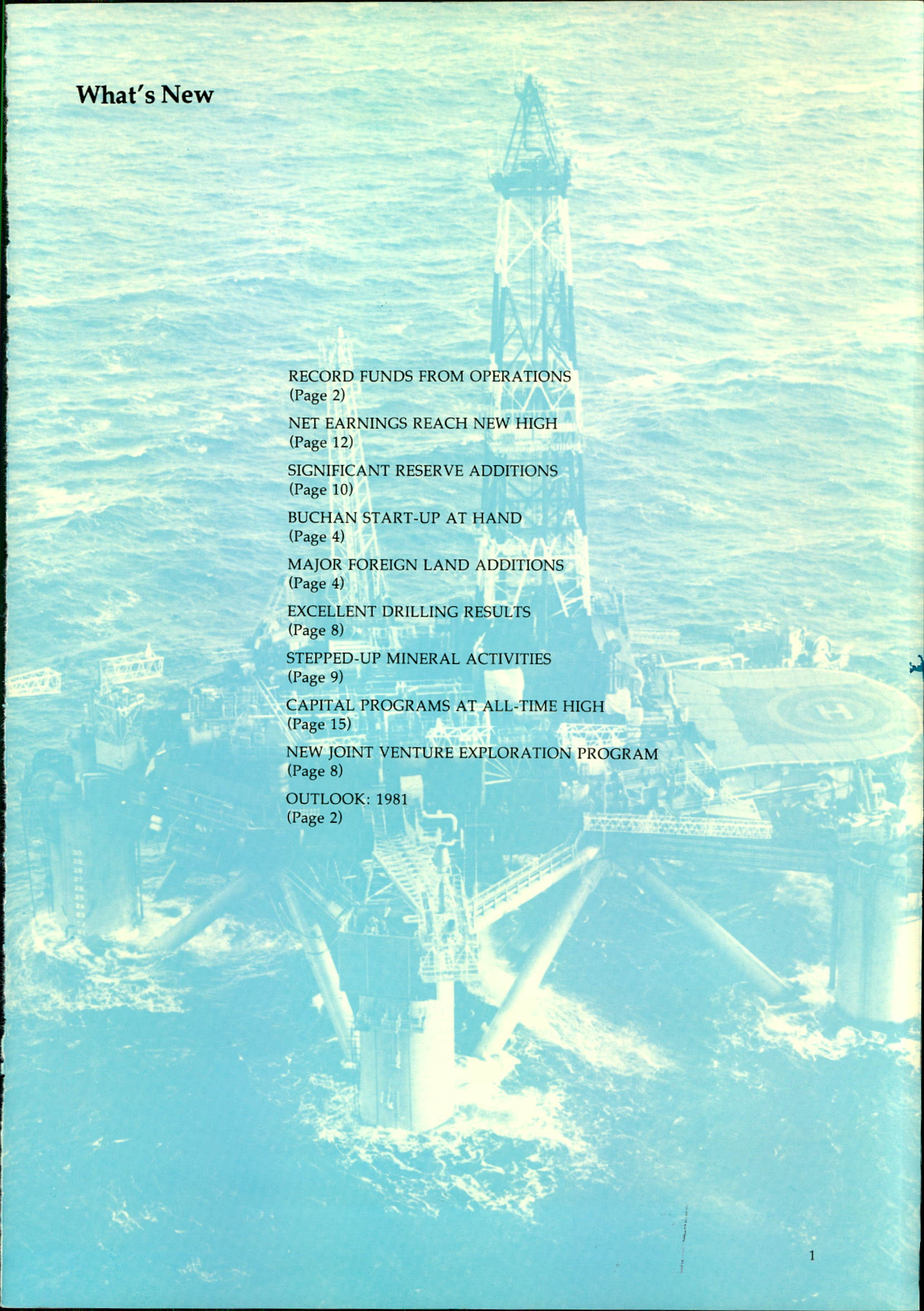
CanDel 1980

Cover depicts taking production at Buchan

What's New



To The Shareholders

RECORD YEAR

New financial levels were reached in 1980 as cash flow, earnings, and capital expenditures hit record peaks. Excellent exploratory success resulted in additions to proven reserves of 17 million barrel equivalents, about four times current annual production. This marks the fourth consecutive year that CanDel has increased petroleum reserves which now stand at nearly 100 million barrel equivalents.

FURTHER ACCOMPLISHMENTS

Exploratory acreage was significantly increased as foreign activities were stepped-up, adding 4.3 million acres. Many of these holdings will be drilled during the next eighteen months. A new $34 million exploration joint venture, created in 1980 and recently placed, will allow the Company additional exposure to Canadian discovery, with minimum risk. St. Joseph Explorations Limited, CanDel's wholly-owned minerals company, entered into two new gold ventures, one of which will commence mining operations in early 1982.

While the industry is still plagued with an excess of gas to current market requirements, CanDel is fortunate to have placed 92 percent of its gas reserves under sales contracts. The ability to add new reserves under the Elmworth-Wapiti contract and the finalization of sales arrangements for the Netherlands gas reserves will keep the percentage of contracted gas at a high level.

UNREALISTIC GOVERNMENT POLICIES

The National Energy Program, together with the Federal-Provincial confrontation on revenue sharing and pricing, will allow the Company neither sufficient incentives, nor the funds necessary to continue expenditures at the 1980 level. This Company remains optimistic that all governments will ultimately realize the negative effects of present policies on the Canadian economy and amend their stands accordingly. Until such time as these policies change, CanDel is left with no alternative other than an immediate wind down in Canadian petroleum exploration to reflect the 30 percent reduction in expected cash flow.

CANDEL'S STRATEGY

The Company is as well positioned as any to operate under the now prevailing conditions. Participation in Canadian oil and gas risk ventures will be more selective, as a result of the reduced economic reward. CanDel's new Canadian joint exploration venture, together with greatly expanded foreign activities, have positioned the Company for major discovery, and have allowed the continued building of its strong team of idea people. Mineral activities will continue to be stepped-up, with emphasis on joint venture mining participation and exploration for rare metals and industrial minerals.

BOARD OF DIRECTORS

Mr. James L. Broadhead was elected to CanDel's Board of Directors on April 24, 1980. Mr. Broadhead is an Executive Vice President of St. Joe Minerals Corporation, and is directly responsible for that Company's energy-related activities.

OUTLOOK: 1981

CanDel's domestic revenues will climb as a result of increased gas sales at Elmworth-Wapiti and new oil production from Pembina. However, these additional revenues are only sufficient to offset the newly expanded government takes and, therefore, Canadian petroleum earnings will remain flat. The Company's diversification strategy will result in new financial levels once again being attained in 1981, as foreign activities will provide significant increases to cash flow and earnings.

William C. Leuschner

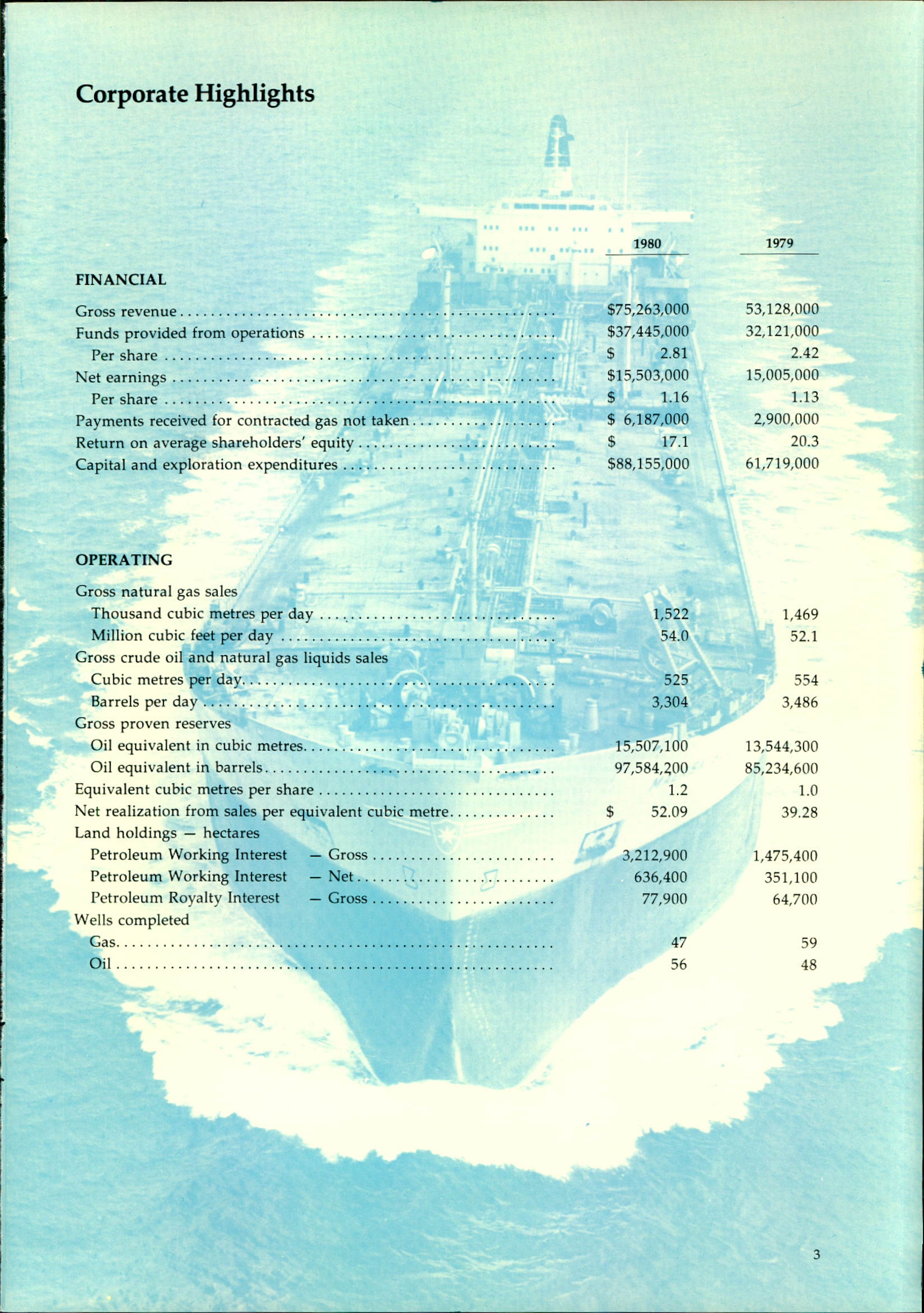
William C. Leuschner
Chairman and Chief Executive Officer

M. A. Williams

Michael A. Williams
President

March 20, 1981

Corporate Highlights



	1980	1979
FINANCIAL		
Gross revenue	$75,263,000	53,128,000
Funds provided from operations	$37,445,000	32,121,000
Per share	$ 2.81	2.42
Net earnings	$15,503,000	15,005,000
Per share	$ 1.16	1.13
Payments received for contracted gas not taken	$ 6,187,000	2,900,000
Return on average shareholders' equity	$ 17.1	20.3
Capital and exploration expenditures	$88,155,000	61,719,000
OPERATING		
Gross natural gas sales		
Thousand cubic metres per day	1,522	1,469
Million cubic feet per day	54.0	52.1
Gross crude oil and natural gas liquids sales		
Cubic metres per day	525	554
Barrels per day	3,304	3,486
Gross proven reserves		
Oil equivalent in cubic metres	15,507,100	13,544,300
Oil equivalent in barrels	97,584,200	85,234,600
Equivalent cubic metres per share	1.2	1.0
Net realization from sales per equivalent cubic metre	$ 52.09	39.28
Land holdings — hectares		
Petroleum Working Interest — Gross	3,212,900	1,475,400
Petroleum Working Interest — Net	636,400	351,100
Petroleum Royalty Interest — Gross	77,900	64,700
Wells completed		
Gas	47	59
Oil	56	48

Operations

EXPLORATION REVIEW

Record capital expenditure programs over the past several years have increased proven reserves substantially, laying the base for a stronger, more diversified company.

New joint venture exploration programs have broadened the Company's exposure in western Canada at a faster pace than could have otherwise been accomplished, and attractive new properties have been acquired in several promising foreign areas.

Exploration success continued during 1980 with the drilling of forty-one gas and ten oil discoveries. The most significant of these were located in the Elmworth-Wapiti and Pembina areas of Alberta, at Humbly Grove onshore in southern England, and on Block P/2 in the Netherlands sector of the North Sea.

LAND

Gross oil and gas land holdings more than doubled during the year to 3,213,000 hectares (7,939,000 acres), with net interests increasing by 81 percent to 636,000 hectares.

New properties were acquired in the Magdalena Valley of Colombia, and offshore in Indonesia and the Philippines. Subsequent to year-end, a 50 percent interest was confirmed in a concession on the eastern shore of the Gulf of Suez in Egypt. The concession covers 25,000 hectares, and is in close proximity to several major oil fields.

Land holdings in Alberta were increased through significant acquisitions in the Clouston, Elmworth-Wapiti, Grande Prairie, Pembina, Springburn, and Utikuma areas.

Royalty interest and mineral holdings also increased substantially. Several coal prospects were acquired, with the Company's participation being subject to approval by the Foreign Investment Review Agency.

GEOPHYSICAL

Geophysical exploration increased substantially as seismic programs conducted during 1980 totalled 2,750 kilometres, nearly double those of the previous year. Activity was concentrated in Alberta, the Hampshire basin of southern England, Colombia, and the Philippines. Promising acquisitions have been made on the basis of this newly-acquired information. New areas are continually being evaluated as program activity increases.

FOREIGN

BUCHAN

Production from the unitized Buchan Field, in the United Kingdom sector of the North Sea, is scheduled to commence in the second quarter of 1981. CanDel holds an interim 13.3 percent interest in the Unit, with average production of 7,150 cubic metres (45,000 barrels) per day anticipated after start-up. The floating production facility, subsea lines, and the tanker loading buoy are now in place. Testing of these components is being con-

LAND HOLDINGS DECEMBER 31, 1980
Hectares — ha

	Leases		Permits, Licences & Concessions		Total*	
	Gross	Net	Gross	Net	Gross	Net
CANADA — Alberta	395,906	166,538	164,333	68,854	560,239	235,392
— British Columbia	53,883	12,773	8,862	554	62,745	13,327
— Northwest Territories	—	—	4,431	554	4,431	554
	449,789	179,311	177,626	69,962	627,415	249,273
COLOMBIA	—	—	279,839	79,809	279,839	79,809
EGYPT	—	—	25,000	12,500	25,000	12,500
INDONESIA	—	—	997,572	99,757	997,572	99,757
NETHERLANDS	—	—	237,151	12,626	237,151	12,626
PHILIPPINES	—	—	515,985	103,197	515,985	103,197
UNITED KINGDOM — Onshore	—	—	507,853	76,111	507,853	76,111
— Offshore	—	—	22,060	3,089	22,060	3,089
	—	—	529,913	79,200	529,913	79,200
TOTAL — hectares	449,789	179,311	2,763,086	457,051	3,212,875	636,362
TOTAL — acres	1,111,428	443,078	6,827,586	1,129,372	7,939,014	1,572,450

*Land holdings are reported as the surface area under which rights are held. *1.0 hectare (ha) = 2.471 acres*


ALBERTA
BRITISH COLUMBIA
Buick Creek
Peejay
Weasel
Rigel
Kobes
Utikuma
Elmworth Wapiti
Swan Hills
Big Bend
Big Lake
Leduc
Pembina
Minnehik
Homeglen
Rimbey
Joffre
Stettler
Castor
Provost
Cessford
Countess
Roseglen
Little Bow

ducted with final preparations well under way. A successful delineation well has been drilled in the western portion of the Field. Final unit participation will be determined by the evaluation of this and any other unit wells drilled during 1981.

HAMPSHIRE BASIN

Plans for two follow-up wells to the Humbly Grove #1 oil discovery have been finalized. Production from this discovery has averaged 11 cubic metres (70 barrels) per day for the past four months. Subject to approval from the Department of Energy, CanDel holds a 12.7 percent working interest in the well, and has interests varying from 8.4 percent to 17.5 percent in over 500,000 hectares in this important geological basin.

Seismic exploration continues to indicate new leads, and up to five wildcat and delineation wells will be drilled in 1981.

NETHERLANDS

The Netherlands government has agreed in principal to grant a production licence for the development of North Sea Block P/6, and design of the facilities is under way. Present plans include the installation of two production platforms and the drilling of nine additional wells. The first platform is scheduled for completion near the end of 1983. The Netherlands government upon notification of the intention to exercise its option to take a 40 percent interest in the Block would reimburse the Company accordingly for that share of expenditures. CanDel would then hold a 3.75 percent interest in natural gas production from Block P/6, and has exploration interests varying from 3.125 to 6.25 percent in additional properties in the area.

COLOMBIA

Land holdings in the lower Magdalena Valley increased substantially with the acquisition of a 30 percent interest in four new properties, bringing the Company's total holdings to 280,000 hectares.

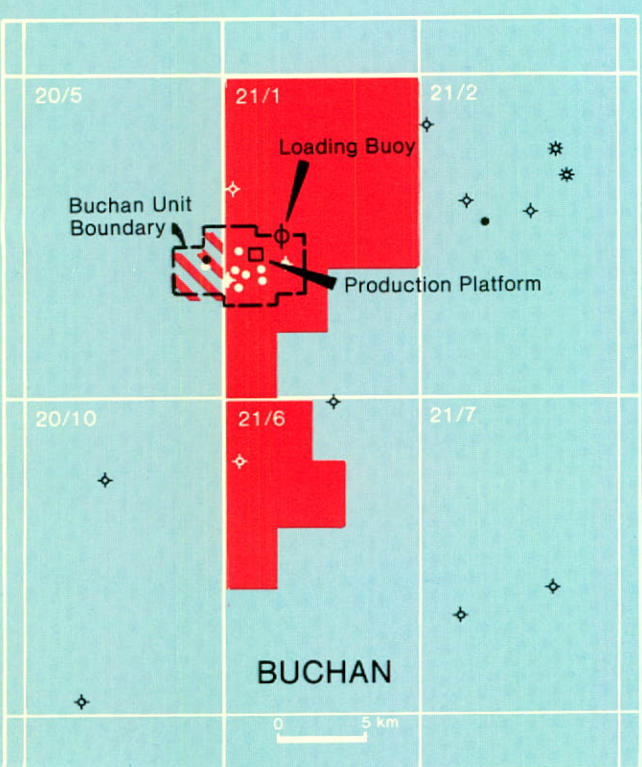
Drilling of the Morales Island wildcat, a projected 2,000 metre test, has commenced, and two additional wells will be drilled in the San Marcos area during 1981.

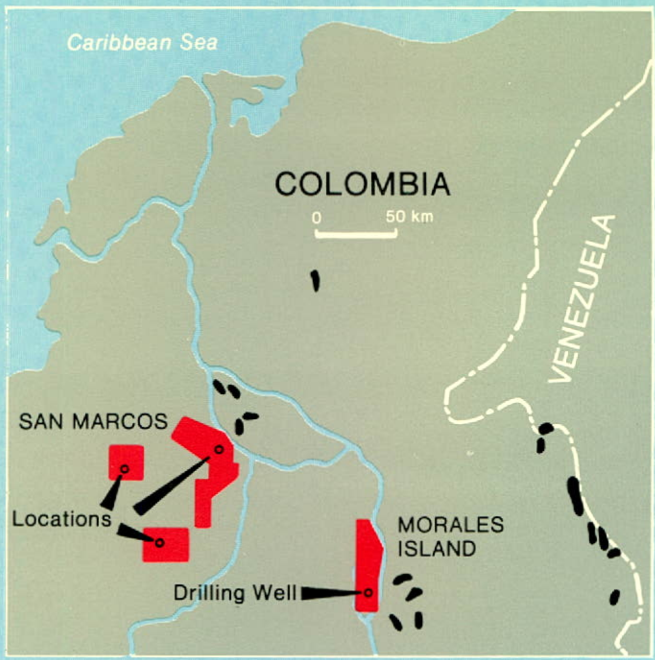
EGYPT

Seismic exploration is scheduled to start in the second quarter of 1981 on the recently acquired Tanka concession on the eastern shore of the Gulf of Suez. This concession is located 3 kilometres from the Abu Rudeis oil field and immediately east of the recently discovered EE 85 offshore field, in which one well encountered 366 metres of net pay, and tested 2,300 cubic metres (14,500 barrels) of oil per day.

INDONESIA

Drilling of the first well on the 998,000 hectare production licence, located in the Java Sea, is planned for this summer. CanDel holds a 10 percent interest in this 2,700 metre test located 200 kilometres from shore in 70 metres of water.

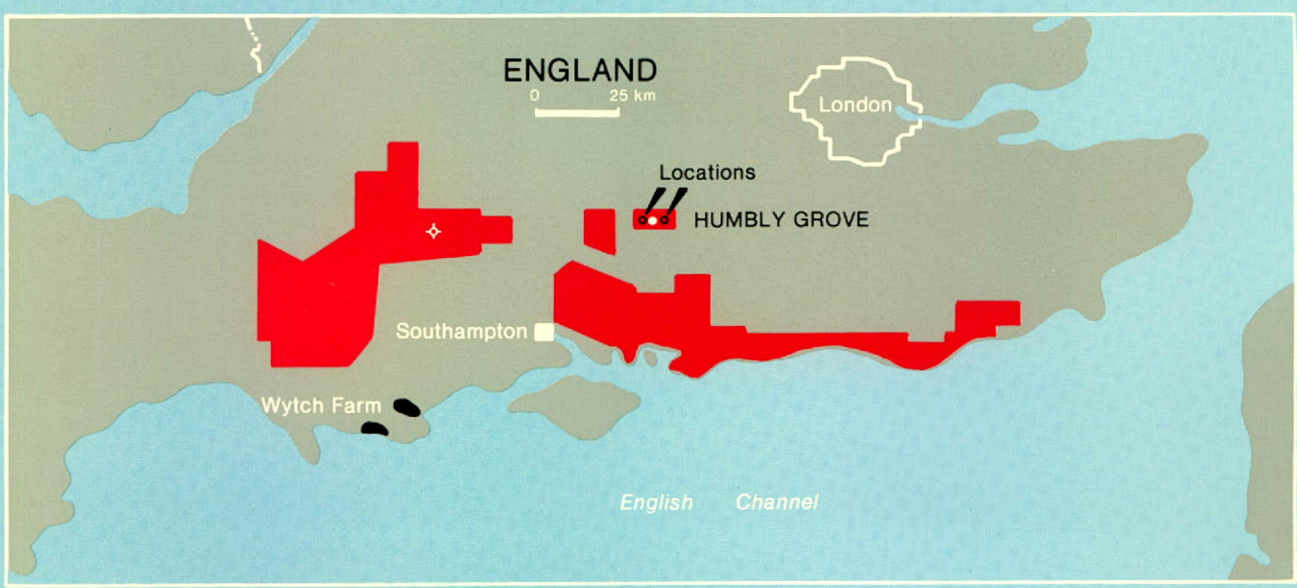



Caribbean Sea
COLOMBIA
0 50 km
VENEZUELA
SAN MARCOS
Locations
MORALES
ISLAND
Drilling Well


KALIMANTAN
INDONESIA
0 100 km
Java Sea
EAST JAVA
Location
DJAWA


EGYPT
0 10 km
Gulf of Suez
TANKA
EE-85
Abu Rudeis
GS195
Sidri
Wadi Feiran
Belayim
Marine
Belayim


LUZON
Philippine
Sea
Manila
LAMON
BAY
Drilling Well
PHILIPPINES
0 50 km


ENGLAND
0 25 km
London
Locations
HUMBLY GROVE
Southampton
Wytch Farm
English Channel

PHILIPPINES

Drilling started in March on the first of two wells on the 516,000 hectare Lamon Bay concession in which CanDel has a 20 percent interest. This well will be drilled to a depth of 1,400 metres, and is located 26 kilometres from shore in 75 metres of water.

WESTERN CANADA

Exploration was concentrated in Alberta in the Elmworth-Wapiti, Pembina, and Utikuma areas. An excellent drilling success ratio was achieved with forty-seven of the seventy-nine exploratory wells drilled in Alberta being successfully completed. Twelve of the abandonments were drilled under farmout arrangements at no cost to CanDel.

Exploration drilling in the Elmworth-Wapiti area has extended the productive area considerably. A total of fifty gas wells have been drilled on the Company's 130,000 hectare holdings, with commercial production established from several zones in five separate formations. A biennial redetermination of the Company's reserves is currently being conducted with the gas purchaser, and as a result, a substantial increase in the gas sales contract volume is anticipated. CanDel receives approximately 42 percent of the revenue from the lands under contract. This interest will decrease to 25 percent following the recovery of certain capital costs.

CanDel's recent exploration success has extended the proven limits of the Pembina Cardium field more than 10 kilometres to the southeast. Interests varying from 18.8 to 100 percent are held in 9,890 hectares in the area. A total of twenty-four oil wells have been drilled on Company lands in the past two years, and an additional twenty-five wells are planned for 1981.

Other significant successes were drilled in the Athabasca-Big Bend, Holmberg, and Wilson Creek areas of Alberta.

Exploration of lands held under previous joint venture programs is continuing, and a new joint venture exploration program, also operated by CanDel, has been finalized. A total of $34 million will be spent in the next two years under the most recent venture, with CanDel funding 25 percent of the program. The Company will continue to be afforded significantly greater exposure to discovery in its exploration efforts through these programs.

Development operations conducted during 1980 were highly successful with all forty-nine wells drilled being productive. In addition to the Elmworth-Wapiti and Pembina areas, a major program was conducted at Cessford where eighteen oil and three gas wells were completed.

MINERAL EXPLORATION

Exploration programs covered some fifty areas across Canada. Diamond drilling was conducted on fourteen properties continuing the search for precious and base metals. The Company holds interests in several promising ore deposits which require the proving of additional reserves to be eco-

DRILLING ACTIVITY 1980

	Gas		Oil		Dry		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
CANADA								
Exploration	34	8.8	9	3.2	27	6.4	70	18.4
Development	6	1.7	43	16.0	—	—	49	17.7
	40	10.5	52	19.2	27	6.4	119	36.1
FOREIGN								
Exploration	1	0.1	1	0.1	3	0.2	5	0.4
TOTAL WORKING INTEREST	41	10.6	53	19.3	30	6.6	124	36.5
ROYALTY INTEREST	6	0.4	3	0.2	6		15	
TOTAL	47		56		36		139	

nomic. Joint venture arrangements have been concluded on two gold prospects in Quebec, and negotiations are continuing on other ventures. A shaft is being completed as part of the continued exploration at the Kewagama property in Cadillac township.

Coal exploration licences and leases totalling 159,000 hectares were acquired during the past year. Evaluation of these prospects will commence following receipt of Foreign Investment Review Agency approval to participate in coal exploration and development.

PRODUCTION

NATURAL GAS

Natural gas sales of 557.2 million cubic metres (19.8 BCF) increased by 4 percent over the previous year. A full year's production from Elmworth-Wapiti was responsible for the overall increase.

Insufficient market demand over the past three years has made it impossible for the major gas purchasers to take delivery of contracted volumes. During this period, CanDel has received $11 million as payment for 212 million cubic metres of gas contracted for but not taken. The serious oversupply situation is expected to continue for several years. The major natural gas purchasers requested assistance from the producers to alleviate their financial burden caused by the extended take or pay situation. CanDel, along with most other producers, has agreed to accept a 20 percent reduction in contract obligations from most Alberta properties for the next two years.

New properties on stream, or scheduled to start up shortly, are located at Alder Flats, Athabasca, Rainbow, and Redcliffe. In addition, a significant increase in sales is expected from Elmworth-Wapiti as a result of a redetermination being conducted with the purchaser. Total sales for 1981 are expected to be increased significantly due to these additions.

CRUDE OIL AND NATURAL GAS LIQUIDS

Crude oil and natural gas liquids production of 192,140 cubic metres (1.2 million barrels) was down slightly from the previous year. Production increases, due to successful development programs at Pembina and Cessford, were offset by declines from several of the Company's older properties. Installation of waterflood facilities for the Cessford Basal Colorado pool was completed. The effect of the flood should be noted in about one year, and is expected to result in a major increase in recoverable reserves.

The Province of Alberta has scheduled reductions in crude oil production over the year as a result of the confrontation between Federal and Provincial Governments, and their inability to agree on pricing and revenue sharing. CanDel will not be seriously affected as the reductions announced to date will first apply to large reserve high capacity fields. Planned development pro-

GROSS NATURAL GAS SALES
Thousand Cubic Metres — 10^3m^3

	1980	1979
ALBERTA		
Cessford	140,700	163,500
Roseglen	86,500	81,700
Elmworth-Wapiti	86,000	15,500
Minnehik	63,600	75,900
Big Bend	26,800	29,600
Countess	21,900	27,500
Provost	12,400	13,200
Castor	8,900	11,100
Homeglen-Rimbey	8,200	9,800
Others	46,300	48,900
	501,300	476,700
BRITISH COLUMBIA		
Rigel	19,000	16,000
Buick Creek	13,200	13,700
Peejay	11,400	12,900
Kobes	8,200	13,000
Others	4,100	3,800
	55,900	59,400
TOTAL — 10^3m^3	557,200	536,100
TOTAL — MMCF	19,775	19,029

1.0 10^3m^3 = .035494 million cubic feet (MMCF)

GROSS CRUDE OIL AND GAS LIQUIDS SALES
Cubic Metres — m^3

	1980	1979
ALBERTA		
Cessford	82,280	73,990
Pembina	16,380	8,180
Big Lake	14,450	22,040
Swan Hills	7,250	7,750
Joffre	6,880	7,740
Stettler	6,730	6,640
Leduc	6,030	7,000
Little Bow	5,870	8,230
Minnehik	4,840	5,310
Others	19,740	23,120
	170,450	170,000
BRITISH COLUMBIA		
Peejay	13,340	20,140
Weasel	6,580	10,230
Others	1,770	1,810
	21,690	32,180
TOTAL — m^3	192,140	202,180
TOTAL — Barrels	1,209,100	1,272,300

1.0 m^3 = 6.293 barrels

grams in the Cessford and Pembina areas, coupled with the start-up of Buchan scheduled for this summer, will result in a substantial increase in total production for 1981.

ROYALTY INCOME

Income from overriding royalties decreased to $1,353,000 from $1,542,000 the previous year. The decline was due primarily to the reduction in gas volumes sold as a result of the marketing situation.

Based on average realizations for the year, royalty income equalled net revenue from daily production of 75 thousand cubic metres of natural gas, or some 5 percent of natural gas production.

Royalty interest holdings in Alberta and British Columbia increased to 77,900 hectares. Royalty income is expected to climb in coming years as prices rise, and natural gas purchasers increase volumes taken to contracted levels.

METALS

Sales of refined silver from the Cobalt, Ontario smelter decreased by 12 percent to 1,167,000 ounces. Production from the Company-owned mine of 157,000 ounces was at about the same level as in 1979. Underground operations, however, were suspended at the end of the year, due to the uncertain silver prices and a lower grade of ore. Sufficient feed exists to continue profitable milling operations until the end of 1982. Resumption of mining at Cobalt will depend upon a successful conclusion to a pilot project at the smelter, designed to extract cobalt and to increase the recovery of silver.

Production of gold from the Kewagama property at Cadillac, Quebec is expected to start in early 1982. The Company holds a 40 percent interest in part of one ore body, and may earn up to 50 percent in the balance of the property.

RESERVES

Gross proven reserves at December 31, 1980, as determined by the Company's engineering staff, increased to 12.5 billion cubic metres of natural gas, and 4.1 million cubic metres of crude oil and natural gas liquids. Additions to proven reserves during the year of 2.7 million cubic metres oil equivalent, were nearly four times current annual production.

Approximately 82 percent of the total reserves of 15.5 million cubic metres oil equivalent are located in Alberta, 11 percent in British Columbia, and 7 percent in the North Sea. Of the total reserves, 88 percent are classified as "proven developed", with 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 Athabasca-Big Bend, Cessford, Elmworth-Wapiti, and Pembina areas of Alberta.

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, 1979	10,730,400	3,599,700	181,400	41,500	13,544,300
1980 Additions	2,315,600	468,200	89,800	—	2,663,000
1980 Sales	(557,200)	(174,300)	(17,900)	(7,700)	(700,200)
Proven Reserves December 31, 1980	12,488,800	3,893,600	253,300	33,800	15,507,100
	MCF	Barrels	Barrels	Long Tons	Barrels
Proven Reserves December 31, 1980	443,274,000	24,501,900	1,593,800	33,300	97,584,200

"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

		1980	1979	1978	1977	1976
GROSS PRODUCT SALES						
Natural Gas	— $10^3m^3/d$					
Alberta		1,370	1,306	1,315	1,468	1,610
British Columbia		152	163	146	168	85
United States		—	—	26	91	67
Total	— $10^3m^3/d$	1,522	1,469	1,487	1,727	1,762
Total	— MMCFD	54.0	52.1	52.8	61.3	62.5
Crude Oil and NGL	— m^3/d					
Alberta		466	466	439	426	437
British Columbia		59	88	92	101	115
United States		—	—	15	43	21
Total	— m^3/d	525	554	546	570	573
Total	— barrels per day	3,304	3,486	3,437	3,584	3,604
Silver	— troy ounces					
From CanDel properties		157,000	151,000	199,000	—	—
From other properties		1,010,000	1,078,000	303,000	—	—
Total		1,167,000	1,229,000	502,000	—	—
AVERAGE SALES PRICE						
Natural Gas	— $\$/10^3m^3$	84.53	61.31	51.47	45.08	36.56
Crude Oil and NGL	— $\$/m^3$	93.84	79.09	70.67	61.67	50.97
Silver	— $/oz.	24.95	13.65	6.00	—	—
PROVEN RESERVES						
Natural Gas	— 10^3m^3	12,488,800	10,730,400	10,447,600	10,757,400	10,734,900
Crude Oil and NGL	— m^3	4,146,900	3,781,100	3,643,500	2,698,400	2,673,600
Total Oil Equivalent	— m^3	15,507,100	13,544,300	13,150,500	12,487,700	12,442,900
LAND HOLDINGS	— ha					
Oil and Gas						
Canada	— Gross	627,400	591,900	741,600	655,900	802,600
	— Net	249,300	236,800	245,300	232,000	271,400
Colombia	— Gross	279,800	82,900	—	—	—
	— Net	79,800	20,700	—	—	—
Egypt	— Gross	25,000	—	—	11,000	11,000
	— Net	12,500	—	—	1,000	2,000
Indonesia	— Gross	997,600	—	—	—	—
	— Net	99,800	—	—	—	—
Netherlands	— Gross	237,200	237,200	208,800	210,300	210,300
	— Net	12,600	12,600	11,800	10,500	10,500
Philippines	— Gross	516,000	—	—	—	—
	— Net	103,200	—	—	—	—
United Kingdom	— Gross	529,900	563,400	513,400	44,100	44,100
	— Net	79,200	81,000	37,500	6,200	6,200
Others	— Gross	—	—	—	58,800	62,300
	— Net	—	—	—	32,100	33,500
Total	— Gross	3,212,900	1,475,400	1,463,800	980,100	1,130,300
	— Net	636,400	351,100	294,600	281,800	323,600
Royalty Interest	— Gross	77,900	64,700	63,600	62,800	58,600
NET WELLS DRILLED						
Gas		10.6	19.7	12.1	6.6	16.4
Oil		19.3	12.1	7.7	10.5	7.8
Dry		6.6	8.1	4.4	7.8	5.3
Total		36.5	39.9	24.2	24.9	29.5
NET WELLS OWNED						
Gas		213.0	202.4	182.8	176.8	171.0
Oil		147.9	130.6	118.5	119.6	112.1
Total		360.9	333.0	301.3	296.4	283.1

Financial

FINANCIAL REVIEW

CanDel's aggressive capital program including mineral exploration of $2,992,000 in 1980 resulted in record expenditures of $88,155,000. Cash flow from operations of $37,455,000 together with borrowings of $27,757,000 and a reduction in working capital of $20,736,000 financed these programs. Costs to develop and finance the Buchan Field continued to increase with expenditures expected to reach approximately $70,000,000 U.S. at oil flow. Costs up to $40,000,000 U.S. have been financed through a line of credit with a consortium of North American and European banks, with the excess being financed through Canadian banks.

Declining silver prices during the first half of 1980 reduced the cash flow contribution of the mining and smelting subsidiaries to $1,185,000 from $4,508,000 the previous year.

During 1980, CanDel utilized most of the remaining portion of the tax credits of the subsidiaries that were available when the companies were acquired in 1978. Total tax savings have amounted to $5,880,000.

EARNINGS

Net earnings before extraordinary gain for 1980 increased 43 percent to $14,708,000 ($1.10 per share) from $10,283,000 ($0.78 per share). Net earnings amounted to $15,503,000 ($1.16 per share) compared to $15,005,000 ($1.13 per share) the previous year. Utilization of subsidiary company tax credits, reported as an extraordinary gain, amounted to $795,000 in 1980 and $4,722,000 in 1979. Such credits in 1978 amounted to $363,000.

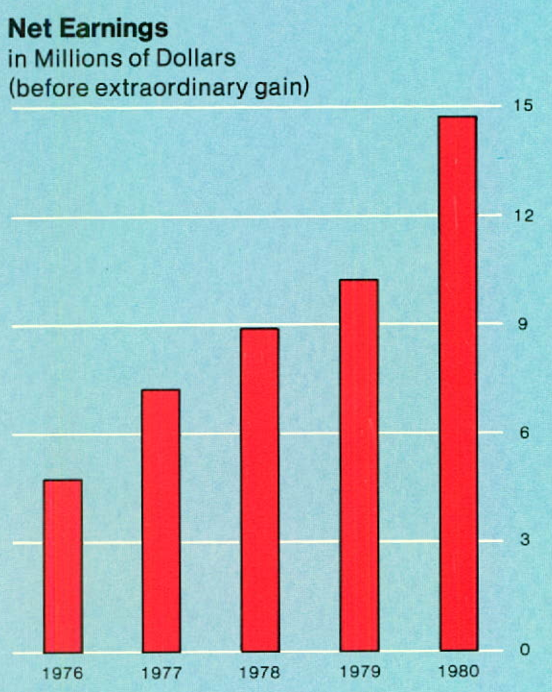
REVENUES

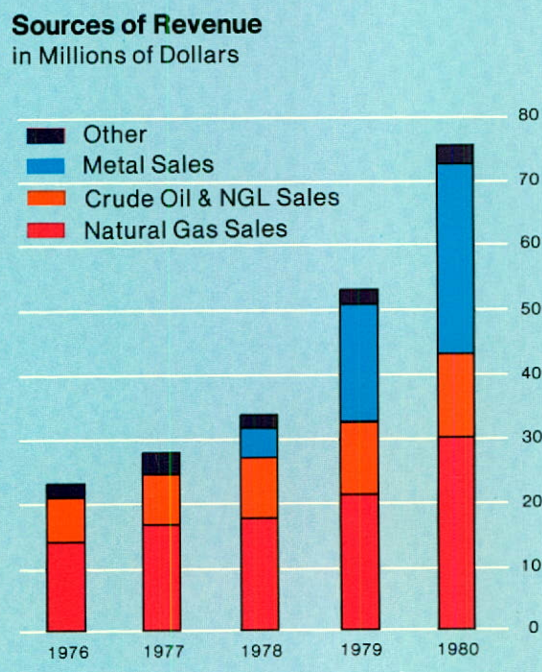
Revenues of $75,263,000 rose 42 percent over the 1979 level, due mainly to higher prices for all products and also greater sales of natural gas. Increased metal sales and higher prices for oil and gas resulted in a 58 percent increase in 1979 compared to 1978.

Natural gas sales of $30,068,000 increased 44 percent over the previous year. The average wellhead price rose to $84.53 per thousand cubic metres ($2.38 per MCF), up 38 percent from 1979. Natural gas production increased slightly in 1980 over the previous two years.

Crude oil and natural gas liquids sales increased 16 percent to $13,145,000. The wellhead price averaged $93.84 per cubic metre ($14.91 per barrel), up 22 percent from 1979. Annual production declined slightly from 1979 and 1978 levels.

Metal sales increased 60 percent to $28,991,000 in 1980 compared to $18,137,000 in 1979 and $3,679,000 for four months of operations in 1978. The average price per troy ounce of silver sold in 1980 was $24.95 compared to $13.65 in 1979 and $6.00 in 1978.





Royalty income amounted to $1,353,000 compared to the 1979 level of $1,542,000 and the 1978 level of $1,030,000.

Interest income during 1980 amounted to $1,231,000, an increase of 36 percent over 1979. Most of the increase represents interest earned as a result of the unitization of the Buchan Field. In 1979, interest of $905,000 represented an 18 percent increase over 1978.

Other income increased 64 percent to $475,000 and resulted from additional custom milling operations at Cobalt, Ontario compared to the previous year.

COSTS AND EXPENSES

Oil and gas production expenses increased 31 percent to $6,743,000 in 1980. Higher costs of operations, additional producing properties, and the first full year of production from Elmworth-Wapiti, accounted for the increase. Production expenses had increased 17 percent in 1979 compared to 1978.

The cost of metal sales totalled $27,806,000 compared to $13,629,000 in 1979 and $3,007,000 for the four months of operations in 1978. Gross margin for metal sales was $1,185,000 compared to $4,508,000 in 1979 due to significant silver price fluctuations during the year.

Mineral exploration expenditures in 1980 were $2,992,000 compared to $3,143,000 in 1979. Costs of $6,725,000 were capitalized during the year with respect to development of mining properties and the pilot plant phase of the cobalt recovery circuit.

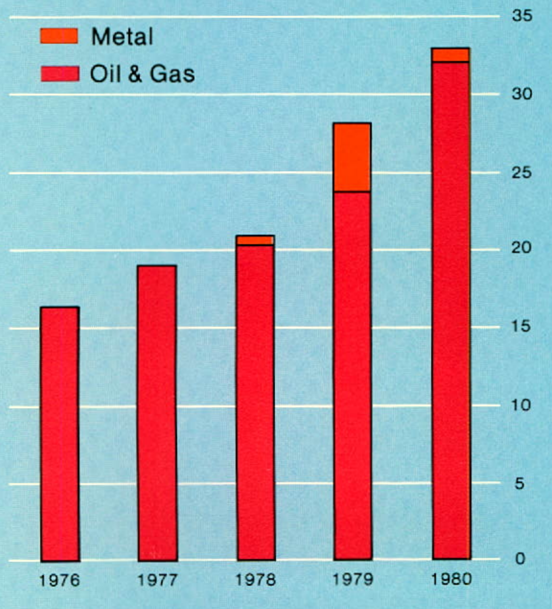
General and administrative expenses of $3,249,000, increased 14 percent over 1979 due to a general increase in the operating expenses of the oil and gas division. In 1979, a larger staff and a full year's activity in the mining and smelting subsidiaries accounted for the 33 percent increase over 1978.

Depletion expense increased 20 percent to $5,194,000 in 1980 due to greater production and the higher cost of finding and developing oil and gas reserves. Similarly in 1979, depletion had increased 27 percent over the 1978 amount. CanDel's depletion rate per equivalent cubic metre produced in 1980 was $7.34 ($1.17 per barrel) compared to $6.02 ($0.96 per barrel) in 1979. Depletion has been calculated by relating natural gas to crude oil on the basis of approximate energy content.

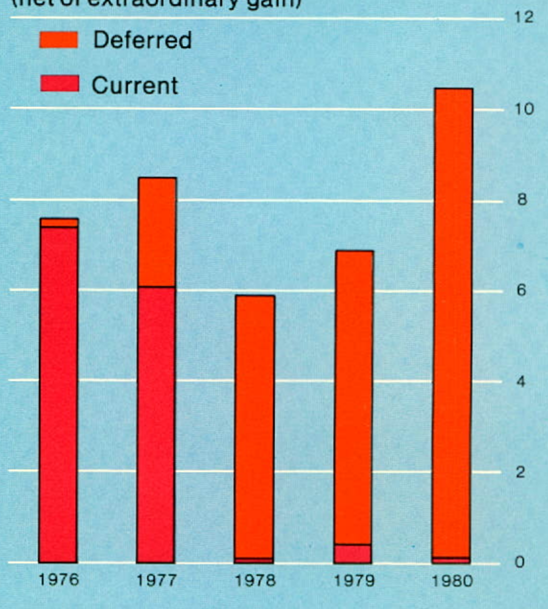
Depreciation expense increased 18 percent to $1,336,000 due to installation of additional production facilities during the year. Similarly, in 1979, depreciation had increased seven percent from the prior year.

Amortization of goodwill increased to $1,172,000 in 1980 from $871,000 reflecting the amortization of the remaining balance of goodwill

Sources of Operating Profit
in Millions of Dollars



Income Taxes
in Millions of Dollars
(net of extraordinary gain)



attributable to the utilization of subsidiary company tax credits. In 1978 amortization of this goodwill was $257,000. Other amortization expense is mainly related to deferred charges on loans to finance development of the Buchan field.

Interest expense of $564,000 relates to short term borrowings used to finance Canadian exploration and development programs. Interest on funds borrowed to develop the Buchan field has been capitalized to be amortized according to the normal policies for depletion and depreciation for the United Kingdom cost centre. Capitalized interest amounted to $7,487,000 in 1980 compared to $3,065,000 in 1979. In 1978, prior to the adoption of the policy to capitalize interest, $940,000 was expensed.

Income taxes of $10,467,000, in 1980 represent an effective tax rate of 40 percent compared to 32 percent in 1979 and 37 percent in 1978. The increase in 1980 is attributable to the utilization in 1979 of most of the subsidiary company tax credits. These tax credits were only available for four months in 1978. Most of CanDel's tax liability continued to be deferred due to tax deductible expenditures available from Canadian petroleum and mineral activities, as well as foreign exploration and development. This resulted in a reduction of current income taxes in 1980 to $101,000 from $420,000 in 1979. At year-end CanDel and its subsidiaries had approximately $157,000,000 of unused deductions for Canadian income tax purposes, compared to $94,000,000 in 1979.

CHANGES IN FINANCIAL POSITION

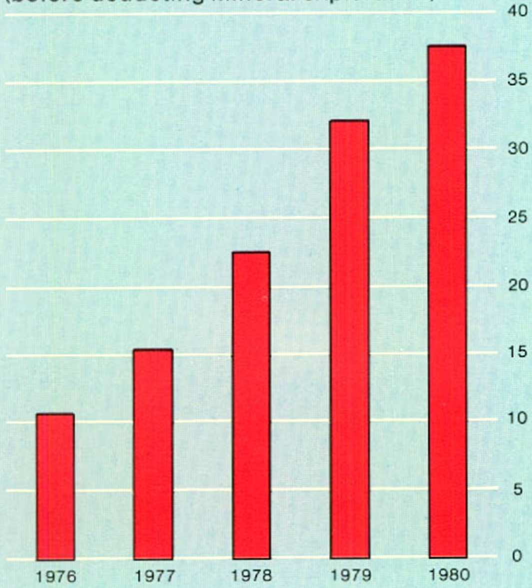
Funds provided from operations for 1980 increased 17 percent to $37,455,000 as a result of higher cash flows from the oil and gas operations. The 1979 increase of 43 percent over 1978 resulted from greater cash flows from oil and gas operations as well as from mining and smelting operations.

Development of the Buchan field in 1980 required a further $27,757,000 to be drawn under CanDel's long-term debt agreements.

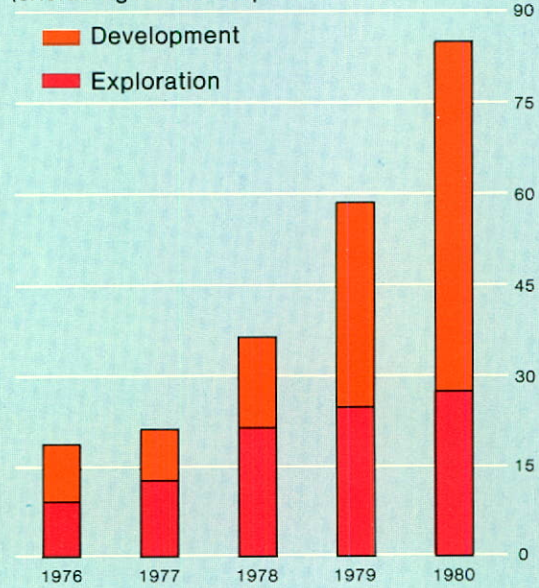
CanDel's major gas purchasers made payments of $6,187,000 for contracted gas volumes not taken. This brings the total of such payments over the last three years to $11,059,000 which has been recorded as deferred revenue and will not be included in earnings until the gas is delivered.

The exercise of stock options by employees and the issue of preferred shares under the new employee stock purchase plan accounted for the funds obtained from the issuance of shares. During 1980, 96,000 redeemable preferred shares were issued to key employees at the market price of the Company's common shares. The preferred shares are convertible into common shares until August 1, 1985. Notes receivable amounting to $3,312,000

Funds Provided from Operations
in Millions of Dollars
(before deducting mineral exploration)



Capital Expenditures
in Millions of Dollars
(excluding mineral exploration)



from the issue of these preferred shares are included as "Other" use of funds.

Proceeds from the sale of property includes an equalization payment of $3,340,000 in connection with unitization of the Buchan Field where CanDel's interest was adjusted to 13.3 percent from 14.0 percent.

Capital expenditures increased 45 percent to $85,163,000. Exploration expenditures totalled $27,454,000 of which $16,799,000 was spent on drilling and $6,341,000 on land acquisition. Development expenditures totalled $57,709,000 of which $31,149,000 was used towards development of the Buchan field; $7,638,000 was used for Canadian development drilling; and $6,725,000 was used in development of mineral properties. The 1979 capital expenditures of $58,576,000 represented an increase of 61 percent over 1978.

Working capital deficiency amounted to $11,535,000 at December 31, 1980 compared to working capital of $9,201,000 at December 31, 1979.

FINANCIAL OUTLOOK

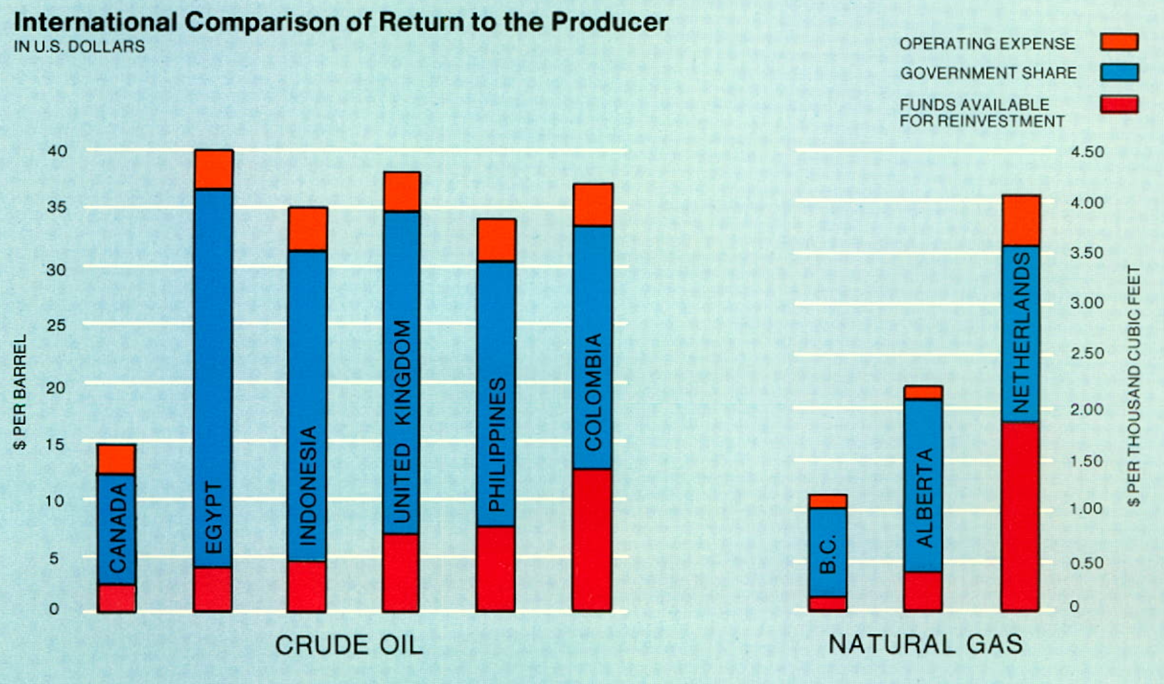
ENERGY POLICY AND TAXATION

On October 28, 1980, the Federal Government announced its National Energy Program which will have a significant effect on the Canadian oil industry. The effect on CanDel of the policy as proposed would be a reduction in forecast exploration expenditures due to 30 percent lower cash flows from Canadian oil and gas production. The critical factors are the Petroleum and Gas Revenue Tax which will amount to approximately $6,000,000 in 1981 and the restriction of crude oil prices to approximately thirty-eight percent and natural gas to fifty percent of world levels. The combination of the above factors and high provincial royalties result in an insufficient realization to the industry to achieve Canadian petroleum self-sufficiency.

In addition, in 1981 the Federal Government will begin to phase in a new system of grants designed to replace earned depletion as an incentive for petroleum exploration and development. The new system is expected by government to encourage greater Canadian control of the oil industry. The grants applicable to provincial land, where CanDel has traditionally operated, amount to 35 percent of exploration and 20 percent of conventional development costs. CanDel along with all foreign controlled companies does not qualify for such grants.

From its beginnings in 1950, CanDel has reinvested its entire profits in petroleum and mineral exploration and development. In 1973 the policies of the Federal and Provincial Governments made exploration in Canada an economic uncertainty and the Company entered into international ventures to diversify its sources of revenue. The accompanying graphs illustrate the distribution of the January 1981 wellhead selling prices of oil and

International Comparison of Return to the Producer
IN U.S. DOLLARS



gas typical for the countries in which CanDel holds petroleum rights. Royalties, income and other taxes in various forms, and production sharing arrangements with governments have been calculated on a fully taxed basis after recovery of capital expenditures assuming no reinvestment of net sales revenue. Production sharing arrangements apply to most of those concessions recently acquired by CanDel in foreign jurisdictions. For purposes of these comparisons prices are shown in U.S. dollars as this is the currency standard for international petroleum sales.

The wellhead price of Canadian crude oil averaged U.S. $14.91 per barrel in January 1981 compared to prices ranging from U.S. $34.00 to U.S. $40.00 per barrel in the other jurisdictions. Total government take including royalties in Canada amounts to 68 percent of a wellhead price which is less than half of the world price. Total government take in other jurisdictions which receive world price varies from 57 percent in Colombia to 80 percent in Egypt. Government take in the United Kingdom, includes the new Supplementary Petroleum Duty, and the changes to the Petroleum Revenue Tax, as announced by the Chancellor of the Exchequer on March 10, 1981. The return available for reinvestment on a fully taxed basis varies from a low of $2.25 per barrel in Canada to a high of $12.53 per barrel in Colombia.

The average price of natural gas in January, 1981, was $2.18 per MCF in Alberta, $1.16 in British Columbia and $4.05 in the Netherlands. The return to the producer available for reinvestment was $0.12 per MCF in British Columbia, $0.42 in Alberta and $1.79 in the Netherlands.

GAS MARKETING

Recently, agreement was reached with CanDel's major gas purchasers whereby their obligation to take or pay for contracted gas volumes was reduced for the next two years by 20 percent. As a result, the payments to which CanDel previously would have been entitled, will be reduced by approximately $13,000,000 during this period. The time required for the recovery of deficient volumes will depend on marketing conditions.

1981

CanDel's working capital deficiency will continue for most of 1981 as Buchan cash flows will be used largely for repayment of long-term debt used to finance the development stage. Canadian cash flows, which are restricted due to low product prices, increased taxation, and little improved gas markets, will be used to finance Canadian exploration and development programs.

Although Canadian petroleum earnings are expected to compare with 1980, production from Buchan will increase net income in 1981. Foreign activities will provide an increasing contribution to cash flow and net income in future years.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of CanDel Oil Ltd. as at December 31, 1980 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, 1980 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 change in accounting for silver in process as discussed in Note 1(j), on a basis consistent with that of the preceding year.

DELOITTE HASKINS + SELLS
Chartered Accountants

Calgary, Alberta
January 28, 1981

Consolidated Statement of Earnings
Years Ended December 31, 1980 and 1979

	1980	1979
REVENUE		
Natural gas sales	$30,068,000	20,889,000
Crude oil and natural gas liquids sales	13,145,000	11,366,000
Metal sales	28,991,000	18,137,000
Royalty income	1,353,000	1,542,000
Interest income	1,231,000	905,000
Other	475,000	289,000
	75,263,000	53,128,000
COSTS AND EXPENSES		
Cost of sales:		
Oil and gas	6,743,000	5,137,000
Metal	27,806,000	13,629,000
Mineral exploration	2,992,000	3,143,000
General and administrative	3,249,000	2,837,000
Depletion, depreciation and amortization (Note 3(b))	7,939,000	6,477,000
Interest (Note 5)	564,000	—
	49,293,000	31,223,000
EARNINGS BEFORE INCOME TAXES	25,970,000	21,905,000
INCOME TAXES (Note 7)		
Current	101,000	420,000
Deferred	11,161,000	11,202,000
	11,262,000	11,622,000
EARNINGS before extraordinary gain	14,708,000	10,283,000
Extraordinary gain (Notes 7 and 10)	795,000	4,722,000
NET EARNINGS	$15,503,000	15,005,000
EARNINGS PER SHARE (Note 13)		
Earnings before extraordinary gain	$ 1.10	0.78
Extraordinary gain	0.06	0.35
NET EARNINGS PER SHARE	$ 1.16	1.13

Consolidated Statement of Retained Earnings
Years Ended December 31, 1980 and 1979

	1980	1979
RETAINED EARNINGS AT BEGINNING OF YEAR	$65,202,000	50,197,000
NET EARNINGS	15,503,000	15,005,000
RETAINED EARNINGS AT END OF YEAR	$80,705,000	65,202,000

Consolidated Balance Sheet

December 31, 1980 and 1979

ASSETS

	1980	1979
CURRENT ASSETS		
Cash and short term deposits	$ 2,452,000	9,661,000
Accounts receivable	19,005,000	14,280,000
Inventories (Note 2)	6,583,000	12,406,000
Other	171,000	162,000
Total current assets	28,211,000	36,509,000
PROPERTY, PLANT AND EQUIPMENT (Note 3)		
Petroleum and natural gas leases and rights including exploration and development thereon — full cost method of accounting	178,246,000	139,873,000
Mining properties and rights	8,666,000	1,961,000
	186,912,000	141,834,000
Less accumulated depletion and amortization	42,441,000	42,243,000
	144,471,000	99,591,000
Production and other equipment	80,590,000	50,426,000
Less accumulated depreciation	15,296,000	14,149,000
	65,294,000	36,277,000
Net property, plant and equipment	209,765,000	135,868,000
DEFERRED CHARGES (Note 4)	1,359,000	550,000
GOODWILL	141,000	1,213,000
OTHER ASSETS — at cost (Note 8(c))	3,561,000	263,000
	$243,037,000	174,403,000

LIABILITIES AND SHAREHOLDERS' EQUITY

	1980	1979
CURRENT LIABILITIES		
Due to bank (Note 5)	$ 5,772,000	—
Accounts payable and accrued liabilities	21,437,000	22,228,000
Income taxes payable	—	356,000
Current portion of long-term debt	12,537,000	4,724,000
Total current liabilities	39,746,000	27,308,000
LONG-TERM DEBT (Note 6)	54,535,000	34,641,000
DEFERRED REVENUE	11,059,000	4,872,000
DEFERRED INCOME TAXES (Note 7)	37,327,000	26,306,000
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)		
Issued:		
Series V Redeemable Convertible Preferred shares — 96,000 shares	3,312,000	—
Common stock — 13,333,107 shares (1979 — 13,286,232 shares)	13,360,000	13,286,000
Contributed surplus (Note 9)	2,993,000	2,788,000
Retained earnings	80,705,000	65,202,000
	100,370,000	81,276,000
	$243,037,000	174,403,000

Approved by the Board

William C. Leuschner, Director

M. A. Williams, Director

Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1980 and 1979

	1980	1979
FINANCIAL RESOURCES PROVIDED BY		
Net earnings before extraordinary gain	$ 14,708,000	10,283,000
Charges to income not requiring funds:		
Depletion, depreciation and amortization	7,939,000	6,477,000
Deferred income taxes	11,161,000	11,202,000
Other	—	16,000
Mineral exploration	2,992,000	3,143,000
Funds provided from operations before extraordinary gain and mineral exploration	36,800,000	31,121,000
Funds provided from extraordinary gain	655,000	1,000,000
Total funds provided from operations before mineral exploration	37,455,000	32,121,000
Proceeds from long-term debt	27,757,000	24,540,000
Proceeds from deferred revenue	6,187,000	2,900,000
Proceeds from issuance of shares	3,591,000	376,000
Proceeds from disposal of property, plant and equipment	4,760,000	7,319,000
	79,750,000	67,256,000
FINANCIAL RESOURCES USED FOR		
Additions to property, plant and equipment	85,163,000	58,576,000
Mineral exploration	2,992,000	3,143,000
Long-term debt due within one year	7,853,000	4,724,000
Deferred charges	1,080,000	(178,000)
Other	3,398,000	122,000
	100,486,000	66,387,000
INCREASE (DECREASE) IN WORKING CAPITAL	(20,736,000)	869,000
WORKING CAPITAL at beginning of year	9,201,000	8,332,000
WORKING CAPITAL (DEFICIENCY) at end of year	$ (11,535,000)	9,201,000
CHANGES IN COMPONENTS OF WORKING CAPITAL		
INCREASE (DECREASE) IN CURRENT ASSETS		
Cash and short term deposits	$ (7,209,000)	1,163,000
Accounts receivable	4,725,000	5,814,000
Inventories	(5,823,000)	8,862,000
Other	9,000	(25,000)
Net increase (decrease) in current assets	(8,298,000)	15,814,000
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Due to banks	5,772,000	(845,000)
Accounts payable and accrued liabilities	(791,000)	11,309,000
Income taxes payable	(356,000)	(243,000)
Current portion of long-term debt	7,813,000	4,724,000
Net increase in current liabilities	12,438,000	14,945,000
INCREASE (DECREASE) IN WORKING CAPITAL	$ (20,736,000)	869,000

Notes to Consolidated Financial Statements

December 31, 1980 and 1979

1. SUMMARY OF ACCOUNTING POLICIES

The financial statements have been prepared by the Company in accordance with accounting principles generally accepted in Canada (GAAP). The Company's internal controls have been designed to provide reasonable assurance that assets are safeguarded, and that the financial records are sufficiently reliable to allow preparation of financial statements in accordance with GAAP. Due to the nature of the Company's operations, certain estimates are involved in the preparation of such statements. In the Company'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 which companies are primarily engaged in mineral exploration, exploitation and refining. The Company has branch oil and gas operations in the United Kingdom, Netherlands, Egypt, Colombia, Philippines, and Indonesia.

(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 rate 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). All of the Company's long-term debt relates to the development of the Buchan field. Other foreign exchange losses have been charged against earnings.

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

(c) FULL COST METHOD OF ACCOUNTING

In accordance with the provisions of the full cost method of accounting, the exploration and development costs are allocated on a country by country basis to the following active cost centres:

Canada	Colombia
United Kingdom	Philippines
Netherlands	Indonesia
Egypt	

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.

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. For purposes of the depletion calculation natural gas reserves and production are converted to equivalent volumes of crude oil based on the approximate relative energy content of each product. The depletion rates per equivalent cubic metre produced for 1980 and 1979 were \$7.34 and \$6.02 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. 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	
	1980	1979
United Kingdom	$33,484,000	26,236,000
Netherlands	6,488,000	4,494,000
	$39,972,000	30,730,000

(d) INTEREST CAPITALIZATION

Interest on debt specifically obtained for the construction or development of major capital assets, which are not yet in operation or currently being amortized, is being capitalized to be amortized when the assets commence operations. In 1980, interest expense amounting to $7,487,000, (1979 — $3,065,000) relating to the development of the Buchan field has been capitalized.

(e) MINERAL PROPERTIES

Costs related to the exploration for minerals are generally expensed as incurred. The excess of the purchase price over the net assets of St. Joseph Explorations Limited 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. Property acquisition and pre-production costs relating to mineral development are capitalized and are to be amortized when production commences.

(f) DEPRECIATION

Depreciation on Canadian oil and gas plant 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%.

Capital expenditures on offshore production facilities at the Buchan Field in the United Kingdom sector of the North Sea at December 31, 1980 and 1979 amounted to $47,721,000 and $23,129,000 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 percent to 25 percent.

(g) 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.

(h) 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 which will depend on marketing conditions.

(i) GOODWILL

The balance of goodwill arising from the acquisition of St. Joseph Explorations Limited in 1978, and attributable to the utilization of certain subsidiary tax credits was fully amortized during the year. Other goodwill from the same acquisition is being amortized over five years.

(j) CHANGE IN ACCOUNTING POLICY

In 1980, 100,000 troy ounces of silver representing the constant work in process in the silver smelter, has been transferred to property, plant and equipment in the amount of $2,366,000 from current assets. The transfer was made at the Company's cost of silver at the time of the transfer and recognizes the permanent nature of the circuits, as this material can not be recovered currently. The change did not have a material effect on the consolidated earnings of the company.

2. INVENTORIES

	1980	1979
Material and supplies at lower of cost and replacement cost	$3,706,000	2,116,000
Metals at lower of cost and net realizable value	2,877,000	10,290,000
	$6,583,000	12,406,000

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

	December 31			
	1980			1979
	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	$ 47,579	11,087	36,492	29,857
Intangible exploration and development costs	130,574	30,847	99,727	68,010
Royalty interest	93	75	18	24
	$178,246	42,009	136,237	97,891
Mineral properties and equipment	$ 8,666	432	8,234	1,700
Production and other equipment:				
Gas plants and related facilities	$ 19,599	8,554	11,045	8,870
Lease and well equipment	59,065	5,746	53,319	26,851
Buildings	401	391	10	6
Automotive equipment	298	146	152	105
Leasehold improvements	665	103	562	334
Office furniture and equipment	388	206	182	86
Other	174	150	24	25
	$ 80,590	15,296	65,294	36,277

3. (b) DEPLETION, DEPRECIATION AND AMORTIZATION

Components of depletion, depreciation, and amortization expense in the consolidated statement of earnings are:

	1980	1979
Depletion	$5,194,000	4,321,000
Depreciation	1,336,000	1,130,000
Amortization of foreign exploration costs	(34,000)	23,000
Amortization of deferred charges	271,000	132,000
Amortization of goodwill	1,172,000	871,000
	$7,939,000	6,477,000

4. DEFERRED CHARGES

Deferred charges consisting of unrealized foreign exchange losses amounting to $1,088,000 (1979 — $184,000) and financing costs amounting to $271,000 (1979 — $366,000) both of which relate to the Buchan Credit Facility referred to in Note 6, are being amortized over the term of the loan.

5. DUE TO BANK

The amount due to bank of $5,772,000 at December 31, 1980, (1979 Nil), consists of demand bank notes and bankers' acceptances secured by a general assignment of accounts receivable. The interest expense of $564,000 included on the consolidated statement of earnings relates to short term borrowings.

6. LONG-TERM DEBT

At December 31, 1980 and 1979, the following long-term debt was outstanding:

	1980	1979
Credit Facility (1980 — $40,000,000 U.S., 1979 — $33,700,000 U.S.)	$47,788,000	39,365,000
Term bank loan	18,799,000	—
Other	485,000	—
	67,072,000	39,365,000
Amount due within one year	12,537,000	4,724,000
	$54,535,000	34,641,000

The Credit Facility, for development of the Buchan Field, with interest at ¾ of 1% above the London Interbank Offered Rate and ⅜ of 1% standby fee on the undrawn balance, consists of two parts. One part is comprised of eligible expenditures under the United Kingdom Interest Relief Program amounting to $16,000,000 U.S. and is repayable in ten equal semi-annual installments commencing June 30, 1981. The remaining $24,000,000 U.S. of the Credit Facility, is repayable in ten equal quarterly installments beginning June 30, 1981.

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 Credit Facility and the term bank loan.

The term bank loan provides for loan drawdowns to a maximum of $30,000,000 also for development of the Buchan Field. Interest is payable monthly at ¼ of 1% above the bank prime rate or ⅜ of 1% above the rate for bankers' acceptances with the principal due in annual installments of $7,500,000 commencing January 5, 1982.

The amounts of the long term debt to be repaid in each of the five years ending subsequent to December 31, 1980 are: 1981 — $12,537,000; 1982 — $20,177,000; 1983 — $17,311,000; 1984 — $8,524,000; 1985 — $8,523,000.

7. INCOME TAXES

Total income taxes amounted to $10,467,000 in 1980 and $6,900,000 in 1979, for effective tax rates of approximately 40 percent and 32 percent respectively as follows:

	1980	1979
Current income taxes	$ 101,000*	420,000*
Deferred income taxes	11,161,000	11,202,000
	11,262,000	11,622,000
Recovery of income taxes:		
Extraordinary gain — current	(655,000)	(1,000,000)
— deferred	(140,000)	(3,722,000)
	(795,000)	(4,722,000)
Total net income taxes	$10,467,000	6,900,000

*After the deduction of the Alberta Royalty Tax Credit.

	1980		1979	
	Amount	Percent of Pretax Earnings	Amount	Percent of Pretax Earnings
Computed "expected" tax expense	$12,686,000	49%	10,295,000	47%
Increase in income taxes resulting from:				
Non-deductible royalties, lease rentals and mineral taxes payable to the Crown net of provincial rebates	8,078,000	31%	5,554,000	25%
Provincial taxes on capital	346,000	1%	—	—
Subsidiary's gain and renounced expenses taxed on an unconsolidated basis	1,327,000	5%	3,720,000	17%
Other	78,000	—	—	—
	22,515,000	86%	19,569,000	89%
Decrease in income taxes resulting from:				
Utilization of subsidiary Company tax credits	795,000	3%	4,722,000	21%
Tax depletion on Canadian production income	4,376,000	17%	2,537,000	11%
Resource allowance on Canadian production income	6,877,000	26%	5,410,000	25%
	$10,467,000	40%	6,900,000	32%

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:

	1980	1979
Excess of exploration and development costs deductible for income tax purposes over financial statement depletion and amortization	$ 5,077,000	3,977,000
Excess of capital cost allowance for income tax purposes over financial statement depreciation	7,153,000	3,139,000
Excess of financial statement earned depletion over earned depletion deductible for income tax purposes	(1,316,000)	(971,000)
Net operating for income tax purposes	(2,965,000)	—
Capitalized interest deductible for income tax purposes	3,488,000	1,440,000
Other	(416,000)	(105,000)
	$11,021,000	7,480,000

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, 1980 the Company and its subsidiaries had unclaimed deductions for Canadian income tax purposes which may be applied against future taxable income as follows:

	1980		1979
	CanDel Oil Ltd.	Subsidiaries	Combined
Undepreciated capital cost (at rates varying from 10% to 100% per year)	$ 35,243,000	3,301,000	20,650,000
Canadian oil and gas property acquisition cost (at 10% per year)	8,383,000	—	—
Cumulative Canadian development expense (at 30% per year)	19,533,000	6,610,000	22,637,000
Cumulative Canadian exploration expense (at 100% per year)	33,887,000	301,000	14,512,000
Foreign exploration and development expense*	30,625,000	—	26,542,000
Net operating losses (at 100% per year)	6,076,000	—	8,000
Tax depletion	10,032,000	2,726,000	9,533,000
	$143,779,000	12,938,000	93,882,000

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

8. CAPITAL STOCK

(a) Stock Split

On April 24, 1980, the shareholders approved the subdivision of each common share with a par value of $3.00, whether issued or unissued, into three common shares with a par value of $1.00 effective May 12, 1980.

(b) Continuance

Effective May 29, 1980, CanDel was continued under the Canada Business Corporation Act. The Articles of Continuance provide for the following changes to the capital structure of the Company: authorization to issue one class of an unlimited number of preferred shares, without nominal or par value; the 18,750,000 common shares with a par value of $1.00 become common shares without limit to the number of shares which can be issued and without nominal or par value.

(c) Preferred Shares

Series V redeemable convertible preferred shares were sold to certain employees to be converted to common shares, on a one for one basis, in cumulative annual installments of 25 percent commencing one year from the date of the sale and expiring in August 1985. The 96,000 preferred shares were sold at the market price of the Company's common shares on the date of the sale. Other assets include an amount receivable of $3,312,000 with respect to these shares.

9. EMPLOYEES' STOCK OPTION PLAN

The following table summarizes transactions under the Employees' Stock Option Plan for 1980 and 1979:

	Number of Shares	
	1980	1979
Options outstanding at beginning of year	48,375	92,075
Options outstanding after 3 for 1 stock split May 12, 1980	145,125	
Options granted	24,800	14,000
Options exercised	(46,875)	(57,700)
Options outstanding at end of year	123,050	48,375

At December 31, 1980 and 1979, options were outstanding as follows: (The 1980 number of shares reflects the 3 for 1 stock split which took place in 1980. The 1979 amounts have not been adjusted.)

	Number of Shares			
	Officers and Directors		Other Employees	
Price per Share	1980	1979	1980	1979
$ 3.83 (1979 — $11.50)	6,000	6,125	3,750	3,750
$ 4.17 (1979 — $12.50)	—	1,250	—	—
$ 5.33 (1979 — $16.00)	—	—	7,500	3,500
$ 5.41 (1979 — $16.25)	43,500	16,750	6,000	3,000
$11.25 (1979 — $33.75)	4,500	2,000	27,000	12,000
$29.50	—	—	24,800	—
	54,000	26,125	69,050	22,250

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, 1980, there were an additional 53,053 shares reserved on which further options may be granted. During the year, 46,875 shares were issued under the stock option plan for a cash consideration of $279,000, of which $74,000 was credited to capital stock and $205,000 to contributed surplus.

10. EXTRAORDINARY GAIN

Extraordinary gain reported in 1980 and 1979 consists of a reduction in income taxes of $795,000 and $4,722,000 respectively which resulted from the utilization of certain subsidiary company tax credits.

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 noncontributory. Retirement benefits are paid to employees based on their compensation and length of service. The Companies' contribution to the plans for the years 1980 and 1979 amounted to $233,000 and $238,000 respectively. The Company had no unfunded costs at December 31, 1980.

12. REMUNERATION OF DIRECTORS AND OFFICERS

In 1980 and 1979 the Company had ten directors and thirteen officers, three of whom served in both capacities during the year. Remuneration paid or payable to directors and officers was as follows:

	1980	1979
Directors	$ 31,700	16,200
Officers	$1,066,800	965,000

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 13,318,330 in 1980 and 13,255,032 in 1979 adjusted to give effect to the stock split (3:1) on May 12, 1980. Fully diluted net earnings per share are not materially different from basic net earnings per share.

14. BUSINESS SEGMENT INFORMATION

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 oil and gas operations in the Canadian cost centre. Production has not yet commenced in the Company's offshore United Kingdom, Netherlands or other foreign cost centres.

The following table shows, as of December 31, 1980 and 1979, the capitalized costs of CanDel's oil and gas properties and accumulated depreciation, depletion and amortization related thereto:

	Capitalized Costs				Accumulated Depreciation, Depletion & Amortization	
	Proved Properties		Unproved Properties			
	1980	1979	1980	1979	1980	1979
			(Thousands of dollars)			
Canada	$178,941	131,039	—	—	57,296	50,730
United Kingdom	81,335	49,496	—	—	131	131
Netherlands	6,496	4,502	—	—	8	8
Egypt	—	5,262	121	—	—	5,262
Colombia	—	—	97	—	19	—
Philippines	—	—	332	—	—	—
Other Foreign	—	—	181	—	—	—
Total	$266,772	190,299	731	—	57,454	56,131

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

1980	Property Acquisition Costs	Exploration Costs	Development Costs	Production (Lifting) Costs	Depreciation, Depletion & Amortization
			(Thousands of dollars)		
Canada	$ 6,341	19,099	18,434	6,743	6,400
United Kingdom	354	336	31,149	—	—
Netherlands	—	593	1,401	—	—
Egypt	121	—	—	—	(53)
Colombia	—	97	—	—	19
Philippines	—	332	—	—	—
Other Foreign	—	181	—	—	—
Total	$ 6,816	20,638	50,984	6,743	6,366
1979					
Canada	$10,489	11,994	9,122	5,137	5,296
United Kingdom	—	602	24,398	—	—
Netherlands	—	1,819	—	—	—
Egypt	—	23	—	—	23
Total	$10,489	14,438	33,520	5,137	5,319

14. BUSINESS SEGMENT INFORMATION — 1980

	Assets	Capital Expenditures	Revenue
	(Thousands of dollars)		
Industry			
Oil and gas	$228,050	78,438	45,041
Mining	14,987	6,725	28,991
Interest income	—	—	1,231
	$243,037	85,163	75,263
Geographic			
Canada	$152,601	50,691	74,896
North Sea — United Kingdom and Netherlands Sectors	89,188	33,833	367
Egypt	136	121	—
Other	1,112	518	—
	$243,037	85,163	75,263

	Profit Margin	Depreciation & Depletion	Operating Profits
Industry and Geographic			
Oil and gas	$ 38,298	6,347	31,951
Mining	1,185	183	1,002
Canadian operating profit	$ 39,483	6,530	32,953
Amortization — Foreign			34
Operating profit			32,987
Mineral exploration — Canada			(2,992)
Corporate income and expense — net			(4,025)
Earnings before income taxes and extraordinary gain			$25,970

15. QUARTERLY FINANCIAL DATA 1980 (Unaudited)

	Three Months Ended				Year
	Mar. 31	June 30	Sept. 30	Dec. 31	1980
Share Trading Ranges					
1980 — High	$30.00	32.50	35.75	32.50	35.75
— Low	$18.94	23.33	29.87	28.12	18.94
	(Thousands of dollars)				
Quarterly Financial Results					
Revenue	$25,842	15,814	14,611	18,996	75,263
Cost of sales, administrative, mineral exploration, interest and other expense	14,666	9,995	9,029	7,664	41,354
Depletion, depreciation and amortization	2,060	2,171	1,604	2,104	7,939
Income tax	4,168	1,570	1,782	3,742	11,262
Earnings before extraordinary gain	4,948	2,078	2,196	5,486	14,708
Extraordinary gain	225	89	98	383	795
Net earnings	$ 5,173	2,167	2,294	5,869	15,503
Earnings per share:					
Earnings before extraordinary gain	$ 0.37	0.16	0.15	0.42	1.10
Extraordinary gain	0.02	0.01	0.01	0.02	0.06
Net earnings per share	$ 0.39	0.17	0.16	0.44	1.16

14. BUSINESS SEGMENT INFORMATION — 1979

	Assets	Capital Expenditures	Revenue
	(Thousands of dollars)		
Industry			
Oil and gas	$156,633	58,447	34,086
Mining	17,770	129	18,137
Interest income	—	—	905
	$174,403	58,576	53,128
Geographic			
Canada	$119,637	31,735	53,128
North Sea — United Kingdom and Netherlands Sectors	54,766	26,841	—
	$174,403	58,576	53,128

	Profit Margin	Depreciation & Depletion	Operating Profits
Industry and Geographic			
Oil and gas	$ 28,949	5,296	23,653
Mining	4,508	155	4,353
Canadian operating profit	$ 33,457	5,451	28,006
Amortization — Foreign			23
Operating profit			27,983
Mineral exploration — Canada			(3,143)
Corporate income and expense — net			(2,935)
Earnings before income taxes and extraordinary gain			$21,905

15. QUARTERLY FINANCIAL DATA 1979 (Unaudited)

	Three Months Ended				Year
	Mar. 31	June 30	Sept. 30	Dec. 31	1979
Share Trading Ranges					
1979 — High	$ 12.83	15.50	18.67	21.67	21.67
— Low	$ 8.66	10.00	13.29	16.33	8.66
	(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	$ 2,596	2,611	3,651	6,147	15,005
Earnings per share:*					
Earnings before extraordinary gain	$ 0.14	0.14	0.16	0.34	0.78
Extraordinary gain	0.05	0.05	0.12	0.13	0.35
Net earnings per share	$ 0.19	0.19	0.28	0.47	1.13

* The 1979 quarterly earnings per share data reflects retroactive application of the 3 for 1 stock split of May 12, 1980.

Five Year Financial Summary*

	1980	1979	1978	1977	1976
			(Thousands of dollars)		
REVENUE					
Natural gas sales	$30,068	20,889	17,507	16,437	13,807
Crude oil and natural gas liquids sales	13,145	11,366	10,121	8,346	7,311
Metal sales	28,991	18,137	3,679	—	—
Royalty income	1,353	1,542	1,030	699	270
Interest income	1,231	905	770	1,207	1,085
Other	475	289	426	1,288	422
	75,263	53,128	33,533	27,977	22,895
COSTS AND EXPENSES					
Cost of sales:					
Oil and gas	6,743	5,137	4,394	3,773	3,033
Metal	27,806	13,629	3,007	—	—
Mineral exploration	2,992	3,143	1,071	—	—
General and administrative	3,249	2,837	2,136	1,578	1,225
Depletion, depreciation and amortization	7,939	6,477	5,734	3,968	2,610
Interest	564	—	1,066	284	9
	49,293	31,223	17,408	9,603	6,877
Earnings before income taxes	25,970	21,905	16,125	18,374	16,018
INCOME TAXES					
Current	101	420	413	6,161	7,452
Deferred	11,161	11,202	5,875	2,339	163
	11,262	11,622	6,288	8,500	7,615
EARNINGS from continuing operations	14,708	10,283	9,837	9,874	8,403
Losses from operations of subsidiary sold	—	—	887	2,612	3,621
EARNINGS before extraordinary gain	14,708	10,283	8,950	7,262	4,782
Extraordinary gain	795	4,722	1,722	—	—
NET EARNINGS	$15,503	15,005	10,672	7,262	4,782
EARNINGS PER SHARE					
Earnings before extraordinary gain	$ 1.10	0.78	0.70	0.58	0.38
Extraordinary gain	0.06	0.35	0.13	—	—
NET EARNINGS PER SHARE	$ 1.16	1.13	0.83	0.58	0.38

*The five year financial summary reflects the following:

(1) The 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.

(4) Reclassification of constant work in process from a current asset to property, plant and equipment in 1980.

(5) Retroactive application of the 3 for 1 stock split of May 12, 1980.

	1980	1979	1978	1977	1976
RETURN ON INVESTMENT					
Return on average shareholders' equity before extraordinary gain — percent	16.2	13.9	15.2	14.9	11.2
Return on average shareholders' equity after extraordinary gain — percent	17.1	20.3	18.1	14.9	11.2
Return on average net capital assets employed before extraordinary gain — percent	8.4	9.1	11.0	11.3	9.5
Return on average net capital assets employed after extraordinary gain — percent	8.9	13.3	13.2	11.3	9.5
			(Thousands of dollars)		
ROYALTIES AND TAXES					
Gross petroleum revenue including royalties	$ 66,174	51,595	44,907	41,952	34,300
Royalty expense	$ 19,902	16,604	15,053	13,975	11,405
Royalties as a percent of gross revenue	30.1	32.2	33.5	33.0	33.0
Income tax expense	$ 10,246	6,900	5,925	8,500	7,615
Income tax as a percentage of income before tax:**					
Current	(2.7)	(2.6)	0.3	33.5	46.5
Deferred	42.8	34.1	36.4	12.7	1.0
Total	40.1	31.5	36.7	46.2	47.5

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

	1980	1979	1978	1977	1976
BALANCE SHEET					
Working capital (deficiency)	$ (11,535)	9,201	8,332	754	(27)
Property, plant and equipment — net	$209,765	135,868	90,104	71,952	56,589
Long-term debt	$ 54,535	34,641	14,825	7,800	1,097
Deferred income taxes	$ 37,327	26,306	18,826	12,951	10,612
Shareholders' equity	$100,370	81,276	65,895	52,209	44,895
Current ratio — percent	70.9	133.6	167.4	103.4	99.9
Debt to equity ratio — percent	54.3	42.6	22.5	14.9	2.4
CAPITAL EXPENDITURES					
Exploration	$ 27,454	24,927	21,342	12,777	9,307
Development	57,709	33,649	15,008	8,509	9,467
Total	$ 85,163	58,576	36,350	21,286	18,774
Mineral exploration	$ 2,992	3,143	1,071	—	—
FUNDS PROVIDED FROM OPERATIONS	$ 37,455	32,121	22,508	15,474	10,716
PER SHARE	$ 2.81	2.42	1.76	1.23	0.85
SHARES OUTSTANDING	13,333,107	13,286,232	13,113,132	12,581,793	12,558,843

Corporate Information

PROFILE

CanDel, founded in 1950, has grown to be a medium-sized natural resource company, with extensive Canadian and foreign petroleum interests, as well as domestic mineral holdings. The Company enjoys a solid foundation of petroleum reserves and a team of employees experienced in all phases of exploration, development, and production.

Participation in foreign petroleum exploration began during the Federal-Provincial confrontation in 1973. This diversification has led to several significant discoveries, and CanDel now holds interests in six foreign jurisdictions.

In 1978, the acquisition of St. Joseph Explorations Limited provided diversification into mining operations and mineral exploration. Mineral activities include an active precious and base metal and industrial mineral exploration program across Canada and operation of a silver smelter.

CanDel employs 135 people in its petroleum activities, and operates five gas plants and twelve oil and gas fields. The mineral subsidiaries employ 78 people in various operations.

In Memoriam

ROBERT J. FORGIE

The Company acknowledges with deep regret the sudden passing of Bob Forgie, CanDel's Manager-Joint Interest. He was held in the highest regard by all and his industriousness, character, and personality are sadly missed.

OFFICERS

WILLIAM C. LEUSCHNER
Chairman of the Board and
Chief Executive Officer

MICHAEL A. WILLIAMS
President

DOUGLAS H. CHURCH
Executive Vice President

JORGEN KARBERG
Senior Vice President —
Corporate Planning

ROBERT C. BEATTIE
Vice President — Legal and
Corporate Secretary

DONALD M. ERICSON
Vice President — Exploration

A. ROSS LONG
Vice President — Land

GREGORY L. OSMOND
Vice President — Finance

R. JAMES BROWN
Treasurer

ROY S. DANIELSON
Assistant Treasurer and
Chief Accountant

DAVID R. E. PARRY
Controller

DIANE E. YOUNG
Assistant Corporate Secretary

OTHER EXECUTIVES

ARDLEY H. CALDWELL
Manager — Employee Relations

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

ALBERT GOGOL
Manager — Geology

HENDRICK HEEREMA
Manager — Geophysics

DONALD A. G. SHANKS
Manager — Data Processing

JEFFREY T. SMITH
Chief Geologist

P. ALLAN TEMPLETON
Manager — Purchasing

RAYMOND O. WASYLIW
Chief Engineer

RUSSELL J. ZAHARKO
Manager — Production

BOARD OF DIRECTORS

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

JAMES L. BROADHEAD
Executive Vice 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
Chairman of the Board 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.
Petroleum Consultant
Calgary, Alberta

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

MICHAEL A. WILLIAMS
President of the Company

OTHER DIRECTORSHIPS HELD BY MEMBERS OF CANDEL'S BOARD

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

JAMES L. BROADHEAD — St. Joe Minerals Corporation, New York, New York.

JOHN C. DUNCAN — Irving Bank Corporation, Irving Trust Company, 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., North Canadian Oils Ltd., all of Calgary, Alberta; 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.

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
2161 Yonge Street
Toronto, Ontario M4S 3A6

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

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 Fifth Avenue S.W., Calgary, Alberta T2P 0L4.

CANDEL 1980

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