growth and value for our shareholders, as well as challenging and rewarding careers for our employees.

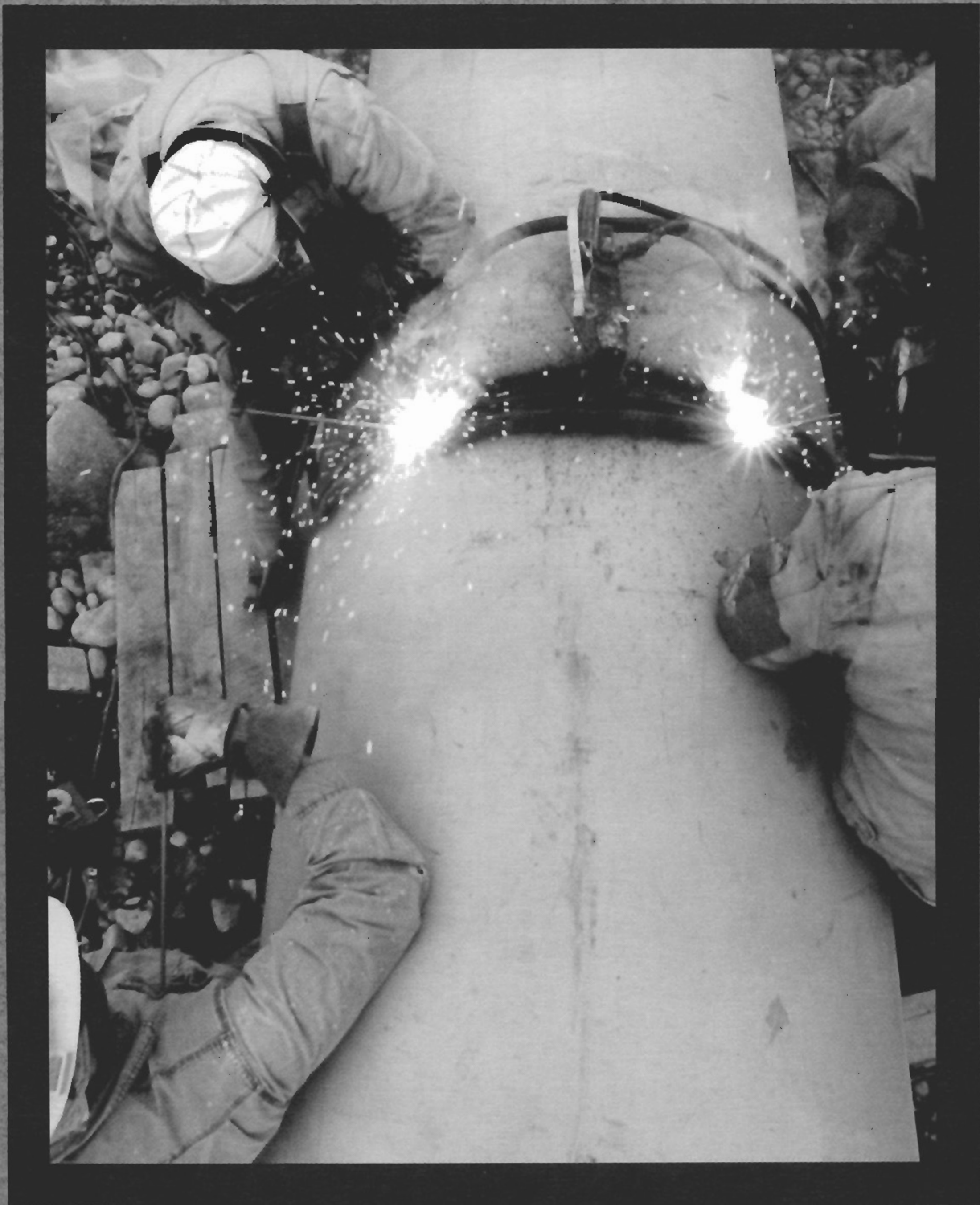
On behalf of management and the Board of Directors,

John Beddome
President and Chief Executive Officer

Norman E. Wagner
Chairman of the Board

February 16, 1993

Improved results from operations, a rights offering and the sale of the fine chemicals business in Ireland contributed to a major improvement in ANG's financial position. Nancy Kapiczowski, Director Accounting; Wayne Lunt, Senior Vice President and Chief Financial Officer; and John Giesbrecht, Manager Accounting, review the Company's financial plan for 1993.



The welding crew joining the ANG/Foothills (South B.C.) pipeline expansion to the PGT expansion at the British Columbia/Idaho international boundary. This project is on schedule to begin service in November 1993.

ANG recorded net income of $17.9 million for the year ended December 31, 1992. This was a substantial recovery from a loss of $44.6 million in 1991. Earnings per share were $0.82 in 1992, compared to a loss of $2.12 in 1991.

Income from continuing operations was $17.8 million in 1992. This represents a 14 per cent increase over 1991 income from continuing operations of $15.7 million. Earnings per share rose 11 per cent, from $0.74 per share in 1991 to $0.82 per share in 1992.

The Pipelines, Extraction and Marketing business segments provided ANG with a solid earnings base which was critical to the Company's recovery in 1992. Pipelines operating income of $6.6 million was $1.5 million or 30 per cent higher than the previous year. Extraction operating income of $26.8 million rose $3.3 million or 14 per cent. Marketing income of $14.4 million yielded $1.1 million or 8.5 per cent more than in 1991.

Operating income from the Chemicals business was $9.3 million in 1992. This was $2.6 million lower than the previous year.

A loss from discontinued operations of $20.1 million for 1992 reflects the sale of the fine chemicals business. The amount includes a loss on disposition and the 1992 operating loss to the sale date. For comparison purposes, the 1991

Income Summary (in thousands)	1992	1991*	1990*
Pipelines	**$ 6,633**	$ 5,098	$ 4,462
Extraction	**26,787**	23,513	23,267
Marketing	**14,424**	13,293	13,994
Chemicals	**9,265**	11,873	26,752
Corporate expenses	**(9,191)**	(9,114)	(8,331)
Operating Income	**47,918**	44,663	60,144
Equity and other income	**4,684**	3,718	5,171
Interest expense	**(19,422)**	(20,347)	(16,348)
Provision for income taxes	**(15,381)**	(12,375)	(19,046)
Income from Continuing Operations	**17,799**	15,659	29,924
Discontinued operations	**(20,075)**	(57,789)	(4,193)
Extraordinary items	**20,181**	(2,490)	–
Net Income (Loss)	**$ 17,905**	$ (44,620)	$ 25,728

**Restated in 1992*

fine chemicals operating loss has been reclassified as discontinued operations. This loss, combined with a $49.3 million loss mainly related to the discontinuation of the magnesium operation, resulted in a $57.8 million loss for 1991. More detail can be found in Note 12 to the consolidated financial statements.

Extraordinary items, including a $20.2 million gain in 1992 and a $2.5 million loss in 1991, relate to the Sterlington plant explosion. Included in these items is a book gain, due to insurance proceeds exceeding the historical net book value of the damaged plant assets. This was partially offset by non-reimbursed expenses, insurance deductibles and taxes. Further explanation is provided in Note 13 to the consolidated financial statements.

As ANG looks to the future, significant growth is expected from the British Columbia pipeline expansion, the Cochrane extraction plant recommissioning project, and a proposed cogeneration plant to be located near Crowsnest, British Columbia. Additional profit opportunities exist through further improvements in operating efficiencies and market development. ANG is also pursuing other growth opportunities related to its existing businesses, including opportunities in the Chemicals business.

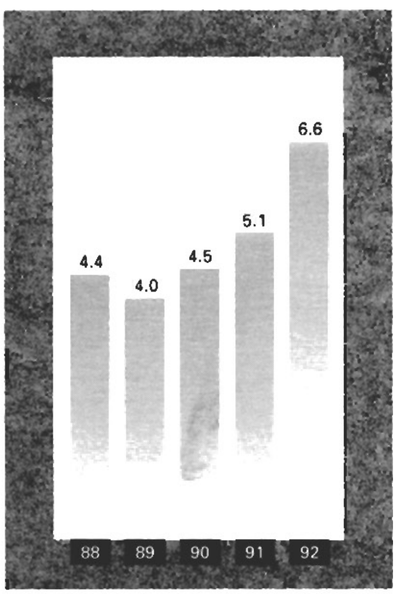
ANG's natural gas pipeline investments are located in southeastern British Columbia and northern Alberta. The British Columbia pipeline is a vital link in the 2,800 km Alberta/California pipeline system which transports daily volumes of approximately 38.1 million cubic metres (1.3 billion cubic feet) of natural gas across the international boundary at Kingsgate, British Columbia. This pipeline and its related transportation agreements are subject to the jurisdiction of the [illegible]

The tolling method on the British Columbia pipeline allows ANG to recover fixed costs through a demand charge based on shippers' contract quantities. This demand charge provides for all reasonable and necessary operating costs, depreciation and amortization, income and other taxes, and a return on the unrecovered investment. Variable costs are recovered through a commodity charge based on shipper throughput.

ANG has another pipeline investment in British Columbia through a 49 per cent common share ownership in Foothills (South B.C.). Operated by ANG, this pipeline parallels about one-half of the Company's British Columbia pipeline.

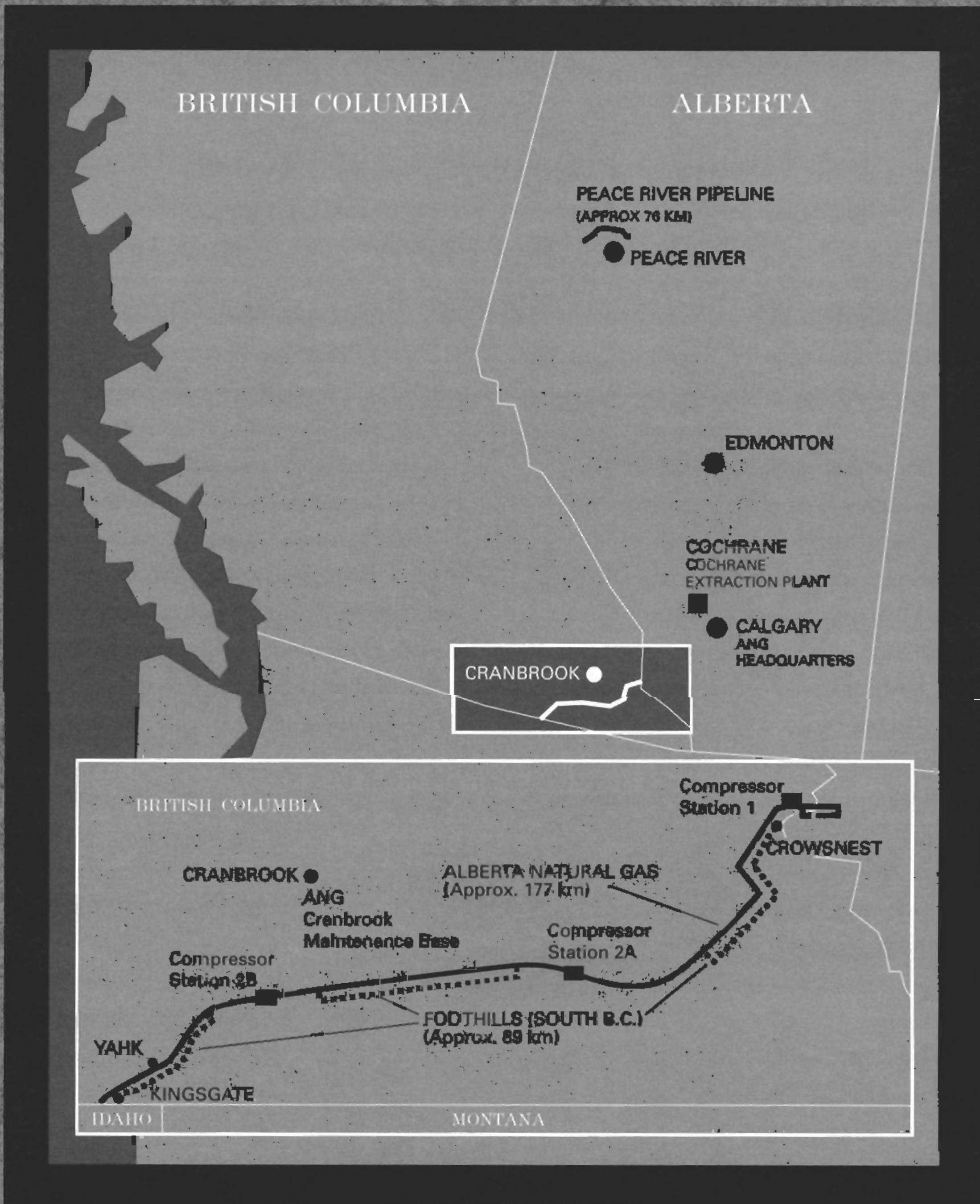
ANG also owns and operates a pipeline in the Peace River area of northern Alberta. This pipeline is dedicated primarily to the delivery of natural gas to Shell Canada Limited's heavy oil recovery project.

Operating Income
Pipelines
(millions of dollars)



As part of ANG's ongoing commitment to provide safe and reliable natural gas transportation service, the Company continued to upgrade its pipeline facilities in 1992. Capital spending totalled $22.7 million for projects which included installing a more efficient compressor unit at Station 2B near Moyie, British Columbia, connecting a security loop at the Elk River crossing, and completing two control facilities.

Additional investment related to these projects resulted in Pipelines operating income increasing from $5.1 million in 1991 to $6.6 million in 1992. Reflected in the 1992 results is the offsetting effect of an NEB decision to lower pipeline tolls on ANG's British Columbia pipeline. As a result of this decision, effective February 7, 1992, the deemed common equity component was reduced from 35 per cent to 30 per cent, and the rate



ANG's natural gas pipeline investments are located in southeastern British Columbia and northern Alberta.

of return on common equity was set at 12 per cent, down from 13.75 per cent. The allowed rate for ANG's deemed debt was lowered from 11.5 per cent to 9.5 per cent.

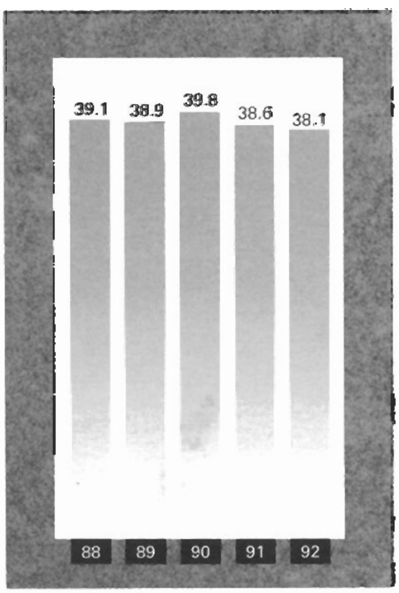
California state and United States federal regulators have embarked on a program which includes certain rulings designed to open up the Alberta/California pipeline system to allow access to a greater number of natural gas shippers. Negotiations on this restructuring program are underway between industry and the United States and Canadian governments. Until negotiations are further developed, any possible impact of this program on ANG's Pipelines business remains unclear.

Pipeline Expansion Project Co-sponsored by ANG and Foothills (South B.C.), the pipeline expansion project in southeastern British Columbia will increase the capacity of the ANG and Foothills (South B.C.) pipeline system by more than 50 per cent. This project will allow delivery of an additional 24.7 million cubic metres per day (872 million cubic feet per day) of Canadian natural gas for export at Kingsgate, British Columbia. The ANG/Foothills (South B.C.) project is being built in conjunction with an expansion in the United States sponsored by PGT and PG&E.

The capital cost of the ANG/Foothills (South B.C.) project is estimated at $224.0 million. Of this amount, $96.0 million is for compression equipment belonging to ANG, and $128.0 million is for pipeline segments belonging to Foothills (South B.C.). As a 49 per cent owner of Foothills (South B.C.), ANG's share of the Foothills (South B.C.) portion of the project is approximately $63.0 million. Discussions are underway to have the Foothills (South B.C.) portion project financed.

On May 21, 1992, ANG received NEB approval for its expansion facilities. Foothills (South B.C.) received the necessary approvals under the Northern Pipeline Act for its portion of the project. In November, the NEB confirmed that ANG had fulfilled all preconstruction conditions and could proceed with construction of compression facilities. All major equipment has been ordered, clearing of the pipeline right-of-way has been completed, and preliminary construction has begun. Most of the work will take place in the spring and summer of 1993 with service to begin in November.

Kingsgate Export Volumes
millions of cubic metres (average per day)



ANG has longterm transportation contracts with 29 shippers for the additional capacity of the expansion. As of February 1993, export licence applications had been filed with the NEB by or on behalf of shippers holding approximately 45 per cent of the expansion volumes. In January 1993, removal permits for several shippers were approved by the Alberta Energy Resources Conservation Board (ERCB).

Also in January 1993, the ERCB held a public hearing on a series of applications by NOVA Corporation of Alberta (NOVA) for expansion facilities needed to connect with the ANG/Foothills (South B.C.) project. A decision by the ERCB is expected by March 1, 1993.

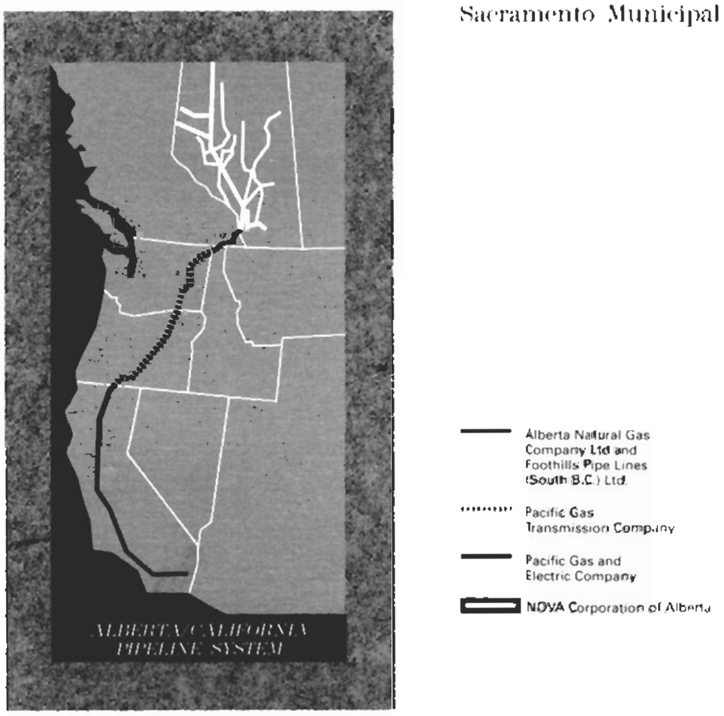
Construction by PGT and PG&E in the United States is proceeding on schedule. At year-end, 65 per cent was complete with more than 475 miles of pipe in the ground.

Crowsnest Cogeneration Project ANG and its partner, TransAlta Energy Corporation (TEC), are planning to build a cogeneration facility to be located adjacent to ANG's Compressor Station 1 near Crowsnest in southeastern British Columbia. The project is estimated to cost $150.0 million.

Using highly efficient and environmentally sound technology, the facility will produce 130 megawatts of electrical power. The process, known as enhanced combined cycle cogeneration, has been used in numerous facilities in North America. Heat will be recovered from ANG's pipeline compressors and from two additional natural gas-fuelled turbines. The heat will be converted to steam and used to drive a steam turbine generator to produce electricity.

The electrical power will be sold under a 30-year contract to the Sacramento Municipal Utility

The ANG/Foothills (South B.C.) pipeline expansion project is part of a major expansion of the Alberta/California natural gas transmission system.



District (SMUD) located in northern California. Material terms of this agreement are expected to be finalized in the first quarter of 1993. The current understanding provides that all available power will be purchased by SMUD at the plant gate for a fixed capacity payment which will provide a return over the contract's 30-year term. SMUD will be responsible for supplying fuel for the cogeneration plant and arranging transmission of the electricity to California.

In December, a partnership agreement was signed between ANG and TEC. ANG and TEC will hold undivided interests of 51 per cent and 49 per cent, respectively, in the Crowsnest Cogeneration Partnership. ANG and TEC will each own 50 per cent of the Crowsnest Cogeneration Corporation which will act as manager, agent and trustee for the partnership. ANG will operate the cogeneration facilities.

With continued success in the development of the Crowsnest Cogeneration project, construction could begin in 1994, with the first delivery of power scheduled for 1996.

Project Coordinator Tim Stauft and Plant Superintendent Bill Pollitt review plans for the Cochrane extraction plant recommissioning project. This project will increase the plant's NGL extraction capabilities by up to 70 per cent.

Through the Cochrane Extraction Plant Partnership, ANG owns and operates a NGL and ethane extraction plant near Cochrane, Alberta. The plant straddles the western Alberta mainline of the NOVA natural gas pipeline system.

NGL, ethane and liquified carbon dioxide are removed from the gas stream as it passes through the plant.

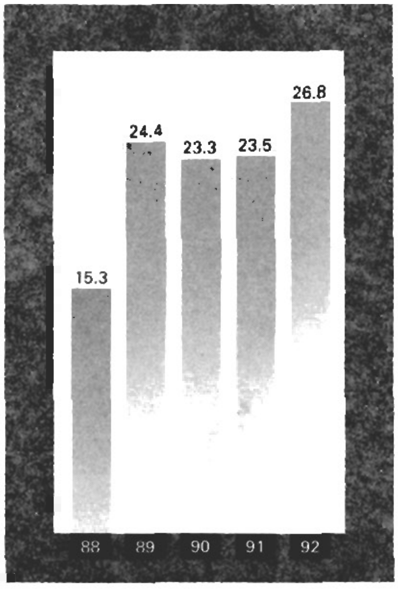
Extracted NGL, composed of approximately 69 per cent propane, 22 per cent butane and nine per cent pentane-plus, are sold to Amoco under long-term contracts. The propane is used for crop drying, petrochemical feedstock, vehicle carburation and rural heating. The butane and pentane-plus are used mostly as blending stock for fuel.

Recovered ethane is supplied under long-term contract to Novacor Chemicals Ltd. (Novacor) principally for conversion to ethylene at the Novacor plant at Joffre, Alberta. Ethylene is used in the manufacture of a variety of products including home furnishings, automotive parts, household products, industrial goods, paints and solvents.

The Extraction business continued to provide ANG with stable and reliable income in 1992. Operating income associated with long-term cost of service agreements was $26.8 million, compared to $23.5 million in 1991. The 14 per cent increase was mainly related to additional revenue required to pay higher income tax.

A program by California and United States regulators designed to open up the Alberta/California pipeline system to a greater number of shippers is not expected to affect the volumes of natural gas currently processed at the Cochrane plant. However, as discussed on page 13, in the Pipelines business section, negotiations between industry and United States and Canadian governments are still underway. It is unclear the possible impact this restructuring program may have on the Extraction business.

Operating Income
Extraction
(millions of dollars)



Cochrane Extraction Plant Recommissioning Project

ANG is proceeding to recommission a portion of the Cochrane extraction plant. This business opportunity is derived from the pipeline expansion project which will increase the quantity of natural gas available to the plant.

Expansion of the plant will involve recommissioning and modifying certain facilities to increase the plant's NGL production capacity to handle up to an additional 25.5 million cubic metres per day (900 million cubic feet per day) of natural gas. Preliminary technical analysis is complete and work has begun on detailed engineering. Subject to regulatory approval, ANG will be ordering major equipment in the spring of 1993, and field work is scheduled to commence in the summer.

In October 1992, ANG submitted an application to the ERCB for construction of the proposed facilities. In February 1993, ANG received a development permit from the Municipal District of Rocky View. In support of these regulatory submissions, ANG initiated a public consultation program to solicit input from area residents.

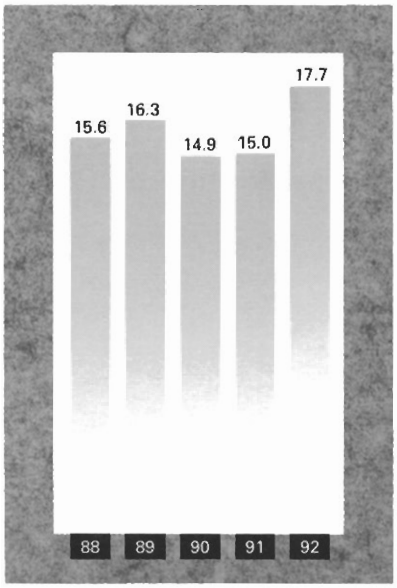
On December 16, 1992, an agreement was signed with Amoco for the sale of product from the expanded facilities. The agreement provides for the use of Amoco's NGL infrastructure downstream of the plant in a manner similar to existing arrangements.

ANG is also discussing gas supply arrangements with the shippers expected to transport gas through the proposed expansion of NOVA's pipeline facilities. Management believes the recommissioned facility will offer efficiencies to the NOVA expansion shippers that cannot be achieved through other alternatives.

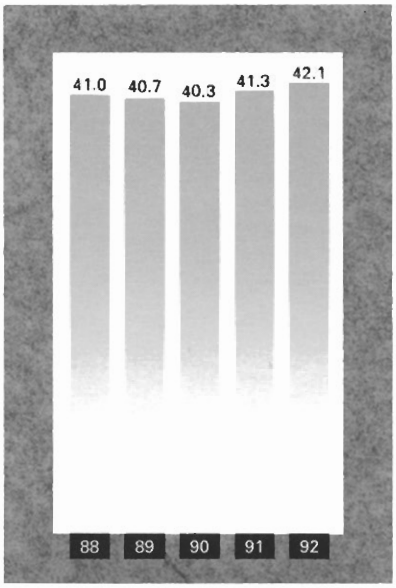
Currently, the project schedule anticipates start-up in mid- to late-1994. An earlier start-up is possible, but is largely dependent on regulatory approvals and delivery of major equipment.

Higher production of NGL and ethane at the Cochrane plant during 1992 was primarily due to a slightly richer composition of the inlet gas stream from the western Alberta mainline of the NOVA pipeline.

NGL Production
thousands of barrels (average per day)



Ethane Production
thousands of barrels (average per day)



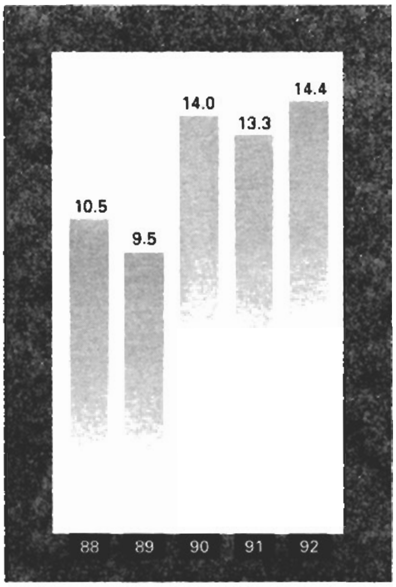
The natural gas and NGL Marketing business continued to grow in 1992. Natural gas and NGL Marketing operating income was $11.1 million in 1992, a $1.1 million or 8.5 per cent increase over 1991

Natural Gas Marketing ANG's Natural Gas Marketing is conducted by CanStates Gas Marketing which primarily targets markets in the Eastern United States and, to a lesser extent, Central and Western Canada. ANG has a two-thirds ownership interest in CanStates Gas Marketing.

During 1992, CanStates Gas Marketing continued to develop long-term business. On September 1, 1992, CanStates Gas Marketing formally assumed an established contract to supply gas to Transco Energy Marketing Company (TEMCO) at Niagara Falls, Ontario. To obtain this contract, CanStates Gas Marketing entered into long-term gas supply contracts with a number of producers. The transfer of the existing export licence was approved by the NEB in August 1992. This was the second long-term sales contract between CanStates Gas Marketing and TEMCO. Total deliveries to TEMCO are approximately 3.5 million cubic metres per day (125 million cubic feet per day).

Natural gas sales by CanStates Gas Marketing yielded substantial profits during the first three quarters of 1992. These profits were partially offset by fourth quarter losses which occurred when spot prices increased dramatically. Selling price commitments under various contracts did not contemplate the unexpected price jump.

Operating Income
Marketing
(millions of dollars)



NGL Marketing The NGL Marketing business consists of participation in NGL sales from the Cochrane extraction plant and ANG's NGL marketing arm, CanStates Energy. CanStates Energy, a partnership of wholly-owned ANG subsidiaries, purchases NGL and liquified petroleum gases and resells them to refineries, retail propane distributors, petroleum chemical plants and aerosol manufacturers. About half of CanStates Energy's sales are made in the United States.

After a slow start, CanStates Energy showed recovery in the fourth quarter as a result of strong year-end NGL prices combined with the opening of a Houston, Texas sales office in October. CanStates Energy is exploring diversification of its NGL brokerage activities by pursuing crude oil marketing opportunities. During the spring of 1992, many major oil companies made a shift in their joint venture marketing policies. This move has created opportunities for entities such as CanStates Energy to assist mid-size and junior companies in their crude oil marketing.

NGL produced at the Cochrane extraction plant increased in 1992 mainly due to a slightly richer inlet gas stream which allowed for higher sales volumes. The increase in sales was partially offset by lower selling prices.

Reconstruction of the ANGUS nitroparaffins plant in Sterlington, Louisiana was completed in May 1992. ANGUS is working diligently to restore its market position.

The Chemicals [illegible] ANGUS Chemical Company, a wholly owned subsidiary of ANG. ANGUS [illegible] and operates nitroparaffin and nitroparaffin derivatives production facilities at Sterlington, Louisiana; a nitroparaffin derivatives facility at Ibbenbüren, Germany; and leases a newly-built technical centre and corporate headquarters at Buffalo Grove, Illinois.

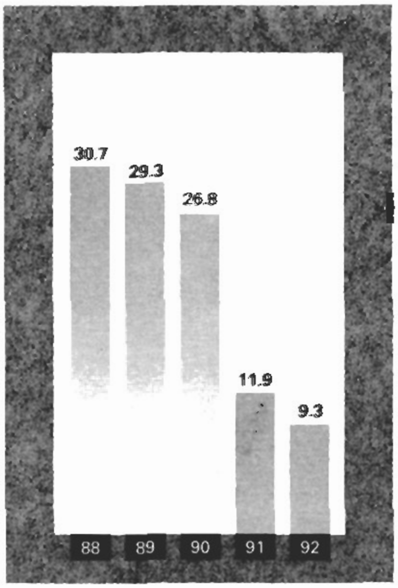
Nitroparaffins and derivatives produced by ANGUS are used in many applications: pharmaceutical intermediates, printing inks, dispersants for paint pigments, biocides in cutting fluids and personal care products, fuels, agricultural chemicals and more.

In 1992, operating income for the Chemicals business was $9.3 million, down from $11.9 million in 1991. Onetime charges for site clean up, legal fees and restructuring costs more than offset improved sales revenues.

Operating revenue increased to $115.6 million in 1992 from $97.3 million in 1991. This improvement was related to the reconstructed plant achieving partial production in March and full production during the fourth quarter of 1992. Successful completion of a "fast track" reconstruction project was essential as ANGUS's inventories of key products had declined to a minimum. Management continued a product allocation program into 1992 working with its many customers to accommodate their requirements to the extent possible.

During the production outage in 1991 and 1992, there was a marketplace shortage of nitromethane, one of ANGUS's key products. In response, increased production of nitromethane was brought on the market from other sources. ANGUS is working diligently to restore its market position.

Operating Income
Chemicals
(millions of dollars)



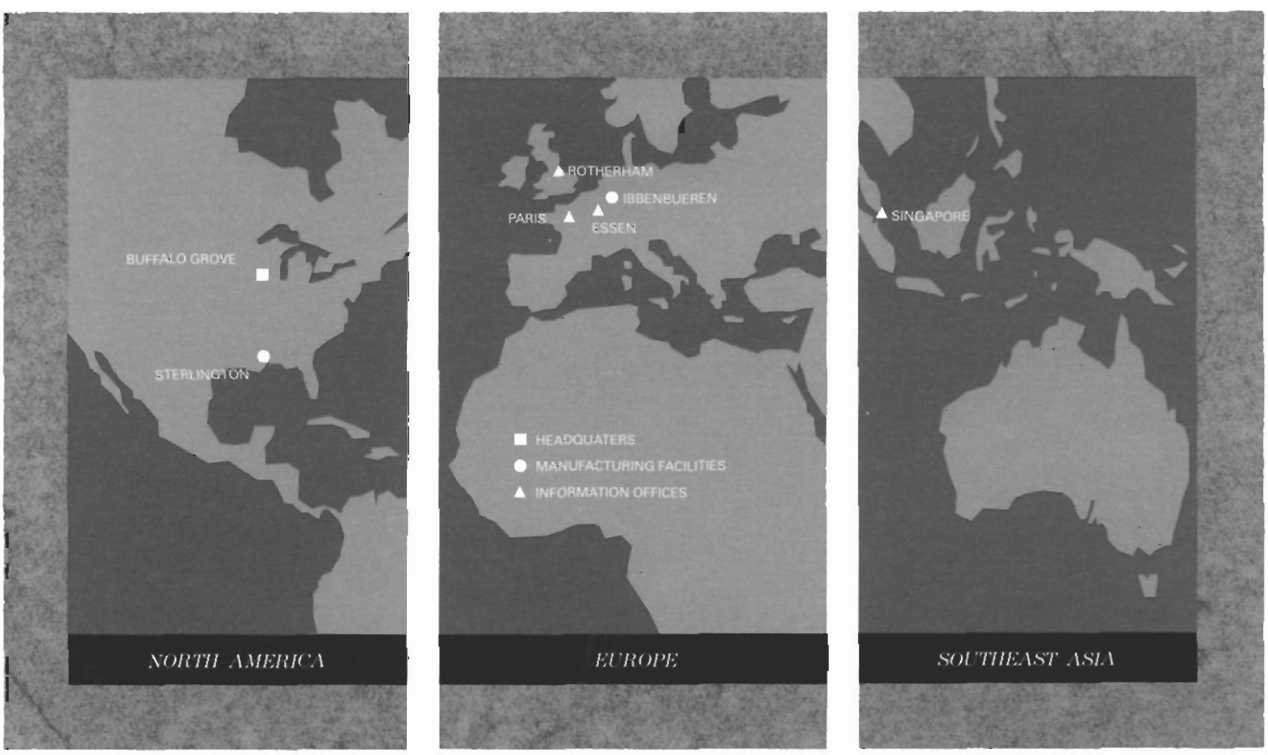
In 1992, ANGUS reached a US $150.0 million insurance settlement with its property insurer for damage and loss resulting from the Sterlington explosion. Further details are provided in Note 13 to the consolidated financial statements.

ANGUS assumed operation of the Sterlington facility on February 29, 1992. The plant had previously been operated by IMC Fertilizer, Inc. (IMCF) under a management and supply agreement. In assuming operations, ANGUS hired 250 experienced onsite employees previously employed by IMCF. Approximately US $2.8 million was paid to IMCF under an agreement which included the purchase of adjacent land and utilities.

During the second half of 1992, ANGUS's largest competitor shut down its business. Liquidation of that company's inventories is expected to impact ANGUS's markets in the near term until the inventories are depleted.

ANGUS Fine Chemicals, Ltd. (AFCL), a wholly-owned subsidiary of ANGUS, located in Ringaskiddy, County Cork, Ireland, was sold for approximately US $13.0 million in August 1992. The sale resulted in a 1992 loss from discontinued operations of $20.1 million. This amount reflects a $16.5 million loss on the sale, plus an operating loss to the sale date of $3.6 million. AFCL's 1991 operating loss of $8.5 million has been reclassified as discontinued operations for comparison purposes. This sale allows ANGUS management to focus on growth within its core nitroparaffins business.

ANGUS markets nitroparaffins and nitroparaffin derivatives worldwide.



During 1992, one of management's key priorities was to strengthen ANG's financial position. Significant progress was made through the sale of AFCL for US $43.0 million and the issue of common equity for $59.3 million, net of issue costs. ANG's cash position, which includes interest bearing deposits, improved by $29.0 million while notes payable and long-term debt were reduced by $54.8 million.

Cash generated from operations increased significantly in 1992. The contribution from continuing operations was $51.9 million, $6.0 million more than in 1991. This was largely due to improved results from the Extraction, Pipelines and Marketing businesses. Earnings from these businesses were partially offset by the performance of the Chemicals business and higher income taxes. Funds from discontinued operations were $48.7 million during 1992 and included proceeds from the sale of AFCL.

Capital expenditures on property, plant and equipment for 1992 totalled $85.4 million. Approximately 50 per cent of this amount was directed to cost of service businesses and included the pipeline compressor replacement and pipeline expansion projects. The balance primarily was associated with the reconstruction of the Sterlington plant. The change in non-cash working capital of $17.0 million reflects the payment of Sterlington plant reconstruction costs accrued during 1991.

Financing activities in 1992 included a successful rights offering during the fourth quarter. Through the issue of 4.7 million common shares, ANG raised net proceeds of $59.3 million. The proceeds initially were used to repay short-term debt and will ultimately fund a portion of the capital expenditure program in Canada.

At December 31, 1992, total debt was $193.8 million and included long-term debt, the current portion of long-term debt and all notes payable. Of this amount, $123.0 million was denominated in Canadian dollars, $59.8 million in United States dollars and $11.0 million in Deutsche marks. See Note 6 to the consolidated financial statements for further details.

At the end of 1992, ANG had revolving credit facilities with five Canadian banks totalling $176.5 million of which $86.2 million was unused. ANG also had a US $12.0 million credit facility which was unused. During 1992, the Company's Board of Directors increased the authorized limit of short-term borrowing for ANG and its subsidiaries to $250.0 million.

Total capital investment during 1993 is expected to be about $147.0 million. Within the Chemicals business, spending is planned at approximately $15.0 million and includes expenditures for safety and regulatory requirements, and maintenance capital. Cash generated by the Chemicals business will be sufficient to fund these requirements. In Canada, ANG expects to spend about $132.0 million on projects which include the British Columbia pipeline expansion and Cochrane extraction plant recommissioning project.

Financing requirements during 1993 will be satisfied through a combination of internally generated cash flow, the issue of long-term debt and short-term borrowing. ANG intends to refinance its $60.0 million 10¼ per cent debentures which mature October 1993.

Given the strength of the Company's financial position at the end of 1992, management does not expect the ambitious capital expansion program and related financing requirements to result in unreasonable levels of debt.

Sensitivities Management monitors key business drivers which affect ANG's cash flow and profitability. Natural gas and NGL prices, other energy costs, chemical products prices, interest rates and foreign exchange rates are all key drivers within ANG's core businesses. Knowledge of their effects on cash flow and profits of all the businesses is essential for reducing ANG's operational and financial exposures.

Corporate Key Drivers Effect on ANG's 1993 Net Income

Corporate Key Drivers	Increase (decrease) *in millions*
Propane price increase of $0.05 US per gallon	$ 0.7
Interest rate increase of 1%	$ (0.7)
US dollar exchange rate increase of $0.02 Cdn.	$ 0.7
US dollar exchange rate increase of 5% versus Deutsche mark	$ (0.4)

The health and safety of employees, contractors and neighbours are two of ANG's highest priorities. Management believes it is imperative that practical and effective health and safety measures are followed at all times. Management also believes that occupational illness and injury can Achieving this goal requires the teamwork and commitm all employees.

Health and Safety ANG's safety program was formalized in 1990 with the goal of attaining a perfect safety record. During 1992, several initiatives helped increase safety awareness. Presentations were made at all locations to outline the safety program's goals and objectives. Courses were held on supervision principles of safety management and accident investigation and analysis. Employees also received job skill upgrading and training in such areas as safe chemical handling, emergency response preparedness and fire fighting techniques.

Hazard and Operability Studies (HAZOPS) are being carried out at existing facilities. HAZOPS identify procedures which create a safer environment. As part of normal project development, these studies are also conducted at the engineering design stage for all new projects.

In 1992, ANGUS implemented the Chemical Manufacturers Association Responsible Care Program. This program is part of a continuing effort by the industry to improve the management of chemicals. It consists of managing principles and codes of practice designed to minimize risks of accidents, spills, and exposures to chemicals in production and distribution. These codes represent a total commitment to health, safety and environmental protection.

Environment ANG is dedicated to maintaining a high standard of environmental quality. The Company not only complies with relevant legislation, but also encourages other initiatives to protect the environment.

One important initiative involves environmental audits of all facilities on an ongoing basis. The audits assess the Company's compliance with legal requirements, conformance with policies and standards of performance, and day-to-day environmental management and housekeeping.

In 1992, audits were conducted at the Peace River pipeline, the corporate head office in Calgary and ANG's vehicle fleet. They showed that ANG's facilities comply with regulations, and conform with industry and corporate standards and practices. The results also showed that ANG operates in a progressive and environmentally responsible manner.

The audits identified minor housekeeping requirements and action plans were developed. ANG also implemented changes which were recommended in the 1991 environmental audits of the Cochrane extraction plant and the British Columbia pipeline system. For example, at Cochrane, waste disposal guidelines have formalized waste handling procedures at the facility.

An internal report on ANGUS's environmental policies and practices showed compliance with regulations and conformance with industry standards.

Corporate Contributions As a responsible company, ANG invests in the continued development of the communities in which it operates. Contributions are made to organizations that promote health, welfare and education, as well as athletic, civic and cultural activities. As in past years, ANG contributed significantly to each of the United Way campaigns in the communities in which it operates. All employees were encouraged to do the same.

Management's Report

The accompanying consolidated financial statements and all other information in this Annual Report have been prepared by the management of Alberta Natural Gas Company Ltd (ANG). Management is responsible for the integrity and objectivity of this information. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards relating to the presentation of historical cost financial information. Where appropriate, amounts based on estimates and judgements are included. Financial information throughout this Annual Report is consistent with the consolidated financial statements.

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

Arthur Andersen & Co. are independent auditors appointed by the shareholders. The auditors have considered, for the purposes of determining the nature, timing and extent of their audit procedures, ANG's internal controls and have audited the consolidated financial statements in accordance with generally accepted auditing standards to enable them to express an opinion on the fairness of the financial statements.

Through its appointed Audit Committee, the Board of Directors oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management, the internal auditors and Arthur Andersen & Co. to review auditing and financial reporting matters. Internal and external auditors have unrestricted access to the Audit Committee and management. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Auditors' Report

To the Shareholders of Alberta Natural Gas Company Ltd:

We have audited the consolidated balance sheet of Alberta Natural Gas Company Ltd as at December 31, 1992 and 1991 and the consolidated statements of income, reinvested earnings and cash flow for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1992 and 1991 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.

Calgary, Alberta,
January 29, 1993.

Arthur Andersen & Co
Chartered Accountants

Consolidated Statement of Income

Year ended December 31 *(in thousands except per share data)*	1992	1991 *restated*
Operating Revenue	$ 482,719	$ 449,665
Operating Expenses		
Operating and maintenance	364,157	345,492
Selling, administrative and research	50,079	43,896
Depreciation and amortization	15,426	10,871
Property taxes and other expenses	5,139	4,743
	434,801	405,002
Operating Income	47,918	44,663
Equity income	2,504	1,275
Interest and other income	2,180	2,443
Interest expense	(19,422)	(20,347)
Income from Continuing Operations before Income Taxes	33,180	28,034
Provision for income taxes	(15,381)	(12,375)
Income from Continuing Operations	17,799	15,659
Discontinued operations	(20,075)	(57,789)
Extraordinary items	20,181	(2,490)
Net Income (Loss)	$ 17,905	$ (44,620)
Earnings per Share		
Continuing operations	$ 0.82	$ 0.74
Discontinued operations	(0.92)	(2.74)
Extraordinary items	0.92	(0.12)
Net income (loss)	$ 0.82	$ (2.12)

Consolidated Statement of Reinvested Earnings

Year ended December 31 *(in thousands)*	1992	1991
Opening balance	$ 55,400	$ 117,364
Net income (loss)	17,905	(44,620)
	73,305	72,744
Common shares purchased and cancelled	–	(3,071)
Dividends	(15,066)	(14,273)
Closing balance	$ 58,239	$ 55,400

See accompanying notes

December 31 *(in thousands)*	1992	1991 *restated*
Assets		
Current Assets		
Cash and interest bearing deposits	$ 39,501	$ 10,508
Accounts receivable	86,132	67,967
Income taxes receivable	10,876	5,749
Inventories	38,551	24,948
Other	3,950	2,239
Total current assets	179,010	111,411
Investments	18,489	20,655
Property, Plant and Equipment	289,752	211,169
Goodwill and Other	22,021	26,357
Net Assets of Discontinued Operations	–	72,327
	$ 509,272	$ 441,919
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes payable	$ 22,009	$ 49,879
Accounts payable and accrued liabilities	86,463	55,471
Deferred income taxes	16,361	13,773
Current portion of long-term debt	60,000	–
Total current liabilities	184,833	119,123
Long-Term Debt	111,813	198,725
Deferred Income Taxes	43,150	18,679
	339,796	336,527
Shareholders' Equity		
Common shares	113,099	53,822
Reinvested earnings	58,239	55,400
Foreign exchange adjustment	(1,862)	(3,830)
	169,476	105,392
	$ 509,272	$ 441,919

Approved on behalf of the Board of Directors.

Director

Director

See accompanying notes

Year ended December 31 (in thousands)	1992	1991 *restated*
Continuing Operations		
Income from continuing operations	$ 17,799	$ 15,659
Non-cash items included above	23,038	22,361
	40,837	38,020
Change in non-cash working capital items	6,921	8,600
Effect of exchange rate changes	4,136	(699)
	$ 51,894	$ 45,921
Discontinued Operations		
Loss from discontinued operations	$ (20,075)	$ (57,789)
Non-cash items included above	63,688	18,517
Change in non-cash working capital items	5,084	1,298
	$ 48,697	$ (37,974)
Investing Activities		
Net property, plant and equipment additions	$ 85,409	$ 78,519
Extraordinary items	(34,956)	(7,625)
Change in non-cash working capital items	17,031	(17,031)
Investments	(4,561)	(3,835)
Other	(3,742)	5,414
	$ 59,181	$ 55,442
Financing Activities		
Common shares issued for cash	$ 59,277	$ 31
Common shares purchased and cancelled	–	(3,699)
Change in long-term debt	(28,758)	19,022
Dividends	(15,066)	(14,273)
	$ 15,453	$ 1,081
Summary of Cash Provided (Used)		
Continuing operations	$ 51,894	$ 45,921
Discontinued operations	48,697	(37,974)
Investing activities	(59,181)	(55,442)
Financing activities	15,453	1,081
	56,863	(46,414)
Cash and Cash Equivalents		
Opening balance	(39,371)	7,043
Closing balance	$ 17,492	$ (39,371)

See accompanying notes

1. Description of the Business

Alberta Natural Gas Company Ltd (ANG) owns and operates a large-diameter pipeline for the transportation of natural gas through southeastern British Columbia. This pipeline links the systems of NOVA Corporation of Alberta (NOVA) and Pacific Gas Transmission Company (PGT) to move natural gas from Alberta to California and the Pacific Northwest. ANG holds a 49 per cent interest in Foothills Pipe Lines (South B.C.) Ltd., a pipeline which parallels about half of ANG's British Columbia pipeline. It is operated by ANG as an integral part of the link between the NOVA and PGT pipeline systems. ANG also owns and operates a smaller pipeline located near Peace River, Alberta which transports natural gas mainly to a heavy oil recovery facility.

ANG owns and operates a natural gas liquids (NGL) and ethane extraction facility near Cochrane, Alberta. The plant straddles the western Alberta mainline of the NOVA pipeline system which connects with ANG's British Columbia pipeline.

The natural gas shippers on the ANG pipeline system and the purchasers of NGL and ethane from the Cochrane extraction plant have agreed to provide for the recovery of operating expenses, taxes and capital invested together with a return on the unrecovered investment. ANG is also entitled to participate in any marketing profits arising from the sale of products from the Cochrane plant.

ANG is engaged in various other aspects of the natural gas and liquid fuel business in Canada and the United States. These activities include marketing natural gas, crude oil, ethane and NGL.

ANGUS Chemical Company (ANGUS), a wholly-owned subsidiary of ANG, owns and operates chemical production facilities located in the United States and Germany. These facilities utilize feedstocks derived from natural gas in the production of nitroparaffins and derivative products that are marketed worldwide. In 1992, ANGUS assumed operation of the United States facility at Sterlington, Louisiana from a third-party operator.

2. Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies of ANG are summarized below:

Basis of Presentation

The consolidated financial statements include the accounts of the parent company and all of the accounts of subsidiaries and partnerships over which ANG has control. The equity method of accounting is followed for other investments.

Regulation

ANG's British Columbia pipeline is subject to regulation by the National Energy Board (NEB) pursuant to the National Energy Board Act. The NEB regulates accounting matters, the export of gas, the construction and operation of gas pipelines and the tolls and tariffs charged for such operations. The Peace River pipeline is subject to the jurisdiction of the Alberta Energy Resources Conservation Board.

2. Accounting Policies (continued)

Inventories

Inventories are carried at the lower of cost and market. The last in, first out method is used to account for certain chemical product inventory costs. The cost of the remaining chemical product inventory is determined using the first in, first out method. If the first in, first out method had been used for all chemical product inventory costs, inventories would be $5.9 million higher at December 31, 1992 ($7.3 million at December 31, 1991). For all other inventories, cost is determined as average cost.

Property, Plant and Equipment

Property, plant and equipment is carried at cost less accumulated depreciation. Cost includes the cost for funds used during the construction of assets that are devoted to cost of service arrangements. The rate used to capitalize this financing cost is the NEB's approved rate of return on rate base or, where appropriate, the rate specified in the cost of service contract. This return is included in income when it is recorded.

ANG's British Columbia pipeline is depreciated on a straight-line basis using rates reviewed by the NEB. The overall composite rates are currently 3.7 per cent (3.9 per cent in 1991) for pipelines and 4.2 per cent for compressor stations. Prior to October 1991, depreciation was determined based on the remaining NEB authorized natural gas export volumes. The effect of this change in policy is not material.

The Peace River pipeline and the Cochrane extraction plant are being depreciated on a straight-line basis over the term of their respective service and supply contracts (up to the year 2012).

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

Goodwill

Goodwill arose on the acquisition of certain subsidiaries and partnerships. It represents the portion of the purchase price in excess of the fair value of the identifiable net assets acquired and is amortized on a straight-line basis over a period of 30 years. The unamortized balance is $13.1 million at December 31, 1992 ($13.7 million at December 31, 1991).

Foreign Currency Translation

The accounts of United States subsidiaries are translated into Canadian dollars using the balance sheet date exchange rate for all assets and liabilities and the average exchange rate for the year for revenues and expenses. The cumulative effects of these foreign currency translations are included in the "Foreign exchange adjustment" component of shareholders' equity until there is a realized reduction of the net investment in United States dollars.

2. Accounting Policies (continued)

Certain United States dollar debt and foreign currency contracts act as a partial hedge against the foreign exchange exposure related to the United States operations. Accordingly, exchange gains or losses associated with this debt and these contracts are also included in the separate foreign exchange section of shareholders' equity.

The accounts of the German subsidiary are translated into Canadian dollars using the balance sheet date exchange rate for all monetary assets and liabilities and the historical exchange rate for non-monetary assets and liabilities. Revenues and expenses are translated at the exchange rates prevailing on the date of the transactions. The effect of these foreign currency translations is included in the determination of net income.

ANG's Deutsche mark denominated long-term bank loan is translated into Canadian dollars using the balance sheet date exchange rate. The effect of this foreign currency translation is deferred and amortized to income over the term of the bank loan.

Natural Gas Sales Contracts

Certain natural gas sales contracts are entered into at fixed prices for up to a year. Revenues and expenses related to these contracts are recorded when deliveries are made. Anticipated future losses, if any, on specific contracts are charged to income when identified.

Income Taxes

Income taxes are provided on the tax allocation basis for all income except for the extraction income from the Cochrane plant which is subject to cost of service contracts. Income taxes are provided on this source of income to the extent they are recovered as revenue. Had the tax allocation basis been used for this source of income, there would have been a deferred tax recovery of $3.7 million in 1992 ($0.8 million in 1991) on this income and additional deferred income taxes would have been recorded in the amount of $20 million to December 31, 1992 ($23.7 million to December 31, 1991).

Withholding taxes are not provided on earnings of foreign operations unless repatriation occurs. It is management's intention to permanently reinvest undistributed earnings of foreign operations in the foreign jurisdictions. In 1992, it was determined that US $58 million would be repatriated and withholding taxes of 10 per cent or US $5.8 million were recorded. By December 31, 1992, US $18 million of the US $58 million was repatriated.

Post Employment Benefits Other Than Pensions

Certain health care, dental care and life insurance benefits to eligible retirees and their dependents are provided. These benefits are expensed when the costs are incurred.

3. Inventories

December 31 *(in thousands)*	1992	1991 *restated*
Pipelines	$ 2,750	$ 2,090
Extraction	1,977	1,532
Marketing	3,816	2,011
Chemicals	30,008	19,315
	$ 38,551	$ 24,948

4. Investments

December 31 *(in thousands)*	1992	1991
Foothills Pipe Lines (South B.C.) Ltd.	$ 6,538	$ 6,351
St. Clair Underground Storage Partnership	4,457	4,051
Amoco Centre	4,179	2,882
Foothills Pipe Lines (Yukon) Ltd.	2,567	2,768
Advances to the nitroparaffins plant operator	–	3,963
Other	748	640
	$ 18,489	$ 20,655

Foothills Pipe Lines (South B.C.) Ltd. has negotiated a $10 million bank line of credit to provide interim financing for its portion of the pipeline expansion project in southeastern British Columbia. ANG has guaranteed 49 per cent of any outstanding loan balance. The guarantee does not apply to any refinancing of the loan which management anticipates will occur in 1993.

An ANG wholly-owned subsidiary, ANG Realty Ltd., is a 50 per cent owner of the Amoco Centre office building in Calgary (Property). The other 50 per cent interest is held by Olympia & York AMCC Limited, a subsidiary of Olympia & York Developments Limited (O&Y). The Property incurred $97.7 million in development costs which are financed, in part, with $87.7 million in long-term debt at December 31, 1992 ($88.8 million at December 31, 1991). This long-term debt is funded by a banking syndicate (Bank) whose only recourse as against ANG Realty Ltd. and ANG is to the Property.

All monthly payments required under the long-term loan agreement are currently in good standing. The current cash flow from the Property is more than sufficient to maintain building operations to satisfy the required Bank payments and to provide monthly income to the building owners. In spite of this, the Bank has, by a letter dated January 20, 1993, notified ANG that it has accelerated payment of the balance of the loan by reason of the insolvency of O&Y, in that their current situation constitutes an event of default under the loan agreement. Management is actively engaged in negotiations with the Bank and O&Y in this regard. The Bank has agreed to postpone the exercising of its legal remedies as against the Property at least until February 28, 1993.

4. Investments (continued)

In management's opinion no impairment of the carrying value of the net investment in the Property has occurred. This position is based on several recent valuations of the Property, as well as outside legal counsel's opinion that ANG would be successful in preserving its interest in the Property, notwithstanding actions taken by or that may be taken by the Bank against O&Y or the Property.

5. Property, Plant and Equipment

December 31 (in thousands)	1992	1991 *restated*
Cost		
Pipelines	$ 127,218	$ 107,264
Extraction	147,670	145,816
Chemicals	168,058	64,793
Under construction	29,550	59,037
Other	1,581	819
	474,077	377,729
Accumulated depreciation		
Pipelines	62,768	60,732
Extraction	73,969	70,521
Chemicals	46,818	34,694
Other	770	613
	184,325	166,560
Net book value	$ 289,752	$ 211,169

6. Long-Term Debt

December 31 (in thousands)	1992	1991 *restated*
Notes payable	$ 80,000	$ 110,000
10¾% debentures	60,000	60,000
7¾% bank loan (DM 14 million)	10,989	10,255
6⅞% bonds (US $13 million)	16,534	15,032
Other	4,290	3,438
	171,813	198,725
Less current portion	60,000	–
	$ 111,813	$ 198,725

Notes payable are outstanding pursuant to revolving credit facilities. Notes payable of $80 million at December 31, 1992 ($110 million at December 31, 1991) have been classified as long-term debt since they are supported by bank lines of credit that do not require repayment within one year.

6. Long-Term Debt (continued)

For the three years ending May 1, 1993, an interest rate and currency exchange agreement converts $25 million of Canadian dollar floating rate notes payable to US $21.5 million fixed rate debt. This transaction acts as a partial hedge against the net investment in United States operations.

The weighted average interest rate on all the notes payable is 7.8 per cent for 1992 (9.8 per cent for 1991).

All debt is unsecured except the 6⅛ per cent bonds which are secured by certain ANGUS pollution control assets costing US $11.2 million.

Management intends to replace the 10¾ per cent $60 million debentures, due in 1993, with new long-term debt maturing after 1993. The 7⅛ per cent $14.0 million bank loan is due in 1996. The 6⅛ per cent bonds and other debt totalling $20.8 million are due after 1997.

Interest on long-term debt is $15.7 million for 1992 ($16.4 million for 1991).

7. Shareholders' Equity

The authorized share capital consists of an unlimited number of preference shares and an unlimited number of common shares.

	Number of common shares issued and fully paid		*(in thousands)*	
Year ended December 31	**1992**	1991	**1992**	1991
Opening balance	***20,989,935***	*21,232,652*	**$ 53,822**	$ 54,419
Issued for cash	***4,664,430***	*2,400*	**59,277**	31
Purchased and cancelled	–	*(245,117)*	–	(628)
Closing balance	***25,654,365***	*20,989,935*	**$ 113,099**	$ 53,822

ANG has reserved 323,700 common shares for issuance under a senior management stock option plan. At December 31, 1992, options for 235,346 shares are outstanding (84,178 at December 31, 1991). The options are exercisable for cash at prices ranging from $13.38 to $16.77 per share during specified periods that expire no later than 10 years from the grant date.

8. Income Tax Rate

The provision for income taxes varies from the amount determined by applying the combined statutory Canadian federal and provincial income tax rates to "Income from Continuing Operations before Income Taxes." The following is a reconciliation of the combined statutory rates to the effective income tax rate:

Year ended December 31	1992	1991 *restated*
Statutory income tax rates	**44.0%**	44.0%
Effect of "taxes payable" method for the Cochrane extraction income	**5.6**	1.4
Effect of foreign tax rates	**(5.6)**	(3.8)
Non-deductible expenses	**2.3**	1.8
Other	**0.1**	0.7
Effective income tax rate	**46.4%**	44.1%

9. Segmented Information

Financial information by industry segment

(in thousands)	Pipelines	Extraction	Marketing*	Chemicals	Eliminations and other	Total
1992						
Operating revenue	$ 27,950	$ 138,434	$ 206,661	$ 115,569	$ (5,895)	$ 482,719
Depreciation and amortization	2,191	3,302	384	9,549	–	15,426
Operating income	6,633	26,787	14,424	9,265	(9,191)	47,918
Identifiable assets	100,861	106,520	46,343	244,147	11,401	509,272
Capital expenditures	39,012	2,210	12	44,175	–	85,409
1991 *restated*						
Operating revenue	32,288	142,990	186,928	97,302	(9,843)	449,665
Depreciation and amortization	1,870	2,971	446	5,584	–	10,871
Operating income	5,098	23,513	13,293	11,873	(9,114)	44,663
Identifiable assets	63,156	102,188	32,189	156,848	15,211	369,592**
Capital expenditures	16,389	6,967	49	55,114	–	78,519

* Includes certain marketing activities previously included with natural gas processing

** Excludes $72.3 million net assets of discontinued operations

9. Segmented Information (continued)

Financial information by geographic segment

(in thousands)	Canada	Foreign	Total
1992			
Operating revenue	$ 350,168	$ 132,551	$ 482,719
Operating income	37,884	10,034	47,918
Identifiable assets	253,390	255,882	509,272
1991 *restated*			
Operating revenue	331,157	118,508	449,665
Operating income	31,417	13,246	44,663
Identifiable assets	204,608	164,984	369,592**

** Excludes $72.3 million net assets of discontinued operations

10. Related Party Transactions

On June 30, 1992, TransCanada PipeLines Limited acquired the 49.98 per cent interest in ANG previously owned by PGT. Alberta and Southern Gas Co. Ltd. (A&S) and PGT are wholly-owned subsidiaries of Pacific Gas and Electric Company. ANG and A&S operated with some common functions and management prior to October 1, 1991. Most of these arrangements have been severed although negotiations continue on some issues.

The following transactions occurred with related parties:

Year ended December 31 *(in thousands)*	**1992**	1991
Net revenue for the transportation and sale of gas	**$ 11,101**	$ 33,623
Charges for feedstock and fuel	**25,558**	60,062
Net charges for personnel and related administrative costs	**1,714**	10,459
Amounts included at year-end:		
Accounts receivable	**651**	256
Accounts payable and accrued liabilities	**–**	3,751

11. Pension Plan

ANG and its subsidiaries maintain defined benefit pension plans for substantially all of their employees. The actuarial present value of the accumulated pension benefits under these plans is $25.5 million at December 31, 1992 ($20.9 million at December 31, 1991). The fair value of the pension fund assets is $19.4 million at December 31, 1992 ($16.2 million at December 31, 1991 which amount excludes $1.8 million of assets transferred from A&S pension plans to ANG pension plans in 1992). All significant unfunded pension obligations are recorded as liabilities in the accounts.

12. Discontinued Operations

Year ended December 31 (in thousands)	1992	1991 *restated*
Fine chemicals loss		
Operations	**$ 3,549**	$ 8,461
Disposition	**11,442**	–
Withholding taxes on the repatriation of sale proceeds	**5,084**	–
Magnesium loss		
Operations	–	3,539
Disposition	–	87,838
Deferred income taxes	–	(40,182)
Net gain on previously discontinued operations	–	(1,897)
	$ 20,075	$ 57,789

13. Extraordinary Items

A fire and explosion caused substantial damage to the Sterlington facility on May 1, 1991. ANGUS maintained insurance to mitigate much of the financial impact from the resulting property damage, business interruption and liability claims. A US $150 million insurance settlement was reached in 1992.

Extraordinary items have been recorded for certain non-recurring consequences of the fire and explosion. These consequences include an "involuntary conversion" book gain due to insurance proceeds received exceeding the historical net book value of the damaged plant assets.

Year ended December 31 (in thousands)	1992	1991
Involuntary conversion gain	**$ 56,733**	$ 8,368
Non-reimbursed expenses and insurance deductibles	**(20,429)**	(7,823)
Income and other taxes	**(16,123)**	(3,035)
Extraordinary items	**$ 20,181**	$ (2,490)

14. Commitments and Contingencies

ANG expects capital expenditures to be approximately $147 million in 1993. The majority of these expenditures relate to the pipeline expansion project in southeastern British Columbia and the additional business opportunities the expanded throughput volumes offer. The project will expand ANG's pipeline capacity in British Columbia by more than 50 per cent.

Numerous claims have been made by third parties against ANGUS as a result of the Sterlington fire and explosion. Many of these claims have been settled. Others are in various stages of legal proceedings. The outcome of the outstanding claims and their ultimate impact on these consolidated financial statements is unknown, although ANGUS' management believes insurance coverage mitigates the risk of material exposure.

IMC Fertilizer, Inc. (IMCF), the operator of the Sterlington facility at the time of the explosion, has filed a claim against ANGUS for expenses incurred by IMCF as a result of the fire and explosion. IMCF is seeking reimbursement for US $9.8 million paid to the United States Occupational Safety and Health Administration and for US $1.9 million in other related expenses. IMCF has stated its intention to make further claims against ANGUS as additional expenses are incurred, including costs associated with its defense from third-party lawsuits. ANGUS takes exception to these claims. The outcome of these claims is unknown and has not been reflected in these consolidated financial statements.

Any costs that might subsequently become exigible from ANGUS pursuant to these contingent liabilities would be recorded as prior period adjustments if and when any settlement decisions are made.

15. Consolidated Statement of Cash Flow

"Cash and cash equivalents" is defined to include interest bearing deposits and is net of notes payable classified as current liabilities. Non-cash items included in "Income from continuing operations" and "Loss from discontinued operations" consist of the following:

Year ended December 31 (in thousands)	**1992**	1991 *restated*
Continuing Operations		
Depreciation and amortization	**$ 15,426**	$ 10,871
Deferred income taxes	**7,951**	13,939
Equity income net of cash received	**(1,594)**	(2,877)
Other	**1,255**	428
	$ 23,038	$ 22,361
Discontinued Operations		
Book value of net assets	**$ 63,688**	$ 60,596
Deferred income taxes	**–**	(40,182)
Other	**–**	(1,897)
	$ 63,688	$ 18,517

16. Restatement of 1991 Comparative Figures

The Irish fine chemicals facility was sold during 1992. The 1991 comparative figures relating to this operation have been reclassified to "Discontinued operations" on the statement of income and to "Net assets of discontinued operations" on the balance sheet.

Year ended December 31 (in thousands)	1991	Fine chemicals	1991 *restated*
Statement of Income			
Operating income	$ 36,804	$ 7,859	$ 44,663
Equity income	1,275	–	1,275
Interest and other income	2,470	(27)	2,443
Interest expense	(20,976)	629	(20,347)
Provision for income taxes	(12,375)	–	(12,375)
Discontinued operations	(49,328)	(8,461)	(57,789)
Extraordinary items	(2,490)	–	(2,490)
Net loss	$ (44,620)	$ –	$ (44,620)
Balance Sheet			
Current assets	$ 133,559	$ (22,148)	$ 111,411
Investments	20,655	–	20,655
Property, plant and equipment	267,202	(56,033)	211,169
Goodwill and other	29,710	(3,353)	26,357
Net assets of discontinued operations	–	72,327	72,327
	$ 451,126	$ (9,207)	$ 441,919
Current liabilities	$ 128,164	$ (9,041)	$ 119,123
Long-term debt	198,891	(166)	198,725
Deferred income taxes	18,679	–	18,679
Shareholders' equity	105,392	–	105,392
	$ 451,126	$ (9,207)	$ 441,919

(in thousands of dollars except share data and other statistics)	1992	1991	1990	1989
Operations				
Operating revenue	**482,719**	449,665	342,529	340,650
Operating income	**47,918**	44,663	60,144	61,660
Income from continuing operations	**17,799**	15,659	29,921	29,620
Net income (loss)	**17,905**	(44,620)	25,728	23,623
Total assets	**509,272**	441,919	439,966	365,974
Capitalization				
Short-term debt	**22,009**	49,879	6,044	55,741
Long-term debt (including current portion)	**171,813**	198,725	178,012	86,455
Minority interest	–	–	–	–
Shareholders' equity	**169,476**	105,392	168,528	152,652
Total capitalization	**363,298**	353,996	352,584	294,848
Cash flow				
From operations*	**51,894**	45,921	57,410	52,645
Net property, plant and equipment additions	**85,409**	78,519	11,070	14,220
Net long-term debt (retired) issued	**(28,758)**	19,022	88,558	7,700
Common shares issued (purchased)	**59,277**	(3,668)	(2,263)	364
Dividends paid	**15,066**	14,273	14,470	14,528
Common share data				
Earnings per share				
Continuing operations	**$ 0.82**	0.74	1.41	1.39
Net income (loss)	**$ 0.82**	(2.12)	1.21	1.11
Cash generated from operations per share*	**$ 2.38**	2.18	2.70	2.46
Dividends paid per share	**$ 0.68**	0.68	0.68	0.68
Outstanding – year-end (thousands)	**25,654**	20,990	21,233	21,359
– average (thousands)	**21,831**	21,021	21,284	21,362
Common equity per share at year-end	**$ 6.61**	5.02	7.94	7.15
Market prices (TSE) – high	**$ 16.00**	17.25	19.50	19.13
– low	**$ 12.00**	12.38	11.50	14.25
– close	**$ 15.75**	13.88	12.88	19.00
Other statistics				
Return on average common equity**	**15.02%**	11.43%	18.63%	19.89%
Return on average capital employed**	**7.48%**	6.97%	11.22%	11.94%
Dividend yield (year-end market price)	**4.32%**	4.90%	5.28%	3.58%
Debt to common equity	**1.14**	2.36	1.09	0.93
Interest coverage (x)	**2.71**	2.38	4.00	4.19

* *Income from continuing operations adjusted for non-cash items included therein.*

** *Based on income from continuing operations.*

1988	1987	1986	1985	1984	1983
318,080	311,157	308,454	372,806	309,201	290,257
56,738	55,933	38,022	54,345	52,661	48,251
29,111	29,189	16,247	24,968	24,178	22,779
4,511	16,906	16,247	24,968	24,178	22,779
356,889	368,074	360,283	340,183	301,044	279,223
77,358	82,378	14,990	55,316	43,690	52,712
77,328	84,348	95,395	35,961	31,979	30,546
–	–	50,156	47,437	39,917	32,164
145,211	134,332	128,977	124,584	107,549	90,635
299,897	301,058	289,518	263,298	223,135	206,057
53,939	38,492	38,114	34,565	50,404	54,275
6,494	4,894	43,722	27,801	10,243	13,875
(3,803)	(2,361)	60,495	3,447	388	(2,373)
35,023	408	(273)	(510)	276	2,054
13,993	12,419	11,653	10,911	10,234	7,932
1.45	1.60	0.89	1.37	1.32	1.27
0.22	0.93	0.89	1.37	1.32	1.27
2.69	2.11	2.09	1.90	2.76	3.02
0.68	0.68	0.64	0.60	0.56	0.44
21,332	18,242	18,205	18,223	18,236	18,163
20,084	18,263	18,211	18,174	18,257	17,983
6.81	7.36	7.08	6.84	5.90	4.99
16.25	16.00	16.00	16.25	14.50	9.67
12.87	10.75	11.00	12.75	8.00	7.25
14.50	13.00	13.37	15.87	13.75	8.67
20.83%	22.17%	12.82%	21.51%	24.40%	27.96%
11.59%	12.00%	7.13%	11.54%	12.63%	16.85%
4.69%	5.23%	4.79%	3.78%	4.07%	5.07%
1.07	1.24	0.86	0.73	0.70	0.92
4.01	4.58	5.47	8.92	7.32	6.02

Notes:

1. All extraordinary items prior to 1989 have been reclassified as discontinued operations.
2. Share information has been adjusted to give retroactive effect to the three-for-one stock split on May 18, 1984.

DIRECTORS

J.M. Beddome,[3,4]
Calgary, Alberta
President and Chief Executive Officer of the Company

H. Booth
Calgary, Alberta
Retired Chairman of the Board and Chief Executive Officer of the Company and of Alberta and Southern Gas Co. Ltd.

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

D.C. Lowe,[1,2]
Toronto, Ontario
Chairman of the Board, Sedgwick Limited

G.J. Maier,[2,3]
Calgary, Alberta
Chairman, President and Chief Executive Officer
TransCanada PipeLines Limited

R.J. Richardson,[2,3,4]
Montreal, Quebec
Management Consultant

N.E. Wagner,[3]
Calgary, Alberta
Chairman of the Board of the Company

G.W. Watson,[1,4]
Calgary, Alberta
Chief Financial Officer
TransCanada PipeLines Limited

R.A.M. Young
Calgary, Alberta
Senior Vice President, Law
TransCanada PipeLines Limited

OFFICERS

N.E. Wagner
Chairman of the Board

J.M. Beddome
President and
Chief Executive Officer

W.E. Lunt,[4]
Senior Vice President, Chief Financial Officer and Treasurer

A.J. Koester
Corporate Secretary and Senior Manager, Corporate Services

M.A. Pfaefflin
Assistant Treasurer and Manager, Finance

B.A. Stevenson
Assistant Corporate Secretary and Director, Legal Services

CORPORATE OFFICE

2900, 240 Fourth Avenue S.W.
Calgary, Alberta T2P 4L7
(403) 691-7777

1. Member of the Audit Committee
2. Member of the Compensation Committee
3. Member of the Executive Committee
4. Director of ANGUS Chemical Company

STOCK EXCHANGE LISTINGS

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

The 10⅞% unsecured debentures are listed for trading on the Luxembourg Stock Exchange.

TRANSFER AGENT AND REGISTRAR

(Capital Stock)
Montreal Trust Company,
Calgary, Montreal, Regina, Toronto, Vancouver, Winnipeg

(10⅞% Unsecured Debentures)
Royal Trust,
Calgary and Toronto,
London, England

DIRECT DEPOSIT SERVICE

Shareholders of ANG may elect to have their dividends deposited directly into the bank account of their choice by advising Montreal Trust Company.

AUDITORS

Arthur Andersen & Co.
Chartered Accountants
Calgary, Alberta

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

Abbreviations

AFCL	ANGUS Fine Chemicals Ltd.
ANG	Alberta Natural Gas Company Ltd
ANGUS	ANGUS Chemical Company
Amoco	Amoco Canada Petroleum Company Ltd. and Amoco Canada Resources Ltd.
ERCB	Energy Resources Conservation Board
Foothills (South B.C.)	Foothills Pipe Lines (South B.C.) Ltd.
HAZOPS	Hazard and Operability Study
IMCF	IMC Fertilizer, Inc.
km	kilometre
NEB	National Energy Board
NGL	natural gas liquids
NOVA	NOVA Corporation of Alberta
Novacor	Novacor Chemicals Ltd.
PGT	Pacific Gas Transmission Company
PG&E	Pacific Gas & Electric Company
SMUD	Sacramento Municipal Utility District
TEC	TransAlta Energy Corporation
TEMCO	Transco Energy Marketing Company
TransCanada	TransCanada PipeLines Limited

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