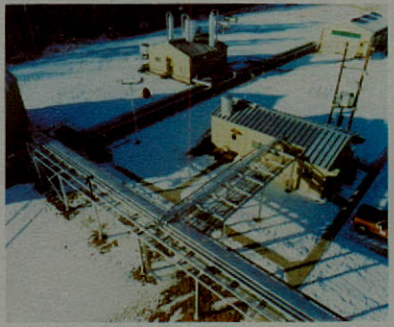
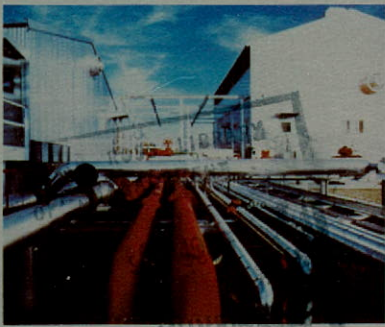
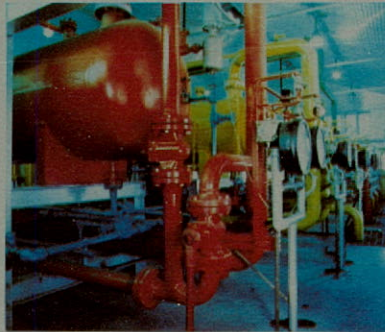
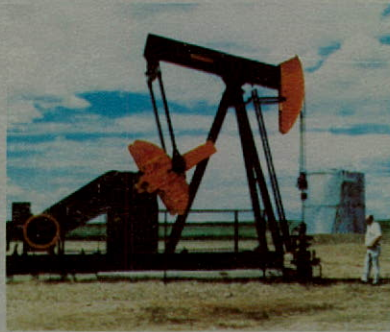


CANDEL 1979



FOR THE COMPANY

Corporate Information

PROFILE

The Company, founded in 1950, is a medium-sized natural resource company whose operations are conducted principally in Canada with some international holdings, the most important being an interest in the Buchan oil field located in the North Sea.

Historically, natural gas operations have been emphasized resulting in natural gas sales accounting for a major portion of revenue. Income from oil production will strengthen considerably when the Buchan Field comes on production. In addition, diversification into mining activities is providing a significant contribution to our earnings.

In its oil and gas activities, the Company employs 126 people, operates five gas plants, and twelve oil and gas fields. CanDel's mineral subsidiaries employ 121 people, and are engaged in mineral exploration, silver mining, and smelting.

St. Joe Minerals Corporation, a New York corporation, owns approximately 92 percent of the shares outstanding.

The pictures on the front cover represent the diverse activities of the Company.

ANNUAL AND SPECIAL GENERAL MEETING

The Annual and Special General Meeting of the Shareholders will be held in the Lake Louise Room, Mezzanine Floor, Calgary Inn, Calgary, Alberta on Thursday, April 24, 1980, at 11:00 a.m.

STOCK LISTING

Toronto Stock Exchange
(Symbol - CDY)

HEAD OFFICE

28th Floor, One Calgary Place
330 Fifth Avenue S.W.
Calgary, Alberta T2P 0L4

SUBSIDIARY COMPANIES

St. Joseph Explorations Limited
90 Eglinton Avenue West
Toronto, Ontario M4R 2E4

CanDel Petroleum (U.K.) Limited
32 Lowndes Street
London, England SW1X 9HX

TRANSFER AGENTS

National Trust Company, Limited
Calgary, Alberta

National Trust Company, Limited
Toronto, Ontario

Chemical Bank
New York, New York

Republic National Bank of Dallas
Dallas, Texas

AUDITORS

Deloitte Haskins + Sells
Calgary, Alberta

FORM 10-K

Copies of CanDel's Form 10-K Annual Report to the United States Securities and Exchange Commission are available to shareholders, without charge, upon written request to the Corporate Secretary, CanDel Oil Ltd., 28th Floor, One Calgary Place, 330 - 5 Avenue S.W., Calgary, Alberta T2P 0L4.



What's New

NET EARNINGS INCREASE 41 PERCENT
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RECORD FUNDS FROM OPERATIONS
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ELMWORTH-WAPITI ON STREAM
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CAPITAL PROGRAMS REACH RECORD LEVELS
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EXCELLENT DRILLING RESULTS
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(Page 2)

BUCHAN START-UP LATE SUMMER
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MAJOR RESERVE ADDITIONS
(Page 10)

MINERAL ACTIVITIES PROVIDE SUBSTANTIAL REVENUES
(Page 12)

To The Shareholders

CanDel closed the Seventies on a strong note as cash flow, net earnings, and capital expenditures were all at record levels. Continued drilling success has strengthened the Company's oil and gas reserves and added to our production. These new reserves, such as at Elmworth-Wapiti, will ensure increased cash flow. Acquisition of land has escalated and the additional holdings have allowed us to create exploration ventures with others, such as the arrangement recently announced with Hollinger Argus Limited and Labrador Mining and Exploration Company Limited. These ventures place the Company in a better position for major discoveries at reduced risk.

The Corporate reorganization of 1978, in which CanDel acquired St. Joseph Explorations Limited and its wholly-owned subsidiaries engaged in mining activities, was most timely. Increased silver prices during 1979 allowed a generous cash contribution from our operations. We are optimistic that this diversification will provide continued expansion and additional growth, along with increased profit contributions to your Company.

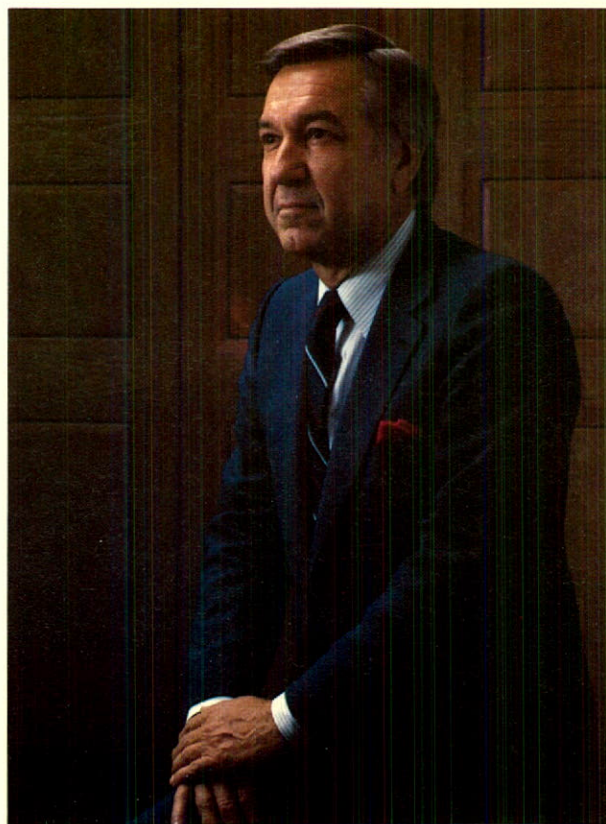
In 1979, oil and gas production continued at about the 1978 level. The industry is still plagued with gas excess to markets, resulting in large quantities of our gas being paid for, but not taken. These payments, of course, do not presently contribute to cash flow from operations, but are available as working capital. If current industry levels of activity are to continue, higher product prices are necessary, with a significant share of the increase reaching the producer.

Our Elmworth-Wapiti property went on production as scheduled, November 1, 1979, just twenty-five months after entering into this major exploration venture. Buchan, however, was delayed from year-end 1979, to a now predicted late summer 1980 start-up. These two fields will make a major contribution to CanDel's growth as we enter the Eighties.

The Board of Directors join me in a salute to our retiring Chairman and former Chief Executive Officer, Smiley Raborn, Jr. Since joining CanDel in 1950, his leadership and guidance have given to the Company a great strength in which to enter yet a fourth decade in business. We look forward to Mr. Raborn's continued contribution as a member of the Board after his retirement in May.

CanDel's Board has been strengthened by the addition of Michael A. Williams, Executive Vice President of the Company. Mr. Williams joined CanDel in 1969 as Treasurer.

As they have throughout the Company's thirty-year history, CanDel employees continued to serve with dedication and proficiency during 1979.



William C. Leuschner

William C. Leuschner
President and Chief Executive Officer
March 17, 1980

Corporate Highlights

	<u>1979</u>	<u>1978</u>
FINANCIAL		
Gross revenue	\$53,128,000	33,533,000
Funds provided from operations	\$32,121,000	22,508,000
Per share	\$ 7.27	5.28
Net earnings	\$15,005,000	10,672,000
Per share	\$ 3.40	2.50
Payments received for contracted gas not taken	\$ 2,900,000	1,972,000
Return on average shareholders' equity — percent	20.3	18.1
Capital expenditures	\$58,576,000	36,350,000
 OPERATING		
Gross natural gas sales		
Thousand cubic metres per day	1,469	1,487
Thousand cubic feet per day	52,134	52,768
Gross crude oil and natural gas liquids sales		
Cubic metres per day	554	546
Barrels per day	3,486	3,437
Gross proven reserves		
Oil equivalent in cubic metres	13,544,300	13,150,500
Oil equivalent in barrels	85,234,600	82,756,100
Equivalent cubic metres per share	3.1	3.0
Net realization from sales per equivalent cubic metre	\$ 39.28	34.21
Land holdings		
Gross hectares	1,475,400	1,463,800
Gross acres	3,645,700	3,617,000
Net hectares	351,100	294,600
Net acres	867,600	727,900
Wells completed		
Gas	59	47
Oil	48	26

Operations

DRILLING RESULTS

An excellent drilling success ratio was again realized during the past year. CanDel participated in the drilling of 133 wells in 1979, resulting in the completion of fifty-nine gas and forty-eight oil wells, with an additional fifteen wells either drilling or waiting on completion at year-end. Of the successes, 103 were drilled in Alberta, three in British Columbia, and one in the Netherlands sector of the North Sea. Details of this activity are outlined in the table below.

GEOPHYSICAL ACTIVITY

Geophysical exploration in western Canada continued to increase as 1,500 kilometres of seismic data were taken during 1979. Interpretation of this information has materially assisted exploratory drilling programs, and has led to several highly prospective land purchases in Alberta.

Detailed seismic programs, together with data reprocessing, were conducted on properties in the Netherlands sector of the North Sea, in the Hampshire basin onshore in southern England, and in the Morales Island concession in Colombia.

CANADIAN ACTIVITY

The most significant event of 1979 was the start-up of the Wapiti gas plant on schedule on the first

of November. CanDel's land holdings in the Elmworth-Wapiti area, highlighted on the accompanying map, increased to 125,000 hectares (307,600 acres) by year-end, of which 69,000 hectares are covered by a gas contract. Net interests in the area approximate 18.5 per cent.

Industry activity across this trend continued at a high level with several new discoveries being reported during the year. In the past three years, the industry has drilled 360 successful wells, and spent \$500,000,000 on Crown land acquisitions across the mapped area. Out of a total of thirty-four rigs active in the area, six are operating on Company lands. CanDel currently has interests in twenty-eight gas wells and one oil well with two additional wells waiting on completion.

The Company holds a 25 percent interest in the 1.4 million cubic metres (50 MMCF) per day capacity Wapiti gas plant. Seven wells are currently producing, and additional wells will be tied in as contract sales rates increase. CanDel initially receives approximately 42 percent of the revenue from the 850 thousand cubic metres per day sales contract. This interest will decrease to 25 percent as certain capital costs are recovered. Under the terms of the gas contract, sales rates may be redetermined upwards on November 1, 1980, and every two years thereafter, if additional reserves are proven.

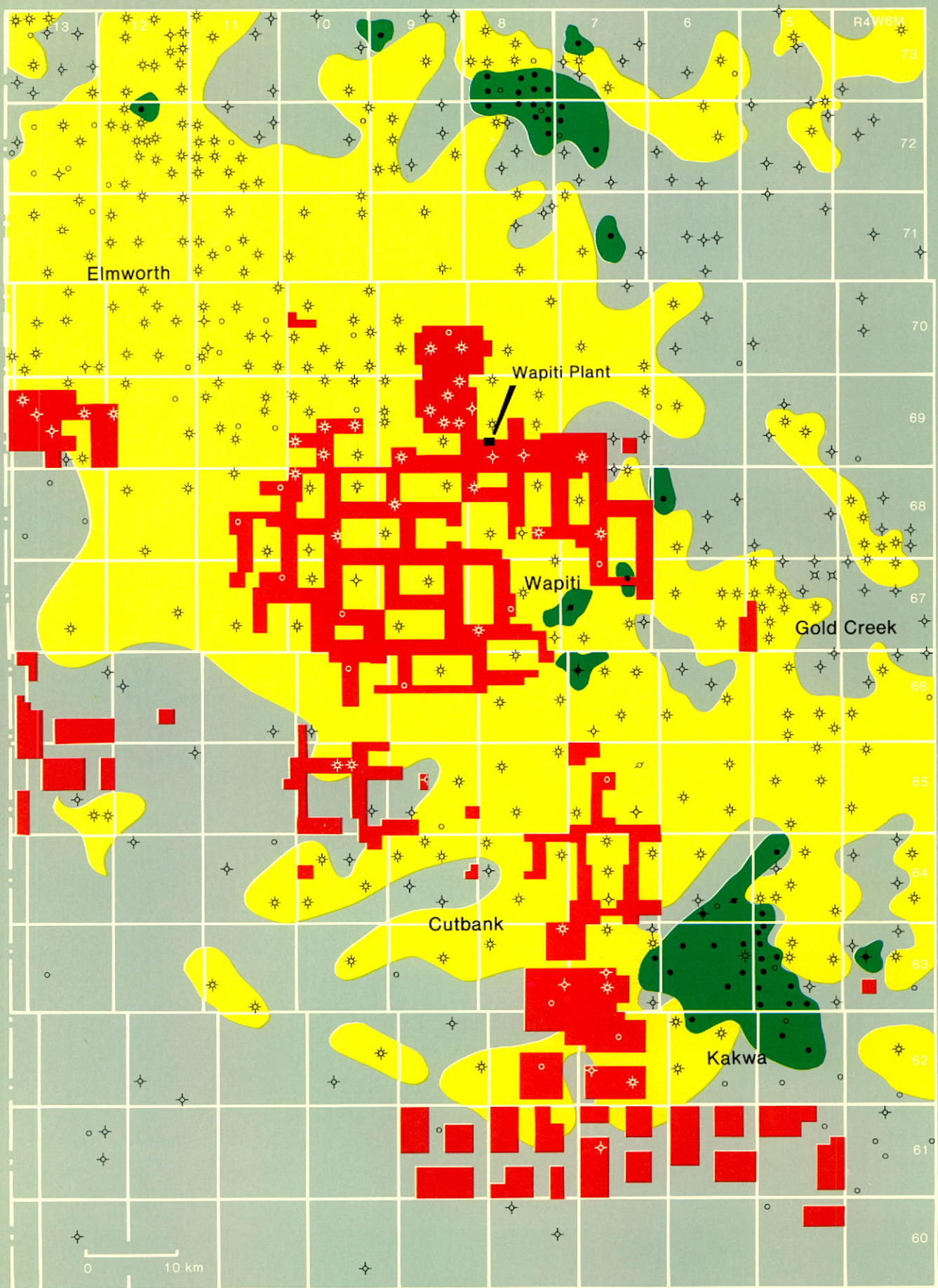


Jeffrey Smith, Albert Gogol.

DRILLING ACTIVITY 1979

	Gas	Oil	Dry	Total	Net Working Interest	Net* Royalty Interest
Exploration . . .	35	13	23	71	19.0	—
Development . .	22	33	1	56	20.9	—
Royalty Interest	2	2	2	6	—	0.6
Total	<u>59</u>	<u>48</u>	<u>26</u>	<u>133</u>	<u>39.9</u>	<u>0.6</u>

* Net Royalty Interest tabulated on successful wells only.



Significant exploration successes were achieved in the Alder Flats, Birch, Hoadley, Little Bow, Red Cap, and Thorsby areas. Step-out and development drilling programs were concentrated in the Cessford field with seventeen oil and nine gas wells, at Swan Hills with eleven oil wells, and at Roseglen with nine gas wells.

Exploratory drilling will be conducted at an accelerated pace with particular emphasis on the Cutbank, Elmworth-Wapiti, Utikuma, and Wolf Creek areas of northern Alberta, at Pocketknife in British Columbia, and across the Cretaceous trends of central and southern Alberta. Development drilling will be concentrated in the Cessford, Elmworth-Wapiti, Little Bow, and Pembina areas of Alberta.

Two significant joint venture exploration programs were organized by CanDel during the year, which have greatly increased the momentum and scope of the Company's exploration efforts. The programs provide for expenditures of \$14,000,000 in 1979 and \$27,000,000 in 1980. CanDel, as operator, funds 25 percent of the programs, and our working interest will increase to 50 percent upon recovery of certain costs by the other joint venture participants. The participants have options to continue the programs beyond 1980.

LAND

Net land holdings increased by 19 percent during the year. Acquisitions at Cutbank, Grande Prairie, McLeod River, Oyen, Utikuma, and Waterhen, as well as several other areas in Alberta, have considerably strengthened CanDel's land position. Drilling programs evaluated and extended the terms of all expiring leases considered prospective. Little difficulty is anticipated in meeting lease holding obligations in 1980. Most of the Company's holdings in the Northwest Territories were allowed to expire during the year.

Net land holdings in the Hampshire Basin in southern England were doubled through the acquisition of additional interests in the licences. CanDel now holds a 14.4 percent interest in 541,360 hectares in the Basin.

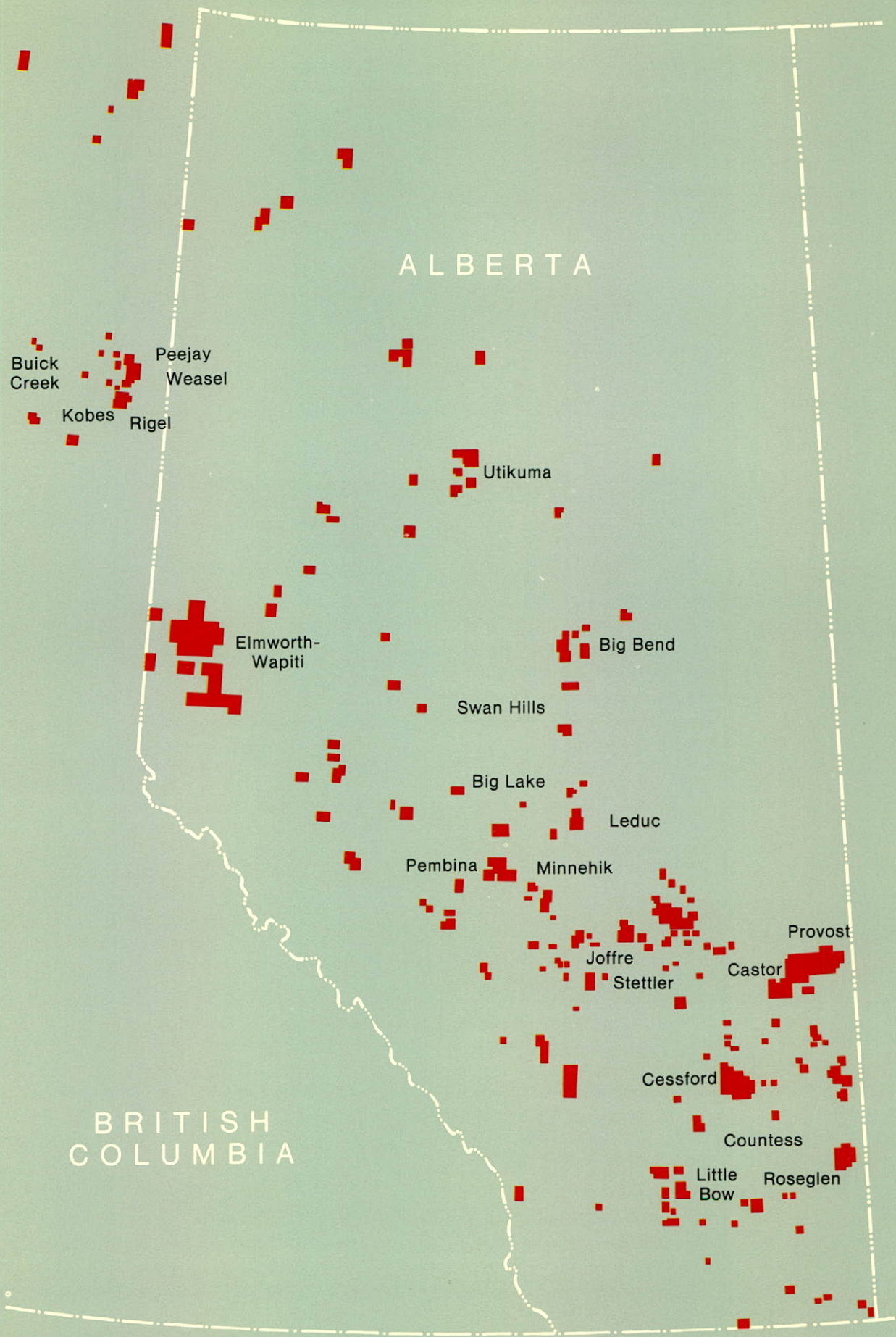
In the Netherlands sector of the North Sea, a 3.125 percent interest was acquired in a portion of Block Q/4, which adjoins two Blocks currently held in this area.

Complete details of land holdings are given in the accompanying table.

LAND HOLDINGS DECEMBER 31, 1979

	Leases		Permits, Licences & Concessions		Total*	
	Gross	Net	Gross	Net	Gross	Net
CANADA						
Alberta.....	359,898	156,340	167,345	66,827	527,243	223,167
British Columbia.....	51,403	12,476	8,862	554	60,265	13,030
Northwest Territories.....	—	—	4,431	554	4,431	554
	<u>411,301</u>	<u>168,816</u>	<u>180,638</u>	<u>67,935</u>	<u>591,939</u>	<u>236,751</u>
COLOMBIA.....	—	—	82,848	20,712	82,848	20,712
NETHERLANDS.....	—	—	237,195	12,627	237,195	12,627
UNITED KINGDOM						
Onshore.....	—	—	541,360	77,917	541,360	77,917
Offshore.....	—	—	22,060	3,089	22,060	3,089
	—	—	<u>563,420</u>	<u>81,006</u>	<u>563,420</u>	<u>81,006</u>
TOTAL — hectares.....	<u>411,301</u>	<u>168,816</u>	<u>1,064,101</u>	<u>182,280</u>	<u>1,475,402</u>	<u>351,096</u>
TOTAL — acres.....	<u>1,016,324</u>	<u>417,144</u>	<u>2,629,394</u>	<u>450,414</u>	<u>3,645,718</u>	<u>867,558</u>

* Land holdings are reported as the surface area under which rights are held.



NORTH SEA ACTIVITY

BUCHAN

The start of production from the Buchan Field, located 150 kilometres northeast of Aberdeen in 120 metres of water, is scheduled for the late summer of 1980. The Field is being developed using a floating production facility. Production from seven wells will flow from the seafloor wellheads to the facility where the crude oil will be treated, pumped to a tanker mooring buoy 1.5 kilometres distant, and loaded on tankers for shipment to market.

The installation of the seafloor equipment, flowlines, and loading buoy is essentially complete. Conversion of the semi-submersible drilling rig to a production facility has taken longer than anticipated. The facility is scheduled to be towed out from the port of Stornoway, in the Hebrides Islands, and anchored over the site in the summer. Final tie-in work will be conducted from the facility after it is positioned.

Production from the Field is expected to average 8,000 cubic metres (50,000 barrels) per day. CanDel holds a 14 percent interest in the major portion of the Field which underlies Block 21/1. Negotiations are being conducted with the owner of adjoining Block 20/5 with a view to unitizing the interests covering the Buchan Field.



Buchan Production Facility.

NETHERLANDS

Successful exploration of the Company's holdings in the Netherlands sector of the North Sea continued. A total of four gas wells have been drilled on Block P/6, and shortly after year-end, a well on Block P/2 tested gas at the rate of 320 thousand cubic metres (11.3 MMCF) per day. The rig has been moved to test a new structure in the northwest corner of Block P/6. A wildcat on adjoining Block P/5 is planned for later in the year.

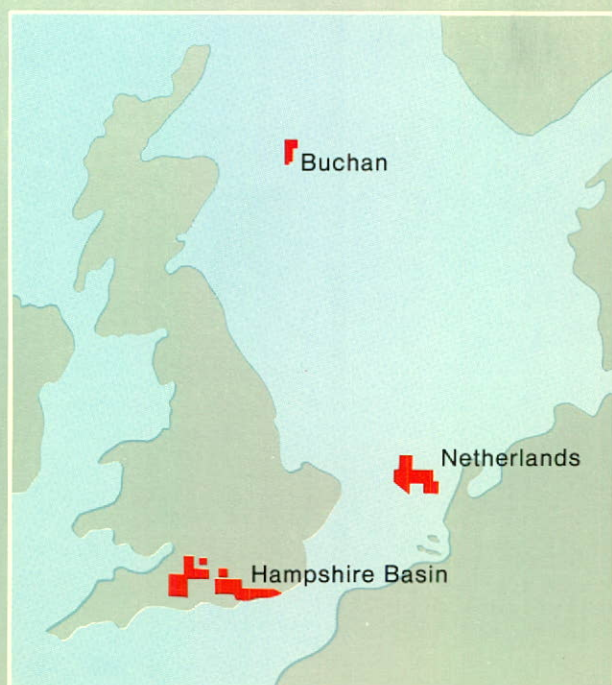
CanDel holds a 6.25 percent interest in the drilled areas. A development plan for Block P/6 has been submitted to the Netherlands Government with a decision expected before year-end. The Government may elect to take a 40 percent participation in the development.

ENGLAND

Geophysical evaluation of land holdings in the Hampshire Basin in southern England continued during the year. Drilling of the first exploratory well, located in Wessex County, is scheduled to commence this spring.

MINERAL EXPLORATION

Diamond drilling programs, as well as geophysical and geochemical surveys, were conducted at



fifty locations in five provinces and the two Territories, as the search for new mineral deposits continued. During the year, drilling and underground development outlined new reserves at the Cobalt, Ontario properties. Diamond drilling is planned on twenty-two exploration projects during the coming year. Four of these will be assessed in detail to determine their early development potential. Mineral leases and claims are held on 71,900 hectares.

PRODUCTION

NATURAL GAS

Natural gas sales of 536.1 million cubic metres were down fractionally from the previous year, which included four months' production from properties formerly held in the United States. Sales volumes were restricted due to the failure of major purchasers to take delivery of contracted volumes for the second consecutive year. This was partly offset by the commencement of sales from the Elmworth-Wapiti properties in November.

Development projects scheduled for 1980 include the expansion of facilities at Elmworth-Wapiti, installation of additional compression at Minnehik, major gathering system additions at Big Bend, and start-up of new properties at Alder Flats, Craigmyle, Rainbow, and Redcliff. Under current conditions, gas sales for the year are expected to increase by 20 percent.

CRUDE OIL AND NATURAL GAS LIQUIDS

Crude oil and natural gas liquids sales of 202,180 cubic metres were up from the previous year. Increased sales from Cessford and Big Lake more than offset normal productivity declines and the sale of the United States properties. Canadian crude oil and natural gas liquids production increased for the second straight year.

The start-up of Buchan and planned development programs in the Alder Flats, Cessford, and Pembina areas will increase production rates significantly for 1980. The installation of waterflood facilities for the Cessford Basal Colorado pool is expected to be completed by mid-year. This project is designed to increase recoverable reserves substantially.

SILVER

Sales of refined silver from the Cobalt, Ontario smelter increased to 1,229,000 troy ounces, compared to 502,000 troy ounces for the four months of 1978 in which the properties were owned by CanDel. A total of 151,000 troy ounces, or 12.3 percent of the current year's sales, were obtained from company-owned properties with the balance from concentrates custom processed for other mines. Sufficient ore reserves have been outlined at the CanDel properties to operate the mine at increased rates for the coming year under current economic conditions.

GROSS NATURAL GAS SALES

Thousand Cubic Metres — 10³m³

	1979	1978
ALBERTA		
Cessford	163,500	183,100
Roseglen	81,700	89,800
Minnehik	75,900	63,100
Big Bend	29,600	34,900
Countess	27,500	26,700
Elmworth-Wapiti ..	15,500	—
Provost	13,200	14,400
Castor	11,100	6,700
Homeglen-Rimbey..	9,800	9,100
Others	48,900	52,000
	<u>476,700</u>	<u>479,800</u>
BRITISH COLUMBIA		
Rigel	16,000	18,600
Buick Creek	13,700	12,100
Kobes	13,000	7,000
Peejay	12,900	12,700
Others	3,800	3,000
	<u>59,400</u>	<u>53,400</u>
UNITED STATES	—	9,400
TOTAL	<u>536,100</u>	<u>542,600</u>

GROSS CRUDE OIL AND GAS LIQUIDS SALES

Cubic Metres — m³

	1979	1978
ALBERTA		
Cessford	73,990	69,550
Big Lake	22,040	12,790
Little Bow	8,230	11,170
Pembina	8,180	8,300
Swan Hills	7,750	8,730
Joffre	7,740	8,180
Leduc	7,000	7,560
Stettler	6,640	7,150
Minnehik	5,310	4,750
Others	23,120	22,080
	<u>170,000</u>	<u>160,260</u>
BRITISH COLUMBIA		
Peejay	20,140	22,600
Weasel	10,230	9,530
Others	1,810	1,380
	<u>32,180</u>	<u>33,510</u>
UNITED STATES	—	5,580
TOTAL	<u>202,180</u>	<u>199,350</u>

RESERVES

Gross proven reserves at December 31, 1979, as determined by the Company's engineering staff, were 10.73 billion cubic metres (380.9 billion cubic feet) of natural gas, 3.78 million cubic metres (23.8 million barrels) of crude oil and natural gas liquids, and 41,500 tonnes of sulphur. Additions to proven reserves during the year exceeded production by 0.4 million cubic metre oil equivalents, or 57 per cent.

On an oil equivalent basis, approximately 79 per cent of the reserves are located in Alberta, 13 per cent in British Columbia, and 8 per cent in the North Sea. Of the reserves, 86 per cent are classified as "proven developed", the balance being "proven undeveloped" which will require drilling of wells and installation of facilities in order to be produced.

The most significant reserve additions during the year were made in the Cessford, Elmworth-Wapiti, Little Bow, Pembina, Richdale, and Thorsby areas of Alberta.

In conjunction with the conversion to the SI units, the conversion ratios for calculation of oil equivalents were changed slightly to reflect the energy content and current realizations from our sales.

Details concerning the proven reserves are summarized in the adjoining table.

ROYALTY INCOME

Income from overriding royalties increased to \$1,542,000, up 50 percent from the previous year. The increase was due to higher sales prices, and additional interests in certain properties.

Based on average realizations for the year, royalty income equalled net revenue from daily production of 124 thousand cubic metres of natural gas, or some 8.4 percent of CanDel's gas production. The Company holds varying royalty interests in about 65,000 hectares in Alberta and British Columbia. Royalty revenue is expected to continue to increase substantially in the coming year as prices rise and new discoveries are placed on production.

METRIC CONVERSION

The Canadian petroleum industry completed conversion to the metric (SI) system of measurement on January 1, 1979. Conversion factors for key statistics reported are as follows: natural gas — 1.0 thousand cubic metres (10^3m^3) = 35.494 thousand cubic feet (MCF); crude oil — 1.0 cubic metre (m^3) = 6.293 barrels; land — 1.0 hectare (ha) = 2.471 acres; sulphur — 1.0 tonne (t) = 0.984 long tons.

Imperial equivalents of several of the key operating statistics have been included throughout this report.

GROSS PROVEN RESERVES

	Natural Gas 10^3m^3	Crude Oil m^3	Natural Gas Liquids m^3	Sulphur t	Oil* Equivalent m^3
Proven Reserves December 31, 1978.....	10,447,600	3,444,700	198,800	45,800	13,150,500
1979 Additions.....	818,900	339,800	—	—	1,084,200
1979 Sales.....	(536,100)	(184,800)	(17,400)	(4,300)	(690,400)
Proven Reserves December 31, 1979.....	<u>10,730,400</u>	<u>3,599,700</u>	<u>181,400</u>	<u>41,500</u>	<u>13,544,300</u>
	MCF	Barrels	Barrels	Long Tons	Barrels
Proven Reserves December 31, 1979.....	<u>380,861,000</u>	<u>22,652,400</u>	<u>1,141,600</u>	<u>40,800</u>	<u>85,234,600</u>

"PROVEN RESERVES" are those which have been proved to a high degree of certainty for commercial production under current conditions by reason of successful completion, testing, or secondary recovery operations. Reserves are initially defined volumetrically by geological interpretation, and adjusted quarterly by comparison with actual production performance where applicable. Reserves have been calculated after deducting working interests owned by others, but before deducting Crown and freehold royalties.

* Conversion ratio for determining oil equivalent:
1 cubic metre oil = 1100 cubic metres natural gas = 5 tonnes sulphur

Five Year Operations Summary

	1979	1978	1977	1976	1975
GROSS PRODUCT SALES					
Natural Gas — 10 ³ m ³ /d					
Alberta.....	1,306	1,315	1,468	1,610	1,811
British Columbia.....	163	146	168	85	126
Saskatchewan.....	—	—	—	—	1
United States.....	—	26	91	67	50
Total — 10 ³ m ³ /d.....	1,469	1,487	1,727	1,762	1,988
Total — MMCFD.....	52.1	52.8	61.3	62.5	70.6
Crude Oil and NGL — m ³ /d					
Alberta.....	466	439	426	437	430
British Columbia.....	88	92	101	115	104
Saskatchewan.....	—	—	—	—	18
United States.....	—	15	43	21	10
Total — m ³ /d.....	554	546	570	573	562
Total — barrels per day.....	3,486	3,437	3,584	3,604	3,535
Silver — troy ounces					
From CanDel properties.....	151,000	199,000	—	—	—
From other properties.....	1,078,000	303,000	—	—	—
Total.....	1,229,000	502,000	—	—	—
AVERAGE SALES PRICE					
Natural Gas — \$/10 ³ m ³	61.31	51.47	45.08	36.56	25.56
Crude Oil and NGL — \$/m ³	79.09	70.67	61.67	50.97	42.79
Silver — \$/oz.	13.65	6.00	—	—	—
PROVEN RESERVES					
Natural Gas — 10 ³ m ³	10,730,400	10,447,600	10,757,400	10,734,900	10,881,900
Crude Oil and NGL — m ³	3,781,100	3,643,500	2,698,400	2,673,600	2,687,600
Total Oil Equivalent — m ³	13,544,300	13,150,500	12,487,700	12,442,900	12,590,900
LAND HOLDINGS — ha					
Oil and Gas					
Canada — Gross.....	591,900	741,600	655,900	802,600	841,500
— Net.....	236,800	245,300	232,000	271,400	281,400
United Kingdom — Gross.....	563,400	513,400	44,100	44,100	44,100
— Net.....	81,000	37,500	6,200	6,200	6,200
Netherlands — Gross.....	237,200	208,800	210,300	210,300	210,300
— Net.....	12,600	11,800	10,500	10,500	10,500
Others — Gross.....	82,900	—	69,800	73,300	68,600
— Net.....	20,700	—	33,100	35,500	34,100
Total — Gross.....	1,475,400	1,463,800	980,100	1,130,300	1,164,500
— Net.....	351,100	294,600	281,800	323,600	332,200
Royalty Interest.....	64,700	63,600	62,800	58,600	56,400
Mineral Claims.....	71,900	69,500	—	—	—
NET WELLS DRILLED					
Gas.....	19.7	12.1	6.6	16.4	8.7
Oil.....	12.1	7.7	10.5	7.8	8.1
Dry.....	8.1	4.4	7.8	5.3	8.8
Total.....	39.9	24.2	24.9	29.5	25.6
NET WELLS OWNED					
Gas.....	202.4	182.8	176.8	171.0	153.8
Oil.....	130.6	118.5	119.6	112.1	101.1
Total.....	333.0	301.3	296.4	283.1	254.9

Financial

FINANCIAL REVIEW

The consolidated statements for 1979 include the operations of St. Joseph Explorations Limited and its subsidiaries for the full year compared to four months in 1978. The St. Joseph group is engaged in mineral exploration, mining, and smelting in Canada. In 1979, they contributed gross revenues from metal sales of \$18,137,000, and cash flow of \$4,508,000 before mineral exploration of \$3,143,000.

Costs to develop the Buchan Field are now expected to be approximately \$45,000,000 U.S. The costs, up to \$40,000,000 U.S., are being financed through a line of credit with a consortium of North American and European banks. The Buchan Field and two Canadian gas fields have been used as security. Costs in excess of \$40,000,000 U.S. will be financed through a line of credit with a Canadian bank.

EARNINGS

Net earnings for 1979 amounted to \$15,005,000 (\$3.40 per share), an increase of 41 percent from \$10,672,000 (\$2.50 per share) the previous year. Utilization of subsidiary company tax credits, reported as an extraordinary item, amounted to \$4,722,000 (\$1.07 per share) in 1979. Utilization of such tax credits which amounted to \$363,000, together with the gain of \$1,359,000 on the sale of CanDel Oil Corporation, comprised the 1978 extraordinary item.

REVENUES

Revenues of \$53,128,000 for 1979 were up 58 percent from \$33,533,000 in 1978, due mainly to increased sales by the St. Joseph group, and to higher prices for oil and gas.

Natural gas sales of \$20,889,000 increased 19 percent from \$17,507,000 the previous year. The average wellhead price increased to \$61.31 per thousand cubic metres (\$1.73 per MCF), up 19 percent from 1978. Total natural gas production declined slightly from 1978 due to the disposal in May 1978 of CanDel's United States properties. Daily average volumes declined in 1978 compared to 1977, due principally to the inability of natural gas purchasers to take contract quantities, and the disposal of the United States properties.

Revenue from crude oil and natural gas liquids sales increased 12 percent to \$11,366,000 from \$10,121,000 in 1978. Total oil production increased slightly in 1979, and the wellhead price averaged \$79.09 per cubic metre (\$12.54 per barrel), up 12 percent from 1978. In 1978, crude oil and liquids revenue increased 21 percent from \$8,346,000 as a result of increased wellhead prices.

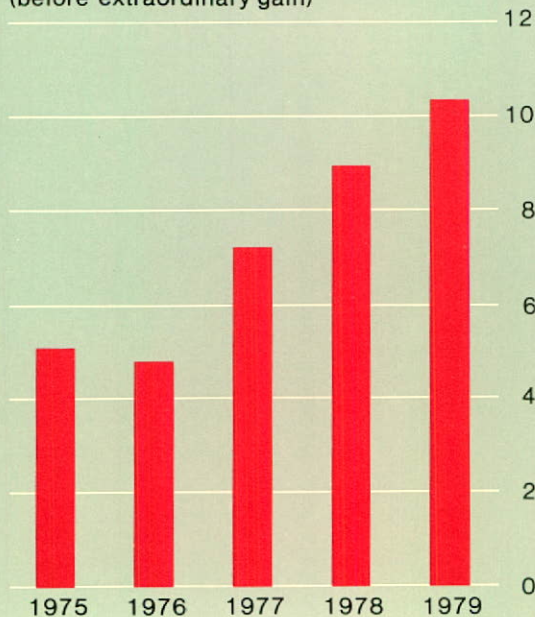
Metal sales for 1979 amounted to \$18,137,000 for 12 months' operations compared to \$3,679,000 during the four month period in 1978. The average price per troy ounce of silver sold amounted to \$13.65 in 1979 compared to \$6.00 in 1978. Decem-



David Parry, James Brown, Gregory Osmond, Roy Danielson.

Net Earnings

in millions of dollars
(before extraordinary gain)



ber 1979 sales prices averaged \$33.40 per troy ounce.

Royalty income increased 50 percent in 1979 to \$1,542,000 from \$1,030,000. In 1978, royalty income had increased 47 percent from \$699,000 in 1977.

Interest income of \$905,000 earned in 1979 increased 18 percent from \$770,000 a year ago, as more funds were invested on a short term basis. Interest income had declined 36 percent in 1978 from 1977 due to a reduction in short term investments.

Other income declined to \$289,000 in 1979, and to \$426,000 in 1978 from \$1,288,000 in 1977, due to reduced gains on foreign exchange.

COSTS AND EXPENSES

Oil and gas production expenses increased 17 percent to \$5,137,000 from \$4,394,000 in 1978. The increase resulted from additional producing properties and higher costs of operations. Similarly, operating costs had increased 16 percent in 1978.

Costs of metal sales totalled \$13,629,000 in 1979 compared to \$3,007,000 in 1978. Gross margin for metal sales was \$4,508,000, or 25 percent of revenues in 1979, compared to \$672,000, or 18 percent, for four months in 1978.

Mineral exploration expenditures amounted to \$3,143,000 for all of 1979 compared to \$1,071,000 for four months' activity in 1978.

General and administrative expenses of \$2,837,000 were up 33 percent from \$2,136,000, reflecting increased staff in oil and gas operations, and 12 months' activity in the mining and smelting subsidiaries. In 1978, increased staff costs and the acquisition of the mineral companies resulted in a 35 percent increase.

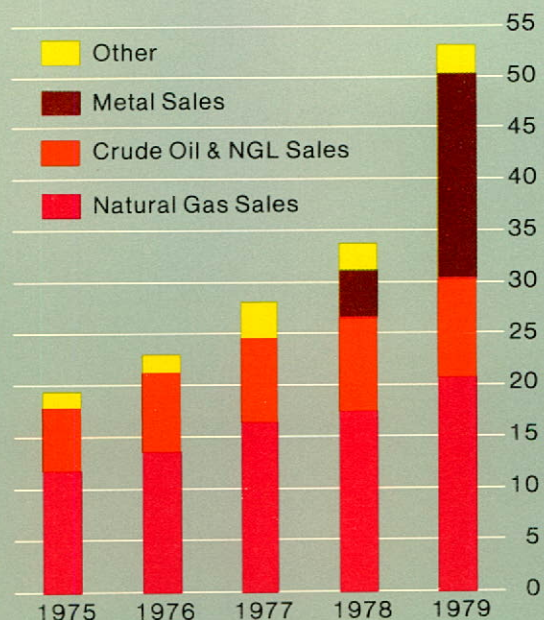
Depletion expense for 1979 totalled \$4,321,000, compared to \$3,412,000 the previous year, due to increased Canadian production and higher cost of finding and developing oil and gas reserves. Increased costs in 1978 resulted in a 43 percent increase from \$2,373,000 in 1977. CanDel's depletion rate per equivalent cubic metre produced in 1979 was \$6.02 (\$0.96 per barrel), compared to \$6.23 in 1978 and \$4.78 in 1977. In 1979, depletion has been calculated by converting natural gas to equivalent cubic metres of oil on the basis of energy equivalents. In prior years, conversion was on the basis of the relative net realization from each product.

Depreciation expense amounted to \$1,130,000, up 7 percent from \$1,058,000 in 1978, due to installation of additional production facilities. Similarly in 1978, depreciation had increased 10 percent from the prior year.

Amortization of goodwill increased to \$871,000 from \$257,000 in the previous year, reflecting the goodwill attributable to the utilization of subsidiary company tax credits in 1979. Other amortiza-

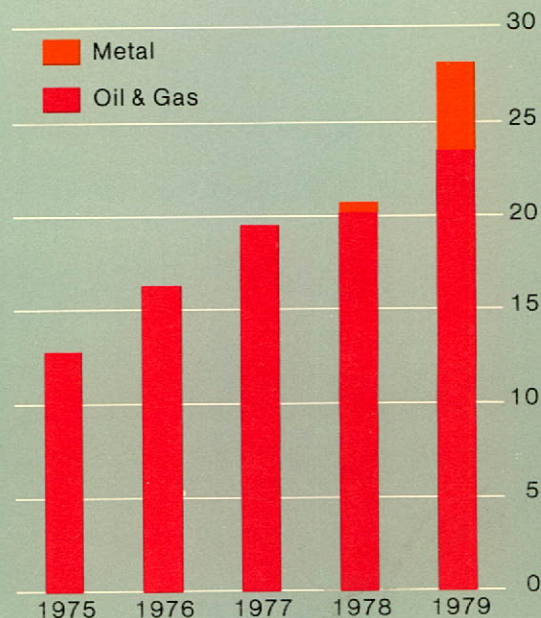
Sources of Revenue

in millions of dollars



Sources of Operating Profit

in millions of dollars



tion expense is mainly related to deferred charges on the loan to finance development of the Buchan Field.

There was no interest expense charged to income in 1979, reflecting adoption of the policy to capitalize interest in 1979 and future years, on debt specifically obtained for the construction or development of major capital assets. Interest expense capitalized, with respect to the development of the Buchan Field, amounted to \$3,065,000 in 1979. This policy, in accordance with the Financial Accounting Standards Board pronouncement, was not adopted retroactively. In 1978, \$940,000 of the total interest expense of \$1,066,000 related to Buchan. The interest capitalized in 1979 related only to Buchan and will be amortized according to the normal policies for depletion and depreciation for the United Kingdom cost centre.

Income taxes in 1979 amounted to \$6,900,000 after the extraordinary item, an increase of 16 percent from the comparable number in 1978 of \$5,925,000. The effective rate of tax declined to 32 percent of pretax income in 1979, compared to 37 percent the previous year and 46 percent in 1977. These reductions are attributable to the utilization of tax credits from the mining and smelting subsidiaries, as well as increased Canadian exploration and development expenditures.

Current income taxes of \$420,000 compared favourably with \$413,000 the previous year, down

substantially from \$6,161,000 in 1977. Most of CanDel's tax liability continued to be deferred due to tax credits available from expenditures on Canadian petroleum and mineral activities, as well as foreign exploration and development. At year end, CanDel and its subsidiaries had approximately \$94,000,000 of unused Canadian income tax deductions, compared to \$64,000,000 in 1978 and \$27,000,000 in 1977.

CHANGES IN FINANCIAL POSITION

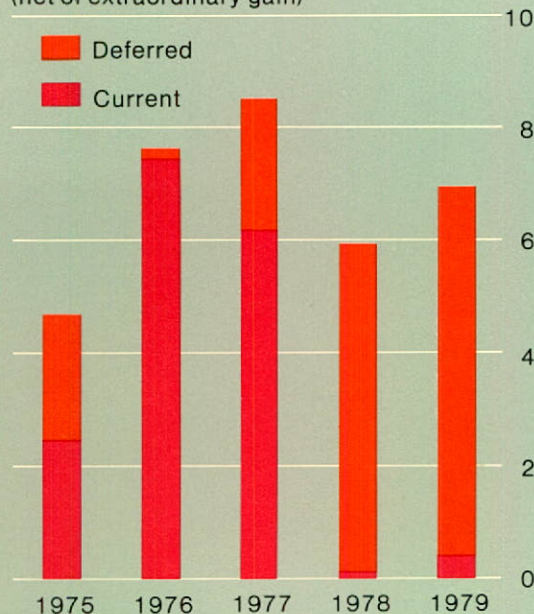
Funds provided from operations for the year amounted to \$32,121,000, an increase of 43 percent from \$22,508,000 in 1978. Greater cash flow from oil and gas sales, as well as from mining and smelting operations, were substantially responsible for the increased funds from operations.

During the year, \$24,540,000 was drawn under CanDel's long-term agreement for development of the Buchan Field.

CanDel's contracts with its major gas purchasers require payment for specified volumes of gas. In 1979, the Company received \$2,900,000 for contracted gas volumes not taken. These payments are recorded as deferred revenue, and are not included in earnings until the gas is delivered, or the make-up period for taking the gas has expired.

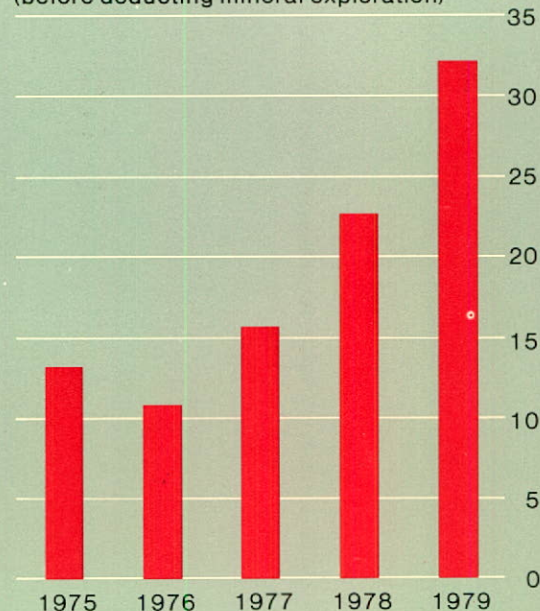
Income Taxes

in millions of dollars
(net of extraordinary gain)



Funds Provided from Operations

in millions of dollars
(before deducting mineral exploration)



The exercise of stock options by employees accounted for all the funds obtained from the issuance of shares in 1979.

Proceeds from the sale of property amounted to \$7,319,000 for 1979. Included in this amount is \$7,234,000 received for certain lands contributed to two joint petroleum exploration programs operated by CanDel.

Capital expenditures for 1979 amounted to \$58,576,000, up 61 percent from \$36,350,000 a year ago. Exploration expenditures totalled \$24,927,000, of which \$10,000,000 was expended on land acquisition and \$9,000,000 on drilling. Development expenditures totalled \$33,649,000 of which \$24,398,000 was used toward development of the Buchan Field.

At December 31, 1979, working capital increased to \$9,201,000 compared to \$8,332,000 the previous year.

RESERVE RECOGNITION ACCOUNTING

The United States Securities and Exchange Commission (SEC) is continuing with the development of the Reserve Recognition Accounting method despite objections from the petroleum industry, and public accounting and engineering firms.

During the development period of Reserve Recognition Accounting, CanDel has adopted a prescribed form of Full Cost Accounting. Adoption of this method did not have a material effect on the net income or retained earnings of the Company. However, CanDel was required to establish cost centres for each country in place of the larger geographical cost centres previously used. CanDel has elected to amortize foreign cost centres over the composite life of exploratory rights held until an indicated commercial discovery is made or the rights expire.

The main principles of Reserve Recognition Accounting, as reported in the 1978 Annual Report and as since modified, are as follows:

Proven oil and gas reserves are reflected as assets in the balance sheet.

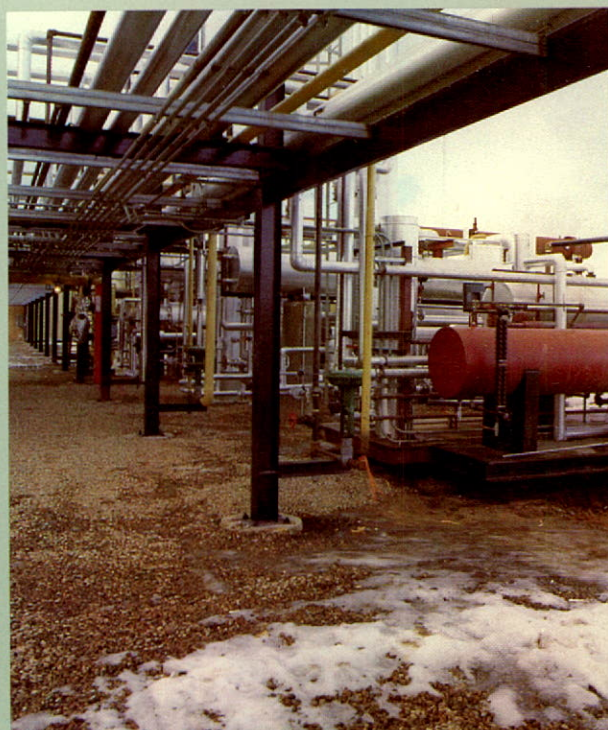
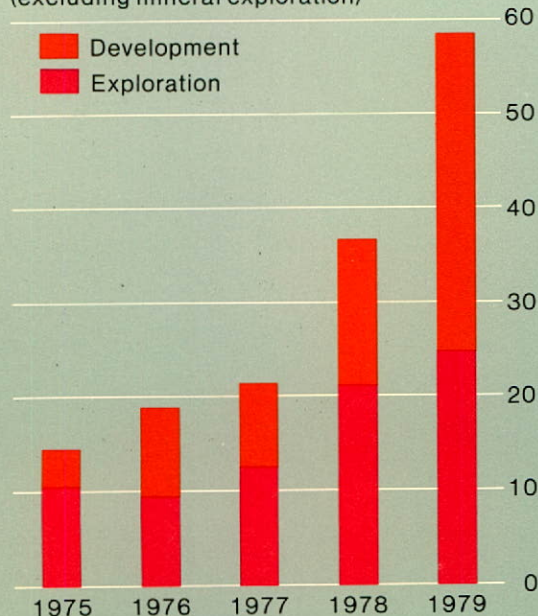
Additions to proven reserves, changes in valuations of proven reserves, and increases in present value are reflected in the income statement.

Most costs associated with finding and developing additions to proven reserves, including the present value of future development costs, together with all costs determined to be non-productive during the period, are included in the income statement.

The Company is required to include a statement of earnings on the basis of Reserve Recognition

Capital Expenditures

in millions of dollars
(excluding mineral exploration)



Wapiti Gas Plant.

Accounting, and a table of changes in the present value (discounted at 10 per cent) of estimated future net revenues from proven oil and gas reserves, in its 1979 10-K submission to the S.E.C.

Inherent difficulties of the Reserve Recognition Accounting method include:

The values of proven reserves are recognized as income upon discovery, notwithstanding that production and resultant cash flow may not begin for several years or more.

Quantifying reserves will usually require several years' production experience in order to be in a reasonably close range to actual recoverable reserves.

The calculation of the value of proven reserves is made using an arbitrary discount factor of 10 percent and using prices of petroleum products at the then current prices, without recognition of likely price escalation, or consideration of discount rates currently in use.

If Reserve Recognition Accounting is to be utilized, it should be presented only as supplementary information for periods of three to five years in order to examine the long-term effect of its use. It is likely that investors will place increased emphasis on cash flow as the measure of performance if Reserve Recognition Accounting becomes the principal method of reporting the income of petroleum companies.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of CanDel Oil Ltd. as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the capitalization of interest charges discussed in Note 1(i), on a basis consistent with that of the preceding year.

Calgary, Alberta
February 1, 1980

DELOITTE HASKINS + SELLS
Chartered Accountants

Consolidated Statement of Earnings

Years Ended December 31, 1979 and 1978

	1979	1978
REVENUE		
Natural gas sales	\$20,889,000	17,507,000
Crude oil and natural gas liquids sales	11,366,000	10,121,000
Metal sales	18,137,000	3,679,000
Royalty income	1,542,000	1,030,000
Interest income	905,000	770,000
Other	289,000	426,000
	<u>53,128,000</u>	<u>33,533,000</u>
COSTS AND EXPENSES		
Costs of sales:		
Oil and gas	5,137,000	4,394,000
Metal	13,629,000	3,007,000
Mineral exploration	3,143,000	1,071,000
General and administrative	2,837,000	2,136,000
Depletion, depreciation and amortization (Notes 1, and 3(b))	6,477,000	5,734,000
Interest (Notes 1(i), 5 and 6)	—	1,066,000
	<u>31,223,000</u>	<u>17,408,000</u>
EARNINGS BEFORE INCOME TAXES	<u>21,905,000</u>	<u>16,125,000</u>
INCOME TAXES (Note 7)		
Current	420,000	413,000
Deferred	11,202,000	5,875,000
	<u>11,622,000</u>	<u>6,288,000</u>
EARNINGS from continuing operations before loss from operations of subsidiary sold and extraordinary gain	10,283,000	9,837,000
Loss from operations of subsidiary sold (Note 10(b))	—	887,000
EARNINGS before extraordinary gain	<u>10,283,000</u>	<u>8,950,000</u>
Extraordinary gain (Notes 9 and 10(b))	4,722,000	1,722,000
NET EARNINGS	<u>\$15,005,000</u>	<u>10,672,000</u>
EARNINGS PER SHARE (Note 13)		
Earnings before extraordinary gain	\$ 2.33	2.10
Extraordinary gain	1.07	0.40
NET EARNINGS PER SHARE	<u>\$ 3.40</u>	<u>2.50</u>

Consolidated Statement of Retained Earnings

Years Ended December 31, 1979 and 1978

	1979	1978
RETAINED EARNINGS AT BEGINNING OF YEAR	\$50,197,000	39,525,000
NET EARNINGS	15,005,000	10,672,000
RETAINED EARNINGS AT END OF YEAR	<u>\$65,202,000</u>	<u>50,197,000</u>

Consolidated Balance Sheet

December 31, 1979 and 1978

ASSETS

	1979	1978
CURRENT ASSETS		
Cash and short term deposits	\$ 9,661,000	8,498,000
Accounts receivable	14,280,000	8,466,000
Inventories (Note 2)	12,406,000	3,544,000
Other	162,000	187,000
Total current assets	<u>36,509,000</u>	<u>20,695,000</u>
PROPERTY, PLANT AND EQUIPMENT (Notes 1 and 3)		
Petroleum and natural gas leases and rights including exploration and development thereon — full cost method of accounting	139,873,000	111,238,000
Mining properties and rights	1,961,000	1,860,000
	<u>141,834,000</u>	<u>113,098,000</u>
Less accumulated depletion and amortization	42,243,000	37,821,000
	<u>99,591,000</u>	<u>75,277,000</u>
Production and other equipment	50,426,000	28,077,000
Less accumulated depreciation	14,149,000	13,250,000
	<u>36,277,000</u>	<u>14,827,000</u>
Net property, plant and equipment	<u>135,868,000</u>	<u>90,104,000</u>
DEFERRED CHARGES (Note 4)	550,000	859,000
GOODWILL (Notes 1(h) and 10)	1,213,000	1,985,000
OTHER ASSETS — at cost	263,000	238,000
	<u>\$174,403,000</u>	<u>113,881,000</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1979</u>	<u>1978</u>
CURRENT LIABILITIES		
Due to bank (Note 5)	\$ —	845,000
Accounts payable and accrued liabilities	22,228,000	10,919,000
Income taxes payable	356,000	599,000
Current portion of long-term debt	4,724,000	—
Total current liabilities	<u>27,308,000</u>	<u>12,363,000</u>
LONG-TERM DEBT (Note 6)	34,641,000	14,825,000
DEFERRED REVENUE (Note 1(g))	4,872,000	1,972,000
DEFERRED INCOME TAXES (Note 7)	26,306,000	18,826,000
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)		
Common stock of a par value of \$3 per share		
Authorized 6,250,000 shares		
Issued 4,428,744 shares (1978 — 4,371,044 shares)	13,286,000	13,113,000
Contributed surplus (Note 8)	2,788,000	2,585,000
Retained earnings	65,202,000	50,197,000
	<u>81,276,000</u>	<u>65,895,000</u>

Approved by the Board

William C. Leuschner, Director

M. A. Williams, Director

\$174,403,000

113,881,000

Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1979 and 1978

	1979	1978
FINANCIAL RESOURCES PROVIDED BY		
Net earnings before extraordinary gain	\$10,283,000	8,950,000
Charges to income not requiring funds:		
Depletion, depreciation and amortization	6,477,000	5,734,000
Deferred income taxes	11,202,000	5,875,000
Non-cash charges of subsidiary sold	—	506,000
Other	16,000	9,000
Mineral exploration (Note 1(d))	3,143,000	1,071,000
Funds provided from operations before extraordinary gain and mineral exploration	31,121,000	22,145,000
Funds provided from extraordinary gain	1,000,000	363,000
Total funds provided from operations before mineral exploration	32,121,000	22,508,000
Proceeds from long-term debt	24,540,000	13,393,000
Proceeds from deferred revenue	2,900,000	1,972,000
Proceeds from issuance of shares	376,000	3,014,000
Proceeds from sale of property, plant and equipment	7,319,000	200,000
Sale of subsidiary	—	9,991,000
	<u>67,256,000</u>	<u>51,078,000</u>
FINANCIAL RESOURCES USED FOR		
Additions to property, plant and equipment	58,576,000	36,350,000
Mineral exploration	3,143,000	1,071,000
Repayment of long-term debt	4,724,000	753,000
Acquisition of subsidiary	—	4,125,000
Deferred charges	(178,000)	1,161,000
Other	122,000	40,000
	<u>66,387,000</u>	<u>43,500,000</u>
INCREASE IN WORKING CAPITAL	869,000	7,578,000
WORKING CAPITAL at beginning of year	8,332,000	754,000
WORKING CAPITAL at end of year	<u>\$ 9,201,000</u>	<u>8,332,000</u>
CHANGES IN COMPONENTS OF WORKING CAPITAL		
INCREASE (DECREASE) IN CURRENT ASSETS		
Cash and short term deposits	\$ 1,163,000	(4,609,000)
Accounts receivable	5,814,000	212,000
Inventories	8,862,000	2,312,000
Other	(25,000)	132,000
Net increase (decrease) in current assets	<u>15,814,000</u>	<u>(1,953,000)</u>
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Due to banks	(845,000)	(12,418,000)
Accounts payable and accrued liabilities	11,309,000	3,976,000
Income taxes payable	(243,000)	280,000
Current portion of long-term debt	4,724,000	(1,369,000)
Net increase (decrease) in current liabilities	<u>14,945,000</u>	<u>(9,531,000)</u>
INCREASE IN WORKING CAPITAL	<u>\$ 869,000</u>	<u>7,578,000</u>

Notes to Consolidated Financial Statements

December 31, 1978 and 1979

1. SUMMARY OF ACCOUNTING POLICIES

The financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada. Due to the nature of the Company's operations, certain estimates are involved in the preparation of such statements. In management's opinion, the financial statements have been prepared within reasonable limits of materiality and within the framework of the significant accounting policies as summarized below:

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of CanDel Oil Ltd., its branches, and its subsidiary companies, all of which are wholly-owned. The principal consolidated subsidiaries are St. Joseph Explorations Limited, Canadian Smelting & Refining (1974) Limited, and Canadaka Mines Limited. The Company has branch operations in the United Kingdom, Netherlands, and Colombia.

(b) FOREIGN EXCHANGE TRANSLATION

The accounts of foreign subsidiaries and branches have been translated into Canadian dollars using exchange rates as follows:

- Current assets, current liabilities, and long-term debt, at the rate prevailing at the balance sheet date.
- Other assets at the rates prevailing at the dates the assets were acquired.
- Revenue and expense items, other than depreciation, depletion and amortization, at the average rate for the year.
- Depreciation, depletion and amortization at the historic rates of the related assets.

Foreign exchange losses, arising on translation of long-term debt, have been deferred and are being amortized over the remaining term of the debt (see Note 4). Other foreign exchange losses have been charged against earnings.

Foreign currency transactions have been translated into Canadian dollars using the exchange rates in effect on the transaction dates.

(c) FULL COST METHOD OF ACCOUNTING

In accordance with the provisions of the modified full cost method of accounting, as prescribed by the United States Securities and Exchange Commission, the exploration and development costs are allocated on a country by country basis to the following active cost centres:

1. Canada
2. United Kingdom
3. Netherlands

Costs initially capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells, and overhead related to exploration activities. Adoption in 1979 of the prescribed form of full cost accounting did not have a material effect on the net income or retained earnings of the Company. Previously, costs were allocated on the basis of geographical area to North American, Northwestern Europe, and North African cost centres.

Costs capitalized in the Canadian cost centre are being depleted on the unit-of-production method based on estimated proven developed Canadian reserves, as determined by Company engineers. Natural gas reserves and production are converted to cubic metre equivalents of crude oil each year, based on the relative energy content of each product for purposes of the depletion calculation. The depletion rate per cubic metre produced for 1979 and 1978 was \$6.02 and \$6.23 respectively.

Costs capitalized in foreign cost centres generally are amortized over the composite life of the exploratory rights held until an indicated commercial discovery is made or the rights expire. Costs capitalized in the United Kingdom and Netherlands cost centres were amortized to June 30, 1974, over the composite life of the various exploratory rights held. In the Netherlands and United Kingdom sectors of the North Sea, indicated commercial discoveries were made in 1973 and 1974 respectively.

Unamortized exploration and development costs, as shown below, are being carried forward to be depleted on the unit-of-production method when production commences:

	December 31	
	1979	1978
United Kingdom	\$26,236,000	21,232,000
Netherlands	4,494,000	2,716,000
	<u>\$30,730,000</u>	<u>23,948,000</u>

Costs incurred in the North African cost centre were amortized over the composite life of the exploratory rights held to August 31, 1978.

(d) MINERAL PROPERTIES

Costs related to the exploration for minerals are generally expensed as incurred. Mineral exploration expense for 1978 was reclassified in the Consolidated Statement of Changes in Financial Position to conform with the 1979 presentation. The excess of the purchase price over the net assets (see Note 10(a)) attributable to mineral properties is being amortized over a period of twenty years, unless certain mineral holdings are abandoned, at which time any remaining excess would be charged to earnings.

(e) DEPRECIATION

Depreciation on Canadian oil and gas plants and equipment has been provided on the straight line method. The rates of depreciation are as follows: well equipment — 5%; gas plants and related field facilities — 4%; automotive equipment — 25%; and office equipment — 10%. Previously, depreciation on producing facilities and equipment was provided on the greater of the straight line method or the unit-of-production method. This change in application does not have a material effect on the current year's consolidated statement of earnings.

Capital expenditures on offshore production facilities at the Buchan Field in the United Kingdom sector of the North Sea at December 31, 1979 and 1978 amounted to \$23,129,000 and \$4,262,000 respectively. These costs will be depreciated using the unit-of-production method when production commences.

Depreciation on mill and smelter facilities used to process minerals has been provided on a straight line basis at rates varying from 10% to 25%.

(f) INCOME TAXES

The Company follows the tax allocation basis of accounting for income taxes, whereby deferred taxes are provided to the extent that current taxes have been reduced by claiming capital cost allowances and exploration, development, and lease acquisition costs in excess of the related depreciation, depletion and amortization provided in the financial statements.

(g) DEFERRED REVENUE

Amounts due for annual contracted gas volumes not taken by purchasers are recorded as deferred revenue at the end of contract years in which shortfalls occur. These amounts will be reported as revenue upon the subsequent delivery of gas or will be recorded as revenue if the gas is not taken within the makeup period applicable to CanDel's sales contracts.

(h) GOODWILL

Goodwill arising from the acquisition of St. Joseph Explorations Limited in 1978, and attributable to the utilization of certain subsidiary tax credits is being amortized over twenty-five months from the date of acquisition. Other goodwill arising from the same acquisition is being amortized over five years. (See Note 10 (a)).

(i) CHANGE IN ACCOUNTING POLICY

For the year ended December 31, 1979 and future years, interest on debt specifically obtained for the construction or development of major capital assets, which are not currently being amortized, is being capitalized until the assets commence operations. For the 1979 fiscal year, interest expense amounting to \$3,065,000 relating to development of the Buchan Field in the United Kingdom sector of the North Sea has been capitalized. Earnings in 1979, after income taxes, would have been decreased by \$2,100,000 or \$0.47 per share, if interest capitalization had not been adopted. If this policy had been applied retroactively, property, plant and equipment at December 31, 1978 would have been increased by \$940,000 and earnings before income taxes would have been increased by the same amount. Earnings after income taxes and extraordinary item would have been increased by \$592,000 or \$0.14 per share.

2. INVENTORIES

	1979	1978
Material and supplies at lower of cost and replacement cost	\$ 2,116,000	1,555,000
Metals at lower of cost and net realizable value	10,290,000	1,989,000
	<u>\$12,406,000</u>	<u>3,544,000</u>

3. (a) PROPERTY, PLANT AND EQUIPMENT — AT COST

	December 31			
	1979			1978
	Cost	Accumulated Provisions	Net	Net
	(Thousands of dollars)			
Petroleum and natural gas leases and rights including exploration and development thereon — full cost method of accounting:				
Leasehold costs	\$ 42,644	12,787	29,857	26,045
Intangible exploration and development costs	97,136	29,126	68,010	47,465
Royalty interest	93	69	24	30
	<u>\$139,873</u>	<u>41,982</u>	<u>97,891</u>	<u>73,540</u>
Mineral properties and rights	<u>\$ 1,961</u>	<u>261</u>	<u>1,700</u>	<u>1,737</u>
Production and other equipment:				
Gas plants and related facilities	\$ 16,773	7,903	8,870	7,025
Lease and well equipment	32,181	5,330	26,851	7,515
Buildings	394	388	6	7
Automotive equipment	239	134	105	97
Leasehold improvements	410	76	334	97
Office furniture and equipment	256	170	86	59
Other	173	148	25	27
	<u>\$ 50,426</u>	<u>14,149</u>	<u>36,277</u>	<u>14,827</u>

(b) DEPLETION, DEPRECIATION AND AMORTIZATION

Components of depletion, depreciation and amortization expense in the Consolidated Statement of Earnings are:

	1979	1978
Depletion	\$4,321,000	3,412,000
Depreciation	1,130,000	1,058,000
Amortization of foreign exploration costs	23,000	869,000
Amortization of deferred charges	132,000	138,000
Amortization of goodwill	871,000	257,000
	<u>\$6,477,000</u>	<u>5,734,000</u>

Depletion, depreciation and amortization expense is also included in loss from operations of subsidiary sold amounting to \$469,000 for 1978.

4. DEFERRED CHARGES

Deferred charges consisting of unrealized foreign exchange losses amounting to \$184,000 and financing costs amounting to \$366,000, both of which relate to the Credit Facility referred to in Note 6, are being amortized over the term of the loan.

5. DUE TO BANK

At December 31, 1978, Canadian Smelting & Refining (1974) Limited's indebtedness consisted of \$845,000 (1979 — Nil) and was secured by metal inventories.

Interest on short term debt, amounting to \$510,000 for 1978, is included in interest expense and loss from operations of subsidiary sold.

6. LONG-TERM DEBT

At December 31, 1979 and 1978, the following long-term debt was outstanding:

	1979	1978
Credit Facility (1979 — \$33,700,000 U.S., 1978 — \$12,500,000 U.S.)	\$39,365,000	14,825,000
Amount due within one year	4,724,000	—
	<u>\$34,641,000</u>	<u>14,825,000</u>

The Credit Facility with interest at $\frac{3}{4}$ of 1% above the London Interbank Offered Rate and $\frac{3}{8}$ of 1% standby fee on the undrawn balance consists of two Tranches. "Tranche B" is comprised of eligible expenditures under the United Kingdom Interest Relief Program to a maximum of \$16,000,000 U.S. and is repayable in ten equal semi-annual installments commencing March 31, 1981. "Tranche A", the remaining portion of the Credit Facility, is repayable in ten equal quarterly installments beginning September 30, 1980. The amounts estimated to be repaid in the years ending December 31 are: 1980 — \$4,724,000; 1981 — \$12,597,000; 1982 — \$12,597,000; 1983 — \$3,149,000; 1984 — \$3,149,000.

The Credit Facility provides for loan drawdowns to June 30, 1980 to a maximum of \$40,000,000 U.S. for development of the Buchan Field and exploration of an adjacent block. The Credit Facility contains covenants requiring that the Company maintain a certain ratio of future proceeds of production to the aggregate of the loan and undrawn balance, a maximum percentage of total liabilities less deferred tax to shareholders' equity, and a minimum level of shareholders' equity. At present, two Alberta gas fields and the Buchan Field are pledged as security for the loan.

Interest on long-term debt amounting to \$3,065,000 for 1979 has been capitalized as explained in Note 1 (i).

7. INCOME TAXES

Total income taxes amounted to \$6,900,000 in 1979 and \$5,925,000 in 1978, for effective tax rates of approximately 32% and 37% respectively as follows:

	1979	1978
Current income taxes	\$ 420,000*	413,000*
Deferred income taxes	11,202,000	5,875,000
	<u>11,622,000</u>	<u>6,288,000</u>
Recovery of income taxes:		
Extraordinary gain — current	(1,000,000)	(363,000)
— deferred	(3,722,000)	—
	<u>(4,722,000)</u>	<u>(363,000)</u>
Total net income taxes	<u>\$ 6,900,000</u>	<u>5,925,000</u>

* After the deduction of the Alberta Royalty Tax Credit.

	1979		1978	
	Amount	Percent of Pretax Earnings	Amount	Percent of Pretax Earnings
Computed "expected" tax expense	\$10,295,000	47	7,579,000	47
Increase in income taxes resulting from:				
Royalties, lease rentals and mineral taxes payable to the Crown net of provincial rebates	5,554,000	25	4,832,000	32
Subsidiary's gain and renounced expenses taxed on an unconsolidated basis	3,720,000	17	—	—
	<u>19,569,000</u>	<u>89</u>	<u>12,411,000</u>	<u>79</u>
Decrease in income taxes resulting from:				
Utilization of tax credits in subsidiaries	4,722,000	21	363,000	2
Tax depletion on Canadian production income	2,537,000	11	2,222,000	14
Resource allowance on Canadian production income	5,410,000	25	3,908,000	26
Other	—	—	(7,000)	—
	<u>\$ 6,900,000</u>	<u>32%</u>	<u>5,925,000</u>	<u>37%</u>

Deferred tax expense results from timing differences in the recognition of revenue and expense items for tax and financial statement purposes. The related tax effect of these differences is as follows:

	1979	1978
Excess of exploration and development costs deductible for income tax purposes over book depletion and amortization	\$5,417,000	6,981,000
Excess of capital cost allowance for income tax purposes over book depreciation	3,139,000	838,000
Excess of book earned depletion over earned depletion deductible for income tax purposes	(971,000)	(1,833,000)
Other	(105,000)	(111,000)
	<u>\$7,480,000</u>	<u>5,875,000</u>

Deferred income taxes will become payable when expenditures allowable for income tax purposes are less than the corresponding deductions in the statement of earnings.

At December 31, 1979, the Company and its subsidiaries had unclaimed deductions for Canadian income tax purposes which may be applied against future taxable income as follows:

	1979		1978
	CanDel Oil Ltd.	Subsidiaries	Combined
Undepreciated capital cost (at rates varying from 10% to 100% per year)	\$17,558,000	3,092,000	10,804,000
Canadian exploration and development expenses (at 100% per year)	—	—	985,000
Cumulative Canadian development expense (at 30% per year)	19,219,000	3,418,000	12,269,000
Cumulative Canadian exploration expense (at 100% per year)	12,522,000	1,990,000	9,019,000
Foreign exploration and development expense*	26,542,000	—	21,623,000
Net operating losses (at 100% per year)	—	8,000	1,695,000
Tax depletion	7,046,000	2,487,000	7,839,000
	<u>\$82,887,000</u>	<u>10,995,000</u>	<u>64,234,000</u>

*At the greater of 10% per year or income from foreign branches.

8. EMPLOYEES STOCK OPTION PLAN

The following table summarizes transactions under the Employees Stock Option Plan for 1979 and 1978:

	Number of Shares	
	1979	1978
Options outstanding at beginning of year	92,075	146,550
Options granted	14,000	4,000
Options cancelled	—	(7,250)
Options exercised	(57,700)	(51,225)
Options outstanding at end of year	<u>48,375</u>	<u>92,075</u>

At December 31, 1979 and 1978, options were outstanding as follows:

Price per Share	Number of Shares			
	Officers and Directors		Other Employees	
	1979	1978	1979	1978
\$5.75	—	47,700	—	4,750
\$11.50	6,125	7,375	3,750	3,750
\$12.50	1,250	2,500	—	—
\$16.00	—	—	3,500	4,000
\$16.25	16,750	19,000	3,000	3,000
\$33.75	2,000	—	12,000	—
	<u>26,125</u>	<u>76,575</u>	<u>22,250</u>	<u>15,500</u>

All options were issued at the market price on the date of grant. The options are exercisable in cumulative annual installments of 25 percent commencing one year from the date of grant and expiring five years thereafter. At December 31, 1979, there were an additional 25,951 shares reserved on which further options may be granted. During the year, 57,700 shares were issued under the stock option plan for a cash consideration of \$376,000, of which \$173,000 was credited to capital stock and \$203,000 to contributed surplus. In 1978, 51,225 shares were issued on exercise of stock options, and 125,888 shares as consideration for acquisition of a subsidiary, of which \$531,000 was credited to capital stock and \$2,483,000 to contributed surplus.

9. EXTRAORDINARY GAIN

Extraordinary gain for 1979 consists of a reduction of income taxes of \$4,722,000 which resulted from the utilization of certain subsidiary tax credits. In 1978, the extraordinary item consisted of a gain on disposal of CanDel Oil Corporation amounting to \$1,359,000 and a reduction of income taxes of \$363,000 from the utilization of certain subsidiary tax credits.

10. ACQUISITION AND DISPOSAL

(a) ST. JOSEPH EXPLORATIONS LIMITED

On August 31, 1978 CanDel acquired all of the outstanding shares of St. Joseph Explorations Limited, previously a wholly-owned subsidiary of St. Joe Minerals Corporation. The purchase price of \$2,709,000 was satisfied through the issuance by the Company of 125,888 common shares. The acquisition was accounted for as a purchase with the excess of the purchase price over net assets of \$3,622,000 assigned to goodwill in the amount of \$2,242,000 and the remaining portion to mineral properties and tangible assets having market values in excess of their book values amounting to \$1,200,000 and \$180,000 respectively. Working capital deficiency acquired amounted to \$1,416,000.

(b) CANDEL OIL CORPORATION

Effective May 31, 1978 CanDel sold its U.S. subsidiary, CanDel Oil Corporation for \$7,877,000, resulting in an extraordinary gain of \$1,359,000. The statement of earnings consolidates the results of CanDel Oil Corporation on a one line basis as losses from operations of subsidiary sold for the period ended May 31, 1978. Working capital deficiency eliminated on the disposal of the subsidiary amounted to \$2,114,000.

11. RETIREMENT PLANS

Employees of CanDel and its subsidiaries are eligible to join the pension plans following six months of employment. Under CanDel's plan, members contribute a percentage of their earnings and CanDel pays all other costs. The subsidiaries' plan is non contributory. Retirement benefits are paid to employees based on their compensation and length of service. The Companies' contribution to the plans for the years 1979 and 1978 amounted to \$238,000 and \$140,000 respectively. The plans had no unfunded costs at January 1, 1979, the date of the last actuarial valuation.

12. REMUNERATION OF DIRECTORS AND OFFICERS

In 1979 the Company had ten directors and thirteen officers, three of whom served in both capacities during the year. In 1978 the Company had nine directors and twelve officers, two of whom served in both capacities during the year. Remuneration paid or payable to directors and officers was as follows:

	1979	1978
Directors	\$ 16,200	17,700
Officers	\$965,000	825,000

No remuneration was paid or was payable to directors or officers of the Company by any of its subsidiaries.

13. NET EARNINGS PER SHARE

Net earnings per share, pursuant to Canadian practice, have been calculated using the weighted monthly average of shares outstanding of 4,418,344 in 1979 and 4,260,042 in 1978. Fully diluted net earnings per share are not materially different from basic net earnings per share.

14. BUSINESS SEGMENT INFORMATION AND QUARTERLY FINANCIAL DATA

CanDel's operations are divided into two business segments. Oil and gas includes the location, development, and production of petroleum and natural gas reserves. Mining includes the location, development, production, and smelting of base and precious metal reserves. Depreciation and depletion is charged on the oil and gas operations only in the Canadian cost centre. Production has not yet commenced on the Company's United Kingdom and Netherlands interests. The Company's oil and gas interests in North Africa have been fully amortized as at December 31, 1978.

The following table shows, as of December 31, 1979, the capitalized costs of CanDel's oil and gas properties and accumulated depreciation, depletion and amortization related thereto:

	Capitalized Costs		Depreciation Depletion & Amortization
	Proved Properties	Unproved Properties	
Canada	\$104,078,000	26,961,000	50,730,000
United Kingdom	49,496,000	—	131,000
Netherlands	4,502,000	—	8,000
Egypt	5,262,000	—	5,262,000
Total	\$163,338,000	26,961,000	56,131,000

Following are costs incurred in oil and gas producing activities for the year ended December 31, 1979:

	Property Acquisition Costs	Exploration Costs	Development Costs	Production (Lifting) Costs	Depreciation Depletion & Amortization
Canada	\$10,489,000	11,994,000	9,122,000	5,137,000	5,296,000
United Kingdom	—	602,000	24,398,000	—	—
Netherlands	—	1,819,000	—	—	—
Egypt	—	23,000	—	—	23,000
Total	\$10,489,000	14,438,000	33,520,000	5,137,000	5,319,000

Business Segment Information — 1979

	Assets	Capital Expenditures	Revenue
Industry	(Thousands of dollars)		
Oil and gas	\$156,633	58,447	34,086
Mining	17,770	129	18,137
Interest income	—	—	905
	<u>\$174,403</u>	<u>58,576</u>	<u>53,128</u>
Geographic			
Canada	\$119,637	31,735	53,128
North Sea — United Kingdom and Netherlands Sectors	54,766	26,841	—
	<u>\$174,403</u>	<u>58,576</u>	<u>53,128</u>
	Profit Margin	Depreciation & Depletion	Operating Profits
Industry & Geographic			
Oil and gas	\$ 28,949	5,296	23,653
Mining	4,508	155	4,353
Canadian operating profit	<u>\$ 33,457</u>	<u>5,451</u>	28,006
Amortization — North Africa			(23)
Operating profit			27,983
Mineral exploration — Canada			(3,143)
Corporate income and expense — net			(2,935)
Earnings before income taxes and extraordinary gain			<u>\$21,905</u>

Quarterly Financial Data 1979 (Unaudited)*

	Three Months Ended*				Year 1979
	Mar. 31	June 30	Sept. 30	Dec. 31	
Share Trading Ranges					
1979 — High	\$ 38.50	46.50	56.00	65.00	65.00
— Low	\$ 26.00	30.00	39.87	49.00	26.00
	(Thousands of dollars)				
Quarterly Financial Results					
Revenue	\$11,444	11,349	11,350	18,985	53,128
Cost of sales, administrative, and mineral exploration	5,898	5,565	5,454	7,829	24,746
Depletion, depreciation and amortization	1,614	1,768	1,370	1,725	6,477
Income tax	2,083	2,128	2,413	4,998	11,622
Earnings before extraordinary gain ..	1,849	1,888	2,113	4,433	10,283
Extraordinary gain	747	723	1,538	1,714	4,722
Net earnings	<u>\$ 2,596</u>	<u>2,611</u>	<u>3,651</u>	<u>6,147</u>	<u>15,005</u>
Earnings per share:					
Earnings before extraordinary gain ..	\$ 0.41	0.43	0.48	1.01	2.33
Extraordinary gain	0.17	0.16	0.35	0.39	1.07
Net earnings per share	<u>\$ 0.58</u>	<u>0.59</u>	<u>0.83</u>	<u>1.40</u>	<u>3.40</u>

*The 1979 quarterly financial data reflects retroactive adoption to January 1, 1979 of the policy to capitalize interest on debt obtained for the construction or development of major capital assets until those assets commence production.

Business Segment Information — 1978

	Assets	Capital Expenditures	Revenue
(Thousands of dollars)			
Industry			
Oil and gas	\$110,166	\$36,326	29,084
Mining	3,715	24	3,679
Interest income	—	—	770
	<u>\$113,881</u>	<u>36,350</u>	<u>33,533</u>
Geographic			
Canada	\$ 84,443	24,617	33,533
North Sea — United Kingdom and Netherlands Sectors	29,438	11,733	—
	<u>\$113,881</u>	<u>36,350</u>	<u>33,533</u>
	<u>Profit Margin</u>	<u>Depreciation & Depletion</u>	<u>Operating Profits</u>
Industry & Geographic			
Oil and gas	\$ 24,690	4,423	20,267
Mining	672	64	608
Canadian operating profit	<u>\$ 25,362</u>	<u>4,487</u>	20,875
Amortization — North Africa			(852)
Operating profit			20,023
Mineral exploration — Canada			(1,071)
Interest expense — United Kingdom			(940)
Corporate income and expense — net			<u>(1,887)</u>
Earnings from continuing operations before income taxes, losses from operations of subsidiary sold and extraordinary gains			<u>\$16,125</u>

Quarterly Financial Data 1978 (Unaudited)*

	Three Months Ended*				Year 1978
	Mar. 31	June 30	Sept. 30	Dec. 31	
Share Trading Ranges					
1978 — High	\$17.37	16.25	23.50	26.00	26.00
— Low	\$14.25	14.75	15.12	19.75	14.25
(Thousands of dollars)					
Quarterly Financial Results					
Revenue	\$8,457	6,495	7,422	11,159	33,533
Cost of sales, administrative, interest and other expense	1,685	1,744	2,646	5,599	11,674
Depletion, depreciation and amortization	1,409	1,503	1,426	1,396	5,734
Income tax	2,277	1,520	1,371	1,120	6,288
Losses (earnings) from operations of subsidiary sold	926	(39)	—	—	887
Earnings before extraordinary gain ...	2,160	1,767	1,979	3,044	8,950
Extraordinary gain	—	1,662	(303)	363	1,722
Net earnings	<u>\$2,160</u>	<u>3,429</u>	<u>1,676</u>	<u>3,407</u>	<u>10,672</u>
Earnings per share:					
Earnings before extraordinary gain ...	\$ 0.51	0.42	0.47	0.70	2.10
Extraordinary gain	—	0.39	(0.07)	0.08	0.40
Net earnings per share	<u>\$ 0.51</u>	<u>0.81</u>	<u>0.40</u>	<u>0.78</u>	<u>2.50</u>

*The 1978 quarterly financial data reflects the following:

- (1) Retroactive adoption of the policy to defer exchange losses on translation of foreign currency long-term debt, and to amortize losses over the term of the debt.
- (2) Reclassification of operations of CanDel Oil Corporation to losses from operations of subsidiary sold. Certain other amounts have also been reclassified as a result of this presentation.

Five Year Financial Summary*

	1979	1978	1977	1976	1975
	(Thousands of dollars)				
REVENUE					
Natural gas sales	\$20,889	17,507	16,437	13,807	11,736
Crude oil and natural gas liquids sales	11,366	10,121	8,346	7,311	6,090
Metal sales	18,137	3,679	—	—	—
Royalty income	1,542	1,030	699	270	174
Interest income	905	770	1,207	1,085	1,038
Other	289	426	1,288	422	168
	<u>53,128</u>	<u>33,533</u>	<u>27,977</u>	<u>22,895</u>	<u>19,206</u>
COSTS AND EXPENSES					
Cost of sales:					
Oil and gas	5,137	4,394	3,773	3,033	2,681
Metal	13,629	3,007	—	—	—
Mineral exploration	3,143	1,071	—	—	—
General and administrative	2,837	2,136	1,578	1,225	943
Depletion, depreciation and amortization	6,477	5,734	3,968	2,610	2,678
Interest	—	1,066	284	9	4
	<u>31,223</u>	<u>17,408</u>	<u>9,603</u>	<u>6,877</u>	<u>6,306</u>
Earnings before income taxes	21,905	16,125	18,374	16,018	12,900
INCOME TAXES					
Current	420	413	6,161	7,452	2,474
Deferred	11,202	5,875	2,339	163	2,190
	<u>11,622</u>	<u>6,288</u>	<u>8,500</u>	<u>7,615</u>	<u>4,664</u>
EARNINGS from continuing operations	10,283	9,837	9,874	8,403	8,236
Losses from operations of subsidiary sold	—	887	2,612	3,621	3,113
EARNINGS before extraordinary gain .	10,283	8,950	7,262	4,782	5,123
Extraordinary gain	4,722	1,722	—	—	4,082
NET EARNINGS	<u>\$15,005</u>	<u>10,672</u>	<u>7,262</u>	<u>4,782</u>	<u>9,205</u>
EARNINGS PER SHARE					
Earnings before extraordinary gain ..	\$ 2.33	2.10	1.73	1.14	1.23
Extraordinary gain	1.07	0.40	—	—	0.97
NET EARNINGS PER SHARE	<u>\$ 3.40</u>	<u>2.50</u>	<u>1.73</u>	<u>1.14</u>	<u>2.20</u>

*The five year financial summary reflects the following:

- (1) Adoption January 1, 1979 of the policy to capitalize interest on debt obtained for the construction or development of major capital assets until those assets commence production.
- (2) Retroactive adoption in 1978 of the policy to defer foreign exchange losses on translation of foreign currency long-term debt and to amortize losses over the term of the debt.
- (3) Reclassification of operations of CanDel Oil Corporation to losses from operations of subsidiary sold. Certain other amounts have also been reclassified as a result of this presentation.

	1979	1978	1977	1976	1975
RETURN ON INVESTMENT					
Return on average shareholders' equity before extraordinary gain — percent.....	13.9	15.2	14.9	11.2	14.4
Return on average shareholders' equity after extraordinary gain — percent.....	20.3	18.1	14.9	11.2	25.9
Return on average net capital assets employed before extraordinary gain — percent.....	9.1	11.0	11.3	9.5	12.1
Return on average net capital assets employed after extraordinary gain — percent.....	13.3	13.2	11.3	9.5	21.7

(Thousands of dollars)

ROYALTIES AND TAXES					
Gross petroleum revenue including royalties.....	\$ 51,595	44,907	41,952	34,300	28,106
Royalty expense.....	\$ 16,604	15,053	13,975	11,405	8,900
Royalties as a percent of gross revenue.....	32.2	33.5	33.0	33.0	32.0
Income tax expense.....	\$ 6,900	5,925	8,500	7,615	4,664
Income tax as a percentage of income before tax:**					
Current.....	(2.6)	0.3	33.5	46.5	19.2
Deferred.....	34.1	36.4	12.7	1.0	17.0
Total.....	31.5	36.7	46.2	47.5	36.2

**Calculated before losses from operations of subsidiary sold and after recovery of extraordinary gain due to utilization of subsidiary tax credits.

BALANCE SHEET					
Working capital (deficiency).....	\$ 9,201	8,332	754	(27)	6,673
Property, plant and equipment.....	\$135,868	90,104	71,952	56,589	43,773
Long-term debt.....	\$ 34,641	14,825	7,800	1,097	—
Deferred income taxes.....	\$ 26,306	18,826	12,951	10,612	10,449
Shareholders' equity.....	\$ 81,276	65,895	52,209	44,895	40,073
Current ratio — percent.....	133.6	167.4	103.4	99.9	140.2
Debt to equity ratio — percent.....	42.6	22.5	14.9	2.4	—

CAPITAL EXPENDITURES					
Exploration.....	\$ 24,927	21,342	12,777	9,307	10,539
Development.....	33,649	15,008	8,509	9,467	3,728
Total.....	\$ 58,576	36,350	21,286	18,774	14,267
Mineral exploration.....	\$ 3,143	1,071	—	—	—

FUNDS PROVIDED FROM OPERATIONS.....	\$ 32,121	22,508	15,474	10,716	13,017
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PER SHARE.....	\$ 7.27	5.28	3.69	2.56	3.11
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SHARES OUTSTANDING.....	4,428,744	4,371,044	4,193,931	4,186,281	4,179,431
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OFFICERS

SMILEY RABORN, JR.
Chairman of the Board

WILLIAM C. LEUSCHNER
President and Chief
Executive Officer

MICHAEL A. WILLIAMS
Executive Vice President

DOUGLAS H. CHURCH
Senior Vice President and
Manager of Operations

JORGEN KARBERG
Senior Vice President —
Corporate Planning

DONALD M. ERICSON
Vice President —
Exploration

A. ROSS LONG
Vice President — Land

ROBERT C. BEATTIE
Corporate Secretary

GREGORY L. OSMOND
Treasurer and Controller

R. JAMES BROWN
Assistant Treasurer

ROY S. DANIELSON
Assistant Treasurer and
Chief Accountant

DAVID R. E. PARRY
Assistant Controller

DIANE E. YOUNG
Assistant Corporate Secretary

OTHER EXECUTIVES

ARDLEY H. CALDWELL
Manager — Employee Relations

ROBERT J. FORGIE
Manager — Engineering

ALBERT GOGOL
Chief Geologist

HENDRICK HEEREMA
Chief Geophysicist

DONALD A. G. SHANKS
Manager — Data Processing

P. ALLAN TEMPLETON
Manager — Purchasing

RUSSELL J. ZAHARKO
Manager — Production

ROBERT M. GINN
Vice President & General Manager
St. Joseph Explorations Limited



Donald Ericson, Ross Long, Doug Church.



Russell Zaharko, Robert Forgie.

BOARD OF DIRECTORS

J. BRIAN AUNE
President and Chief
Executive Officer
Nesbitt, Thomson Inc.
Montreal, Quebec

D. BROWARD CRAIG
President
St. Joe Minerals Corporation
New York, New York

JOHN C. DUNCAN
Chairman and Chief
Executive Officer
St. Joe Minerals Corporation
New York, New York

WILLIAM M. HATCH
Chairman and President
Hatchwill Investments Limited
Toronto, Ontario

WILLIAM C. LEUSCHNER
President and Chief
Executive Officer
of the Company

ROSS A. MACKIMMIE, Q.C.
Counsel
MacKimmie Matthews
Calgary, Alberta

JAMES A. MILLARD
Partner
MacKimmie Matthews
Calgary, Alberta

SMILEY RABORN, JR.
Chairman of the Board of
the Company

L. CHASE RITTS, JR.
Vice President — Petroleum
St. Joe Minerals Corporation
New York, New York

MICHAEL A. WILLIAMS
Executive Vice President of
the Company

OTHER DIRECTORSHIPS HELD BY MEMBERS OF CANDEL'S BOARD

J. BRIAN AUNE — Nesbitt, Thomson Inc., Montreal, Quebec.

D. BROWARD CRAIG — St. Joe Minerals Corporation, New York, New York.

JOHN C. DUNCAN — Irving Bank Corporation, Irving Trust Company, New Court Partners, Westvaco Corporation, St. Joe Minerals Corporation, all of New York, New York.

WILLIAM M. HATCH — Anglo Canada General Insurance Co., Canadian Imperial Bank of Commerce, Gibraltar Insurance Co., Jannock Limited, William Mara Co. Limited, Mediacom Industries Ltd., Westeel-Rosco Limited, all of Toronto, Ontario.

ROSS A. MACKIMMIE, Q. C. — Alberta & Southern Gas Co. Ltd., Alberta Natural Gas Co. Ltd., both of Calgary, Alberta; Hatleigh Corporation, Toronto, Ontario; Pacific Gas Transmission Company, San Francisco, California; Cominco Ltd., Vancouver, British Columbia; Pine Point Mines Ltd., Pine Point, N.W.T.

SMILEY RABORN, JR. — National Trust Company, Limited, TransCanada PipeLines Limited, both of Toronto, Ontario; Calgary Inn Ltd., Calgary, Alberta; St. Joe Minerals Corporation, New York, New York.

L. CHASE RITTS, JR. — St. Joe Minerals Corporation, New York, New York.



Robert Beattie, Jorgen Karberg, Michael Williams.



Hendrick Heerema.



CANDEL 1979