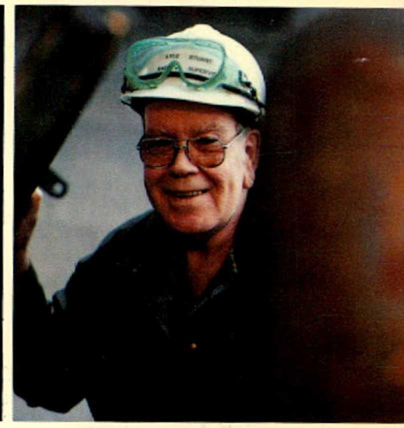
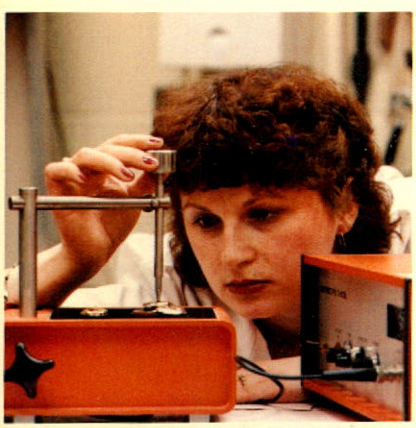
CANADIAN OCCIDENTAL PETROLEUM LTD.





CANADIAN OXY

1980 ANNUAL REPORT

METRIC CONVERSION

Canada's petroleum and chemical industries commenced the changeover to "metric" on January 1, 1979. This measurement system is known as the International System of Units or SI. In this annual report, most measurements are given in SI units. However, during a familiarization period and for the convenience of our U.S. shareholders the measurements are also shown in equivalent Imperial Units.

Crude oil and natural gas liquids volumes are reported in cubic metres (m^3), natural gas volumes in thousands of cubic metres (10^3m^3), sulphur sales in tonnes (t), distances in kilometres (km) and land holdings in hectares (ha).

Some of the more commonly used conversion factors are shown in the following table:

SI CONVERSION TABLE

To convert from	to	Multiply by
cubic metres (m^3)	barrels (bbl)	6.293
thousand cubic metres (10^3m^3)	thousand cubic feet (mcf)	35.494
tonnes (t)	long tons (lt)	0.984
metres (m)	feet (ft)	3.281
kilometres (km)	miles (mi)	0.621
hectares (ha)	acres (ac)	2.471
kilograms (kg)	pounds (lb)	2.205

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FORM 10-K

The Company files an annual report on Form 10-K with the Securities and Exchange Commission of the United States. A copy of the report will be sent without charge to any shareholder upon request. Such requests should be in writing addressed to the Secretary.

ANNUAL MEETING

The Annual General Meeting of the Shareholders will be held at the Calgary Convention Centre, Calgary, Alberta, Canada, on Tuesday, May 12, 1981 at 11:00 a.m.

Head Office

1600 McFarlane Tower,
700 - 4th Avenue S.W.
Calgary, Alberta
T2P 3J5

Financial Highlights

	1980	1979	Increase (Decrease)
Net Sales	**$188,640,000**	$124,298,000	52%
Income before Extraordinary Item	**$ 30,320,000**	$ 19,922,000	52%
Per common share	**$ 1.34**	$ 0.77	74%
Extraordinary Item	**—**	$ 893,000	—
Per common share	**—**	$ 0.04	—
Net Income	**$ 30,320,000**	$ 20,815,000	46%
Per common share	**$ 1.34**	$ 0.81	65%
Per common share — fully diluted	**$ 1.30**	$ 0.81	60%
Working Capital Generated from Operations	**$ 77,508,000**	$ 36,361,000	113%
Per common share	**$ 3.64**	$ 1.57	132%
Per common share — fully diluted	**$ 3.46**	$ 1.57	120%
Capital Expenditures (including exploration expenses)	**$ 97,508,000**	$ 74,110,000	32%
Working Capital	**$ 24,840,000**	$ 13,448,000	85%
Total Assets	**$302,919,000**	$218,710,000	39%
Long-term Debt	**$ 92,474,000**	$ 42,194,000	119%
Redeemable Preferred Shares	**$ 21,873,000**	$ 42,919,000	(49%)
Common Shareholders' Equity	**$101,853,000**	$ 80,714,000	26%
Number of Common Shares Outstanding	**20,553,513**	20,490,774	.03%
Common Share Dividends Declared (per share)	**$ 0.27**	$ 0.205	32%
Number of Common Shareholders	**3,000**	2,663	13%
Number of 10% Class A Preferred Shareholders	**1,189**	1,262	(6%)
Number of Employees	**592**	559	6%

For Canadian capital gains tax purposes, the Department of National Revenue has published a December 22, 1971 Valuation Day price of $3.04 for the common shares of the Company (after giving effect to the 3-for-1 stock split in 1979).

We are:

Canadian Occidental Petroleum Ltd.

A medium sized petroleum company with diversified oil and gas exploration and production activities in Western Canada, the United States Gulf Coast, and South America.

An important chemicals manufacturing company with six plants across Canada.

A minerals explorer with extensive land holdings and an active exploratory program throughout Canada.

Ambitious and in possession of important prospective coal and oil shale rights.

Most of all, we are 592 PEOPLE

500 of us were born in Canada and 92 of us were born in 29 other countries on five continents. Only three of us were transferred from the parent company. Our average age is 37, which makes us a young company of young people. While our roots take us back to dozens of different countries, we now live and work in communities spread across Canada. We care about Canada and its future. We like to think we are helping Canada to grow and develop. We are a good team for Canada.

Profile of CanadianOxy

The Company

Canadian Occidental Petroleum Ltd. ("CanadianOxy") was formed on July 12, 1971 through a reorganization which combined the oil, gas and sulphur operations of its predecessor Jefferson Lake Petrochemicals of Canada Ltd. and the Canadian oil, gas and chemical operations of Occidental Petroleum Corporation ("Occidental") of Los Angeles, California. Occidental, through various subsidiaries, owns 81% of the common shares of CanadianOxy.

Its Business

CanadianOxy's principal business segments are oil and gas and chemicals. The Company also markets sulphur and explores for minerals.

The oil and gas operations include the exploration for, and production of, petroleum and natural gas in western Canada, the United States Gulf Coast and South America. Historically, most of CanadianOxy's oil and gas revenues were from the Crossfield field, near Calgary, Alberta.

Since 1972, CanadianOxy has invested $72 million (U.S.) in the acquisition, exploration and development of Federal leases offshore Louisiana and Texas. Eleven permanent drilling and production platforms have been installed and production has commenced from eight of these platforms.

In 1978, the Company expanded its oil and gas operations through participation in five separate exploration and development projects outside North America. These include a major oil field redevelopment and secondary recovery project in Peru, exploration and development in Bolivia and exploration in Colombia.

CanadianOxy's chemical operations consist of the manufacture and marketing of industrial chemicals, metal finishing chemicals and plastic resins and moulding materials. The Industrial Chemicals division has four plants in western Canada which manufacture chlorine, caustic soda, sodium chlorate and muriatic acid. These plants produce more than half of the chlor-alkali products consumed by the pulp and paper industry in British Columbia.

The Parker division manufactures and markets many chemical products used by industry in the treating, cleaning and finishing of metals. The Sel-Rex division supplies precious metal electro-plating chemicals and process equipment, primarily to the electronics and jewellery industries.

The Durez Plastics division is a manufacturer and marketer of phenolic moulding compounds and industrial and foundry resins.

CanadianOxy's Minerals division is engaged in the exploration for, and evaluation of, metallic mineral deposits across Canada. It carries on an active uranium exploration program, particularly in the Athabasca Basin in northern Saskatchewan, along with searching for precious and base metals.

CanadianOxy has recently accelerated its coal exploration program with the intention of becoming a coal producing company.

CanadianOxy is a participant in a proposed petrochemical complex in British Columbia. The project would involve construction of a 600 million pound per year ethylene plant as well as several subordinate plants for the production of upgraded petrochemical derivatives. The project is subject to government approval which will be contingent on the results of a comprehensive feasibility study currently under way.

Chairman's Message

Ten years ago this year, various predecessor companies were consolidated into the new corporate entity named Canadian Occidental Petroleum Ltd. The path forward to the present is best described in terms of the enterprise, ingenuity and dedicated teamwork of the people who were and are the "Company". Their progress, highlighted in the ten year financial review contained in this report, is a source of pride for me as their spokesman. They deserve the credit and the satisfaction that derive from the success of CanadianOxy.

This year's Annual Report places extra emphasis on our people and their role in shaping the Company and building its success. Through corporate birth, marriage and growing pains, and when external adversities have beset us, it has been our people who have met the challenges, solved our problems, and have taken us on to new gains. They are not a faceless crowd, nor cogs in a machine. They are not computers programmed for success. They are individualistic, sensitive, thinking, feeling men and women. They are focussing an important part of their lives and talents on doing valuable jobs for CanadianOxy. We do well together because we do well individually, and we are motivated by the belief that we do valuable and worthwhile things — functions important to the growth and enrichment of Canada. We enjoy excelling in the face of tough competition. We have no monopolies and we ask only for equality of opportunity. Our quality is, and will be, the quality of our people and the interest and vitality they bring to their work. I wish we had the scope to do each of our six hundred employees proper justice in this Annual Report.

I have the pleasure of reporting that CanadianOxy set new records for sales revenues, net income and cash flow from operations again in 1980. Carrying on with the momentum of 1979, earnings in 1980 reached $30,320,000, a gain of 46% over the previous year. After deducting $2,709,000 for preferred share dividends, net earnings available to common shareholders were $1.34 per share versus $0.81 for the year before.

Total revenues reached $190,092,000, a 51% increase over $126,211,000 in the prior year. Cash flow from operations was $77,508,000 or $3.64 per common share, compared with $1.57 per common share the previous year.

Our major gains were in the petroleum sector, due to increased production and rising product prices from our operations in the Gulf of Mexico and in Peru, plus a significant increase in returns from sales of Canadian gas and sulphur. In the face of a serious recession in the automotive and construction industries, eastern Canada sales of metal finishing chemicals and plastics and resins were maintained at about last year's levels, but with lower profit margins. Our industrial chemicals, mainly bleaching agents for the western pulp and paper industry, remained in strong demand with sales volumes exceeding production capacity and operating income exceeding 1979's record year by approximately 7%.

1981 should see further growth in income from our investments in the Gulf of Mexico and Peru. Block 78, offshore Louisiana, is scheduled to commence production and Gulf Coast gas prices are expected to continue their upward trend. Production from the Talara project in Peru should show some benefit in 1981 from water injection and our service fee will escalate with any increases in world crude prices. Test Production began recently from the Porvenir field, in Bolivia, and we expect full scale production to commence in August with the completion of the gas cycling facilities.

We see no slackening of demand in 1981 for our bleaching chemicals which we are producing at plant capacity. On the other hand, no early resurgence of the Canadian automotive and construction industries appears likely, so we expect another depressed year for our metal finishing, plastics and resins products.

The October Federal Budget and National Energy Program have seriously affected the planned levels of exploration activity by petroleum companies in Canada. This is primarily because the new 8% petroleum and gas revenue tax will significantly reduce the cash flow available for reinvestment and substantially reduce the economic return on any successful exploratory venture. It is axiomatic in the exploration business that the possible returns on the relatively few successful exploratory wells must compensate for the accumulated cost of many unsuccessful wildcats. Unless a more favourable economic climate emerges, a great many prospective exploration projects will lose their commercial promise. In recognition of this, we have scaled down our previously planned Canadian exploration budget for 1981 by 40%, but we retain plans to spend about $25 million. This is a sizeable acknowledgement that attractive opportunities still are to be found and we are confident of our ability to find them.

In 1980 we participated in thirty Canadian exploration wells, only eight of which were dry holes. This is a phenomenal success ratio and a great compliment to our exploration staff. The full measure of this success will be known only when a reliable reserves estimate can be determined for the discoveries, after further testing and appraisal drilling, but we can have little doubt of the ultimate profitability of our expanded domestic exploration effort last year.

Sufficient delineation drilling was completed last summer at our McClean Lake, Saskatchewan, uranium discovery to enable us to estimate a reserve of 14 million pounds of uranium oxide. While we believe this to be a commercial deposit, we have not yet decided how best to undertake extraction of the ore, which lies under 500 to 600 feet of cover. Our 1981 field program is designed to provide information on the feasibility of several extraction methods and, in addition, we will be doing more exploration on this 100 square-mile property.

Among the other new opportunities we are examining are some attractive exploration plays in Bolivia, a large coal property in Alberta, several additional chemical products and a large petrochemical joint venture in British Columbia. As we start our second decade, we have confidence in our future because of our demonstrated progress in the past. In spite of inevitable obstacles and strong competition we will find ways to grow and prosper. Our people will make it so.

Respectfully submitted,

R S MacAlister

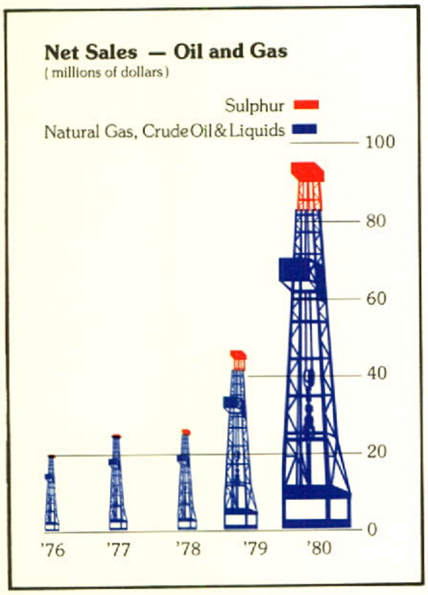
Robert S. MacAlister,
Chairman of the Board,
President and Chief
Executive Officer

Calgary, Alberta
February 23, 1981

Oil and Gas

Net sales from CanadianOxy's oil and gas operations totalled \$94 million, an increase of \$49 million over the prior year. Net income from oil and gas operations increased to \$19.8 million in 1980 from \$9 million in 1979. The increased sales and earnings were due to additional production of natural gas and crude oil and higher prices for all products.

Net sales of natural gas increased by 62% or \$18.2 million to \$47.5 million in 1980. The main contributor was greatly increased production from the United States Gulf Coast, averaging 614 10^3m^3 (21.2 Mmcf) per day in 1980 compared to 273 10^3m^3 (9.4 Mmcf) per day for the previous year.

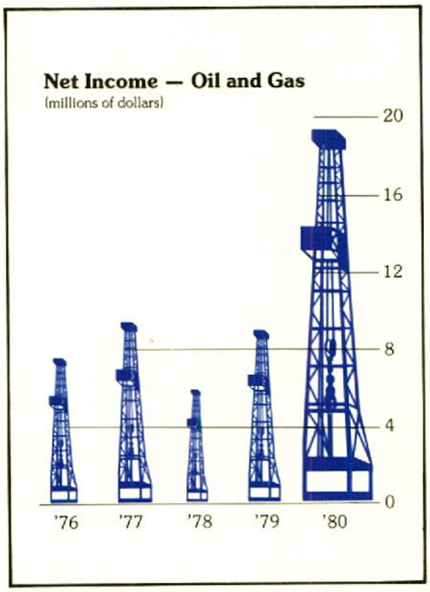


Crude oil sales increased three and a half times from \$8.3 million in 1979 to \$31 million in 1980. This was due primarily to increased production from the oil field redevelopment and secondary recovery project at Talara, Peru, upon which CanadianOxy now receives a service fee. Production from the fields has more than tripled since contract operations began in August, 1978 to about 2 860 m^3 (18,000 barrels) per day as at December 31, 1980. CanadianOxy was receiving a service fee of \$18.96 (U.S.) per barrel on its 21% share of this production, at the year end.

The average sales prices received for the Company's Canadian production increased from \$1.77 per Mcf in 1979 to \$2.44 in 1980 for natural gas; from \$12.28 to \$14.73 per barrel of crude oil; and from \$13.09 to \$15.45 per barrel of condensate.

Due to increased demand in both the North American and the offshore markets, sulphur sales volumes and revenues increased 26% and 157%, respectively, during the year. The average plant selling price has increased from \$16 per long ton in 1977 to approximately \$56 per long ton in 1980.

Exploration and development expenditures totalled \$87.2 million in 1980 compared to \$69.3 million the prior year. Exploration costs, including lease acquisition costs, were \$24.6 million, compared to \$11.7 million in the previous year. Development expenditures were \$62.6 million, compared to \$57.6 million the prior year. For 1981, the Company is forecasting its total exploration and development expenditures to be in excess of \$95 million.



OIL AND GAS OPERATIONS

	1980	1979	1978	1977	1976
			(Amounts in Thousands)		
Net Sales:					
Natural Gas	**$ 47,467**	$ 29,227	$18,859	$17,832	$14,179
Natural Gas Liquids	**4,139**	3,348	2,907	3,028	2,629
Crude Oil	**30,943**	8,333	1,692	1,459	1,372
Sulphur	**11,611**	4,526	2,482	1,816	1,413
	$ 94,160	$ 45,434	$25,940	$24,135	$19,593
Net Income Before Extraordinary Item	**$ 19,766**	$ 8,970	$ 5,972	$ 9,582	$ 7,035
Extraordinary Item	**—**	—	—	—	361
Net Income	**$ 19,766**	$ 8,970	$ 5,972	$ 9,582	$ 7,396
Capital Expenditures:					
Acquisition of Oil and Gas Rights	**$ 7,009**	$ 2,128	$ 2,539	$ 1,613	$ 874
Exploration	**17,611**	9,425	15,501	5,943	5,526
Development	**62,553**	57,614	21,303	8,877	4,726
Total Capital Expenditures	**87,173**	69,167	39,343	16,433	11,126
Less Current Year Expenditures Charged to Exploration Expenses	**9,231**	6,564	11,126	3,964	3,470
Additions to Property, Plant and Equipment	**$ 77,942**	$ 62,603	$28,217	$12,469	$ 7,656
Net Property, Plant and Equipment:					
Canada	**$ 42,403**	$ 26,181	$21,691	$15,543	$13,097
United States	**63,796**	61,213	50,695	41,153	34,409
Peru	**78,896**	45,261	6,652	—	—
Bolivia	**8,873**	2,575	1,840	—	—
Colombia	**—**	—	1,303	—	—
	$193,968	$135,230	$82,181	$56,696	$47,506

LAND

The accompanying table sets forth the land holdings as at December 31, 1980 with comparative totals for 1979.

CanadianOxy continues to maintain a large land inventory of exploratory acreage, particularly in the province of Alberta. These land holdings give the Company many excellent opportunities to participate in developing exploration plays.

	1980		1979	
	Gross Acres	Net Acres	Gross Acres	Net Acres
Petroleum and Natural Gas				
Alberta (a)	**2,590,028**	**1,720,160**	2,413,144	1,686,744
Saskatchewan	**159,520**	**48,284**	203,395	48,284
British Columbia	**84,607**	**18,866**	76,410	20,608
Arctic (b)	**—**	**—**	175,994	—
East Coast Offshore (c)	**281,304**	**—**	281,304	—
Louisiana Offshore	**6,420**	**737**	6,420	737
Texas Offshore	**82,851**	**4,928**	82,851	4,928
Bolivia	**1,491,866**	**186,483**	1,491,899	186,488
Colombia	**620,171**	**65,616**	620,171	77,522
Peru (d)	**19,073**	**4,005**	19,093	1,962
	5,335,840	**2,049,079**	5,370,681	2,027,273
Bituminous Shale				
New Brunswick (e)	**499,684**	**499,684**	499,684	499,684
	5,835,524	**2,548,763**	5,870,365	2,526,957

(a) Includes reservations of which approximately 50% may be retained as leases.

(b) The Company's interest in 175,994 acres in the Arctic was a 3% gross overriding royalty.

(c) The Company's interest in the 281,304 acres in the East Coast is a 1.75% gross overriding royalty.

(d) The Company holds a 21% interest in a petroleum services contract at Talara, Peru.

(e) Up to a maximum of 50% of the bituminous shale licence may be retained as a 5-year evaluation licence.

EXPLORATION AND DEVELOPMENT

Canada

During 1980, 30 exploratory wells were drilled on CanadianOxy lands, resulting in 20 gas wells, 2 oil wells, and 8 dry holes. The Company participated directly in the drilling of 13 of these wells, while the remaining 17 were drilled by others under various farmout and option agreements at no cost to CanadianOxy. In addition, 28 development wells were drilled resulting in 16 gas wells, 2 oil wells and 10 dry holes. The table on page 9 shows the Company's Canadian drilling record over the last five years.

An exploratory well at Eaglesham, in the Peace River Arch region of Alberta, resulted in the discovery of oil in the Wabamum dolomite. Flow-testing and formation evaluation have indicated 49 metres of gross oil pay which has flowed oil at controlled rates of up to 274 m^3 (1,725 barrels) per day with no notable pressure drawdown or productivity decline. The Energy Resources Conservation Board of Alberta has assigned to the well a maximum production allowable of 15.7 m^3 (99 barrels) per day. Significant quantities of natural gas were also encountered in the shallower Belloy, Gething and Notikewin zones. These three zones were individually flow-tested at combined production rates of up to an estimated 1.3 $10^6 m^3$ (46 Mmcf) per day against a pipeline pressure of 500 psi. However, a market for this gas is not currently available. The Company has a 62.5% interest in this well.

This oil discovery precipitated an extensive seismic and land acquisition program in the Peace River Arch area. In 1980, CanadianOxy acquired 12 702 hectares (31,756 acres) of lease and exploratory licences in seven separate parcels in the vicinity of the well at a cost of $2.7 million. To date, one unsuccessful step-out well has been drilled approximately 0.8 kilometres northwest of the discovery well. It is anticipated that further drilling will take place in 1981.

CanadianOxy has a one-third interest in a natural gas discovery in the McLeod Valley area of central Alberta which was flow-tested at rates up to 42 $10^3 m^3$ (1.5 Mmcf) per day. A follow-up well confirmed the production potential of the zone and will allow the drilling partners to hold 17-3/4 sections of land in gas leases. Further development of this pool will continue when a market becomes available.

CanadianOxy has a 50% interest in a gas discovery in the Heldar area, northwest of Edmonton, Alberta. The well was drilled on a 1 152 hectare (2,880 acre) exploration licence purchased in mid-1980. Significant quantities of gas were encountered in the Jurassic zone. Following this discovery, CanadianOxy purchased a 40% share in two more lease parcels and a second well was drilled about one kilometre from the discovery well. This second well recovered 95 metres of oil on a drillstem test with some salt water. The well had not been fully tested by the year-end but further testing and evaluation is scheduled for 1981.

Under a farmin agreement with CanadianOxy in 1979, Amoco Canada Petroleum drilled, at its cost, a 5 181 metre (17,000 foot) wildcat well at Kakwa, in the Alberta Deep Basin. Testing of this well was completed early in 1980 without finding commercial potential. Amoco exercised its option to drill a second well on the lease block and thereby earned a 50% interest in the balance of the 19 425 hectares (48,000 acres) held by CanadianOxy. This second well reached a total depth of 5 060 metres (16,600 feet) in January 1981 and was

suspended after failing to encounter commercial hydrocarbons.

CanadianOxy drilled two wells in the Foothills, near Hinton, Alberta. By bearing 50% of the cost of the first well, which was completed as a Cadomin gas well, CanadianOxy earned a 25% interest in five sections. By paying 50% of the cost of the second well, which was still drilling at the year-end, the Company will earn a 25% interest in another six sections. In addition, the Company purchased a seven-section exploration licence adjacent to this farmin block.

Early in the year, CanadianOxy and Petro-Canada jointly farmed out extensive acreage in the Negus area of northwestern Alberta. Eight of the nine wells drilled by the farmee were cased as potential Bluesky gas wells. Due to an early spring break-up in 1980, testing of these wells is expected to resume in early 1981.

Successful development gas wells were drilled in the Crossfield, Granor, Eaglesham, Willingdon and Medicine Hat areas of Alberta.

CanadianOxy has carried on a limited coal exploration program in Alberta for several years and currently holds coal leases covering 18 112 gross hectares (9 293 net hectares). The Company recently filed on a further 27 648 hectares of coal leases adjacent to its Corral Creek properties near Hinton, Alberta. In addition, it has recently applied to purchase coal licences comprising 15 774 net hectares in British Columbia. In view of improved prospects for the marketing of coal, the Company is planning a stepped-up coal exploration program in these provinces.

The Company holds a bituminous oil shale licence in New Brunswick covering approximately 202 000 hectares (500,000 acres) and expects to have until April, 1981 to select up to one-half of the acreage in a five-year evaluation licence. The initial exploratory work has outlined an area of approximately 400 hectares (1,000 acres) of shale deposit for possible commercial development. The shale deposit has surface exposure and the principal zone dips steeply downward with varying thicknesses up to 61 metres (200 feet). The hydrocarbon content in the principal zone is estimated by the Company to be approximately 10%. At present, CanadianOxy does not regard this deposit as being commercial, since this would require a combination of price, royalty and tax terms at least as favourable as commercial tar sands projects.

DRILLING RECORD IN CANADA

	1980		1979		1978		1977		1976	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory Wells										
Oil Wells	**2**	**1.6**	—	—	—	—	1	0.5	1	—
Gas Wells	**20**	**3.5**	5	1.5	25	8.0	27	7.8	19	4.5
Dry Holes	**8**	**3.0**	9	2.9	26	13.3	29	13.1	22	8.6
	30	**8.1**	14	4.4	51	21.3	57	21.4	42	13.1
Development Wells										
Oil Wells	**2**	**0.8**	2	0.6	1	—	1	—	—	—
Gas Wells	**16**	**6.4**	24	6.7	12	5.3	25	10.5	19	9.0
Dry Holes	**10**	**2.4**	11	2.4	2	0.1	2	—	3	1.0
	28	**9.6**	37	9.7	15	5.4	28	10.5	22	10.0
	58	**17.7**	51	14.1	66	26.7	85	31.9	64	23.1

Notes:

(1) In general, an exploratory well is a well drilled either in search of a new and as yet undiscovered pool of oil or natural gas, or with the intent of greatly extending a pool already partly developed. All other wells are development wells.

(2) Gross wells means the total number of wells drilled in which CanadianOxy has an interest. Net wells represents the aggregate participating interests of the Company (other than royalty interests) in the gross wells.

(3) In 1976, 1977, 1978, 1979 and 1980, CanadianOxy earned gross overriding royalty interests in 12, 17, 10, 24 and 24 farmout wells, respectively (included in gross wells above), some of which are convertible to working interests at the Company's option on payout of certain well costs. Upon payout, the net well totals in the table will increase by 5.5 gas wells and 0.2 oil well in 1976, by 6.1 gas wells in 1977, by 1.95 gas wells in 1978, by 1.25 gas wells in 1979 and by 4.50 gas wells in 1980.

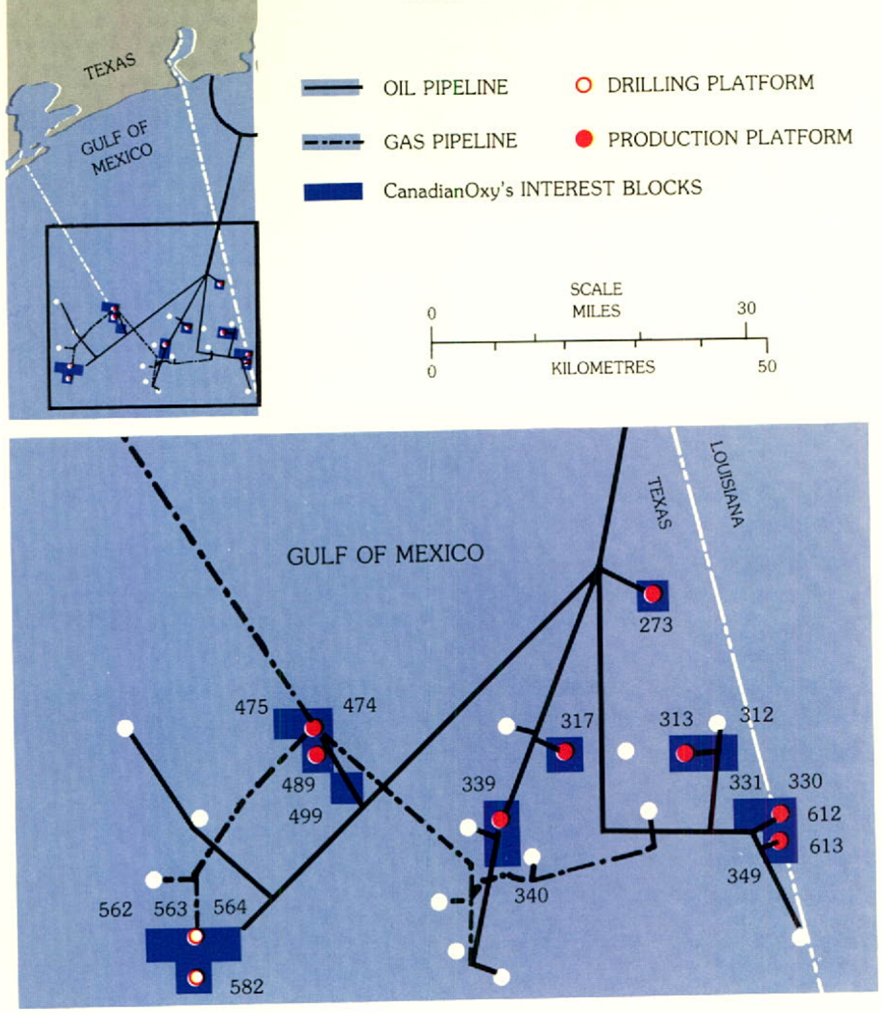
United States

Canadian Occidental of California, Inc., a wholly-owned subsidiary, has interests in 20 offshore Gulf Coast leases ranging from 3.7% to 20%. There are eleven permanent drilling and production platforms located on these leases. Drilling operations were completed on three platforms during the year, bringing the total number on production to eight at the year-end.

An 18-well platform was set in place on Block 582 during 1980 and drilling commenced in the latter half of the year. Of the three platforms not yet on production, one is scheduled to commence in mid-1981 and the other two in mid-1982. Another platform has been ordered to develop gas reserves in Block 499.

During the year, 20 development wells were drilled, resulting in 11 gas wells, 2 oil wells and 2 gas/oil

UNITED STATES GULF COAST



DRILLING RECORD IN THE UNITED STATES (GULF OF MEXICO)

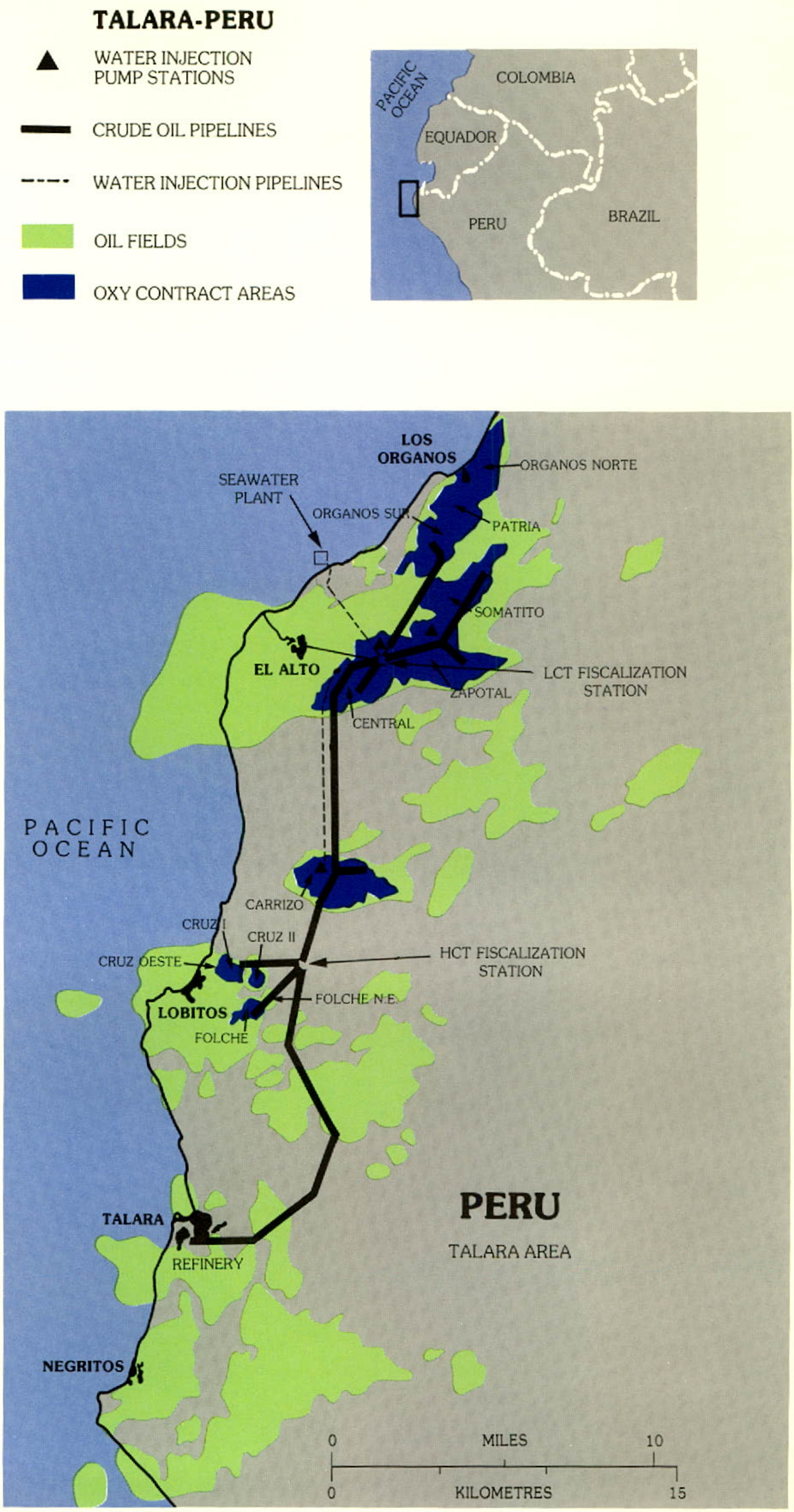
	1980		1979		1978		1977		1976	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory										
Oil Wells	—	—	—	—	—	—	—	—	—	—
Gas Wells	—	—	1	.06	1	.05	—	—	4	.28
Oil/Gas Wells	—	—	—	—	—	—	—	—	1	.05
Dry Holes	—	—	1	.06	—	—	1	.05	2	.06
	—	—	2	.12	1	.05	1	.05	7	.39
Development										
Oil Wells	**2**	**0.11**	—	—	8	.45	2	.11	—	—
Gas Wells	**11**	**0.37**	20	1.09	30	2.21	19	1.16	17	1.06
Oil/Gas Wells	**2**	**0.40**	7	.63	5	.26	11	.63	6	0.33
Dry Holes	**5**	**0.23**	8	.56	7	.44	10	.59	4	0.21
	20	**1.11**	35	2.28	50	3.36	42	2.49	27	1.60
	20	**1.11**	37	2.40	51	3.41	43	2.54	34	1.99

wells. By the year-end there were a total of 79 gas wells on production and 15 gas and/or oil wells awaiting completion and pipeline tie-in.

CanadianOxy's total investment in the Gulf Coast area is approximately $72 million (U.S.) of which $18.5 million (U.S.) was provided by pipeline companies as interest-free advance payments. Monthly repayments of these advances are required until April, 1984. The Company expects that its share of the additional capital expenditures required to complete the development of these properties will be approximately $16 million (U.S.).

Peru

In December 1979, the Peruvian government published decree laws establishing the bases for the renegotiation of petroleum contracts and revising the application of Peruvian income taxes to petroleum contractors under renegotiated contracts. Consequently, in July 1980, Occidental Petroleum Corporation, Bridas Exploraciones y Produccion, S.A., CanadianOxy and Petroperu entered into a modification of the existing production sharing agreement for the Talara project. Under the revised agreement, Occidental (63%), CanadianOxy (21%) and Bridas (16%), became service contractors, to be paid a service fee on all petroleum produced, instead of receiving a share of production. The revised agreement is retroactive to January 1, 1980 and extends for a term of 15 years from July 23, 1980. The Contractors will pay their own Peruvian income taxes



at an effective rate of 68.5%.

The basic service fee, initially $17.50 (U.S.) per barrel, will be adjusted to 70% of any variation in the average official sales prices per barrel of certain crudes (Arabian Light, Qatar Marine and Libyan Es-Sider) and by any variation in the effective rate of Peruvian income taxes applicable to the Contractors. The basic service fee will also be adjusted based upon average daily production levels, calculated monthly, ranging from 100% of the basic fee on production of up to 60,000 barrels per day to 80% of the basic fee in respect of production in excess of 80,000 barrels per day. As a result of changes in crude oil prices, the basic service fee is currently $20.83 (U.S.) per barrel.

The Talara contract, as modified, requires the Contractors to complete, by July 31, 1982, the balance of two consecutive two-year programs which originally entailed the drilling of 355 new wells, the reworking or re-completion of 579 wells, the construction of a sea-water treatment plant, the installation of water injection facilities and an oil pipeline system, and the addition of new oil production equipment.

As of December 31, 1980, the Contractors had drilled 592 new wells and had reworked or re-completed 580 wells and production was approximately 18,000 barrels per day. Occidental estimates that peak production will occur in late 1983. The waterflood operations, which commenced in August 1980, are now implemented in four of the eleven fields. The volume of water injected into the formations is currently exceeding 60,000 barrels per day and is expected to increase gradually to 430,000 barrels per day during 1981. It may take a further six months before response to the water injection is sufficient to indicate the degree of success of the waterflood scheme.

The Contractors plan to drill about 400 additional new wells through 1982 and to expand the other project facilities as necessary. Total capital expenditures for the project are estimated to be approximately $577 million (U.S.), of which approximately $338 million (U.S.) has already been spent. Through December 31, 1980, CanadianOxy's 21 percent share of the capital expenditures for the Talara project was approximately $71 million (U.S.) and upon completion of the project the total is estimated to be approximately $121 million (U.S.).

Although the renegotiated contract provides for a substantially different basis of remuneration, CanadianOxy anticipates that its return on investment will be satisfactory.

Bolivia

In Bolivia, Occidental (75%) and CanadianOxy (25%) hold a production-sharing contract with YPFB, the Bolivian national oil company, covering approximately 604 000 hectares (1.5 million acres) in the Chaco Basin of eastern Bolivia.

The initial exploratory well drilled in 1978 resulted in a significant natural gas/condensate discovery. The discovery was subsequently confirmed by three additional







successful wells drilled within what is now known as the Porvenir field. CanadianOxy's net share of the proven and probable reserves is estimated to be 625 $10^6 m^3$ (22.2 Bcf) of natural gas and 488 $10^3 m^3$ (3.1 million barrels) of condensate.

In August, 1980, Occidental signed an agreement with YPFB under which the Porvenir field will be developed and brought into production. Gas cycling facilities are being installed whereby condensate will be produced and sold while conserving most of the natural gas by re-injection into the reservoir. It is estimated that initially up to 1 300 m^3 (8,200 barrels) per day of condensate will be recovered from the production of about 2.8 $10^6 m^3$ (100 Mmcf) of natural gas per day. The Company's net share will be approximately 163 m^3 (1,025 barrels) per day. The condensate will be sold to YPFB for domestic consumption at a price related to the official sales price for Arabian Light crude oil. The current selling price would be $29.89 (U.S.) per barrel.

Under the contract, all of the gas will be re-injected into the reservoir until a volume equal to 45% of the original gas in place has been re-injected and thereafter at least half of the gas will be re-injected until 60% has been re-injected. The gas which is re-injected into the reservoir will be produced and sold in later years when additional markets are developed.

Development work commenced in late 1980. Initial condensate production has commenced and recycling operations are scheduled to start in August, 1981. CanadianOxy estimates that upon completion of the project, its 25% share of the total capital expenditures will be approximately $12.2 million (U.S.).

The August, 1980 agreement also authorized the assignment by Occidental to CanadianOxy of the 25% interest in the production-sharing contract. CanadianOxy's participation with Occidental has now been formally approved by the Bolivian government.

Colombia

In Colombia, the Oxy group has drilled four exploratory wells in the Middle Magdalena Valley. Three of these wells were abandoned as dry holes, and one was suspended for mechanical reasons. An attempt was made in September, 1980, to redrill the suspended well to test its potential oil zone. However, this attempt failed due to mechanical difficulties, forcing abandonment of the well.

The 96 357 gross hectare Sogamoso Block was farmed out to Elf Aquitaine in August, 1980. A well is currently being drilled under this farmout to test various zones down to 4 115 metres (13,500 feet).

The Oxy group is carrying out seismic work on the 154 623 gross hectare Cantimplora Block. The Oxy group is committed to drill another well on the block before June, 1981, in order to extend their rights over the block for another year. A well is now expected to spud during May, 1981.

RESERVES

The accompanying table shows CanadianOxy's proven and probable reserves at the year-end. All of these reserves figures are based on estimates prepared by independent petroleum consultants. Gross reserves represent the Company's working interest share in total reserves. Net reserves are after deduction of estimated royalties.

	Proven		Probable		Total Proven & Probable	
Imperial Units	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Crude Oil (thousand barrels)						
Canada	2,361	1,383	208	135	2,569	1,518
U.S. Gulf Coast	887	739	863	719	1,750	1,458
Peru	13,942	13,942	—	—	13,942	13,942
Bolivia	18	18	4	4	22	22
	17,208	16,082	1,075	858	18,283	16,940
Pipeline Gas (Bcf)						
Canada	230	180	34	26	264	206
U.S. Gulf Coast	46	39	18	15	64	54
Bolivia	20	20	2	2	22	22
	296	239	54	43	350	282
Natural Gas Liquids (thousand barrels)						
Canada	3,649	2,372	94	61	3,743	2,433
U.S. Gulf Coast	134	112	125	104	259	216
Bolivia	2,733	2,733	335	335	3,068	3,068
	6,516	5,217	554	500	7,070	5,717
Sulphur (thousand long tons)						
Canada	2,148	1,858	2	2	2,150	1,860

	Proven		Probable		Total Proven & Probable	
Metric Units	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Crude Oil (thousand cubic metres)						
Canada	375	220	33	21	408	241
U.S. Gulf Coast	141	117	137	115	278	232
Peru	2 215	2 215	—	—	2 215	2 215
Bolivia	3	3	1	1	4	4
	2 734	2 555	171	137	2 905	2 692
Pipeline Gas (million cubic metres)						
Canada	6 483	5 073	954	740	7 437	5 813
U.S. Gulf Coast	1 295	1 078	511	426	1 806	1 504
Bolivia	557	557	68	68	625	625
	8 335	6 708	1 533	1 234	9 868	7 942
Natural Gas Liquids (thousand cubic metres)						
Canada	580	377	15	10	595	387
U.S. Gulf Coast	21	18	20	16	41	34
Bolivia	435	435	53	53	488	488
	1 036	830	88	79	1 124	909
Sulphur (thousand tonnes)						
Canada	2 182	1 888	2	2	2 184	1 890

Note: The table excludes the inventory of 286,000 tonnes (281,000 long tons) of sulphur held at year-end.

PRODUCTION AND SALES

The accompanying table summarizes production and sales volumes, before deduction of royalties, for each of the past five years. The sales volumes for pipeline gas, crude oil and natural gas liquids are essentially the same as those for production.

Canada

Substantially all CanadianOxy's natural gas, natural gas liquids and sulphur production is in Alberta and most of its crude oil production is in Saskatchewan. The Company's working interest share of Canadian production during 1980 averaged 1 100 10^3m^3 (39 Mmcf) per day of pipeline gas, 250 m^3 (1,580 barrels) per day of crude oil and natural gas liquids and 300 tonnes (295 long tons) per day of sulphur.

The Company's main source of production revenue is the Crossfield field, northeast of Calgary, where CanadianOxy operates 60 gas wells for itself and others. All gas produced from this field is processed at a plant owned by Petrogas Processing Ltd. located about five kilometres northeast of Calgary. CanadianOxy owns 30.9% of the shares of Petrogas and is the manager and operator of the plant. The plant produces approximately 3.6 10^6m^3 (130 Mmcf) per day of sales gas, 636 m^3 (4,000 barrels) per day of natural gas liquids and 844 tonnes (830 long tons) per day of sulphur.

About 175 10^3m^3 (6.2 Mmcf) of gas per day is obtained from joint interest operations in the Boyer and Basset fields of northern Alberta and the Willingdon area of central Alberta. Production and pipeline facilities were installed at Willingdon early in 1980. Nine gas wells and one oil well have been drilled to date. Two of the gas wells commenced production in February 1980 and the oil well was placed on production in April, 1980. CanadianOxy has a 29% interest in this 11 636 hectare (28,753 acre) block.

Repairs to the Company-operated Eaglesham gas plant, which was damaged by fire in January, 1980, were completed by July, 1980. Operations were intermittent during the balance of the year because of reduced nominations by the gas purchaser.

Sulphur marketing contributed approximately 12% of CanadianOxy's net sales from oil and gas operations in 1980. CanadianOxy sells sulphur directly to a wide variety of consumers throughout Canada and in the United States and indirectly in overseas markets. Market demand and sulphur prices remained strong

OIL AND GAS — PRODUCTION AND SALES

	1980	1979	1978	1977	1976
Production					
(gross before royalties)					
Imperial Units					
Pipeline Gas (Bcf)	**22.2**	19.1	14.3	16.4	16.4
Crude Oil (thousand barrels)	**1,650.9**	492.8	291.2	300.9	338.4
Natural Gas Liquids (thousand barrels)	**307.1**	356.3	334.6	410.9	429.1
Sulphur (thousand long tons)	**107.8**	121.1	125.9	134.2	167.2
Metric Units					
Pipeline Gas (thousand cubic metres)	**624 414**	529 798	396 375	455 368	455 720
Crude Oil (thousand cubic metres)	**262.3**	78.3	46.3	47.8	53.8
Natural Gas Liquids (thousand cubic metres)	**48.8**	56.6	53.2	65.3	68.2
Sulphur (thousand tonnes)	**109.5**	123.0	127.9	136.4	169.9
Sales					
Sulphur					
Imperial Units					
(thousand long tons)					
North American	**97.2**	79.1	55.7	46.0	40.8
Overseas	**137.2**	107.1	95.4	82.4	49.0
	234.4	186.2	151.1	128.4	89.8
Metric Units					
(thousand tonnes)					
North American	**98.7**	80.4	56.6	46.8	41.5
Overseas	**139.4**	108.8	96.9	83.7	49.8
	238.1	189.2	153.5	130.5	91.3

Note: *Crude oil in 1980 includes 1,354,537 barrels (215 245 m^3) of production in Peru on which the Company receives a service fee.*

throughout 1980. The plant selling price in the North American market increased from about $30 per tonne in 1979 to approximately $59 per tonne effective January 1, 1981. The Company is presently receiving somewhat higher prices for sulphur in the overseas markets.

The Company markets sulphur both for its own account and as agent for Petrogas and others. During the year, CanadianOxy sold 770 000 tonnes of sulphur of which 761 000 tonnes were sold as agent for Petrogas and others and 9 000 tonnes were for its own account. The Company's share of total sales was 238 000 tonnes, which exceeded its production by 129 000 tonnes. CanadianOxy commenced marketing sulphur from inventory in 1978 and has reduced its inventory by 226 000 tonnes since that time. Based on its market forecast, the sulphur inventory of 286 000 tonnes as at December 31, 1980 will be reduced significantly over the next few years.

United States

The Company's share of production from the United States Gulf Coast is approximately 471 10^3m^3 (17 Mmcf) of gas per day and 48 m^3 (300 barrels) of oil and condensate per day. Gas production has been reduced since the early summer of 1980, primarily because the pipeline serving the High Island area, offshore Texas, cannot accommodate the full current production capacity of all of the fields now connected to the gathering system. The gas pipeline company has applied for regulatory approval to construct additional capacity but a permit has not yet been granted. The Company expects that production rates will reach maximum levels by mid-1982, when its share is estimated to be approximately 800 10^3m^3 (29 Mmcf) per day of gas and 110 m^3 (700 barrels) per day of oil and condensate.

The average wellhead price received for this gas production increased from $75.24 per thousand cubic metres ($2.08 per Mcf) in 1979, to $81.95 per thousand cubic metres ($2.27 per Mcf) in 1980.

Peru

Oil production from the Talara oil fields increased from 2 600 m^3 (16,400 barrels) per day at the beginning of 1980 to about 2 860 m^3 (18,000 barrels) per day at year-end 1980. CanadianOxy receives a service fee on its 21% share of this production. The service fee increased from $17.50 (U.S.) per barrel effective January 1, 1980 to $18.96 (U.S.) per barrel at the year-end.







Minerals Exploration

The Minerals division, based in Toronto, is engaged in the exploration for and evaluation of metallic minerals deposits across Canada. During 1980, exploration was carried out in New Brunswick, Quebec, Ontario, British Columbia, Saskatchewan, and the Yukon. The division is actively engaged in uranium exploration as well as in the search for precious and base metal deposits. A series of joint venture agreements with other companies will permit increased exploration for uranium deposits, particularly in Saskatchewan.

As none of these properties are in production, no revenues are generated. Consequently, exploratory activities have resulted in the following net losses over the past three years:

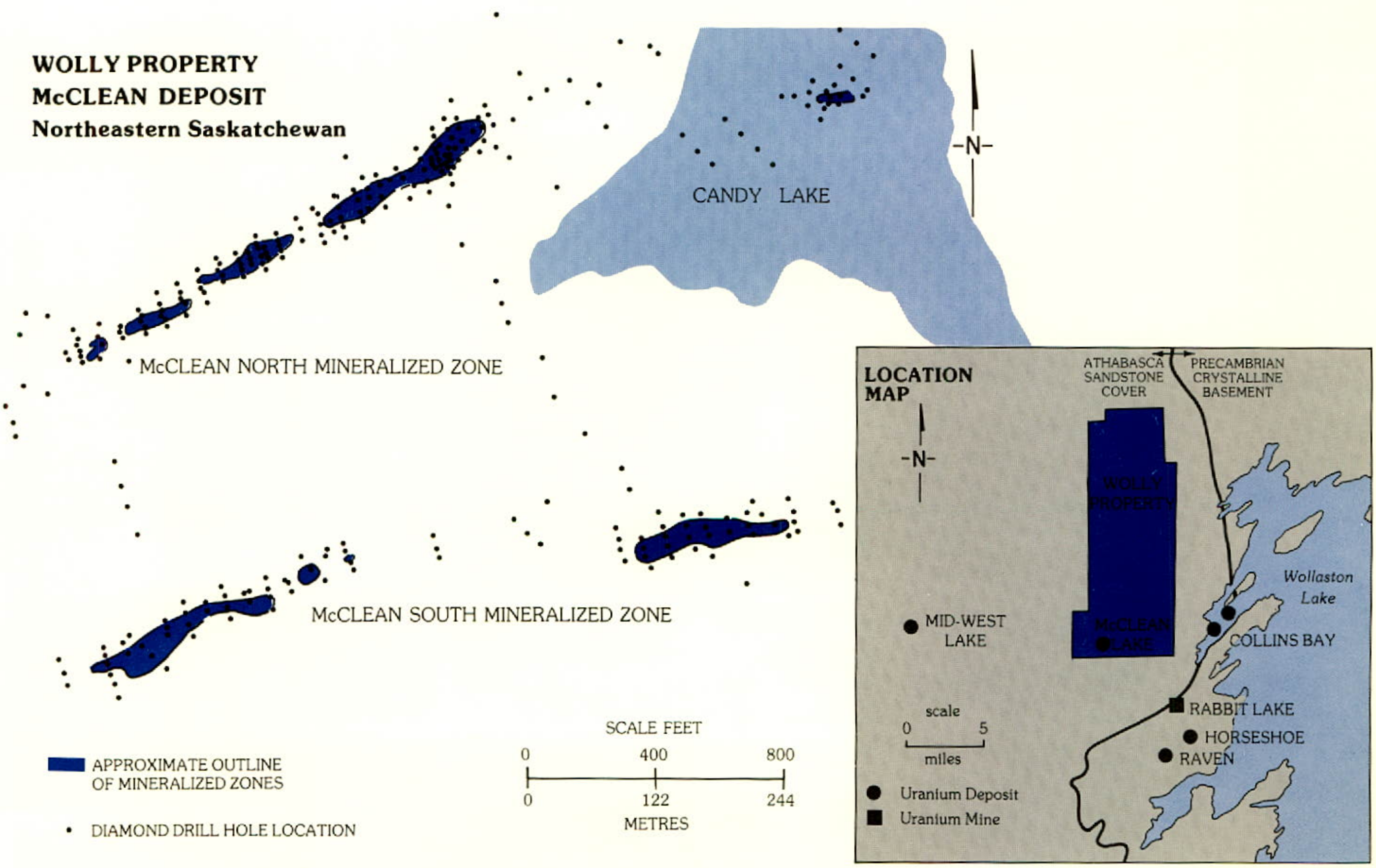
	1980	1979	1978
	(Amounts in Thousands)		
Net Loss . .	$1,356	$818	$743

The most significant discovery to date is on the 260 square kilometre (100-square mile) Wolly property located on the easterly rim of the Athabasca Basin, in northern Saskatchewan. In April 1979, CanadianOxy and its equal partner, Inco Metals Company, announced a potentially significant uranium discovery, named the McClean deposit, which is situated on this property eight kilometres west of Wollaston Lake, Saskatchewan.

In 1979, 92 vertical holes were drilled in the vicinity of the McClean deposit. Of these drill holes, 35 intersected significant uranium mineralization. Two of these holes yielded particularly high assay values. One drill hole intersected a 5 metre (17-foot) section averaging 12.7% U_3O_8 and another intersected a 10 metre (33-foot) section averaging 27.8% U_3O_8.

The 1979-1980 winter drilling program, seeking extensions to the McClean deposit, led to the discovery of separate mineralization about 518 metres (1,700 feet) south of the original discovery. This new zone is now called "McClean South" and the original discovery has been renamed "McClean North". The accompanying map illustrates the location of the Wolly property, as well as the drill holes.

The summer drilling program, which ended in mid-September, 1980, completed the first phase of delineation drilling of the North and South zones. 156 holes were drilled on the North and South zones and in the immediate surrounding area, bringing the total number drilled to date in the area of the deposits to 419 holes. Drill hole



spacing across the mineralized zones ranges from 7.6 to 21.3 metres (25 to 70 feet) along lines spaced 7.6 to 42.7 metres (25 to 140 feet) apart. The closer spaced holes were needed to determine the extent of the higher grade sections of uranium mineralization.

Using a criterion of 0.1% U_3O_8 over at least 1.5 metres (five feet) thickness as a minimum indication of probable commercial mineralization, there is an estimated 353 800 tonnes (390,000 tons) of mineralization averaging 1.8% U_3O_8. This gives a calculated amount of 6.35 million kilograms (14 million pounds) of uranium oxide for the McClean North and South zones. In mining industry terminology, this would be classed as drill-indicated geological reserves.

Studies are presently in progress to ascertain the most viable method of mining the uranium and additional fill-in drilling, environmental studies, and engineering work are required before a development plan may be prepared. Although it will be approximately two years before these studies are completed, CanadianOxy believes that the McClean uranium deposit will prove to be capable of supporting a commercial operation.

Further geophysical surveys are planned for the McClean Lake area to help define new drill targets. In addition, there are other targets previously outlined or indicated on this 260 square kilometre property which will be tested by drilling programs in 1981 and beyond. The planned capital expenditures for this area in 1981 are approximately $4.4 million, of which CanadianOxy would contribute 50%.

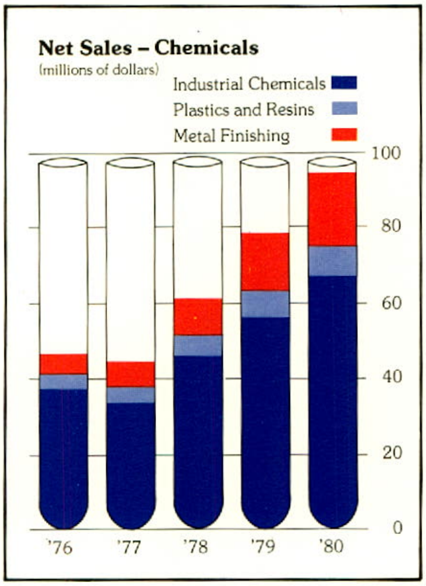
The accompanying table summarizes the acreages held across Canada on December 31, 1980.

	Percentage Interest	Gross Acres
Northwest Territories	100%	1,508
Yukon	100%	41,902
	33%	38,168
	19%	5,408
	7%	10,244
British Columbia	100%	39,516
	33%	68,696
Saskatchewan	50%	701,050
Ontario	100%	5,840
Quebec	100%	2,726
New Brunswick	60%	25,920
		940,978

Chemicals

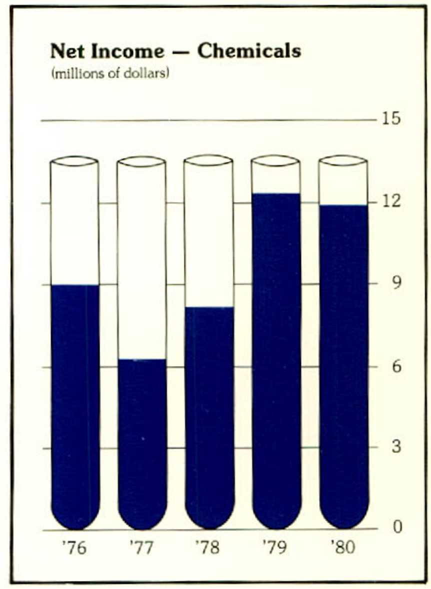
CanadianOxy's chemical operations comprise the Industrial Chemicals division, in western Canada, and the Metal Finishing division and Durez Plastics division, in eastern Canada.

In western Canada, the Company has three electro-chemical plants in British Columbia and a fourth plant at Brandon, Manitoba. Their primary business is the manufacture and supply of bleaching chemicals to the pulp and paper industry.



The Eastern Chemical division consists of three separate manufacturing operations located at Rexdale and Fort Erie, Ontario. The Rexdale plant manufactures and markets the Parker product line of metal finishing products and the Sel-Rex line of precious metal chemical plating compounds. The Durez plant at Fort Erie produces and markets a wide range of phenol-formaldehyde plastic moulding compounds and resins.

Combined chemical sales increased 20% to $94.5 million in 1980. Net income increased slightly, after excluding an extraordinary gain of $893,000 in 1979 on the sale of surplus land. The Industrial Chemicals division again recorded increased sales and operating profits during the year. The Metal Finishing division had increased sales but operating profit decreased slightly due to the economic recession, particularly in the automotive and construction industries. These factors also caused an 11% decline in sales volumes in the Durez Plastics division and a substantial decline in operating profits during 1980.



CHEMICAL OPERATIONS

	1980	1979	1978	1977	1976
			(Amounts in Thousands)		
Net Sales:					
Industrial Chemicals	**$67,596**	$56,024	$45,935	$32,836	$36,565
Plastics and Resins	**7,500**	7,403	5,499	4,153	5,059
Metal Finishing	**19,384**	15,437	9,287	7,196	5,577
	$94,480	$78,864	$60,721	$44,185	$47,201
Net Income Before Extraordinary Item	**$11,910**	$11,770	$ 8,204	$ 6,304	$ 8,803
Extraordinary Item	**—**	893	—	—	280
Net Income	**$11,910**	$12,663	$ 8,204	$ 6,304	$ 9,083
Capital Expenditures:					
Industrial Chemicals	**$ 4,133**	$ 1,951	$ 2,185	$ 2,134	$ 356
Plastics and Resins	**196**	266	114	42	85
Metal Finishing	**295**	427	107	122	123
	$ 4,624	$ 2,644	$ 2,406	$ 2,298	$ 564
Net Property, Plant and Equipment:					
Industrial Chemicals	**$17,946**	$16,862	$17,823	$19,454	$19,685
Plastics and Resins	**2,256**	2,307	2,249	2,348	2,508
Metal Finishing	**1,113**	925	593	567	522
	$21,315	$20,094	$20,665	$22,369	$22,715

INDUSTRIAL CHEMICALS

This major division, with headquarters in North Vancouver, comprises two chlor-alkali plants at North Vancouver and Nanaimo, B.C., and two sodium chlorate manufacturing plants at Squamish, B.C. and Brandon, Manitoba. It has a total staff of 262 employees.

The North Vancouver plant was built in 1957 and has been expanded as required to meet growth in market demand. The designed annual capacity of the plant is approximately 140 000 tonnes of chlorine, 155 000 tonnes of caustic soda, and 22 700 tonnes of muriatic acid. Virtually all of the chlor-alkali production from the North Vancouver plant is shipped to pulp mill customers by the Company's bulk storage chemical barge, rail tanker barge, and fleet of 217 leased rail tank cars and hopper cars. The North Vancouver plant operated at full capacity despite a modest slowdown in the pulp industry during the first half of the year.

CanadianOxy has announced a major project to modernize the

CHEMICALS PRODUCTION

	1980	1979	1978	1977	1976
Industrial Chemicals					
Imperial Units (thousands of tons)					
Caustic Soda	**201.4**	191.8	198.0	177.3	207.4
Chlorine	**177.3**	169.2	174.5	154.7	181.1
Sodium Chlorate (Note 1)	**23.6**	23.0	15.0	9.1	7.1
Muriatic Acid	**24.8**	18.6	14.7	8.7	4.2
Metric Units (thousands of tonnes)					
Caustic Soda	**182.7**	174.0	179.7	160.8	188.2
Chlorine	**160.8**	153.5	158.3	140.3	164.3
Sodium Chlorate (Note 1)	**21.4**	20.9	13.6	8.3	6.4
Muriatic Acid	**22.5**	16.9	13.3	7.9	3.8
Durez Plastics					
Imperial Units (thousands of pounds)					
Moulding Materials	**6,576**	7,202	5,532	3,018	3,521
Industrial and Foundry Resins	**5,273**	5,896	5,959	5,273	6,019
Metric Units (thousands of kilograms)					
Moulding Materials	**2 983**	3 267	2 509	1 369	1 597
Industrial and Foundry Resins	**2 392**	2 674	2 703	2 392	2 730
Metal Finishing					
Imperial Units (thousands of pounds)					
Metal Finishing Chemicals	**8,679**	10,236	9,483	9,132	8,258
Metric Units (thousands of kilograms)					
Metal Finishing Chemicals	**3 937**	4 643	4 302	4 142	3 746
Precious Metal Salts *(troy ounces)*	**17,331**	22,963	17,555	15,032	11,900

Note 1: Includes production from the Brandon plant commencing July 1, 1978.








caustic soda processing facilities at the North Vancouver plant. The modifications to the facilities will replace obsolete equipment, thereby improving employee working conditions and reducing both energy consumption and maintenance costs. The project will cost approximately $14 million and is scheduled for completion in early 1983.

The Nanaimo plant, built in 1964, has a designed annual capacity of approximately 30 000 tonnes of chlorine and 32 700 tonnes of caustic soda. It operated at virtually full production capacity during the year. All of the chlorine and about two-thirds of the caustic soda production is delivered by pipeline to the adjacent Harmac pulp mill owned by MacMillan Bloedel Limited.

CanadianOxy has awarded a contract for construction of a new sodium chlorate plant adjacent to and integrated with the Nanaimo chlor-alkali plant. The new manufacturing facilities are designed to produce approximately 7 400 tonnes per year of solution sodium chlorate. The technology and design of the new facilities will minimize the electrical energy consumed in the manufacturing process and eliminate contaminants in the effluent system by recycling all process water through a closed system. The project is scheduled for completion in mid-1982 at an estimated cost of $6.4 million.

As a result of an expansion project in 1979 which doubled the capacity of the muriatic acid unit at the North Vancouver plant, CanadianOxy is now a major producer of this product in western Canada. The Company presently supplies more than 40% of the muriatic acid used in Alberta and British Columbia. A principal use of muriatic acid (also known as hydrochloric acid) is in the completion and treatment of both new and existing oil and gas wells.

The Squamish plant has a designed capacity of 10 900 tonnes per year of sodium chlorate. Production was reduced during the first part of the year due to the necessity for overhaul and electrode replacement in three of the reactors. However, the plant operated at full capacity in the last quarter of the year, setting record production volumes in November and December. The production pace set in November and December of 1980 is expected to continue in 1981.

During 1980, one of the Brandon plant's principal sodium chlorate customers completed the construction of its own chlorate manufacturing plant, but despite the loss of this customer, product sales have been successfully redirected and sales revenues were essentially unaffected. The plant operated at close to its design capacity of 10 900 tonnes per year.

The Industrial Chemicals division was again awarded contracts in 1980 to supply road salt (sodium chloride) to the B.C. Department of Highways and some municipalities. Other forms of this salt, such as brine solutions and slurried product, are sold by contract to the pulp mill industry for use in the manufacture of chlorine dioxide, a major pulp bleaching agent. These sales are complementary to our chemical business, since salt is the basic raw material in the manufacture of chlorine, caustic soda, and sodium chlorate. The division imported in excess of 300 000 tonnes of solar salt from Baja, Mexico, via deep-sea bulk cargo vessels.

In February, 1980, the District of North Vancouver released a consultant's report analyzing the potential risks to the nearby communities associated with the

manufacture and transportation of hazardous chemicals. The Company's chlor-alkali plant, being a large chlorine manufacturer, was singled out in the report and prominently referred to in the press coverage thereof. While the consultant found the plant operationally safe and well-run, a number of recommendations were made for measures to reduce the chance of chlorine escape from willful sabotage or from severe earthquake. To the extent feasible the Company has adopted and has implemented these measures and is carrying forward engineering studies on the remainder as part of its permanent risk reduction program. The on-going expenditure program for accident prevention and safety margin improvement at this plant has been allocated $1.1 million for 1981.

New labour contracts have been signed for the North Vancouver, Brandon and Squamish plants extending to November, 1983, February, 1983 and March, 1984, respectively. The labour contract for the Nanaimo plant will be renegotiated during 1981.

A very successful open house was held at the North Vancouver plant during September, attracting more than 1,500 visitors from the Vancouver area. The plant staff devoted many extra hours to the preparation of displays and acting as guides for the visitors. In all, it gave the management and staff an excellent opportunity to show and explain to the public the nature of the plant operations, its safety features, products and their end-uses.

DUREZ PLASTICS

The Durez division, with its plant and office at Fort Erie, is a major Canadian manufacturer of phenol-formaldehyde industrial and foundry resins, and moulding compounds. The products are sold under the DUREZ trade name to a wide variety of industrial end-users. Customers include the automotive, tire, communications, appliance, electrical and foundry industries.

As a result of the slowdown in the automotive and housing industries during 1980, sales volumes for the Durez division declined by 11%. Net sales remained substantially unchanged, due to higher selling prices for most products. However, operating profits for the division declined substantially because of increased manufacturing costs.

An open house was held at the plant in October attracting about 250 visitors from the Fort Erie area. This division has a staff of 48 employees.

METAL FINISHING

CanadianOxy Metal Finishing Ltd., a wholly-owned subsidiary, operates from office and production facilities situated in Rexdale (Toronto), Ontario. The staff of 33 employees are involved with two separate complementary metal finishing product groups, Parker and Sel-Rex.

Net sales for this division increased by 25% to $19.4 million. This was mainly due to significant increases in the price of gold, a major raw material for the Sel-Rex product group. Due to a drop in customer demand accompanying the general slowdown in the economy, sales volumes for the Parker and Sel-Rex division declined by 14% and 25% respectively, resulting in a reduction in the division's overall profitability.

Parker

The Parker group has operated in Canada since 1948 and is a leading supplier of metal finishing chemical products. It manufactures over 190 products in Canada for the treating, cleaning, coating and finishing of steel, aluminum and other metals used in many industrial products, including automotive parts and bodies, metal siding, appliances, steel furniture, electrical parts and agricultural equipment. In addition, new products are continually being developed to meet special applications.

Sel-Rex

The Sel-Rex group is a major Canadian supplier of gold salts and other precious metal electroplating chemicals and process technology to the electronics, telecommunications and decorative jewellery industries.

Sel-Rex products are used in the manufacture of connectors, transistors, printed circuits, integrated circuits and numerous other long-life devices where reliability is enhanced by the use of precious metal plating. Typical applications in the decorative industry are the plating of watches, optical goods, flatware and hollow ware. The largest sales volume is in gold chemical compounds designed to meet the specific service requirements of our customers, such as wearability, thickness, colour and hardness.

Petrochemicals

In November 1980, CanadianOxy, Dome Petroleum Limited, Westcoast Transmission Company Limited and the Mitsubishi Companies of Japan announced they had reached agreements in principle which are expected to result in the development of a petrochemical complex in British Columbia. The project involves the construction of a plant on the Westcoast Transmission system to extract ethane and propane from the natural gas to provide feedstock for a proposed 600 million pound per year ethylene plant. The ethylene would be upgraded to petrochemical derivatives such as ethylene dichloride (EDC), vinyl chloride monomer (VCM) and polyethylene in plants located on tidewater. A new chlor-alkali plant will produce chlorine, which would be required for the EDC/VCM plant, and caustic soda, which would be sold. The ethylene derivatives, which represent basic building blocks for a wide variety of plastics, and the caustic soda will be marketed in North America and the Pacific Rim countries including Japan.

This project will not only provide a market in B.C. for approximately 2.5 $10^6 m^3$, or 90 Mmcf, per day of British Columbia gas, but the complex will entail approximately 10,500 man years of construction employment and an estimated 500 permanent jobs in operations.

The project is contingent on government approval and on the results of a comprehensive feasibility study which is currently under way. Applications for a British Columbia Energy Project Certificate will be filed by mid-1981 and a decision is expected in the latter half of the year. The plant design will employ the best available technology for pollution control and will meet or exceed British Columbia's environmental protection, health and safety standards.

The anticipated completion date for the project is late 1985 at a possible total investment of \$2 billion.

Financial Review

SELECTED FINANCIAL DATA

(Dollars in thousands, except per share data)

The following table summarizes selected consolidated financial data and is qualified in its entirety by more detailed information contained in the Consolidated Financial Statements appearing elsewhere in this report.

	1980	1979	Increase (Decrease)	1978	1977	1976
Net Sales	**$188,640**	$124,298	52%	86,661	68,320	66,794
Income before Extraordinary Item	**$ 30,320**	$ 19,922	52%	$ 13,433	$ 15,154	$ 15,251
Per common share						
— primary	**$ 1.34**	$ 0.77	74%	$ 0.45	$ 0.54	$ 0.66
— fully diluted	**$ 1.30**	$ 0.77	69%	$ 0.45	$ 0.54	$ 0.66
Extraordinary Item	**—**	$ 893	—	—	—	$ 641
Per common share						
— primary	**—**	$ 0.04	—	—	—	$ 0.03
Net Income	**$ 30,320**	$ 20,815	46%	$ 13,433	$ 15,154	$ 15,892
Per common share						
— primary	**$ 1.34**	$ 0.81	65%	$ 0.45	$ 0.54	$ 0.69
— fully diluted	**$ 1.30**	$ 0.81	60%	$ 0.45	$ 0.54	$ 0.69
Working Capital Generated from Operations (Cash Flow)	**$ 77,508**	$ 36,361	113%	$ 19,548	$ 22,141	$ 22,554
Per common share						
— primary	**$ 3.64**	$ 1.57	132%	$ 0.75	$ 0.88	$ 1.01
— fully diluted	**$ 3.46**	$ 1.57	120%	$ 0.75	$ 0.88	$ 1.01
Working Capital	**$ 24,840**	$ 13,448	85%	$ 21,594	$ 63,052	$ 64,546
Total Assets	**$302,919**	$218,710	39%	$173,133	$166,131	$159,358
Capital Expenditures (before exploration write-off)	**$ 97,508**	$ 74,110	32%	$ 42,642	$ 19,733	$ 12,539
Long-term Debt	**$ 92,474**	$ 42,194	119%	$ 12,603	$ 21,191	$ 21,842
Redeemable Preferred Shares	**$ 21,873**	$ 42,919	(49%)	$ 42,919	$ 42,919	$ 42,919
Common Shareholders' Equity	**$101,853**	$ 80,714	26%	$ 68,050	$ 75,714	$ 68,210
Common Share Dividends Declared (per share):						
Regular	**$ 0.27**	$ 0.205	32%	$ 0.193	$ 0.18	$ 0.167
Special	**—**	—	—	$ 0.643	—	—

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operating Results

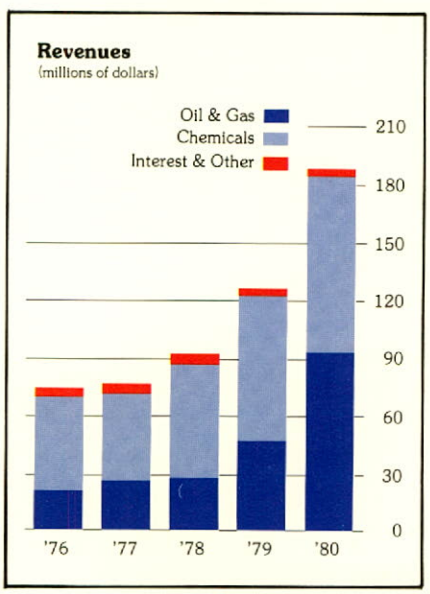
(1979 Figures in Brackets)

The tables of Oil and Gas Operations on page 7 and Chemicals Operations on page 19 give detail as to the net sales of the principal business segments. The percentage contributions of the principal business segments to net sales during the past three years were as follows:

	1980	1979	1978
Oil & Gas	50%	37%	30%
Chemicals	50%	63%	70%

The $48,726,000 ($19,494,000) increase in net sales of petroleum products was due primarily to increased production of crude oil from Talara, Peru and natural gas from the U.S. Gulf Coast together with increased sulphur sales from Canada and higher selling prices for all products.

The prime contribution to the $15,616,000 ($18,143,000) increase in chemical revenues came from industrial chemicals where net sales were up by $11,572,000 ($10,089,000).



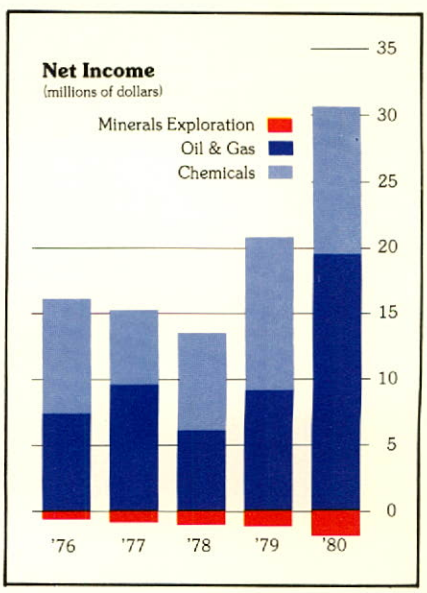
Sales volumes of chlorine, caustic soda and sodium chlorate, in total, were up 7% (nil in 1979) with the balance of the increased revenues provided by increases in product selling prices.

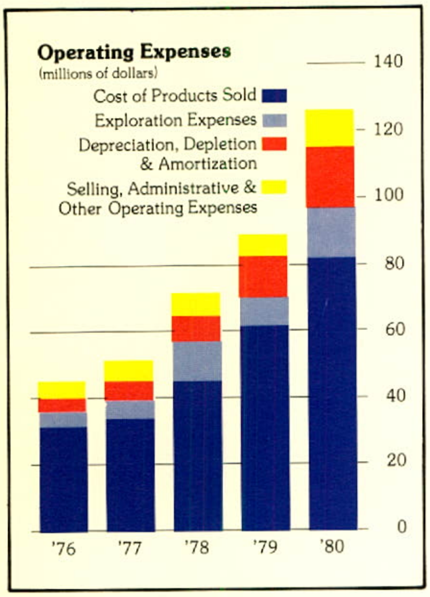
Net sales of metal finishing chemicals increased by $3,947,000 ($6,150,000). Sales volumes for treating chemicals and precious metals were down 14% and 25%, respectively, in 1980 after increasing 9% and 31% in 1979. Business conditions in the automotive, construction and electro-plating industries had an adverse impact in 1980. However, increased selling prices more than offset the lower volumes, particularly in precious metals where the average price of gold was considerably higher than in 1979.

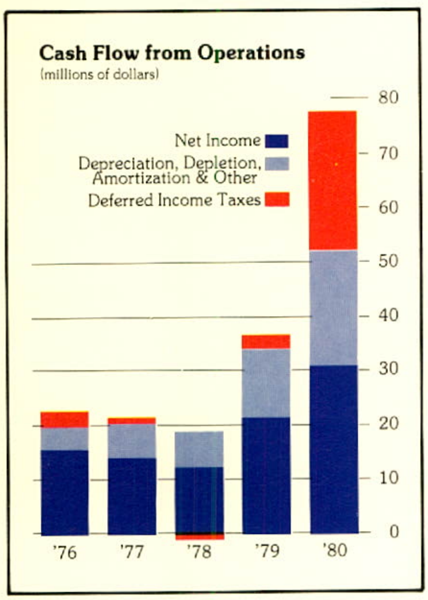
Net sales of plastics and resins were relatively unchanged in 1980 after increasing 35% in 1979. Sales volumes were down 11% in 1980 due primarily to the recession in the automotive industry whereas they had increased 12% in 1979 because of more buoyant market conditions. Higher selling prices were realized in both years and in 1980 prices offset the decline in volumes. However, margins narrowed due to higher manufacturing costs and price competition.

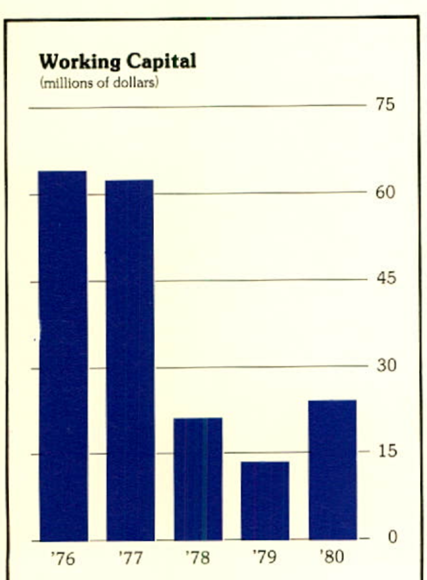
Affected largely by the higher volumes, Cost of Products Sold increased $19,386,000 or 31% in 1980 and $16,559,000 or 36% in 1979. In addition, higher prices for raw materials and energy in the chemical operations, together with increased maintenance and labour costs, also contributed to the increased costs in 1980 and 1979. Due to customer demand for chlorine, caustic soda and sodium chlorate, it was necessary to purchase some product for resale in 1980 and 1979 which added to costs more so in 1980. With the increased activity, selling, administrative and other operating expenses escalated 28% in 1980 and 36% in 1979 with added employees, higher salaries and the effect of inflation on other costs being the major contributing factors. However, as a percent of sales, selling, administration and other operating expenses decreased to 6% in 1980 compared with 7.1% in 1979 and 7.5% in 1978.

An increase in the level of exploration activity in Canada was the main contributor to the increase of $3,459,000 in exploration write-offs in 1980, whereas in 1979, reduced activity in foreign exploration resulted in a $2,907,000 decline in the write-offs. Depreciation, depletion and amortization









charges were up 80% in 1980 after increasing a similar percentage in 1979. This was a direct result of the increased production levels within the oil and gas operations.

The increase in interest expense since 1978 reflects greater borrowings, primarily to finance capital expenditure projects in the oil and gas sector. In addition, interest rates in 1980 were higher. Higher pre-tax profits resulted in the provision for income taxes increasing in both 1980 and 1979 by $15,507,000 and $6,011,000, respectively. As a percentage, the overall effective rate of tax in 1980 rose to 49.4% of income before tax from 41.5% in 1979 and 37.6% in 1978. The increase in the effective tax rate arises from a change in the income mix. Since 1978 a greater portion of income is now being derived from foreign oil and gas operations in countries where the applicable tax rates are higher than in Canada.

As a result of the increase in operating income, net income reflected a growth of 46% in 1980 after a 54% increase in 1979. Per share earnings before the extraordinary item, after deducting preferred share dividends, increased 74% and 71%, respectively. Per share earnings increased at a faster rate than net income during 1980 because of the redemption of preferred shares. 1980 was also the first year for reflecting earnings per share on a fully diluted basis as a result of the issuance of convertible debentures late in the year. Although the spread between primary and fully diluted earnings per share was only 4 cents per share, the difference in future will increase due to the equivalent shares being included in the weighted calculation for a full year.

Liquidity and Capital Resources

The Company has experienced a rapid growth in total assets since 1978. After growing by 26% in 1979, they expanded a further 39% in 1980 to $303 million. The major part of this growth has been for new investment in property, plant and equipment, particularly in oil and gas development projects outside of Canada, such as Peru, Bolivia and the United States Gulf Coast. Concurrently with this higher level of capital expenditures, working capital (cash) generated from operations has also increased significantly over the same period of time (113% in 1980 and 86% in 1979) to a level of $78 million, primarily as a result of incremental production from foreign oil and gas operations. This increased activity combined with increased revenue from Canadian operations including chemicals, has resulted in accounts receivable growing 73% since 1978 to a level approximately 50% of current assets. Similarly, supplies inventories have also increased, to keep pace with the level of construction, and in 1980 accounted for 28% of current assets.

In 1980 and 1979 working capital (cash) generated from operations supplied 54% and 46%, respectively, of the outlay required for capital expenditures, dividends, debt retirement and preferred share redemptions. To make up the deficiency, the

Company depleted its term deposits on hand at the end of 1978 and late in 1979 arranged a five-year revolving credit agreement for $80 million, along with a short term bank credit-line for $15 million. Additional short term bank credit lines for $42 million were added in 1980 together with a public offering of $75 million in 10% Convertible Subordinated Debentures. At the end of 1980 there was available $75 million under the revolving credit agreement and $53 million in short term.

The Company had in progress projects with unexpended amounts approximating $100 million at the end of 1980. Commitments totalling $38 million are outstanding against these projects. These commitments involve oil and gas development projects in Peru, Bolivia and the U.S. Gulf Coast, together with a sodium chlorate plant at Nanaimo, British Columbia. As was the case in 1980, CanadianOxy expects a continuing increase in its operating cash flow, due to higher prices and production levels, particularly from its foreign oil and gas operations and when combined with supplies inventory already on hand and the unused portion of its revolving credit agreement, the Company will have adequate resources available for its capital spending and working capital requirements.

Although net income was higher in 1980, current tax expense decreased in 1980 as a result of an increase in deferred taxes. This was caused by greater write-offs being available for Canadian tax purposes as a result of increased capital spending, primarily in exploration, and a revision to the application of Peruvian income taxes relative to the contract for redevelopment and secondary recovery in the Talara area. Under the revised tax application, the Company is now permitted to deduct its investment costs. Future cash outlays for current tax, particularly with respect to foreign oil and gas operations, are expected to escalate as revenues increase and investment declines.

In late 1980, the Company announced participation, with a consortium of companies, in a proposed petrochemical complex in British Columbia. This project will involve a total investment by the group of approximately $2 billion. At this time no commitments have been made pending finalization of a feasibility study, government approvals and the arrangement of financing.

Impact of Inflation and Changing Prices

In recent years, inflation has been at a relatively high rate and on a rising trend. As a result, the usefulness of financial statements has deteriorated as reported results of operations and financial position are based on historical costs and do not reflect the changes in the purchasing power of the dollar (general inflation) or changes in specific prices. The decline in the purchasing power of the dollar due to general inflation needs to be considered in a proper assessment of a company's results of operations and financial position.

In oil and gas operations, exploration and production costs have been increasing dramatically as costs for oil field services, machinery and well equipment have outpaced general inflation. This increase, coupled with labour cost increases, could inhibit exploration for new sources of oil and natural gas because increasing dollar amounts invested for exploration are at risk unless net backs from product sales keep pace with rising costs. Depleting current petroleum reserves can only be replaced by new discoveries costing several times the historical costs of finding and developing oil and gas reserves. In chemical operations, as costs increase, the increases can generally be passed on through increases in sale prices. However, increasing costs for plant and equipment may reduce a company's ability to expand or maintain operating capability.

The Financial Accounting Standards Board in the United States recognized and responded to the growing concern over the usefulness of historical cost financial statements and in September 1979 issued Statement 33. The Statement requires that inventories, property, plant and equipment, cost of sales and depreciation, depletion and amortization expense items most affected by inflationary pressures, be adjusted to reflect the effects of general inflation (constant dollar) and changes in specific prices (current cost). Specific reference is made to "Supplementary Information on the Effects of Changing Prices (Unaudited)" appearing on page 46 which sets forth the required information.

PAYMENTS TO GOVERNMENTS

The following table highlights payments made to federal, provincial and municipal governments and charged against income. The table excludes deferred income taxes, land bonuses and sales and excise taxes on materials purchased by the Company.

	1980	1979	1978
		(Amounts in thousands)	
Current Income Taxes	**$ 7,376**	$12,187	$ 9,087
Royalties	**8,887**	4,932	3,021
Property, Mineral and other Taxes	**3,350**	2,825	3,012
Lease Rentals	**1,263**	1,246	924
Payroll Taxes	**563**	460	393
Total	**$21,439**	$21,650	$16,437

RESERVE RECOGNITION ACCOUNTING

The Securities and Exchange Commission in the United States requires disclosure of financial information for oil and gas producers in accordance with its rules, referred to as Reserve Recognition Accounting. These rules require the reporting of estimated future net revenues from proved oil and gas reserves, the present value of those net revenues and a supplementary earnings summary reflecting annual changes in present value.

The Commission has acknowledged the uncertainty involved in the estimation process. These uncertainties and some of the guidelines laid down in the regulations make the results of questionable practical value although they do have theoretical appeal.

Results of oil and gas producing activities on the basis of reserve recognition accounting are disclosed on page 48.

QUARTERLY FINANCIAL RESULTS

The accompanying table gives quarterly financial data (unaudited) for 1980 and 1979. Net sales and net income for all four quarters of 1980 were higher than the corresponding quarters of the previous year, mainly due to increased production of oil and gas products from the U.S. Gulf Coast and the secondary recovery project in Peru along with higher prices in all business segments.

Quarterly variations in net sales and net income in both 1980 and 1979 reflect the varying rates of revenue gains from the U.S. Gulf Coast and Peru, seasonal demand for natural gas in Canada and the impact of changes in the amount and timing of various expense items, particularly the write off of unsuccessful exploration costs.

QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 1980 and 1979 is as follows:

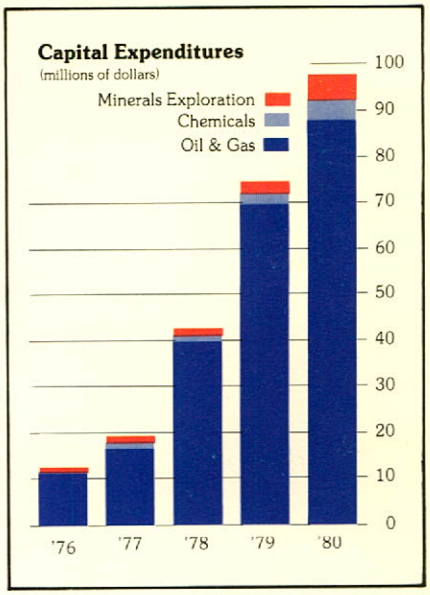
	Quarter Ended							
	March 31		June 30		September 30		December 31	
	1980*	1979	1980*	1979	1980*	1979	1980	1979
Net sales	**$47,181**	$26,626	**$44,011**	$27,523	**$45,702**	$30,454	**$51,746**	$39,695
Gross profit	**24,167**	11,695	**19,830**	11,837	**21,354**	12,476	**23,515**	16,475
Income before extraordinary item	**9,505**	3,608	**7,768**	4,488	**7,212**	5,316	**5,835**	6,510
Extraordinary item	**—**	—	**—**	—	**—**	893	**—**	—
Net income	**9,505**	3,608	**7,768**	4,488	**7,212**	6,209	**5,835**	6,510
Earnings Per Common Share:								
Before extraordinary item	**$ 0.41**	$ 0.12	**$ 0.35**	$ 0.17	**$ 0.33**	$ 0.21	**$ 0.25**	$ 0.27
Extraordinary item	**—**	—	**—**	—	**—**	0.04	**—**	—
Net income	**$ 0.41**	$ 0.12	**$ 0.35**	$ 0.17	**$ 0.33**	$ 0.25	**$ 0.25**	$ 0.27
Fully diluted earnings per common share	**$ 0.41**	$ 0.12	**$ 0.35**	$ 0.17	**$ 0.33**	$ 0.25	**$ 0.21**	$ 0.27

* *Restated for the change in accounting policy regarding capitalized interest. See Note 1. The effect of the accounting change was to increase net income by $664,000, $781,000, $595,000 and $577,000, and earnings per common share by $0.03, $0.04, $0.03 and $0.03 per share for the first, second, third and fourth quarters of 1980 respectively.*

CAPITAL EXPENDITURES

Capital expenditures (including exploration expenses) totalled $97,508,000 compared with $74,110,000 in 1979 and $42,642,000 in 1978. The following table summarizes the capital expenditures by business segment:

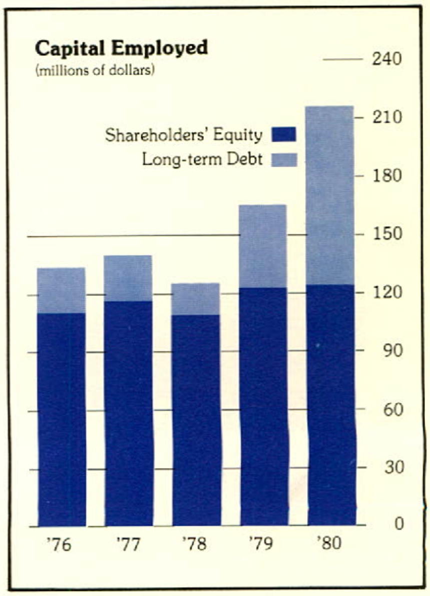
	1980	1979	1978
	(Amounts in Thousands)		
Oil and Gas			
Canada	**$28,069**	$12,106	$13,167
United States	**12,172**	14,073	9,762
Foreign	**46,932**	42,988	16,414
	87,173	69,167	39,343
Minerals Exploration	**5,711**	2,299	893
Chemicals	**4,624**	2,644	2,406
Total Capital Expenditures	**97,508**	74,110	42,642
Less Current Year Expenditures Charged to Exploration Expenses	**9,231**	6,564	11,126
Additions to Property, Plant and Equipment	**$88,277**	$67,546	$31,516



TRADING RANGE OF COMMON SHARES

The common shares are traded on The Toronto Stock Exchange and the American Stock Exchange. As of December 31, 1980, there were 3,000 record holders of common shares and 20,553,513 shares outstanding. The following is the trading range, as reported by each of these exchanges, during the past two years after giving effect to the three-for-one split on November 13, 1979:

		Toronto Stock Exchange ($Cdn)		American Stock Exchange ($U.S.)	
		High	Low	High	Low
1979	First Quarter	8.83	6.33	7.42	5.33
	Second Quarter	15.00	8.08	12.67	7.16
	Third Quarter	16.50	12.33	13.83	10.53
	Fourth Quarter	15.83	10.75	13.42	9.50
1980	First Quarter	17.00	11.50	14.50	9.25
	Second Quarter	16.13	11.50	14.00	9.75
	Third Quarter	15.50	12.75	13.50	10.88
	Fourth Quarter	15.50	12.63	13.00	10.13



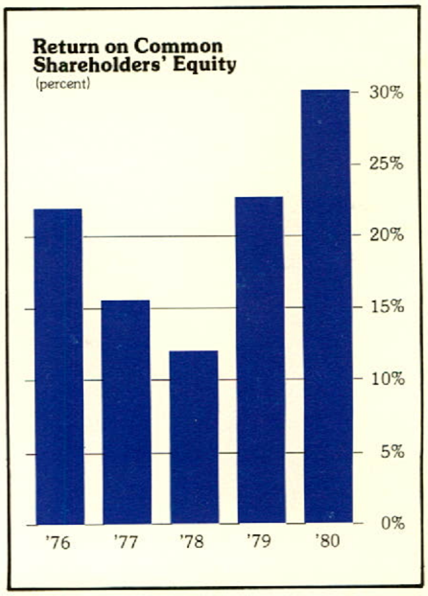
DIVIDENDS

The Company has paid the following quarterly dividends on its common shares during the past two years (after giving effect to the three-for-one split):

Payment Date		Record Date	Amount (Cdn. Funds)
1979	January 1	December 1, 1978	4.83¢
	April 1	March 7, 1979	4.83¢
	July 1	June 8, 1979	4.83¢
	October 1	September 7, 1979	4.83¢
1980	January 1	December 3, 1979	6.0¢
	April 1	March 3, 1980	6.0¢
	July 1	June 6, 1980	6.0¢
	October 1	September 5, 1980	7.5¢
1981	January 1	December 5, 1980	7.5¢

In February, 1981, the Board of Directors increased the regular quarterly dividend on the common shares to 9 cents per share, payable April 1, 1981 to shareholders of record on March 4, 1981. The Company expects to continue the payment of regular quarterly dividends on its common shares.

The Income Tax Act of Canada requires that the Company deduct a withholding tax from all dividends remitted to non-residents. In accordance with the Canada-United States Tax Treaty, the withholding tax is 15% on dividends remitted by the Company to residents of the United States.



Management's Responsibility for Financial Statements

The management of CanadianOxy is responsible for the integrity of the financial data reported by the Company and its subsidiaries. Fulfilling this responsibility requires the preparation and presentation of financial statements and other data in accordance with generally accepted accounting principles which are consistently applied in all material respects. Management uses internal accounting controls, offers guidance through corporate-wide policies and procedures and exercises its best judgement in order that such statements reflect fairly the consolidated financial position, results of operations and changes in financial position of the Company.

In order to gather and control financial data, Canadian Occidental has established accounting and reporting systems supported by internal controls and an extensive internal audit program. In establishing systems of internal control, management weighs the cost of such systems against the benefits that it believes can be derived. Management believes that its internal controls provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements and other data, and maintaining accountability for assets.

Arthur Andersen & Co., chartered accountants, have been engaged to examine CanadianOxy's financial statements as of December 31, 1980 and 1979, and for the years ended December 31, 1980, 1979 and 1978. Their report, which is included herein, is based on procedures considered by them to be sufficient to provide reasonable assurance that the financial statements are not materially misleading and do not contain material errors.

The audit committee of the board of directors is responsible for reviewing and monitoring the Company's financial reports and accounting practices to ascertain that they are within acceptable limits of sound practice in such matters. With the exception of Mr. Robert S. MacAlister, Chairman of the Board, President and Chief Executive Officer, the membership of the committee consists of outside directors. At periodic meetings, the audit committee discusses audit and financial reporting matters with representatives of financial management, the internal auditors and Arthur Andersen & Co.

On behalf of Management

Robert S. MacAlister
Chairman, President and Chief Executive Officer

David Bertram,
Senior Vice President,
Finance and Administration
and Chief Financial Officer

March 9, 1981

Auditors' Report

To the Shareholders of
Canadian Occidental Petroleum Ltd.:

We have examined the consolidated balance sheet of Canadian Occidental Petroleum Ltd. (a Canada corporation) and Subsidiary Companies as of December 31, 1980 and 1979, and the related consolidated statements of income, shareholders' equity and changes in financial position for the three years ended December 31, 1980. 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, the accompanying consolidated financial statements present fairly the financial position of Canadian Occidental Petroleum Ltd. and Subsidiary Companies as of December 31, 1980 and 1979, and the results of their operations and the changes in their financial position for the three years ended December 31, 1980, in accordance with generally accepted accounting principles, which, except for the change (with which we concur) in accounting for capitalized interest cost described in Note 1, were applied on a consistent basis.

Calgary, Alberta
February 5, 1981

Arthur Andersen & Co.,
Chartered Accountants

CANADIAN OCCIDENTAL PETROLEUM LTD.
and Subsidiary Companies

Consolidated Statement of Income

For the Three Years Ended December 31, 1980

	1980	1979	1978
		(Amounts in thousands)	
REVENUES (Notes 9 and 10)			
Net sales	**$188,640**	$124,298	$86,661
Interest and other	**1,452**	1,913	5,771
	190,092	126,211	92,432
COSTS AND EXPENSES (Notes 9, 10, 11 and 12)			
Cost of products sold	**81,441**	62,055	45,496
Selling, administrative and other operating expenses	**11,307**	8,828	6,499
Exploration expenses	**11,683**	8,224	11,131
Depreciation	**3,997**	3,986	3,348
Depletion and amortization	**17,999**	8,225	3,427
Interest expense (Note 4)	**7,448**	864	206
Less interest capitalized (Note 1)	**(3,717)**	—	—
Loss on partial retirement of plant	**—**	—	796
	130,158	92,182	70,903
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	**59,934**	34,029	21,529
INCOME TAXES (Note 5)			
Current	**7,376**	12,187	9,087
Deferred	**22,238**	1,920	(991)
	29,614	14,107	8,096
INCOME BEFORE EXTRAORDINARY ITEM	**30,320**	19,922	13,433
EXTRAORDINARY ITEM (Note 13)	**—**	893	—
NET INCOME	**$ 30,320**	$ 20,815	$13,433
EARNINGS PER COMMON SHARE (Note 7)			
Before extraordinary item	**$ 1.34**	$ 0.77	$ 0.45
Extraordinary item	**—**	0.04	—
Net income	**$ 1.34**	$ 0.81	$ 0.45
FULLY DILUTED EARNINGS PER COMMON SHARE (Note 7)			
Before extraordinary item	**$ 1.30**	$ 0.77	$ 0.45
Extraordinary item	**—**	0.04	—
Net income	**$ 1.30**	$ 0.81	$ 0.45

The accompanying Notes and Statement of Significant Accounting Policies are an integral part of this Statement.

CANADIAN OCCIDENTAL PETROLEUM LTD.
and Subsidiary Companies

Consolidated Balance Sheet

December 31, 1980 and 1979

ASSETS

	1980	1979
	(Amounts in thousands)	
CURRENT ASSETS		
Cash and term deposits	**$ 2,691**	$ 1,970
Accounts receivable	**35,529**	28,101
Income taxes refundable	**3,666**	—
Inventories and supplies (Note 2)	**26,930**	19,568
Prepaid expenses	**615**	670
Total current assets	**69,431**	50,309
INVESTMENT IN PETROGAS PROCESSING LTD.	**7,980**	7,772
PROPERTY, PLANT AND EQUIPMENT, at cost less accumulated depreciation, depletion and amortization of $85,939 in 1980 and $64,693 in 1979 (Note 3)	**221,599**	158,028
OTHER ASSETS		
Deferred financing costs	**2,430**	—
Deferred foreign exchange costs	**847**	1,067
Other	**632**	1,534
	3,909	2,601
	$302,919	$218,710

The financial statements on pages 31 to 44, including the notes and statement of significant accounting policies thereto, have been reviewed by the audit committee of the board of directors, the majority of whom are outside directors, with management and the external auditors, and have been approved by the board of directors on the recommendation of the audit committee.

APPROVED ON BEHALF OF THE BOARD:

R. L. Ryan Hunter, Director

B. Petersen, Director

LIABILITIES AND SHAREHOLDERS' EQUITY

	1980	1979
	(Amounts in thousands)	
CURRENT LIABILITIES		
Bank loans (Note 4)	**$ 3,747**	$ —
Accounts payable and accrued liabilities	**34,174**	18,888
Payable to affiliates	**1,093**	11,028
Income taxes payable	**—**	2,217
Dividends payable	**2,085**	2,297
Current portion of long-term debt (Note 4)	**3,492**	2,431
Total current liabilities	**44,591**	36,861
LONG-TERM DEBT (Note 4)	**92,474**	42,194
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes (Note 5)	**38,259**	16,022
Deferred revenue	**3,159**	—
Other	**710**	—
	42,128	16,022
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)		
Preferred shares		
Series A	**—**	7,419
Series B	**—**	10,500
Class A preferred shares		
First series	**21,873**	25,000
Common shares		
Issued and outstanding: 20,553,513 shares in 1980 and 20,490,774 shares in 1979	**6,931**	6,830
	28,804	49,749
Contributed surplus	**20,559**	20,363
Retained earnings	**74,363**	53,521
Total shareholders' equity	**123,726**	123,633
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)		
	$302,919	$218,710

The accompanying Notes and Statement of Significant Accounting Policies are an integral part of this Balance Sheet.

CANADIAN OCCIDENTAL PETROLEUM LTD.
and Subsidiary Companies

Consolidated Statement of Changes in Financial Position

For the Three Years Ended December 31, 1980

	1980	1979	1978
		(Amounts in thousands)	
WORKING CAPITAL WAS PROVIDED BY:			
Operations —			
Income before extraordinary item	**$ 30,320**	$ 19,922	$13,433
Add: Amounts not requiring an outlay of working capital —			
Depreciation, depletion and amortization	**21,996**	12,211	6,775
Deferred income taxes	**22,238**	1,920	(991)
Prior years' drilling expenditures written off in the current year	**2,452**	1,660	5
(Profit) loss on sale of fixed assets	**(11)**	(378)	862
Other	**513**	1,026	(536)
Working capital generated from operations	**77,508**	36,361	19,548
Proceeds from —			
Long-term debt net of financing costs	**72,719**	26,500	—
Redemption of Petrogas Processing Ltd. debentures	**—**	—	1,298
Sale of property, plant and equipment	**532**	1,429	247
Deferred revenue	**3,159**	—	—
Other	**1,008**	646	646
Reclassification of debt from current to long-term	**—**	5,233	—
	154,926	70,169	21,739
WORKING CAPITAL WAS USED FOR:			
Additions to property, plant and equipment	**88,277**	67,546	31,516
Reduction in long-term debt	**24,720**	2,142	8,588
Dividends	**8,252**	8,481	21,351
Redemption of preferred shares	**22,258**	—	—
Other	**27**	146	1,742
	143,534	78,315	63,197
INCREASE (DECREASE) IN WORKING CAPITAL	**$ 11,392**	$(8,146)	$(41,458)
Increase (Decrease) in Current Assets —			
Cash and term deposits	**$ 721**	$(20,467)	$(34,985)
Accounts receivable	**7,428**	7,556	8,402
Income taxes refundable	**3,666**	—	—
Inventories and supplies	**7,362**	6,043	9,187
Prepaid expenses	**(55)**	124	183
	19,122	(6,744)	(17,213)
Increase (Decrease) in Current Liabilities —			
Bank loans	**3,747**	—	—
Accounts payable and accrued liabilities	**15,286**	6,639	5,076
Payable to affiliates	**(9,935)**	1,231	9,797
Income taxes payable	**(2,217)**	465	327
Dividends payable	**(212)**	246	87
Current portion of long-term debt	**1,061**	(7,179)	8,958
	7,730	1,402	24,245
INCREASE (DECREASE) IN WORKING CAPITAL	**11,392**	(8,146)	(41,458)
WORKING CAPITAL — Beginning of year	**13,448**	21,594	63,052
WORKING CAPITAL — End of year	**$ 24,840**	$ 13,448	$21,594

The accompanying Notes and Statement of Significant Accounting Policies are an integral part of this Statement.

CANADIAN OCCIDENTAL PETROLEUM LTD.
and Subsidiary Companies

Consolidated Statement of Shareholders' Equity

For the Three Years Ended December 31, 1980

	Preferred Shares	Common Shares	Contributed Surplus	Retained Earnings
		(Amounts in thousands)		
BALANCES, December 31, 1977	$42,919	$6,781	$32,757	$36,176
Common shares issued	—	24	230	—
Net income	—	—	—	13,433
Common share dividends (Note 8)	—	—	(12,929)	(4,147)
Preferred share dividends	—	—	—	(4,275)
BALANCES, December 31, 1978	42,919	6,805	20,058	41,187
Common shares issued	—	25	305	—
Net income	—	—	—	20,815
Common share dividends	—	—	—	(4,195)
Preferred share dividends	—	—	—	(4,286)
BALANCES, December 31, 1979	**42,919**	**6,830**	**20,363**	**53,521**
Common shares issued	**—**	**101**	**182**	**—**
Net income	**—**	**—**	**—**	**30,320**
Redemption of preferred shares (Note 6)	**(21,046)**	**—**	**14**	**(1,226)**
Common share dividends	**—**	**—**	**—**	**(5,543)**
Preferred share dividends	**—**	**—**	**—**	**(2,709)**
BALANCES, December 31, 1980	**$21,873**	**$6,931**	**$20,559**	**$74,363**

The accompanying Notes and Statement of Significant Accounting Policies are an integral part of this Statement.

Statement of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Canadian Occidental Petroleum Ltd. and its Subsidiary Companies, all of which are wholly-owned. All intercompany accounts and transactions have been eliminated on consolidation.

The investment in Petrogas Processing Ltd. (30.9 percent) is accounted for on the equity basis. Petrogas Processing Ltd., which is operated by the Company, owns the plant and other facilities for the processing of gas from the Crossfield field. The processing costs are recovered through a service charge to the producers. Canadian Occidental, being a producer, allocates its share of the service charge as a cost of the natural gas sold and sulphur recovered. Canadian Occidental's share of these earnings is deducted in calculating "cost of products sold" in the Consolidated Statement of Income and does not materially change "cost of products sold".

Substantially all of the Company's exploration and production activities related to oil and gas are conducted jointly with others and accordingly, the accounts reflect only the Company's proportionate interest in such activities.

Inventories and Supplies

Inventories and supplies are stated at the lower of cost or market. Cost is determined on a FIFO (first-in, first-out) or average basis.

Depreciation

Depreciation of plant and equipment, excluding items related to oil and gas properties, is provided using the straight-line method based on estimated useful lives. Rates of 2 to 3 percent per annum are used to depreciate chemical plant administration buildings, and 5 to 6½ percent are used for chemical plants and equipment.

Property additions and major improvements and betterments are capitalized at cost. Maintenance and repairs are charged to expense as incurred. Upon the retirement of plant and equipment, the cost, net of salvage value or proceeds from sale, is charged or credited to accumulated depreciation; except upon disposal of an entire property unit, in which case the gain or loss is recorded in the Consolidated Statement of Income.

Oil and Gas

Oil and Gas properties are accounted for on the successful efforts method.

Under this method, lease acquisition costs are capitalized and lease carrying costs are expensed. The capitalized costs of significant undeveloped leases are reviewed at least annually and, when necessary, a provision for impairment is made to earnings based on drilling and other available data. Other undeveloped lease costs are aggregated and a regular amortization charge is made to earnings based on the approximate average lease term. When undeveloped leases are surrendered the original costs are charged against the accumulated provision. The cost of undeveloped leases which become productive is transferred to a proven property account and depleted on the unit-of-production method based on estimated proved reserves of oil and gas.

Geological and geophysical costs are expensed as incurred and the cost of unsuccessful exploratory wells is written off at the time of abandonment.

Costs of drilling and equipping successful exploratory wells together with all development wells and related facilities are capitalized, and depletion and depreciation are calculated on the unit-of-production method based on estimated proved developed reserves of oil and gas.

Minerals Exploration Costs

Minerals exploration costs are capitalized as incurred and a regular amortization charge is made. When a complete project is abandoned, the capitalized cost is charged to the accumulated amortization. As projects are proven the capitalized costs will be depleted on the unit-of-production method using the estimated recoverable mineral reserves.

Capitalized Interest

Interest incurred during the construction period of major projects is capitalized and amortized over the depreciable life of the asset after it is placed into service. (Note 1).

Deferred Financing Costs

Deferred financing costs are amortized over the terms of the related financing agreements.

Deferred Revenue

Deferred revenue represents proceeds received from gas purchasers for gas which has not yet been delivered or for deliveries in excess of contract amounts. This revenue will be recognized when the gas is delivered or the overshipments are drawn down in future periods.

Income Taxes

The tax-allocation basis of accounting is used with respect to all differences between the time when costs and revenues are recognized for tax purposes and when they are recorded in the Consolidated Statement of Income. Investment tax credits are recorded as a reduction of income tax expense in the year in which they are deemed to be utilized.

Foreign Currency Translations

Accounts denominated in foreign currency are translated as follows:

(a) Current assets (except for inventory and prepaid expenses), current liabilities and long-term debt at the year-end exchange rates.

(b) Inventory, prepaid expenses, property, plant and equipment, other assets and deferred taxes at historical rates.

(c) Revenue and expense items at the monthly average rate of exchange during the year except for depreciation, depletion and amortization which are at historical rates.

(d) Unrealized gains or losses related to long-term debt are deferred and amortized over the life of the debt. All other gains or losses are included in income.

Reconciliation With U.S. Generally Accepted Accounting Principles

The Consolidated Financial Statements have been prepared in Canadian dollars and in conformity with generally accepted accounting principles in Canada. The only material differences between the accounting principles used and U.S. generally accepted accounting principles are as follows:

(1) In the Consolidated Financial Statements the gain or loss resulting from the conversion of foreign long-term debt into Canadian dollars has been amortized over the life of the debt. If the gains or losses had been calculated in accordance with U.S. generally accepted accounting principles foreign exchange gains of $81,000, $100,000 and $1,007,000 would have been recorded in 1980, 1979 and 1978, respectively.

(2) In the Consolidated Financial Statements redeemable preferred shares have been included as part of "Shareholders' Equity". Under U.S. generally accepted accounting principles redeemable preferred shares in the amount of $21,873,000 as at December 31, 1980 and $42,919,000 as at December 31, 1979 and 1978 would have been disclosed as a separate item in the Consolidated Balance Sheet separate from common shareholders' equity.

Notes to Consolidated Financial Statements

(Tabular amounts shown in thousands of dollars, except for per share amounts)

1. CHANGE IN ACCOUNTING POLICIES

In the fourth quarter of 1980 the Company changed its policy regarding capitalization of interest on major construction projects to coincide with the rules specified by the Financial Accounting Standards Board in the United States in its Statement of Accounting Standards Number 34 which was published in October 1979.

Under this policy the Company capitalizes interest on all qualifying assets using either the interest rate on borrowings specifically associated with the asset or, if no such specific borrowings exist, the weighted average interest rate on all borrowings of the Company. Previously, interest costs were capitalized during the construction phase only if specific borrowings were associated with the project.

This policy was applied retroactively to January 1, 1980. The results of operations for 1979 and 1978 have not been restated for this change since the difference in net income was not material. The effect of this change in 1980 is to increase net income by $2,617,000 or $0.13 per share.

2. INVENTORIES AND SUPPLIES

Current inventories and supplies as of December 31, 1980 and 1979 are comprised of the following:

	1980	1979
Inventories:		
Finished products	**$ 3,056**	$ 2,540
Raw materials	**4,007**	2,529
Work in process	**720**	908
	7,783	5,977
Supplies:		
Canada	**2,738**	1,857
Peru	**13,746**	10,315
Bolivia	**2,551**	1,294
Colombia	**112**	125
	19,147	13,591
	$26,930	$19,568

3. PROPERTY, PLANT AND EQUIPMENT

	1980		1979	
	Cost	**Accumulated Depreciation, Depletion and Amortization**	**Cost**	**Accumulated Depreciation, Depletion and Amortization**
Chemical operations	**$ 55,954**	**$34,639**	$ 51,620	$31,526
Minerals exploration	**10,488**	**4,172**	4,921	2,217
Oil and gas operations				
Canada	**68,326**	**25,923**	49,643	23,462
United States	**79,074**	**15,278**	67,344	6,131
Peru	**84,823**	**5,927**	46,618	1,357
Bolivia	**8,873**	**—**	2,575	—
	$307,538	**$85,939**	$222,721	$64,693

4. LONG-TERM DEBT

	1980	1979
Revolving credit loans, unsecured (a)	**$ 5,000**	$26,500
Advance payments, interest free (b) —		
Offshore Louisiana ($3,640,000 U.S. as of December 31, 1980 and $4,760,000 U.S. as of December 31, 1979)	**4,326**	5,594
Offshore Texas ($9,794,000 U.S. as of December 31, 1980 and $10,663,000 U.S. as of December 31, 1979)	**11,640**	12,531
Convertible subordinated debentures (c)	**75,000**	—
	95,966	44,625
Amount due within one year, included in current liabilities (d)	**3,492**	2,431
	$92,474	$42,194

(a) By agreement dated November 30, 1979 and subsequent amendment dated March 10, 1980, the Company entered into a five year revolving credit agreement with a Canadian chartered bank under which the Company may borrow up to $80 million Canadian or U.S. during the first three and one-half years, at fluctuating interest rates varying with changes in the interest rates in effect from time to time depending on the currency and nature of the loans. The line of credit will be reduced in four approximately equal semi-annual amounts commencing May 1983. The amounts outstanding at December 31, 1980 and December 31, 1979 were in Canadian dollars at interest rates of 18.25% and 15% respectively.

(b) Two pipeline companies have advanced funds to cover exploration and development of the U.S. Gulf Coast offshore leases in return for the exclusive right to purchase the Company's share of natural gas production. The repayment of these advances has been guaranteed by Hooker Chemical Corporation. The offshore Texas advance is repayable over a five year period from the date of first production which occurred in August 1978. Under the original terms of the offshore Louisiana advance the full amount of the advance became due and payable if production did not commence by April 1979. At December 31, 1978, production was not expected to commence by April 1979 and accordingly the advance was included in current liabilities. The unused portion of the offshore Louisiana advance in the amount of $1,400,000 U.S. was repaid in April 1979. The balance was renegotiated at that time and is repayable over a five year period which commenced in April 1979. Accordingly the balance of the advance was reclassified to long-term debt as at December 31, 1979.

(c) On October 17, 1980 the Company issued $75 million 10% Convertible Subordinated Debentures with a maturity date of September 30, 2000.

The debentures are convertible on and after February 5, 1981 and up to the close of business on September 30, 1990 into common shares on the following basis: if converted on or before September 30, 1985 at $14.75 per share; if converted thereafter at $16.75 per share.

The debentures are not redeemable before September 30, 1983. They are redeemable prior to September 30, 1985, only if certain specified conditions are met.

The debentures are subject to mandatory and optional sinking fund requirements commencing September 30, 1991 and they contain restrictions against payment of dividends or other capital distributions, other than the existing preferred shares, which would reduce Consolidated Shareholders' Equity below $85 million.

(d) Minimum principal payments on the long-term debt for the five years after December 31, 1981 are $6,236,000 in 1982, $5,905,000 in 1983, $5,333,000 in 1984, and NIL in 1985 and 1986.

(e) The debt of the Company as at December 31, 1980 and 1979 did not contravene any of the borrowing restrictions placed on the Company.

(f) Interest expense on long-term debt amounted to $6,168,000, $864,000 and $206,000 for 1980, 1979 and 1978 respectively.

(g) In addition to the long-term debt described herein, the Company has available short-term lines of credit with other Canadian financial institutions in the amount of $57 million Canadian, of which $53 million is unused.

5. INCOME TAXES

The Canadian and foreign components of income and taxes thereon were as follows:

	1980	1979	1978
Income after extraordinary items (gross) and before income taxes			
Canadian	**$37,869**	$35,073	$27,110
Foreign	**22,065**	19	(5,581)
	59,934	35,092	21,529
Income Taxes			
Current			
Canadian	**7,369**	10,689	9,087
Foreign	**7**	1,668	—
	7,376	12,357	9,087
Deferred			
Canadian	**4,918**	(159)	(1,581)
Foreign	**17,320**	2,079	590
	22,238	1,920	(991)
Total			
Canadian	**12,287**	10,530	7,506
Foreign	**17,327**	3,747	590
	29,614	14,277	8,096
Net Income	**$30,320**	$20,815	$13,433
Income tax expense is included in the consolidated financial statements as follows:			
Taxes on income before extraordinary items	**$29,614**	$14,107	$ 8,096
Taxes on extraordinary items	**—**	170	—
	$29,614	$14,277	$ 8,096

The following table reconciles the difference between the income tax expense recorded and the expected tax expense obtained by applying the expected tax rate to income before income taxes.

	1980		1979		1978	
	Amount	**% of Pre-Tax Income**	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Expected tax expense	**$29,368**	**49.0**	$16,674	49.0	$10,549	49.0
Effect on taxes from:						
Royalties, rentals and similar payments to provincial governments	**4,208**	**7.0**	3,289	9.7	2,694	12.5
Depletion allowance on oil and gas income	**(1,083)**	**(1.8)**	(1,407)	(4.1)	(821)	(3.8)
Resource allowance and provincial tax rebates	**(4,714)**	**(7.9)**	(3,795)	(11.2)	(2,819)	(13.1)
Corporate surtax	**564**	**1.0**	—	—	—	—
Higher tax rate on foreign operations	**3,603**	**6.0**	585	1.7	—	—
Reduced rate of tax on manufacturing and processing income	**(1,156)**	**(1.9)**	(776)	(2.3)	(773)	(3.6)
Equity in earnings of affiliate	**(102)**	**(0.2)**	151	0.4	(364)	(1.7)
Other	**(1,074)**	**(1.8)**	(614)	(1.8)	(370)	(1.7)
Income tax expense recorded	**$29,614**	**49.4**	$14,107	41.4	$ 8,096	37.6

Deferred income tax balances arise primarily from differences in the treatment for statement purposes compared to statutory treatment for tax purposes with respect to exploration and development expenses and depreciable fixed assets. The amount of deferred income tax expense related to these various timing differences is as follows:

	1980	1979	1978
Exploration and development expenses	**$20,409**	$1,512	$(780)
Depreciable fixed assets	**(12)**	10	(597)
Other	**1,841**	398	386
	$22,238	$1,920	$(991)

As a result of current and previous years' exploration activities in Bolivia, Colombia, Indonesia and the Philippines the Company has accumulated foreign exploration and development credits which are available to offset future foreign or Canadian source income of the Subsidiary Company which has accumulated the credits. The Company has recorded deferred tax debits amounting to $5,876,000 as a result of these expenditures. It is the Company's intention to utilize the foreign exploration and development credits to offset future taxable income generated from the Bolivia gas/condensate discovery or other Canadian source income.

6. CAPITAL STOCK

(a) Continuance under the Canada Business Corporations Act

The Company was continued under the Canada Business Corporations Act on June 4, 1980. As a consequence, the Common Shares of the Company have been changed from 45,000,000 authorized shares with a par value of 33⅓¢ to an unlimited number of authorized shares without par value. The Class A Preferred Shares have been changed from 1,000,000 authorized shares with a par value of $25 to an unlimited number of authorized shares without par value.

(b) Preferred Shares

Issued and outstanding:
Series A — 300,000 shares in 1979
Series B — 420,000 shares in 1979

On March 10, 1980 the Company purchased for cancellation all of the 300,000 outstanding 9.25% Cumulative Preferred Shares, Series A (U.S.$) having an aggregate par value of $7,500,000 U.S. The Canadian dollar equivalent amounted to $8,645,000 on the redemption date and $7,419,000 on the original issue date of December 18, 1974. A foreign exchange loss on redemption of $1,226,000 has been charged directly to Retained Earnings.

On March 10, 1980 the Company also purchased for cancellation 4,000 shares of the 9.25% Cumulative Preferred Shares, Series B (Cdn. $) having an aggregate par value of $100,000. All of the remaining 416,000 9.25% Cumulative Preferred Shares, Series B, having an aggregate par value of $10,400,000 were subsequently redeemed by the Company on April 11, 1980.

(c) Class A Preferred Shares

First Series
Issued and outstanding:
874,900 shares in 1980 and 1,000,000 shares in 1979

The 10% Cumulative Redeemable Class A Preferred Shares, First Series, with dividends payable quarterly, are not redeemable by the Company before January 1, 1982, except in certain limited circumstances. Thereafter the 10% Class A Preferred Shares are redeemable at the option of the Company at prices which begin at $26.25 per share plus all accrued and unpaid dividends and which decline annually until 1987, when the Class A Preferred Shares may be redeemed at $25 per share. During each calendar quarter, commencing October 1, 1977, the Company is obligated to purchase for cancellation in the open market, if available, 12,500 Class A Preferred Shares at a price not exceeding $25 plus cost of purchase. Should this obligation not be satisfied in any calendar quarter it will continue through the next seven calendar quarters but not thereafter. In satisfaction of this obligation the Company purchased 125,100 Class A Preferred Shares, First Series during 1980 at a price not exceeding $25 plus cost of purchase.

(d) Convertible Debentures

The Company has reserved 5,084,745 common shares for issuance upon conversion of the 10% Convertible Subordinated Debentures.

(e) Stock Options

Options to purchase common shares of the Company have been granted to certain officers and employees. Under the stock option plan, options granted are contingent upon continued employment and are exercisable on a cumulative basis over a period of five years from the date of the grant.

At December 31, 1980, 1979 and 1978, options to purchase 298,690, 304,129 and 261,879 common shares, respectively, were outstanding at exercise prices from \$4.917 to \$14.625, \$3.293 to \$13.625 and \$2.333 to \$6.167 per share, respectively. At December 31, 1980, 26,075 common shares were reserved for the granting of additional options and options for 128,515 shares were exercisable at prices from \$4.917 to \$13.625 per share. During 1980, 1979 and 1978 options for 64,959, 76,350 and 72,903 common shares, respectively, were exercised at prices from \$3.293 to \$13.625, \$2.333 to \$6.167 and \$2.333 to \$6.00 per common share, respectively.

The following summarizes the stock option transactions:

	1980	1979	1978
Options outstanding — beginning of year	**304,129**	261,879	298,842
Granted	**66,000**	124,300	45,000
Exercised	**(64,959)**	(76,350)	(72,903)
Cancelled	**(6,480)**	(5,700)	(9,060)
Options outstanding — end of year	**298,690**	304,129	261,879

7. EARNINGS PER COMMON SHARE

Net income per common share is based on the weighted average number of shares outstanding of 20,534,024, 20,455,124 and 20,371,734 in 1980, 1979 and 1978, respectively, and after deducting dividends on the preferred shares which were \$2,709,000, \$4,286,000 and \$4,275,000 in 1980, 1979 and 1978, respectively.

Fully diluted earnings per share were determined on the assumption that all outstanding convertible debentures and stock options had been converted or exercised.

8. TAX DEFERRED DIVIDENDS

In October 1978 a special tax deferred dividend of \$209,000 or \$.01 per share was paid out of Undistributed Income and has been charged to Retained Earnings in the Consolidated Statement of Shareholders' Equity. In December 1978 a special tax deferred dividend of \$12,929,000 or \$.633 per share was paid out of 1971 Capital Surplus On Hand. As this dividend represented a return of capital to the shareholders, it was charged against Contributed Surplus in the Consolidated Statement of Shareholders' Equity.

9. INTERCOMPANY TRANSACTIONS

Occidental Petroleum Corporation ("Occidental") and subsidiaries render technical, administrative and marketing services of a routine nature to the Company and its subsidiaries and receives royalties and licence fees on production processes. In addition, specialized services (engineering and technical consultation for new construction, modifications and process improvements) are also rendered. As operator of the foreign joint ventures outside North America, Occidental incurs normal head office costs associated with managing the joint ventures which cannot be specifically indentified and charged to the projects. Based on the terms of the various joint venture agreements Occidental charges the projects with these indirect costs and the Company, as a participant in the joint ventures, absorbs a portion of these indirect costs.

The Company, through a credit line agreement, charges Occidental with the interest differential between 5½% and the cost of certain of its liabilities. The principal amount on which this is based varies from time to time and is directly related to an amount the Company could otherwise borrow from Occidental at 5½%. The interest charged to Occidental is reflected in the accounts as a reduction in the Company's interest costs.

The chemical operations of the Company periodically purchase product and equipment from and sell product to Hooker Chemical Corporation (a subsidiary of Occidental). These purchases and sales are at competitive prices.

The following table outlines the charges from (charges to) Occidental and subsidiaries:

	1980	1979	1978
Advisory and counselling services	**\$ 761**	\$ 460	\$ 555
Specialized services	**187**	132	141
Interest differential	**(179)**	(142)	(110)
Purchases	**6,422**	5,083	4,566
Sales	**(3,921)**	(1,567)	(1,118)
Operator's charges	**1,970**	938	844

10. FOREIGN EXCHANGE

Foreign exchange losses for 1980 and 1979 amounted to \$139,000 and \$618,000 respectively and are included in "selling, administrative and other operating expenses" in the Consolidated Statement of Income. For 1978, foreign exchange gains amounted to \$591,000 and are included in "interest and other" in the Consolidated Statement of Income.

11. EMPLOYEE PENSION PLAN

The Company has a non-contributory pension plan which covers all employees. Past service costs are being funded over a fifteen year period. The unfunded amount was estimated to be $1,757,000, $732,000 and $795,000 at December 31, 1980, 1979 and 1978, respectively. Pension costs included in the Consolidated Statement of Income were $1,193,000, $741,000 and $686,000 in 1980, 1979 and 1978, respectively.

The actuarial present value of accumulated plan benefits and the net assets of the plan available for plan benefits as of June 30, 1980 and 1979 were as follows:

	1980	1979
Actuarial value of accumulated plan benefits		
Vested	**$4,098**	$2,225
Non-vested	**112**	751
	$4,210	$2,976
Assumed rate of return used to calculate actuarial value of plan benefits	**7.0%**	5.5%
Net assets available for plan benefits	**$6,971**	$5,121

12. COMMITMENTS AND CONTINGENT LIABILITIES

(a) **Lease Commitments**

Various operating, transportation and office facilities are leased to the Company under lease contracts, none of which are treated as capital leases. A portion of the minimum annual rental payments is recovered by charges to or credits from third parties and is treated as a reduction of the lease expense. The minimum rental payments for 1978, 1979, 1980 and subsequent years are summarized below (excluding oil and gas and mineral leases).

	1978	**1979**	**1980**	**1981**	**1982**	**1983**	**1984**	**1985**	**Remainder**
Minimum Rental Payment	$2,469	$2,618	$3,502	$3,761	$3,220	$2,597	$2,006	$1,531	$4,782

(b) **Other Contingencies and Commitments**

At December 31, 1980, commitments made for major capital expenditures, primarily on the development projects in Peru and Bolivia totalled approximately $38 million.

The Company also has certain other contingent liabilities and commitments arising in the ordinary course of business. In the opinion of the management of Canadian Occidental, such contingent liabilities and commitments will not result in any significant financial liability to the Company.

13. EXTRAORDINARY ITEM

The extraordinary item of $893,000 in 1979 is net of tax of $170,000 and consists of a gain recorded on the sale of surplus land at North Vancouver.

14. BUSINESS SEGMENT INFORMATION

A. Information about the Company's Operations in Different Industries

	Oil & Gas			Minerals Exploration			Industrial & Other Chemicals		
	1980	1979	1978	**1980**	1979	1978	**1980**	1979	1978
Net sales	**$ 94,160**	$ 45,434	$ 25,940	**$ —**	$ —	$ —	**$94,480**	$78,864	$60,721
Operating profit (loss)	**47,555**	18,450	4,818	**(2,293)**	(1,280)	(1,226)	**21,415**	21,038	14,725
Identifiable assets	**251,196**	175,571	130,107	**6,840**	3,131	1,719	**42,691**	37,477	35,779
Depreciation, depletion and amortization	**16,316**	7,815	2,675	**2,098**	1,236	1,024	**3,351**	3,115	3,031
Additions to property, plant and equipment	**76,779**	62,480	28,003	**5,711**	2,299	893	**4,624**	2,644	2,406

The Company's Oil and Gas operations include the exploration for and development and production of oil, natural gas and sulphur. The Minerals division is engaged in the exploration for and evaluation of metallic mineral deposits. The Chemical operations consist of the manufacture and marketing of industrial chemicals (principally chlorine, caustic soda, sodium chlorate and muriatic acid), metal finishing chemicals and plastic resins and moulding materials. There are no significant intersegment sales.

B. Information about the Company's Operations in Different Geographic Areas

	Canada			United States			South America		
	1980	1979	1978	**1980**	1979	1978	**1980**	1979	1978
Net sales	**$141,448**	$111,272	$86,331	**$18,853**	$ 6,330	$ 330	**$ 28,339**	$ 6,696	$ —
Operating profit (loss) after income taxes	**27,262**	23,749	15,981	**4,182**	(178)	(583)	**3,379**	(1,351)	(3,732)
Identifiable assets	**129,164**	84,222	75,159	**67,174**	63,829	68,701	**104,389**	68,128	23,745

C. Reconciliation to Consolidated Statement of Income and Balance Sheet

	1980	1979	1978
Net sales	**$188,640**	$124,298	$ 86,661
Interest and other income	**1,452**	1,913	5,771
Total revenues	**$190,092**	$126,211	$ 92,432
Operating profit before income taxes	**$ 66,677**	$ 38,208	$ 18,317
Income taxes on segmented items	**(31,854)**	(15,988)	(6,651)
Operating profit after income taxes	**34,823**	22,220	11,666
Corporate expenses	**(3,613)**	(3,982)	(1,154)
Interest expense (net)	**(3,731)**	(864)	(206)
Interest income	**601**	667	4,572
Income tax on non-segmented items	**2,240**	1,881	(1,445)
Extraordinary item	**—**	893	—
Net income	**$ 30,320**	$ 20,815	$ 13,433
Identifiable assets	**$300,727**	$216,179	$167,605
Corporate assets	**2,192**	2,531	5,528
Total assets	**$302,919**	$218,710	$173,133

15. OIL AND GAS COSTS AND REVENUES

a. Capitalized costs relating to oil and gas producing activities and related accumulated depreciation, depletion and amortization as at December 31, 1980 and 1979.

	Total		Canada		United States		Peru		Bolivia	
	1980	1979	**1980**	1979	**1980**	1979	**1980**	1979	**1980**	1979
Proved Properties:										
Lease exploration costs and lease and well equipment	**$212,465**	$146,692	**$42,011**	$32,471	**$76,758**	$65,028	**$84,823**	$46,618	**$8,873**	$2,575
Pipeline and terminals	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Gas plant	**1,694**	1,371	**1,694**	1,371	**—**	—	**—**	—	**—**	—
Other	**1,979**	954	**1,979**	954	**—**	—	**—**	—	**—**	—
	216,138	149,017	**45,684**	34,796	**76,758**	65,028	**84,823**	46,618	**8,873**	2,575
Unproved Properties:										
Lease exploration costs and lease and well equipment	**24,958**	17,163	**22,642**	14,847	**2,316**	2,316	**—**	—	**—**	—
Other	**—**	—	**—**	—	**—**	—				
	24,958	17,163	**22,642**	14,847	**2,316**	2,316	**—**	—	**—**	—
TOTAL PROPERTIES	**241,096**	166,180	**68,326**	49,643	**79,074**	67,344	**84,823**	46,618	**8,873**	2,575
LESS: Depreciation, depletion and amortization	**47,128**	30,950	**25,923**	23,462	**15,278**	6,131	**5,927**	1,357	**—**	—
NET PROPERTIES	**$193,968**	$135,230	**$42,403**	$26,181	**$63,796**	$61,213	**$78,896**	$45,261	**$8,873**	$2,575

b. The following tables set forth, by geographical areas, costs incurred relating to Canadian Occidental's oil and gas producing activities (whether capitalized or expensed):

	Total World-wide	Canada	United States	Peru	Bolivia	Colombia	Philip-pines	Indo-nesia
Year ended								
December 31, 1980:								
Property acquisition costs —								
Proved properties	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Unproved properties	**7,009**	**7,009**	**—**	**—**	**—**	**—**	**—**	**—**
Exploration costs	**17,611**	**15,949**	**282**	**—**	**51**	**1,334**	**(6)**	**1**
Development costs	**61,390**	**3,952**	**11,886**	**38,205**	**7,347**	**—**	**—**	**—**
Production costs	**15,713**	**6,994**	**1,562**	**7,157**	**—**	**—**	**—**	**—**
	$101,723	**$33,904**	**$13,730**	**$45,362**	**$7,398**	**$1,334**	**$ (6)**	**$ 1**
Provision for depreciation, depletion, amortization	**$ 16,316**	**$ 2,390**	**$ 9,356**	**$ 4,570**	**$ —**	**$ —**	**$ —**	**$ —**
Year ended								
December 31, 1979:								
Property acquisition costs —								
Proved properties	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unproved properties	2,122	2,122	—	—	—	—	—	—
Exploration costs	9,548	5,617	910	—	2,835	362	19	(195)
Development costs	57,491	4,361	13,164	39,966	—	—	—	—
Production costs	9,941	6,670	249	3,022	—	—	—	—
	$ 79,102	$18,770	$14,323	$42,988	$2,835	$ 362	$ 19	$ (195)
Provision for depreciation, depletion, amortization	$ 7,767	$ 2,869	$ 3,541	$ 1,357	$ —	$ —	$ —	$ —
Year ended								
December 31, 1978:								
Property acquisition costs —								
Proved properties	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unproved properties	2,530	2,530	—	—	—	—	—	—
Exploration costs	15,556	5,763	31	—	2,529	3,989	857	2,387
Development costs	21,094	4,711	9,731	6,652	—	—	—	—
Production costs	5,687	5,673	14	—	—	—	—	—
	$ 44,867	$18,677	$ 9,776	$ 6,652	$2,529	$3,989	$ 857	$2,387
Provision for depreciation, depletion, amortization	$ 2,642	$ 2,422	$ 220	$ —	$ —	$ —	$ —	$ —

Total exploration and property acquisition costs expensed for the years ended December 31, 1980, 1979 and 1978, approximated $9,231,000, $6,564,000 and $11,126,000 respectively.

c. The following table sets forth oil and gas net revenues for the three years ended December 31, 1980.

	Total	Canada	United States	Peru
1980	**$77,946**	**$39,975**	**$16,789**	**$21,182**
1979	35,493	25,738	6,081	3,674
1978	20,254	19,948	306	—

Net revenues are after royalty payments and lifting costs.

Supplementary Financial Information

(Unaudited)

Proved Developed and Undeveloped Reserves

The Company's net interests in quantities of proved developed and undeveloped reserves of crude oil, including condensate and natural gas liquids (in millions of barrels) and natural gas (in billions of cubic feet) and sulphur (in thousands of long tons) at December 31, 1980, 1979 and 1978 and changes in such quantities during 1980, 1979 and 1978 were as follows:

	Total			Canada			United States		Peru (1)		Bolivia	
	Oil	**Gas**	**Sulphur**	**Oil**	**Gas**	**Sulphur**	**Oil**	**Gas**	**Oil**	**Gas**	**Oil**	**Gas**
Proved developed and undeveloped reserves:												
Balance at December 31, 1978	3.9	242	1,930	3.1	202	1,930	0.8	40	—	—	—	—
Revisions of previous estimates	0.8	(15)	58	0.9	(17)	58	(0.1)	2	—	—	—	—
Extensions and discoveries	12.1	22	—	—	—	—	—	2	9.3	—	2.8	20
Production	(0.6)	(17)	(121)	(0.4)	(13)	(121)	—	(4)	(0.2)	—	—	—
Sales of proved reserves	—	—	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 1979	**16.2**	**232**	**1,867**	**3.6**	**172**	**1,867**	**0.7**	**40**	**9.1**	**—**	**2.8**	**20**
Revisions of previous estimates	**6.4**	**6**	**99**	**0.2**	**6**	**99**	**—**	**—**	**6.2**	**—**		
Extensions and discoveries	**0.6**	**19**	**—**	**0.4**	**14**	**—**	**0.2**	**5**	**—**	**—**	**—**	**—**
Production	**(1.8)**	**(18)**	**(108)**	**(0.4)**	**(12)**	**(108)**	**—**	**(6)**	**(1.4)**	**—**	**—**	**—**
Sales of proved reserves	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance at December 31, 1980	**21.4**	**239**	**1,858**	**3.8**	**180**	**1,858**	**0.9**	**39**	**13.9**	**—**	**2.8**	**20**
Proven Developed Reserves:												
December 31, 1978	3.8	192	1,930	3.1	159	1,930	0.7	33	—	—	—	—
December 31, 1979	9.0	178	1,862	3.5	140	1,862	0.7	38	4.8	—	—	—
December 31, 1980	**14.9**	**202**	**1,858**	**3.8**	**166**	**1,858**	**0.9**	**36**	**10.2**	**—**	**—**	**—**

Notes:

1. *Consists of reserves in Peru for which the Company is compensated pursuant to a service contract.*
2. *The reserves set forth are based on estimates prepared by D & S Consultants (1974) Ltd., in the case of Canada (other than estimates of reserves in the Crossfield field which were prepared by McDaniel and Associates Consultants Ltd.); Ryder Scott Company Petroleum Engineers, in the case of the United States; and DeGolyer and MacNaughton, in the case of Peru and Bolivia.*
3. *Since December 31, 1980, there has been no major discovery or other favorable or adverse event which has caused or might be expected to cause a significant change in the foregoing estimates of reserves.*

Estimated Future Net Revenues

The following tables summarize, as of December 31, 1980, the estimated future net revenues for proved reserves of oil and gas (including condensate, natural gas liquids and sulphur) as of that date and the present values of the estimated future net revenues as of December 31, 1980, 1979 and 1978, using a discount factor of 10%.

Future net revenues are computed by applying prices current at December 31, 1980 to the Company's share of estimated future production of proved oil and gas reserves net after royalties and less estimated future expenditures (based on current costs at such date) to be incurred in developing and producing proved reserves. The calculation assumes the continuation of existing economic conditions.

Prices at December 31, 1980 were used except where the sales contract included price escalation and except for the Peruvian reserves. Estimated future net revenues from the Company's share of the proved reserves for Peru are based upon the agreed upon basic service fee, as of December 31, 1980 of $18.96 (U.S.) per barrel adjusted based upon the estimated average daily production levels ranging from 100% of the basic fee up to 60,000 barrels per day to 80% of the basic fee in respect of production in excess of 80,000 barrels per day, as specified in the service contract.

Current costs are based on year-end 1980 values and include production costs, future development, abandonment, pipeline and other tariff costs. No deduction has been made for depreciation, depletion and amortization, Canadian or foreign taxes, indirect costs, corporate overhead or interest expense.

The calculation of the information in the following tables conforms with the instructions of the Securities and Exchange Commission. Other assumptions and conditions of equal validity could have been used and would give rise to substantially different results. Because the instructions incorporate assumptions without historical bases, creating questionable estimates, the Company recommends that reliance not be placed upon the estimates in making any judgement of the potential value of the Company's rights to recover the estimated reserves. Estimated future net revenues are not equivalent to estimated future results of operations.

Estimated Future Net Revenues for Proved Reserves as of December 31, 1980

(millions of Canadian Dollars)

	Canada		United States		South America (1)		Total	
	Dev.	Total	Dev.	Total	Dev.	Total	Dev.	Total
1981	28.3	28.3	13.9	12.4	20.3	(6.3)	62.5	34.4
1982	26.3	26.6	27.8	28.5	21.2	30.4	75.3	85.5
1983	26.6	27.2	20.0	22.4	19.4	36.6	66.0	86.2
Remainder	348.3	378.5	34.7	38.4	112.5	263.7	495.5	680.6
Total	429.5	460.6	96.4	101.7	173.4	324.4	699.3	886.7

Note:
1. *Includes reserves in Peru for which the Company is compensated pursuant to a service contract.*

	Canada		United States		South America (1)		Total	
	Dev.	Total	Dev.	Total	Dev.	Total	Dev.	Total
Dec. 31, 1978	94.3	105.1	42.0	45.1	—	—	136.3	150.2
Dec. 31, 1979	161.8	172.9	69.7	71.4	—	—	231.5	244.3
Dec. 31, 1980	**193.5**	**201.7**	**74.6**	**77.9**	**110.8**	**182.0**	**378.9**	**461.6**

Note:
1. *Includes reserves in Peru for which the Company is compensated pursuant to a service contract.*

SUPPLEMENTARY INFORMATION ON THE EFFECTS OF CHANGING PRICES

(Unaudited)

In September 1979, the Financial Accounting Standards Board in the United States issued Statement No. 33, "Financial Reporting and Changing Prices" which requires certain large publicly held companies to present supplementary information concerning the effects of changing prices on their financial statements.

The Statement requires that certain financial information reported in the primary financial statements be adjusted for the effects of changes in the purchasing power of the dollar (general inflation) and changes in specific prices of goods and services (current cost).

The user should be cautioned, however that the supplementary data is being presented on an experimental basis and is not intended as a precise measure of the effects of inflation on CanadianOxy.

The notes following the supplementary financial data are necessary for a clear understanding and assessment of the financial information presented.

Consolidated Statement of Operations Adjusted for Changing Prices For the Year Ended December 31, 1980

(In thousands of average 1980 dollars)

	As Reported in the Primary Financial Statements	As Adjusted for General Inflation	As Adjusted for Changes in Specific Prices
Net sales and other revenues	$190,092	$190,092	$190,092
Cost of sales (Note a)	81,441	80,557	81,658
Selling, administrative and other operating expenses	22,990	22,990	22,990
Depreciation, depletion and amortization (Note a)	21,996	30,768	41,504
Interest expense	3,731	3,731	3,731
Provision for income taxes (Note c)	29,614	29,614	29,614
Net Income	$ 30,320	$ 22,432	$ 10,595
Effective tax rate	49.4%	56.9%	73.7%
Purchasing power gain from holding net monetary items (Note b)		$ 6,736	$ 6,736
Increase in specific prices of inventory, plant and equipment			$ 88,448
Less effect of increase in general inflation			40,656
Excess of increase in specific prices over increase in general inflation			$ 47,792

Five-Year Comparison of Selected Financial Data Adjusted for Effects of Changing Prices

(in average annual dollars)

	Year ended December 31,				
	1980	**1979**	**1978**	**1977**	**1976**
	(in thousands, except per share and consumer price index data)				
Net sales and other revenue	**$190,092**	$126,211	$92,432	$75,155	$71,146
Historical cost information adjusted for general inflation:					
Net income	**22,432**	13,325	—	—	—
Earnings per common share (2)	**.96**	.44	—	—	—
Net assets at year-end (Note d)	**208,531**	178,371	—	—	—
Historical cost information adjusted for current costs:					
Net income	**10,595**	12,958	—	—	—
Earnings per common share (2)	**.38**	.42	—	—	—
Net assets at year-end	**319,232**	259,046	—	—	—
Increases or (decreases) in the current cost amounts of inventory and property, plant and equipment, net of inflation	**47,792**	34,138	—	—	—
Other information:					
Purchasing power gain from holding net monetary liabilities (Note b)	**6,736**	2,505	—	—	—
Cash dividends per common share	**.270**	.205	.836(1)	.180	.167
Market price per common share at year end	**15.375**	13.875	6.333	6.167	5.125
Average consumer price index	**210.6**	191.2	175.2	160.8	148.9

The accompanying notes are an integral part of this comparison.

(1) Includes special tax deferred dividends of $.643 per common share.

(2) Earnings per common share are after deducting dividends on the preferred shares which were $2,709,000 in 1980 and $4,286,000 in 1979.

Notes to Supplementary Information on the Effects of Changing Prices

(a) Basis of Preparation

The Statement requires restatement of certain financial information which is most affected by changing prices, such as the effect of general inflation and specific current prices on inventories, property, plant and equipment, cost of sales, depreciation, depletion and amortization expense and monetary assets and liabilities.

Revenues and expenses as adjusted for general inflation were determined by adjusting the historical amounts of revenues and expenses reported in the primary financial statements to dollars of the same purchasing power by the application of the change in the Consumer Price Index as provided by Statistics Canada. Revenues and expenses as adjusted for current costs were determined by adjusting the historical amounts of revenues and expenses reported in the primary financial statements to current cost dollars by the application of specific Statistics Canada indices. Namely, Industry Selling Price: Manufacturing, Petroleum and Coal Products Industries and Manufacturers of Industrial Chemicals (Inorganic).

The historical amount of cost of sales related to inventories, which was determined substantially under the FIFO method, approximated average 1980 constant and current cost dollars and the remaining historical amounts of revenues and expenses did not require restatement. The method used in calculating constant and current cost depreciation remained unchanged from that used in the primary financial statement.

(b) Purchasing Power Gain from Holding Net Monetary Liabilities During the Year

Inflation affects monetary assets, such as cash and receivables, which lose purchasing power during inflationary periods since these assets will purchase fewer goods and services over time. However, holders of liabilities benefit during such periods because the amount of money required to settle the obligations represents dollars of diminished purchasing power.

(c) Provision for Domestic and Foreign Income Taxes

The Statement requires that the provision for income taxes not be adjusted for the effects of general inflation. However, the effective tax rate of 49.4 percent on net income reported in the primary financial statement becomes an effective tax rate of 56.9 percent on net income adjusted for the effects of general inflation. This indicates a 15.2 percent overpayment of income taxes when the effects of general inflation are considered.

(d) Five-Year Comparison of Selected Financial Data

As described in Note (a), the determination of net assets represents a partial restatement of financial information for the effects of general inflation. Other assets and liabilities totalling approximately $8,600,000 have not been adjusted for general inflation.

RESERVE RECOGNITION ACCOUNTING

(Unaudited)

In 1979, the United States Securities and Exchange Commission ("SEC") acting in accordance with the Energy Policy and Conservation Act of 1975 issued proposed rules for the disclosure of financial information for oil and gas producers. This proposal, called Reserve Recognition Accounting would require oil and gas producers to recognize the value of proved reserves as assets at the time of discovery. Earnings would be recognized as a result of new discoveries, revisions to estimates of proved reserves, changes in prices and costs and the passage of time.

In proposing the new accounting method the SEC has acknowledged the uncertainty associated with estimates of proved reserves and differing viewpoints with regard to the determination of value. Nevertheless, the SEC is requiring the disclosures which follow as a first step in the development of Reserve Recognition Accounting.

Under Reserve Recognition Accounting, estimates are made of quantities of proved reserves and the periods during which they are expected to be produced. Future gross revenues from estimated future production of proved reserves are then estimated on the basis of current prices with no provision for future increases except that future prices are increased for fixed and determinable escalation provisions in contracts. Future net revenues are then calculated by reducing such estimated future gross revenues by the estimated future costs of developing and producing the proved reserves, based on current costs and without provision for future changes in costs. The present value of such future net revenues is then determined by application of a 10 percent discount factor.

Summary of Oil and Gas Producing Activities on the Basis of Reserve Recognition Accounting
For the Years Ended December 31, 1980 and 1979
(thousands dollars)

	1980	1979
Present value of estimated future net revenues (a) attributable to:		
Extensions and discoveries, gross (b)	**$270,332**	$ 4,413
Revisions of previous estimates (c)		
Increase in prices	**74,217**	53,073
Petroleum gas revenue tax	**(14,706)**	—
Changes in reserves, development costs, production costs & other	**(13,157)**	35,882
Interest factor — accretion of discount (d)	**24,434**	15,024
	70,788	103,979
Less related exploration, development & production costs (e):		
Exploration costs, including impairments (actual)	**(17,204)**	(6,633)
Present value of estimated future development and production costs related to extensions, discoveries and other additions	**(118,925)**	(1,027)
	(136,129)	(7,660)
Additions to proved reserves less related exploration, development and production cost:	**204,991**	100,732
Provision for domestic and foreign income taxes (f)	**(107,673)**	(33,497)
Results of oil and gas producing activities on the basis of reserve recognition accounting (g)	**$97,318**	$ 67,235

Statement of Changes in Present Value of Estimated Future Net Revenues from Proved Oil and Gas Reserves
For the Years Ended December 31, 1980 and 1979
(thousands dollars)

	1980	1979
Present value of estimated future net revenues before income tax liability, beginning of year	**$244,332**	$150,243
Revisions of previous estimates, net of related estimated future development and production costs	**70,788**	103,979
Extensions and discoveries, gross	**270,332**	4,413
Less related estimated future development and production costs	**(118,925)**	(1,027)
Actual development costs incurred	**88,318**	18,545
Less actual revenues of oil and gas produced, net of production costs	**(78,856)**	(31,821)
Less sales of minerals in place	**—**	—
Present value of estimated future net revenues before income tax liability, end of year	**$475,989**	$244,332

Notes:

(a) Estimated Future Net Revenues

Future net revenues are computed by applying current prices at December 31, 1980 and 1979 to CanadianOxy's share of estimated yearly future production of proved oil and gas reserves, net of product royalties, less estimated future expenditures (based on current costs) to be incurred in developing and producing proved reserves. The resulting future annual net revenues are reduced by applying a SEC mandated 10 percent discount factor. The calculation assumes the continuation of existing economic conditions, which has not proved to be the case in the past, as both gross revenues and expenditures have fluctuated widely.

Current costs are based on year-end values and include production costs, future development, abandonment, pipeline and other tariff costs. No deduction has been made for depreciation, depletion and amortization, indirect costs, corporate overhead or interest expense.

These calculations conform with SEC instructions, however, other assumptions and conditions could have been used and would give rise to substantially different results. Estimated future net revenues are not equivalent to estimated future results of operations because the instructions incorporate assumptions without historical basis, creating questionable estimates. CanadianOxy recommends against reliance upon the estimates in making any judgement on the potential value of the Company's rights to recover the estimated reserves.

Under Reserve Recognition Accounting, operating results depend on additions to proved reserves from new field discoveries and extensions and revisions to reserves proved in prior years as a result of price, development or other changes and on costs incurred in exploration and development activities.

"Results of oil and gas producing activities on the basis of reserve recognition accounting" for the year ended December 31, 1979 does not include the present value of estimated future net revenues of reserves in the Talara region of Peru nor the Porvenir region of Bolivia, due to the uncertainties associated with estimating such amounts at that time. Associated exploration and development cost for these two projects were also deferred and excluded from the calculation.

"Results of oil and gas producing activities on the basis of reserve recognition accounting" for the year ended December 31, 1980 include the present value of the estimated future net revenue for all proved reserves less associated exploration and development costs (excluding costs associated with the waterflood portion of Talara project) since inception of the Talara and Porvenir projects. The "results of oil and gas producing activities on the basis of reserve recognition accounting" on these two projects alone amounted to $52,677,000 for the year ended December 31, 1980.

(b) Additions to Proved Reserves — Extensions and Discoveries

"Extensions or discoveries" represent proved reserves added outside an existing defined field or a reserve not previously anticipated within a defined field. A revision is a change in reserves within an existing defined field or immediately adjacent field which generally is a result of new information on rock and fluid properties.

(c) Revisions of Previous Estimates

Revisions are primarily due to changes in economic conditions and revised proved reserve quantity estimates. Oil and gas prices showed a substantial increase during the year. Changes in reserves, development costs, production costs, and other were principally due to a lower estimate in production costs and accumulated production profile offset by a downward revision in reserves.

(d) Interest Factor — Accretion of Discount

"Interest factor — accretion of discount" was computed by applying a 10 percent discount factor to the beginning balance of the present value of estimated future net revenues in recognition of the increase in value resulting from the passage of time.

(e) Exploration, Development and Production Costs

The costs of acquiring nonproducing acreage and the cost of drilling exploratory and exploratory-type stratigraphic test wells are initially capitalized until the properties are evaluated and determination of the existence of proved reserves is made or the property is deemed non-productive, at which time they are charged to expense. Annual lease rentals and exploration expenses, including geological and geophysical expenses and exploratory dry hole costs, are expensed as incurred.

Estimated future development and production costs relating to proved reserves are deducted from the valuation of proved reserves at the time of discovery. Subsequent revisions to estimated future development and production costs are included as revisions in the earnings summary.

At December 31, 1980, $22,560,000 of property acquisition costs, $2,398,000 uncompleted exploratory well costs and $19,690,000 of development costs primarily relating to the waterflood project in the Talara region of Peru have been deferred. During the year $1,217,000 of valuation allowances associated with these properties were provided. The aggregate amount of valuation allowances at the end of the year amounted to $13,445,000.

(f) Provision for Domestic and Foreign Income Taxes

The provision for domestic and foreign income taxes has been calculated using the same methods and tax rates as are used in the 1980 and 1979 historical financial statements.

(g) Results of Oil and Gas Producing Activities on the Basis of Reserve Recognition Accounting

Operating profit before income tax reflected in the primary financial statements for oil and gas producing activities is $47,555,000 as compared to the Summary of Oil and Gas Producing Activities on the Basis of Reserve Recognition Accounting of $204,991,000.

Ten Year Financial Review

(Amounts in thousands except per share data)

		1980	1979	1978
Net sales:				
Oil and gas	$	**94,160**	45,434	25,940
Industrial chemicals		**67,596**	56,024	45,935
Plastics and resins		**7,500**	7,403	5,499
Metal finishing		**19,384**	15,437	9,287
	$	**188,640**	124,298	86,661
Income (loss) before extraordinary item	$	**30,320**	19,922	13,433
Extraordinary item		**—**	893	—
Net income (loss)	$	**30,320**	20,815	13,433
Earnings per common share: (1)				
Income before extraordinary item	$	**1.34**	0.77	0.45
Extraordinary item		**—**	0.04	—
Net income	$	**1.34**	0.81	0.45
Working capital generated from operations	$	**77,508**	36,361	19,548
Per common share (1)	$	**3.64**	1.57	0.75
Number of common shares used for per share calculations (1)		**20,534,024**	20,455,124	20,371,734
Common share dividends declared (per share) (1)				
Regular	$	**0.27**	0.205	0.193
Special	$	**—**	—	0.643
Preferred share dividends	$	**2,709**	4,286	4,275
Capital expenditures:				
Oil and gas	$	**87,173**	69,167	39,343
Minerals exploration		**5,711**	2,299	893
Chemicals		**4,624**	2,644	2,406
Total	$	**97,508**	74,110	42,642
Less current year expenditures charged to exploration expenses		**9,231**	6,564	11,126
Additions to property, plant and equipment	$	**88,277**	67,546	31,516
Working capital	$	**24,840**	13,448	21,594
Net property, plant and equipment	$	**221,599**	158,028	104,529
Total assets	$	**302,919**	218,710	173,133
Long-term debt	$	**92,474**	42,194	12,603
Redeemable preferred shares	$	**21,873**	42,919	42,919
Common shareholders' equity	$	**101,853**	80,714	68,050
Return on investment: (2)				
Total assets	%	**11.6**	11.2	7.8
Total capital	%	**17.5**	15.6	9.9
Common shareholders' equity	%	**30.3**	22.7	11.8

* *Net income and certain other captions reflect retroactive restatements for accounting changes for adoption of successful efforts accounting for oil and gas operations (1977-1971) and provision for deferred income taxes (1973-1971).*

(1) *Per common share amounts and number of shares for the years 1971 to 1978 reflect 3:1 share split in 1979.*

(2) *Return on investment is calculated on the applicable average monthly investment. The calculation of return on total capital excludes interest expense.*

1977*	1976*	1975*	1974*	1973*	1972*	1971*
24,135	19,593	19,011	10,682	6,946	6,037	5,560
32,836	36,565	22,922	22,397	19,295	16,222	15,639
4,153	5,059	4,329	5,724	3,611	3,088	2,602
7,196	5,577	5,395	5,459	3,851	2,669	2,313
68,320	66,794	51,657	44,262	33,703	28,016	26,114
15,154	15,251	10,811	(574)	584	2,002	1,635
—	641	—	—	—	—	(253)
15,154	15,892	10,811	(574)	584	2,002	1,382
0.54	0.66	0.45	(0.03)	0.03	0.10	0.09
—	0.03	—	—	—	—	(0.01)
0.54	0.69	0.45	(0.03)	0.03	0.10	0.08
22,141	22,554	17,940	9,704	8,470	7,430	6,650
0.88	1.01	0.80	0.48	0.42	0.37	0.36
20,325,462	20,264,472	20,257,539	20,256,723	20,256,723	20,256,723	18,313,980
0.18	0.167	0.125	—	—	—	—
—	—	—	—	—	—	—
4,217	2,008	1,677	53	—	—	—
16,433	11,126	5,944	10,769	29,093	6,138	10,988
1,002	849	597	547	586	653	30
2,298	564	2,683	7,765	650	2,862	708
19,733	12,539	9,224	19,081	30,329	9,653	11,726
3,964	3,470	1,990	4,808	1,809	1,680	1,104
15,769	9,069	7,234	14,273	28,520	7,973	10,622
63,052	64,546	28,268	22,806	11,987	10,753	11,252
80,879	71,831	68,646	67,265	65,927	45,075	41,733
166,131	159,358	116,182	104,849	87,920	65,465	60,646
21,191	21,842	18,174	18,846	21,559	175	200
42,919	42,919	17,919	17,919	—	—	—
75,714	68,210	58,680	52,074	52,955	52,371	50,369
9.6	11.5	9.8	(0.6)	0.8	3.2	2.9
11.3	14.1	12.0	1.3	1.5	3.9	3.8
15.5	21.9	16.5	(1.2)	1.1	3.9	3.8

Ten Year Operating Review

		1980	1979	1978
PRODUCTION (gross before royalties)				
Imperial Units				
Pipeline gas	Mmcf	**22,210**	19,131	14,288
Crude oil & natural gas liquids	M/Bbls.	**1,958.0**	849.1	625.8
Sulphur	M/L.T.	**107.8**	121.1	125.9
Caustic soda	M/Tons	**201.4**	191.8	198.0
Chlorine	M/Tons	**177.3**	169.2	174.5
Sodium chlorate	M/Tons	**23.6**	23.0	15.0
Muriatic acid	M/Tons	**24.8**	18.6	14.7
Moulding materials	M/Lbs.	**6,576**	7,202	5,532
Industrial and foundry resins	M/Lbs.	**5,273**	5,896	5,959
Metal finishing chemicals	M/Lbs.	**8,679**	10,236	9,483
Metric Units				
Pipeline gas	10^3m^3	**624 414**	529 798	396 375
Crude oil & natural gas liquids	10^3m^3	**311.1**	134.9	99.5
Sulphur	$10^3/t$	**109.5**	123.0	127.9
Caustic soda	$10^3/t$	**182.7**	174.0	179.7
Chlorine	$10^3/t$	**160.8**	153.5	158.3
Sodium chlorate	$10^3/t$	**21.4**	20.9	13.6
Muriatic acid	$10^3/t$	**22.5**	16.9	13.3
Moulding materials	$10^3/kg$	**2 983**	3 267	2 509
Industrial and foundry resins	$10^3/kg$	**2 392**	2 674	2 703
Metal finishing chemicals	$10^3/kg$	**3 937**	4 643	4 302
PROVEN RESERVES (gross before royalties)				
Imperial Units				
Pipeline gas	Mmcf	**315,000**	295,000	314,000
Crude oil & natural gas liquids	M/Bbls.	**26,475**	17,816	5,376
Sulphur	M/L.T.	**2,148**	2,125	2,272
Metric Units				
Pipeline gas	10^3m^3	**8 891 000**	8 322 000	8 847 000
Crude oil & natural gas liquids	10^3m^3	**4 207**	2 833	855
Sulphur	$10^3/t$	**2 182**	2 160	2 308
WELL DATA				
Net Wells — gas		**84.1**	67.8	62.9
Net Wells — oil		**330.7**	156.2	24.2
LANDHOLDINGS (thousand acres)				
Gross Acres		**5,835.6**	5,870.4	6,204.2
Net Acres		**2,548.8**	2,527.0	2,788.2
EMPLOYEES		**592**	559	534

1977	1976	1975	1974	1973	1972	1971
16,410	16,422	18,031	18,099	19,043	18,966	19,189
711.8	767.5	842.5	789.7	831.7	840.9	692.8
134.2	167.2	202.8	219.1	241.1	237.4	257.2
177.3	207.4	147.2	195.1	188.7	158.9	160.3
154.7	181.1	126.9	171.2	166.1	141.3	139.8
9.1	7.1	—	—	—	—	—
8.7	4.2	2.4	6.1	6.0	4.8	3.8
3,018	3,521	2,824	5,640	7,342	7,618	4,463
5,273	6,019	4,077	5,124	5,862	3,924	2,938
9,132	8,258	6,860	7,917	7,791	6,860	5,822
455 368	455 720	500 368	501 219	527 362	525 229	531 405
113.1	122.0	133.8	125.5	132.2	133.6	110.1
136.4	169.9	206.1	222.7	245.0	241.3	261.4
160.8	188.2	133.5	177.0	171.2	144.2	145.4
140.3	164.3	115.1	155.3	150.7	128.2	126.8
8.3	6.4	—	—	—	—	—
7.9	3.8	2.2	5.5	5.4	4.4	3.4
1 369	1 597	1 281	2 558	3 330	3 456	2 024
2 392	2 730	1 849	2 324	2 659	1 780	1 333
4 142	3 746	3 112	3 591	3 534	3 112	2 641
296,000	295,000	327,000	335,000	291,000	278,000	293,000
6,152	7,215	7,698	7,360	7,255	7,680	7,934
2,396	2,721	2,851	2,999	3,153	3,317	3,488
8 340 000	8 311 000	9 213 000	9 277 000	8 059 000	7 699 000	8 114 000
978	1 147	1 224	1 170	1 153	1 220	1 261
2 434	2 765	2 897	3 048	3 204	3 371	3 545
52.1	52.4	34.1	33.5	28.5	27.7	23.0
21.8	22.7	23.2	22.9	22.8	20.6	21.0
4,903.3	6,650.7	6,901.8	7,462.0	6,444.6	6,675.4	8,013.0
3,421.4	4,862.9	5,185.1	5,556.3	4,583.6	4,950.4	6,022.7
481	467	467	439	418	401	376

Directors

Left to right (standing): D. Bertram, J. J. Dorgan, J. M. Robertson, L. L. LeClerc, R. A. Teitsworth, J. A. McKee, T. D. Jenkins, A. R. Patrick, W. G. O'Rourke, A. R. Abboud; (seated): R. S. MacAlister, J. H. Hawke.

A. ROBERT ABBOUD
President, Chief Operating Officer and a director of
Occidental Petroleum Corporation,
Los Angeles, California
Director of Inland Steel Co. and Hart, Schaffner and Marx

PAUL A. BAILLY
President, Occidental Minerals Corporation, a subsidiary of
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Lakewood, Colorado

DAVID BERTRAM
Senior Vice President,
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Calgary, Alberta

JOHN J. DORGAN
Executive Vice President, Finance,
Occidental Petroleum Corporation,
Los Angeles, California

DR. ARMAND HAMMER
Chairman of the Board
and Chief Executive Officer,
Occidental Petroleum Corporation,
Los Angeles, California
Director of Financial General Bankshares, Inc.

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Chairman of the Board,
Bache Halsey Stuart
Canada Ltd., stockbrokers,
Toronto, Ontario
Director of Jannock Limited

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Occidental Petroleum Corporation;
President and Chief Operating Officer,
Occidental Oil and Gas Corporation and The Permian Corporation, subsidiaries of Occidental Petroleum Corporation,
Houston, Texas

LEO L. LeCLERC
President,
Leo L. LeClerc & Associates Ltd.,
business consultants,
Edmonton, Alberta

ROBERT S. MacALISTER
Chairman of the Board,
President and Chief Executive Officer,
Canadian Occidental Petroleum Ltd.,
Calgary, Alberta

J. ANGUS McKEE
President, J. Angus McKee &
Associates Limited,
a financial, management and
advisory services company,
Toronto, Ontario
Director of Taro Industries Ltd.

ZOLTAN MERSZEI
Vice Chairman of the Board and a director of Occidental Petroleum Corporation;
Chairman of the Board
and Chief Executive Officer,
Hooker Chemical Corporation,
Houston, Texas

WILLIAM G. O'ROURKE
Vice President,
Counsel and Secretary
Canadian Occidental Petroleum Ltd.,
Calgary, Alberta

A. RUSSELL PATRICK
Retired, formerly Minister of Mines
& Minerals of the Province of Alberta,
Edmonton, Alberta

JOHN M. ROBERTSON, Q.C.
Barrister and Solicitor,
Fenerty, Robertson, Fraser & Hatch,
Calgary, Alberta

ROBERT A. TEITSWORTH
Executive Vice President and a Director,
Occidental Petroleum Corporation;
Chairman of the Board and
Chief Executive Officer,
Occidental Oil and Gas Corporation
Bakersfield, California

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David Bertram
J. Howard Hawke
Robert S. MacAlister
J. Angus McKee
Zoltan Merszei
Robert A. Teitsworth

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John J. Dorgan — Chairman
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J. Howard Hawke
J. Angus McKee
Robert A. Teitsworth

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Robert S. MacAlister
John M. Robertson, Q.C.

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   Senior Vice President — Chemicals
4. **GEORGE S. HORNE**
   Vice President of Operations — Oil and Gas Division
5. **CHARLES R. MIKKELBORG**
   Vice President of Exploration — Oil and Gas Division
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   Vice President, Counsel and Secretary
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   Controller
9. **PAUL C. HEBNER**
   Assistant Secretary
10. **RICHARD L. REESON**
   Assistant Secretary


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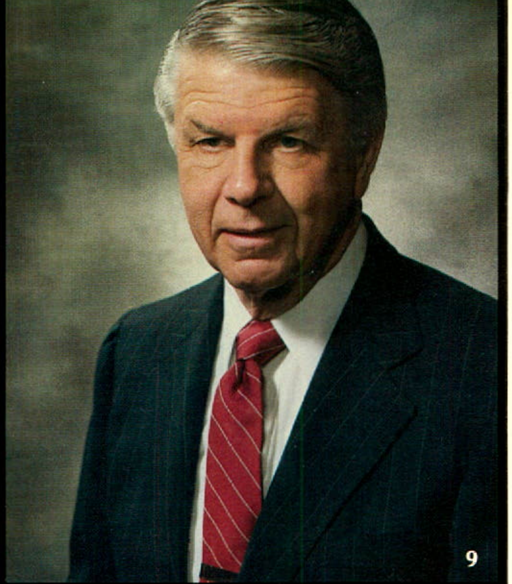
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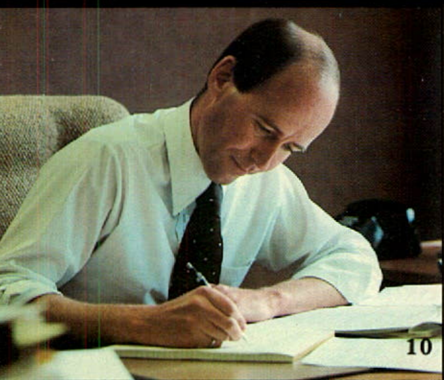
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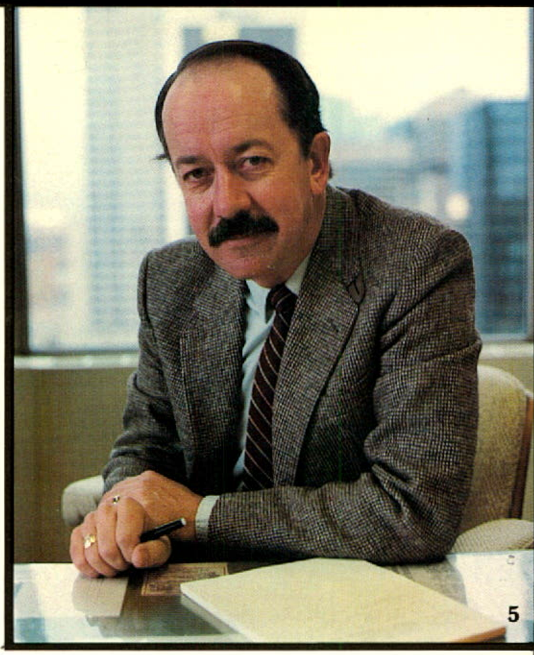
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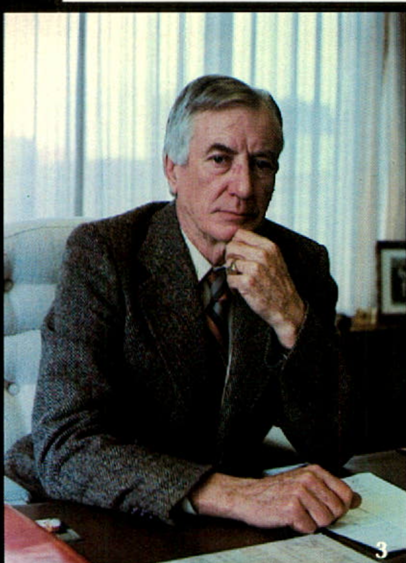
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Corporate Information

CANADIAN OCCIDENTAL PETROLEUM LTD.
(a Canadian corporation)

HEAD OFFICE
1600, 700 Fourth Avenue Southwest
Calgary, Alberta, Canada T2P 3J5

Key Personnel
- R. R. Campbell, Drilling Superintendent
- W. W. Chalmers, Director of Sulphur Marketing
- R. L. Courreges, Mgr. Employee Relations
- D. C. Gordon, Chief Geophysicist
- J. J. Hofbauer, Mgr. Environment & Safety
- E. J. Lambert, Investor Relations Co-ordinator
- J. Meronek, Mgr. Purchasing & Office Services
- R. H. Orthlieb, Mgr. Corporate Planning & Business Development
- R. T. Peirce, Mgr. Exploration
- P. G. Sawchuk, Mgr. Management Information Systems
- G. D. Simpson, Mgr. Petroleum Engineering
- R. R. Williams, Mgr. Engineering — Chemicals
- J. D. Wilson, Mgr. Land

INDUSTRIAL CHEMICALS DIVISION
100 Amherst Avenue
North Vancouver, British Columbia
- L. H. Schnurstein, Vice President and General Manager
- I. P. Frederiksen, Traffic & Distribution Manager
- J. R. Gregory, Technical Manager
- C. N. Hopkins, Operations Services Manager
- R. F. Kanngiesser, Accounting Manager
- W. G. Maunder, Marketing Manager

North Vancouver Plant,
- B. D. Thorpe, Works Manager

Brandon Plant,
Brandon, Manitoba
- O. A. Sackney, Plant Superintendent

MINERALS DIVISION
Suite 311
215 Carlingview Dr.
Rexdale, Ontario
- Dr. J. J. Brummer, Manager

SUBSIDIARY COMPANIES
CanadianOxy Metal Finishing Ltd.
(a Canadian corporation)
Plant and Head Office
165 Rexdale Boulevard,
Rexdale, Ontario
- G. E. Putnam, General Mgr.
- D. L. Gardiner, Plant Mgr.
- D. Dickson, Accounting Mgr.
- J. W. Beatt, Business Dev. Mgr. — Parker
- J. L. Ross, Sales Manager — Parker
- G. E. Doeler, Marketing Mgr. — Sel-Rex

CanadianOxy Chemicals Ltd.
(a British Columbia corporation)

Durez Plastics Division
Dunlop Street, Fort Erie, Ontario
- G. E. Putnam, General Mgr.
- J. C. Walton, Plant Mgr.
- J. J. Hood, Product Mgr.
- R. S. Clendening, Accounting Mgr.

Chlor-alkali plant
Nanaimo, British Columbia
- T. Osadchuk, Works Mgr.

Sodium chlorate plant
Squamish, British Columbia
- J. C. Parkinson, Plant Superintendent

Canadian Occidental of California, Inc.
(a California corporation)

Canadian Occidental (Peruana) Ltd.
(an Alberta corporation)

Canadian Occidental International Ltd.
(an Alberta corporation)

Canadian Occidental Services Ltd.
(an Alberta corporation)

Jefferson Minerals Corporation
(a Delaware corporation)

AFFILIATED COMPANY
Petrogas Processing Ltd.
Balzac, Alberta
- W. J. van der Linden, Plant Superintendent

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COMMON SHARES
TRANSFER AGENTS
National Trust Company, Limited
Calgary, Toronto, Montreal,
Winnipeg and Vancouver

Citibank, N.A.
New York, N.Y.

REGISTRARS
National Trust Company, Limited
Calgary, Alberta

The Chase Manhattan Bank
New York, N.Y.

LISTED
American Stock Exchange
Toronto Stock Exchange
Symbol "CXY"

10% CLASS A PREFERRED SHARES
TRANSFER AGENT AND REGISTRAR
Canada Permanent Trust Company
Calgary, Toronto, Montreal,
Halifax, Winnipeg and Vancouver

LISTED
Toronto Stock Exchange
Montreal Stock Exchange
Symbol "CXY PRA"

10% CONVERTIBLE SUBORDINATED DEBENTURES
TRUSTEE
National Trust Company, Limited
Calgary, Alberta

AUDITORS
Arthur Andersen & Co.
Calgary, Alberta, Canada

Ronalds Western PRINTED IN CANADA

CANADIAN OXY

TENTH ANNIVERSARY