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OCELOT INDUSTRIES LTD.

ANNUAL REPORT 1982

OCELOT INDUSTRIES LTD.

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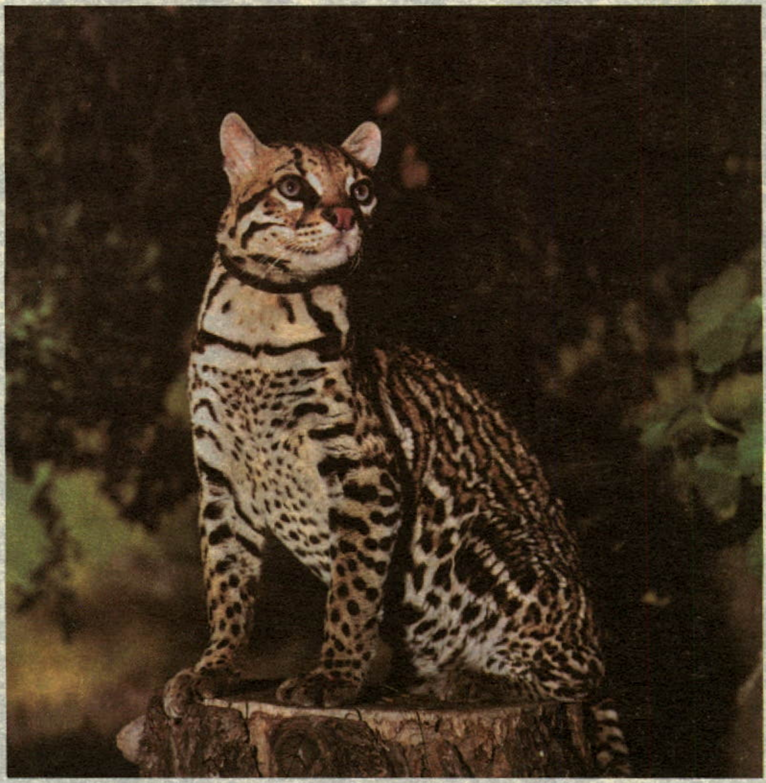
ANNUAL MEETING

The Annual Meeting of the Shareholders of the Company will be held on Thursday, July 29, 1982 at 10:30 AM (MST) in the Mayfair Room of the Westin Hotel, 4th Avenue and 3rd Street, S.W., Calgary, Alberta, Canada.



THE OCELOT

The name Ocelot is derived from the Mexican word TLALOCELOTL, meaning Field Tiger. This beautiful cat can be found in the Southwest United States, through Central America to Paraguay, South America.

The Ocelot is medium sized, being up to 4 feet long with a 15 inch tail and weighing approximately 35 pounds. Their eating habits include rats, mice, rabbits, small monkeys and reptiles. Unlike most cats the Ocelot can swim well. They are mainly nocturnal and quite often hunt in pairs confining their hunting to a fixed territory.

FINANCIAL AND OPERATING SUMMARY

Financial (In thousands except per share amounts)

	1982	1981	1980	1979	1978
REVENUE					
a) Oil and Gas Sales	**$ 73,195**	$ 73,812	$ 52,650	$ 37,992	$ 30,456
b) Petroleum Industry Services and Supplies	**351,190**	269,245	181,666	98,502	40,426
	$424,385	$343,057	$234,316	$136,494	$ 70,882
CASH FLOW FROM OPERATIONS	**$ 44,856**	$ 73,622	$ 53,841	$ 36,441	$ 26,429
Per Share	**$ 3.35**	$ 5.57	$ 4.10	$ 2.68	$ 1.93
NET EARNINGS	**$ 4,308**	$ 27,598	$ 25,273	$ 17,005	$ 14,232
Per Share	**$ 0.32**	$ 2.09	$ 1.92	$ 1.25	$ 1.04
CAPITAL EXPENDITURES					
a) Development, Plant and Equipment	**$ 80,816**	$ 82,251	$ 62,818	$ 37,667	$ 23,507
b) Exploration and Land	**78,546**	83,637	46,683	30,886	15,005
c) Methanol Plant under Construction	**184,657**	46,359	391	—	—
d) Corporate Acquisitions	**3,797**	—	—	8,793	16,305
	$347,816	$212,247	$109,892	$ 77,346	$ 54,817
CROWN ROYALTIES & MINERAL TAXES	**$ 13,767**	$ 13,073	$ 9,411	$ 7,581	$ 5,551
LONG-TERM DEBT	**$635,679**	$308,266	$169,419	$137,376	$ 64,321
Operating					
NATURAL GAS PRODUCTION					
Millions of cubic feet	**34,614**	38,091	34,847	31,840	28,430
Millions of cubic feet per day	**95**	104	95	87	78
OIL AND CONDENSATE PRODUCTION					
Barrels	**490,374**	291,475	300,876	202,500	174,485
Barrels per day	**1,344**	799	824	555	478
PRODUCTIVE WELLS OWNED					
Gross	**3,147**	2,796	2,330	1,783	1,390
Net	**2,057**	1,860	1,599	1,252	975
PETROLEUM & NATURAL GAS RIGHTS (thousands of acres)					
Gross	**63,895**	6,520	3,684	2,836	2,424
Net	**32,391**	2,686	1,562	1,422	1,242
NUMBER OF DRILLING AND SERVICE RIGS	**61**	61	51	32	30
NUMBER OF EMPLOYEES	**1,850**	1,675	1,250	766	594

Note: All measurement units for oil and gas stated above and throughout this report are given in traditional units. Please see page 21 for the applicable metric conversion factors.

TO THE SHAREHOLDERS

Ocelot's historically energetic approach towards Canadian exploration was impeded during the 1981-82 fiscal year by a combination of government policies and high interest rates. The long-awaited pricing and revenue-sharing agreement concluded between Ottawa and Alberta in September, 1981 did very little to improve Ocelot's cash flow. The April 13th, 1982 decision by the Alberta Government to reduce provincial royalties, combined with the May 31st, 1982 announcement by the Federal Government of measures to promote oil and gas industry activity, had the effect of restoring approximately five million dollars of cash flow in fiscal 1983. However, these measures alone are insufficient to restore Ocelot's Canadian exploration activities to previous levels.

The industry is presently laboring under three problems which make additional investment in Canadian oil and gas less attractive than in past years. The first of these problems is the lack of markets for natural gas, a difficulty which has existed in the industry for several years. The Federal Government's approval of additional gas exports appears to be the first step needed to give the industry access to new markets. The second problem is the reluctance of both levels of government to recognize that a fair return on investment is necessary to attract the requisite pool of investment capital. The third problem is the lack of a stable environment for the oil and gas industry. The industry has to contend with the vagaries of the market place, which are at best difficult to assess. In addition, it is forced to cope with the unpredictability of government.

In May 1981, in the Canning Basin of Western Australia, the Blina #1 well discovered oil in two zones on the 870,000 acre Meda Block. Three follow-up wells have been drilled to date and all have been completed and production tested. Engineering feasibility studies are under way to determine the optimum method of producing the oil. Regular sustained production from the field is expected to commence in late 1983, when the construction of the storage facilities at the port of Broome will be completed. Ocelot has agreed in principle to "Australianize" its interest in this permit through a farm-out. This will increase the Australian content and allow the Company to obtain a license to produce the oil. Although Ocelot's interest will change from 25% to 15.31%, additional exploration and development drilling will be carried out at no cost to the Company.

Ocelot's world-scale methanol plant at Kitimat, British Columbia, is nearing completion and will commence production in August 1982. Markets for the majority of the product have been secured and we are confident that all of the product will be sold. A particularly promising market for methanol is its use as an extender for motor vehicle fuels. Ocelot plans to market a blend of methanol and other chemicals as a gasoline fuel extender within the western United States. The Kitimat plant, which is on tidewater, has excellent access to this market area.

While drilling rig activity in Canada is down in comparison to previous years, this reduction has been more than offset by the increased activity of our United States drilling subsidiary.

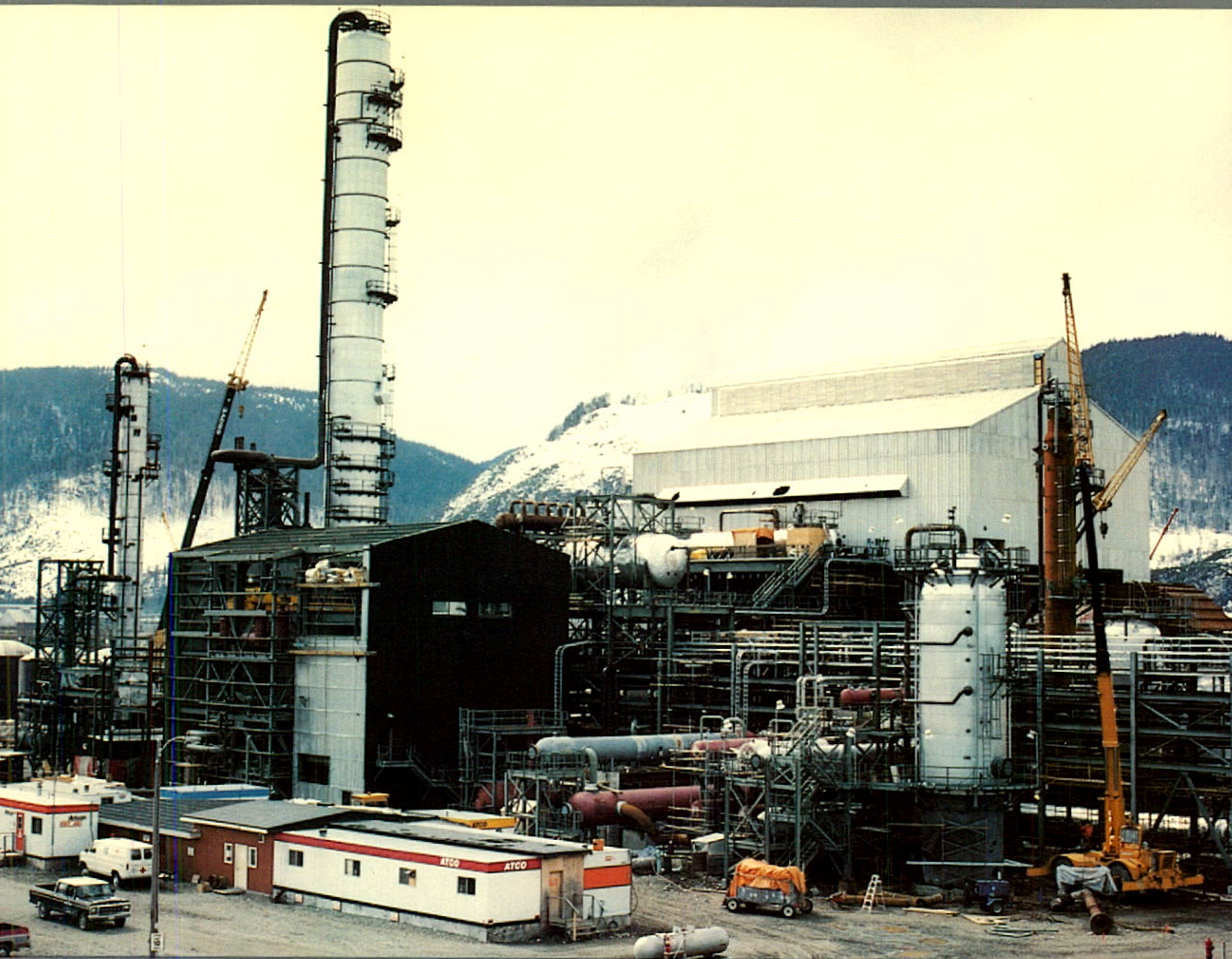
Pipelining has been extremely active and financially successful during the past year. O. J. Pipelines Ltd. received one of the largest single contracts awarded in Canadian pipelining history in the spring of 1981, and is currently building 232 km of 36-inch new line on the North Bay-Ottawa cut-off. It is anticipated that activity in the pipeline industry will remain at a high level throughout the coming years.

Ocelot's diversification, both nationally and internationally, into oil and gas exploration, petrochemicals, drilling rigs and service and supplies, provides a broad, stable base for continued growth of the Company. This diversification enabled Ocelot to increase earnings from operations during fiscal 1982 to an all time high. However, the persistently high interest rates on capital required to complete Ocelot's development projects has reduced cash flow markedly in comparison with previous years.

On Behalf of the
Board of Directors

J. V. Lyons
Chairman & Chief
Executive Officer

Calgary, Alberta
June 28, 1982



Methanol Plant, Kitimat, B.C.

O. J. Pipelines 42″ Pipeline Construction

Cactus Drilling Rig #5, Sundre Area, Alberta

PETROCHEMICALS

Ocelot's methanol plant at Kitimat, British Columbia, has been under construction for the past two years and is expected to commence production in August, 1982. This plant, capable of producing 400,000 tonnes of methanol per year using 13.2 BCF of natural gas as the feedstock, is the first world-scale petrochemical plant in British Columbia and represents the initial step in the development of the petrochemical industry in British Columbia. The Kitimat site is on tidewater and Ocelot has its own loading wharf capable of handling 40,000 ton ocean-going tankers. Such tankers provide easy access to Pacific-rim countries, the United States west coast, and other world markets.

Ocelot has a long-term contract for 37.5% of the plant output which is equivalent to 150,000 tonnes per year. Short-term contracts have been signed for a significant portion of the remaining production while the balance will be sold on the spot market.

Construction of the plant is proceeding well and all major equipment has been installed. At year end, there were approximately 1,000 workers on site. Ocelot will be accepting the operation of segments of the plant gradually so that most processes will be commissioned prior to plant start-up. The majority of the 80 on-site operating personnel have been hired, are living in Kitimat and have completed training programs to ensure maximum efficiency at start-up.

The methanol, commonly known as wood alcohol, will be manufactured from natural gas. The natural gas is combined with steam and passed through a furnace, where the gas and steam is re-formed to carbon monoxide, carbon dioxide and hydrogen. These gases then are cooled, compressed and circulated through a converter that changes them into crude methanol. Refined methanol is distilled from the crude and stored in large tanks. From there it is pumped directly into ocean-going ships for transport. The manufacture of methanol by this process is exceptionally clean and environmentally safe.

The versatility of methanol has put it in great demand throughout the world as a petrochemical building block. Methanol is used in adhesives, resins, paints, fertilizers, anti-freeze, fibers, and formaldehyde. One of the more exciting new uses for methanol is as an extender for automotive fuels.

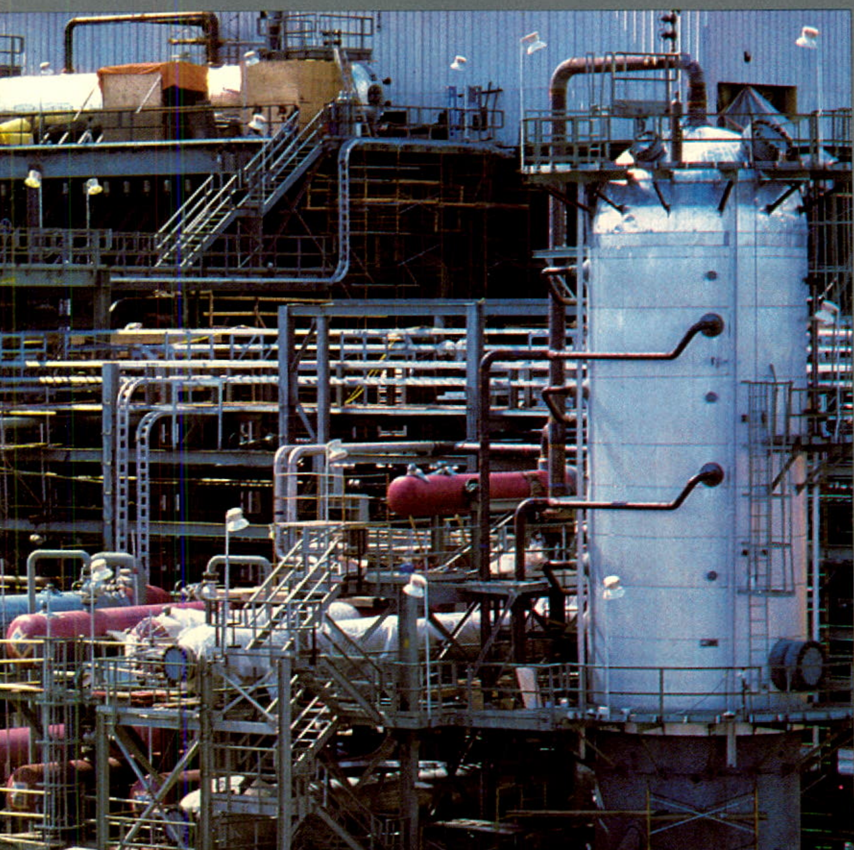
A portion of the world methanol market is indirectly related to housing starts since much of the product is used in the manufacture of particle board and plywood. The recent downturn in the housing construction industry has contributed to a short-term over-supply of methanol which in turn has adversely affected the selling price. However, Ocelot's position is protected to a significant degree by the conditions negotiated in the long term contract.

Ocelot has commenced a program to use methanol in gasoline and has a waiver from the Environmental Protection Agency in Washington, D.C., to add up to 15% of an alcohol mixture to gasoline. Arrangements are nearing completion to market this blend of methanol and other chemicals as a fuel extender to automotive gasoline within the states of California, Washington and Oregon. This broadening of the methanol market beyond its traditional chemical use is extremely encouraging as the Kitimat plant has excellent access to the highly-populated western United States.

Ocelot has submitted a proposal to build an ammonia-urea fertilizer plant and a second methanol plant on the Kitimat site. Substantial engineering on the ammonia-urea project has been completed, and the proposal is being considered by the government of British Columbia.

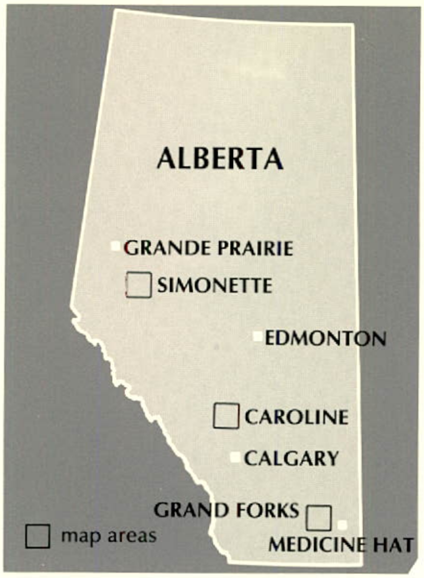
Transporting Distillation Column from Germany

Methanol Plant, Kitimat, B.C.



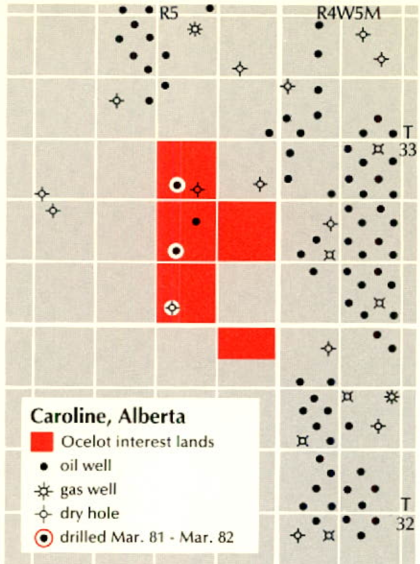
Methanol Plant, Kitimat, B.C.

Loading Wharf, Kitimat, B.C.



CANADA

During the past year, Ocelot participated moderately in the Canadian exploration scene. This moderation of exploration activity was attributable to the lack of a healthy economic climate for oil and gas exploration. Ocelot actively pursued new development drilling programs following previous oil discoveries in the Simonette, Caroline, Grand Forks and David areas. All wells drilled qualified for the New Oil Reference Price. The successful results of these programs should have a positive effect on the Company's cash flow in fiscal 1983. In the coming year, Ocelot's main exploration thrust will continue to aim at drilling low-risk oil prospects which will qualify for New Oil pricing.

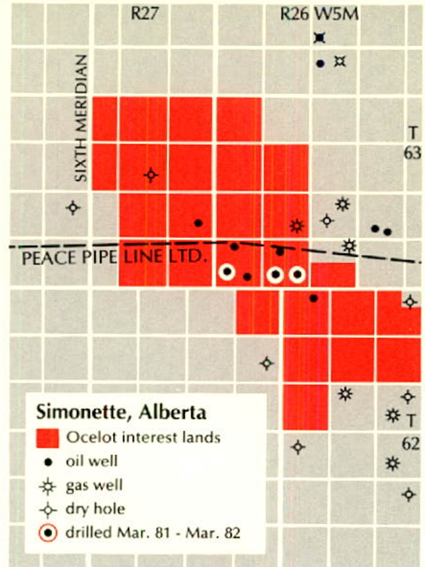


Caroline

Ocelot drilled three wells on its 100% owned 3,200-acre Caroline block this year. Of these, two wells were cased as new Viking oil wells and one well was abandoned. The cased wells are currently being completed and placed on production. An application is presently being made for 320-acre production spacing for the wells, and if this is granted allowables for these wells should increase. Development of this pool should continue during the coming year.

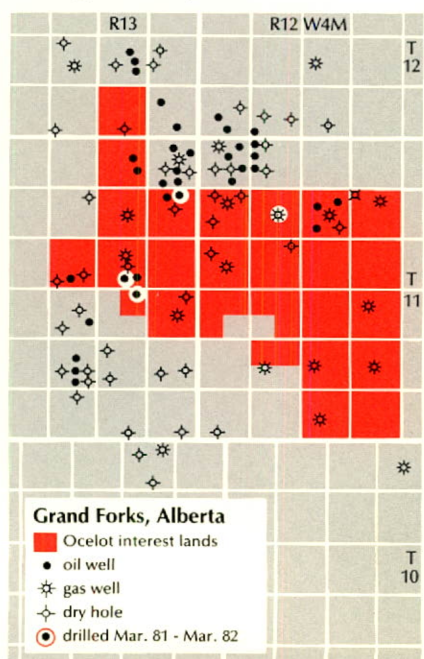
Simonette

Production facilities were completed and oil production commenced in October 1981. Three development wells were drilled at Simonette this past winter and all were cased as Dunvegan oilwells. With the procurement of a solution gas contract and the tie-in of these new wells, gross production in this pool should approximate 300 barrels of oil per day and 1.25 mmcf per day gas. Further development drilling on this prospect may take place during the coming year. Ocelot has a $66^{2}/_{3}\%$ interest in this oil pool and has interests ranging from $33^{1}/_{3}\%$ to $66^{2}/_{3}\%$ in 37,000 gross acres in the Simonette area.



Grand Forks

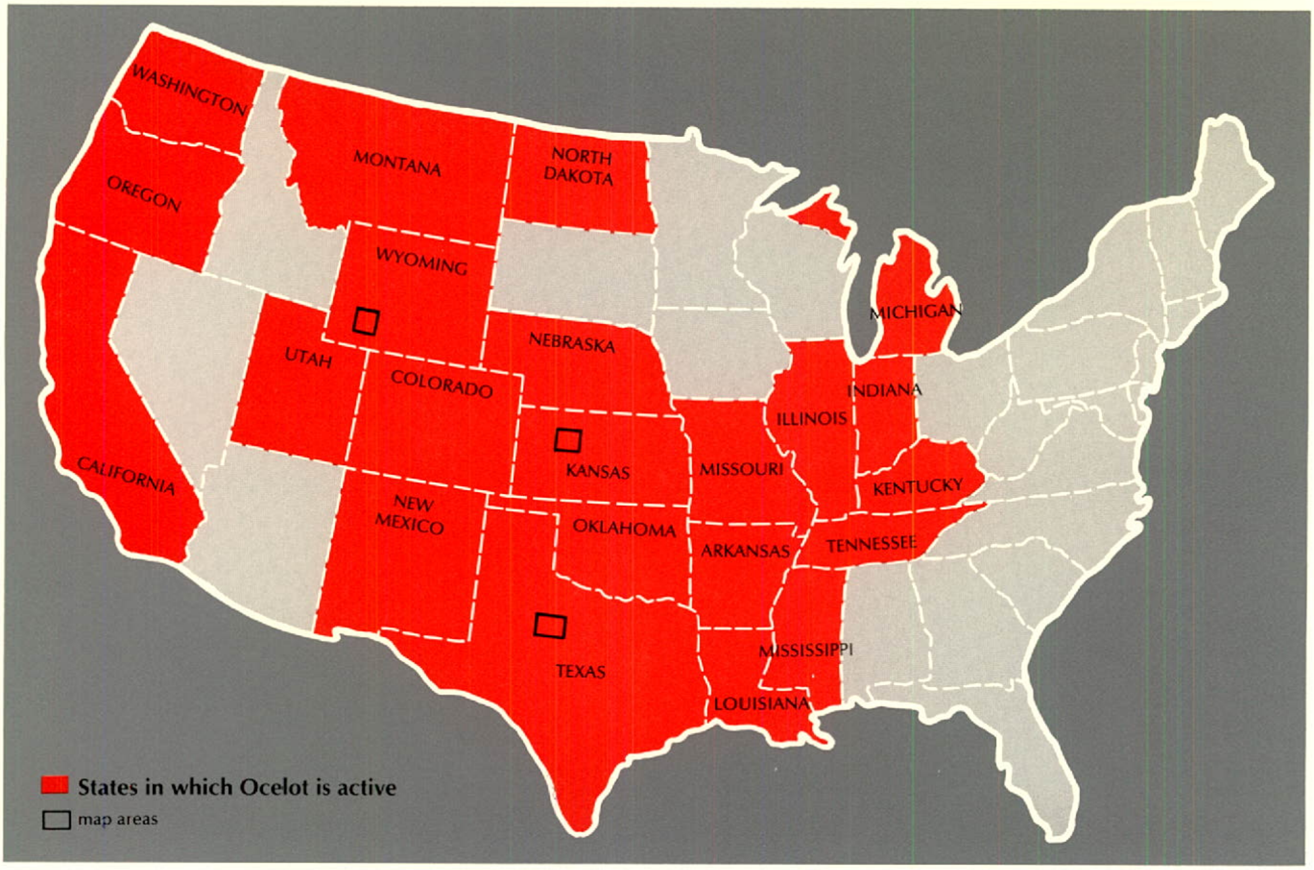
At Grand Forks, Ocelot participated in the drilling of four wells, resulting in three wells being cased for Sawtooth oil and one being cased for Viking gas. All three oilwells qualify for New Oil pricing, have been tied in, and are now producing at rates of 40 to 60 barrels of oil per day. Ocelot's interest in these oilwells ranges from $33^{1}/_{3}\%$ to $66^{2}/_{3}\%$. Ocelot has an interest in 16,800 gross acres in the Grand Forks area with several potential drilling locations, and additional drilling is anticipated.



Roughnecks

Rig #5

Rig #26



Land Holdings
As of March 31, 1982

	GROSS ACRES	NET ACRES
CANADA		
Alberta	1,636,691	855,133
British Columbia	577,213	180,516
Saskatchewan	363,652	222,139
Manitoba	8,155	8,155
TOTAL CANADA	2,585,711	1,265,943
U.S.A.	3,898,562	2,110,804
FOREIGN		
Australia	1,897,521	731,370
Cameroon	194,527	30,359
France	133,500	66,750
Senegal	1,186,845	1,186,845
Sudan	53,998,763	26,999,381
TOTAL FOREIGN	57,411,156	29,014,705

This table does not include varying royalty interests in 150,348 gross acres

UNITED STATES

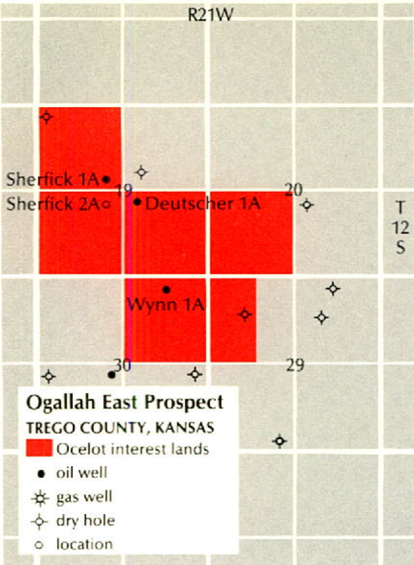
(Ocelot Oil Corp.)

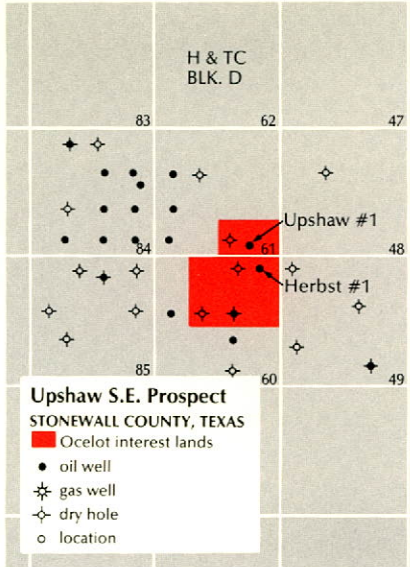
Anvil Area (Picard Prospect) Roosevelt County, Montana

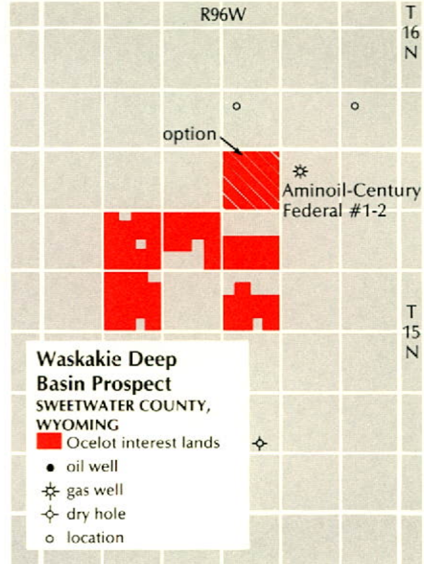
Ocelot participated with a 37.5% working interest in the drilling of a Red River development test, Merland et al Picard #6-19. The test has been completed as a Red River "C" Zone oilwell and is flowing at an average rate of 160 barrels of oil per day.

Lucy NE Prospect Borden County, Texas

In the Midland Basin area of western Texas, Ocelot participated in the drilling of three 8,000-foot Strawn carbonate tests. The JEM McKnight #1 and #2 wells are both flowing 100 barrels of oil per day. McKnight #3 has been cased as a Potential Strawn oilwell and currently is undergoing production testing. Ocelot's working interest in this prospect is 26% after payout.







Ogallah East Prospect Trego County, Kansas

The Lance Deutscher #1A well in SE 19-12S-21W, was completed at fiscal year end as a Toronto Lansing oil discovery with an initial rate of 150 barrels of oil per day. Ocelot's working interest is 30% until project payout and 15% thereafter.

Upshaw SE Prospect Stonewall County, Texas

Ocelot has participated in the drilling of the Herbst No. 1 and the Upshaw No. 1 wells, located in Stonewall County, Texas. Both wells have been completed in the Bend Conglomerate and both are flowing at an average rate of 90 barrels of oil per day. Ocelot's working interest in this prospect is 36% after pay-out.

Waskakie Basin, Wyoming

Ocelot granted a drilling option to Aminoil on one section of its 4½-section, 10 year federal leases located in Sweetwater County, Wyoming. The option is for the drilling of its major Mesaverde gas discovery, Aminoil-Century Federal #1-2 T15N-R96W.

Aminoil must commence a 15,500 foot Mesaverde test on Ocelot's Section 3 by November 1, 1982, to earn a 50% interest in the section.

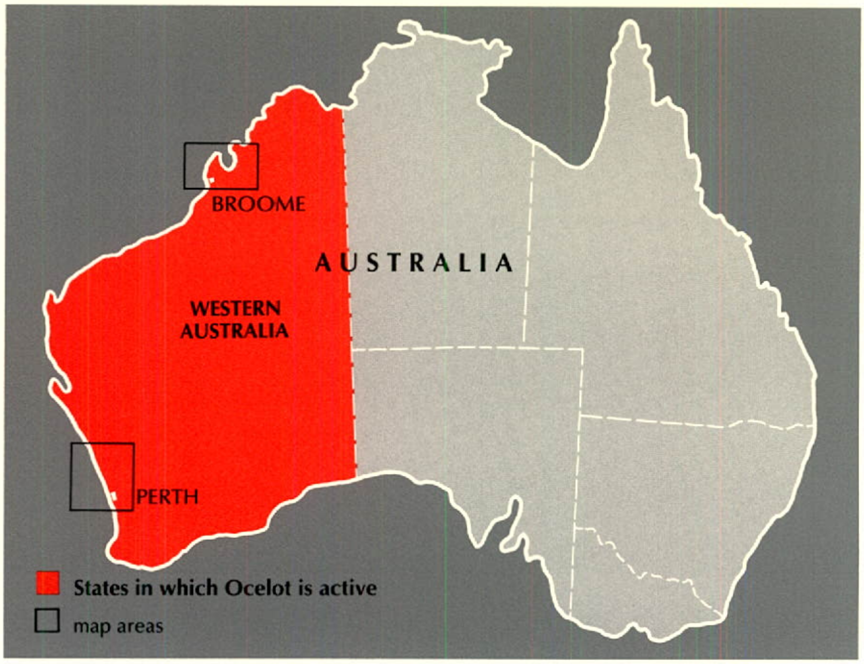
The Mesaverde formation is a prolific gas-producing zone in the area, and Aminoil has scheduled two more offset locations to be drilled during the summer of 1982.

Other Acreage

The company acquired a total of 494,897 net acres in known geologic basins in the United States that are not under active exploration at this time. Production is anticipated in both shallow and deeper horizons. Most of the leases have a ten year term.

INTERNATIONAL

Ocelot has continued to be active during the past year in international exploration ventures. In addition to the company's previous holdings in Cameroon, West Africa and in the state of Western Australia, the company has acquired exploratory positions in the Paris Basin of France; the onshore area of the Democratic Republic of Sudan and the offshore Senegal Basin of West Africa.



AUSTRALIA
Western Australia
(Ocelot International Pty. Ltd.)

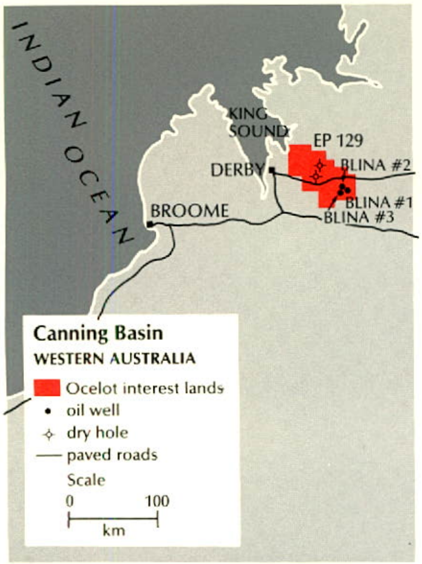
Exploration in Australia is attractive owing to a combination of world oil prices, low royalties, a reasonable tax system and large unexplored land blocks in known sedimentary basins. Ocelot's first Australian exploration venture resulted in a major new oil play in May 1981, when the Blina #1 well flowed oil from two Devonian zones. The well was drilled on permit EP-129, located in the onshore Canning Basin. During 1981, the company was successful in acquiring a 50% interest in and becoming the operator of permit WA-165-P in the offshore Perth Basin.

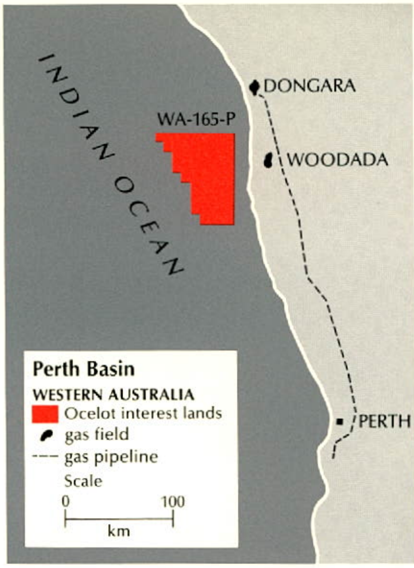
Ocelot has opened an exploration office in Perth, Western Australia, and will operate through its wholly-owned Australian subsidiary, Ocelot International Pty. Ltd.

EP-129 — Meda Block

During the past year, five wells were drilled on the 870,000 acre concession located approximately 200 km east of Broome and 100 km southeast of Derby in the Canning Basin. At year end the Company held a 25% interest in this onshore permit and is in the process of farming out its interest in order to Australianize to a net 15.3% interest.

Blina #1 discovered oil in two zones. Two additional follow-up wells were drilled and cased as delineation wells to determine the size and extent of the Blina reservoir. The three wells are currently being production tested. Engineering feasibility studies are underway to determine the optimum method and type of facilities required to produce the field. A combination of pipeline and tanker ships will be used to transport the crude to market.



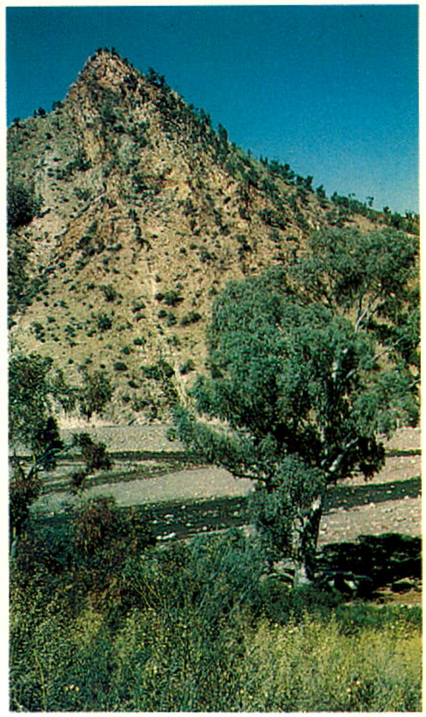


Two other exploratory wells were drilled during 1981, Yarrada #1 and Orange Pool #1, both of which were dry and abandoned.

In the next permit year, two additional Blina development wells are expected to be drilled, and three exploratory wells are planned to test other prospective features defined by an extensive seismic program.

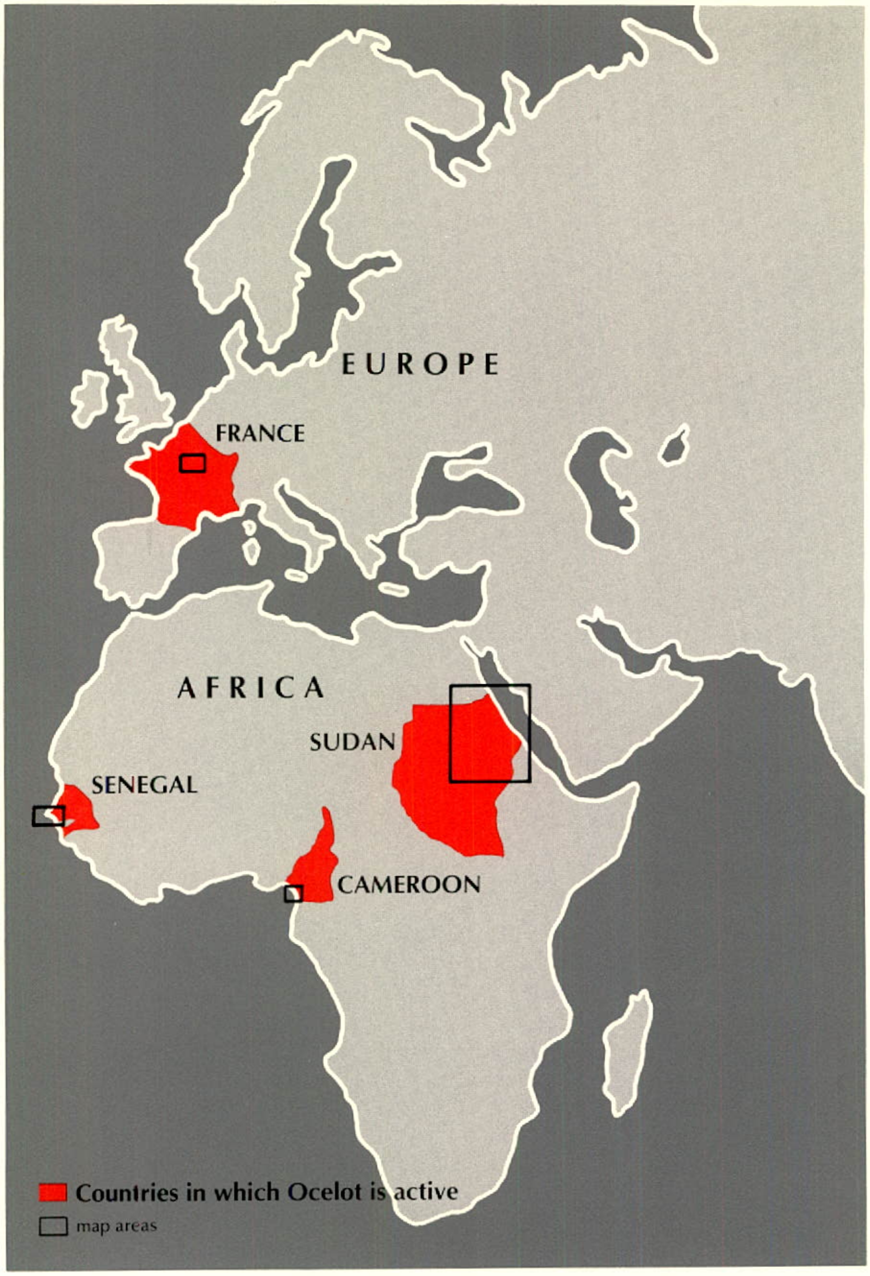
WA-165-P — South Turtle Dove Block

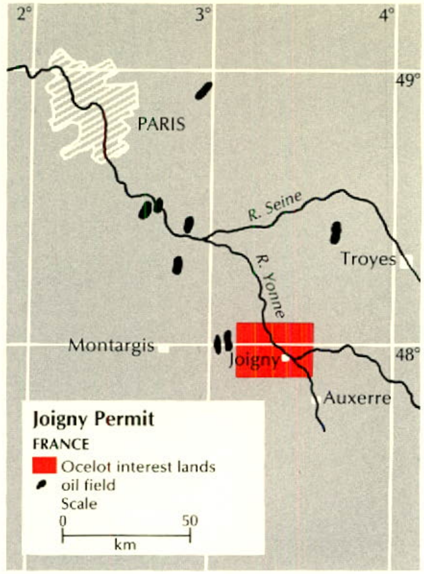
Ocelot, as operator, has been awarded an exploration permit comprising 1.0 million acres in the offshore Perth Basin, situated 200 km north of Perth, Western Australia. The permit is west of the onshore Woodada and Dangara gas fields. Ocelot has a 50% interest in this venture. A two-year, 1,000 km per year seismic program will be underway by mid 1982. Successful delineation of targets will result in the drilling of at least one well during the third year.



Australian landscape

Australian landscape





FRANCE

(Ocelot Industries de France Ltée)

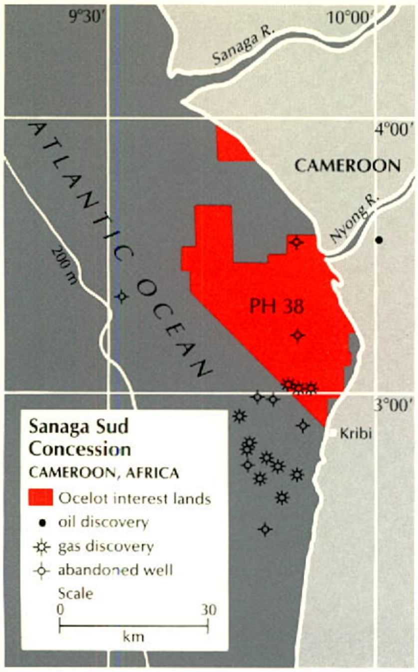
Ocelot holds a 50% working interest in a 133,000-acre exploratory permit located approximately 70 km southeast of Paris near the town of Joigny.

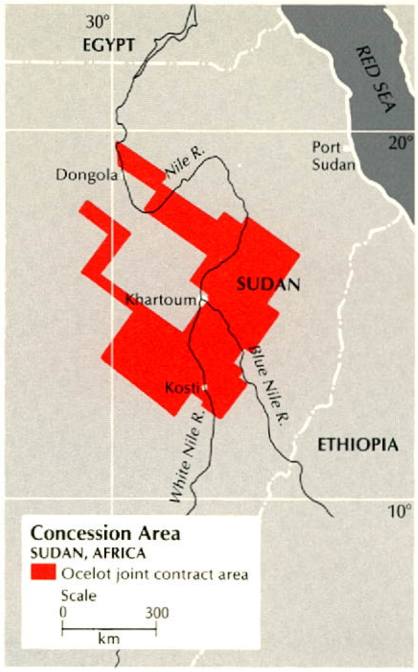
The permit, granted in March, 1982, lies within the Paris Basin, one of the major petroleum-producing regions of France. The area will be explored during the next two years by means of seismic survey.

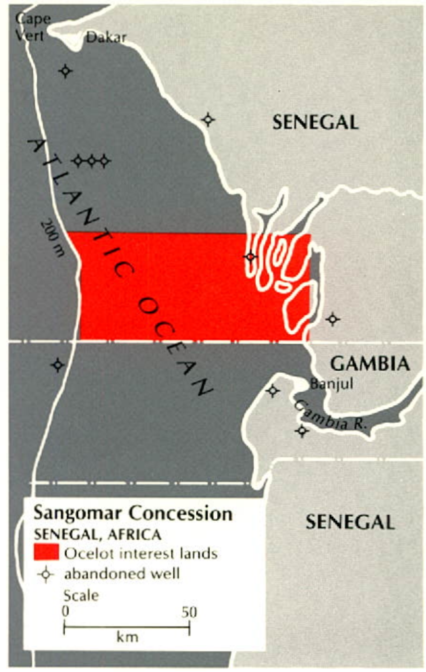
REPUBLIC OF CAMEROON

(Oil City Resources Ltd.)

In Cameroon, Ocelot holds a 15.6% interest in the 194,000-acre offshore Sanaga Sud concession. Two wells were drilled on this permit during fiscal 1982. The Sanaga Sud A-3 appraisal well confirmed additional gas condensate reserves for the Sanaga A structure, which was discovered in 1979. The Sanaga Sud B-1 exploratory wildcat, which was drilled on a separate







structure approximately 15 km north of the Sanaga A structure, subsequently was abandoned after testing non-commercial quantities of gas.

SUDAN

(Ocelot Sudan Exploration Corporation)

The Company has signed an agreement with the Government of the Republic of Sudan for rights to an exploratory concession covering approximately 54 million acres onshore. The concession mainly occupies an area along the Nile south of Khartoum and contains the site of a proposed new refinery at Kosti.

During the first year of tenure, the concession will be explored by means of an extensive airborne magnetic survey which will be used to delineate the areas of thickest sedimentary section. Ocelot retains a 42.5% working interest in this venture.

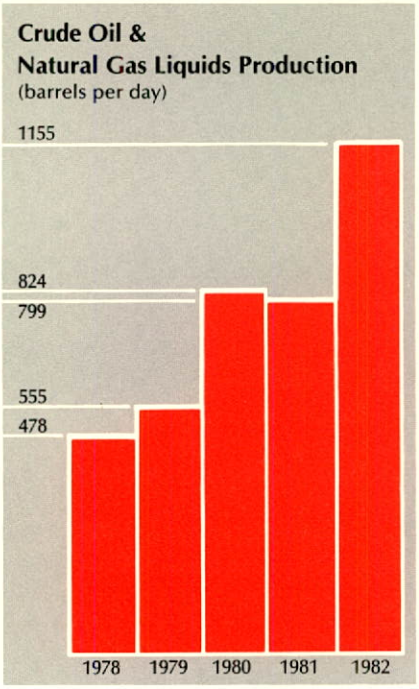
SENEGAL

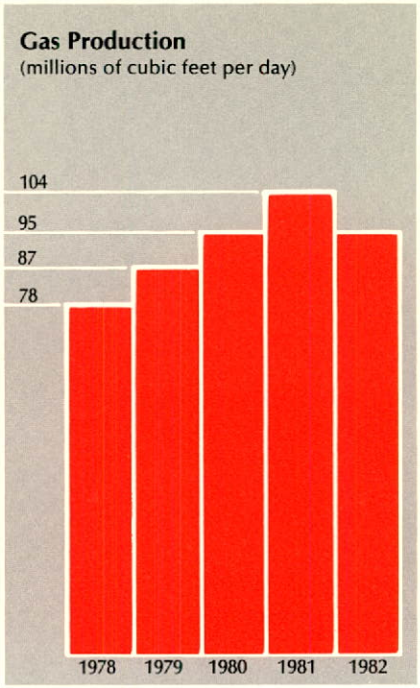
(Ocelot Senegal Petroleum Ltd.)

During 1982, Ocelot acquired a 100% working interest in the 1.2 million acre Sangomar concession located on the continental shelf area of Senegal, West Africa. This concession is in the Senegal Basin, the largest sedimentary basin in West Africa. Exploration over the next year will take the form of a reconnaissance marine seismic program.

Fish Market, West Africa

PRODUCTION & RESERVES





Proven Reserves
As of March 31, 1982

Area	Natural Gas	Oil & Natural Gas Liquids
	(Billions of Cubic Feet)	(Thousands of Barrels)
Alberta	751	7,580
British Columbia	39	278
Saskatchewan	198	887
Manitoba	—	14
Canada	988	8,759
United States	1	387
TOTAL	989	9,146

The fiscal 1982 revenues from oil and natural gas sales (after royalties) were $73.2 million, a slight decrease from the 1981 amount of $73.8 million. Natural gas production averaged 95 mmcf per day in fiscal 1982, compared with 104 mmcf per day last year. All of this decrease was caused by the reduction in gas markets. Production of crude oil and natural gas liquids increased 68% to 1,344 barrels per day in 1982, compared to 799 barrels per day last year. This increase is mainly owing to the commencement of oil production at Sundre and Simonette. Minor production increases also were effected at Grand Forks and David.

Drilling

During the past year, Ocelot drilled or participated in the drilling of 279 wells in Canada, resulting in 182 net wells: 170 gas wells; 7 oil wells and 5 dry holes. Of these wells, 229 were drilled in the shallow gas area of southeastern Alberta, with 28 being drilled using the slant hole drilling technique. This technique enables wells to be completed under inaccessible surface locations.

In the United States a total of 213 wells were drilled over the past year, resulting in 48 net wells to Ocelot; 19 oil wells; 1 gas well; 2 water injection wells and 26 dry holes.

Gas Contracts

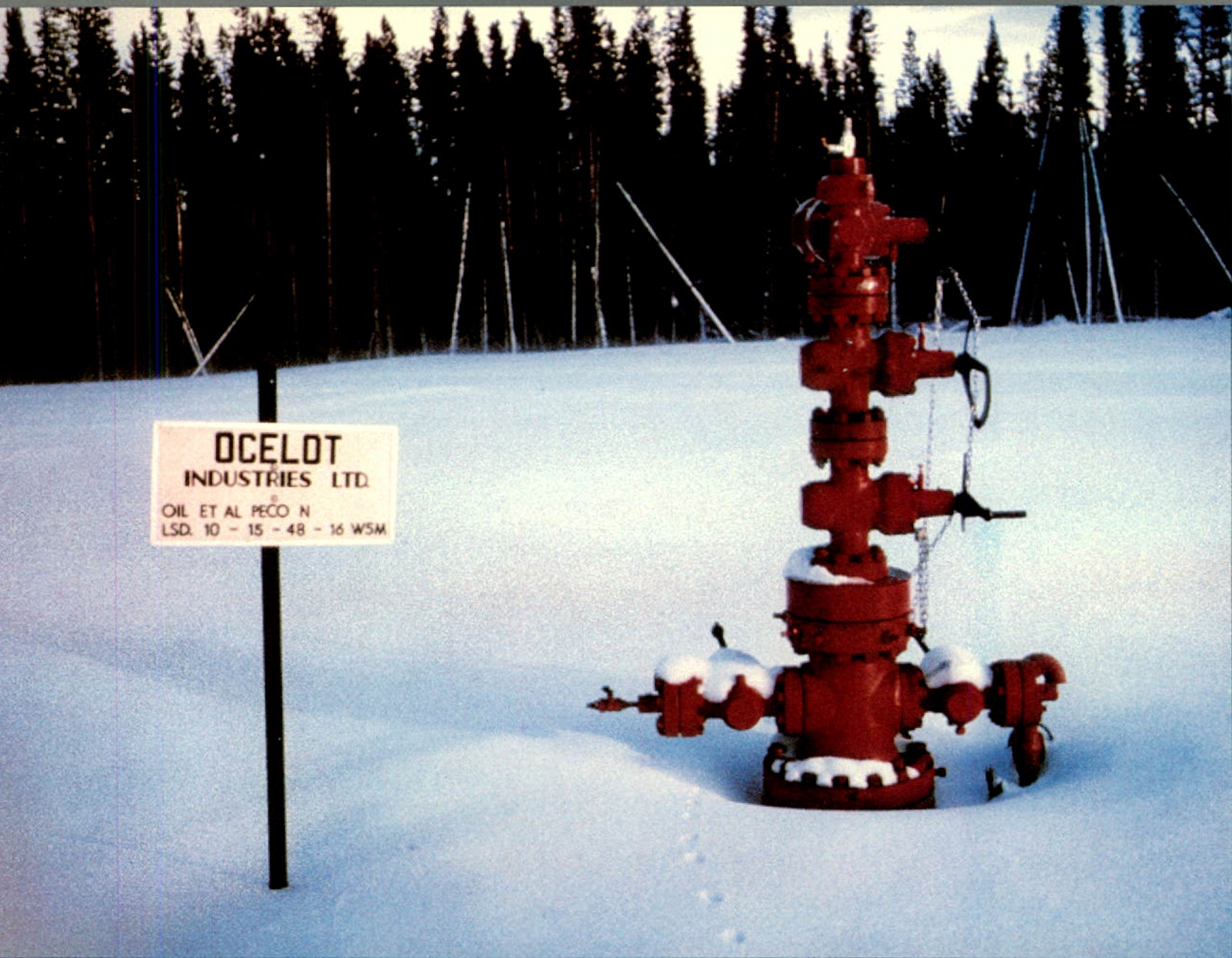
During the past year, the sale of natural gas from the Ferrybank area commenced under a PanAlberta Gas Ltd. contract. At Simonette, solution gas sales to Alberta and Southern Gas Co. Ltd. also began. In the Medicine Hat area, the gas contract rate was increased from 106 mmcf per day to 117 mmcf per day effective November 1, 1981. This partially offset the reduction in volumes taken under the allocation program.

Additional areas of proven and probable gas reserves have been dedicated to new gas contracts with TransCanada PipeLines and KannGaz Producers Ltd. These contracts are conditional upon the approval of additional exports by the National Energy Board. Deliveries under these contracts should commence on November 1, 1984.

Proven Reserves

Proven oil and gas reserves are those reserves that, with a reasonable degree of certainty, are recoverable at commercial rates under presently anticipated producing methods, operating conditions, prices and costs.

All of the Canadian reserves and the majority of the United States reserves referred to in this report have been estimated by the Company's independent consultants. No reserve estimates have been included for the discoveries in Cameroon or Australia.



Wellhead, Peco area, Alberta

Slant Hole Drilling Rig, S.E. Alberta

Dehydrator, S.E. Alberta

MINING & MINERAL EXPLORATION

The Ladner Creek Mine

The Ladner Creek gold mine, in which Ocelot has an interest stabilizing at 22.5%, was brought on stream in late February 1982. The mine is located in the rugged Cascade Mountains of southern British Columbia and is accessible by a 20 km road from the town of Hope.

The operator, Carolin Mines Ltd., has encountered normal start-up problems. However, full production is expected by mid-year, at which time the 1,500 ton per day mill should be producing 150 ounces of gold daily. Using a cut-off of 0.05 ounces per short ton of ore, undiluted reserves have been proven at 2 million tons, averaging 0.127 ounces per ton, for a total reserve of approximately 250,000 ounces of gold. The ore body declines to the north at 25° and the plans call for extending the underground drifting northwards, beyond the proven ore body, to provide access for exploring its down-plunge continuation.

Mineral Exploration

Ocelot continued to finance a gold exploration program on approximately 24,000 acres of claims in which it has the major interest. These claims extend north and south of the Ladner Creek mine over a distance of 35 km. The geology of the claims is similar to that of the Ladner Creek Mine.

Recognizing the cyclical nature of the mining industry and the long lead times between exploration success and mine production, Ocelot plans to expand its mining and mineral exploration activity to identify opportunities around the world. Commodities, in addition to gold and including industrial minerals, will be targeted in order to provide Ocelot with an expanded resource base.

Using Hydraulic Equipment for Mining

Scooptram used in mining

Miners

PETROLEUM INDUSTRY SERVICES AND SUPPLIES

PIPELINING

O. J. Pipelines Ltd.

O. J. Pipelines has been extremely active and financially successful throughout the past year with gross revenues for fiscal 1982 of $118.9 million compared to $21.3 million in 1981.

The Company received the largest single contract awarded in Canadian pipelining history in the spring of 1981 for the construction of 227 km of 48-inch loop on the TransCanada PipeLine system in Saskatchewan and Manitoba. A mechanized automatic welding process was used throughout the project. To streamline the operation, O. J. Pipelines adapted and designed several items of equipment. This project was completed in November 1981.

Other activities completed during the year included the construction of a 36-inch mainline project for Nova, An Alberta Corporation, and a 42-inch South Saskatchewan River crossing in southern Alberta for Foothills Pipelines.

At year end, O. J. Pipelines was completing a project for Nova in northern Alberta. This project entailed several significant river crossings and consisted of 150 km of 10-inch and 12-inch diameter pipelines.

The Company has started work on 232 km of 36-inch diameter transmission line through the difficult rock terrain of northern Ontario. This contract work will complete two sections of TransCanada's North Bay-Ottawa short-cut project and at peak construction will employ more than one thousand workers. The completion of the contract is anticipated in late 1982.

Activity in the pipeline industry should continue at a high level throughout the coming year with close to full utilization for big-inch contractors. Pipeline projects planned for 1982-83 include further large-diameter looping projects of existing systems, and a start on the new oil transmission line from Norman Wells, North West Territories, to northern Alberta.

South Eastern Pipeline Construction

During the 1982 fiscal year, small-inch contracting opportunities were reduced considerably. However, the Company's revenues were maintained despite the 30% drop in industry activity from the previous season. Gross revenues for the current fiscal year were $1.8 million compared to $2.2 million in the previous year.

During the past year, South Eastern completed 210 km of 3-inch to 12-inch gathering systems. The division is not expected to show much improvement during fiscal 1983 as restrictions on natural gas exports and a curtailment of contract deliveries is inhibiting sustained activity in the small-inch pipeline sector.

CONTRACT DRILLING

Cactus Drilling

Cactus Drilling operated 4,824 days during the 12 months ended March 31, 1982, a decrease of 38% from the previous year. Revenues have declined by approximately 36%, while operating earnings have declined 72% from the corresponding 1981 period. The reduction in operating earnings is attributable to the transfer of three drilling rigs to Cardinal Drilling, the reduction in Canadian rig activity and the competitive nature of the drilling industry.

Brooks Field Service

Rig activity for the Brooks Field Service's 17 service rigs and two coiled tubing units has decreased approximately 25% compared with the last fiscal year. This decrease in activity is a direct result of the poor markets for both oil and natural gas. Service rig activity is expected to increase substantially during the summer months as a result of the Alberta Government's subsidy for well workover programs.

Cardinal Drilling

Cardinal Drilling, Ocelot's United States drilling subsidiary, operated 5,802 days during the 1982 fiscal year, an increase of 34% over 1981. Revenues have increased by 63% and operating earnings by 71% from the corresponding 1981 period. The increase in operating earnings is attributable to a strong demand for drilling rigs and the transfer of three rigs from Cactus Drilling. Revenues for the 1983 fiscal year are expected to be similar to that of the current year.

OIL

O. J. Pipelines, Saskatchewan River Crossing, Southern Alberta

Cactus Drilling Rig #26, Sundre Area, Alberta

O. J. Pipelines 48″ TransCanada Loop

OILFIELD SUPPLY

Wilson Oilfield Supply

The 1982 fiscal year has been a difficult period for Wilson Oilfield Supply. Gross revenues were $81.7 million compared with $110.0 million for 1981.

While activity in the supply industry is down, Wilson has a compressor products division at Nisku, Alberta which packages and sells small to medium-sized compressor units. Demand for the compressor products has been very strong and at year end the Nisku facility was working at nearly full capacity. This improving trend is expected to continue throughout the year.

Karst Enterprises

Karst Enterprises Incorporated is the Company's wholly-owned United States oilfield supply subsidiary. Karst began the year very strongly, but weakening of the markets in late 1981 reduced the anticipated revenues. Gross revenues were $55.6 million for fiscal 1982 compared to $45.7 million for 1981. Inventories are high. However, recovery is expected to start much sooner and to be more noticeable than in the Canadian market.

Faster Oil Tools (International)

Effective October 1, 1981 Ocelot acquired Faster Oilfield Services Limited. The name was later changed to Faster Oil Tools (International). Gross revenues for the six-month period ended March 31, 1982 were $8.6 million.

Faster Oil Tools manufactures and repairs drill collars, stabilization equipment, reamer bodies and associated components. The Company is established as a major Canadian manufacturer of downhole drilling tools for both domestic and international markets.

Lowe Valve

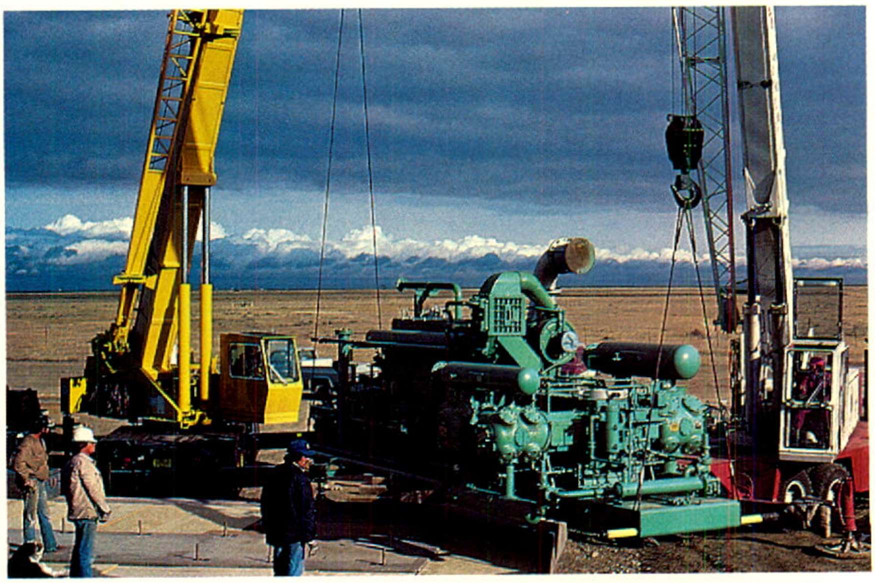
Ocelot is the majority shareholder (70%) in Lowe Valve Ltd., a newly-formed company that will begin manufacturing industrial valves by July 1982.

The newly patented valve will offer several significant advantages to the refining, petrochemical and related energy industries. Lowe's Toronto plant is being equipped to manufacture valves in sizes from one-half inch to two inches for the North American market. The Company plans to broaden the size range and market penetration of its products.

HELICOPTER SERVICES

Ocelot offers helicopter contracting services through its wholly-owned subsidiary Air Switch Ltd. of Medicine Hat. Air Switch operates two Aerospatiale ASTAR 350D helicopters. Revenue hours have increased 40% over the 1981 fiscal period. Charter activities include pipelining, drilling rig and well site supervision, aerial photography, air ambulance, wild animal surveys, forestry surveys and fire fighting.

Helicopter Services



Installation of Compressor, Wilson Oilfield Supply

METRIC CONVERSIONS

Ocelot has adopted the International System of Units (SI) in accordance with the Canadian government policy. For convenience and comparability to other annual reports, oil and gas measurements in this report are stated in traditional units. In order to facilitate conversion from these traditional units to the SI units, listed below are the ratios between SI units and traditional units as specified by the Canadian Petroleum Industry Metric Practice Guide.

Imperial Equivalent Units

1 cubic metre of oil and pentanes plus (101.325 kilopascals and 15° Celsius)	=	6.292 87 barrels (35 imperial gallons)
1 cubic metre of natural gas (101.325 kilopascals and 15° Celsius)	=	35.493 73 cubic feet (14.65 psia and 60° Fahrenheit)
1 cubic metre of ethane (equilibrium pressure and 15° Celsius)	=	6.330 08 Canadian barrels of ethane (equilibrium pressure and 60° Fahrenheit)
	=	9.984 thousand cubic feet of ethane gas (14.54 psia and 60° Fahrenheit)
1 cubic metre of butanes (equilibrium pressure and 15° Celsius)	=	6.296 8 Canadian barrels of butanes (equilibrium pressure and 60° Fahrenheit)
1 cubic metre of propane (equilibrium pressure and 15° Celsius)	=	6.300 0 Canadian barrels of propane (equilibrium pressure and 60° Fahrenheit)
1 tonne	=	0.984 206 long tons (2240 pounds)
	=	1.102 311 short tons (2000 pounds)
1 kilojoule	=	0.948 213 British thermal units (Btu)
1 metre	=	3.280 84 feet

Metric Prefixes

Prefix	Multiple	Symbol
kilo-	10^3	k
mega-	10^6	M
giga-	10^9	G
tera-	10^{12}	T

SHARES OF THE COMPANY

At March 31, 1982, there were 2,550 registered shareholders of whom 286 held Class A shares ("A") and 1,954 held Class B shares ("B"). Each Class A common share carries twenty votes and each Class B share carries one vote. Ninety percent of the total outstanding shares were Canadian owned. The weighted average number of A and B common shares outstanding during the reporting year was 13.4 million, up from 13.2 million in 1981, and there were 13.5 million outstanding at March 31, 1982. The table opposite shows the high and low sales prices of the A and B common shares as reported by the Toronto Stock Exchange for each quarterly period during the 1981 calendar year and to May 31, 1982.

1981	**A**		**B**	
	High	**Low**	**High**	**Low**
First Quarter	38	30	37⅞	30⅛
Second Quarter	69	35	69	34
Third Quarter	61½	33½	62	28½
Fourth Quarter	38	29	39	27
1982				
First Quarter	35	15½	36	14½
April - May	18½	13	18½	13

Cash Flow and Earnings

Funds generated from operations during the year ended March 31, 1982 were $44.9 million compared to $73.6 million in 1981, a decrease of $28.7 million. The cash flow per share was $3.35 compared to $5.57 in 1981.

Consolidated net earnings for the year ended March 31, 1982 were $4.3 million compared to $27.6 million for the prior year (See Note 1 to the Financial Statements for details of the retroactive adjustment). The Company's per share earnings were $0.32 compared to $2.09 in 1981.

The decrease in earnings and in cash flow was primarily due to an extremely depressed oil and gas industry in Canada and very high interest rates. In spite of these negative influences the Company was able to generate substantial earnings in the petroleum industry, services and supplies segment, primarily in the pipeline construction and U.S. drilling subsidiaries.

Revenues

Operating revenues for the year ended March 31, 1982 were $424.4 million compared to $343.0 million in the prior year, an increase of 23.7%. Revenue generated from the pipeline construction unit increased $97.2 million whereas revenue from other units decreased by $15.2 million. Revenue from oil and gas sales remained virtually constant between 1981 and 1982. The volume of natural gas production was down approximately 10% whereas oil and condensate production was up 68% in 1982 as compared to 1981.

Capital Expenditures

The Company continued to significantly increase its asset base by acquiring fixed assets totalling $344.0 million during the year ended March 31, 1982, and for the first time in its history total assets exceeded one billion dollars.

The major components of these fixed asset expenditures were: increased investment in petroleum and natural gas rights together with development and exploration drilling and equipment thereon for $100.8 million ($119.9 million in 1981); costs incurred in construction of a Methanol Plant and related facilities in Kitimat, British Columbia for $184.7 million ($46.4 million in 1981); the upgrading, construction and purchase of drilling and service rigs for $21.9 million ($24.0 million in 1981); mining expenditures for $9.0 million ($7.9 million in 1981); and the purchase of pipeline construction equipment for $14.1 million ($6.7 million in 1981).

Financial Position

The Company's working capital was $10.6 million at March 31, 1982; an increase of $29.7 million over the $19.1 million deficiency as at March 31, 1981. Accounts receivable and inventories increased substantially over the prior year as a result of increased operations and the Company had a build-up of inventories in its supply division.

The fixed asset additions were basically financed through long-term debt borrowings. Long term indebtedness increased from $308.3 million as at the beginning of the year to $635.7 million as at March 31, 1982 after deducting repayments made during the year.

As referred to in last year's annual report, the Company has considered various financing alternatives, however market conditions during the past year have not been conducive to appropriate equity or debt issues. The Company is continuing to pursue a number of financing alternatives including fixed rate private placements to fund existing bank indebtedness and joint venture arrangements to provide capital for current exploration and development programs.

CORPORATE INFORMATION

HEAD OFFICE:

#900, 333 - Fifth Avenue, S.W.
Calgary, Alberta T2P 3B6
Telephone (403) 261-2000

BANKERS:

The Royal Bank of Canada
Calgary, Alberta
The Canadian Imperial Bank of Commerce
Calgary, Alberta

REGISTRAR AND TRANSFER AGENTS:

National Trust Company Limited
Toronto, Montreal, Calgary and Vancouver and through its agent Canada Permanent Trust Co. at Regina

STOCK EXCHANGES:

Alberta Stock Exchange
Montreal Stock Exchange
Toronto Stock Exchange

AUDITORS:

Thorne Riddell
Chartered Accountants
Calgary, Alberta

DIRECTORS:

W. J. Bushnell*
B. R. Cheeseman*
R. O. Fisher
N. M. Hannon*
J. V. Lyons
Dr. G. C. Solomon*
*Member of the Audit Committee

OFFICERS AND KEY PERSONNEL:

J. V. Lyons — Chairman & Chief Executive Officer
R. O. Fisher — President & Chief Operating Officer
K. M. Guise — Vice President, Land and International Operations
D. J. McKinnon — Vice President, Production and Corporate Development
J. E. Torrie — Vice President, Exploration
B. W. Wilson — Vice President, Finance & Administration
M. I. Erickson — Assistant Vice President, Finance
R. J. Russell — Secretary and Counsel
W. R. Kelsay — President, Lynx Energy Services Ltd.
I. L. Levorson — President, Ocelot Oil Corp. (U.S. Operations)
J. A. Brownlee — General Manager, Manufacturing
D. A. Cutts — General Manager, Administration

SUBSIDIARIES & DIVISIONS:

OIL Resources, Inc. (U.S.A.)
Ocelot Oil Corp. (U.S.A.)
Ocelot Chemical Corp. (U.S.A.)
Ocelot Sudan Exploration Corporation (U.S.A.)
Oil City Resources Ltd.
Ocelot Senegal Petroleum Ltd.
Ocelot Industries de France Ltée
Ocelot International Pty. Ltd. (Australia)
* Lynx Energy Services Ltd.
- Air Switch Ltd.
- Brooks Field Service
- Cactus Drilling
- Cardinal Drilling Company (U.S.A.)
- Faster Oil Tools (International)
- Karst Enterprises Incorporated (U.S.A.)
- Lowe Valve Ltd. (70%)
- O. J. Pipelines Ltd. (70%)
- South Eastern Pipeline Construction
- Wilson Oilfield Supply

* Petroleum Industry Services and Supplies Group

The Logo "OIL", Ocelot's registered trademark, was first used in 1973. Later, upon going public the company received approval to use the logo as a Stock Ticker Symbol.

"OIL" was designed to identify the original operating areas of Ocelot. The 'O' relates to storage tanks commonly seen in refineries. The 'I' denotes a drilling or service rig and the 'L' symbolizes the pipelining sector.

OCELOT INDUSTRIES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1982

OCELOT INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 1982
(Thousands of dollars)

ASSETS

	1982	1981 (note 1)
CURRENT ASSETS		
Accounts receivable	$ 98,507	$ 74,423
Inventories, at lower of cost and net realizable value	75,717	26,730
Prepaid expenses	1,058	888
	175,282	102,041
PROPERTY, PLANT AND EQUIPMENT, at cost (note 2)	921,150	574,247
Accumulated depletion and depreciation	(88,351)	(59,699)
	832,799	514,548
OTHER ASSETS	12,745	7,380
	$1,020,826	$623,969

Approved by the Board:

J V Lyons Director

R Fisher Director

LIABILITIES

	1982	1981 (note 1)
CURRENT LIABILITIES		
Bank indebtedness, secured	$ 50,030	$ 37,288
Accounts payable and accrued liabilities	92,233	60,949
Income taxes payable	1,741	—
Deferred income taxes	3,360	—
Current maturities on long-term debt	17,273	22,911
	164,637	121,148
DEFERRED REVENUE	22,347	13,790
LONG-TERM DEBT (note 3)	635,679	308,266
DEFERRED INCOME TAXES	69,079	62,401
MINORITY INTEREST	3,963	—
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 4)		
Authorized		
4,000,000 Cumulative, redeemable, preferred shares at $25 par value		
7,500,000 Class A common shares of no par value		
25,000,000 Class B common shares of no par value		
Issued		
3,686,435 (1981 — 3,789,966) Class A shares	6,885	7,079
9,844,156 (1981 — 9,442,689) Class B shares	41,538	32,250
RETAINED EARNINGS	76,698	79,035
	125,121	118,364
	$1,020,826	$623,969

OCELOT INDUSTRIES LTD.

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED MARCH 31, 1982

(Thousands of dollars)

	1982	1981 (note 1)
REVENUE		
Operating (note 5)	$424,385	$343,057
COSTS AND EXPENSES		
Cost of sales and operating expenses	303,476	231,646
Depletion and depreciation	31,718	24,302
	335,194	255,948
EARNINGS FROM OPERATIONS BEFORE UNDERNOTED ITEMS (note 5)	89,191	87,109
Interest and other income	(4,083)	(973)
Interest on long-term debt	63,785	34,738
Other interest	7,861	2,714
	67,563	36,479
EARNINGS BEFORE INCOME AND OTHER TAXES AND MINORITY INTEREST	21,628	50,630
INCOME AND OTHER TAXES (note 6)		
Current	1,759	284
Deferred	9,019	21,626
Alberta royalty tax credit	(2,750)	(1,000)
Petroleum and gas revenue tax	5,543	2,122
	13,571	23,032
EARNINGS BEFORE MINORITY INTEREST	8,057	27,598
MINORITY INTEREST	3,749	—
NET EARNINGS	$ 4,308	$ 27,598
PER SHARE		
Weighted average number of Class A and Class B shares outstanding during the year	13,388,104	13,208,194
Earnings per Class A and Class B share	$0.32	$2.09

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED MARCH 31, 1982

(Thousands of dollars)

	1982	1981
BALANCE AT BEGINNING OF YEAR		
As previously reported	$79,262	$58,131
Adjustment for change in the method of accounting for natural gas and petroleum operations (note 1)	(227)	(93)
As restated	79,035	58,038
Net earnings	4,308	27,598
	83,343	85,636
Dividends	(6,645)	(6,601)
BALANCE AT END OF YEAR	$76,698	$79,035

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED MARCH 31, 1982

(Thousands of dollars)

	1982	1981
WORKING CAPITAL WAS DERIVED FROM		
Operations	$ 44,856	$ 73,622
Issue of shares — for cash	1,192	570
— for acquired subsidiary	4,950	—
Long-term debt	330,357	163,600
Sale of property, plant and equipment	2,697	1,984
Deferred revenue	8,557	7,062
	392,609	246,838
WORKING CAPITAL WAS APPLIED TO		
Property, plant and equipment	344,019	212,247
Long-term debt	7,272	24,753
Dividends	3,693	6,601
Other	4,076	4,825
Acquisition of net assets of purchased subsidiaries	3,797	—
	362,857	248,426
INCREASE (DECREASE) IN WORKING CAPITAL POSITION	29,752	(1,588)
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	(19,107)	(17,519)
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	$ 10,645	$ (19,107)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1982

(Tabular amounts shown in thousands of dollars)

Summary of Significant Accounting Policies

(a) 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 O.J. Pipelines Ltd., in which the Company has a 70% 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 goodwill, as appropriate, and is subject to the accounting policies outlined below.

(b) Natural Gas and Petroleum Operations

The Company follows the full-cost method of accounting for natural gas and petroleum operations whereby all costs of exploration for and development of gas and oil reserves are capitalized by cost centre. 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 activities. Costs of acquiring and evaluating significant unproven properties are excluded from capitalized costs to be depleted until it is determined whether or not proven reserves are attributable to the properties or impairment in value has occurred. The costs are accumulated in cost centres as follows:

(i) North America — Canada and the United States.

(ii) Other areas — a separate cost centre for each foreign area in which the Company is engaged in exploration activities.

Costs accumulated in the North America cost centre are depleted using the unit of production method based on estimated recoverable reserves of gas and oil, as determined by Company engineers and substantiated periodically by independent engineers.

Costs in other areas are amortized on a straight-line basis over varying periods. Under this policy, should exploration in a particular area prove successful, the amortization of costs in that area is temporarily suspended until commercial production commences. The unamortized balance is then depleted on the unit of production basis. Should the area prove to be unproductive, the unamortized balance in that cost centre will be written off to earnings.

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

(c) Mining Operations

Costs relating to mineral exploration are capitalized, and will be depleted based upon production from related mineral reserves as and when discovered, or charged to earnings if exploration is determined to be unsuccessful.

(d) Methanol Plant Under Construction

All costs relating to the construction of a methanol plant are capitalized, and will be depreciated on a straight-line basis at a rate which is designed to write this asset off over its estimated useful life.

(e) Capitalization of Interest Costs

The costs of major development projects (such as the construction of a methanol plant and the development of a gold mine) include interest and other financing charges on funds specifically borrowed to finance such projects. Such charges are capitalized (1982 — $22,519,000; 1981 — $3,464,000) and will be depreciated against production revenues on a basis similar to other development costs.

(f) 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.

(g) Depreciation

Depreciation of production equipment is provided on a unit of production basis based upon estimated recoverable reserves of gas and oil within a project area.

Depreciation on 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

(h) Revenue Recognition

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

(i) Foreign Currency Translation

Current assets and current liabilities are translated to Canadian dollars using the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the rate in effect at the time the original transactions took place. Revenue and expenses (excluding depletion and depreciation which are translated at the rate of exchange applicable to the related asset) are translated using average rates of exchange throughout the year.

(j) Pension Plan

Effective January 1, 1982, the Company and certain subsidiaries implemented a non-contributory, benefit-based pension plan 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 over a fifteen year period.

(k) Reclassification of 1981 Accounts

Certain of the 1981 accounts were reclassified to conform to the presentation adopted for the 1982 financial statements.

Note 1 Change in the Method of Accounting for Natural Gas and Petroleum Operations.

Prior to April 1, 1981, the Company accumulated costs related to the exploration for and development of gas and oil reserves on a country-by-country basis. Such costs were depleted by the unit of production method based on estimated recoverable reserves of gas and oil, as determined by Company engineers, in each country.

During the 1981 calendar year, the Company significantly expanded its natural gas and petroleum operations in the United States. This expansion was achieved principally through an extension and redeployment of its Canadian operations and thus necessitated a combination of the two North American cost centres in order to appropriately reflect the consolidated operating results of the Company. Accordingly, effective April 1, 1981, the Company adopted the method of accounting described in the summary of significant accounting policies. This change in accounting had the effect of increasing net earnings for 1982 by $4,252,000 ($0.32 per Class A and Class B share). The 1981 accounts have been restated from those previously reported to give retroactive effect to this change in accounting and the effect was to reduce 1981 net earnings by $134,000 ($0.01 per Class A and Class B share). Retained earnings at April 1, 1980, have been charged with $93,000 being the cumulative effect of the change in accounting at that date.

Note 2 Property, Plant and Equipment

	1982			1981
	Cost	Accumulated Depletion and Depreciation	Net	Net
Natural gas, petroleum and mineral leases and rights together with exploration, development and equipment thereon	$516,219	$54,242	$461,977	$370,418
Contract drilling equipment	101,394	21,391	80,003	66,025
Methanol plant under construction	232,217	—	232,217	46,750
Pipeline construction equipment	27,281	4,141	23,140	11,321
Land, buildings and other equipment	44,039	8,577	35,462	20,034
	$921,150	$88,351	$832,799	$514,548

Note 3 Long-Term Debt

	1982	1981
Canadian dollar bank loans (a)	$500,950	$206,903
U.S. dollar bank loans (b) (1982 — $33,000,000 U.S.; 1981 — $9,200,000 U.S.)	39,847	10,805
9½% Senior Secured Notes due March 31, 1998 (c) (1982 — $52,637,500 U.S.; 1981 — $55,025,000 U.S.)	61,344	65,113
10½% Senior Secured Notes due March 31, 1998 (c)	11,370	12,080
10% Note payable in equal annual installments of $3,000,000 U.S. (1982 — $12,000,000 U.S.; 1981 — $15,000,000 U.S.)	14,087	17,602
Accrued charges on methanol plant, gold mine and equipment purchases to be paid from additional bank borrowings	12,610	14,381
Other	12,744	4,293
	652,952	331,177
Less current maturities included in current liabilities	17,273	22,911
	$635,679	$308,266

(a) The Canadian dollar bank loans are evidenced by demand promissory notes and bear interest at ½%, ¾% and 1% above bank prime rate. The loans are secured by the Company's interest in certain petroleum and natural gas properties, a general assignment of accounts receivable, fixed and floating charge debentures on certain contract drilling and service rigs, inventories and the methanol plant and a take or pay contract for the sale of methanol. The loans are repayable from future production, contract drilling revenues and methanol sales.

(b) The U.S. dollar loans are evidenced by demand promissory notes, bearing interest at 1% above a certain U.S. bank prime rate and are secured by a floating charge debenture on certain contract drilling rigs and related equipment and certain producing petroleum and natural gas properties. $25,000,000 (U.S.) of the loans is repayable in quarterly installments of $625,000 (U.S.). The remaining $8,000,000 (U.S.) is repayable in quarterly installments of $250,000 (U.S.) commencing April 1, 1983.

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

The U.S. dollar debt is carried in the financial statements in Canadian dollars based on the exchange rate in effect at the date the funds were borrowed. Had the loans been translated at the rate in effect at the balance sheet date, the carrying value in Canadian dollars would have increased by $4,968,000 at March 31, 1982.

The estimated amount of long-term debt maturities for the five years subsequent to 1982 are as follows: 1983 — $17,273,000; 1984 — $63,108,000; 1985 — $63,087,000; 1986 — $66,227,000 and 1987 — $59,311,000.

Note 4 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) 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, March 31, 1981	3,789,966	9,442,689	$7,079	$32,250
Issued on exercise of employee stock options	—	63,050	—	1,192
Conversion of shares	(103,531)	103,531	(194)	194
Issued as consideration in acquisition of subsidiary	—	150,000	—	4,950
Issued in satisfaction of dividends	—	84,886	—	2,952
Balance, March 31, 1982	3,686,435	9,844,156	$6,885	$41,538

(c) As of March 31, 1982, there were 488,900 Class B shares of the Company reserved for exercise of employee stock options to 1988 at prices ranging from $9.90 to $35.10 per share as follows:

Outstanding at March 31, 1981	344,550
Granted at $23.40 to $35.10 per share	224,000
Exercised at $9.90 to $29.70 per share	(63,050)
Cancelled	(16,600)
Outstanding at March 31, 1982	488,900

All options were granted under employee stock option plans and at March 31, 1982, 197,600 Class B shares were reserved for future options which may be granted under these plans.

Note 5 Segmented Information

The Company's 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	Eliminations (ii)	Total
Revenue					
1982	$ 73,195(i)	$366,402		$(15,212)	$ 424,385
1981	$ 73,812(i)	$279,763		$(10,518)	$ 343,057
Earnings from operations					
1982	$ 38,170	$ 51,711		$ (690)	$ 89,191
1981	$ 46,752	$ 41,482		$ (1,125)	$ 87,109
Total assets					
1982	$463,277	$325,332	$232,217		$1,020,826
1981	$391,733	$185,486	$ 46,750		$ 623,969
Capital expenditures					
1982	$116,527	$ 42,835	$184,657		$ 344,019
1981	$127,779	$ 38,109	$ 46,359		$ 212,247
Provisions for depletion and depreciation					
1982	$ 18,671	$ 13,047			$ 31,718
1981	$ 14,063	$ 10,239			$ 24,302

Geographic Segments

	Canada	United States	Other Foreign	Eliminations (ii)	Total
Revenue					
1982	$316,749	$112,124		$(4,488)	$ 424,385
1981	$262,796	$ 80,546		$ (285)	$ 343,057
Earnings from operations					
1982	$ 78,104	$ 10,014		$ 1,073	$ 89,191
1981	$ 74,056	$ 13,053			$ 87,109
Total assets					
1982	$797,858	$211,295	$11,673		$1,020,826
1981	$507,414	$113,900	$ 2,655		$ 623,969

(i) Natural gas and petroleum revenue is net of royalties of $25,962,000 in 1982 and $26,279,000 in 1981.

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

Note 6 Income Taxes

Income tax expense differs from the amounts which would be obtained by applying the Canadian basic federal income tax rate to the respective years' earnings before income and other taxes and minority interest. These differences result from the following items:

	1982		1981	
	Amount	Percentage of Pretax Earnings	Amount	Percentage of Pretax Earnings
Computed "expected" tax expense	$ 9,949	46.0%	$23,290	46.0%
Royalties and other payments to federal and provincial governments	6,343	29.3	6,237	12.3
Other non-deductible costs	915	4.2	2,351	4.7
Depletion allowances on Canadian oil and gas production income	—	—	(2,613)	(5.2)
Federal resource allowance	(7,537)	(34.8)	(7,929)	(15.6)
Provincial income taxes less federal abatements	1,108	5.1	1,016	2.0
Federal investment tax credit (i)	—	—	(442)	(0.9)
Refund of taxes under provincial incentive plans	(2,750)	(12.7)	(1,000)	(2.0)
Actual income tax expense — current and deferred	8,028	37.1	20,910	41.3
Petroleum and gas revenue tax	5,543	25.6	2,122	4.2
Total actual tax expense	$13,571	62.7%	$23,032	45.5%

(i) The Company estimates that it has earned investment tax credits of $23,739,000 at March 31, 1982 which have not been recognized in the accounts. These credits may be applied in future years to reduce federal taxes otherwise payable and are subject to final determination by the taxation authorities.

Note 7 Commitments

(a) Methanol Plant Under Construction

(i) The Company is committed to complete the construction of a methanol plant which, together with related facilities, is estimated to cost a total of $309 million, of which $232 million was expended to March 31, 1982. Long-term financing has been arranged for this project.

(ii) The Company has entered into a long-term contract for the purchase of natural gas to be used as feedstock for its methanol plant currently under construction. The contract provides for the Company to take or pay for the natural gas made available to it commencing May 1, 1982 in the approximate amount of $2.3 million per month until October 31, 1982; $3.0 million per month until December 31, 1983; $3.35 million per month until December 31, 1984; and $3.7 million per month until December 31, 1985. The Company continues to be committed to take or pay after December 31, 1985, however, the price is determinable by formula and is subject to negotiation. Furthermore, the Company has the right in 1986 to reduce the volume of natural gas subject to take or pay.

(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:

1983	$ 4,198
1984	4,145
1985	3,759
1986	2,998
1987	2,605
Thereafter	8,262
	$25,967

Note 8 Statutory Information

During the year, directors and senior officers (including the five highest paid employees) of the Company received remuneration of $1,814,000 of which $28,350 was paid as directors' fees.

Note 9 Pension Plan

For the year ended March 31, 1982, the cost of the new pension plan, including contributions in respect of unfunded past service benefits, was $227,000. Based on the most recent actuarial evaluation, the Company's pension plan had an unfunded past service obligation of $1,211,000 at January 1, 1982. This obligation is being funded in accordance with government legislation over a fifteen year period.

Auditors' Report

To the Shareholders of
Ocelot Industries Ltd.

We have examined the consolidated balance sheet of Ocelot Industries Ltd. as at March 31, 1982 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 March 31, 1982 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 1, on a basis consistent with that of the preceding year.

Thorne Riddell

Chartered Accountants

Calgary, Canada
June 11, 1982

Ocelot encourages and supports
the 1982 Canadian Mount Everest Expedition
sponsored by Air Canada.

OCELOT INDUSTRIES LTD.
ANNUAL REPORT 1982

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PRINTED IN CANADA