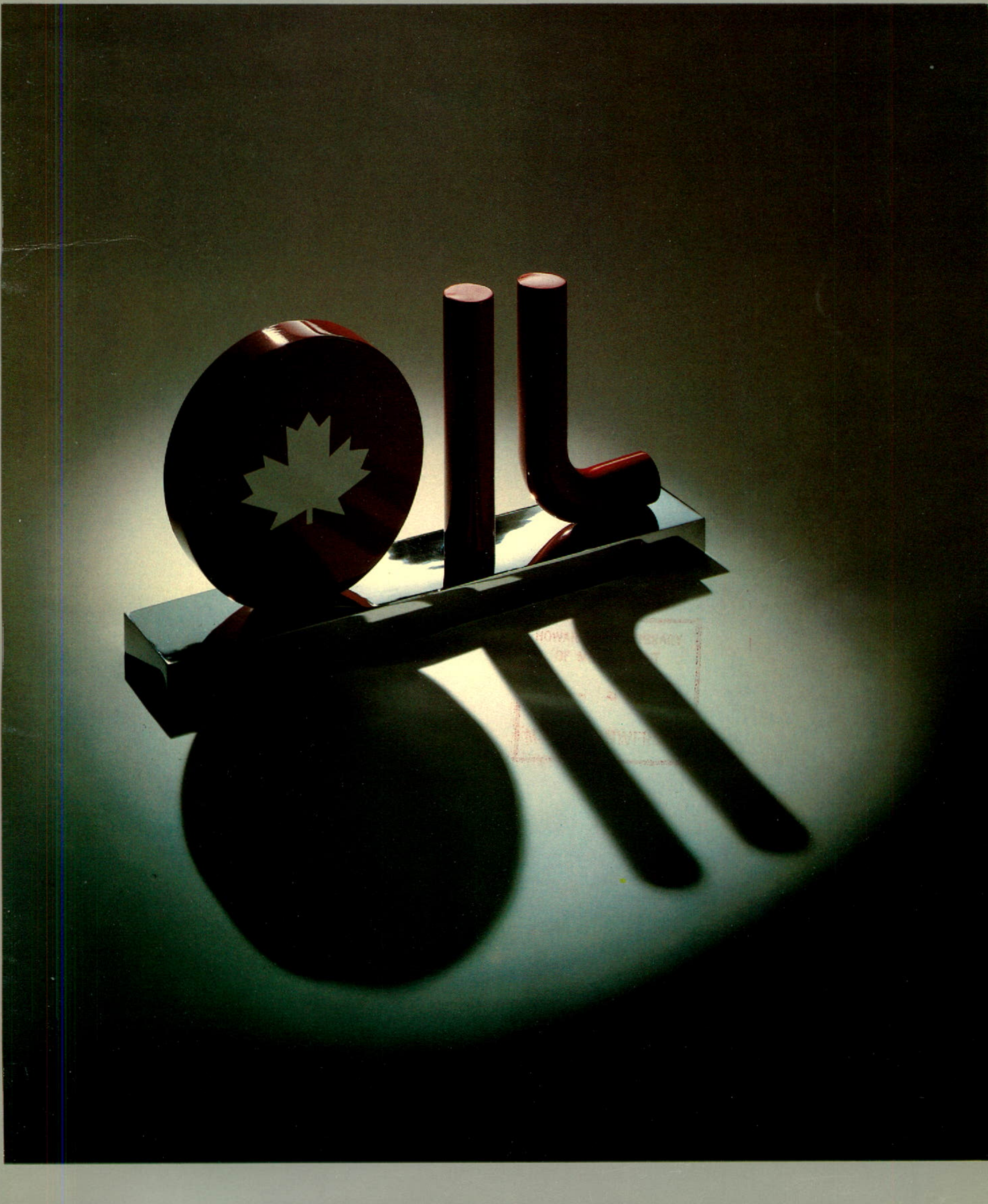
Ocelot Industries Ltd. Annual Report 1981



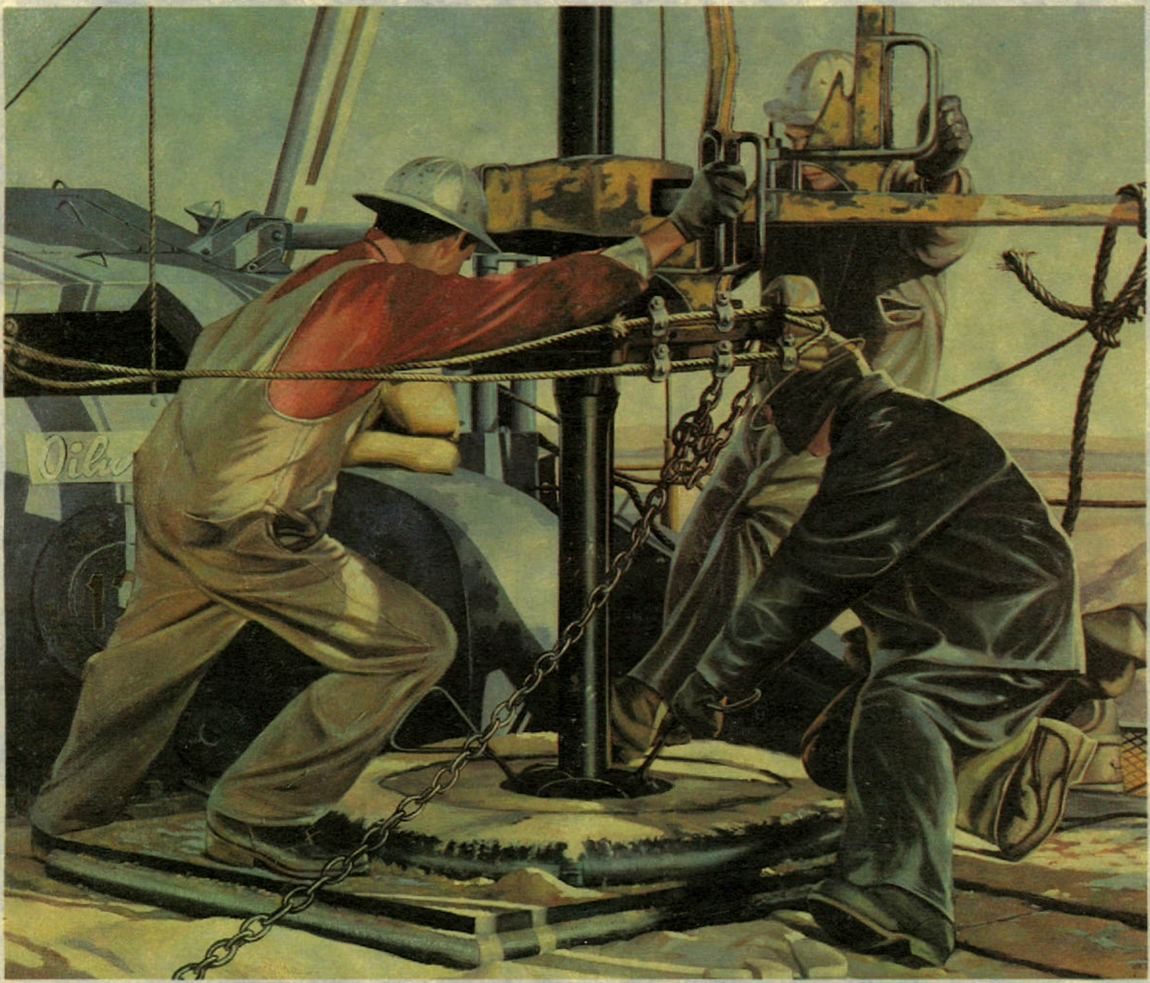
Contents

Shareholders' Meeting

The Annual Meeting of the Shareholders will be held in the Ballroom of the Holiday Inn, downtown, 8th Avenue and 6th Street S.W., Calgary, Alberta at 10:00 a.m. on Monday, September 21, 1981.

Drillers on Site

Painted by Calgary Artist George Horvath



Financial and Operating Summary

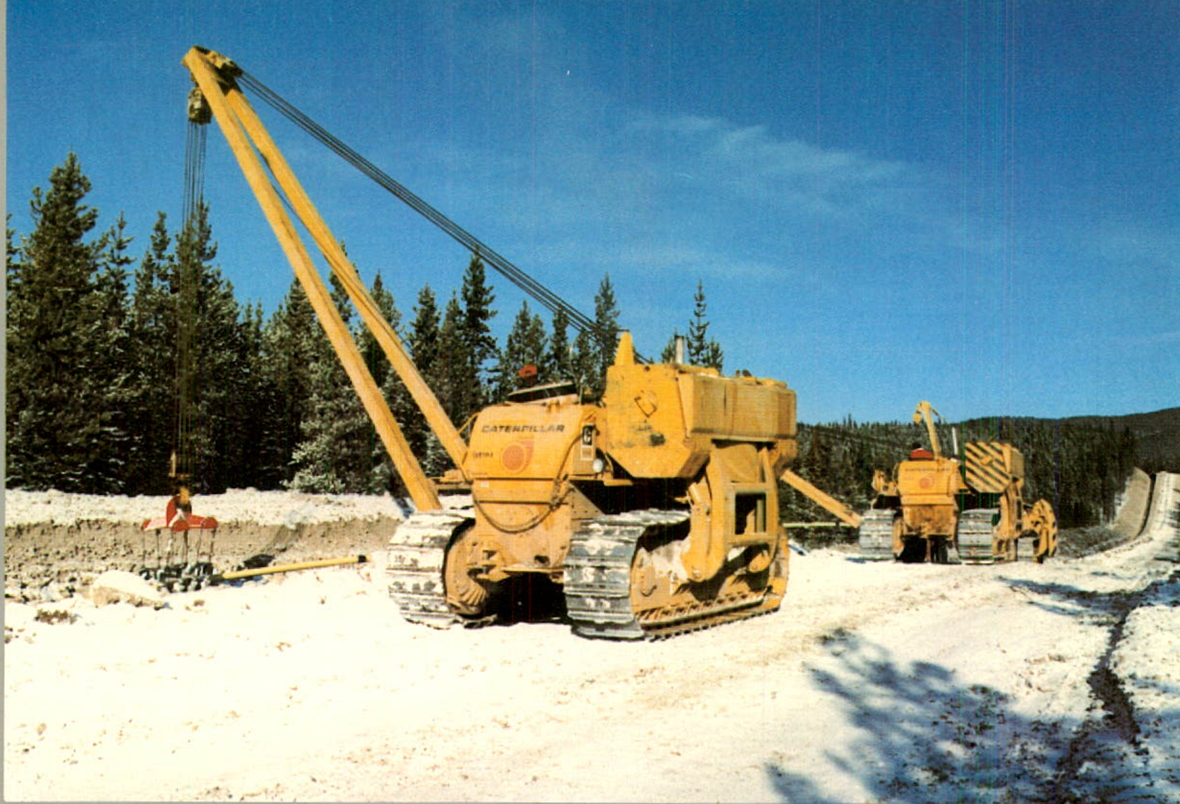
Financial In thousands except per share amounts

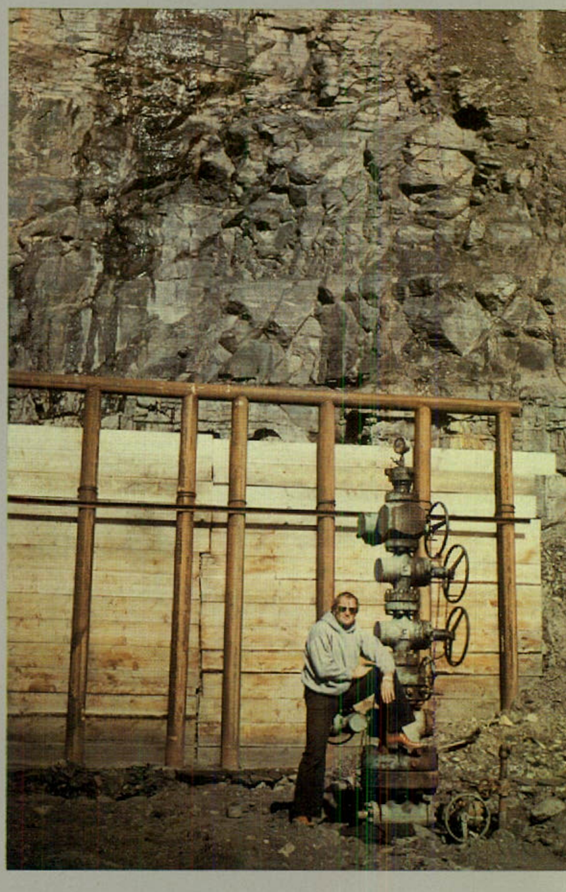
	1981	1980	1979	1978
REVENUE				
a) Oil and Gas Sales	$ 73,812	$ 52,650	$ 37,992	$ 30,456
b) Petroleum Industry Services and Supplies	269,245	181,666	98,502	40,426
	$343,057	$234,316	$136,494	$ 70,882
CASH FLOW FROM OPERATIONS	$ 73,622	$ 53,841	$ 36,441	$ 26,429
Per Share	$ 5.57	$ 4.10	$ 2.68	$ 1.93
NET EARNINGS	$ 27,732	$ 25,366	$ 17,005	$ 14,232
Per Share	$ 2.10	$ 1.93	$ 1.25	$ 1.04
CAPITAL EXPENDITURES				
a) Development, Plant and Equipment	$ 82,251	$ 62,818	$ 37,667	$ 23,507
b) Exploration and Land	83,637	46,683	30,886	15,005
c) Methanol Plant under Construction	46,359	391	—	—
d) Corporate Acquisitions	—	—	8,793	16,305
	$212,247	$109,892	$ 77,346	$ 54,817
CROWN ROYALTIES & MINERAL TAXES	$ 13,073	$ 9,411	$ 7,581	$ 5,551
LONG-TERM DEBT	$308,266	$169,419	$137,376	$ 64,321

Operating

	1981	1980	1979	1978
NATURAL GAS PRODUCTION				
Millions of cubic feet	38,091	34,847	31,840	28,430
Millions of cubic feet per day	104	95	87	78
OIL AND CONDENSATE PRODUCTION				
Barrels	291,475	300,876	202,500	174,485
Barrels per day	799	824	555	478
PRODUCTIVE WELLS OWNED				
Gross	2,796	2,330	1,783	1,390
Net	1,860	1,599	1,252	975
PETROLEUM & NATURAL GAS RIGHTS (000 acres)				
Gross	6,520	3,684	2,836	2,424
Net	2,686	1,562	1,422	1,242
NUMBER OF DRILLING AND SERVICE RIGS	61	51	32	30
NUMBER OF EMPLOYEES	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 34 for the applicable metric conversion factors.





Clockwise from top:
O.J. Pipelines
Wellhead, Bullmoose c-20-L
Peco Plant Construction
Loading Pipe, Western Australia

To the Shareholders

Ocelot's Canadian operations during the 1980-81 fiscal year started out vigorously in our traditional areas of activity in Alberta and northeast British Columbia. The Company's initial activity was maintained despite the presence of negative factors such as the lack of markets for natural gas, inadequate oil and gas price netbacks, and the continued dispute over prices and revenue-sharing between the Federal and Provincial governments. However, following the introduction of the Federal government's National Energy Policy (NEP) in October 1980, Ocelot's Canadian exploration program was substantially reduced. The National Energy Policy's pronounced negative impact on earnings from oil and natural gas activities meant that a drastic reduction in Canadian oil and gas operations was necessary during the latter part of the 1980-81 fiscal year. This reduction may be even more pronounced during 1981-82, as the Company continues to emphasize exploration and development programs in the United States and elsewhere.

The Company's Canadian contract drilling division entered the 1980-81 year with good prospects, but as drilling commitments were completed activity was curtailed as a result of the NEP. The Company's response to this slowdown has been the re-location of two drilling rigs from Canada to the United States, with three more rigs to follow. The contract drilling operations were thus maintained at close to peak utilization for most of the year, resulting in gross operating revenues of $100.5 million compared to $74.0 million in 1979-80.

The oilfield equipment and supplies division is expected to generate lower revenues as a result of the NEP. However, this decrease may be offset by increased sales due to the expansion of the Wilson compressor packaging facility and the extremely buoyant market in the United States.

Activity in the big inch pipeline construction industry is increasing dramatically. O.J. Pipelines Ltd. has been awarded two major pipeline contracts in western Canada with construction taking place during the summer months.

Construction of the 1200 tonne per day world-scale methanol plant at Kitimat, British Columbia, is proceeding on schedule. The plant start-up is projected for mid 1982. Firm markets have been obtained for 37.5% of the product and the prospects for methanol sales appear encouraging over the next five years. The outlook for additional petrochemical projects also remains attractive.

In the United States, Ocelot has increased its land holdings by over one million acres. The Denver technical and administration staff has grown substantially, and a new operations office has been opened in Topeka, Kansas. At March 31, 1981, the total staff in the U.S. oil and gas division had increased to 99 from 3 last year. The Company is participating in exploration programs throughout most of the potential oil and gas basins in the United States and is conducting a major seismic reconnaissance and exploration drilling program in eastern Kansas.

Internationally, Ocelot is participating in exploration programs in Cameroon, West Africa, and in Western Australia. Both of these ventures have discovered major hydrocarbon reserves. In addition, Ocelot is negotiating for exploration and development contracts in Argentina, the Democratic Republic of Sudan, and in other areas with major oil and gas reserves potential.

1980-81 has been another year of growth which is reflected in the financial results. Net earnings were $27.7 million, a gain of 9% from $25.4 million in 1979-80, and on a per share basis amounted to $2.10 for 1980-81 compared to $1.93 last year. Funds generated from operations totalled $73.6 million, or $5.57 per share, an increase of 37% over $53.8 million or $4.10 per share for the previous year.

The strong and diversified cash flow, the presence of major undeveloped underlying assets and the vigor of an increasingly experienced management and employee team will enable Ocelot Industries Ltd. to continue to undertake exciting ventures in the future.

On Behalf of the Board of Directors,

J.V. Lyons
President

Calgary, Alberta
June 18, 1981

Clockwise from top:
Peco Gas Plant
Control Room
Overhead Piping
De-ethanizer
NGL Storage

Production and Reserves

During the 1980-81 fiscal year, gross revenues, net of royalties, from oil and natural gas production increased to $73.8 million from $52.7 million for 1979-80. This increase is attributable primarily to higher oil and gas prices, but also reflects increased gas sales.

Drilling

During the past year Ocelot drilled or participated in the drilling of 311 wells in Canada, resulting in 203 net wells to Ocelot: 182 gas wells, 12 oil wells, and 9 dry holes. As in previous years, the majority of these wells were drilled in the shallow gas area of southeast Alberta.

In the United States a total of 235 wells were drilled over the past year, resulting in 80 net wells to Ocelot: 68 oil wells, 2 gas wells and 10 dry holes. The majority of these wells were drilled in Kansas as shallow stripper oil development wells.

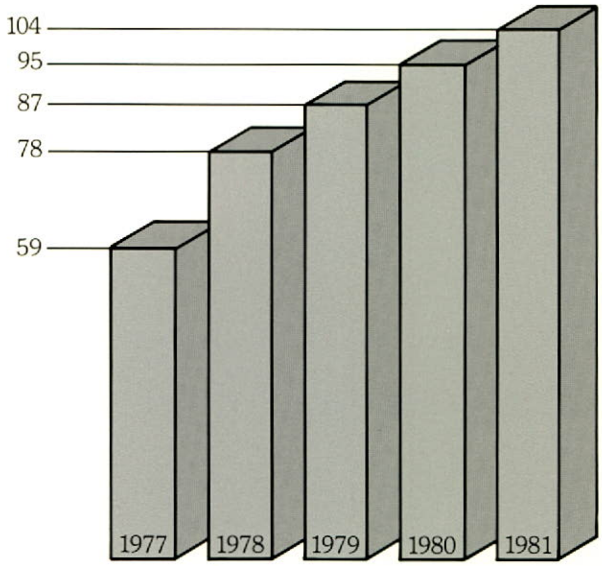
Gas and Liquids Production

In spite of the fact that Canadian gas production has not increased significantly over the past few years, Ocelot has been successful in enlarging its share of the market. For the year ended March 31, 1981, the Company's net daily gas production increased to 104 million cubic feet per day from 95 million cubic feet per day in the previous year. This favorable performance has been achieved primarily by additional drilling and gas sales contract increases in the shallow gas area of southeast Alberta.

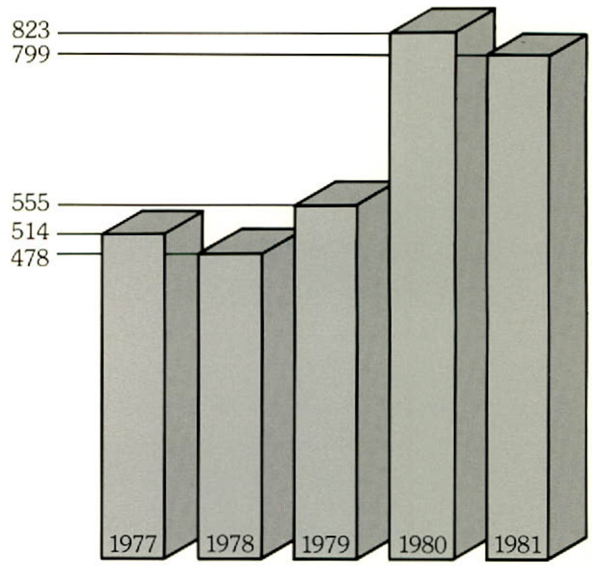
Peak day deliverability should increase during the coming year as a result of gas sales commencing from production in the Ferrybank area of Alberta, the new central gas plant at Peco, Alberta, and a projected contract increase in southeast Alberta.

Oil and gas liquids production for the year ended March 31, 1981 declined slightly from an average of 824 barrels per day to 799 barrels per day. This decrease is primarily attributable to the gas contract cut-back at Peco, which directly affects gas liquids production, and to reduced oil nominations in southeast Alberta.

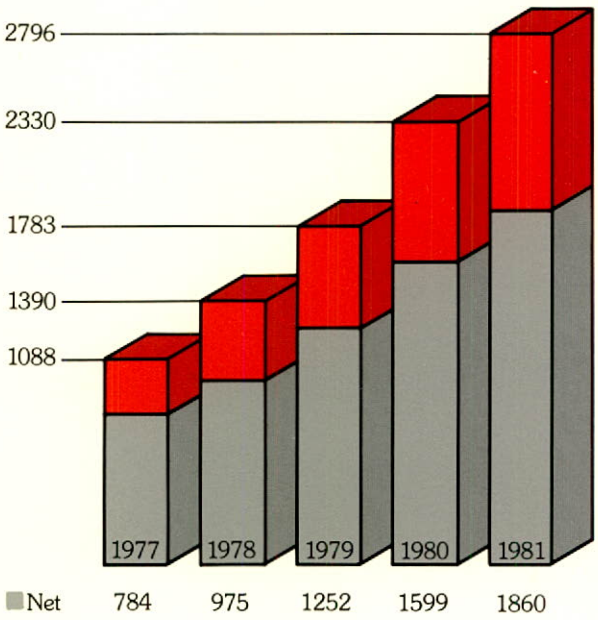
Gas Production
(millions of cubic feet per day)



Crude Oil and Natural Gas Liquids Production
(barrels per day)



Producing Wells
(Gross and Net)



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. No deductions have been made for any royalties.

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 consultants.

Proven Reserves
As of March 31, 1981

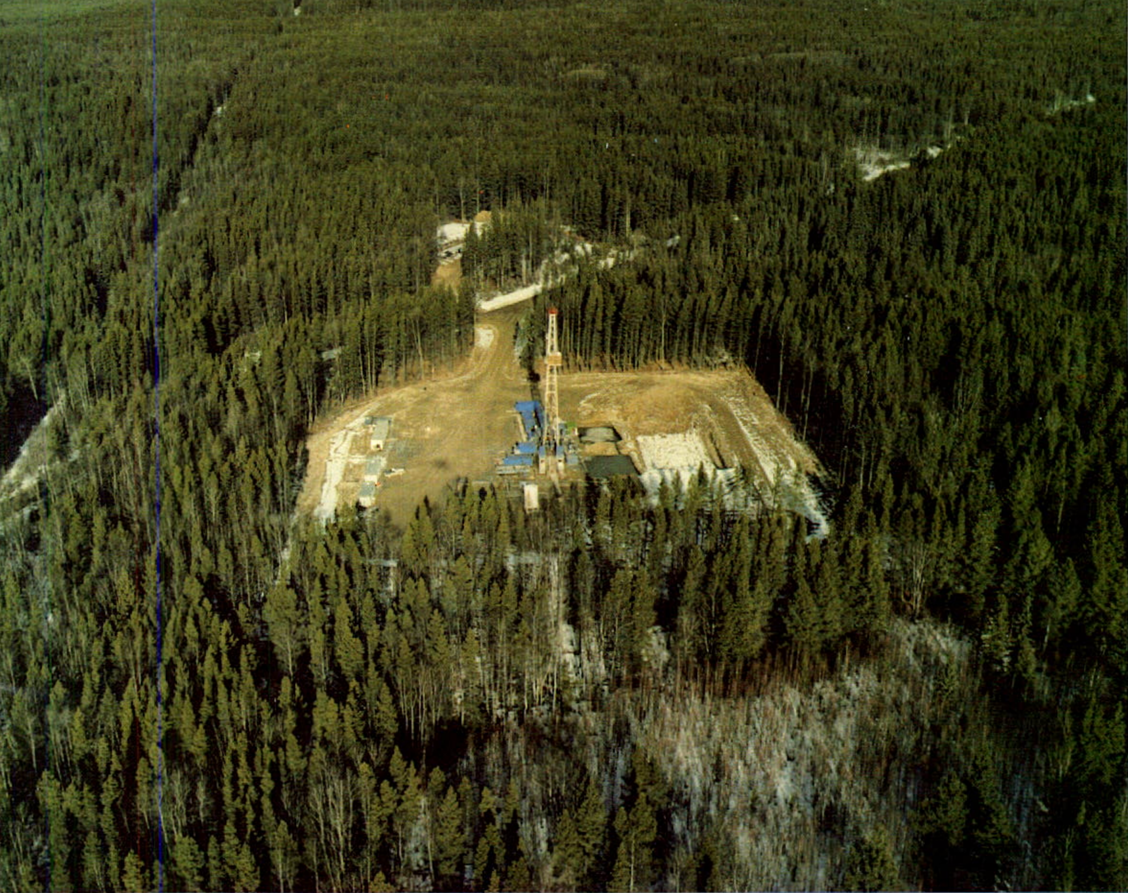
Area	Natural Gas (Billions of Cubic Feet)	Oil & Natural Gas Liquids (Thousands of Barrels)
Alberta	770	6,634
British Columbia	59	347
Saskatchewan	235	36
Manitoba	—	15
Canada	1,064	7,032
United States	4	370
Total	1,068	7,402

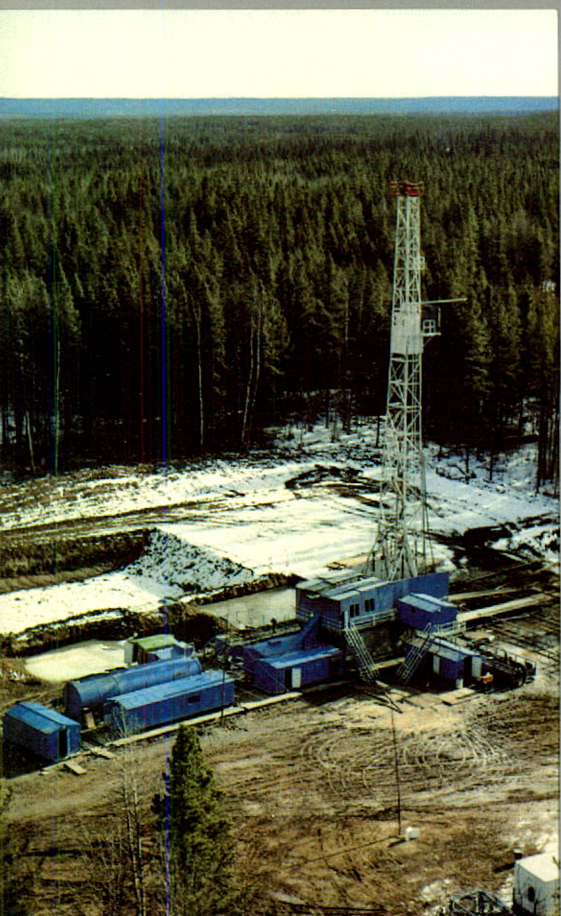
Gas Contracts

Ocelot's major gas buyer, TransCanada PipeLines Limited, has extended its industry-wide voluntary market allocation into 1981. This allocation represents a reduction in sales and a 20% cut in the normal minimum contract take-or-pay commitments. However, contract increases obtained in previous years have helped reduce the effect of these voluntary cuts.

Arbitration proceedings to resolve the natural gas price renegotiations for the Chinook area of Alberta have been dropped. As a result, the Company's gas production from the Chinook area will continue to command normal gas prices.

During the coming year we expect to increase the contract rate under the Medicine Hat contract from 106 million to 117 million cubic feet per day. In addition, on November 1, 1981 the Ferrybank area will begin producing 3 million cubic feet of gas per day.





Clockwise from top:
Drilling at Simonette
Location Preparation
Cactus Rig, Simonette

Exploration and Land

The artificially depressed pricing in Canada has made many of the international areas, where world oil prices are obtainable, much more attractive for exploration. Over the past two years, Ocelot has moved strongly into some of these areas, particularly the United States. The Company's strategy has been to acquire large blocks of land in areas where the exploratory activity has been relatively low but where good discovery potential still exists. With modern techniques, the discovery rate in these areas should be significantly increased. One such area is in eastern Kansas, where we have acquired an interest in 1,500,000 acres and have undertaken a vigorous exploration program.

As indicated in our 1980 Annual Report, our 1980-81 forecast for exploratory expenditures was $59 million, with 84% to be spent in Canada, 14% in the United States and the remainder in other areas. Our 1981-82 forecast is for expenditures of $66 million, with 17% allocated to Canada, 70% to the United States, and the remainder to other areas.

Ocelot's land holdings have increased by 1,125,000 net lease acres during the past year. 1,068,000 of these acres have been acquired in the United States.

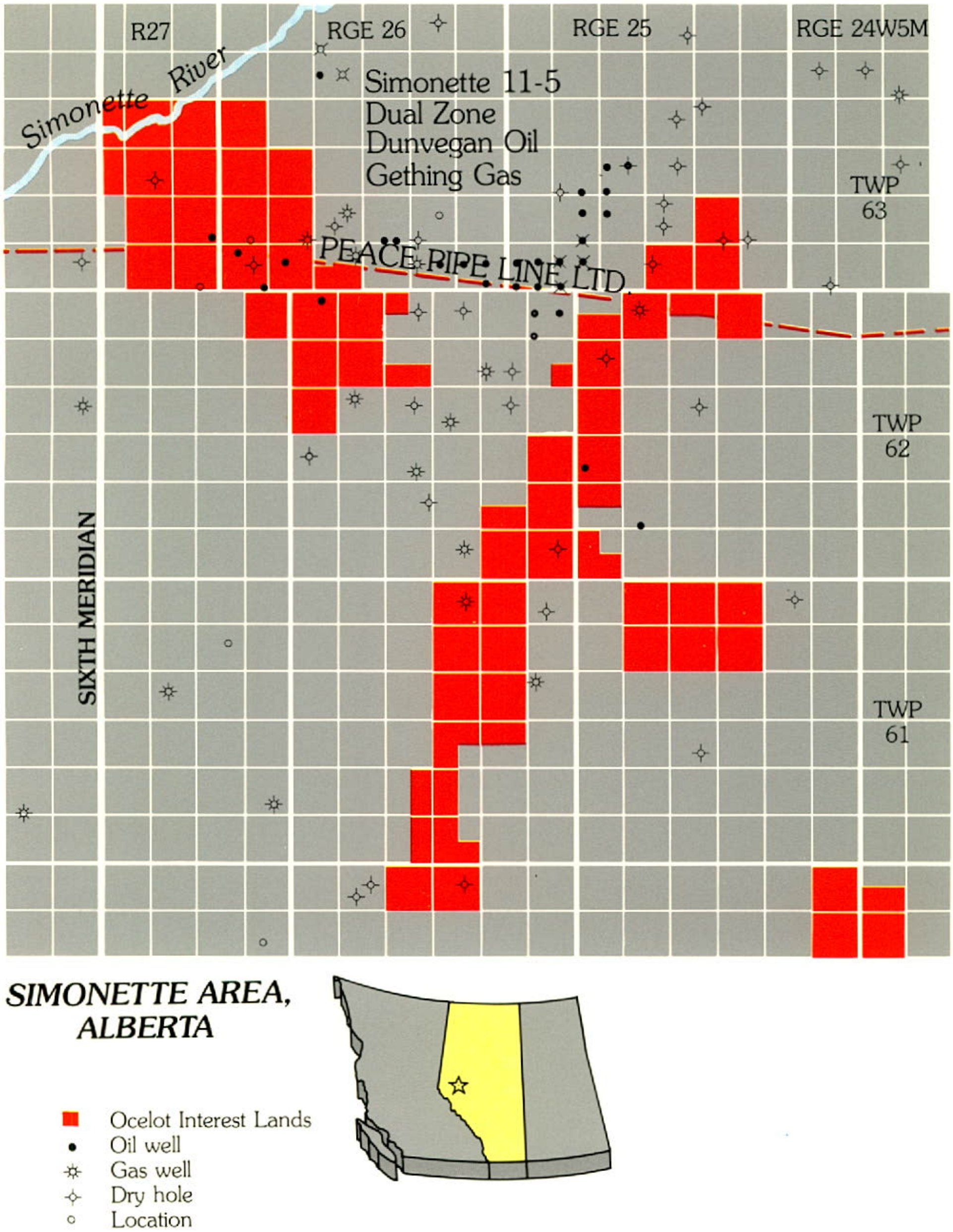
Land Holdings as of March 31, 1981:

	Gross Acres	Net Acres
Canada		
Alberta	1,659,892	879,919
British Columbia	679,885	212,864
Saskatchewan	332,201	219,019
Manitoba	7,206	7,206
Total Canada	2,679,184	1,319,008
United States		
California	3,164	1,018
Colorado	22,361	6,578
Illinois	2,065	1,491
Kansas	1,600,000	765,000
Louisiana	15,811	1,674
Missouri	9,530	8,446
Michigan	203,000	8,832
Montana	245,233	102,277
Nebraska	147,141	137,371
New Mexico	27	11
North Dakota	27,718	3,565
Oklahoma	55,001	1,754
Texas	40,692	10,636
Wyoming	404,617	70,910
Total U.S.	2,776,360	1,119,563
Australia	869,562	217,390
Cameroon	194,527	30,359
Total Land Holdings	6,519,633	2,686,320

This table does not include varying royalty interests in 150,667 gross acres.

CANADA

During the summer and early winter of 1980-81, Ocelot had an active exploration program evaluating areas acquired during the previous year. This exploration soon came to a halt as it became evident that the NEP and the Federal-Provincial dispute over pricing and revenue-sharing made discoveries uneconomic to develop. Two oil finds where development was curtailed by this political impasse were the Simonette and the Caroline discoveries.

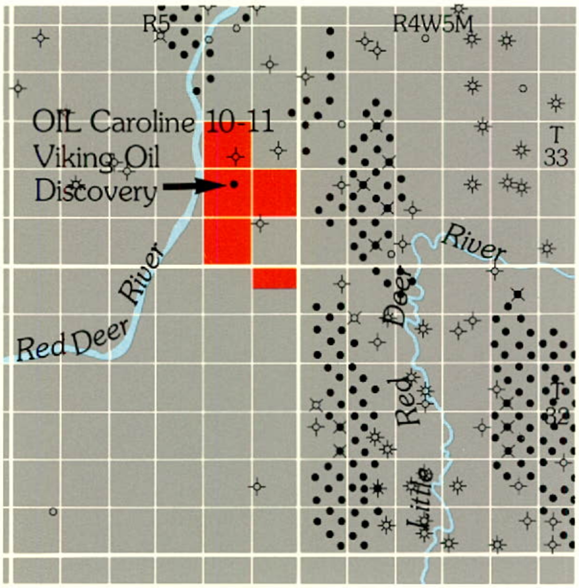


Simonette

Ocelot drilled 10 wells in the Simonette area during the past year. Six wells have been completed as Dunvegan oil wells, one as a Dunvegan gas well, and two as potential Gething gas wells. The potential oil production rates range from 30 to 150 barrels of oil per day per well. Ocelot has interests ranging from 33.3% to 66.6% in 37,000 gross acres in this area. New pipeline and production facilities are currently being constructed for both oil and gas production.

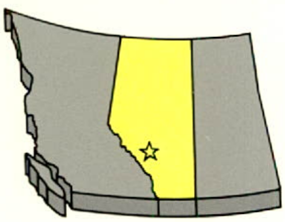
Caroline

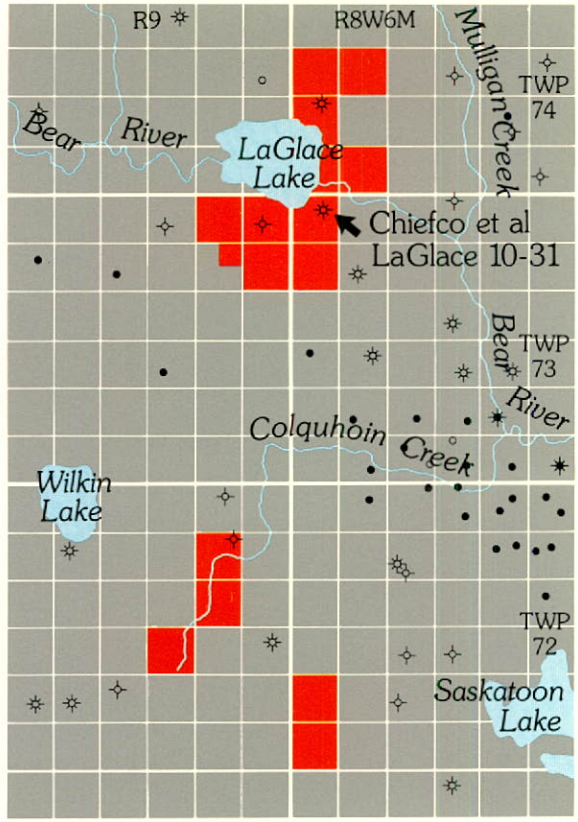
In the Caroline-Sundre area, Ocelot has a 100% interest in 3,200 acres on which a Viking oil well has been drilled. Initial production rates from the OIL Caroline 10-11-33-5 well were 100 barrels of oil per day. Development of this prospect is contingent upon higher producer returns.



CAROLINE AREA, ALBERTA

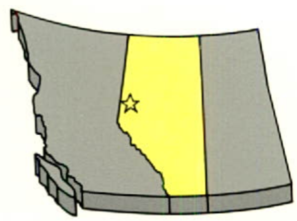
- Ocelot Interest Lands
- • Oil well
- Gas well
- Dry hole
- ∘ Location





LAGLACE, ALBERTA

- Ocelot Interest Lands
- • Oil Well
- Gas Well
- Any hole
- ∘ Location



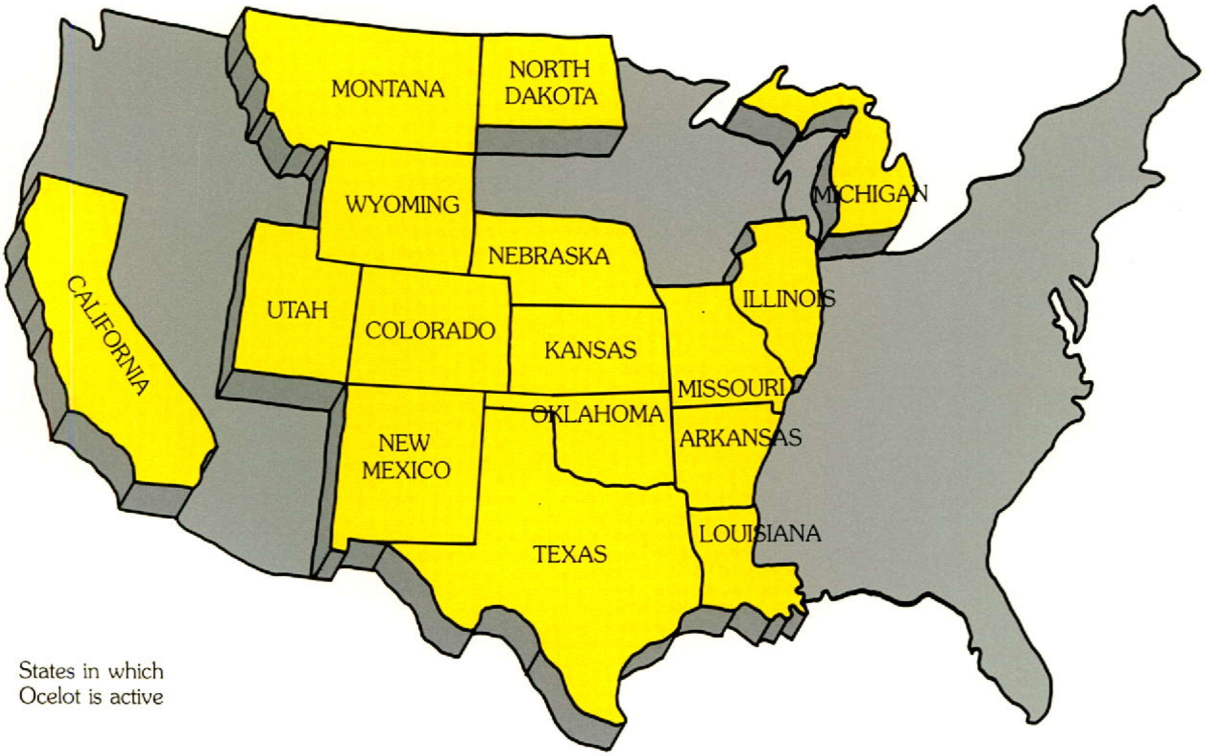
LaGlace

Ocelot maintained its activity along the competitive LaGlace-Pouce Coupe trend in Alberta. In 1980-81, Ocelot participated in the drilling of three Lower Triassic tests, resulting in the completion of a gas well and two gas-condensate wells. One of these latter wells, Chiefco et al LaGlace 10-31-73-8, confirmed the northward extension of the Wembley Halfway field over Ocelot's holdings of 6,560 gross acres. Completion results indicate an unstimulated flow rate of 3.46 million cubic feet per day with approximately 35 barrels of liquids per million cubic feet of gas. Ocelot holds interests ranging from 33.3% to 50% in 27,040 gross acres along this trend.

UNITED STATES

Ocelot, through its wholly-owned American subsidiary, Ocelot Oil Corp., has substantially expanded its United States land holdings and exploration and drilling activities.

Much of the exploratory effort of Ocelot in the United States is conducted through three joint venture programs. Ocelot has a 41.67% interest



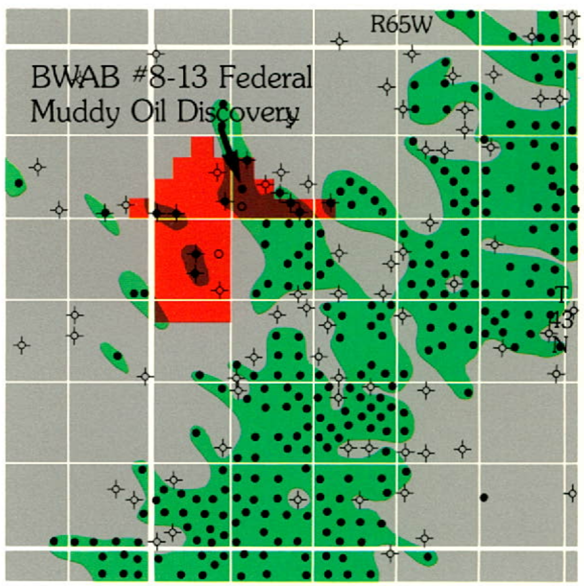
States in which Ocelot is active

in the JEM Petroleum Corporation program covering most of the western United States and an 11.25% interest in the JEM Petroleum Corporation program in the Michigan Basin. In addition, Ocelot holds a 28% interest in the BWAB Incorporated program with exploratory interests mainly in Wyoming, Montana, North Dakota and Michigan.

The exploration staff in our Denver and Topeka offices has been increased substantially and more of our United States exploration prospects will be generated internally.

Clareton

Ocelot owns a 22% working interest in a Muddy sand stepout discovery by the BWAB 8-13 Federal well in the Clareton area of the Powder River Basin in Weston County, Wyoming. The initial production rate was 50 barrels of oil per day on pump. At least 2 follow-up wells will be drilled on this prospect.



CLARETON PROSPECT, WESTON COUNTY, WYOMING

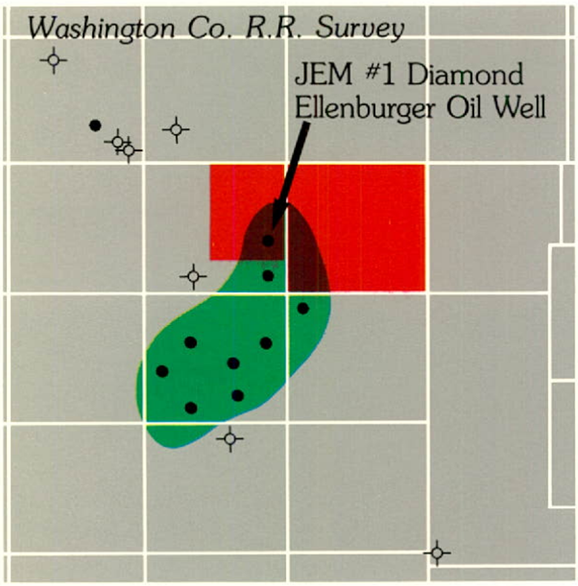
- Ocelot Interest Lands
- Oil well
- Gas well
- Dry hole
- Location
- Muddy Sand Production

Anvil

Ocelot has a 50% working interest in the Merland No. 1-19 Picard well in the Anvil field of Roosevelt County, Montana. This is a new pool discovery that is currently flowing 200 barrels of 43° gravity oil from the Red River B Zone. A second test is being considered for this lease.

Porcupine

In the Porcupine area of the Powder River Basin in Campbell County, Wyoming, Ocelot owns a 12.5% interest in a Sussex oil discovery that is currently pumping 90 barrels of oil per day. Up to 4 development wells will be drilled on Ocelot acreage.

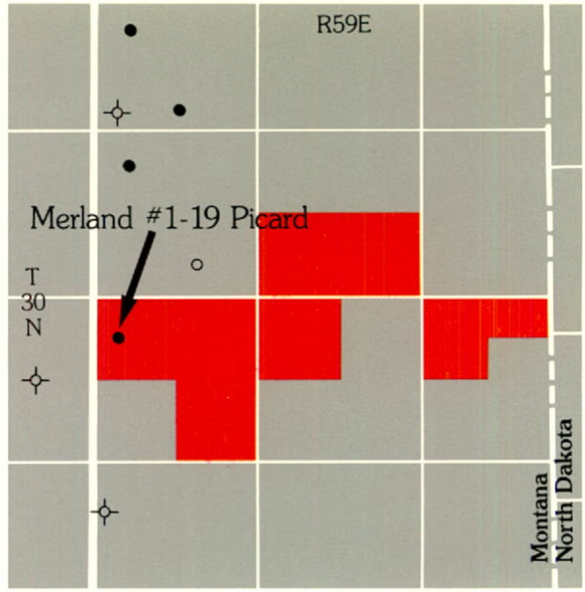


IRION AREA,
IRION COUNTY, TEXAS

Ocelot Interest Lands
Oil well
Gas well
Dry hole
Location
Ellenburger oil production

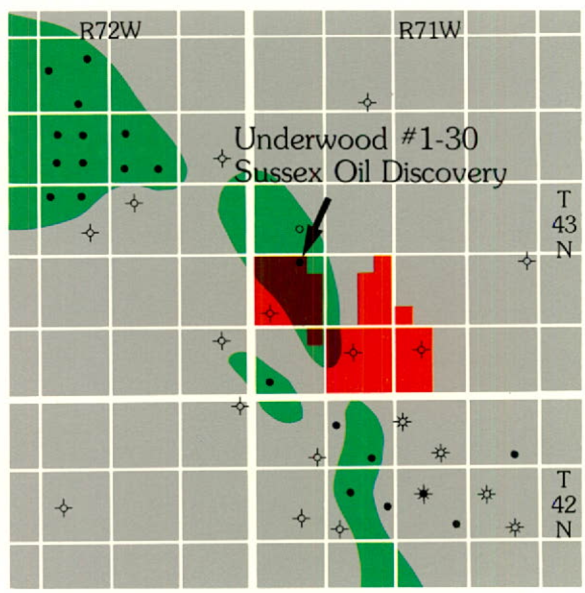
Irion

In the southern Midland Basin of Texas, Ocelot has a 36% interest in an Ellenburger stepout on the northern extension of the Irion 163 field. The No. 1 Diamond well in section 35 flowed 110 barrels of oil on an 8 hour production test. At least 2 potential development locations are recognized on the Ocelot acreage.



ANVIL AREA,
ROOSEVELT COUNTY, MONTANA

Ocelot Interest Lands
Oil well
Gas well
Dry hole
Location



PORCUPINE AREA,
CAMPBELL COUNTY, WYOMING

Ocelot Interest Lands
Oil well
Gas well
Dry hole
Location
Sussex oil production

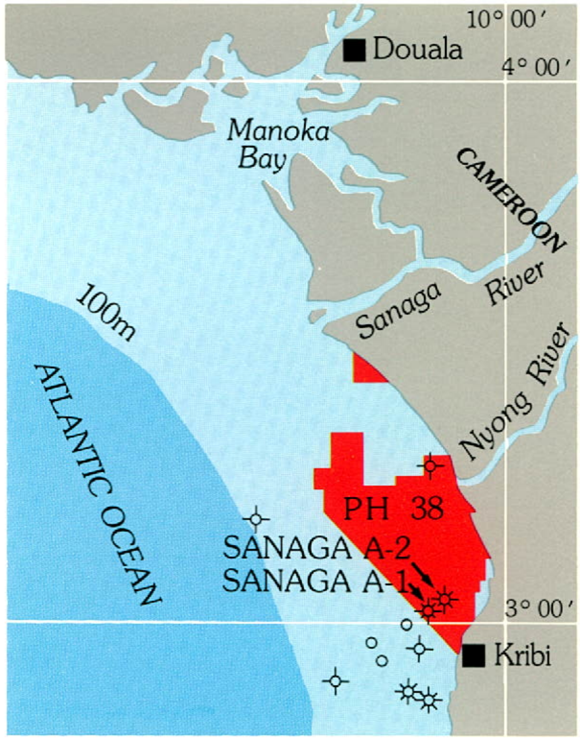
Eastern Kansas

In eastern Kansas, the Company has a 50% working interest and is the operator for 1.5 million acres of exploratory leases and has interests ranging from 10% to 50% in several producing leases. Average daily oil production for the last 8 months of the 1980-81 fiscal year was 240 barrels per day gross or 80 barrels per day net to the Company. An active exploration program utilizing geophysics and exploratory drilling is currently under way. During the coming year, Ocelot will conduct over 1,000 miles of seismic surveys and will drill at least 45 exploratory wells in this area. In addition, over 30 wells will be drilled by outside investors farming-in to the Ocelot lands.

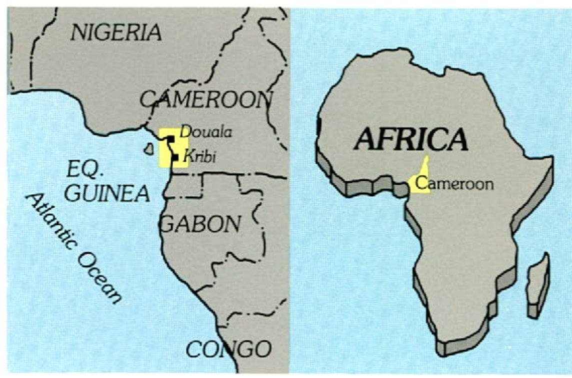
INTERNATIONAL

Ocelot continues to be active in international exploration in existing ventures and through the acquisition of new prospects. The Company currently holds an interest in concessions in Cameroon, West Africa, and in the State of Western Australia. In addition, the Company has agreed to participate in negotiations for an exploration venture in the Sudan and has applied for an offshore concession from the government of Western Australia.

Sanaga A-1 Jackup Rig - Texas Star



SANAGA SUD CONCESSION, CAMEROON, AFRICA



Ocelot Interest Lands
- *Oil well*
- *Gas well*
- *Dry hole*
- *Location*

Cameroon

Ocelot holds a 15.6% interest in the 194,527 acre PH-38 offshore concession in the Gulf of Guinea, Cameroon, where the Sanaga A-1 exploratory wildcat was drilled in late 1979. This well was a gas condensate discovery which proved 316 metres gross or 218 metres net gas condensate pay in the Lower Cretaceous sand. A second well, the Sanaga A-2 appraisal well, was drilled approximately 3 kilometres to the northeast of the discovery. Although this well penetrated a thinner pay section, it confirms substantial reserves for the Sanaga structure. A program involving additional seismic shooting and the drilling of possibly 2 additional exploratory wells is planned for the coming year.

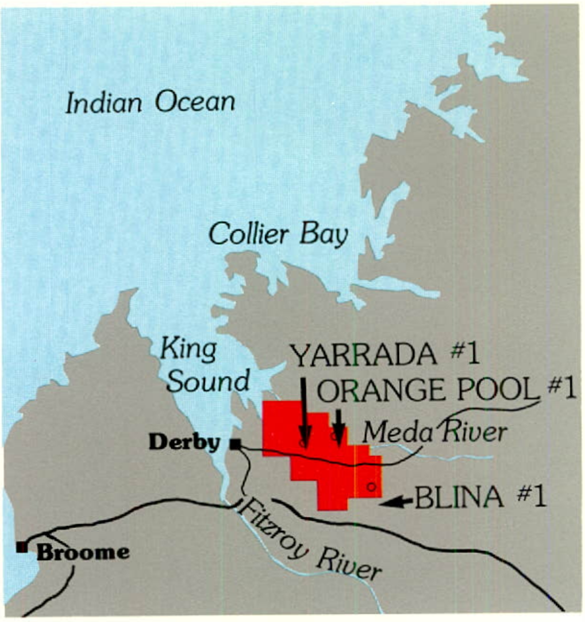
Western Australia

The Company has a 25% interest in the 870,000 acre EP 129 permit located onshore in the Canning Basin of Western Australia. The permit is located approximately 200 kilometres east of Broome and is serviced by a system of highways and major roads. Based on the results of the extensive seismic program conducted over the last two years, 3 wildcat wells will be drilled on selected seismic locations to test the hydrocarbon potential of the extensive subsurface Devonian Reef development. The initial exploratory well, Blina No.1, commenced drilling during April, 1981.

In the event of a commercial oil discovery, and pending full development, limited production could be brought on stream through trucking the oil to the port of Derby and then shipping by small tankers to refining facilities in the Perth-Fremantle area.

In addition, Ocelot has applied to the government of Western Australia for an offshore concession in the Perth Basin. In the event the application is successful, the company will hold a 50% working interest as managing operator.

Seismic Exploration, N.W. Australia



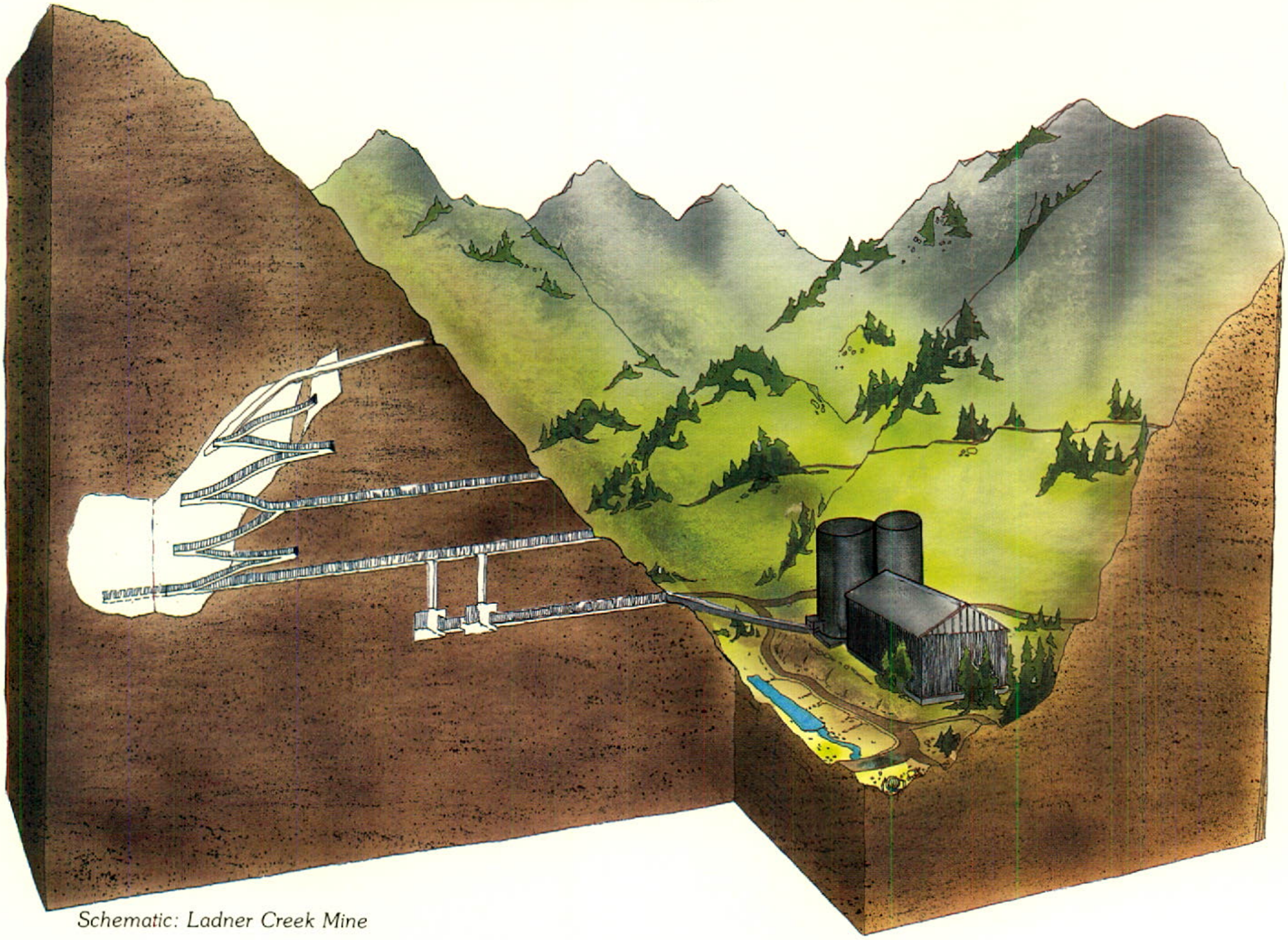
EXPLORATION PERMIT 129, Meda Area, Western Australia

Democratic Republic of Sudan

Ocelot has agreed to participate with a major American company in negotiating to acquire a 37 million acre onshore concession in the Sudan. Negotiations with the Sudanese government are in the final stages and we anticipate the permit will be granted by mid-1981. In order to earn a 50% interest in the production sharing agreement, Ocelot has agreed to pay the cost of an airborne magnetometer survey to be conducted during the first year of tenure.

Clockwise from top:
Culvert at Ladner Creek Mine
Mine Cars
Ladner Creek Mill

Gold Exploration and Mining



Schematic: Ladner Creek Mine

Gold Exploration

Since 1973, Ocelot has acquired interests in some 24,000 acres of claims near the town of Hope, British Columbia, and east of the Fraser River. These claims extend over 35 kilometres along the Hozameen Fault, which is part of the Coquihalla Gold Belt.

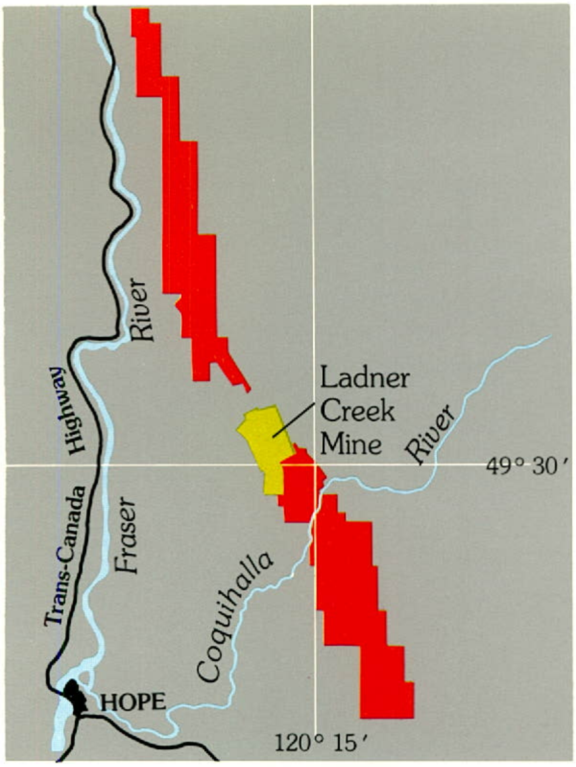
Exploration on claims along the Coquihalla Gold Belt is continuing, though field work is confined to the summer and fall months due to snow and wet conditions in this rugged, mountainous country during winter and early spring.

Ocelot has acquired a 45% interest in a gold exploration project in the Bisset area of Manitoba, about 160 kilometres east of Winnipeg. Ocelot will participate in an exploration program which includes geophysics and diamond drilling on the 3,000 acres of claims in this region.

The Ladner Creek Mine

The Ladner Creek Mine is located in the central portion of the Coquihalla Gold Belt claims. Construction of the 1500 tons per day mill and tailings area is underway, with initial production scheduled for early fall. Treatment of the ore will be by flotation followed by cyanidation with actual recoveries expected to be 90% or better. All the major mill facilities have been installed and the mine is nearly ready for production. The site is close to good rail and road facilities at Hope and only 160 kilometres from the labor supply and service centre of Vancouver.

Using a cut-off of 0.05 ounces per short ton of ore, reserves have been estimated at 2 million tons averaging 0.127 ounces per ton, for a total reserve of approximately 250,000 oz. of gold. Following the payout periods, Ocelot's initial 45% interest will stabilize at 22.5%.



COQUIHALLA GOLD BELT CLAIMS, BRITISH COLUMBIA

Helicopter services

Petroleum Industry Services and Supplies

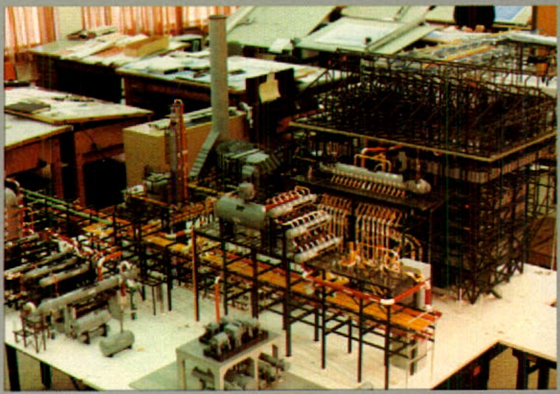
Contract Drilling

A continued strong demand for the Company's drilling rigs was evident in the first half of the year. Even after the introduction of the NEP, activity was maintained at the same level for a short period through drilling commitments which could not be deferred by our customers. However, a decline in Canadian demand for rigs became evident immediately after these commitment wells were drilled. As a result of the NEP and the slump in demand for rigs, two Cactus Drilling division rigs have been moved to our United States subsidiary, Cardinal Drilling Company. An additional three of the remaining 25 Cactus rigs will be stationed in the United States by July 1981.

During the 1980-81 fiscal year, the contract drilling division operated at close to peak utilization for most of the year, resulting in gross operating revenues of $100.5 million compared to $74.0 million in 1979-80.

The six new service rigs added to the Brooks Field Service division were fully utilized in the Lloydminster area in Alberta and dampened the NEP's severe downward effect on Brooks' earnings. Except for the Lloydminster activity, demand for service rigs has been curtailed sharply as a direct result of the NEP. At March 31, 1981, Brooks' operated a total of 17 service rigs.

In the United States, the Cardinal Drilling Company fleet was expanded by the addition of 6 rigs including the two Cactus rigs transferred from Canada. At the year's end, Cardinal operated a fleet of 19 rigs.



Clockwise from top:
Methanol Plant Site
Kitimat Harbour
Plant Construction
Methanol Plant Model

As mentioned, at least 3 more Cactus rigs will be transferred to the United States during the coming year to fulfill contracts in Michigan, North Dakota and California. A major upgrading in the Cardinal fleet of rigs was successfully completed during the past year and the Company has placed orders for an additional 4 rigs with deliveries scheduled between January 1982 and August 1982. The demand for Cardinal's services continues at a high level in the United States.

Oilfield Equipment and Supplies

The high level of activity in the petroleum industry for most of the year resulted in the Company's oilfield equipment and supplies division generating a record high gross revenue. In Canada, the Wilson Oilfield Supply division contributed $110.0 million in gross revenue, and Karst Enterprises Incorporated of Casper, Wyoming, contributed $45.7 million, resulting in a record $155.7 million in sales for the fiscal year. Last year, gross sales amounted to $99.2 million.

In Canada, the sales of some products will be reduced because of the NEP. However, the size of the compressor packaging facility in Nisku, Alberta, has been doubled, and increased compressor sales will help offset the decline forecast for Wilson. Activity is expected to continue to be very strong in the United States and Karst should increase its sales substantially.

Pipelining

O.J. Pipelines Ltd. and the South Eastern Pipeline Construction division contributed gross revenues of $23.5 million in 1980-81 compared to $16.2 million in 1979-80. The most significant project completed during the year was a difficult natural gas transmission pipeline in a remote area of central Alberta. O.J. Pipelines built this line during the winter months and had to contend with vast stretches of muskeg and unseasonably mild weather.

Activity levels for the pipeline construction industry are increasing dramatically when compared with the depressed market situation of the past several years. Government approvals continue to be granted for portions of major pipeline projects such as the Alaska Highway Gas Pipeline and the Trans-Quebec and Maritimes projects. Prospects are encouraging that further approvals will be granted for additional projects relating to developments in the Northwest Territories and heavy oil deposits in Alberta and Saskatchewan.

Over the next three to five years, the outlook for the pipeline industry appears very encouraging. New construction projects will span the country with much of the construction being required during the winter season in order to overcome unstable soil conditions. These winter projects, in combination with those normally completed during the conventional summer construction period, will provide excellent opportunities to fully utilize the Company's growing equipment fleet. O.J. Pipelines has a backlog of large-diameter pipeline work, which will fully employ its management capabilities and equipment fleet through the summer of 1981.

Petrochemicals

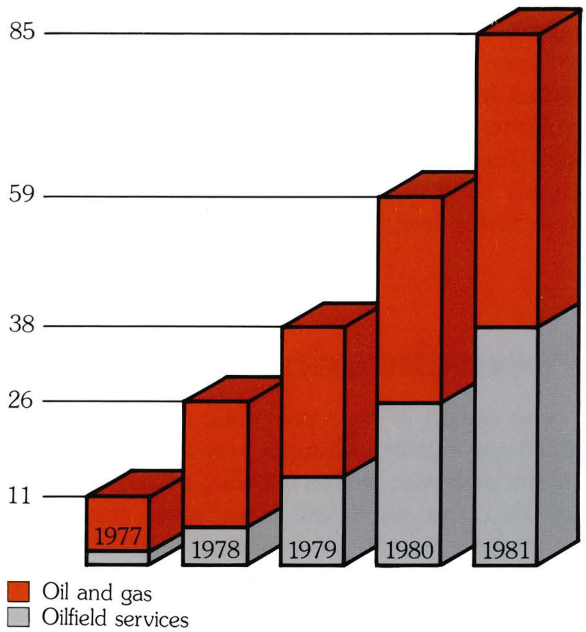
The design of the world-scale methanol plant at Kitimat, British Columbia, was completed during the past year. With a capacity of 1200 tonnes per day, the plant will incorporate the latest technology to attain optimum utilization of energy. Site preparation began in April 1980, and the majority of the underground piping was completed by March 1981. Equipment deliveries from Canada, the United States, Europe and Japan are on schedule. At the year's end there were approximately 250 field construction workers on site and this force will increase to a maximum of 700 people during the third quarter of 1981. The plant start-up is scheduled for the second quarter of 1982. The hiring of key management personnel to work at the Kitimat plant has commenced and all operating and maintenance personnel should be employed by the last quarter of 1981.

The plant is located on tidewater and a new loading wharf capable of handling 40,000-ton tankers is presently being constructed. The bulk of the methanol produced will be shipped to Pacific Rim countries. The marketing forecast for methanol sales during 1982 and subsequent years continues to be very encouraging. The use of methanol as a fuel extender for motor gasolines and diesel fuel is increasing and it is anticipated that some of our plant's production will be directed towards this market.

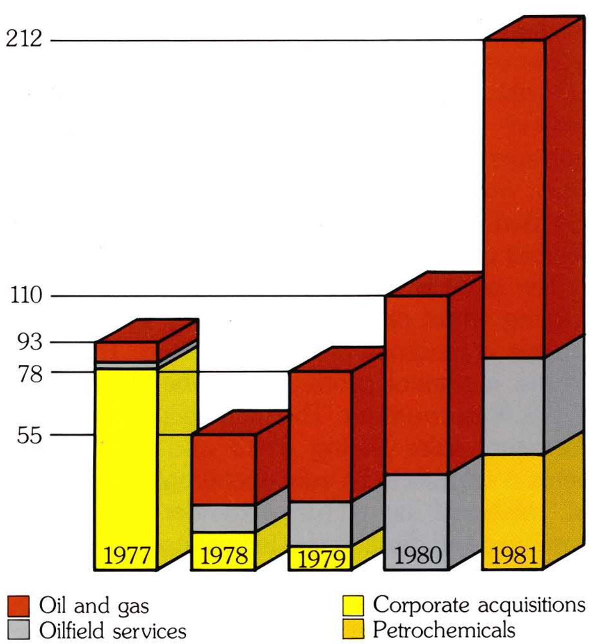
Ocelot has significant shut-in gas reserves in southwest Saskatchewan. In order to develop a market for this gas, the Company has entered into a joint feasibility study with the Potash Corporation of Saskatchewan for the construction and operation of a world-scale ammonia plant, using gas as the feedstock supply.

Financial Review

Earnings from Operations
(in millions of dollars)



Capital Expenditures
(in millions of dollars)



Earnings and Cash Flow

For the fiscal year ended March 31, 1981, the Company achieved record levels of revenue, earnings, cash flow from operations and capital investment. Consolidated net earnings were $27.7 million or $2.10 per share, compared to consolidated net earnings of $25.4 million or $1.93 per share for the previous fiscal year.

Funds generated from operations in 1981 increased to $73.6 million ($5.57 per share), a gain of 37% over the previous year's $53.8 million ($4.10 per share). This significant gain in cash flow is attributable to increased operating profits and miscellaneous income of $32.8 million and $0.5 million respectively, and offset by increased interest charges of $13.5 million. The increased operating earnings is a reflection of the strong financial performance of the natural gas and petroleum operations and the drilling and equipment sales divisions during the past year. The increase in interest costs was a result of additional debt required to finance the 1981 capital expenditure program together with higher interest rates.

Revenues

Consolidated operating revenues in 1981 increased by 46% to $343.1 million compared to 1980 revenues of $234.3 million.

Production revenues, net of royalties, resulting from the sales of natural gas and crude oil for the 1981 reporting year amounted to $73.8 million, a gain of $21.2 million or 40% over 1980. This increase in revenues is attributable to a combination of higher sales prices and increased contract volumes, details of which are provided in the "Production and Reserves" section of this report.

One of the Company's gas purchasers was unable to take a significant portion of the minimum quantity stipulated under its gas contract. Accordingly, the purchaser paid the Company $7.1 million for the shortfall and this amount is reflected in deferred revenue.

Revenues from the petroleum industry services and supplies segment (contract drilling of oil and gas wells, sales of oilfield equipment and pipeline construction) totalled $279.8 million in 1981, an increase of $90.4 million or 48% over last year. Of this amount, contract drilling revenues contributed $100.5 million, representing a 36% increase over 1980 results. This increase was due to expansion of the drilling rig fleet to meet increased demand for rigs in the

United States. It was offset to some degree by lowered demand in Canada during the fourth quarter of the 1981 fiscal year. Revenue from the sale of oilfield equipment and supplies for 1981 totalled $155.7 million, an increase of $56.5 million or 57% over 1980. This gain was shared equally between the Canadian and United States divisions and reflects the accelerated industry activity in the United States during the year and for the first three quarters of the 1981 fiscal year in Canada. Gross revenue from the pipeline construction divisions increased by 46% in 1981 to $23.5 million. Details of the revenues and contributions to earnings from operations of the business segments of the Company are set out in Note 5 to the Consolidated Financial Statements.

Financial Position

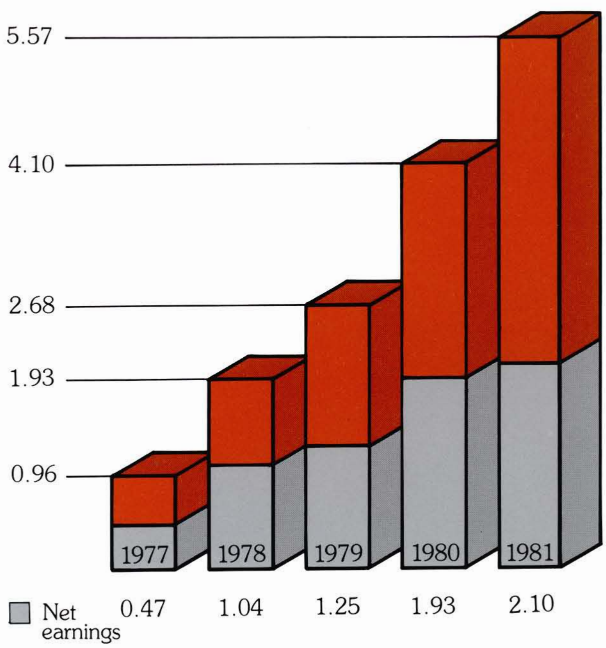
The Company had a working capital deficiency of $19.1 million at March 31, 1981. During the reporting year, current assets increased by $26.0 million and current liabilities by $27.6 million. The Company is considering various financing alternatives to strengthen its financial position, and its eventual choice will depend largely on market conditions.

Capital Expenditures

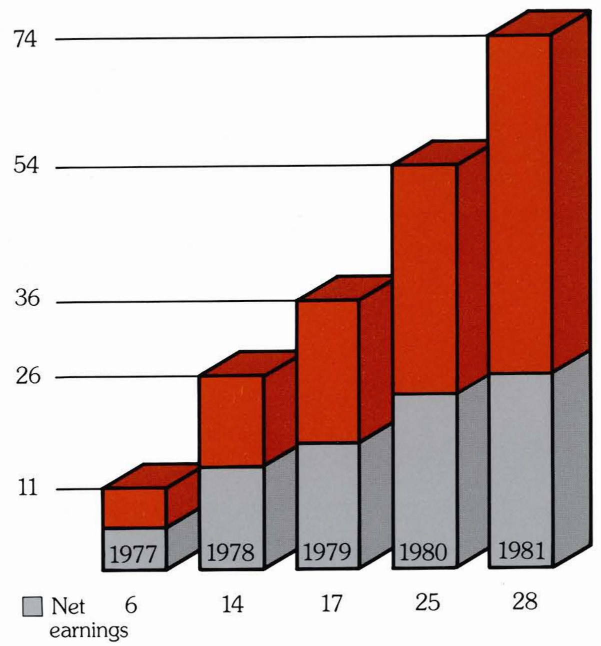
Capital expenditures relating to fixed operating assets totalled $212.2 million in 1981 compared to $109.9 million in the previous year. The major components of these expenditures were: increased investment in petroleum and natural gas rights together with development and exploration drilling and equipment thereon for $119.9 million ($69.0 million in 1980); capital directed to the construction of a methanol plant in Kitimat, British Columbia for $46.8 million (negligible in 1980), the upgrading, construction and purchase of drilling rigs for $24.0 million ($29.9 million in 1980), mining expenditures of $7.9 million ($2.6 million in 1980), and the purchase of pipeline construction equipment for $6.7 million ($1.8 million in 1980).

Approximately 73% of the total capital expenditures in 1981 were invested in Canada and 26% in the United States. The gross investment in property, plant and equipment at March 31, 1981 of $574.2 million represents an increase of 58% over the previous year's total of $364.3 million.

Earnings and Cash Flow Per Share
(in dollars)



Net Earnings and Cash Flow
(in millions of dollars)



Ocelot Industries Ltd.

Consolidated Balance Sheet

As at March 31, 1981
(Thousands of dollars)

ASSETS

	1981	1980
CURRENT ASSETS		
Accounts receivable	**$ 74,423**	$ 62,089
Inventories, at lower of cost and net realizable value	**26,730**	13,592
Prepaid expenses	**888**	406
	102,041	76,087
PROPERTY, PLANT AND EQUIPMENT, at cost (note 1)	**574,247**	364,310
Accumulated depletion and depreciation	**(59,127)**	(35,992)
	515,120	328,318
OTHER ASSETS	**7,380**	2,893
	$624,541	$407,298

LIABILITIES

	1981	1980
CURRENT LIABILITIES		
Bank indebtedness, secured	**$ 37,288**	$ 30,935
Accounts payable and accrued liabilities	**60,949**	44,137
Current maturities on long-term debt	**22,911**	18,534
	121,148	93,606
DEFERRED PRODUCTION REVENUE	**13,790**	6,728
LONG-TERM DEBT (note 2)	**308,266**	169,419
DEFERRED INCOME TAXES	**62,746**	40,655

SHAREHOLDERS' EQUITY

	1981	1980
CAPITAL STOCK (note 3)		
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		
3,789,966 (1980 - 4,242,543) Class A shares	**7,079**	7,924
9,442,689 (1980 - 8,929,062) Class B shares	**32,250**	30,835
RETAINED EARNINGS	**79,262**	58,131
	118,591	96,890
	$624,541	$407,298

Approved by the Board:

J V Lyons Director

R A Fisher Director

Ocelot Industries Ltd.

Consolidated Statement of Earnings

Year ended March 31, 1981
(thousands of dollars)

	1981	1980
REVENUE		
Operating (note 5)	**$343,057**	$234,316
COSTS AND EXPENSES		
Cost of sales and operating expenses	**231,646**	157,822
Petroleum and gas revenue tax	**2,122**	—
Depletion and depreciation	**23,903**	17,627
	257,671	175,449
EARNINGS FROM OPERATIONS BEFORE UNDERNOTED ITEMS (note 5)	**85,386**	58,867
Interest and other income	**(973)**	(1,080)
Interest on long-term debt	**34,738**	20,615
Other interest	**2,714**	3,299
	36,479	22,834
EARNINGS BEFORE INCOME TAXES	**48,907**	36,033
INCOME TAXES (note 4)		
Current	**284**	378
Deferred	**21,891**	11,289
Alberta royalty tax credit	**(1,000)**	(1,000)
	21,175	10,667
NET EARNINGS	**$ 27,732**	$ 25,366
EARNINGS PER SHARE		
Weighted average number of Class A and Class B shares outstanding during the year	**13,208,194**	13,140,904
Earnings per Class A and Class B share	**$2.10**	$1.93

Ocelot Industries Ltd.

Consolidated Statement of Changes in Financial Position

Year ended March 31, 1981
(thousands of dollars)

	1981	1980
WORKING CAPITAL WAS DERIVED FROM		
Operations	**$ 73,622**	$ 53,841
Issue of shares for cash	**570**	515
Long-term debt	**163,600**	45,104
Sale of property, plant and equipment	**1,984**	1,397
Deferred production revenue	**7,062**	5,012
	246,838	105,869
WORKING CAPITAL WAS APPLIED TO		
Property, plant and equipment	**212,247**	109,892
Long-term debt	**24,753**	13,061
Dividends	**6,601**	—
Other	**4,825**	143
	248,426	123,096
DECREASE IN WORKING CAPITAL POSITION	**1,588**	17,227
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	**17,519**	292
WORKING CAPITAL DEFICIENCY AT END OF YEAR	**$ 19,107**	$ 17,519

Ocelot Industries Ltd.

Consolidated Statement of Retained Earnings

Year ended March 31, 1981
(thousands of dollars)

	1981	1980
BALANCE AT BEGINNING OF YEAR	**$ 58,131**	$ 32,765
Net Earnings	**27,732**	25,366
	85,863	58,131
Dividends	**(6,601)**	—
BALANCE AT END OF YEAR	**$ 79,262**	$ 58,131

Auditors' Report

To the Shareholders of
Ocelot Industries Ltd.

We have examined the consolidated balance sheet of Ocelot Industries Ltd. as at March 31, 1981 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, 1981 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 on a basis consistent with that of the preceding year.

Calgary, Canada
June 15, 1981

Thorne Riddell
Chartered Accountants

Notes to Consolidated Financial Statements

Year ended March 31, 1981
(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 expense, 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 unproved properties are excluded from capitalized costs to be depleted until it is determined whether or not proved reserves are attributable to the properties or impairment in value has occurred. The costs are accumulated in cost centres as follows:

(i) Canada

(ii) United States

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

Costs accumulated in the Canada and the United States cost centres are depleted using the unit of production method based on estimated recoverable reserves of gas and oil, as determined by Company engineers, within each cost centre.

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 unamortized balance in that cost centre will be 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 income 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 constructing a methanol plant and developing a gold mine) include interest and other financing charges on funds specifically borrowed to finance such projects. Such charges are capitalized (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 & 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.

The loss on translation has been charged to earnings.

Note 1 Property, Plant And Equipment

	1981			1980
	Cost	Accumulated Depletion and Depreciation	Net	Net
Natural gas, petroleum and mineral leases and rights together with exploration, development and equipment thereon	$408,040	$ 37,050	$370,990	$257,405
Contract drilling equipment	81,692	15,667	66,025	55,257
Methanol plant under construction	46,750	—	46,750	391
Pipeline construction equipment	13,268	1,947	11,321	5,557
Land, buildings and other equipment	24,497	4,463	20,034	9,708
	$574,247	$ 59,127	$515,120	$328,318

At March 31, 1981, petroleum and natural gas properties include $19,117,000 relating to unproved properties which are excluded from depletion calculations until such time as the properties are evaluated.

Note 2 Long-Term Debt

	1981	1980
Canadian dollar bank loans (a)	$206,903	$ 87,172
U.S. dollar bank loan (1981 - $9,200,000 U.S.; 1980 - $12,000,000 U.S.) (b)	10,805	14,038
9½% Senior Secured Notes due March 31, 1998 (1981 - $55,925,000 U.S.; 1980 - $59,212,500 U.S.) (c)	65,113	69,092
10½% Senior Secured Notes due March 31, 1998 (c)	12,080	12,790
10% Note payable repayable in 5 equal annual installments commencing July 1, 1981 ($15,000,000 U.S.)	17,602	—
Accrued charges on methanol plant, gold mine and equipment purchases to be paid from additional bank borrowings	14,381	—
Other	4,293	4,861
	331,177	187,953
Less current maturities included in current liabilities	22,911	18,534
	$308,266	$169,419

(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, the methanol plant and a take or pay contract for the sale of methanol. The loans are repayable from future production and contract drilling revenues.

(b) The U.S. dollar loan is evidenced by a demand promissory note, bears interest at 1% above a certain U.S. bank prime rate, is secured by a floating charge debenture on certain contract drilling rigs and related equipment and is repayable in quarterly instalments of $600,000 (U.S.).

(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 $1,552,000 at March 31, 1981.

The estimated amount of long-term debt maturities for the five years subsequent to 1981 are as follows: 1982 - $22,911,000; 1983 - $36,398,000; 1984 - $48,200,000; 1985 - $47,046,000; and 1986 - $44,845,000.

Note 3 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, 1980	4,242,543	8,929,062	$7,924	$30,835
Issued on exercise of employee stock options	—	61,050	—	570
Conversion of shares	(452,577)	452,577	(845)	845
Balance, March 31, 1981	3,789,966	9,442,689	$7,079	$32,250

(c) As of March 31, 1981, there were 344,550 Class B shares of the Company reserved for exercise of employee stock options to 1987 at prices ranging from $7.65 to $35.10 per share as follows:

Outstanding at March 31, 1980	380,600
Granted at $25.20 to $35.10 per share	51,500
Exercised at $7.65 to $15.41 per share	(61,050)
Cancelled	(26,500)
Outstanding at March 31, 1981	344,550

All options were granted under employee stock option plans and at March 31, 1981, 417,000 Class B shares were reserved for future options which may be granted under these plans.

Note 4 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' pretax earnings. These differences result from the following items:

	1981		1980	
	Amount	Percentage of Pretax Earnings	Amount	Percentage of Pretax Earnings
Computed "expected" tax expense	$22,497	46.0%	$16,575	46.0%
Royalties and other payments to federal and provincial governments	7,213	14.8	4,451	12.4
Other non-deductible costs	2,407	4.9	887	2.5
Depletion allowances on Canadian oil and gas production income	(2,581)	(5.3)	(2,563)	(7.1)
Federal resource allowance	(7,929)	(16.2)	(5,896)	(16.4)
Provincial income taxes less federal abatements	1,010	2.1	266	.7
Federal investment tax credit (i)	(442)	(1.0)	(2,053)	(5.7)
Refund of taxes under provincial incentive plans	(1,000)	(2.0)	(1,000)	(2.8)
Actual tax expense - current and deferred	$21,175	43.3%	$10,667	29.6%

(i) The Company has investment tax credits of $7,054,000 at March 31, 1981 which have not been recognized in the accounts. These credits can be applied in future years to reduce federal taxes otherwise payable.

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, sale 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 (ii)	Total
Revenue					
1981	$ 73,812(i)	$279,763		$(10,518)	$343,057
1980	$ 52,650(i)	$189,315		$ (7,649)	$234,316
Earnings from operations					
1981	$ 45,029	$ 41,482		$ (1,125)	$ 85,386
1980	$ 33,112	$ 26,628		$ (873)	$ 58,867
Total assets					
1981	$392,305	$185,486	$ 46,750		$624,541
1980	$277,449	$129,458	$ 391		$407,298
Capital expenditures					
1981	$127,779	$ 38,109	$ 46,359		$212,247
1980	$ 71,586	$ 37,915	$ 391		$109,892
Provisions for depletion and depreciation					
1981	$ 13,664	$ 10,239			$ 23,903
1980	$ 10,090	$ 7,537			$ 17,627

Geographic Segments

	Canada	United States	Eliminations (ii)	Total
Revenue				
1981	$262,796	$ 80,546	$(285)	$343,057
1980	$189,970	$ 44,608	$(262)	$234,316
Earnings from operations				
1981	$ 71,579	$ 13,807		$ 85,386
1980	$ 52,559	$ 6,308		$ 58,867
Total assets				
1981	$509,721	$114,820		$624,541
1980	$366,055	$ 41,243		$407,298

(i) Natural gas and petroleum revenue is net of royalties of $26,279,000 in 1981 and $18,640,000 in 1980.

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

Note 6 Commitments

(a) Methanol Plant Under Construction

The Company is committed under a construction contract to spend $216 million for the completion of a methanol plant under construction of which $46 million was expended to March 31, 1981. Long-term financing has been arranged for this project.

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

1982	$1,705
1983	1,580
1984	1,450
1985	1,367
1986	1,272
Thereafter	2,095
	$9,469

(c) A 70% owned subsidiary has contracted to purchase $5,500,000 of equipment which will be financed by additional bank loans.

Note 7 Statutory Information

During the year, directors and senior officers (including the five highest paid employees) of the Company received remuneration of $1,924,000 of which $10,800 was paid as directors' fees.

Shares of the Company

At March 31, 1981 there were 2,350 registered shareholders of whom 362 held Class A shares ("A") and 1,988 held Class B shares ("B"). Ninety-one 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 13.2 million, up from 13.1 million in 1980, and there were 13.2 million outstanding at March 31, 1981. The following table 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 1980 calendar year and to May 31, 1981.

Calendar Year		High		Low	
1980					
First Quarter	A	36		24½	
	B		37		23½
Second Quarter	A	29½		23	
	B		29½		22⅞
Third Quarter	A	38⅛		29	
	B		38⅜		28⅝
Fourth Quarter	A	45½		34	
	B		45½		34
1981					
First Quarter	A	38		30	
	B		37⅞		30⅛
April - May	A	60		35	
	B		59½		34

Metric Conversions (SI)

In accordance with the world-wide program to adopt SI, the International System of Units, Ocelot has converted its measuring and reporting systems to SI units.

For the convenience of the reader, oil and gas measurement units stated in this report are given in traditional units. In order to facilitate conversion from these traditional units to the SI units and to aid in comparability with other annual reports, listed below are the ratios between SI units and traditional units as specified by the Canadian Petroleum Industry Metric Practice Guide.

Volume Measurements

One thousand cubic feet (MCF) = 28.174 cubic metres (m^3)
One thousand cubic metres (10^3m^3) = 35.494 thousand cubic feet (Mcf)
One barrel (bbl) = 0.159 cubic metres (m^3)
One cubic metre (m^3) = 6.293 barrels (bbls)

Mass Measurement

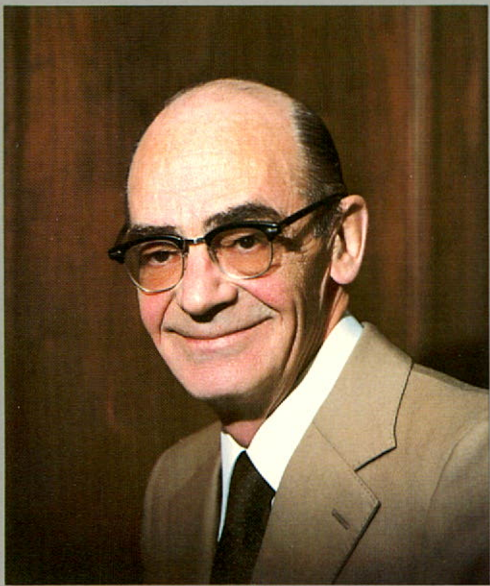
One short ton (2,000 lbs) = 907.185 kilograms (kg) or 0.907 tonnes (t)
One long ton (2,240 lbs) = 1016.047 kilograms (kg) or 1.016 tonnes (t)
One tonne (t) = 1.102 short tons (2,000 lbs)
= 0.984 long tons (2,240 lbs)

Surface Area Measurement

One acre = 0.405 hectares (ha)
One hectare (ha) = 2.471 acres

Linear Measurement

One mile = 1.609 kilometres (km)
One kilometre (km) = 0.621 miles
One foot = 0.305 metres (m)



Mr. R.A. (Bob) McCullough, Senior Vice President of Ocelot Industries Ltd., passed away on June 12, 1981 at the age of 65 years. He was born and educated in Alberta, and after graduation from the University of Alberta with a Bachelor of Commerce Degree in 1938, worked with Imperial Oil at Norman Wells on the Canol Pipeline. He was subsequently affiliated with various companies in the exploration, drilling, and producing segments of the industry.

In 1968, Mr. McCullough was one of the founders of Alberta Eastern Gas Limited, pioneering the development of shallow gas reserves. For the past 5 years, Bob was a senior officer of Ocelot, most recently responsible for the exploration and development of the Company's gold properties.

In all his many endeavors, he showed complete faithfulness to any and every undertaking. His dedication and service will be remembered by his many friends.

Ocelot Industries Ltd.

Directors and Officers:

J.V. Lyons, Director - President and Chief Executive Officer
R.O. Fisher, Director - Executive Vice President
W.J. Bushnell, Director*
O.R. Edmonds, Director*
N.M. Hannon, Director*
G.C. Solomon, Director*
R.A. McCullough - Senior Vice President†
K.M. Guise - Vice President, Land and International Operations
I.L. Levorson - Vice President, Production and Operations
J.E. Torrie - Vice President, Exploration
B.W. Wilson - Vice President, Finance and Administration
A.M. Wasylenko - Corporate Secretary
D.J. McKinnon - Assistant Corporate Secretary, Manager Corporate Development

*Member of the Audit Committee
†Deceased

Head Office:

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

Bankers:

The Royal Bank of Canada
Calgary, Alberta

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

Divisions and Subsidiaries:

Air Switch Ltd.
Alberta Eastern Gas (1978) Ltd.
Brooks Field Service
Cactus Drilling
Cardinal Drilling Company
Karst Enterprises Incorporated
Ocelot Oil Corp.
Oil City Resources Ltd.
O.J. Pipelines Ltd.
OIL Resources Inc.
South Eastern Pipeline Construction
Wilson Oilfield Supply

Stock Exchanges:

Alberta Stock Exchange
Montreal Stock Exchange
Toronto Stock Exchange

Auditors:

Thorne Riddell
Chartered Accountants
Calgary, Alberta

Roughneck's Boots

Painted by Calgary
Artist Frances Wood

GREAT SCOTT DESIGNS - CALGARY

Ocelot Industries Ltd. supports and encourages the work of the Calgary Olympic Development Association in its bid to host the 1988 Olympic Winter Games.