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Ocelot
Industries
Ltd.

ANNUAL REPORT 1985

Company Profile

Ocelot Industries Ltd., headquartered in Calgary, Alberta, is a Canadian-owned diversified natural resource enterprise.

Ocelot began as a small natural gas and petroleum company in western Canada with assets of $1.6 million in 1973. Since then, the business base has expanded both domestically and internationally. Assets today total $860 million. Ocelot now operates through three business segments; Natural Gas and Petroleum Operations, Petroleum Industry Services and Supplies, and Petrochemicals.

Ocelot's shares are listed on the Toronto, Montreal and Alberta stock exchanges.

Annual Meeting

The Annual General Meeting of Shareholders of Ocelot Industries Ltd. will be held in the Bonavista Room, Westin Hotel, Calgary, Alberta on May 2, 1986 at 10:30 a.m. Formal notice of this meeting and proxy materials are enclosed.

Contents

FACTS AT A GLANCE

	Year Ended December 31, 1985	Year Ended December 31, 1984 (unaudited)	Nine Months Ended December 31, 1984
Financial (thousands of dollars)			
Revenue	**354,386**	327,932	232,889
Cash provided by (used for) operations	**4,829**	(8,883)	(12,964)
Loss for the period	**40,378**	65,027	49,248
Loss per common share (in dollars)	**2.80**	4.52	3.42
Cash provided by (used for) operations per common share (in dollars)	**0.30**	(0.62)	(0.90)
Capital expenditures	**18,567**	38,522	25,661
Operating bank loans at end of period	**18,111**	21,598	21,598
Long-term debt at end of period	**732,415**	784,391	784,391
Operations			
Crude oil and natural gas liquids production (barrels per day)	**2,997**	2,816	2,663
Natural gas production (millions of cubic feet per day)	**109**	109	104
Number of drilling and service rigs	**63**	63	63
Methanol production (tonnes)	**446,902**	428,679	319,672

LETTER TO SHAREHOLDERS

Gas sales expected to increase over the longer term as a direct result of the implementation in Canada and the United States of natural gas deregulation policies.

HIGHLIGHTS

- Cash provided by operations before interest expense was $100.2 million in 1985, compared to $96.6 million in 1984.
- Long-term debt was reduced by $39 million from the prior year.
- Development of the Hatton field in Saskatchewan added production capability of 40 million cubic feet of natural gas per day.
- Loss from operations decreased dramatically in Petrochemicals. Continuing new developments and diversification expected in this segment.
- Ammonia plant construction well underway; production and sales to start in late 1986.

Financial Review

Cash provided by operations before interest expense related to financing was $100.2 million for the year ended December 31, 1985 compared to $96.6 million in 1984. Interest expense of $95.4 million in 1985 and $105.5 million in 1984 resulted in cash from operations of $4.8 million in 1985, a substantial improvement from a cash deficiency of $8.9 million in 1984. Ocelot's consolidated statement of earnings reflects a loss during the current year of $40.4 million ($2.80 per share) compared with $65.0 million ($4.52 per share) in the year ended December 31, 1984.

In December, 1985 Ocelot sold its interests in four producing oil fields and one natural gas field in Alberta for $48.1 million. The majority of the proceeds were applied to the repayment of long-term debt.

Ocelot's capital expenditures during the year ended December 31, 1985 were $18.6 million, down from $38.5 million in the year ended December 31, 1984. The reduction in capital expenditures is a result of continued restraint programs implemented by management.

Natural Gas and Petroleum Operations

In 1985, participation in 343 development wells in Canada yielded 301 gas wells, 20 oil wells, eight water disposal wells and 14 dry and abandoned wells. These development wells significantly increased production capacity. Natural gas production averaged 109 million cubic feet per day, virtually unchanged from 1984. Net crude oil and natural gas liquids production averaged 2,997 barrels per day during the year, an increase of six percent from 1984.

Development activities were principally carried out through development programs funded by third parties. During the year approximately $50 million was expended by these programs on drilling and related facilities, and a further $30 million of development expenditures are planned for 1986. Both the Ocelot '82 and Ocelot '83 Development Programs achieved payout during 1985 enabling the Company's working interest to increase to 80 percent of the revenues, as compared to 10 percent received prior to payout.

Ocelot's large development program at Hatton, in southwestern Saskatchewan, added 40 million cubic feet per day of natural gas deliverability with the drilling of 220 wells and the expansion of processing and pipeline facilities.

Saskatchewan's new gas export policy paved the way for Ocelot to market its gas outside the province. Through an aggressive sales program, Ocelot commenced Saskatchewan's first export sale to the Ontario market in January, 1986. Ocelot's 1986 efforts will continue to be directed towards developing new markets.

Ocelot has planned 240 development wells for the Hatton field in 1986 together with a new compressor station and the expansion of existing facilities to accommodate new gas production. By September, 1986, Ocelot's total deliverability for the Hatton field will be approximately 100 million cubic feet per day.

In western Canada, Ocelot participated in the drilling of 30 exploratory wells during 1985 resulting in seven oil wells, 10 gas wells and 13 dry and abandoned wells. Ocelot continued to concentrate its exploration efforts in areas of western Canada where costs were moderate and the programs were of relatively low risk. Particular emphasis was placed on acreage acquisition and exploration in the oil-productive Grand Forks and Ronalane areas. In addition, three exploration tests in British Columbia were completed as gas wells.

Proven reserves of natural gas totalled 1.3 trillion cubic feet at December 31, 1985, a decrease of 59 billion cubic feet since December 31, 1984 which includes production of 40 billion cubic feet. Ocelot's sale of proven gas reserves from the Crystal, Ferrybank and Simonette fields also accounted for a portion of the decrease.

Proven reserves of crude oil and natural gas liquids totalled 30 million barrels at December 31, 1985, an increase of 14 million barrels since December 31, 1984, after production of one million barrels. Major reserve additions were made during the year in the Grand Forks and Ronalane areas of Alberta as a result of successful drilling programs. Estimates of reserves also increased in the Peco area as a result of the planned installation of the deep-cut plant. Proven crude oil reserves decreased by approximately three million barrels following the sale of the Crystal, David and Simonette fields.

Internationally, development work at the Blina and Sundown fields onshore the Canning Basin in Western Australia increased oil production. Rates were brought back up to 1984 levels of approximately 1,100 barrels per day by the end of 1985. The 1985 exploration program in the area involved a 144-mile seismic survey and the drilling of four wells, resulting in an oil discovery at West Terrace.

Petroleum Industry Services and Supplies

1985 proved to be a year of increased activity and moderately improved financial results for the Services and Supplies segment. The loss from operations for 1985 was $3.0 million compared to a loss of $4.3 million in 1984. The largest gains were made in the Canadian drilling and oilfield supply operations. Minor gains were also made in the small diameter pipeline business. Continued low levels of activity served to keep Ocelot's United States drilling and supply businesses operating below capacity throughout 1985.

Petrochemicals

Ocelot's petrochemical operations achieved the best financial results since the Kitimat, British Columbia methanol plant opened in late 1982 as the loss from operations was dramatically reduced from $12.7 million in 1984 to $0.4 million in 1985. The cost of natural gas feedstock continued to decline, contributing substantially to reducing operating costs by more than 15 percent from 1984.

Financing arrangements were finalized early in 1986 for Ocelot's new 550-tonne per day ammonia plant at Kitimat. Engineering, equipment procurement and some site construction were undertaken in 1985. Initial sales to the west coast markets of the United States are scheduled to begin upon completion of the plant in late 1986.

Outlook

These are times of uncertainty in crude oil prices and to a degree in natural gas prices and the direction of markets for these commodities. Ocelot expects these markets to stabilize in the short term and to return to better price levels and increased volumes over the next few years. These events, together with the gradually reduced taxation levels resulting from the Western Accord and hopefully reduced government royalties, should provide significant opportunities and Ocelot's challenge will be to take advantage of these opportunities as they arise. Revenues from natural gas sales are Ocelot's largest source of cash flow, and sales are expected to be fairly constant in 1986. These revenues, together with those of the present and planned petrochemical projects should grow significantly over the longer term.

Ocelot's Board of Directors commends the employees for their hard work and dedication through this crucial period, and appreciates their continued support.

J V Lyons

J. V. Lyons
Chairman and Chief Executive Officer

Calgary, Alberta
March 19, 1986

BUSINESS AT OCELOT

NATURAL GAS AND PETROLEUM OPERATIONS

The focus of Ocelot's natural gas and crude oil development activities is in western Canada. Activities over the last three years have been principally carried out through development programs funded by third parties. Ocelot's exploration efforts have been restricted to areas of western Canada where costs were moderate and programs were of relatively low risk.

Internationally, Ocelot is involved in exploration and development in the United States and Western Australia, and has landholdings in Sudan, Senegal and Cameroon.

PETROLEUM INDUSTRY SERVICES AND SUPPLIES

Ocelot is involved in a diverse cross-section of activities in the services and supplies sector. Cactus Drilling is the third largest drilling contractor in Canada, operating 27 rigs throughout the western provinces. Cardinal Drilling operates 19 rigs in the western United States and Brooks Field Service owns 17 service rigs centred primarily in the Lloydminster heavy oil region and the Brooks area of Alberta. O.J. Pipelines, a large diameter pipeline contractor is based in Edmonton, Alberta, and South Eastern Pipeline Construction, a small diameter pipelining company is located in Medicine Hat, Alberta. Wilson Oilfield Supply in Canada and Lynx Oilfield Supply in the United States distribute tubular goods and other oilfield equipment. Through Lynx Tool Company, Ocelot is involved in manufacturing downhole drilling tools and valve manufacturing is carried out through Lowe Valve Ltd.

PETROCHEMICALS

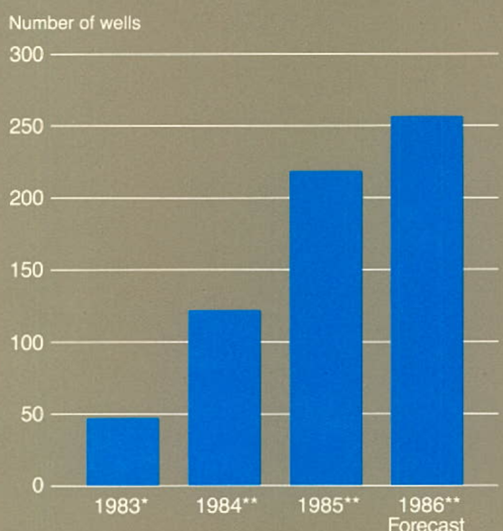
Ocelot has been involved since 1982 in methanol production at its plant in Kitimat, British Columbia, and is poised to enter the ammonia market in 1986. Aggressive programs have also been undertaken in the United States and Canada to open up new markets for methanol as an alternate fuel.

NATURAL GAS AND PETROLEUM OPERATIONS

DEVELOPMENT AND PRODUCTION

Assets .... **$367.9 million**
Revenue .... **$ 99.9 million**
Earnings from Operations .. **$ 72.5 million**

SASKATCHEWAN DEVELOPMENT DRILLING



*Year ended March 31
**Year ended December 31

HIGHLIGHTS

- Extensive development of the Hatton field in Saskatchewan added production capability of 40 million cubic feet of natural gas per day.
- Ocelot negotiated the first Saskatchewan gas exports to eastern Canada.
- Active development program at Grand Forks, Alberta achieved excellent results.

The Year in Review

In 1985, participation in 343 development wells in Canada yielded 301 gas wells, 20 oil wells, eight water disposal wells and 14 dry and abandoned wells. Natural gas production averaged 109 million cubic feet per day, virtually unchanged from 1984. Net crude oil and natural gas liquids production averaged 2,997 barrels per day, an increase of six percent from 1984.

The 1985 development activities were carried out principally through development programs funded by third parties. During the year approximately $50 million was expended by these programs on drilling and related facilities, and a further $30 million of development expenditures are planned for 1986. Both the Ocelot 82 and Ocelot 83 Development Programs achieved payout during 1985 enabling the Company's working interest to increase to 80 percent of the revenues, as compared to 10 percent received prior to payout.

Alberta

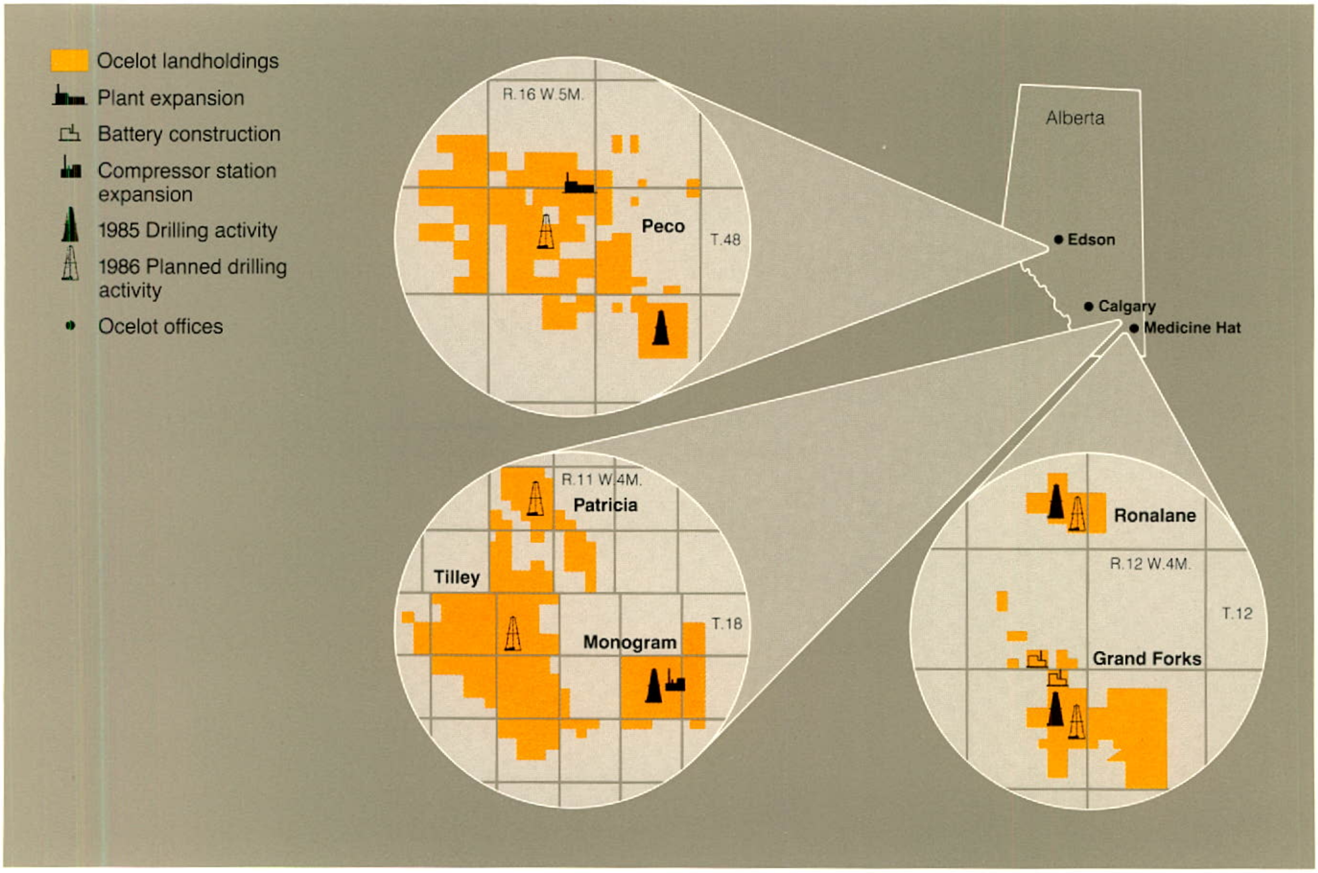
In 1985, Ocelot continued its high level of activity in the Grand Forks area as 12 oil wells were drilled, completed and commenced production, and a new production battery was constructed. Through the installation of high volume artificial lift pumps and improved water handling capability, gross crude oil production increased to an average of 2,501 barrels per day. Ocelot's understanding of the geology of the Grand Forks region led to the discovery of similar oil accumulations north of the area at Ronalane. The Ronalane area will now become the focus of Ocelot's 1986 development drilling program.

Ocelot acquired a 10 percent working interest in the Karr gas processing plant in 1985, enabling gas sales of five million cubic feet per day to the industrial gas market.

In the Monogram Gas Unit, Ocelot completed a 76-well infill drilling program, which is expected to increase field deliverability from 24 million cubic feet per day to 40 million cubic feet per day.

In west central Alberta, Ocelot developed new reserves at Peco by completing two oil wells and one gas well. In 1985, construction contracts were awarded and all major equipment fabrication was completed for Ocelot's deep-cut expansion project at the Peco gas plant.

ALBERTA DEVELOPMENT ACTIVITIES

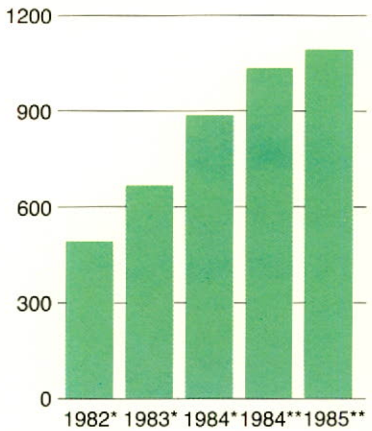


The new facility will enable Ocelot to extract ethane and heavier natural gas liquids from the raw gas stream and sell these products to the enhanced recovery market. Plant construction is scheduled to be completed by June, 1986. Five wells are planned for 1986 to test for natural gas and natural gas liquids, thereby providing additional feedstock for the plant.

PRODUCTION

OIL AND NATURAL GAS LIQUIDS

Thousands of barrels



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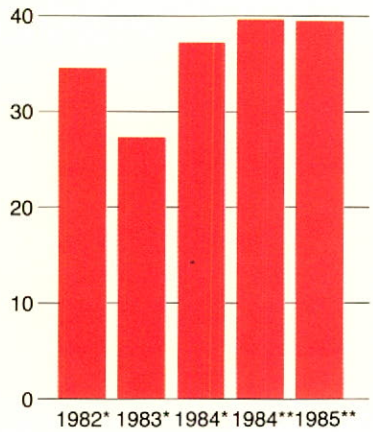
**Year ended December 31

NATURAL GAS

Billions of cubic feet



*Year ended March 31
**Year ended December 31

DEVELOPMENT WELLS

	Year Ended December 31, 1985							
	Oil		Gas		Service		Dry	
	Gross	Net*	Gross	Net*	Gross	Net*	Gross	Net*
Canada	20	6.2	301	158.5	8	1.3	14	3.4
International	7	0.4	—	—	—	—	2	0.1
Total	27	6.6	301	158.5	8	1.3	16	3.5

*The Company's interests in the Development Programs have been included using Ocelot's working interest after payout.

In December, 1985 Ocelot sold its interests in four producing oil fields and one natural gas field in Alberta for $48.1 million. The areas included the Crystal Non-Unit field, the David field, the Simonette field, the Ferrybank gas field, containing 36 oil wells and 11 gas wells, and a 13.35 percent interest in the Crystal Viking Unit No. 1.

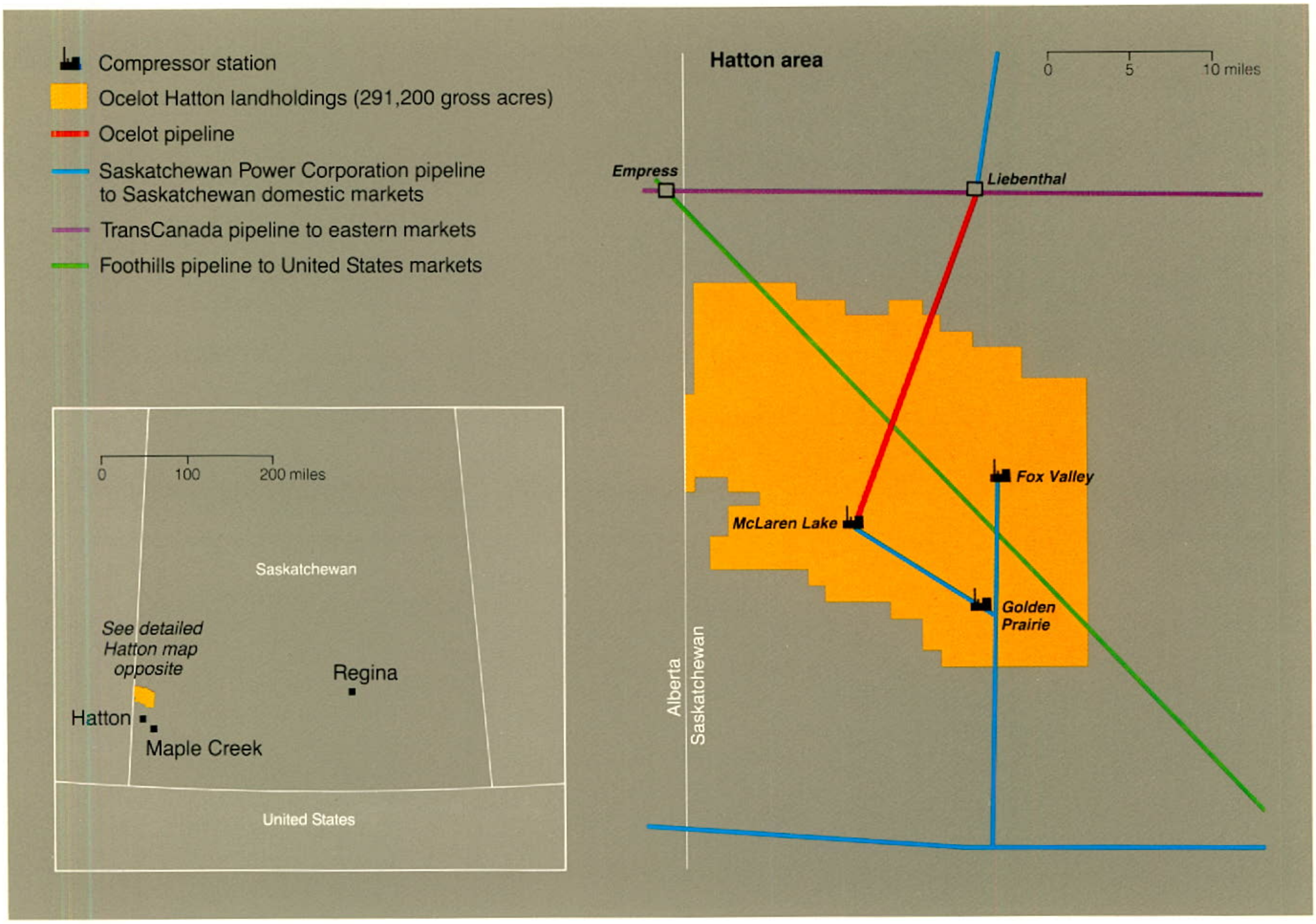
Saskatchewan

Ocelot's potential to make substantial increases in natural gas sales lies in the development of its extensive landholdings in the shallow gas areas of southwestern Saskatchewan. Following Saskatchewan's oil and gas policy changes in 1983, Ocelot began an ambitious development program where 47 wells were drilled in 1983 and 120 wells were drilled in 1984 together with the construction of compressor facilities and gathering systems.

Phase III of the Hatton project was completed in 1985, adding 40 million cubic feet per day of natural gas deliverability with the drilling of 220 wells and the expansion of processing facilities at Golden Prairie and McLaren Lake. A new 25-mile gas sales pipeline was also installed to enable Ocelot to transport Hatton gas to the TransCanada PipeLines system, the Saskatchewan Power Corporation storage and transportation system, and to the Foothills Pipeline system. The completion of this program gives Ocelot access to natural gas export markets in eastern Canada and the United States and improves its ability to serve the Saskatchewan domestic markets.

In July, 1985, the Saskatchewan government announced a new gas export policy, paving the way for Ocelot to market its gas outside the province. Through an aggressive sales program, Ocelot made Saskatchewan's first export sale to the Ontario market in January, 1986. Ocelot's 1986 efforts will continue to be directed towards developing new markets.

SASKATCHEWAN DEVELOPMENT ACTIVITIES



With Ocelot's expanding role in Saskatchewan, a new office was opened in Regina in late 1985. The Regina office will provide overall direction for Ocelot's exploration efforts in the province, and act as a liaison with various government departments, as well as with Ocelot's production staff in the Hatton area of southwestern Saskatchewan. Ocelot also announced plans for a new Maple Creek field office to direct production activities in the Hatton area.

Ocelot has 240 development wells planned for the Hatton field in 1986. A new compressor station will be built and existing facilities will be expanded to accommodate the new gas production. Once this program is completed in the fall of 1986, Ocelot's total deliverability for the Hatton field will be approximately 100 million cubic feet per day.

PRODUCTION SUMMARY

	Crude Oil and Natural Gas Liquids (thousands of barrels)		Natural Gas (millions of cubic feet)	
	Year Ended December 31, 1985	Year Ended December 31, 1984	**Year Ended December 31, 1985**	Year Ended December 31, 1984
Canada				
Alberta	**913**	827	**37,339**	38,374
Saskatchewan	**35**	42	**932**	404
Manitoba	**2**	1	**—**	—
British Columbia	**19**	21	**1,244**	876
	969	891	**39,515**	39,654
United States	**79**	92	**98**	185
International	**46**	48	**—**	—
Grand Total	**1,094**	1,031	**39,613**	39,839

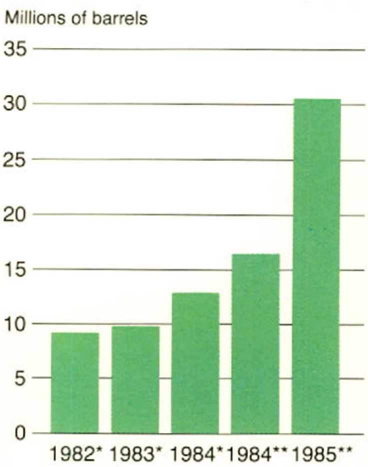
Reserves

Proven reserves of natural gas totalled 1.3 trillion cubic feet at December 31, 1985, a decrease of 59 billion cubic feet since December 31, 1984 which includes production of 40 billion cubic feet. Ocelot's sale of proven gas reserves from the Crystal, Ferrybank and Simonette fields also accounted for a portion of the decrease.

Proven reserves of crude oil and natural gas liquids totalled 30 million barrels at December 31, 1985, an increase of 14 million barrels since December 31, 1984, after production of one million barrels. Major reserve additions were made during the year in the Grand Forks and Ronalane areas of Alberta as a result of successful drilling programs. Estimates of reserves also increased in the Peco area as a result of the planned installation of the deep-cut plant. Proven crude oil reserves decreased by approximately three million barrels following the sale of the Crystal, David and Simonette fields.

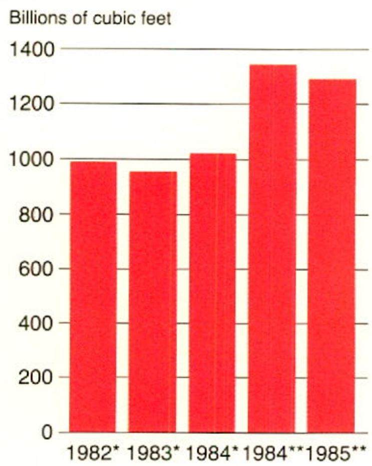
PROVEN RESERVES

OIL AND NATURAL GAS LIQUIDS



*Year ended March 31
**Year ended December 31

NATURAL GAS



*Year ended March 31
**Year ended December 31

RESERVES

	Crude Oil and Natural Gas Liquids (thousands of barrels)			Natural Gas (billions of cubic feet)	
	Canada	**United States**	**Inter-national**	**Canada**	**United States**
Proven Reserves					
Reserves at December 31, 1984	15,605	237	524	1,349	0.74
Added by drilling	1,413	63	232	8	0.06
Revisions	13,485	(83)	(286)	(26)	(0.46)
Production	(969)	(79)	(46)	(40)	(0.10)
Reserves at December 31, 1985	29,534	138	424	1,291	0.24
Probable Reserves	3,187	—	558	136	—
Total Proven and Probable Reserves	32,721	138	982	1,427	0.24

Ocelot's proven and probable reserves at December 31, 1985 are shown on a before royalty basis. The Canadian reserve evaluations including estimated net cash flows have been carried out by independent consultants. The definitions for proven and probable reserves are as follows:

Proven Reserves — Quantities of crude oil, natural gas, and natural gas by-products, which, upon analysis of geologic and engineering data, appear with a high degree of certainty to be recoverable at commercial rates in the future from known oil and gas reservoirs under presently anticipated economic and operating conditions.

Probable Reserves — Reserves which may be recovered in the future by using pressure maintenance or other secondary recovery methods, or by more favourable performance of the existing recovery mechanism than that which would be deemed proven at the present time. They may also be reserves which are assumed to exist because of geophysical or geological indications and drilling done in regions which contain proven reserves.

	Estimated Net Cash Flows	
Proven Reserves	**Undiscounted**	**Discounted at 15%**
Canada	$4,252,580,000	$1,018,722,000
United States	4,071,000	2,729,000
Australia	5,200,000	3,500,000
	4,261,851,000	1,024,951,000
Probable Reserves		
Canada	472,352,000	69,246,000
Australia	6,800,000	4,200,000
	479,152,000	73,446,000
Total Proven and Probable Reserves	$4,741,003,000	$1,098,397,000

EXPLORATION

HIGHLIGHTS

- Discoveries at Ronalane, Alberta provided impetus for new development programs in 1986.
- Natural gas exploration programs commenced in British Columbia to supply feedstock to Ocelot's methanol plant in Kitimat.
- Regina office opened to direct Saskatchewan exploration activity.

CANADA

The Year in Review

In western Canada, Ocelot participated in the drilling of 30 exploratory wells during 1985 resulting in seven oil wells, 10 gas wells and 13 dry and abandoned wells. Ocelot continued to concentrate its exploration efforts in areas of western Canada where costs were moderate and the programs were of relatively low risk. Particular emphasis was placed on acreage acquisition and exploration in the oil-productive Grand Forks and Ronalane areas. In addition, three exploration tests in British Columbia were completed as gas wells to supply gas feedstock to Ocelot's methanol plant in Kitimat.

Alberta

Ocelot's most successful venture was in the Ronalane area of southern Alberta. Ocelot acted as operator and acquired interests ranging from five percent to 45 percent in over 4,800 acres through purchases and farm-ins in the area north of Ocelot's oil producing pools at Grand Forks. Through the 1985 programs, Ocelot developed a good understanding of the factors involved in locating the target reservoirs in this area and Ocelot's two separate discoveries paved the way for a proposed development drilling program of approximately 10 wells in 1986.

Ocelot participated in other exploratory successes during 1985 at Holmberg and Bruce in central Alberta and at Sundre in southern Alberta.

Saskatchewan

Ocelot is committed to strengthening its role in the exploration and development of Saskatchewan's oil and gas resources. To meet this objective a Regina office was opened on October 31, 1985 to administer Ocelot's Saskatchewan exploration activity.

In 1985, Ocelot drilled a gas well at Fusilier in southwestern Saskatchewan, and added to its extensive landholdings in the province by purchasing lands in the Cypress Hills and Maple Creek areas. The 1986 focus will be on exploratory drilling to test the gas potential of these areas.

British Columbia

During 1985, Ocelot participated in exploratory gas wells at Donis, Wendy and Flatrock in northeastern British Columbia. Ocelot's landholdings in British Columbia will continue to be evaluated during 1986, depending on the feedstock requirements of Ocelot's methanol and ammonia plants in Kitimat.

EXPLORATION WELLS

	Year Ended December 31, 1985					
	Oil		Gas		Dry	
	Gross	Net	Gross	Net	Gross	Net
Canada	7	1.0	10	2.6	13	3.3
International	2	0.1	—	—	9	1.2
Total	9	1.1	10	2.6	22	4.5

LANDHOLDINGS — DEVELOPED AND UNDEVELOPED

(at December 31, 1985)

	Gross Acres	Net Acres
Canada (1)		
British Columbia	317,756	78,416
Alberta	1,148,188	506,773
Saskatchewan	309,121	171,494
Manitoba	1,268	603
Total	1,776,333	757,286
United States	101,626	68,475
International		
Australia	870,000	133,197
Cameroon	194,527	30,359
Senegal	593,423	593,423
Sudan	58,355,630	7,440,343
Total	60,013,580	8,197,322
Total Landholdings	61,891,539	9,023,083

(1) Does not include varying royalty interests in 140,169 gross acres.

INTERNATIONAL

Western Australia

In the onshore Canning Basin of Western Australia, Ocelot holds a 15.3 percent working interest in Permit EP-129. The permit spans 2,170 square miles, and contains the Blina, Sundown and West Terrace oil fields.

The 1985 exploration program in the Canning Basin involved a 144-mile seismic survey and the drilling of four wells. The West Terrace #1 was an oil discovery while the Blackstone #1, Lukins #1 and Sunup #1 wells were all abandoned.

Development work at the Blina and Sundown fields successfully increased oil production, bringing rates back up to 1984 levels, to average approximately 1,100 barrels per day by the end of 1985.

Senegal

A consortium of three international companies conducted a 310-mile seismic program in early March of 1985 on Ocelot's 100 percent-held 511,500 acre Sangomar block offshore Senegal. The program was undertaken at no cost to Ocelot, and the consortium have until mid-1986 to elect to drill an earning well.

Cameroon

A continuing lack of markets in 1985 precluded any activity by Ocelot and its partners on the 194,500-acre offshore permit in the Republic of Cameroon. The development of extensive natural gas and condensate reserves will be delayed until market conditions improve. Ocelot holds a 15.6 percent interest in the permit.

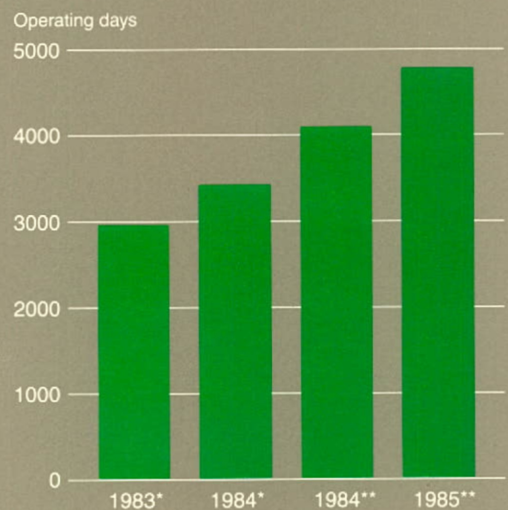
Sudan

Ocelot holds a 12.75 percent working interest in two blocks totalling 58.4 million acres surrounding Khartoum, the capital city of Sudan. For the past two years, Ocelot has been carried for the cost of extensive seismic surveys. The surveys resulted in the delineation of several prospects. The first well, Hurriya No. 1, was drilled in October, 1985. The well was abandoned and a second well, Khaseeb No. 1, was spudded early in December, 1985.

PETROLEUM INDUSTRY SERVICES AND SUPPLIES

Assets .... $156.0 million
Revenue .... $170.8 million
Loss from
Operations .. $ 3.0 million

CACTUS DRILLING RIG UTILIZATION



*Year ended March 31
**Year ended December 31

HIGHLIGHTS

- Wilson Oilfield Supply posted its first positive cash flow in three years.
- Cactus Drilling rig utilization increased 16 percent and operating margins improved.
- Brooks Field Service reached record high revenues and profits.

The Year in Review

Ocelot's service and supply operations have encountered difficult market conditions since 1982. However, 1985 became a year of increased operating activity and improved financial results for this segment. The Western Accord energy agreement signed in the spring of 1985, served to breathe new life into the oil and gas industry in Canada.

The loss from operations for the Service and Supplies segment in 1985 was $3.0 million compared to a loss of $4.3 million for the 1984 year. The largest gains in this segment were made in the Canadian drilling division, and in the Canadian supply operations. Minor gains were also made in the small diameter pipeline business. Continued low levels of activity served to keep Ocelot's United States drilling and supply businesses operating below capacity throughout 1985.

Oilfield Supply

Wilson Oilfield Supply posted positive earnings from operations for the first time since 1982. Revenues increased by $9.0 million in 1985 as equipment sales gains were made in all sectors; from tubular sales and general store sales, to compressor sales. Increased revenues were also attained in compressor packaging operations.

Reduced oilfield activity levels in the United States resulted in decreased revenues in Lynx Oilfield Supply operations from $4.7 million (U.S.) in 1984 to $3.3 million (U.S.) in 1985.

Pipeline Construction

Despite a difficult year in the pipeline construction industry, South Eastern Pipeline Construction generated increased revenues and improved profit margins. Revenues increased from $1.9 million in 1984 to $2.8 million in 1985. Ocelot expects the upward trend to continue in the small-diameter market through 1986.

O.J. Pipelines completed two major contracts in 1985, but experienced difficulty in maintaining profit margins on a United States project in west Texas, and seasonal delays affected margins on a Canadian contract. Because of the continuing low levels of activity in the energy industry in the United States, O.J. Pipelines streamlined its activities in December, 1985 by closing its two United States offices. O.J. Pipelines' main thrust for 1986 will be on Canadian opportunities. A $4.5 million contract was obtained in late 1985 and was completed in February, 1986.

Contract Drilling and Oilfield Service

The Canadian drilling industry gained momentum following the Western Accord early in 1985. Cactus Drilling posted a 16 percent rig utilization increase for the year. Revenues were up by 24 percent to $41 million.

Cardinal Drilling, Ocelot's drilling contractor in the United States, experienced a 37 percent decrease in rig activity, but despite difficult and highly competitive market conditions Cardinal completed 1985 in a positive cash flow position.

Brooks Field Service reached historical highs in revenues and earnings from operations in 1985, and is well-positioned for new opportunities in 1986.

Manufacturing

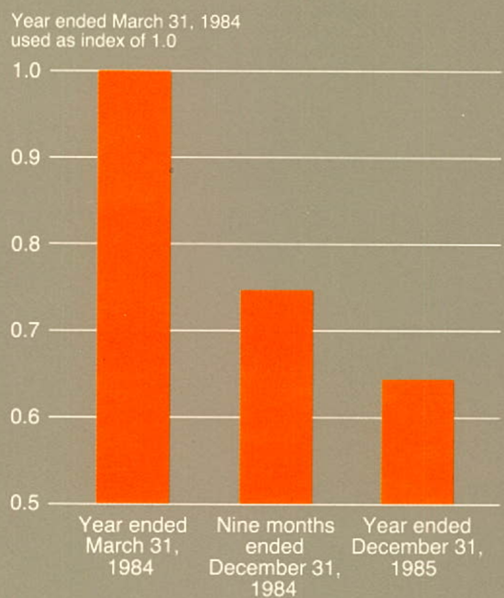
Lynx Tool's revenues increased from $6.4 million in 1984 to $9.0 million in 1985. Along with improved domestic sales, Lynx Tool was highly competitive internationally, substantially increasing sales in the export market. Early indications are for continued growth in export sales in 1986.

Lowe Valve's operations showed small gains in industrial markets as petrochemical and refining businesses in Canada continued to consolidate or shut down operations. In 1986, Ocelot does expect steady growth in the consumer markets, as distributors across Canada and the United States establish repeat business and enter new markets.

PETROCHEMICALS

Assets	**$336.6 million**
Revenue	**$ 86.1 million**
Loss from Operations	**$ 0.4 million**

AVERAGE OPERATING COST PER UNIT OF METHANOL PRODUCTION



HIGHLIGHTS

- Loss from operations down dramatically in 1985.
- New methanol sales developed in west coast chemical markets of the United States.
- Ocelot and Mohawk launched the first commercial-scale methanol-blend gasoline program in British Columbia.
- Ammonia plant construction well underway; production and sales to start in late 1986.

The Year in Review

Ocelot's petrochemical operations achieved the best financial results since the Kitimat, British Columbia plant opened in late 1982 as the loss from operations in this segment was dramatically reduced from $12.7 million in 1984 to $0.4 million in 1985. The cost of natural gas feedstock continued to decline, contributing substantially to reducing operating costs by more than 15 percent from 1984.

The plant operated at 102 percent of its rated capacity during 1985, with methanol production up 18,000 tonnes from 1984, reaching 447,000 tonnes. Sales matched production levels throughout the year.

A shift in marketing strategy from the lower-priced European and United States Gulf Coast markets to the west coast chemical markets of the United States helped boost 1985 netbacks on overall sales at a time when worldwide methanol market prices were eroding. A new supply terminal was opened in California to serve the new west coast customers, providing a base for Ocelot to pursue additional customers in this potentially large market.

Ocelot has spent approximately three years pursuing new markets for methanol as an automotive fuel in both Canada and the United States. In 1985, Ocelot's efforts in Canada began to show results. The first commercial-scale methanol-blend gasoline program, known as the EM Unleaded Campaign, was unveiled by Mohawk Oil Co. Ltd. in north-central British Columbia in late September. The program was expanded to cover all of the province, and the methanol-blend gasoline is currently available at 90 service stations in British Columbia. Ocelot supplies the methanol for this program.

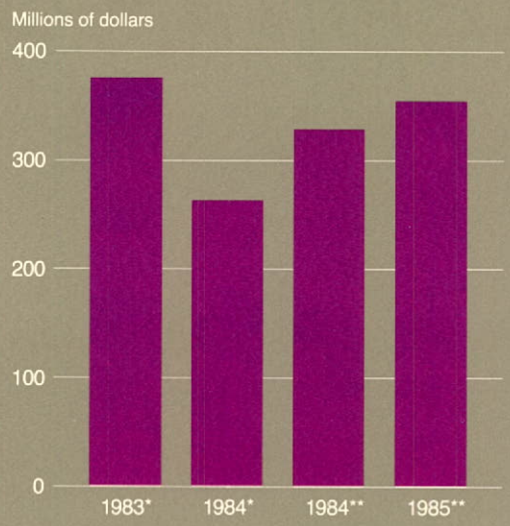
Industry lobbying efforts in 1985 culminated in the formation of a federal government parliamentary committee charged with investigating the benefits and uses of alcohol-base fuels. Ocelot expects additional methanol programs to commence in 1986.

Ocelot continued to develop methanol fuel markets on the west coast of the United States throughout 1985 from its base in San Mateo, California. Some gains were made in spite of a changing regulatory environment.

Financing arrangements were finalized early in 1986 for Ocelot's new 550-tonne per day ammonia plant at Kitimat. Engineering, equipment procurement and some site construction were undertaken in 1985. Marketing arrangements have been made for approximately 80 percent of the ammonia plant's output. Initial sales to the west coast markets of the United States are scheduled to begin upon completion of the plant in late 1986. Ocelot has no financial responsibilities for this project, but will initially earn a 51 percent equity position in exchange for the land use, feedstock and transportation facilities of the Kitimat methanol plant. Ocelot will also have an opportunity to increase its ownership in the future.

FINANCIAL REVIEW

OPERATING REVENUE



*Year ended March 31
**Year ended December 31

HIGHLIGHTS

- Cash from operations totalled $4.8 million, compared to a cash deficiency of $8.9 million in 1984.
- Operating revenue increased in 1985 to $354 million, from $328 million in 1984.
- Long-term debt was reduced by $39 million in 1985.

Cash provided by operations before interest expense for the year ended December 31, 1985 was $100.2 million. Interest expense of $95.4 million resulted in cash from operations of $4.8 million. This compares to cash provided by operations before interest of $96.6 million, interest of $105.5 million and a resulting cash deficiency of $8.9 million in the year ended December 31, 1984. These figures reflect the adoption of the cash basis rather than the working capital basis of cash flow determination as recommended by the Canadian Institute of Chartered Accountants. Ocelot's consolidated statement of earnings reflects a loss during the current year of $40.4 million ($2.80 per share) compared with $65.0 million ($4.52 per share) in the year ended December 31, 1984.

Earnings from operations in the Natural Gas and Petroleum segment were $72.5 million. After eliminating the effects of the sale of natural gas and petroleum properties and the write-down of foreign natural gas and petroleum properties, earnings were down slightly from the $55.7

million earned in the prior year. This decline was due to decreasing prices encountered in some markets served by Ocelot.

The Petroleum Industry Services and Supplies segment incurred losses on operations of $3.0 million in the year ended December 31, 1985, an improvement from the loss of $4.3 million incurred in the year ended December 31, 1984. These results reflect a continued improvement in Canadian operations which have been somewhat offset by further deterioration in the United States operations.

The Petrochemicals segment recorded a dramatic improvement in results during the year ended December 31, 1985 with a loss from operations of $0.4 million compared to $12.7 million in the year ended December 31, 1984. This improvement is primarily attributable to substantial reductions in feedstock costs realized through improved purchasing and royalty arrangements for natural gas implemented in 1984.

Capital Expenditures

Ocelot's capital expenditures during the year ended December 31, 1985 were $18.6 million, down substantially from $38.5 million in the year ended December 31, 1984. This reduction in capital expenditures is a result of continued restraint programs implemented by management.

Ocelot continues to be actively involved in development drilling through the expenditure of funds raised by the Ocelot Development Drilling Programs. Ocelot has raised a total of $115 million through these programs up to December 31, 1985 with funding commitments in hand sufficient to carry out a major drilling program during 1986. Production from the reserves developed by these programs will substantially increase the earnings from operations of the Natural Gas and Petroleum segment when these programs reach payout, which triggers an increase in Ocelot's share of revenues to 80 percent from 10 percent. The 1982 and 1983 programs reached payout during 1985.

In December, 1985 an arrangement was initiated with a major independent United States investment banking firm which purchased an interest in Ocelot's United States natural gas and petroleum subsidiary. The banking firm is to identify potential acquisitions on behalf of the subsidiary as well as assist in the provision of the requisite financing.

The Ocelot Ammonia Company partnership, in which Ocelot has acquired a majority interest by contributing the use of existing facilities and long-term supply of feedstock, has received commitments for non-recourse financing from a major Canadian chartered bank for the construction of the ammonia plant. Ammonia production is expected to commence in the fourth quarter of 1986.

Financial Position

Ocelot's operating bank loans were reduced by $3.5 million during the year ended December 31, 1985 from $21.6 million at December 31, 1984 to $18.1 million at the end of the current year.

Ocelot reduced its long-term debt by $39.0 million. The funds for this debt reduction were provided primarily by the proceeds from sale of natural gas and petroleum properties which realized a gain of $31.0 million on proceeds of $48.1 million. The gain, as a proportion of total proceeds, is an indication of the large excess of the value of Ocelot's natural gas and petroleum reserves over the amount shown in the financial statements which indicates only the cost of finding and developing those reserves. The future cash flow of the proven and probable reserves discounted at 15 percent totals $1.1 billion as set out on page 11 of this report. This compares to a carrying value of $306 million, and represents an unrecognized asset value of approximately $794 million.

Change in Accounting Policy

Ocelot has retroactively adopted a change in the method of accounting for natural gas and petroleum operations. Previously, the company accumulated costs related to the exploration and development of natural gas and petroleum reserves on a North American basis. Ocelot now maintains cost centres for each country and as a result, $98.4 million relating to the cost of acquiring and developing reserves in the United States was charged to Ocelot's deficit at April 1, 1984.

CONSOLIDATED STATEMENT OF EARNINGS (Note 2)

Ocelot Industries Ltd.

(thousands of dollars)	Year Ended December 31, 1985	Year Ended December 31, 1984 (unaudited)	Nine Months Ended December 31, 1984
REVENUE			
Operating (Note 7)	$354,386	$327,932	$232,889
Sale of natural gas and petroleum properties	31,418	—	—
	385,804	327,932	232,889
COSTS AND EXPENSES			
Cost of sales and operating expenses	257,984	239,789	164,582
Depletion and depreciation	47,903	49,696	36,515
Write-down of foreign natural gas and petroleum properties	10,921	—	—
	316,808	289,485	201,097
EARNINGS FROM OPERATIONS BEFORE UNDERNOTED ITEMS (Note 7)	68,996	38,447	31,792
Interest and other income	(1,987)	(2,677)	(1,961)
Interest on long-term debt	89,847	98,544	76,029
Other interest	5,512	6,954	5,260
Minority interest	123	123	99
	93,495	102,944	79,427
LOSS BEFORE UNDERNOTED ITEMS	24,499	64,497	47,635
Income and Other Taxes (Note 8)	15,879	(7,435)	(5,720)
LOSS FROM CONTINUING OPERATIONS	40,378	57,062	41,915
Loss from Discontinued Operations	—	2,036	1,404
LOSS BEFORE EXTRAORDINARY ITEM	40,378	59,098	43,319
Extraordinary Item			
Write-down of mining assets, net of applicable income taxes of $4,353	—	5,929	5,929
LOSS FOR THE PERIOD	$ 40,378	$ 65,027	$ 49,248
PER SHARE			
Weighted average number of Class A and Class B shares outstanding during the period	14,423,521	14,380,553	14,382,909
Loss per Class A and Class B share			
— From continuing operations	$2.80	$3.97	$2.91
— Before extraordinary item	$2.80	$4.11	$3.01
— Loss for the period	$2.80	$4.52	$3.42
Cash provided by (used for) operations per Class A and Class B share	$0.30	$(0.62)	$(0.90)

CONSOLIDATED BALANCE SHEET

Ocelot Industries Ltd.

As at December 31
(thousands of dollars)

ASSETS

	1985	1984 (Note 2)
CURRENT ASSETS		
Cash	$ 8,391	$ 10,542
Accounts receivable	92,922	80,166
Inventories, at lower of cost and net realizable value	17,764	17,520
Prepaid expenses	4,981	7,274
	124,058	115,502
PROPERTY, PLANT AND EQUIPMENT (Note 3)	713,422	772,637
OTHER ASSETS	23,013	16,906
	$ 860,493	$ 905,045

Approved by the Board

J V Lyme. Director

R. O. Fischer Director

LIABILITIES

	1985	1984 (Note 2)
CURRENT LIABILITIES		
Bank indebtedness, secured	$ 26,502	$ 32,140
Accounts payable and accrued liabilities	111,938	85,039
Deferred revenue (Note 4)	5,750	5,000
Current maturities on long-term debt	33,484	20,495
	177,674	142,674
DEFERRED REVENUE (Note 4)	71,429	67,745
LONG-TERM DEBT (Note 5)	732,415	784,391
DEFERRED INCOME TAXES	20,644	13,277
MINORITY INTEREST	4,714	3,378
	1,006,876	1,011,465

COMMITMENTS AND CONTINGENCIES (Notes 1 and 10)

CAPITAL STOCK AND DEFICIT

CAPITAL STOCK (Note 6)

Authorized

25,000,000 Preferred shares without nominal or par value
7,500,000 Class A Common shares without nominal or par value
25,000,000 Class B Subordinate voting shares without nominal or par value

	1985	1984
Issued		
3,552,351 (1984 — 3,557,751) Class A shares	6,635	6,645
10,925,640 (1984 — 10,830,440) Class B shares	54,887	54,462
DEFICIT	(207,905)	(167,527)
	(146,383)	(106,420)
	$ 860,493	$ 905,045

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Ocelot Industries Ltd.

(thousands of dollars)	Year Ended December 31, 1985	Year Ended December 31, 1984 (unaudited)	Nine Months Ended December 31, 1984
CASH PROVIDED BY (USED FOR)			
Internally Generated Cash			
Cash from operations before interest expense (Note 11)	$100,188	$ 96,615	$ 68,325
Interest expense	(95,359)	(105,498)	(81,289)
Cash provided by (used for) operations	4,829	(8,883)	(12,964)
Proceeds from sale of property, plant and equipment	50,050	9,339	2,026
	54,879	456	(10,938)
Financing Activities			
Long-term debt — borrowings	3,764	149,414	78,476
— repayments	(42,751)	(70,819)	(21,876)
Issue of shares	415	69	53
Dividends to minority shareholders	(500)	—	—
Accounts receivable and accounts payable	14,143	(2,126)	9,460
Other assets	331	(7,456)	(7,457)
	(24,598)	69,082	58,656
Investing Activities			
Property, plant and equipment	(18,567)	(38,522)	(25,661)
Minority interest	1,712	1,190	1,190
Other assets	(9,939)	4,875	(178)
	(26,794)	(32,457)	(24,649)
DECREASE IN OPERATING BANK LOANS	3,487	37,081	23,069
OPERATING BANK LOANS* AT BEGINNING OF PERIOD	(21,598)	(58,679)	(44,667)
OPERATING BANK LOANS* AT END OF PERIOD	$(18,111)	$(21,598)	$(21,598)

*Operating bank loans are net of cash.

CONSOLIDATED STATEMENT OF DEFICIT

(thousands of dollars)	Year Ended December 31, 1985	Nine Months Ended December 31, 1984
BALANCE AT BEGINNING OF PERIOD		
As previously reported	$ 69,528	$ 19,908
Adjustment for change in the method of accounting (Note 2)	97,999	98,371
As restated	167,527	118,279
LOSS FOR THE PERIOD	40,378	49,248
BALANCE AT END OF PERIOD	$207,905	$167,527

Ocelot Industries Ltd.

Year ended December 31, 1985
(The figures and data for the year ended December 31, 1984 are unaudited)
(Tabular amounts are in thousands of dollars)

Summary of Significant Accounting Policies (Note 1)

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant subsidiaries are wholly-owned with the exception of Margay Exploration Ltd. in which the Company has an 80% interest. The amount by which the cost of the shares of subsidiaries exceeded the underlying net book value at dates of acquisition has been allocated to property, plant and equipment, and is subject to the accounting policies outlined below.

Natural Gas and Petroleum Operations

The Company follows the full cost method of accounting for natural gas and petroleum operations.

All costs of exploration for and development of natural gas and petroleum reserves are capitalized on a country-by-country cost centre basis. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead charges related to exploration and development activities. Grants received and accrued under Federal and Provincial incentive programs are applied as a reduction of the related capitalized costs.

Capitalized costs, except for the costs of acquiring and evaluating significant unproven properties referred to below, are depleted using the unit of production method based on estimated proven reserves of natural gas and petroleum, as determined by Company engineers and substantiated periodically by independent engineers. Reserves and production quantities, for depletion calculations are converted to equivalent units based on the relative sales value of each product.

The Company applies a "ceiling test" to capitalized costs in each cost centre to ensure that such costs do not exceed the estimated value of future net revenues from production of proven reserves (using current prices and operating costs at balance sheet date) plus unevaluated properties at cost less provisions for impairment. The aggregate of such estimated future value of all cost centres is further reduced for recurring general and administrative costs, future financing costs and income taxes. Any capitalized costs in excess of this ceiling test limit are charged to earnings.

Costs of acquiring and evaluating significant unproven properties are initially excluded from the capitalized costs to be depleted until proven reserves are added or an impairment occurs, at which time these costs are accounted for in accordance with the depletion and ceiling test policies referred to above.

Proceeds received on the sale of natural gas and petroleum properties are credited to the capitalized costs. No gains or losses are recognized on sales except for dispositions which would significantly alter the relationship between capitalized costs and proven natural gas and petroleum reserves.

Substantially all of the exploration and production activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

Drilling and Well Service Rigs and Related Property and Equipment

Costs of new equipment and upgrading existing equipment are capitalized. Repairs and replacements which do not extend the useful lives of assets are expensed as incurred. The cost and related accumulated depreciation are removed from the accounts when an asset is sold or retired and the resulting gain or loss is included in earnings.

Depreciation

Depreciation of production equipment is provided on a unit of production basis based upon estimated proven reserves of natural gas and petroleum within a project area. In calculating depreciation, reserves and production are converted to equivalent units based on the relative sales value of each product.

Depreciation of drilling and construction assets is provided on methods and at rates which will amortize the cost of the assets over their estimated useful lives. The annual rates of depreciation on major classes of assets are:

Drilling and service rigs — 10 percent (based on operating days)
Construction equipment — 20 percent to 35 percent

Depreciation of the methanol plant is provided on a straight-line basis at rates which are designed to write the asset off over the estimated useful lives of its major components, functional areas and related facilities.

Revenue Recognition

The revenues and expenses on drilling and construction contracts are recorded on the percentage-of-completion basis.

Foreign Currency Translation

The Company follows the temporal method when translating foreign currency transactions and the financial statements of integrated foreign subsidiaries. Under this method:

(i) monetary items are translated at the rates of exchange prevailing at the balance sheet date;
(ii) non-monetary items are translated at historic exchange rates; and
(iii) revenue and expenses (other than depletion and depreciation) are translated at average rates of exchange during the period.

The resulting gains or losses are credited or charged to earnings except for those relating to monetary items having a fixed life which are deferred and amortized over the life of the particular item. The Company's U.S. dollar debt is hedged by future revenue streams denominated in U.S. dollars and accordingly, any exchange gain or loss is deferred until the settlement date of that debt.

Pension Plan

The Company and its U.S. subsidiary have implemented non-contributory benefit-based pension plans for substantially all permanent, full-time employees. Pension costs associated with current service are expensed and funded in the period in which the service is rendered. Past service costs remaining to be charged to earnings are amortized and funded in accordance with applicable government legislation.

Deferred Gas Revenues

Amounts received under take-or-pay provisions of gas sales contracts are deferred and are recognized as revenue when reserves committed under the contracts are delivered to the purchasers.

Deferred Financing Charges

Expenses relating to the refinancing of certain of the Company's bank loans are being amortized over ten years.

Comparative Figures

Certain comparative figures have been reclassified and restated to conform with the consolidated financial statement presentation adopted for December 31, 1985.

Note 1 Financial Position of the Company

During the year and subsequent to December 31, 1985, the Company's principal banker agreed to temporarily defer certain scheduled payments on the bank loans and, based upon present financial forecasts, further rescheduling of bank loan repayments may be required. The Company may need to obtain additional funds to finance ongoing operational and capital expenditures subsequent to December 31, 1985. The Company is presently reviewing the repayment terms with the bank in light of existing collateral security, present worth and cash flow margins of the Company to determine an appropriate repayment schedule and the bank has stated that it intends to work closely with the Company in this regard. Management is confident that a satisfactory refinancing arrangement will be achieved with its principal banker to warrant presentation of consolidated financial statements which assume the Company's continuing operations.

Note 2 Change in the Method of Accounting for Natural Gas and Petroleum Operations

In 1985, the Company decided to concentrate its efforts on the development of its natural gas and petroleum properties in western Canada and to significantly curtail its natural gas and petroleum operations in the United States. As part of the rationalization of its operations in the United States, the Company sold a substantial portion of its producing properties in the area and accordingly the Company's investment in the United States has been separated from its Canadian natural gas and petroleum operations. Effective January 1, 1985, the Company adopted, on a retroactive basis, the full cost method of accounting for natural gas and petroleum operations, as described in the Summary of Significant Accounting Policies. Under this method, capitalized costs are accumulated, depleted and subjected to the ceiling test limitation on a country-by-country cost centre basis. Management is of the opinion that this method of accounting more appropriately reflects the consolidated operating results of the Company.

Prior to January 1, 1985, Canada and the United States were considered to be one cost centre (North America) and the subsequent separation of this cost centre into two cost centres required a write-down of United States capitalized costs, due to the ceiling test limitation. This write-down and the corresponding adjustments to depletion and income taxes have been reflected in the Consolidated Statement of Deficit.

This change in accounting had the effect of increasing earnings by $1,465,000 ($0.10 per share) in the year ended December 31, 1985; by $523,000 ($0.04 per share) in the year ended December 31, 1984; and by $372,000 ($0.03 per share) in the nine months ended December 31, 1984. The 1984 accounts have been restated, from those previously reported, to give retroactive effect to this change in accounting. Deficit at April 1, 1984 has been charged with $98,371,000 being the cumulative effect of the change in accounting at that date.

Note 3 Property, Plant and Equipment

	1985			1984
	Cost	Accumulated Depletion and Depreciation	Net	Net
Natural gas and petroleum leases and rights together with exploration, development and equipment thereon	$410,866	$105,200	$305,666	$339,715
Contract drilling equipment	119,238	44,171	75,067	77,219
Methanol plant	338,869	51,459	287,410	305,095
Pipeline construction equipment	32,333	15,950	16,383	18,998
Land, buildings and other equipment	51,362	22,466	28,896	31,610
	$952,668	$239,246	$713,422	$772,637

(a) As at December 31, 1985, the ceiling test limitation amount (as determined in accordance with the method outlined in the Summary of Significant Accounting Policies and based on prices and costs in effect on that date) on all of the Company's natural gas and petroleum cost centres approximates $1.04 billion after deduction of estimated future income tax expense in excess of unclaimed tax deductions in the amount of $412 million. The $1.04 billion represents the maximum amount at which the natural gas and petroleum properties could be carried on the consolidated balance sheet at December 31, 1985 for accounting purposes.

(b) The Company plans to concentrate its efforts on the development of properties in western Canada and has critically reviewed its continuing involvement in foreign areas. As a result of this review, the carrying value of certain foreign properties was reduced by $10,921,000 as a charge to earnings in 1985.

Note 4 Deferred Gas Revenue

The December 31, 1985 balance of deferred revenue includes $54.4 million for payments received under take-or-pay provisions of major gas contracts. These amounts received for natural gas not yet delivered are to be repaid by deliveries of natural gas at a minimum rate of 10% of prepaid volumes per contract year. During the period, $5.6 million (1984 — $1.9 million) of natural gas was delivered and recognized as revenue.

Note 5 Long-Term Debt

	December 31, 1985	1984
Canadian dollar bank loans (a)	$524,660	$554,336
U.S. dollar bank loans (a) (December 31, 1985 — $105,000,000 U.S.; December 31, 1984 — $104,420,000 U.S.)	146,738	137,981
9½% Senior secured notes due March 31, 1998 (b) (December 31, 1985 — $42,775,000 U.S.; December 31, 1984 — $46,062,000 U.S.)	59,778	60,867
10½% Senior secured notes due March 31, 1998 (b)	9,239	9,950
Secured debenture (c)	44,584	41,802
Other	8,846	17,248
Long-term debt at current rates	793,845	822,184
Less impact of U.S. dollar denominated revenue hedges	27,946	17,298
Long-term debt at historic rates	765,899	804,886
Less current maturities included in current liabilities	33,484	20,495
	$732,415	$784,391

(a) The Canadian dollar bank loans are evidenced by demand promissory notes and bear interest at ½% and 1¼% above bank prime rate. The loans are secured by the Company's interest in certain petroleum, natural gas and mineral properties.

The U.S. dollar bank loans are evidenced by demand promissory notes and are secured by a fixed mortgage on certain contract drilling rigs and related equipment, the Company's interest in certain Canadian oil and gas properties and a negative pledge on certain United States oil and gas properties. The loans bear interest at 1½% above a certain United States bank base rate, ¼% above a certain United States bank prime rate and at 1% and 2% above the London InterBank Offered Rate.

Both Canadian and U.S. dollar bank loans are also secured by an assignment of an intercompany debenture in the amount of $350 million which represents a floating charge on the assets of the petrochemical subsidiary, by the hypothecation of all the outstanding shares of the petrochemical subsidiary, by the hypothecation of a fixed and floating debenture on manufacturing equipment and by a registered fixed charge on certain mining property. In addition, the Company issued a $200 million debenture to its principal banker representing a first fixed, floating and specific mortgage and charge over virtually all of the Company's property and assets.

(b) These notes are secured by mortgages on certain producing petroleum and natural gas properties.

(c) The secured debenture is due April 2004, bears interest at ¾% above bank prime rate and is payable in equal monthly instalments commencing May 1986. The debenture is secured by a fixed and floating charge on the methanol plant and its ancillary facilities.

As described in Note 1, the Company's principal banker is presently reviewing the repayment terms of the bank loans, however, based upon present projections of the Company's future cash flows and its corresponding capability to make principal repayments, revisions to established repayment schedules may be required. The estimated minimum amount of long-term debt maturities set out below have been determined on the basis of existing repayment schedules for the bank loans, however, if the negotiations are successful and a favourable revision to the repayment schedule is received, then the accompanying consolidated financial statements would be affected by the reclassification of the amount of any additional payments deferred in 1986 from current liabilities to long-term debt.

The estimated minimum amount of long-term debt maturities for the five years subsequent to 1985 are as follows: 1986—$33.5 million; 1987—$43.7 million; 1988—$61.9 million; 1989—$88.5 million; and 1990—$118.6 million. In accordance with arrangements made with the Company's principal banker, commencing in 1987 the Company may be required to make additional payments on bank loans such that total payments would equal 60% of the net annual cash flow generated from operations.

Note 6 Capital Stock

(a) The Class A and Class B shares rank equally one with the other except that each Class A share carries twenty votes and each Class B share carries one vote, and Class A shares are convertible at the option of the holder into Class B shares on a one-for-one basis.

(b) The declaration of dividends on all issued and outstanding shares is subject to the approval of the Company's principal banker.

(c) Changes in the capital stock of the Company during the year were as follows:

	Number of Shares		Consideration	
	Class A	Class B	Class A	Class B
Balance, December 31, 1984	3,557,751	10,830,440	$6,645	$54,462
Issued on exercise of employee stock options	—	89,800	—	415
Conversion of shares	(5,400)	5,400	(10)	10
Balance, December 31, 1985	3,552,351	10,925,640	$6,635	$54,887

(d) As of December 31, 1985, there were 737,100 Class B shares of the Company reserved for exercise of employee stock options to 1991 at prices ranging from $4.50 to $6.875 per share as follows:

Outstanding at December 31, 1984	634,200
Granted at $4.65 to $6.875 per share	248,000
Exercised at $4.50 to $4.65 per share	(89,800)
Cancelled	(55,300)
Outstanding at December 31, 1985	737,100

All options were granted under employee stock option plans and at December 31, 1985, an additional 599,500 Class B shares were reserved for future options which may be granted under these plans.

(e) As of December 31, 1985, 350,000 Class B shares have been reserved for exercise of an option granted to the company's principal banker at an effective price of $12 per share, exercisable on or before October 31, 1986.

Note 7 Segmented Information

The Company's continuing operations are conducted through three business segments. These segments are natural gas and petroleum operations, petroleum industry services and supplies (which comprises contract drilling of oil and gas wells, sales of oilfield equipment and supplies, and pipeline construction) and petrochemicals. Presented below are data relative to each business and geographic segment.

Business Segments

	Natural gas and petroleum operations	Petroleum industry services and supplies	Petro-chemicals	Elimina-tions (b)	Total
Revenue					
Year ended December 31, 1985	**$ 99,870(a)**	**$170,833**	**$ 86,110**	**$ (2,427)**	**$354,386**
Year ended December 31, 1984	$ 99,759(a)	$139,912	$ 92,721	$ (4,460)	$327,932
Nine months ended December 31, 1984	$ 69,551(a)	$100,736	$ 66,269	$ (3,667)	$232,889
Earnings (loss) from operations					
Year ended December 31, 1985	**$ 72,499**	**$ (3,044)**	**$ (405)**	**$ (54)**	**$ 68,996**
Year ended December 31, 1984	$ 55,650	$ (4,282)	$(12,681)	$ (240)	$ 38,447
Nine months ended December 31, 1984	$ 37,480	$ 564	$(6,012)	$ (240)	$ 31,792
Total assets					
As at December 31, 1985	**$367,857**	**$156,003**	**$336,633**	**$ —**	**$860,493**
As at December 31, 1984	$402,509	$164,321	$338,215	$ —	$905,045
Capital expenditures					
Year ended December 31, 1985	**$ 11,219**	**$ 6,735**	**$ 613**	**$ —**	**$ 18,567**
Year ended December 31, 1984	$ 28,366	$ 6,015	$ 4,141	$ —	$ 38,522
Nine months ended December 31, 1984	$ 18,939	$ 4,891	$ 1,831	$ —	$ 25,661
Provision for depletion and depreciation					
Year ended December 31, 1985	**$ 18,313**	**$ 11,533**	**$ 18,057**	**$ —**	**$ 47,903**
Year ended December 31, 1984	$ 18,749	$ 12,865	$ 18,082	$ —	$ 49,696
Nine months ended December 31, 1984	$ 13,416	$ 9,630	$ 13,469	$ —	$ 36,515

Geographic Segments

	Canada	United States	Other Foreign	Elimina-tions (b)	Total
Revenue					
Year ended December 31, 1985	**$294,249(c)**	**$ 69,652**	**$ 1,697**	**$(11,212)**	**$354,386**
Year ended December 31, 1984	$279,485(c)	$ 56,975	$ 1,731	$(10,259)	$327,932
Nine months ended December 31, 1984	$195,658(c)	$ 44,214	$ 1,148	$ (8,131)	$232,889
Earnings (loss) from operations					
Year ended December 31, 1985	**$ 90,169**	**$ (10,971)**	**$ (10,743)**	**$ 541**	**$ 68,996**
Year ended December 31, 1984	$ 50,177	$ (11,129)	$ (1,010)	$ 409	$ 38,447
Nine months ended December 31, 1984	$ 36,644	$ (4,229)	$ (1,006)	$ 383	$ 31,792
Total assets					
As at December 31, 1985	**$789,688**	**$ 57,546**	**$ 13,259**	**$ —**	**$860,493**
As at December 31, 1984	$819,564	$ 65,067	$ 20,414	$ —	$905,045

(a) Natural gas and petroleum revenue is net of royalties (year ended December 31, 1985 — $31.0 million; year ended December 31, 1984 — $30.8 million; nine months ended December 31, 1984 — $21.2 million) and Alberta Royalty Tax Credit (year ended December 31, 1985 — $2.0 million; year ended December 31, 1984 — $2.0 million; nine months ended December 31, 1984 — $1.5 million).

(b) Eliminations relate to inter-segment transactions which are priced at market prices for similar products and services.

(c) Includes export sales of $69.0 million for the year ended December 31, 1985; $77.6 million for the year ended December 31, 1984 and $56.1 million for the nine months ended December 31, 1984.

Note 8 Income and Other Taxes

(a) Income tax expense differs from the amounts which would be obtained by applying the Canadian basic federal income tax rate to the respective period's loss before undernoted items. These differences result from the following items:

	Year Ended December 31, 1985	Year Ended December 31, 1984	Nine Months Ended December 31, 1984
Expected Canadian Federal tax rate	46.9%	46%	46%
Computed "expected" tax recovery	$ (11,490)	$ (29,669)	$(21,912)
Royalties and other payments to federal and provincial governments	6,444	4,742	4,250
Other non-deductible costs	1,671	883	296
Federal resource allowance and earned depletion	(11,379)	(9,895)	(7,080)
Provincial income tax (recovery) less federal abatements	156	(863)	(166)
Non-deductible losses and unrecognized benefits carried forward	21,965	17,977	12,446
Petroleum and gas revenue tax	8,512	9,390	6,446
Total actual tax (recovery)	$ 15,879	$ (7,435)	$ (5,720)
Actual tax (recovery) represented by:			
Deferred income tax (recovery)	$ 7,367	$(16,825)	$(12,166)
Petroleum and gas revenue tax	8,512	9,390	6,446
	$ 15,879	$ (7,435)	$ (5,720)

(b) As at December 31, 1985, the Company had available for deduction against future years' taxable income the following amounts (subject to final determination by taxation authorities):

	Canada	United States
Loss carry-forwards (expiring in varying amounts to the year 2000)	$363,872	$142,208
Property and capital costs (deductible at varying rates and methods)	$251,807	$ 35,215

The Company estimates that it has earned investment tax credits of $26.3 million as at December 31, 1985 which have not been recognized in the accounts. These credits can be applied in future years to reduce federal taxes otherwise payable and are subject to final determination by the taxation authorities.

(c) The Company has potential income tax benefits of $51 million which relate to accumulated accounting losses to December 31, 1985 on which no tax benefit has been recorded in the accounts. These benefits will be recognized in the accounts as an extraordinary item in future years upon their realization.

Note 9 Pension Plans

The Company and its United States subsidiary have non-contributory pension plans covering substantially all permanent, full-time employees. The plans provide a defined benefit pension at retirement based on earnings and length of service.

Pension costs are actuarially computed whereby the company's annual contributions consist of the current service cost for the plan in Canada, and the current service cost plus a contribution towards the unfunded past service liability for the plan in the United States. For the year ended December 31, 1985, the pension expense was $1,287,000 (for the year ended December 31, 1984 — $1,431,000; for the nine months ended December 31, 1984 — $1,084,000).

Based on the most recent actuarial evaluation, the Canadian pension plan was fully funded in respect of past service liabilities, and the United States pension plan had an unfunded past service obligation of $1,155,000 at December 31, 1985 (December 31, 1984 — $1,327,000). This obligation is being funded in accordance with applicable government legislation.

Note 10 Commitments and Contingencies

(a) The Company has commitments to purchase certain minimum monthly quantities of materials until March 31, 1986 at varying prices. Based upon prices prevailing at December 31, 1985, these commitments are in the amount of $2.3 million per month. The Company continues to be committed to purchase materials after March 31, 1986 and until 2002 at prices and quantities subject to negotiation and regulatory hearings.

(b) Future minimum lease payments under operating leases relating primarily to office space and equipment, railroad tank cars and storage terminals (but excluding leases relating to gas, oil and mineral rights) are as follows:

1986	$ 5,580
1987	4,593
1988	3,666
1989	2,581
1990	2,259
Thereafter	4,828
	$23,507

(c) A statement of claim has been served by the contractor of the Company's methanol plant claiming $2.6 million owing to the contractor. Management believes that the Company has outstanding claims against the contractor for credits and adjustments at least equal to the claim by the contractor, and has not provided in the accompanying consolidated financial statements for the amounts claimed. In addition, counsel for the Company has advised that such claim is without merit and the Company has filed a statement of defence and counter claim in the amount of $83.2 million. The ultimate outcome of these legal proceedings is not predictable.

(d) A United States subsidiary of the Company is in a dispute with a customer over certain work performed under a construction contract. Management believes that adequate provision has been made in the accounts for all anticipated losses under this contract.

Note 11 Consolidated Statement of Changes in Financial Position

	Year Ended December 31, 1985	Year Ended December 31, 1984	Nine Months Ended December 31, 1984 (Note 2)
Loss before extraordinary item	$ (40,378)	$ (59,098)	$ (43,319)
Add (deduct)			
Depletion and depreciation	47,903	49,696	36,515
Write-down of foreign natural gas and petroleum properties	10,921	—	—
Sale of natural gas and petroleum properties	(31,418)	—	—
Deferred income tax (recovery)	7,367	(16,825)	(12,166)
Other non-cash items	2,119	802	520
Interest expense	95,359	105,498	81,289
	91,873	80,073	62,839
Inventories and prepaid expenses	2,049	23,065	7,142
Other assets	1,136	(141)	320
Deferred revenue	5,130	(6,382)	(1,976)
	8,315	16,542	5,486
Cash from operations before interest expense	$ 100,188	$ 96,615	$ 68,325

AUDITORS' REPORT

Ocelot Industries Ltd.

To the Shareholders of
Ocelot Industries Ltd.

We have examined the consolidated balance sheet of Ocelot Industries Ltd. as at December 31, 1985 and the consolidated statements of earnings, deficit 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, 1985 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, after giving retroactive effect to the change in the method of accounting for natural gas and petroleum operations as described in Note 2, on a basis consistent with that of the preceding period.

Thorne Riddell

Calgary, Canada
March 10, 1986

Chartered Accountants

FIVE YEAR SUMMARY

Financial

(thousands of dollars)

	Year Ended December 31,		Nine Months Ended December 31, 1984	Year ended March 31,		
	1985	1984 (unaudited)		1984	1983	1982
REVENUE						
Operating	$354,386	$327,932	$232,889	$263,780	$375,336	$427,135
Sale of natural gas and petroleum properties	31,418	—	—	—	—	—
	385,804	327,932	232,889	263,780	375,336	427,135
COSTS AND EXPENSES						
Cost of sales and operating expenses	257,984	239,789	164,582	205,002	280,328	303,476
Depletion and depreciation	47,903	49,696	36,515	49,616	30,555	31,462
Write-down of foreign natural gas and petroleum properties	10,921	—	—	—	95,632	8,615
	316,808	289,485	201,097	254,618	406,515	343,553
EARNINGS (LOSS) FROM OPERATIONS BEFORE UNDERNOTED ITEMS	68,996	38,447	31,792	9,162	(31,179)	83,582
Interest and other income	(1,987)	(2,677)	(1,961)	(1,379)	(1,907)	(4,083)
Interest on long-term debt	89,847	98,544	76,029	84,962	72,662	63,785
Other interest	5,512	6,954	5,260	9,658	12,709	7,861
Minority interest	123	123	99	51	5,117	3,749
	93,495	102,944	79,427	93,292	88,581	71,312
EARNINGS (LOSS) BEFORE UNDERNOTED ITEMS	(24,499)	(64,497)	(47,635)	(84,130)	(119,760)	12,270
Income and other taxes (recovery)	15,879	(7,435)	(5,720)	(24,347)	5,042	12,306
LOSS FROM CONTINUING OPERATIONS	40,378	57,062	41,915	59,783	124,802	36
Loss from operations of discontinued mining segment	—	2,036	1,404	2,599	4,120	—
LOSS BEFORE EXTRAORDINARY ITEM	40,378	59,098	43,319	62,382	128,922	36
Extraordinary Item						
Write-down of mining assets, net of applicable income taxes of $4,353	—	5,929	5,929	—	—	—
LOSS FOR THE PERIOD	$ 40,378	$ 65,027	$ 49,248	$ 62,382	$128,922	$ 36
Weighted average number of Class A and B shares outstanding during the period	14,423,521	14,380,553	14,382,909	14,369,488	13,635,974	13,388,104
Loss Per Class A and B share						
— From continuing operations	$ 2.80	$ 3.97	$ 2.91	$ 4.16	$ 9.15	$—
— Before extraordinary item	$ 2.80	$ 4.11	$ 3.01	$ 4.34	$ 9.45	$—
— Loss for the period	$ 2.80	$ 4.52	$ 3.42	$ 4.34	$ 9.45	$—
Cash provided by (used for) operations per Class A and B share	$ 0.30	$(0.62)	$(0.90)	$(1.09)	$ 5.45	$ 0.34
REVENUES BY SEGMENT						
Natural Gas and Petroleum Operations	$ 99,870	$ 99,759	$ 69,551	$ 89,442	$ 77,238	$ 75,945
Petroleum Industry Services and Supplies	168,406	135,452	97,069	113,293	261,577	351,190
Petrochemicals	86,110	92,721	66,269	61,045	36,521	—
	$354,386	$327,932	$232,889	$263,780	$375,336	$427,135

Financial (cont'd)
(thousands of dollars)

	Year Ended December 31, 1985	Year Ended December 31, 1984 (unaudited)	Nine Months Ended December 31, 1984	Year ended March 31, 1984	Year ended March 31, 1983	Year ended March 31, 1982
CAPITAL EXPENDITURES						
Development, Plant and Equipment	9,608	21,071	14,568	18,138	24,311	80,816
Exploration and Land	8,346	13,310	9,262	11,484	22,632	78,546
Methanol Plant	613	4,141	1,831	17	105,835	184,657
Corporate Acquisitions	—	—	—	—	12,170	3,797
	18,567	38,522	25,661	29,639	164,948	347,816
CASH PROVIDED BY (USED FOR) OPERATIONS	4,829	(8,883)	(12,964)	(15,703)	74,283	4,575
CURRENT ASSETS	124,058	115,502	115,502	127,578	111,492	175,282
CURRENT LIABILITIES	177,674	142,674	142,674	153,571	162,954	164,637
OPERATING BANK LOANS	18,111	21,598	21,598	44,667	54,705	50,030
WORKING CAPITAL (DEFICIENCY)	(53,616)	(27,172)	(27,172)	(25,993)	(51,462)	10,645
NET PROPERTY, PLANT AND EQUIPMENT	713,422	772,637	772,637	796,598	831,717	825,012
TOTAL ASSETS	860,493	905,045	905,045	931,486	961,710	1,013,039
LONG-TERM DEBT	732,415	784,391	784,391	736,637	666,207	635,679

Operations

	Year Ended December 31, 1985	Year Ended December 31, 1984	Nine Months Ended December 31, 1984	Year ended March 31, 1984	Year ended March 31, 1983	Year ended March 31, 1982
PRODUCTION						
Net crude oil and natural gas liquids						
Barrels	1,093,887	1,030,817	732,293	887,219	666,657	490,374
Barrels per day	2,997	2,816	2,663	2,424	1,819	1,344
Net natural gas						
Millions of cubic feet	39,613	39,839	28,532	37,221	27,262	34,614
Millions of cubic feet per day	109	109	104	101	75	95
Methanol — tonnes	446,902	428,679	319,672	347,774	141,062	—
PROVEN RESERVES						
Crude oil and natural gas liquids						
Thousands of barrels	30,096	16,366	16,366	12,808	9,850	9,146
Natural gas						
Billions of cubic feet	1,291	1,350	1,350	1,023	955	989
SHAREHOLDERS AND EMPLOYEES						
Number of employees at year end	1,528	1,510	1,510	1,417	1,400	1,850
Number of common shareholders at year end	1,477	1,675	1,675	1,910	2,104	2,550

GROSS WELLS COMPLETED

	Year Ended December 31, 1985		Year Ended December 31, 1984		Nine Months Ended December 31, 1984		Year Ended March 31, 1984		Year Ended March 31, 1983		Year Ended March 31, 1982	
	Cdn.	Int.	Cdn.	Int.	Cdn.	Int.	Cdn.	Int.	Cdn.	Int.	Cdn.	Int.
Exploratory												
Oil	7	2	7	—	5	—	4	2	5	12	2	38
Gas	10	—	7	—	6	—	12	1	2	3	10	3
Dry	13	9	10	5	6	4	11	6	13	29	9	120
TOTAL	30	11	24	5	17	4	27	9	20	44	21	161
Development												
Oil	20	7	51	21	37	13	62	19	31	15	18	42
Gas	301	—	284	—	278	—	84	2	19	5	235	3
Dry	14	—	7	3	6	3	8	3	9	2	5	9
Service	8	2	17	1	14	—	8	2	2	—	—	5
	343	9	359	25	335	16	162	26	61	22	258	59

SHAREHOLDER INFORMATION

Annual Meeting
The Annual General Meeting of Shareholders of Ocelot Industries Ltd. will be held in the Bonavista Room, Westin Hotel, Calgary, Alberta on May 2, 1986 at 10:30 a.m. Formal notice of this meeting and proxy materials are enclosed.

Share Information
Ocelot's common shares are listed for trading on the Toronto, Montreal and Alberta Stock Exchanges. The Class A shares and Class B subordinate voting shares carry voting rights of 20 votes per share and one vote per share respectively.

At December 31, 1985 the weighted average of Class A and Class B shares outstanding was 14,423,521, and the shareholders of record totalled 1,477. Over 90 percent of the outstanding shares are owned by Canadians. The stock market designations for the common shares are Ocelot A and Ocelot B with the respective Toronto Stock Exchange computer symbols being OILA and OILB.

Transfer Agents and Registrars
National Trust Company offices are at Toronto, Montreal, Calgary, Vancouver and Regina.

Market Information
Market Price Per Share
(as per Toronto Stock Exchange)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(expressed in dollars)			
Class A Common Shares				
1985 High	**4¾**	**8⅛**	**9¾**	**7¾**
Low	**4**	**4½**	**7¼**	**6¼**
1984 High	6½	5⅞	6¾	6½
Low	5	3½	3¼	4
Class B. Subordinate Voting Shares				
1985 High	**4⅞**	**8¼**	**9¼**	**8**
Low	**3¾**	**4½**	**6¼**	**5¾**
1984 High	6⅜	5⅝	6⅝	6⅜
Low	4½	3½	3	3⅝

Banker
The Royal Bank of Canada
335 - 8th Avenue S.W.
Calgary, Alberta
T2P 2N5

Auditors
Thorne Riddell
Chartered Accountants
1200 Bow Valley Square Two
205 - 5th Avenue S.W.
Calgary, Alberta
T2P 4B9

Duplicate Shareholder Materials
Some holders of Ocelot Industries Ltd. securities receive more than one copy of the Annual Report and other material mailed to shareholders. We make an effort to eliminate duplications of such mailings. However, if securities are registered in different names and addresses, multiple copies will be received. Security holders receiving more than one copy of material who wish to consolidate their holdings of each security under one name should contact either the Secretary of Ocelot or the Transfer Agent at the following addresses:

Secretary
Ocelot Industries Ltd.
900, 333 - 5th Avenue S.W.
Calgary, Alberta T2P 3B6
Telephone: (403) 261-2100

National Trust Company
150 Toronto Dominion Square
320 - 8th Avenue S.W.
Calgary, Alberta T2P 3B2
Telephone: (403) 263-1460

CORPORATE INFORMATION

Board of Directors

William J. Bushnell*
Corporate Director
Toronto, Ontario

Basil R. Cheeseman*
Partner, McCarthy & McCarthy
(Barristers and Solicitors)
Toronto, Ontario

Royden O. Fisher*
President
Ocelot Industries Ltd.

Norbert M. Hannon*
President, Murcon Development Ltd.
(a private investment company)
Calgary, Alberta

J. Verne Lyons
Chairman of the Board and
Chief Executive Officer
Ocelot Industries Ltd.

George C. Solomon
President, Western Limited
(a private investment and property development company)
Regina, Saskatchewan

*Members of the Audit Committee

Officers

J. V. Lyons
Chairman and
Chief Executive Officer

R. O. Fisher
President

I. L. Levorson
Executive Vice President

B. W. Wilson
Executive Vice President

I. J. Bond
Vice President, Exploration

M. I. Erickson
Vice President, Finance

K. M. Guise
Vice President,
Land and International Operations

W. D. Lyons
Vice President, Corporate Development

D. J. McKinnon
Vice President, Production

R. J. Russell
Vice President, General Counsel and Secretary

Corporate Head Office

900, 333 - 5th Avenue S.W.
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Telex: 03-827925

Ocelot Chemicals

500, 300 - 5th Avenue S.W.
Calgary, Alberta T2P 3C4

Lynx Energy Services

900, 333 - 5th Avenue S.W.
Calgary, Alberta T2P 3B6
Telephone: (403) 264-0650
Telex: 03-827925

Cactus Drilling
Calgary, Alberta

Cardinal Drilling Company
Billings, Montana

Brooks Field Service
Calgary, Alberta

O. J. Pipelines Inc.
Edmonton, Alberta

South Eastern Pipeline Construction
Medicine Hat, Alberta

Wilson Oilfield Supply
Calgary, Alberta

Lynx Oilfield Supply, Inc.
Billings, Montana

Lynx Tool Company
Calgary, Alberta

Lowe Valve Ltd.
Scarborough, Ontario

Air Switch Ltd.
Medicine Hat, Alberta

International Offices

Ocelot Oil Corp.
Denver, Colorado

Ocelot Energy Corp.
Denver, Colorado

Ocelot Chemical Corp.
San Mateo, California

Ocelot International Pty Ltd.
Perth, Western Australia

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