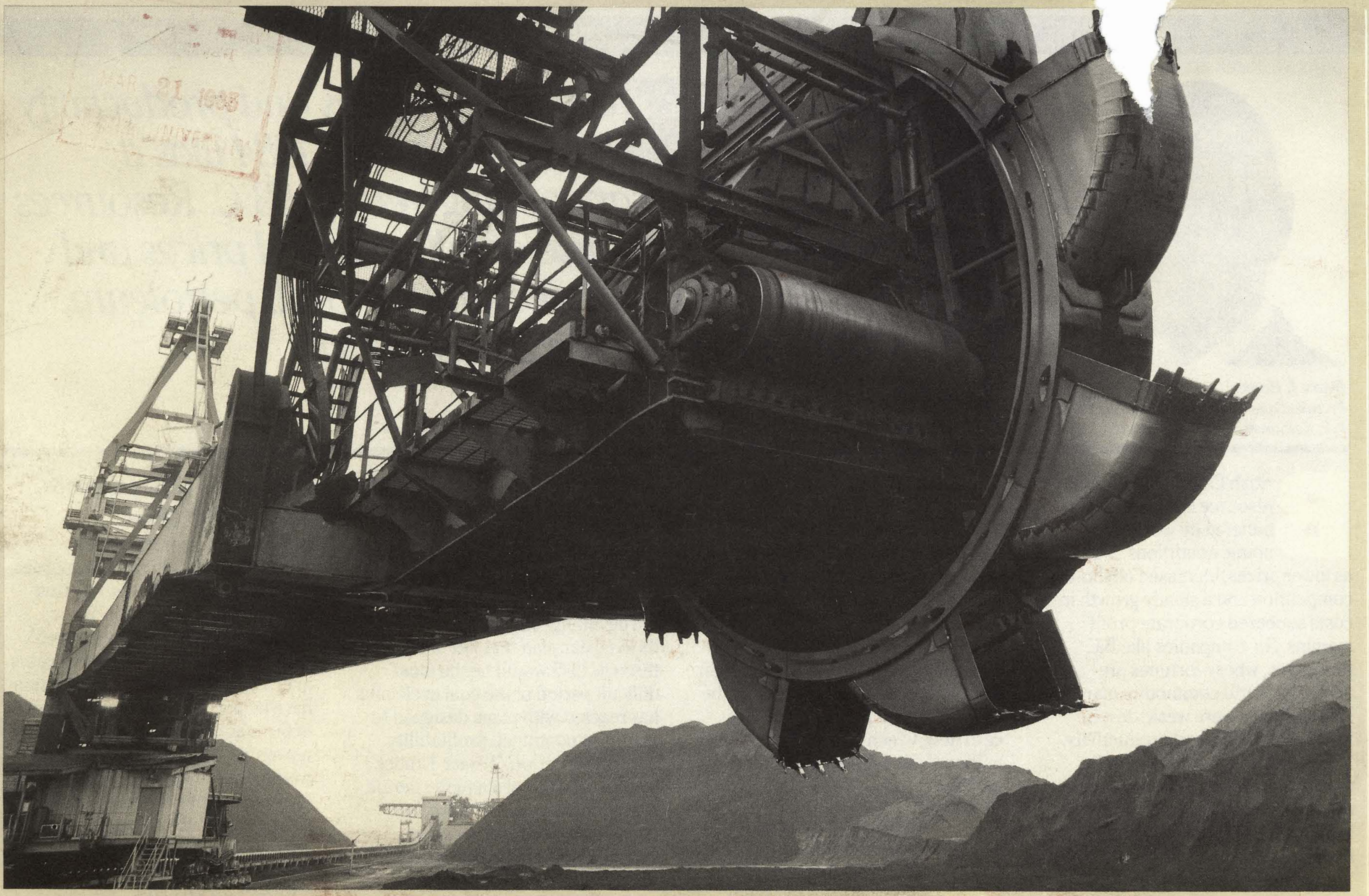
B.C. RESOURCES

ANNUAL REPORT 1984



At the Westshore Terminals coal port, south of Vancouver, stacker-reclaimer can stockpile coal from incoming trains or reclaim coal directly from stockpiles to awaiting ships. It is part of a $130 million expansion at the port which helped the Company aggressively secure new markets for its natural resource products in 1984.

In 1984 the Company shipped more coal, milled more wood and produced more oil than in any of the previous five years. Its marketing representatives found new customers and diversified their traditional sales patterns into several new offshore markets. Its managers continued to put its assets into the most competitive position possible. All of this was done more efficiently as productivity improvements were registered throughout the operations.

Despite the fact that our revenues passed the $1 billion level for the first time in our history, the year was a frustrating one for shareholders, management and employees. It ended with the Company's operating results in a just slightly better than break-even position before extraordinary items, share prices down to an unsatisfactory mid-two dollar level, and a continued erosion of profit margins.

The major reason for this situation is the current state of world commodity markets, which have seen prices declining steadily, despite increased economic activity in many sectors. British Columbia, heavily dependent on natural resources, has been particularly affected by the softness of world commodity markets. Mines and mills continue to be shut or restructured, jobs are lost and workers and investors are faced with grim situations.

Company avoided major losses in 1984

Our Company, with its concentration in coal, oil and gas and forest products, has managed to avoid major losses in 1984 while strengthening its operations. Much of the credit for this rests with our employees who have continued to reduce costs while increasing productivity in all operating areas. However the short term outlook remains static, with the risk of further price reductions.

Sales passed the billion dollar level for the first time in our history, but the year was a frustrating one.

Although we believe in the future earning power of our resource products over the long term, it is evident that improving our productivity, reducing our costs and selling more of our products will not produce any dramatic improvements for shareholders over the short term. While the Company must continue to run its existing businesses as well as it can to protect its shareholders and employees, it is clear that we must begin to look to new solutions and new opportunities.

As a result, the Company has restructured some of its senior management responsibilities and is embarking in 1985 on a program designed to shift its fortunes away from total reliance on world commodity markets. Over the next several months, you can expect to learn of our progress as new strategic plans are implemented.

Given our shareholder support, the demonstrated performance of our employees and the strength of our existing assets, we are confident of our ability to meet the challenges ahead for B.C. Resources in 1985.

Bruce I. Howe

About the Company

British Columbia Resources Investment Corporation is a Canadian company which produces and markets natural resources from its operations in Western Canada and the United Kingdom. Company subsidiaries are involved in coal mining, port operations, the manufacture of lumber and bleached kraft pulp, and the development and production of oil and gas in Canada and the U.K.

About 88 percent of its products are sold to customers in other countries.

In 1984 the Company's revenues exceeded $1 billion while the book value of its assets was $2.4 billion.

At year end, the Company had 108,974 registered Common shareholders, an estimated 1.5 million bearer shareholders, and 2,950 Preferred shareholders. It remains one of the most broadly based companies in North America.

Major operating subsidiaries are Westar Mining Ltd. (owned 67%), Westar Timber Ltd. (owned 100%), and Westar Petroleum Ltd. (owned 100%). Through Westar Mining, the Company is involved in the exploration and development of oil and gas fields in the North Sea.

The Company also indirectly holds 8.5 percent of the outstanding common shares of Westcoast Transmission Company Limited.

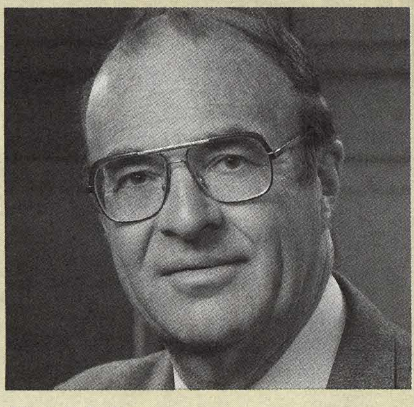
The Company's corporate offices are at 1176 West Georgia Street, Vancouver, British Columbia, V6E 4B9, Canada.

Contents

Westar

REVIEW OF OPERATIONS

Bruce I. Howe
President and Chief Executive Officer
B.C. Resources



Walter J. Riva
Chairman
B.C. Resources

Even though sales and productivity levels increased, 1984 was a disappointing year for B.C. Resources because of falling world prices and weak demand for coal, petroleum, and lumber products.

British Columbia's natural resource companies were buffeted by world economic conditions in 1984 as lower prices, increased offshore competition and a steady growth in costs squeezed corporate profit margins. For companies like B.C. Resources, whose fortunes are driven by world commodity markets, earnings were weak, despite increases in sales and productivity.

The cyclicality of the natural resource business, now in a period of low price and weak demand, was brought home by the Company's financial results — sales up over the $1 billion level for the first time, but earnings before extraordinary items at a break-even position, as prices for coal and lumber weakened, those for pulp climbed and then fell, and oil prices began to soften.

The Company's total revenues moved up to $1.1 billion in 1984 from $855.9 million in 1983. However, weak prices, increased interest charges to pay for major new projects, and a labor dispute in the pulp industry, combined to erode earnings before extraordinary items to $0.8 million, down from $19.0 million in 1983. The brightest element in the year's financial performance was cash flow, which improved to $170.4 million in 1984 from $97.5 million in 1983.

Despite the disappointing external climate, the Company's internal environment has been considerably improved during 1984. Reduced operating costs and higher productivity are a reflection of a strengthened management throughout the operations level. The Board of Directors has a strong level of confidence in the teams which are now running our mining, forestry and petroleum subsidiaries.

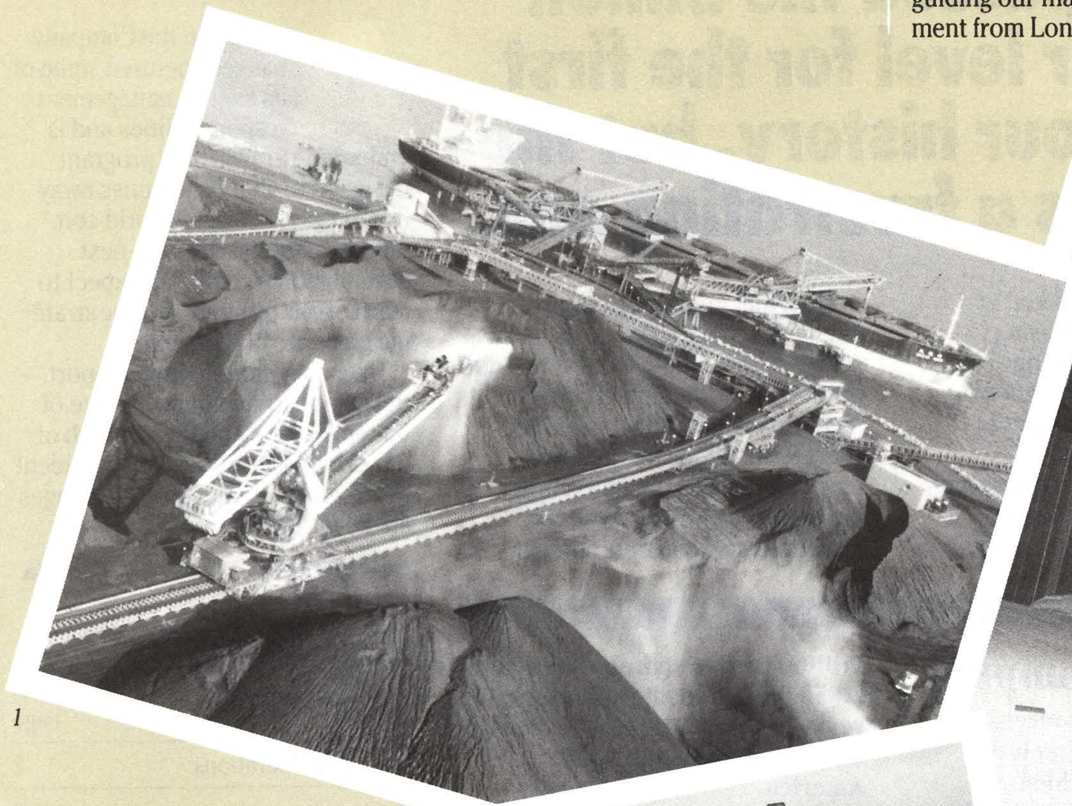
The mining company projected in its five-year plan that late 1984 through 1985 would be the most difficult period of the coal cycle and has reacted with plans designed to assure its continued profitability during this period. Westar Timber has climbed out of a lengthy period of continued losses which have characterized its industry and should report an operating profit in 1985. Westar Petroleum has a healthy cash flow and is now positioned for some production diversification and growth. The full management team for Westar Oil U.K. was put in place in 1984 and is guiding our major Brae Field investment from London.

Employees achieve good productivity gains

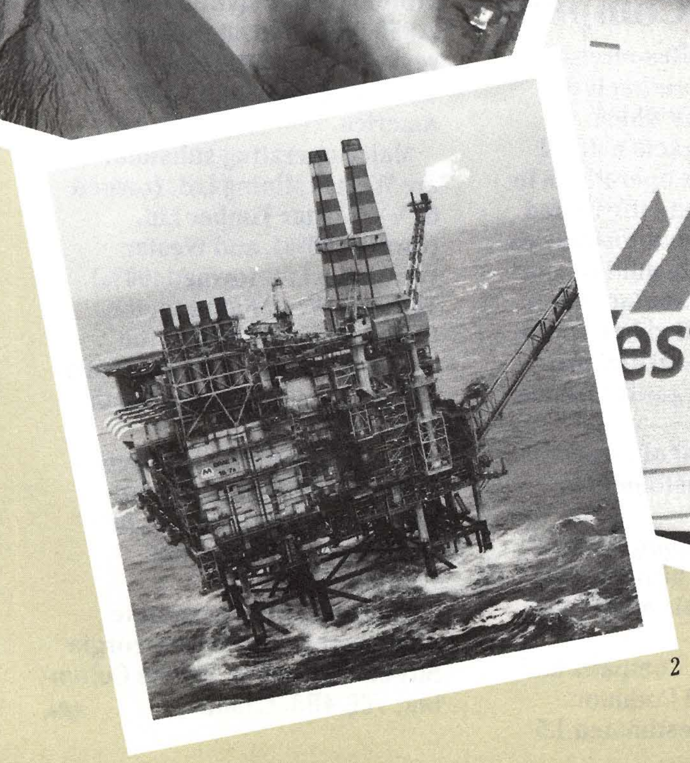
In the face of poor commodity prices, management and employees continued to improve production efficiency in 1984. Impressive productivity gains ranging from 35 to 51 percent over the past five years in coal, pulp and lumber production have helped the Company to remain in the black, going against the industry trends. The Board of Directors would like to record its appreciation of employee performance during this period of difficult economic conditions.

Capital spending totals $69 million

Capital expenditures in 1984 totalled $69 million, compared with $226 million in 1983 and $407 million in 1982, reflecting the completion of the production platform for the



1



2

3

4

1. A record 16.5 million tonnes of coal were shipped through Westshore Terminals in 1984.

2. South Brae production platform contributed $8.4 million in its first full year of operation.

3. Forest products subsidiary adopted the name of Westar Timber Ltd. in April 1984.

4. Westar Mining responded to lower prices by increasing productivity and international sales.

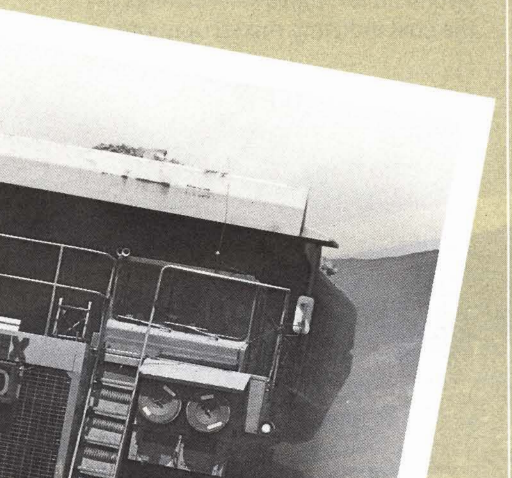
South Brae oil field, the Greenhills Mine and the expansion program at Westshore Terminals. The North Brae field development project accounted for $13 million of the 1984 expenditures. Capital spending in 1985 is forecast to be about $120 million, which includes $25 million for Westar Mining, $15 million for Westar Timber, $55 million for Westar Oil U.K., (of which some $40 million is for the North Brae) and $20 million for Westar Petroleum.

Lower prices and volumes for metallurgical coal

With world steel production continuing well below historical highs, and an increase in coal supply from new mines brought into production, world coal producers have continued to suffer from lower prices and reduced volumes for metallurgical coal used in the steel-making process. A dampened world economy has also delayed an expected increase in the demand for thermal coal, used as an industrial power source, and has pushed down thermal coal prices.

In the face of lower prices for 1984 and a price freeze for 1985, Westar Mining undertook a number of steps to ensure that it would remain a competitive and reliable supplier while coal remains at the bottom of its earnings cycle. Productivity improvements were made throughout the company; a new mine plan was designed for Balmer Mine to phase out the less economical underground operations; increased emphasis was put on securing new sales customers and diversification plans were explored through Westar Engineering, a new subsidiary formed late in 1983.

In January 1985, the Panel Six underground mine had to be permanently closed a few months earlier than planned for safety reasons when smoke and combustible gases from an adjacent sealed-off section filled the working area. The early termination of operations resulted in an extraordinary loss of $13.4 million against 1984 earnings.



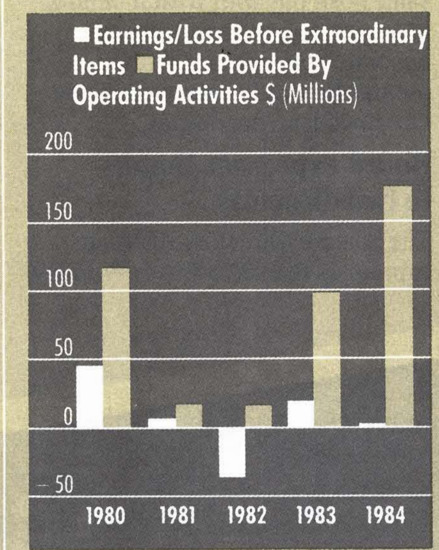
Westshore port expansion completed

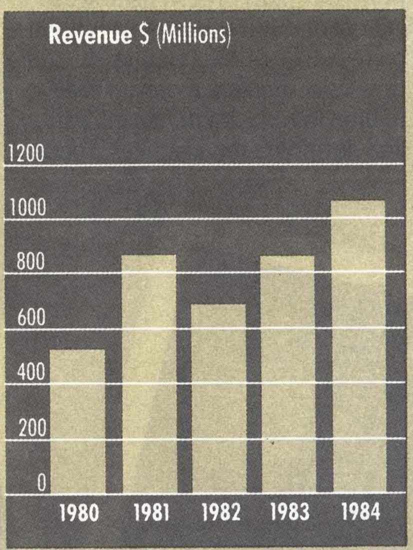
The $130 million expansion to Westshore Terminals was completed early in the year, allowing the Roberts Bank coal port to ship almost 50 percent more coal in 1984.

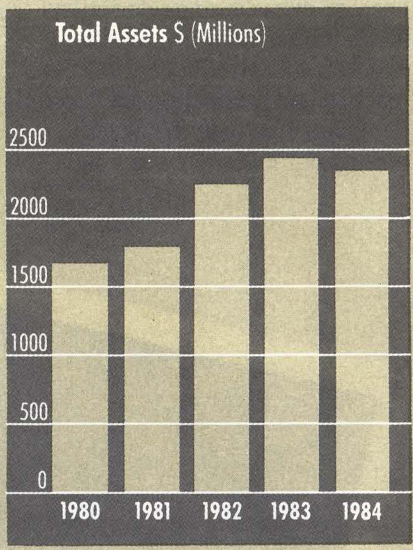
Financial and Other Highlights

	1984	1983
Operations ($ Millions) (For the year ended December 31)		
Revenue	**1,060.3**	855.9
Earnings before extraordinary items	**.8**	19.0
Net earnings (loss)	**(14.2)**	6.1
Funds provided by operating activities	**170.4**	97.5
Additions to property, plant and equipment	**68.9**	226.0
Financial Position ($ Millions) (At December 31)		
Working capital	**53.7**	54.0
Total assets	**2,359.5**	2,447.9
Long term debt	**1,168.7**	1,208.2
Shareholders' equity	**781.3**	798.4
Per Common Share ($)		
Earnings (loss) before extraordinary items*	**(0.06)**	0.13
Net earnings (loss)*	**(0.21)**	0.00
Book equity (at December 31)	**7.48**	7.67
Price range (V.S.E. and T.S.E.)		
High	**4.60**	4.75
Low	**2.50**	2.56
Ratios		
Current ratio	**1.3 to 1**	1.3 to 1
Debt to equity ratio	**1.5 to 1**	1.5 to 1
Percentage of long term debt to total capital employed	**53.3 %**	53.6%
Return on Common shareholders' equity	**(0.8)%**	1.7%
Other Information		
Number of employees (at December 31)	**4,560**	4,914
Wages, salaries and employee benefits ($ Millions)	**196.4**	194.9
Common shares outstanding (Millions)	**96.2**	96.2
Number of registered shareholders		
Common shares	**108,974**	114,498
Exchangeable Preferred shares	**2,950**	3,087

*After deducting dividends paid on Exchangeable Preferred shares.







The new $300 million Greenhills Mine worked well in its first full year of operation, producing to its full capacity of 2.6 million tonnes of thermal and metallurgical coal.

However despite higher coal production, higher interest charges and lower prices continued to squeeze profit margins. Westar Mining's earnings contribution to B.C. Resources from coal and port operations in 1984, after reflecting minority interest, but before extraordinary items was $10.6 million, compared to $31.1 million in 1983. Revenues from coal and port operations were $530.5 million compared to $433.5 million in 1983.

Forest products made progress in 1984

Although 1984 was another difficult year for British Columbia's forest products industry, Westar Timber made steady progress, operating profitably for most of the last half of the year. For 1984 it had a loss before extraordinary item of $3.6 million, compared to a loss of $11.0 million in 1983. Revenues were $361.4 million, up from $338.6 million in 1983. The improvement was made possible through higher pulp prices, slowly improving prices for lumber, cost control and productivity improvements and a continued thrust to diversify its lumber sales away from the U.S. into offshore markets.

The company's pulp mills at Prince Rupert and Castlegar, B.C. continued to improve their productivity levels once a nine-week industry wide labor dispute ended in April. However, pulp prices began to weaken world-wide late in 1984 and producers will face a challenge in responding to any significant price erosion in 1985. The company's financial performance is extremely sensitive to changes in pulp prices.

The forest products industry was plagued by weaker lumber prices throughout 1984, although there was an improving trend in the fourth quarter. Westar Timber continued to diversify to offshore lumber markets in 1984, selling about 30 percent of its total production of 515 million board feet of lumber to offshore markets and thus providing continued employment in its northwestern B.C. operations. Westar Timber's export marketing program won it the first Award of Excellence from the federal Department of Regional Industrial Expansion in mid-1984. All of its mills, except Nelson Operations, were able to run and make a positive financial contribution. After lengthy efforts to find a buyer for the Nelson mill were unsuccessful, it was permanently closed in September, and the assets disposed of, stemming losses of more than $20 million since 1980.

Domestic oil and gas plans to diversify

In 1984 Westar Petroleum began programs aimed at diversifying its oil and gas production into Alberta and British Columbia, increasing its gas sales and beginning a waterflood program in Saskatchewan to boost oil recovery rates in future years.

The bulk of its 3,349 barrel per day production comes from 648 shallow wells in west central Saskatchewan where oil recovery rates decline on an annual basis more quickly than from deeper wells. As a result the company is proceeding in 1985 with a water injection program which is expected to extend the recovery of oil two or threefold over the life of the field. At the same time, Westar Petroleum has effectively increased its seismic and drilling program for 1985 from $12 million to about $21 million, through a farmout arrangement with Conoco Canada Limited. About two-thirds of this amount will be spent in Alberta and British Columbia, where deeper, more expensive, and thus correspondingly fewer wells will be drilled. The company reported earnings of $4.7 million in 1984, compared with $3.2 million in 1983. Corresponding revenues were $43.5 million and $41.4 million. Funds generated from operating activities amounted to $17.4 million.

Brae Field completes first full year of operation

B.C. Resources 7.7 percent interest in the South Brae field of the North Sea recorded its first full year of production in 1984 after coming into operation in July, 1983. Financed with a US$300 million facility from a consortium of international banks, the South Brae has reserves estimated at 300 million barrels. Peak production of 112,000 barrels a day was not reached until the end of 1984 because of gas flaring restrictions which limited daily production. However this plateau has now been reached and production is expected to remain at or near this level throughout 1985.

Westar Mining's share of production volumes is currently about 15,000 barrels per day at peak levels, including a share it receives for financing 7.7 percent of the capital investment costs for another company. North Sea oil prices were reduced by $1.35 in the Fall of 1984 to US$28.55 per barrel. At the current time, the price of oil remains unsettled, but the Brae investment remains a healthy one for B.C. Resources. Earnings contributions to B.C. Resources from the South Brae in its first full year of operation were $8.4 million on revenues of $91.2 million. In addition, the Company received $51.9 million in repayment of exploration and development advances. Funds generated from operating activities were $62.7 million.

Chairman changes responsibilities

At mid-year, Donald N. Watson and Walter J. Riva changed responsibilities with Mr. Riva becoming chairman of the Board and Mr. Watson assuming the position of vice chairman in gradual preparation for his retirement. Thomas A. Beckett was appointed vice president, general counsel and secretary in June, while continuing to hold the same positions with Westar Mining. In August, Sandy M. Fulton was appointed president of Westar Timber. He was formerly executive vice president, operations.

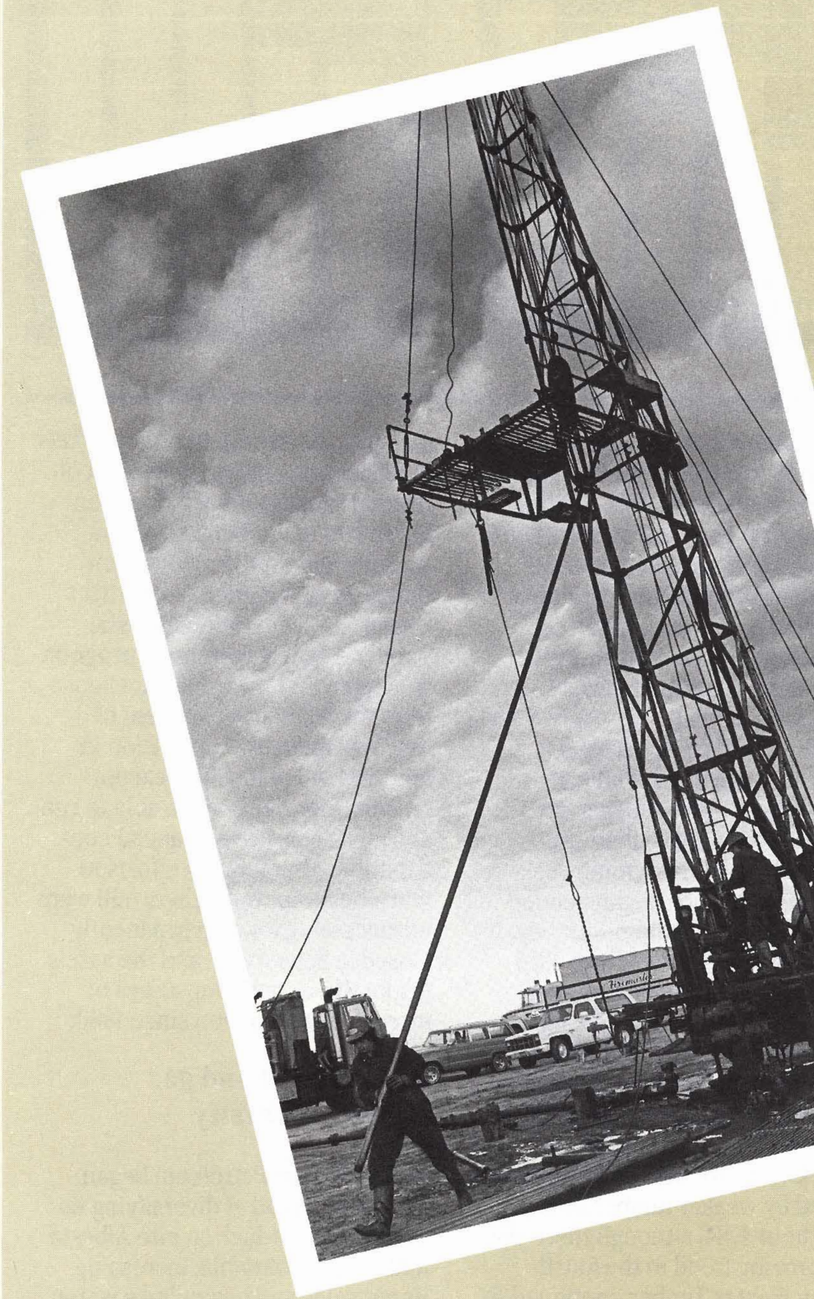
Board expresses thanks to two directors

The Board of Directors wishes to express its thanks to Trevor W. Pilley and Charles N.W. Woodward for their long and loyal service as members of the Board of B.C. Resources. They have advised of their intention not to stand for Board renomination on May 1, 1985. Mr. Pilley and Mr. Woodward are the last of the original directors of the Company, having been appointed to the Board on February 22, 1978.

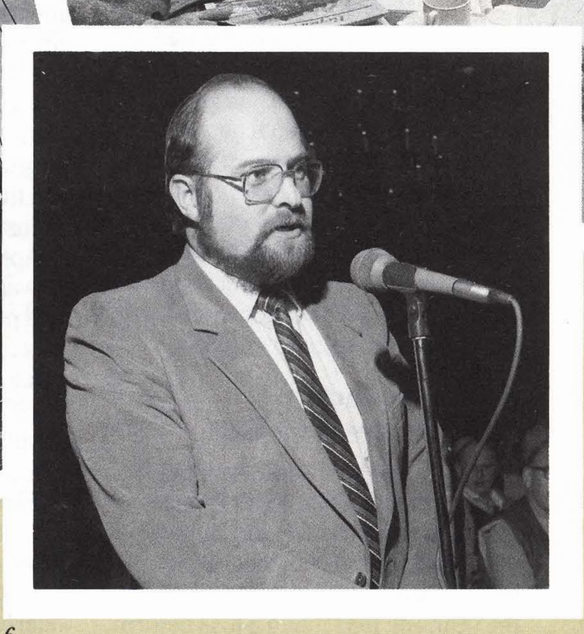
Mr. Pilley served on the Audit Committee from 1979 to 1982 and on the Human Resources and Compensation Committee in 1981 through 1983. Mr. Woodward was a member of the Human Resources and Compensation Committee from 1981 to 1985.

Outlook for 1985 offers little optimism

Forecasts for 1985 offer little optimism for improved earnings in the coal industry, mixed opinions



5



6

5. Westar Petroleum was involved in drilling 130 new wells in Canada in 1984.

6. Shareholders had opportunity to question management at regional meeting in Prince George.

for forestry and a concern about the future trend of oil prices. Positioned as it is in these commodities, B.C. Resources financial performance will be dependent on world prices while remaining susceptible to the swings in interest and foreign exchange rates. One element in its favor, with 88 percent of its products sold on export markets, is a low Canadian dollar in terms of the U.S. dollar. On the other hand, the Canadian dollar remains strong against some of our competitive producing countries, such as South Africa, Australia and Scandinavia.

The outlook for resource companies in British Columbia demands continued improvement in the efficiency of operations and a realization that increased wages can no longer be an automatic fact of life in today's economy. Shareholders who have invested in the resource industries have had little or no return for several years and, in the case of our Company, the outlook for improved earnings remains weak in the short term. Over the longer term we remain confident that our holdings in coal, forestry and petroleum will provide a good return, if we continue to operate our businesses as efficiently as they are now running.

Management re-alignment to help with new strategies

Management does not consider the short term outlook to be satisfactory for its shareholders and therefore will turn its full attention to the implementation of new strategies during 1985 and 1986 designed to improve our earnings outlook. The Company took the first step in this direction at the end of 1984 when it re-aligned some of its senior officer responsibilities to provide for the highest possible level of concentration on the development of new strategic alternatives. L. Jack Smith was named executive vice president and chief operating officer, reporting to Bruce I. Howe on the operations of the business units: Westar Mining, Westar Petroleum, Westar Oil U.K. and Westar Timber.

Mr. Howe continues as president and chief executive officer, and in addition will concentrate his management efforts on strategic planning and development, with the vice presidents of both those functions, William S. Cameron and Michael G. McKibbin, now reporting to him. Robert F. Chase was named vice president, finance and treasurer, reporting to Mr. Howe. Also continuing to report to Mr. Howe are Jean G. Cormier, senior vice president, corporate affairs, and Thomas A. Beckett, vice president, general counsel and secretary.

The strategic planning and development group will build on certain strategic issues identified during 1984, will closely examine our existing asset mix, encourage product and service diversification, look at the potential for new financing arrangements and explore new areas of business activity.

Objectives are to keep managing assets well

In the existing businesses, our operational objectives are to continue to manage our assets so as to maximize their contributions to cash and earnings by continuing cost control measures. At the same time, we seek to strengthen positions by market diversification, longer term contracts and the maintenance of product quality and reliability of supply.

Canadians working in resource-based industries have proven their ability to go out and sell their products in the world marketplace and to remain competitive in the face of changing economic conditions. More than ever before they must now show a facility to create new products, develop new markets and to diversify to meet new needs. In 1985 these skills will be the key to overcoming the challenge we now face.

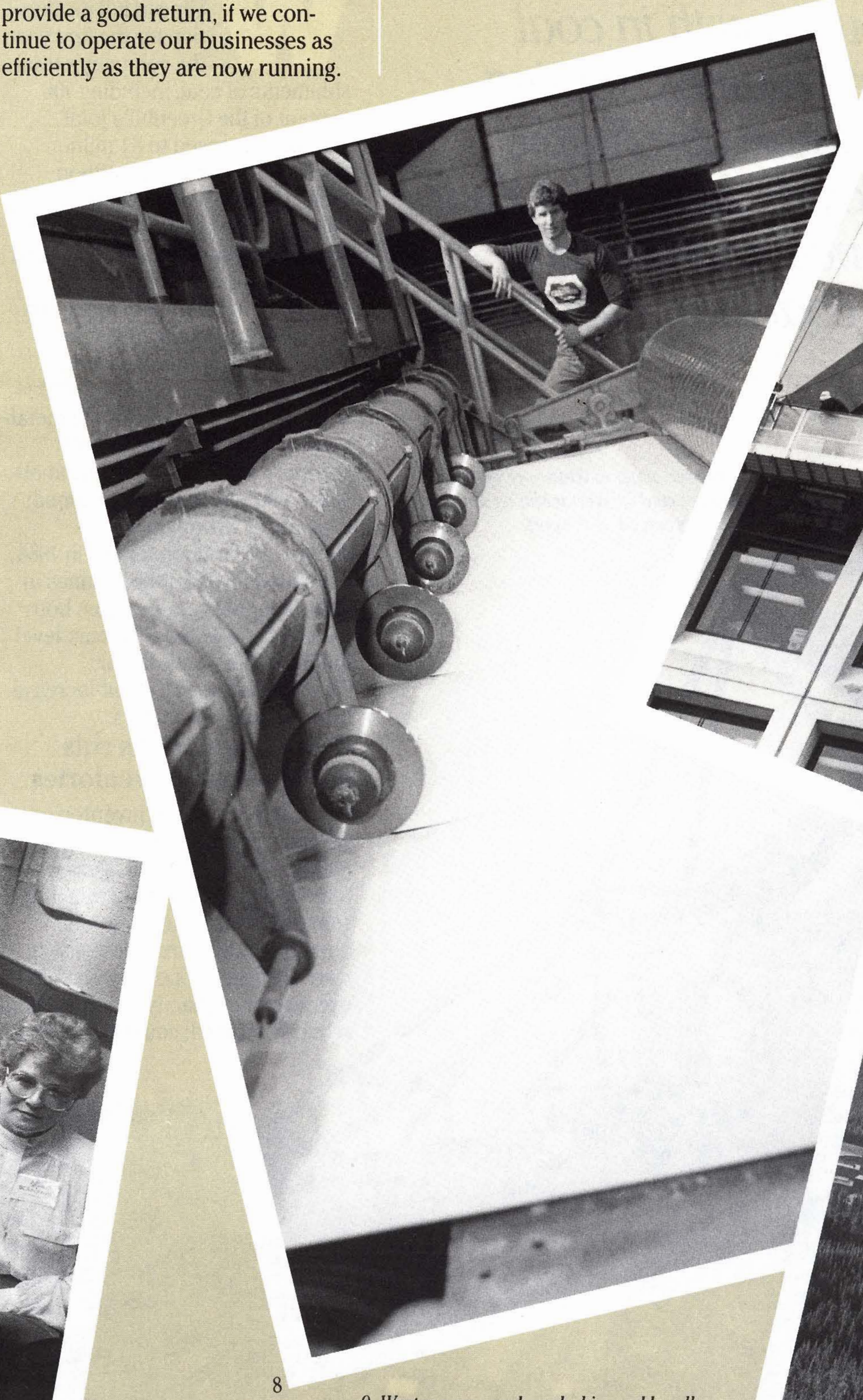
On behalf of the Board of Directors,

Walter J. Riva
Chairman

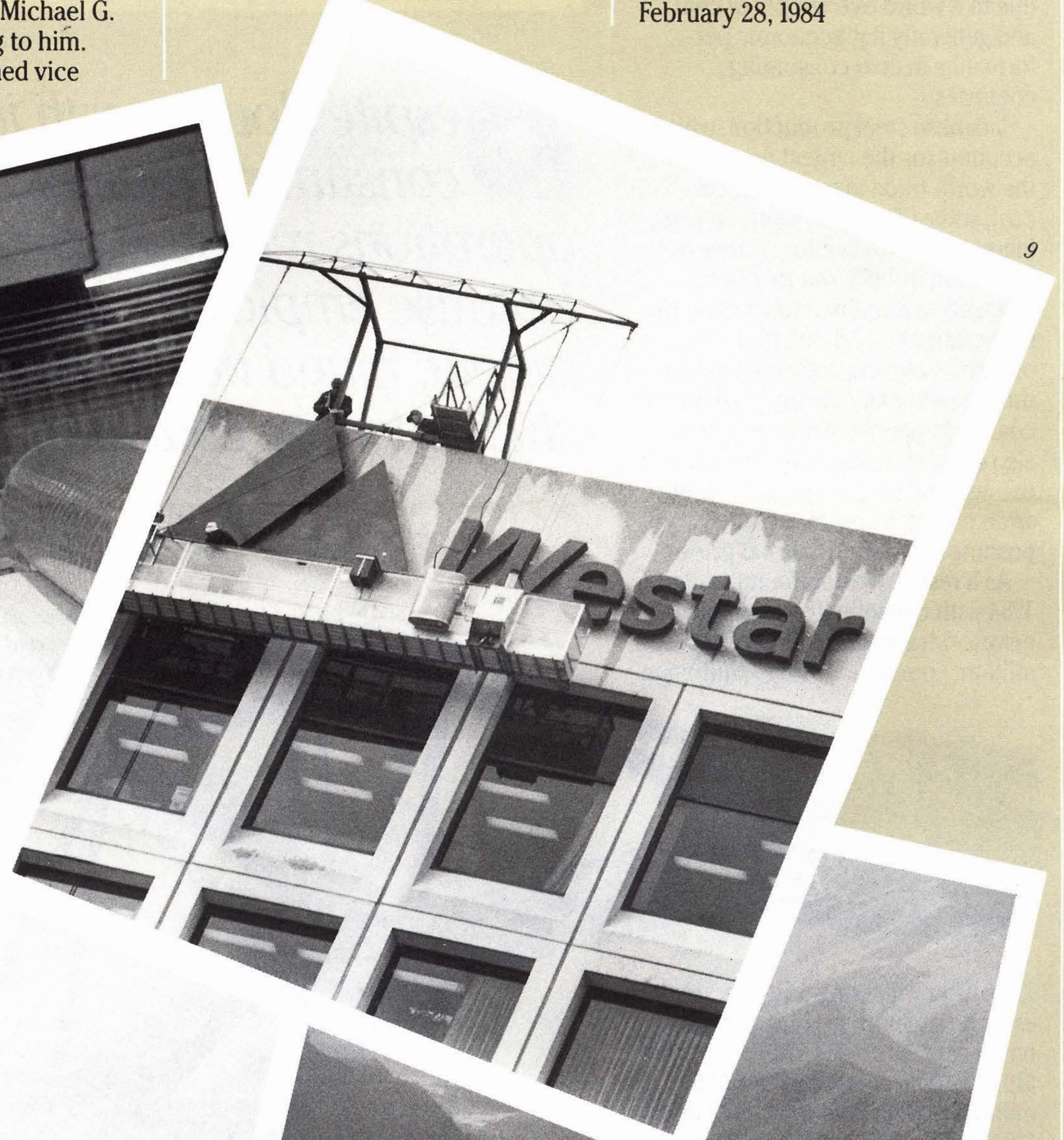
Bruce I. Howe
President and
Chief Executive Officer

February 28, 1984

7



8



9

10

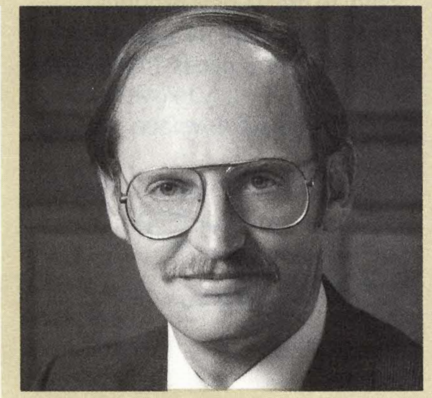
7. Members of Shareholder Liaison Committee channel information from shareholders to management.

8. Westar Timber's two pulp mills broke every previous company record for productivity.

9. Westar name and symbol is used by all subsidiaries and now appears on Company's Vancouver office building. The Company has asked the Government of British Columbia to introduce a legislative amendment to the Resource Investment Corporation Act which would permit B.C. Resources to be known as "Westar Group Ltd." Some 79 per cent of the shares favored the change when shareholders were asked for their opinion prior to the 1984 Annual General Meeting.

10. Modern preparation facilities helped Greenhills Mine produce to full capacity in 1984.

MINING

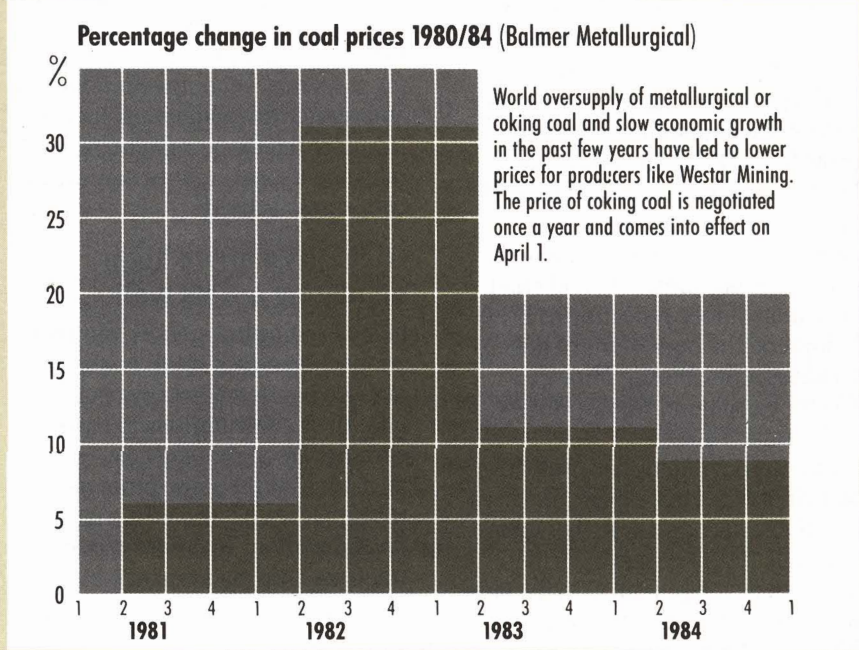


Gary K. Livingstone
President
Westar Mining Ltd.

Westar Mining's total coal shipments from both mines increased by 30 percent in 1984, but prices suffered further downward pressure due to a world oversupply of coal and generally flat economic performance in coal consuming countries.

Japanese steel production, which accounts for the largest portion of the world trade in metallurgical coal, some 65 million tonnes a year, increased to 105 million tonnes from 97 million in 1983. But this steel production remained well below the expectations which led to the opening of several new coal mines thus creating an oversupply of world coal. A dampened world economy also delayed an expected increase in the demand for thermal coal, used as an industrial power source, pushing down thermal coal prices.

As a result, Westar Mining ended 1984 with consolidated earnings before extraordinary item of $40.9 million, compared to $60.7 million in 1983. After reflecting minority interests and other charges, it contributed earnings to B.C. Resources of $19.0 million, compared to $33.5 million in 1983. This was made up of $10.6 million from coal and port operations, compared to $31.1 million in 1983 and $8.4 million from its U.K. oil and gas operations, compared to $2.4 million in 1983. Westar Mining's total sales from coal and port operations in 1984 were $530.5 million, compared to $433.5 million in 1983.



Despite slow growth in coal consuming nations, mining operations remained profitable because employees increased their output, found new markets and shipped more coal than ever before.

Steps taken to ensure company profits

The company entered 1984 aware that it would face reduced earnings, higher mining costs and increased interest charges for recently completed capital projects. Westar Mining took a number of steps to ensure that it remained as profitable as possible under the circumstances. Among the actions taken to remain competitive yet financially sound were the altering of the mining plans at Balmer and Greenhills to reduce costs and improve productivity, introduction of a program to phase out less economical underground coal production at Balmer Operations, and an intensive marketing program aimed at securing additional sales, particularly in Europe.

With the Greenhills Mine in full production for the first year, the company's total shipments of coal, including 100 percent of the Greenhills joint venture, increased to 8.1 million tonnes in 1984 from 6.2 million tonnes in 1983. Coal shipments from Balmer in 1984 were made up of 5.2 million tonnes of metallurgical and 250,000 tonnes of thermal coal, compared to 5.3 million tonnes of metallurgical coal in 1983. The Greenhills Mine operated at full design production capacity in 1984, shipping 1.8 million tonnes of metallurgical and 800,000 tonnes of thermal coal. Westshore Terminals, which was expanded to an annual capacity of 22 million tonnes, shipped 16.5 million tonnes in 1984, compared to 11.8 million tonnes in 1983. Shipping volumes from both mines are expected to remain level in 1985 although Westshore Terminals expects a slight increase from its other customers.

Balmer Operations cuts costs, reduces inventories

In an effort to reduce inventories, Balmer Operations was shut from March 18 to 31, 1984 and again for a four week vacation shutdown in the summer. The mining plan was altered to make fundamental long term changes in operations so that excess plant capacity, resulting from reduced demand, could be used to

Stacker-reclaimer at Westshore Terminals stockpiles coal for Westar Mining and other customers served by the port.

produce coal at lower cost. Other cost reduction programs were rigidly followed and employees continued recent improvements in productivity which have seen tonnes per man shift worked rise by 35 percent over 1982. Safety continued to improve for the fourth year to a frequency of 3.8 lost time accidents per 200,000 man hours worked.

Faced with the need to remain as competitive as possible in world markets, the company introduced a program to phase out less economical underground mining which accounted for about 15 percent of Balmer's annual production. The Panel Six underground mine, which used hydraulic recovery methods, was to be phased out three years ahead of schedule in the first half of 1985.

However, the mine had to be closed a few months early for safety reasons in the third week of January 1985 when smoke and combustible gases from an adjacent, sealed-off section filled the Panel Six area. The early termination of operations resulted in Westar Mining taking an extraordinary loss of $14.7 million against 1984 earnings.

The Balmer North conventional underground mine will continue as had been projected, until the reserves are exhausted in early 1988. To lessen the impact on the 200 employees who would be affected by the Panel Six phaseout, the company introduced a variety of programs, including retraining for open pit operations, transfers to Greenhills and an early retirement option. The latter was well received with 97 out of 169 eligible employees opting for early retirement throughout the Balmer workforce.

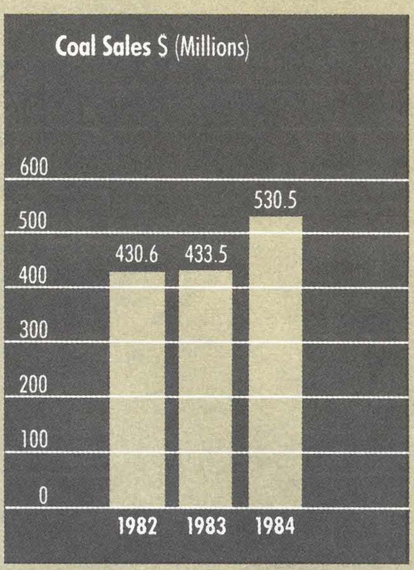
New agreement signed with Japanese customers

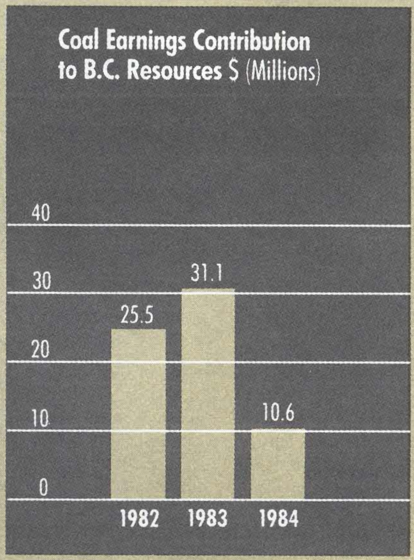
With the start of the new coal year on April 1, 1984 the price of Balmer metallurgical coal sold to Japan was reduced by $0.74 per tonne to $69.09, following earlier price reductions from U.S. and Australian suppliers in the range of US$1.50 to $4.00 per tonne. Agreed tonnage was set at a minimum of 3.0 million tonnes for the period extending to March 31, 1985. As part of the arrangement, the two parties agreed to commence negotiations to extend the duration of the long term Balmer contract.

The Balmer contract was extended in November for a further five years, from April 1, 1985 to March 31, 1990. The agreement includes the intention to negotiate again for a further renewal, before the five-year period ends, and contains provisions for periodic price reviews.

The company had to follow earlier Canadian and U.S. settlements for a price freeze for the 1985 coal year, beginning April 1. The price freeze at $69.09 per tonne until April 1, 1986 means that profit margins will be reduced in 1985 as costs increase, thus requiring a continuation of strict cost reduction programs.

Heavy duty equipment used at Greenhills Mine combined with years of experience in mining coal helped the company achieve record production levels in 1984.





At Balmer Operations, mechanics use modern up-to-date equipment to carry out repairs on trucks and other heavy-duty vehicles.

Greenhills Mine operates at full capacity

The first full year of operations at Greenhills Mine saw it produce to full capacity without any major problems. A surge in sales, brought about by increased marketing success in Europe resulted in the mine operating through a planned summer vacation shutdown. To meet the increased sales at minimum capital cost, additional equipment surplus to Balmer Mine was brought in ahead of schedule. The growth in new sales allowed the introduction of the high quality Greenhills coal to new, potentially long term customers. Cost control programs continued at Greenhills during the year, while the mining plan was revised, removing some higher cost coal from the scheduled production program over the longer term. Greenhills employees once again recorded an excellent safety record of 1.1 lost time accidents per 200,000 man hours worked.

Westar Mining and its Japanese customers agreed in August to reduce the price of Greenhills metallurgical coal by $7.87 per tonne to $78.39 per tonne effective from April 1, 1984. The price reduction had been anticipated by the company. In return, the Japanese buyers agreed to take their full contract commitment of 760,000 tonnes a year plus or minus five percent through to March 31, 1986; indicated their intention to extend the expiry date of their Greenhills contract from March 31, 1986 into the 1990's; advised of their acceptance of Westar's 20-year plan for Balmer Mine; and agreed to explore the possibility of a yen payment agreement which would give Westar Mining access to Japanese financial markets and their lower interest rates.

Employees continue to improve productivity levels at all operations.

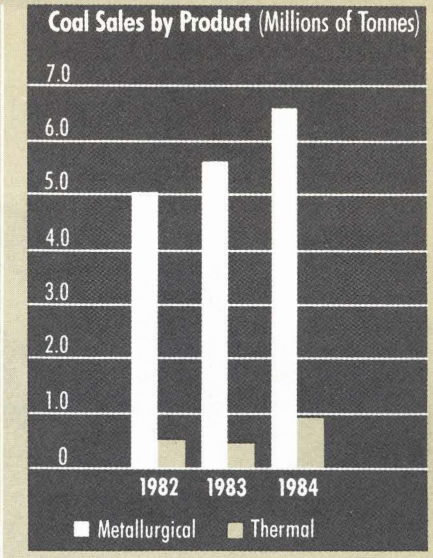
Westshore completes $130 million expansion

Westshore Terminals completed a $130 million expansion program which increased its annual shipping capacity to 22 million from 12 million tonnes. The expansion coincided with the start-up of two new mines in southeastern British Columbia and one in Alberta, bringing Westshore's number of major coal customers to eight. Total shipments increased to 16.5 million tonnes in 1984, up from 11.8 million the previous year.

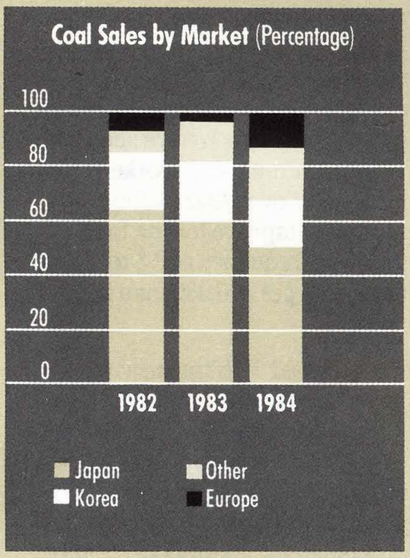
Although weak world coal markets saw Westshore operate at only 75 percent of its new capacity, the terminal demonstrated its potential by setting new handling records. In October it loaded a record number of 26 ships with a record monthly amount of coal, 1,770,265 tonnes.

In the same month it handled what until that time had been the largest cargo of coal ever loaded in North America, 178,411 tonnes on the vessel, River Star. Trains unloaded at the port in 1984 were 1,700 compared to 1,200 in 1983, while shiploadings were up to 229 from 154 in 1983.

In October 1984, B.C. Resources began negotiations which are still underway with Westar Mining's Japanese shareholders to purchase full ownership of Westshore. The Company's objective is to restructure the port as a



100 percent Canadian owned company.



The change in ownership would have no effect on day-to-day opera-

The Balmer surface mine in southeastern British Columbia produces and exports coal to a host of countries around the world. In 1984, the mine shipped 5.2 million tonnes of metallurgical coal, used in the steel manufacturing process, and 250,000 tonnes of thermal coal, used to generate power and as an industrial fuel.

tions and would allow the Company to take advantage of growth opportunities in the Pacific Rim and more effective tax planning.

Marketing arm diversifies coal sales

Westar Mining International, the marketing arm of Westar Mining performed extremely well in the face of oversupply and weak world prices in 1984. Forced to accept price cuts for both Balmer and Greenhills coal, it managed to achieve its major goals of solidifying long term contracts at both mines with its key Japanese customers. It also continued to diversify its world coal markets, with sales to Japan making up 53 percent of total metallurgical coal shipments, compared to 63 percent in 1983.

Major advances were made into the European market, with total sales increasing to 1.4 million tonnes there in 1984, compared to 300,000 tonnes in 1983. In the face of a world oversupply and higher ocean freight costs than eastern U.S. competitors, the tripling of sales into Europe was significant.

Although many of these were short term sales, new European customers have found the quality of Westar coal very acceptable, have experienced first-hand the reliability of the transportation link via Westshore Terminals and see Westar as offering the security of a diversification of supply.

Westar Mining International established the first Canadian coal service office in Europe in September to continue concentration on the European market, provide better service to established customers and to work toward creating long term customers out of its new 1984 sales business.

Shiploading and stockpiling of coal at Westshore Terminals is handled smoothly and efficiently by computers and highly skilled workers.

Westar Engineering offers consulting services

Formed in late 1983, Westar Engineering put the emphasis on its own organization and development during 1984. In addition to serving the engineering needs of Westar Mining, it offers general engineering, resources technology and computer services to mining clients on a world-wide basis. Because of its operating experience with the parent company, it offers a unique kind of consulting experience which should allow it to position itself well in the consulting field.

In 1984 the general level of economic activity restricted consulting opportunities. However, Westar Engineering signed a letter of protocol with the government of the People's Republic of China in April and is currently exploring three consulting opportunities in that country. It is also working toward an agreement with the coal agency of the Government of India on hydraulic mining technology. Its future thrusts will stress technical and mine management consulting, the exploration of equity positions in other mining operations and the possibility of joint venturing with other consulting companies on a project by project basis.

Cost reduction programs to continue

Prices remain frozen on Balmer metallurgical coal until April 1986, putting additional pressures on profit margins. Demand for metallurgical and thermal coal is expected to remain flat in 1985. As a result, the company will continue to emphasize a reduction in costs to remain competitive and financially sound, while seeking opportunities to diversify its products, sales and markets.

These will include a continued search for new coal customers; the possibility of a diversification of products handled through Westshore Terminals; and the development of new related business activities through Westar Engineering. Combined with continued cost controls and further improvements in productivity, Westar Mining remains confident of its ability to remain a profitable and competitive leader in the world coal industry.

WESTAR MINING

The company

Westar Mining Ltd. is a leading Canadian exporter of metallurgical and thermal coal. It operates the Balmer surface mine and an underground mine near Sparwood, B.C., the Greenhills surface mine about 40 kilometres north and the Westshore Terminals coal port, south of Vancouver. It is also a partner in the producing Brae oil and gas field in the United Kingdom.

Ownership

Westar Mining is owned 67 percent by B.C. Resources and 33 percent by Mitsubishi Corporation of Japan and a group of nine Japanese coal consumers.

Greenhills Mine, opened in 1983, is a joint venture owned 80 percent by Westar Mining and 20 percent by Pohang Iron and Steel Company Limited of South Korea.

Production

Metallurgical or coking coal is used in the manufacture of steel. It is converted into coke and combined in a blast furnace with iron ore and lime and heated. Clean metallurgical coal production in 1984 from both mines was 7.2 million tonnes.

Thermal coal is mainly used to generate power and as an industrial fuel. Some 800,000 tonnes were shipped from the Greenhills Mine and 250,000 from Balmer in 1984.

Markets

Japanese steel mills are the largest single market for metallurgical coal, and purchased about 53 percent of company production in 1984. Metallurgical and thermal coal is also sold to South Korea, Brazil, Taiwan, Chile, Mexico, Pakistan and several countries in Europe.

Results

Total revenues from coal and oil and gas operations were $646.4 million in 1984 compared to $470.0 million in 1983. Westar Mining's profit contribution to B.C. Resources before extraordinary item was $19.0 million in 1984 compared to $33.5 million in 1983.

Employees

The company employs about 2,000 people at its Balmer and Greenhills mines, its coal port and its corporate offices.

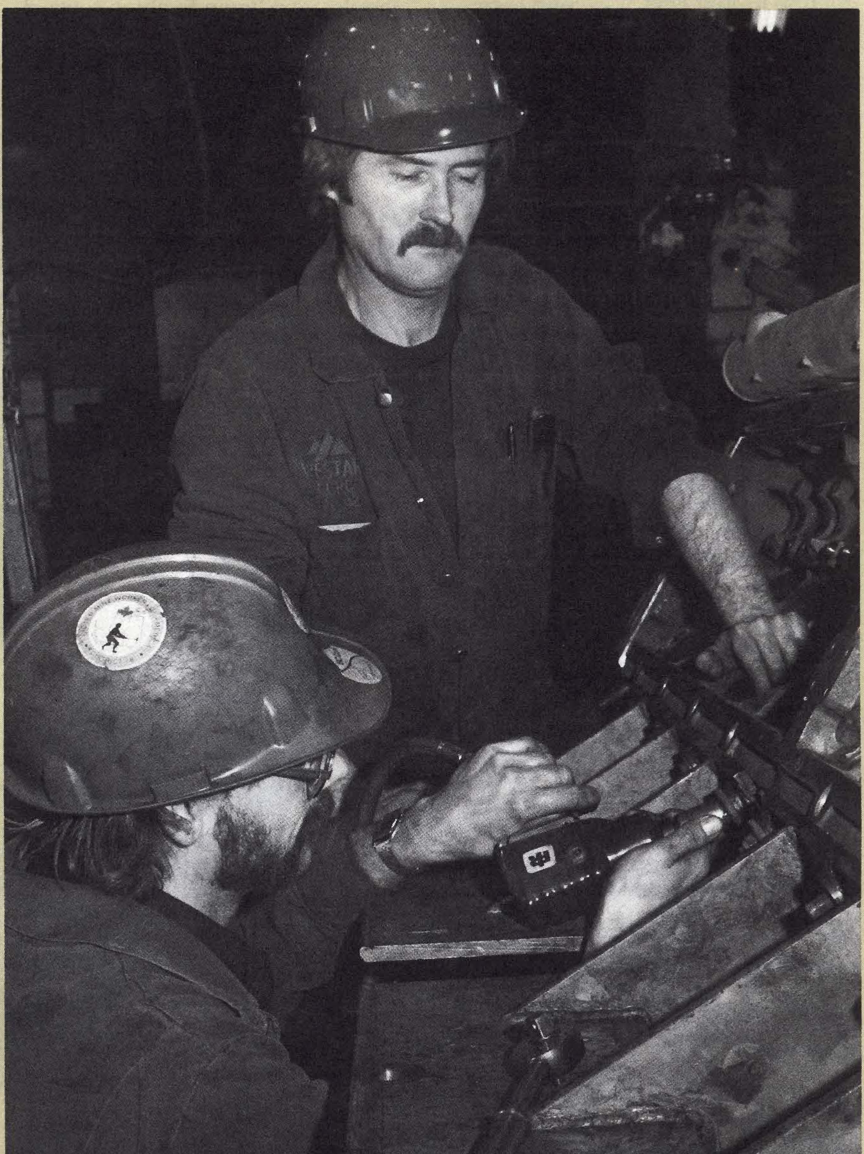
Subsidiaries

Westshore Terminals Ltd. operates the coal loading port at Roberts Bank, B.C. It has an annual capacity of 22 million tonnes, making it the largest bulk loading terminal on the west coast of North America. The port shipped 16.5 million tonnes in 1984.

Westar Engineering Ltd. was formed in 1983 to market the company's technology and related services around the world. It offers general engineering, resources technology and computer services to mining clients, including technical and mine management consulting.

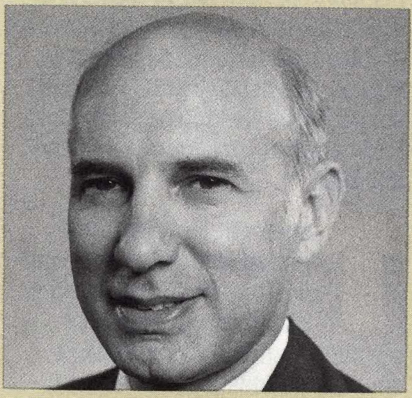
Westar Mining International Ltd. was established in 1982 and is responsible for all coal marketing and customer relations.

Westar Oil UK is shown on pp. 10-11.



Mechanic and apprentice rebuild the engine from a 6-cylinder Caterpillar tractor.

OFFSHORE OIL & GAS



W. Robert Mendes
Managing Director
Westar Oil U.K.

As a partner in the Brae offshore oil field, Westar Mining shared in the 32 million barrels of oil and natural gas liquids produced by the South Brae platform in its first full year of operations.

The Company's investment in the Brae oil and gas field, held through Westar Mining, grew into one of its most profitable business units in 1984 in spite of falling oil prices and lower than expected production levels.

Located 250 kilometres off the coast of Scotland, the Brae is B.C. Resources only major investment outside Western Canada. In 1984, it produced a total of 31.6 million barrels of oil and natural gas liquids for the group of international companies which financed its development. Westar Mining's share of this production, including the Bow Valley carry, was 4.1 million barrels, an average of 11,350 barrels per day during the year.

Westar Mining has a 7.7 percent interest in the Brae. The South Brae came into production in July 1983. A second reservoir, the North Brae, is now undergoing development.

Field contributed a profit of $8.4 million

During 1984, the sale of oil and gas from the field produced revenues for the company of $91.2 million. Its profit contribution to B.C. Resources for the year was $8.4 million.

Both revenues and earnings were about 20 percent lower than expected because of technical problems with some of the offshore equipment used to process natural gas. Because of these temporary difficulties, the operator, Marathon Oil U.K., Ltd. was not able to inject enough natural gas back into the reservoir formation. British government regulations restrict the volume of gas which can be flared, so the platform operator was forced to cut back on production.

These temporary problems are being resolved and production should soon begin to climb toward its peak level of 112,000 barrels per day.

Seven additional wells were drilled from the South Brae production platform during the year. The offshore platform now houses six production wells, two water injection wells and one gas injector. These injection wells are used to maintain the pressure in the reservoir so the maximum amount of oil and natural gas can be recovered.

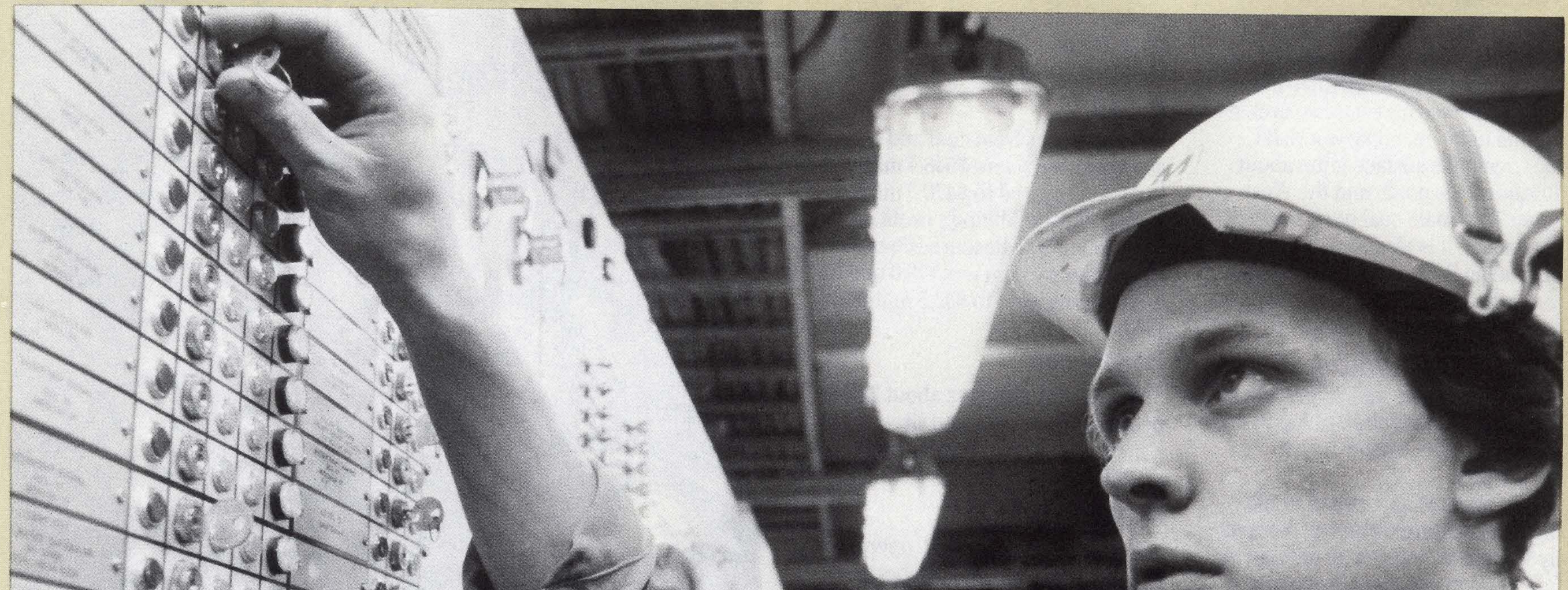
South Brae may be larger than expected

Test results from new drilling carried out during the year suggest the South Brae field may be much larger than earlier believed. The field appears to extend a significant distance to the east, which would add considerably to its total recoverable reserves.

Part of this expanded reservoir appears to extend under an adjacent lease held by British Petroleum. If further detailed engineering proves this is the case, both British Petroleum and the Brae Group of companies — including Westar Oil U.K. — could jointly develop this extension.

In order to treat all leaseholders equally, the field would be "unitized" or treated as a single entity. Development costs would be divided among the various companies according to their ownership. However, because British Petroleum is a newcomer to the South Brae, it would have to pay for its share of the $1.5 billion (at year-end exchange rates) already invested in the South Brae, before it received revenues from the unitized field.

The proposal, now under serious discussion between the two groups, would also reduce the unit cost of oil from the Brae because the additional reserves could be extracted using the existing production platform.



Flow of oil and natural gas liquids from the South Brae production platform is monitored by highly skilled employees using state of the art technology.

Unitization is beneficial to all parties by allowing economies of scale and is relatively common in the oil and gas industry where fields extend across lease lines.

Carry obligation quite common in industry

In addition to paying for its own share of Brae development costs, Westar Mining is obligated to fund a 7.7 percent share for Bow Valley, one of the other partners in the Brae development. This type of arrangement is also quite common in the oil industry. In return for advancing funds for Bow Valley, Westar Mining is repaid with 70 percent of that company's share of net proceeds.

Known as a carried interest obligation, this agreement was already in force when B.C. Resources acquired 67 percent of Westar Mining in late 1980.

This repayment obligation increases the mining company's share of daily oil and gas revenues to 15,000 barrels at peak production levels.

Over its estimated life of 20 years, the Brae Group portion of the South Brae field is expected to yield recoverable reserves of about 300 million barrels of oil and natural gas liquids. Westar Mining's 7.7 percent share of these estimated reserves totals 23 million barrels before taking its share of the Bow Valley carry into account. No firm estimates have yet been made on the additional reserves which could be recovered from the extension to the east.

Five reservoirs discovered to date

The South Brae field is one of five different hydrocarbon reservoirs which have been discovered in the Brae area since 1975. Before these rich hydrocarbons can be extracted, production platforms able to support all the drilling and processing equipment have to be built and anchored to the ocean floor.

This process accounts for most of the funds needed to bring the fields into production.

Westar Mining financed its share of South Brae development costs with a long term credit facility of US$300 million arranged through a syndicate of international banks in 1982. With the South Brae field now in production, the company is carrying on discussions with these banks and other international lenders to re-structure the South Brae credit package so it can fund its share of North Brae costs as well. This financing agreement is expected to be in place before the end of 1985.

The announced reduction in the price of North Sea crude oil by US$1.35 to US$28.55 per barrel in October 1984 will likely have a small impact on earnings after taxes and royalties in 1985.

The spot price of North Sea oil was lower than the posted price at year end.

However, over the long term, the forecast for world oil prices depends on continued steady economic growth in both industrialized and newly-developing nations.

Second offshore oil field by 1988

The eight companies from Britain, Canada, Norway and the United States which developed the South Brae field received British government approval in October 1983 to proceed with the second planned phase of the Brae oil and gas project.

By the end of 1984 much of the advanced engineering and planning work was well underway on the North Brae reservoir, located about 12 kilometres from the existing South Brae platform.

Scheduled to come into production in late 1988, the field's recoverable reserves are estimated by the operator to be 200 million barrels of light oil and 600 billion cubic feet of natural gas.

Westar Mining's 7.7 percent share of these reserves would be about 15 million barrels of oil and 46 billion cubic feet of natural gas, which is equivalent to about eight million barrels of liquids on a heating value basis.

Now under construction in Scotland, the 100 metre high platform which will sit on the ocean floor will house some of the most up-to-date technology ever used on an offshore platform. Unlike other, more conventional oil reservoirs, the North Brae is composed of condensate, which is similar to a high quality crude oil except that it occurs in the reservoir mixed together with natural gas.

Special technology will process condensate

Special technology is employed to process this condensate. Wells drilled from the platform will carry the gas and liquid mixture to the surface, where the liquids are separated from the gas and stabilized as a light crude oil and natural gas liquid. The gas is then injected back into the reservoir, which will help maintain pressure levels, increase the recovery of the liquids, and also act as temporary storage for the gas.

After about nine years when most of the liquids have been extracted, the natural gas can then be brought to the surface and sold as a heating fuel or chemical feedstock.

The cost of the platform and related development work was originally estimated by the operator to be about £1.7 billion (about CDN $2.6 billion at year end exchange rates). Westar Mining's share of these costs, including its obligation to pay for Bow Valley's 7.7 percent share, is about £262 million or about CDN $400 million.

Costs will be lower than forecast

However, it now appears that these development costs will be significantly lower because of the decrease in the value of the British pound and lower than expected construction costs. Recent contracts signed with suppliers for the construction of key platform components have averaged about 20 percent lower than earlier estimates because of currency rates and highly competitive conditions in the offshore oil construction industry.

The Company believes that this cost saving trend will continue during the next few years and provide improved field economics.

The North Brae field is particularly attractive to the South Brae partners because of the substantial tax deferrals offered by the British government. North and South Brae are part of the same field for Petroleum Revenue Tax purposes as a result of which a large part of the Company's share of the North Brae development will be funded by taxes which would otherwise have had to be paid. This self-financing feature makes the North Brae field a particularly attractive investment for the Company and its shareholders.

WESTAR OIL U.K.

The company

Westar Oil U.K. manages the offshore oil and gas operations of Westar Mining in the United Kingdom sector of the North Sea. These include the producing South Brae field, the North Brae which is now being developed, and three adjacent reservoirs known as the East, West and Central Brae Fields.

Ownership

Westar Mining holds a 7.7 percent interest in the Brae area of the North Sea through various wholly-owned subsidiaries. These interests include the five hydrocarbon reservoirs noted above.

Westar Mining is also entitled to a share of Bow Valley's net proceeds from the field in return for carrying its share of exploration and development costs.

Production

Westar Mining's share of South Brae production, including the Bow Valley carry, was 4.1 million barrels of oil and natural gas liquids during 1984; or an average of 11,350 barrels per day. The field began oil production in July 1983.

Production from the field is expected to reach its daily peak level of 100,000 barrels of oil and 12,000 barrels of natural gas liquids once gas flaring restrictions can be met by overcoming related technical difficulties.

Markets

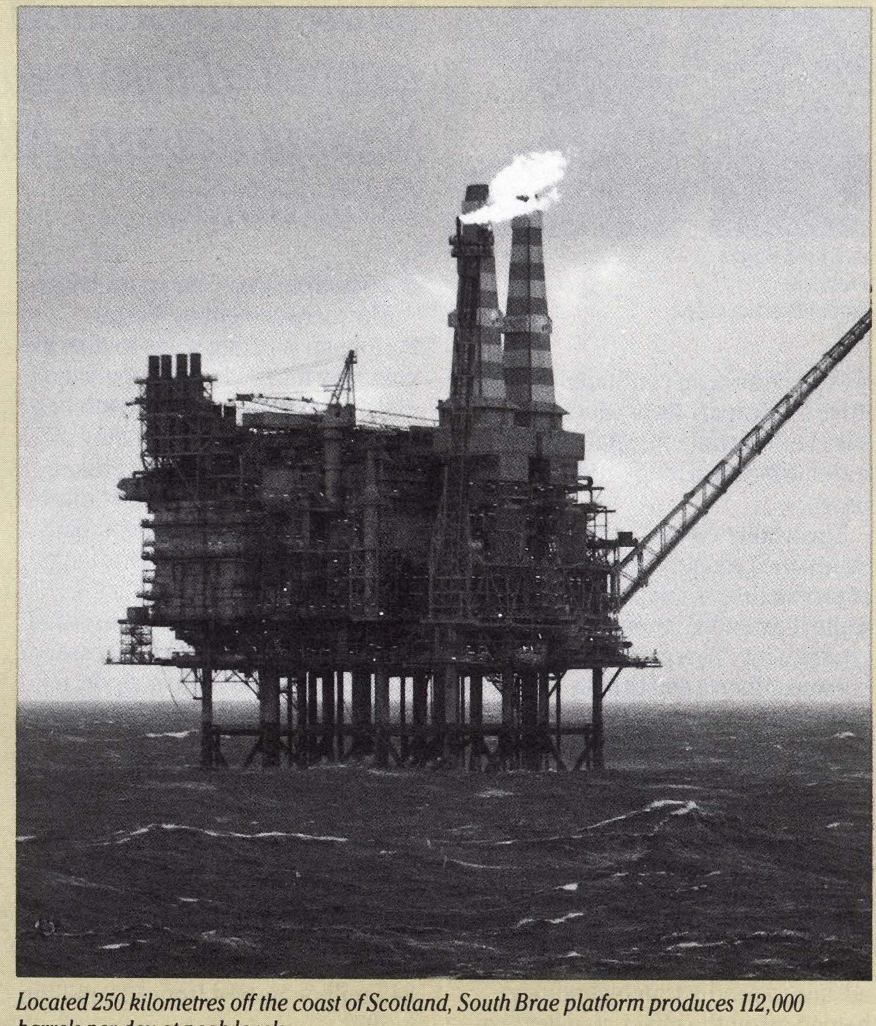
Both crude oil and natural gas liquids are shipped from the South Brae platform to the coast of Scotland through underwater pipelines. There, they are transferred to bulk oil ships to be transported to refineries.

Results

The Company's share of revenues from the Brae Field was $91.2 million during the year. Its share of 1984 earnings was $8.4 million. In addition, $51.9 million was received in repayment of exploration and development advances.

Employees

A staff of 12 employees oversee the Company's investments in the Brae Field. Based in a London office, they monitor the financial and technical aspects of the projects.



Located 250 kilometres off the coast of Scotland, South Brae platform produces 112,000 barrels per day at peak levels.

DOMESTIC OIL & GAS

Skilled geophysicists in Westar Petroleum's Calgary office can spot potential oil bearing reservoirs by studying seismic recordings of underground formations.

C. David Banks
President
Westar Petroleum Ltd.

Domestic oil production continued at a steady pace while exploration activities were extended into new areas of Saskatchewan, Alberta and British Columbia.

Westar Petroleum continued its drive to diversify its production base in 1984 while maintaining its revenue from existing producing areas.

The wholly-owned company maintained roughly the same level of production as the previous year while it extended its exploration program into new areas of Saskatchewan, Alberta and British Columbia.

Operations were not substantially affected by the softening of world oil prices at the end of 1984 because the decrease in the value of the Canadian dollar meant higher Canadian prices. Drilling incentives offered by the government of Saskatchewan on new wells and more advanced production technology helped offset the effect of lower production from many company wells.

The management of Westar Petroleum is taking steps to turn the company into a more diversified oil and gas operation. New growth has been redirected toward finding oil and gas fields in regions of Saskatchewan, Alberta and British Columbia where, at present, the company is not a major producer. This long term strategy should enable the company to build larger reserves of oil and gas as well as the necessary production capacity to support its growth well into the coming decade.

Oil and gas revenues hit $43.5 million

The company posted net revenues of $43.5 million from oil and gas operations in 1984, an increase from $41.4 million the previous year. Earnings increased to $4.7 million in 1984 from $3.2 million in 1983.

Most of the company's oil production is centered in the Dodsland area near the town of Kindersley in west central Saskatchewan. This extensive oil reservoir covers an area about 60,000 hectares (240 square miles) and contains millions of barrels of light gravity crude oil. Westar Petroleum is the largest single operator, with 648 producing oil wells representing about one-quarter of all those in the area.

Oil wells in west central Saskatchewan normally produce about 25 barrels of oil per day during their first year, about half that amount the second year, then decline gradually to the economic limit over the next 20 years.

The rapid falloff in production explains why so many wells have been drilled in the area. The geology of the field forces companies like Westar Petroleum to drill large numbers of wells every year just to maintain production levels.

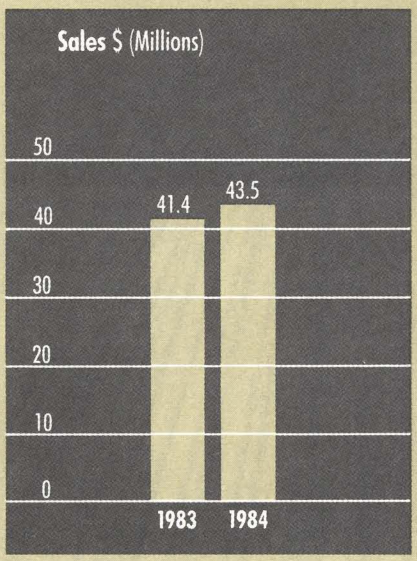
Company drilled 100 wells in Kindersley area

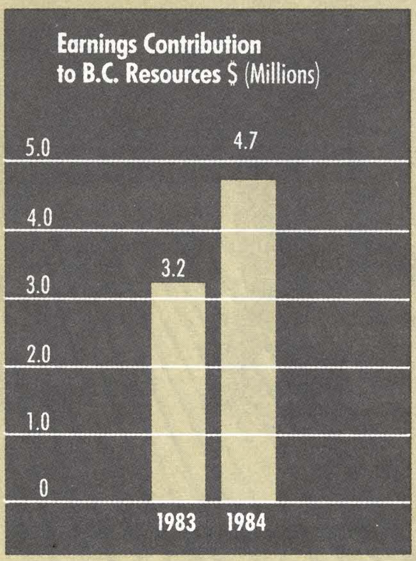
In 1984, for example, the company drilled 100 gross (60.5 net) wells in west central Saskatchewan, of which 99 gross (60.5 net) were successful oil wells. On average, each of these wells took less than two days to drill and were relatively inexpensive to bring onto production. Their low production levels, however, make it difficult for the company to achieve significant overall growth.

This problem has been compounded by the growing popularity in the past two years of west central Saskatchewan as a place to drill for oil. The increase in demand for new oil leases in the region has significantly raised the price of undeveloped land.

Westar Petroleum will continue to be a major producer in the area. But increasingly, it is turning its attention toward developing new oil and gas reservoirs in other areas of Saskatchewan as well as Alberta and British Columbia.

The company is developing the Kerrobert oilfield in west central Saskatchewan which is a similar type reservoir to Dodsland. In 1984, this field produced approximately





85,000 barrels of oil for the company. The field was discovered by Westar Petroleum in 1982.

All the reservoirs in west central Saskatchewan have potential for waterflooding. Westar Petroleum has a pilot flood in the design stages on its properties in the Dodsland field which is expected to start up in early 1985.

By bringing the new technology of the Amflo waterflood chemicals into use in the Dodsland and similar reservoirs, Westar expects to substantially increase the reserves and productive life of these pools.

New producing oilfield in S.W. Saskatchewan

In early 1984, Westar Petroleum discovered a new producing oilfield in the Rapdan area of southwestern Saskatchewan. A successful completion technique has resulted in significant production from wells in this area. The field is currently producing about 100 barrels of medium gravity crude oil per day. Development drilling will continue into the first quarter of 1985. The experience gained with this project will be applied to a number of equally attractive prospects in 1985.

In Saskatchewan, company strategy is to seek out areas in the southwest similar to the Rapdan field. In 1984, the company invested in a major seismic program to evaluate the potential for oil and gas in the surrounding areas and some exploratory wells will be drilled in 1985.

Another promising area for new development is southeastern Saskatchewan, which offers the potential of becoming a major new contributor to company production. Westar Petroleum has been active in this area for several years, and with the attractive investment environment in Saskatchewan, it will be increasing its efforts in this part of the province.

More emphasis on Alberta exploration

Stronger emphasis is also being placed on potential oil and gas properties in central and southern Alberta, where a considerable amount of seismic work has already been carried out. The company anticipates drilling several of its prospects in the area by mid-1985.

The 1985 drilling program for Alberta includes wells in the Leduc and Slave Point formations, several test wells in the Peace River arch region, and an active drilling program in the deeper zones of the Pembina area.

In 1985, six wells will be drilled in northeastern British Columbia, five of which will be on the company's Licence Lands. These Licence Lands cover an area of 948,500 gross hectares in B.C. for which the province issued an exploration licence to the Company in 1978.

At the end of 1984, Westar Petroleum had proven oil and gas reserves of approximately 25.5 million barrels of crude oil and natural gas liquids (NGL) and 47.8 billion cubic feet of natural gas in Western Canada. These reserves are determined once every year by an independent petroleum engineering firm. The reserves have increased 19.7 percent for crude oil and NGL and 14.7% for natural gas from last year. Proven reserves at the end of 1983 totalled 21.3 million barrels of crude oil and NGL and 41.7 billion cubic feet of natural gas.

Saskatchewan remains a bright spot for Canada's oil industry partly because of the government's oil royalty policy. To encourage new oil production in the province, a royalty-free holiday introduced by the Saskatchewan government in 1982 gives oil producers added incentives to explore and develop new oil fields. This program, which has been extended to the end of 1985, eliminates royalties on the first year of new production.

Any changes in the world price of oil will eventually be reflected in the revenues paid to Canadian producers. However, the company believes its program of increasing production from new areas should more than offset any domestic decrease in prices.

Increased interest in gas production

As part of its diversification program, Westar Petroleum intends to become more involved in gas production and marketing, both to customers in Canada and the United States. The company believes the market for natural gas both as a heating fuel and as a petrochemical feedstock offers good potential for the future.

In addition to its Saskatchewan reserves, the company has 27.1 billion cubic feet of proven reserves of natural gas and 25.0 billion cubic feet of probable reserves in Alberta and British Columbia. Most of the Alberta gas is under contract awaiting market development to go on stream. In British Columbia, development of a market and building the necessary pipelines means it will be several years until some of the gas will be sold.

The company has identified new markets within British Columbia and intends to move strongly in this direction. In addition, Westar Timber's pulp mills in Castlegar and Prince Rupert could eventually be supplied from Westar Petroleum's gas operations once current supply contracts expire.

During 1985, Westar Petroleum will move further toward its goal of developing the potential of its substantial oil and gas leases. The company will actively seek out partners to invest in its exploration programs and continue to create new business prospects by building on the expertise and training of its staff. The long term corporate purpose of the company is to carry on diversified exploration and development programs in Western Canada in order to be one of the leading medium sized oil and natural gas producers in the region.

Active drilling program continues

The company continued its program of drilling new oil wells at a vigorous pace in 1984. In total, Westar Petroleum was directly involved in the drilling of 130 new wells on its properties in Canada during the year. Some of these wells were partly or fully financed by other oil companies through partnership, and farmout agreements. As a result, the company's actual share in 1984 amounted to 81.66 net wells.

This brings to 331 gross (265.76 net) the total number of wells drilled in Canada since the formation of Westar Petroleum in October 1982.

As in previous years, most


Pumpjacks like these in Saskatchewan produced 1.2 million barrels of oil and 900 million cubic feet of natural gas for the company in 1984.

Drilling rigs were kept active during the year as Westar Petroleum was involved in drilling 130 new wells, most of them in Saskatchewan.

of the drilling activity in 1984 was centered in the Kindersley area of Saskatchewan. Here in the shallow sands of the Viking formation, Westar operated 648 oil wells at the end of 1984. This compares to 550 wells in the region one year earlier.

Production from the Kindersley area now accounts for about 84 percent of Westar Petroleum's total oil and gas revenues.

Outside Saskatchewan, Westar Petroleum was involved in drilling 13 gross (6.06 net) wells during 1984.

In Alberta, the company drilled eight gross (3.91 net) exploratory wells in 1984. Of these, two gross (1.13 net) were oil wells, three gross (1.7 net) were gas wells and three gross (1.08 net) were dry and abandoned. Five gross (2.15 net) wells were drilled in British Columbia, including three gross (1.5 net) on the company's Licence Lands in northern B.C. The wells drilled on the Licence Lands under farmouts to other operators were drilled at no cost to Westar Petroleum.

Gradual shift to deeper oil wells

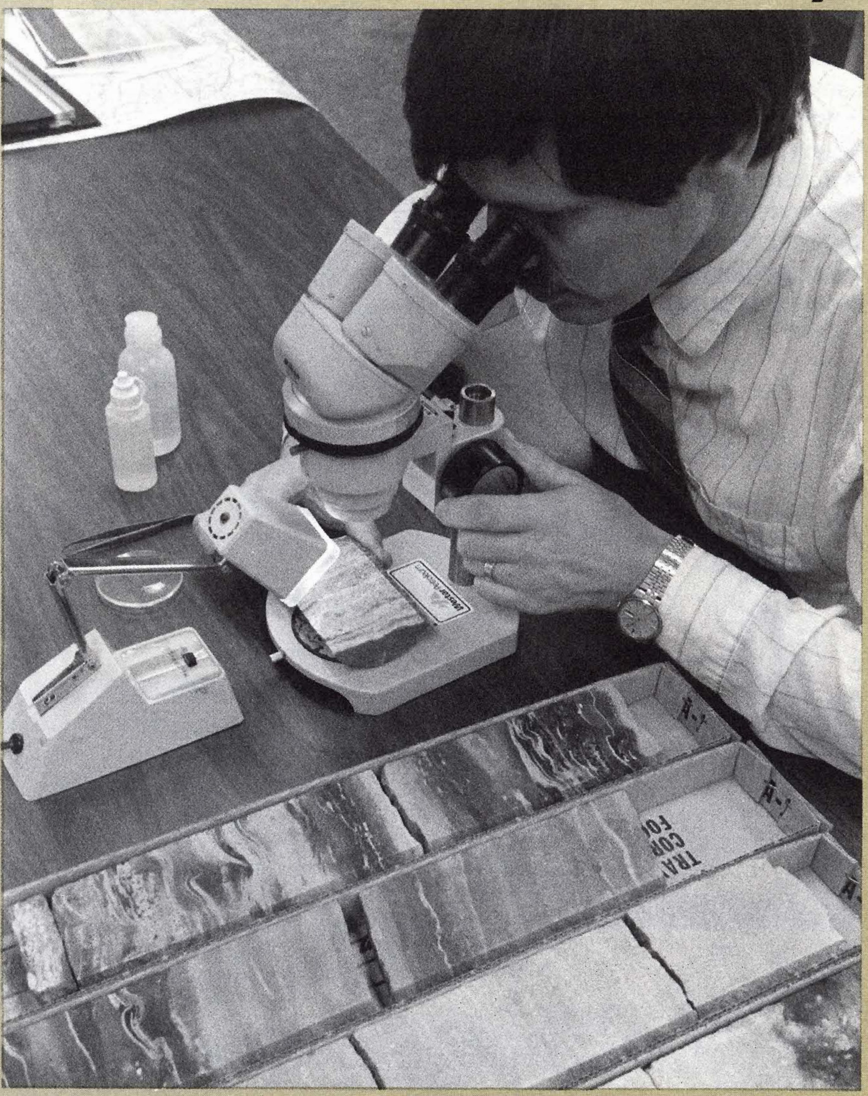
The company's drilling program operated at a somewhat reduced level, in terms of the number of wells drilled in 1984, because of a gradual shift from shallow development wells in the Kindersley area to deeper, more costly exploratory and development wells in other areas of Western Canada which offer greater potential production. However, in terms of dollars spent and total activity, the company continued to be very aggressive. This strategy will continue in 1985 as Westar Petroleum develops new oil fields with the potential for sustained high production.

Development wells are those which are drilled into known reservoirs to bring oil or gas to the surface; exploratory wells are drilled into unexplored land in an attempt to find new oil or gas pools.

In the coming year, 148 gross (60.13 net) new wells have been planned for company lands in Western Canada, including 31 which have been farmed out to Conoco Canada (see story page 15). Of the year's total, 123 gross (43.05 net) will be development wells, mostly in Saskatchewan.

Westar Petroleum plans 9 gross (8.0 net) exploratory wells for Saskatchewan, 11 gross (6.5 net) for Alberta and 5 gross (2.58 net) for British Columbia in 1985. Agreements will be made with other oil companies to share the costs of most of these wells through farmouts and joint ventures. In return for sharing the risk through paying the drilling costs, the partners share in the benefits of any discoveries.

In this way, Westar Petroleum is able to substantially increase its exploration activities and reduce the cost and risk to the company of each well drilled.



Samples taken from drill cores reveal vital information about the earth's structure when viewed under a geologist's powerful microscope.

Process triples oil recovery

Westar Petroleum is testing a new chemical injection process which could triple the amount of oil it recovers from underground oil reservoirs in west central Saskatchewan.

Results of a pilot project now underway in the Dodsland field near Kindersley, Saskatchewan will show if the chemical process works as expected. If it does, then the same technique could be used to increase production from most of the company's developed acreage in the area.

Crude oil in the Kindersley area comes from reservoirs about 700 metres below ground level. Due to the complicated geometry of the porous rock, operators are only able to extract about 10 percent of the oil trapped in the reservoir. But by injecting water into the underground formation, more oil can be recovered from the reservoir at relatively low cost.

New additive to be tested in 1985

Westar Petroleum has drilled nine production wells, converted four producing wells to water injectors and is constructing a water injection plant as part of its pilot project. Instead of injecting only water, however, it will be testing out a new chemical additive developed by

Amerigo International in its Calgary laboratory.

Lab tests indicate that Amerigo's chemical can increase oil recovery by an additional 20 percent over that recovered by waterflood techniques being used by other companies in the area. Because of its interest in the pilot project, Amerigo has agreed to fund the entire cost of the $2 million pilot project.

The company expects to know the results of its injection program by mid-1985. At that time, it will decide how it will extend the program to other parts of the reservoir and other reservoirs in the area.

Drilling program benefits everyone

A new partnership agreement worked out between Westar Petroleum and Conoco Canada Limited will allow Westar to have wells drilled on its land at no cost to Westar.

The agreement with Conoco Canada Limited, signed in the final weeks of 1984, provides substantial benefits to both companies.

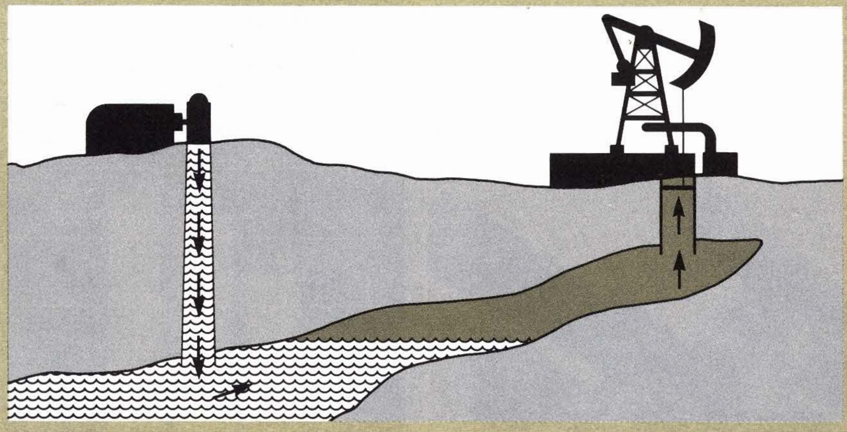
Conoco Canada will invest about $9 million in 1985 to explore and drill for oil and gas on Westar's lands in British Columbia, Alberta and Saskatchewan. In return for its investment, Conoco Canada earns an interest in any oil and gas found during exploration while it relies on the expertise of Westar's exploration and production departments to carry out the program.

Westar Petroleum stands to gain from the agreement because it is able to explore, at no cost to the company, many of the oil leases it has assembled in recent years. At the same time, the company still receives a percentage of any oil and gas that is found. This type of agreement is known in the industry as a farmout and is a commonly accepted way of sharing the risk — and the reward — of oil and gas exploration.

Agreement is company's largest to date

Similar farmout agreements have been negotiated between Westar Petroleum and other oil companies in the past, but the venture with Conoco Canada is by far the largest. This agreement is also the first major project undertaken by Conoco Canada since it entered the Canadian oil and gas business in 1984. Conoco Canada is based in Calgary, Alberta and is wholly-owned by Conoco Inc., a subsidiary of E.I. duPont de Nemours & Co. of Wilmington, Delaware.

The farmout agreement calls for 31 exploratory wells to be drilled in the western provinces during 1985. Included in this total are three wells scheduled to be drilled on Westar's Licence Lands in British Columbia at a total cost of more than $2.5 million. Seismic tests will also be carried out as part of the program. Because of their expertise, Westar employees will carry out the exploration and development program on behalf of both parties.



Water injection well (left) forces oil in reservoir towards pumps on the surface.

CANADIAN PROVEN RESERVES* (before royalties)

	1984	1983
Crude oil — (millions of barrels)		
Proven producing	**20.3**	21.1
Proven non-producing	**4.1**	.2
	24.4	21.3
Natural gas liquids — (millions of barrels)		
Proven producing	**0.8**	.01
Proven non-producing	**0.3**	.01
	1.1	.02
Natural gas — (billions of cubic feet)		
Proven producing	**15.5**	9.3
Proven non-producing	**32.3**	32.4
	47.8	41.7

*For definitions of proven reserves and proven non-producing reserves, see glossary on page 31.

LAND HOLDINGS

	At December 31, 1984 Gross hectares	Net hectares
Canada		
B.C.	**991,399**	933,943
Alberta	**75,098**	29,173
Saskatchewan	**62,182**	32,546
N.W.T.	**13,427**	1,376
Total Canada	**1,142,106**	997,038
United States	**97,333**	43,247
Total	**1,239,439**	1,040,285

CANADIAN DRILLING STATISTICS

	Oil		Gas		Dry		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploration	10.0	8.01	6.0	2.77	6.0	2.38	22.00	13.16
Development	106.0	66.50	1.0	1.0	1.0	1.00	108.00	68.50
Total	116.0	74.51	7.0	3.77	7.0	3.38	130.00	81.66

WESTAR PETROLEUM

The company

Westar Petroleum Ltd. is a producing oil and gas company with significant reserves and land leases in Saskatchewan, Alberta and British Columbia. The company's corporate office is located in Calgary, Alberta and its major production comes from oil wells in Saskatchewan. It is involved in exploring and developing new oil and gas properties in Western Canada.

Ownership

Westar Petroleum is owned 100 percent by B.C. Resources.

Production

Oil produced by company wells ranges from a sweet light gravity crude in the west central area of Saskatchewan to medium and heavy gravity oils in other areas of the province. Total production in 1984 was 1.2 million barrels of oil, 0.9 billion cubic feet of natural gas and 42,000 barrels of natural gas liquids.

Markets

The company markets its oil to other petroleum companies which then refine it into gasoline, heating oil and other products. Natural gas produced in Saskatchewan is sold under long term contract to Saskatchewan Power Corporation for industrial and residential use.

Results

The company had net earnings of $4.7 million in 1984. Its total revenues for the year totalled $43.5 million.

Employees

Westar Petroleum employs 96 people in its Calgary office and field operations.

Crude oil is treated at the company's Dodsland Battery before it is taken to a refinery for processing into products such as gasoline and propane.

FOREST PRODUCTS

Sandy M. Fulton
President
Westar Timber Ltd.

Higher pulp prices, new overseas markets for lumber and increased productivity helped the Company's forest products operations reduce losses and combat the effect of poor international markets.

Increased pulp prices and higher productivity levels at all company operations helped Westar Timber reduce the impact of continuing poor world markets for forest products in 1984. The stronger demand for bleached kraft pulp, substantially higher lumber exports and the success of cost reduction programs resulted in a significant reduction in losses from previous years.

Revenues for the year increased by seven percent to $361.4 million from $338.6 million in 1983. The company recorded an operating profit of $7.0 million in 1984 compared to an operating loss of $4.8 million in 1983. But after financing costs, the company had a loss before extraordinary items of $3.6 million compared to a loss of $11.0 million in 1983. Funds provided by operating activities were $34.1 million in 1984.

Westar Timber's strategy to increase productivity and diversify into new markets is reflected in the improved results of its two business sectors, pulp and lumber.

Pulp mills record dramatic increases

The company's pulp mills in Prince Rupert and Castlegar, B.C. made dramatic strides in productivity during the year. Annual pulp output increased to 406,000 tonnes in 1984 from 342,000 tonnes in 1983, while unit costs were reduced four percent.

Overall, production costs at the Skeena mill in Prince Rupert were reduced by five percent from the previous year while costs at the Celgar mill in Castlegar were reduced to about the same level as they were in 1980.

The increased emphasis on improving mill efficiencies and developing closer working relationships between management and unionized employees resulted in a significant number of new production records being set during the year. At the Celgar mill, production records were set for four consecutive months. The Skeena mill recorded its best year in history, setting production records in eight of the ten months it operated. In the final quarter, the mill averaged 1,161 tonnes of bleached kraft pulp per day.

Pulp prices reach peak of US$540

Company performance was substantially aided by an increase in the world demand for pulp and a corresponding increase in the price charged to world customers. From a low of US$420 the previous year, the list price of pulp increased to US $540 in mid-year as demand overtook the available supply. However in the latter months of the year, prices once again began to soften as inventories in producing nations started to build and by year end, pulp sold in traditional markets for as low as US$480.

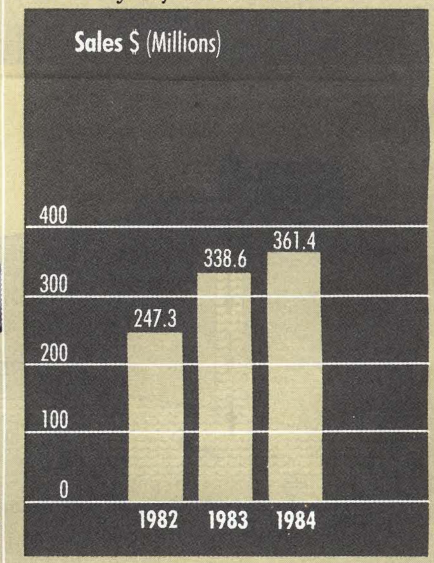
Some further reductions are expected before the world surplus can be absorbed. In addition, the relative strength of the Canadian dollar compared to most world currencies had a negative impact on prices.

However, company results were lower than expected because of a protracted labor dispute which closed all pulp mills in the province for nine weeks early in the year. This dispute also closed the company's Celgar Lumber Operations in Castlegar. However, industry and union representatives eventually reached an agreement which resolved the dispute and will assure labor stability well into 1986.

During the labor dispute the company continued to supply its contract customers from inventory. Westar Timber's two pulp mills were thus able to reduce their inventories while maintaining service to customers.

Second mill reopened after 18 months

Improved markets, better prices and the settlement of the labor dispute were responsible for the reopening of the company's 'B' mill in Prince Rupert in July after an 18-month shutdown. The startup put an additional 100 employees back to work. However the mill will be closed again in March 1985 for inventory adjustment reasons.



In 1984, Westar Timber opened a pulp service office in Appleton, Wisconsin to provide more immediate service for the company's U.S. pulp customers, many of which are located in the immediate area.

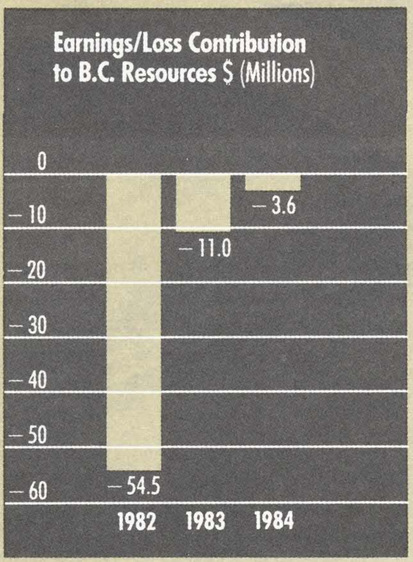
In addition, frequent visits by customers to company pulp mills and by mill managers to customers' plants have become a regular part of

Westar Timber's mills are supplied with logs mostly by logging contractors who harvest the softwood forests in the southern interior and northern regions of B.C.

business. These exchanges have led to closer ties between the mills and their customers. Customers now receive better service and better products because managers understand their special needs.

Lumber exports take 30% of production

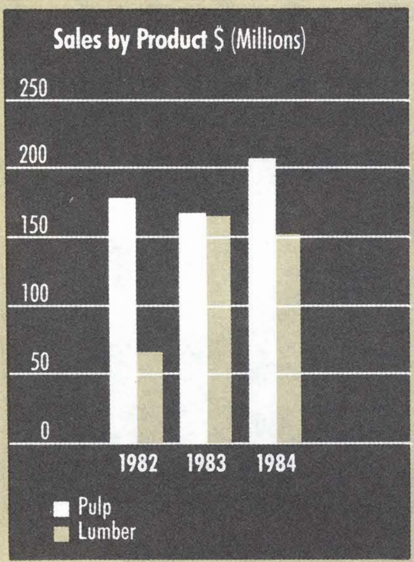
The company was also highly successful in developing its lumber sector during the year. While American markets remained depressed, the company was able to divert an increasingly large share of its production to specialized markets overseas. By the end of the year, fully 30 percent of the company's annual production of 515 million board feet was exported to



overseas customers. This is a threefold increase from the previous year and a major new source of earnings for the company which, prior to 1981, had sold all of its lumber production to the United States.

A major thrust of the company's activities in 1984 was to continue to open up new overseas markets and further reduce its dependency on the lacklustre U.S. market. The gradual climb in U.S. interest rates in early 1984 effectively halted any further growth in new home construction. At the same time, higher productivity at most North American sawmills flooded the market, forcing prices down sharply. In some cases, lumber prices dropped to levels as low as those of the recession of 1981.

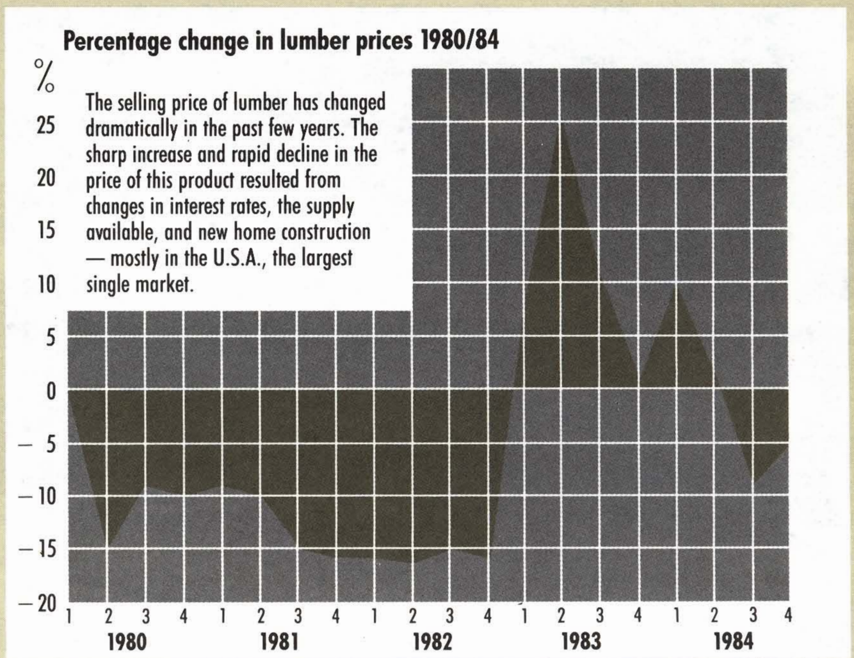
This oversupply also reduced the price of export lumber, so Westar Timber concentrated its efforts on manufacturing its products to the specific requirements of its customers to strengthen its competitive position.

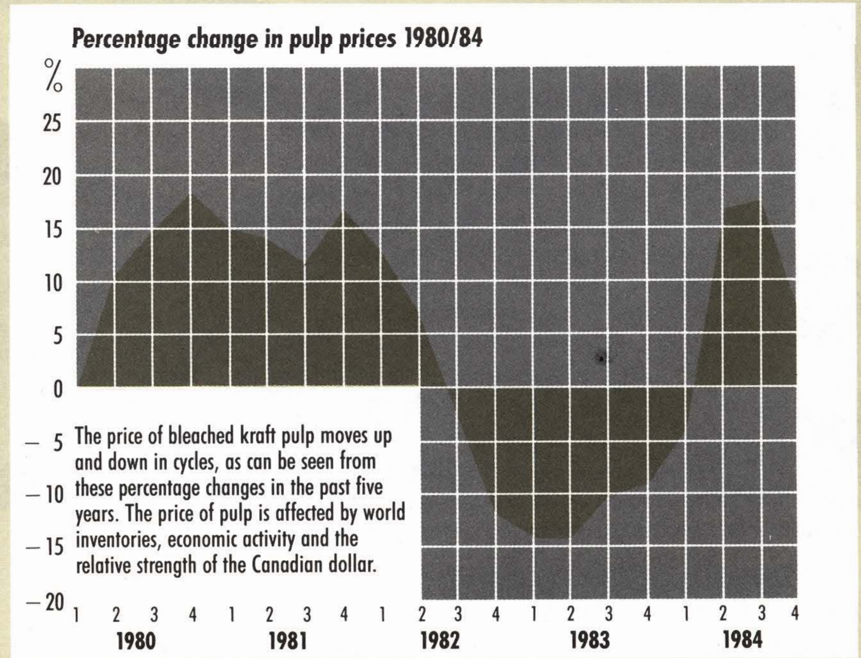


New markets opened in Europe and Africa

By year end, the company had opened up new markets and established contracts with Ireland, France, Germany, and North Africa.

As a result of improved employee productivity, four company sawmills broke previous production records,





lumber recovery rates increased and production costs dropped dramatically.

At Plateau Lumber, the company's largest mill, records were set for every variable measured — mill production, man day productivity, lumber recovery and production costs. It was the best year since the mill opened.

Other mills recorded similar achievements, with even the smallest, Kitwanga increasing production by 25 percent in spite of fewer shifts and with lower costs.

On April 16, the company officially adopted the name Westar Timber Ltd. to replace the former name BC Timber. The name change was part of a larger corporate identity program which was adopted by all subsidiaries in the B.C. Resources group.

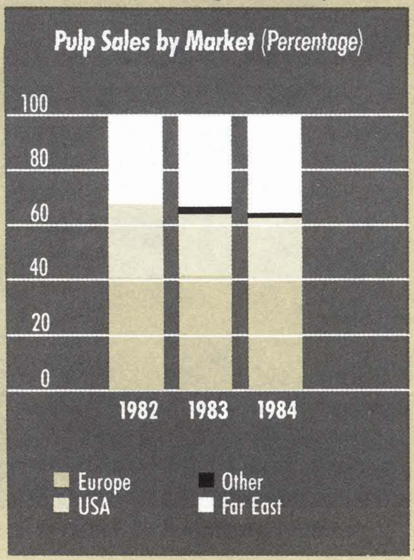
The new Westar name and logo had been used by the forest products company since 1982 as a brand name for marketing its products overseas. The name change gives the company a stronger, brand-oriented identity in the U.S. and offshore markets where it products are sold.

Nelson sawmill permanently closed

During the year, the company's sawmill in Nelson, B.C. was closed permanently because of heavy losses and an outlook for continued losses in the foreseeable future.

The closure ended uncertainty over the mill's future which had been in question for several years. As the highest cost producer in the company, it was always the first mill to shut down when lumber prices dropped. The decision to close the mill was delayed as long as possible so that Westar Timber could explore every other alternative. Although it discussed a possible sale of the operation with other interested parties, none was willing or able to purchase the mill. Severance benefits totalling more than $1.5 million were paid to the mill's 165 employees.

Of Westar Timber's remaining five sawmills, only Plateau Lumber Operations at Vanderhoof operated continuously throughout the year.



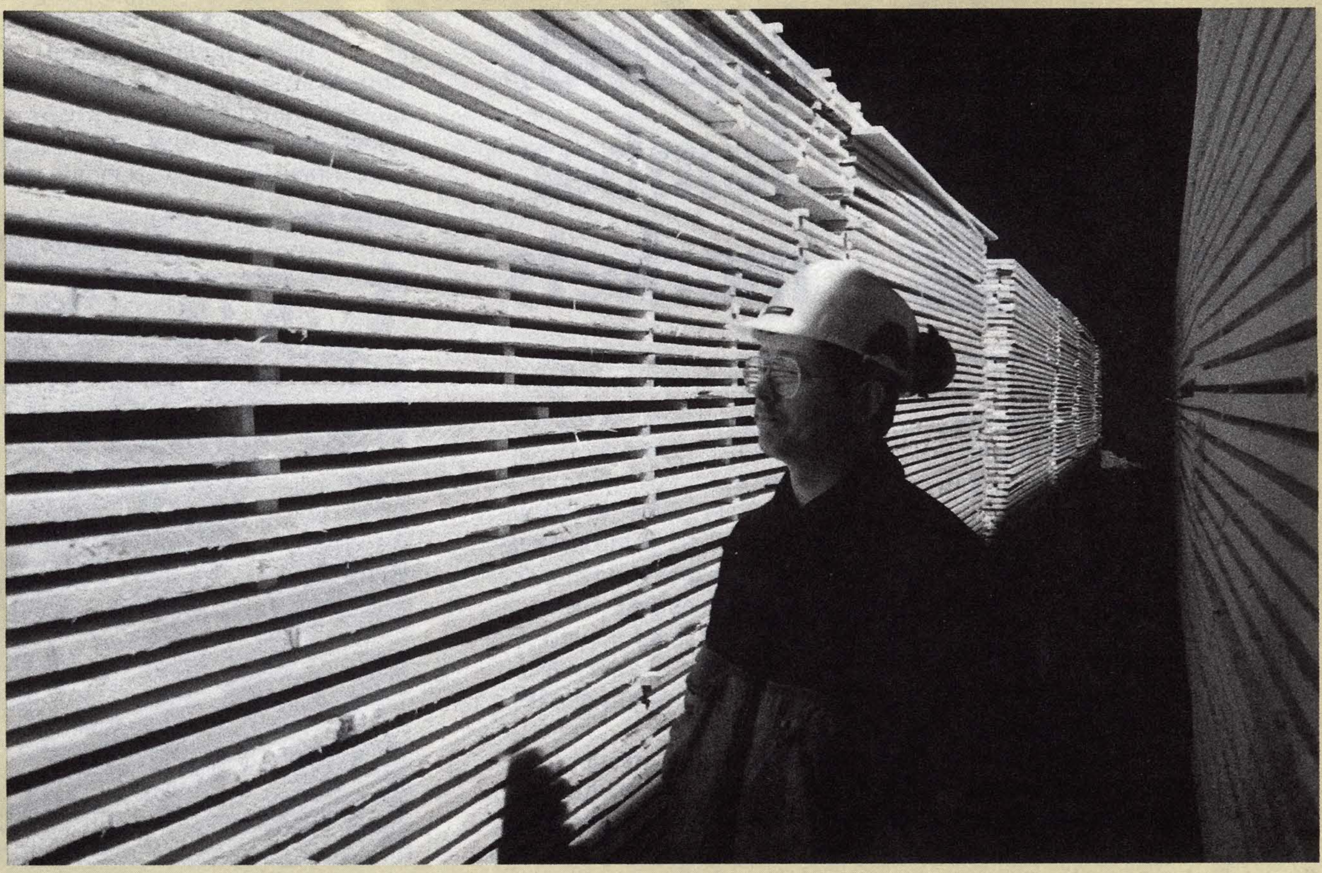
The other four were closed for short periods during the summer to adjust inventory levels.

Celgar Lumber Operations in Castlegar was also affected by the pulp mill shutdown in the spring and briefly by a labor dispute in November involving the Canadian Merchant Service Guild.

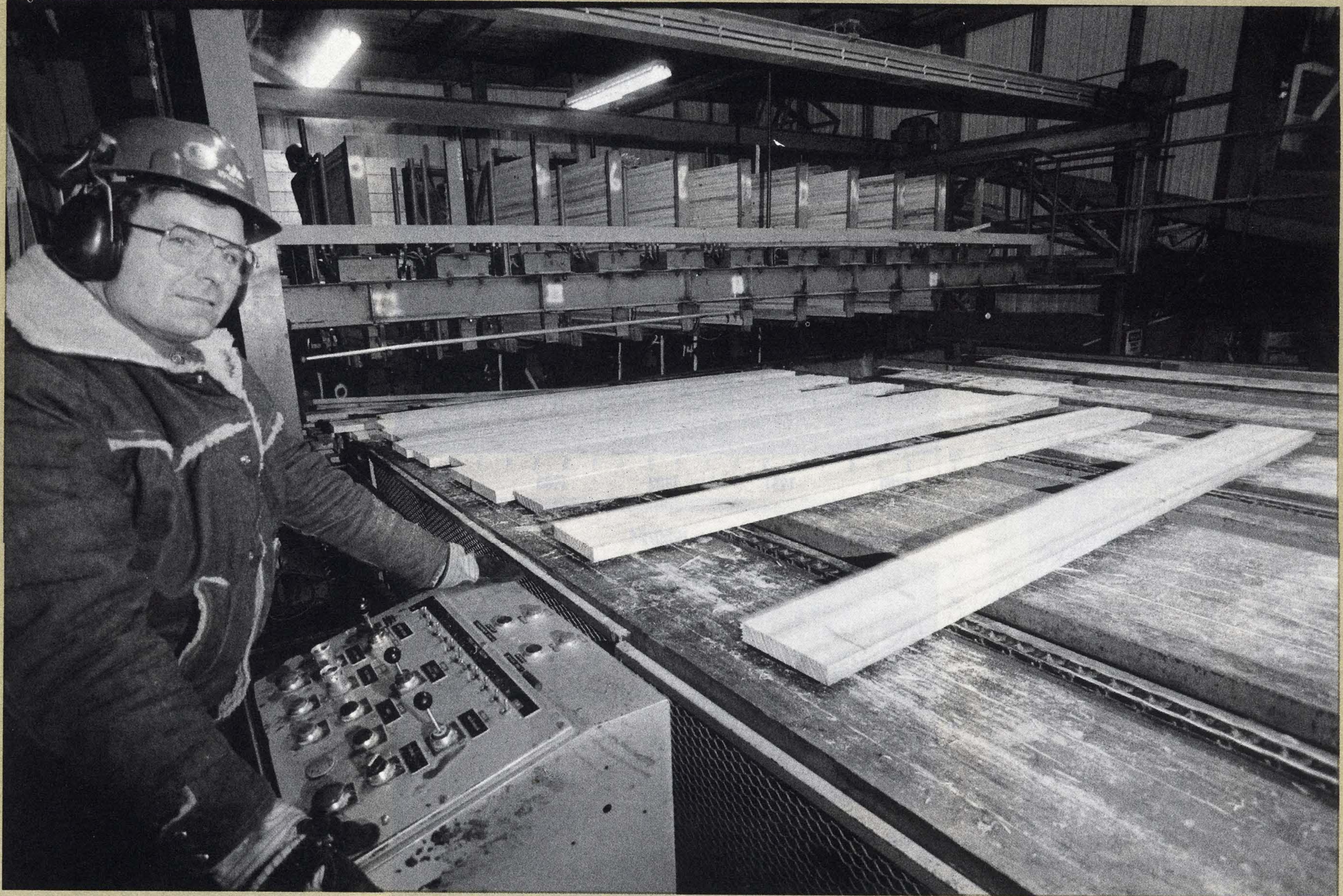
The Guild, which represents the operators of company tugboats used to transport logs along the Arrow Lake system to the Castlegar mills, interrupted operations for 20 days before the dispute was resolved and a new contract signed.

Outlook is for continued uncertainty

The outlook for 1985 is for continued uncertainty in pulp and lumber markets.



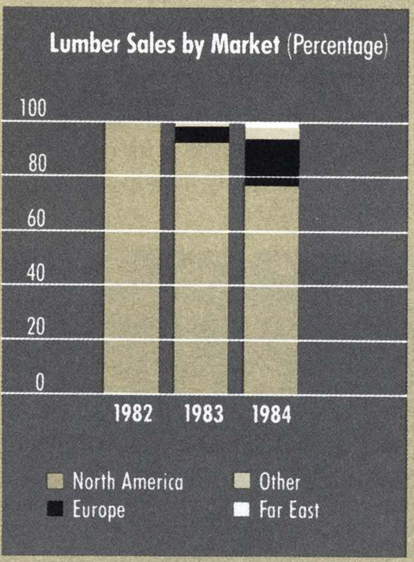
After it is cut, lumber is stacked and wheeled into giant kilns, where it is dried to the strict standard demanded by home and commercial builders.



Company sawmills shipped 548 million board feet of lumber in 1984, enough to build about 55,000 single family homes.

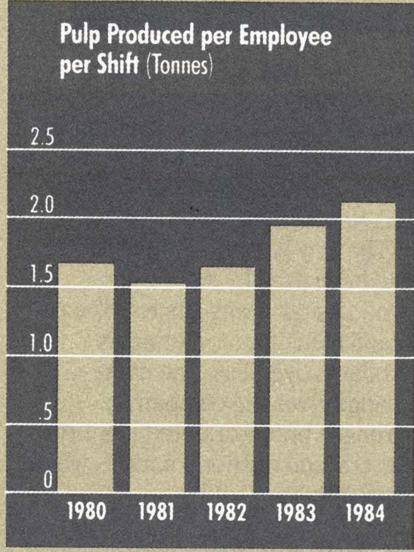
While the demand for pulp has stayed relatively firm, capacity world-wide is increasing dramatically. Between February 1984 and May 1985, ten new market pulp mills will come into operation, adding more than two million tonnes of annual capacity to an already saturated market.

The recession has convinced buyers that lower quality pulp at lower prices was preferable to high quality at high prices. Also, new techniques in papermaking mean that papermakers can now use more non-traditional pulps.



The 1985 outlook is for continued oversupply on world markets. Demand is expected to remain high but the vigorous competition for markets, and the high value of the Canadian dollar compared to the currencies of competing foreign producers indicate further price erosion is possible.

Lumber markets in the United States are tied to fluctuations in interest rates and supplies available and are expected to continue to provide poor returns in 1985. However, the success of the lumber export program and projections for further growth in 1985 should help Westar Timber to continue to improve its performance.



Program expands lumber markets

The company's export lumber marketing program continued to develop new markets during the year. Westar Timber's overseas lumber sales have grown from almost nothing in 1982 to 160 million board feet in 1984. In the last year alone, exports increased threefold from the previous year. The company now sells about 30 percent of its production to 17 countries in Europe, Africa, Australia and the Far East.

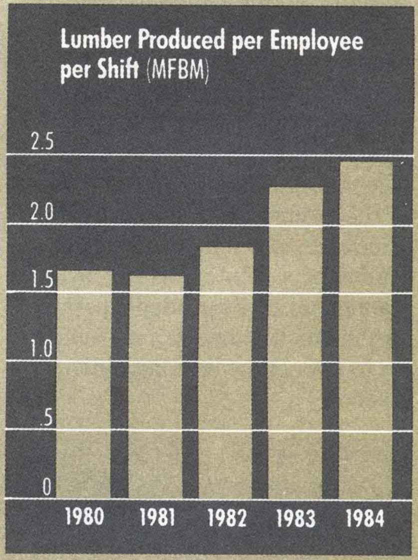
Because of an oversupply of lumber, foreign markets have been under tremendous pressure from every lumber producing area in the world. The relative strength of the Canadian dollar has forced the company to further reduce its costs to remain competitive.

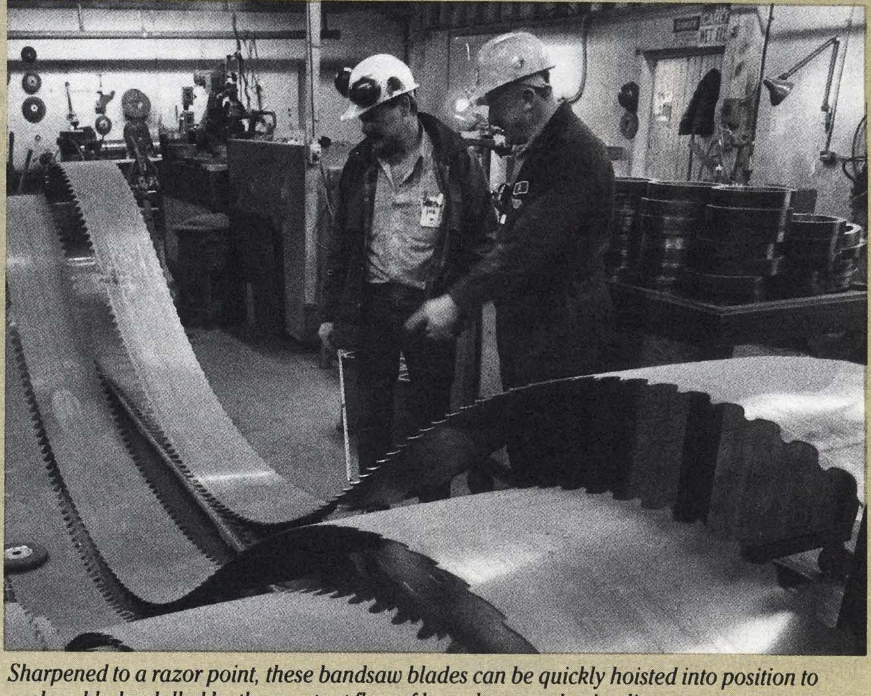
Company competes with world's best suppliers

Westar Timber is competing with producers of the finest softwoods in the world, including Sweden, Finland, Russia and Yugoslavia. It was the first company in B.C. to grade lumber to stringent British standards at its mills. By adopting British grading regulations, Westar's lumber traders are able to deal directly with a huge market of medium-sized dealers in the United Kingdom. The company is now firmly established in this market and now accounts for more than 20 percent of all B.C. lumber sales to the U.K. Other producers have since followed Westar Timber's lead.

The company has also modified its marketing strategy in Japan, where lumber producers traditionally deal through local agents. Westar Timber now sells direct to Japanese customers and sales to that country have tripled in the last six months of 1984.

Two of Westar Timber's five sawmills now produce lumber exclusively for overseas markets. By moving into overseas lumber markets, the company has lessened its dependence on the volatile United States housing market. It is now well-positioned to continue to expand offshore sales and confidently expects to see further growth in 1985.





Sharpened to a razor point, these bandsaw blades can be quickly hoisted into position to replace blades dulled by the constant flow of logs along production line.

Piles of bleached kraft pulp are weighed before they leave the Skeena Pulp mill in Prince Rupert. Both company pulp mills achieved major productivity improvements in 1984.

WESTAR TIMBER

The company

Westar Timber is one of British Columbia's leading forest products companies. It produces and exports both bleached kraft pulp and softwood lumber worldwide.

Its operations, all of which are located in British Columbia, include two pulp mills in Prince Rupert and Castlegar, five sawmills in Castlegar, Terrace, Kitwanga, Hazelton and Vanderhoof and related logging operations.

Ownership

Westar Timber is owned 100 per cent by B.C. Resources.

Production

The bleached kraft pulp manufactured by Westar Timber is used to make tissues, fine printing and writing papers and high quality specialty papers. Total pulp shipments in 1984 were 383,000 tonnes, all of which was exported.

In 1984, combined shipments from company sawmills totalled 548 million board feet. Most of this was dimension lumber and specialty products destined for the North American house construction and industrial markets. The remainder, known as export lumber, was produced in a wide variety of sizes and graded according to the specific requirements of the end users in the different markets.

Markets

The company maintains pulp marketing offices in Montreal and Brussels. A pulp service office in Appleton, Wisconsin provides U.S. customers with on-the-spot service while local representatives handle customer requirements in some countries in Europe and the Far East.

The company's Vancouver lumber marketing group is responsible for the marketing of all company lumber in the United States and overseas.

Results

Westar Timber's total sales in 1984 were \$361.4 million compared to \$338.6 million in 1983. The company had a loss before extraordinary items of \$3.6 million in 1984 compared to a loss of \$11.0 million in 1983.

Employees

The company employs about 2,350 people in its pulp mills, sawmills, woodlands operations and administrative functions.

Subsidiaries

Westar Timber International S.A. is a wholly-owned subsidiary of Westar Timber. The company is based in Brussels, Belgium, and is responsible for all company pulp sales in Europe.

Westar Pulp Inc. is the company's wholly-owned pulp service office in Appleton, Wisconsin.

At Celgar Pulp, pulp is formed in a wide sheet before being dried, cut and exported to tissue and fine paper manufacturers around the world.

FINANCIAL SECTION

Financial Review

The financial performance of the Company in 1984 was affected by the following key factors:

— 1984 was the first full year of operation for South Brae field, Greenhills Mine and the expanded Westshore Terminals port.
— Coal markets continued weak resulting in decreases in the contract prices for Balmer and Greenhills metallurgical coal.
— A labor dispute throughout British Columbia's pulp industry closed the company's pulp operations at Prince Rupert and pulp and lumber operations at Castlegar for nine weeks.
— Pulp markets were strong during the second and third quarters with increasing prices, but weakened later in the year, resulting in lower prices.
— Lumber markets continued weak with low product prices but reasonable volumes.
— World oil prices declined towards the end of the year.
— Interest rates were higher than in 1983.
— Increased productivity and lower costs at pulp, lumber and coal operations.

Revenue

Revenues for 1984 were $1.1 billion which was $204.4 million higher than revenues for 1983 of $855.9 million.

Coal sales increased by $97 million to $530.5 million. The increase results from increased volume ($112 million) and increased revenues for shipments by Westshore Terminals for other suppliers ($19 million) offset by lower coal prices ($34 million). Average coal revenues per tonne of coal sold decreased by 7 percent reflecting the decrease in coal prices and increased sales of lower priced thermal coal.

The contract price for the sale of Balmer metallurgical coal to the Japanese steel mills, which had been reduced $13 per tonne effective April 1, 1983, was reduced a further 74 cents per tonne, effective April 1, 1984. The contract price for Greenhills metallurgical coal was reduced $7.87 per tonne effective April 1, 1984 through March 31, 1986. The volume of coal sold increased by 1.5 million tonnes largely as a result of the Greenhills Mine being in production for the full year. Sales of thermal coal were 901 thousand tonnes, 495 thousand tonnes greater than 1983.

Pulp sales increased by $38.6 million to $208.5 million as a result of a stronger pulp market during the year, although the market was weakening in the latter part of the year. Pulp shipments decreased by 2 percent and the average revenue per tonne sold increased 25 percent.

Lumber sales decreased by $15.8 million to $152.9 million principally because of lower prices which on average were 10 percent less in 1984. Shipments of manufactured lumber which increased by 149 million board feet were largely offset by a decrease in wholesale lumber shipments of 137 million board feet.

Canadian oil and gas sales increased by $2.1 million to $43.5 million due to higher prices in Canada. Volumes of oil and natural gas sold were close to 1983 levels.

Oil and gas sales from South Brae field production amounted to $91.2 million during 1984, the first full year of production.

Interest and other income increased $12.5 million. Interest income on the exploration and development advances increased by $14.8 million. Other income includes proceeds of $4.2 million from settlement of an insurance claim relating to the Skeena Pulp mill.

Costs and Expenses

Costs and expenses at $1,024.8 million were $231.6 million greater than in 1983. Cost of products sold increased $104.8 million or 18 percent compared with the 23 percent increase in sales revenue. The increase results primarily from increased volumes of products sold partially offset by cost reductions due to cost control and productivity improvements.

General, selling and administrative expenses increased by $14.8 million primarily as a result of including the operations of Greenhills Mine and South Brae field and Westshore Terminals expansion for all of 1984.

Interest expense is $68.1 million higher primarily due to higher interest rates in 1984 and to less interest being capitalized as a result of the South Brae field, Greenhills Mine, and Westshore Terminals projects being completed.

Depreciation, depletion and amortization increased by $43.9 million primarily as a result of including for the full year the operations of South Brae field, Greenhills Mine and Westshore Terminals expansion.

The Company plans to continue to control costs and to maintain high levels of productivity.

Net Earnings

Earnings before extraordinary items were $0.8 million compared with $19.0 million in 1983. The extraordinary items of $15.0 million represent the loss on the closure of the Balmer underground hydraulic mine of $13.4 million, and the costs, including severance pay, of the closure of Nelson lumber operations. The net loss of $14.2 million shows a decrease from 1983 net earnings of $6.1 million.

Capital Expenditures

Capital expenditures for 1984 were $69 million compared with $226 million in 1983 and $407 million in 1982, reflecting the completion of the South Brae field, Greenhills Mine and Westshore Terminals expansion. The North Brae field development project accounted for $13 million of the 1984 expenditures.

Financial Position

Total assets at the end of 1984 and 1983 were $2.40 billion and $2.45 billion, respectively. Long term debt decreased by $39.5 million by applying funds generated by operations offset by funds required for capital expenditures and exploration and development advances and the impact of the weaker Canadian dollar on long term debt denominated in U.S. dollars. Funds provided by operating activities increased by $72.9 million with increases of $36.5 million from forest products, and $48.4 million from U.K. oil and gas partly offset by decreases of $8.1 million from coal and $2.7 million from Canadian oil and gas.

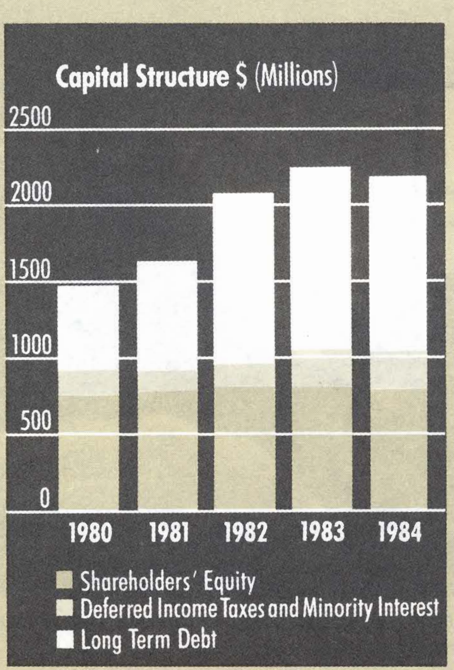
Management's Responsibility for Financial Reporting

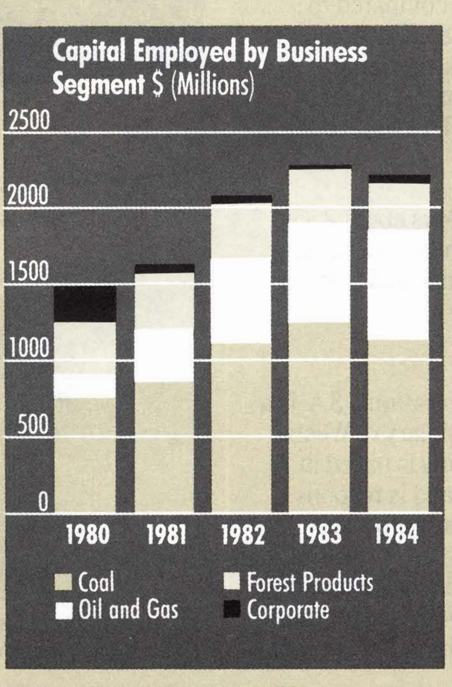
The information and consolidated financial statements in the *Annual Report* are the responsibility of management and the Board of Directors of the Company. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. The preparation of financial statements involves the use of estimates because a precise determination of certain assets and liabilities is dependent upon future events. Where estimates have been made they have been made using careful judgement and with information available to February 7, 1985.

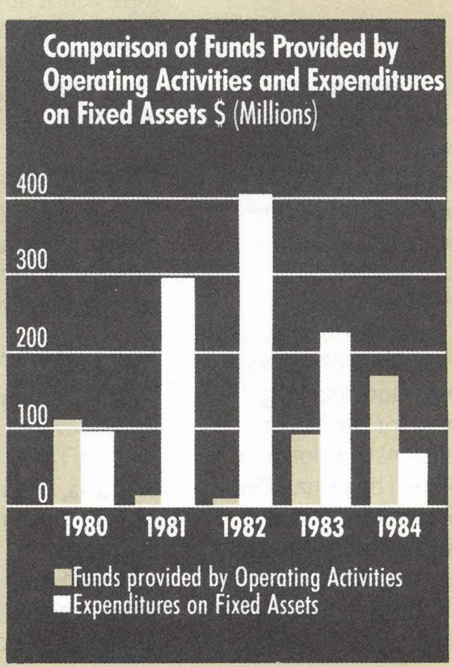
The Company maintains internal controls which are designed to provide, as far as practical, the orderly and efficient conduct of its business, including the safeguard of the assets, the reliability of accounting records, the timely preparation of reliable financial information and the adherence to Company policies and statutory requirements. The Company has an internal audit department which carries out audits to determine whether the controls are operating effectively.

Coopers & Lybrand, who were appointed by the shareholders as the Company's auditors, have examined the consolidated financial statements in order to express an opinion as to whether the consolidated financial statements present fairly the Company's financial position, results of operations and changes in financial position in accordance with generally accepted accounting principles applied on a consistent basis. Their report covering the consolidated financial statements is presented on page 22.

The Audit Committee of the Board of Directors, which is composed of four outside directors, meets with management and the auditors to ensure that they are fulfilling their responsibilities and reviews with them the consolidated financial statements before these financial statements are presented to the Board of Directors for approval.







Consolidated Statement of Earnings

For the year ended December 31, 1984

	Note Reference	1984 (Millions)	1983 (Millions)
Revenue			
Sales	17	**$1,026.6**	$ 834.7
Interest and other income	10	**33.7**	21.2
		1,060.3	855.9
Costs and expenses			
Cost of products sold		**699.5**	594.7
General, selling and administrative		**70.8**	56.0
Interest	11	**141.7**	73.6
Depreciation, depletion and amortization		**112.8**	68.9
		1,024.8	793.2
Earnings before income taxes and other items		**35.5**	62.7
Income taxes	12	**17.7**	23.1
		17.8	39.6
Minority interest in net earnings of subsidiary		**(17.0)**	(20.6)
Earnings before extraordinary items		**.8**	19.0
Extraordinary items	13	**(15.0)**	(12.9)
Net earnings (loss)		**$ (14.2)**	$ 6.1
Earnings (loss) per Common share after Exchangeable Preferred share dividends			
Before extraordinary items		**$ (0.06)**	$ 0.13
Net earnings		**$ (0.21)**	$ 0.00

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1984

	1984 (Millions)	1983 (Millions)
OPERATING ACTIVITIES		
Earnings before extraordinary items	**$ .8**	$ 19.0
Add items not affecting working capital		
Depreciation, depletion and amortization	**112.8**	68.9
Deferred income taxes	**10.5**	26.1
Minority interest	**17.0**	20.6
Other	**5.6**	(1.4)
Working capital provided by operations	**146.7**	133.2
Reduction (increase) in working capital, excluding current portion of long term debt and cash	**34.7**	(29.3)
Dividends		
Exchangeable Preferred shares	**(6.4)**	(6.4)
Preferred shares of subsidiary company	**(4.6)**	—
Funds provided by operating activities	**170.4**	97.5
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**68.9**	226.0
Exploration and development advances		
Amounts advanced	**55.0**	59.8
Payments received	**(51.9)**	(13.7)
Proceeds on sale of Skeena Lumber mill	—	(2.3)
Closure of Nelson Lumber mill	**3.9**	—
Closure of underground hydraulic mine	**2.0**	—
Other assets	**(7.6)**	(7.0)
Funds invested	**70.3**	262.8
Net funds provided (required)	**100.1**	(165.3)
FINANCING ACTIVITIES		
Additions to long term debt	**153.4**	146.8
Repayments of long term debt	**(208.7)**	(64.9)
Proceeds from 1984/85 flow-through shares units	**1.1**	—
Issue of preferred shares by subsidiary	—	43.6
Funds provided by financing activities	**(54.2)**	125.5
Increase (decrease) in cash	**45.9**	(39.8)
Bank indebtedness at beginning of the year	**77.2**	37.4
Bank indebtedness at end of the year	**$ 31.3**	$ 77.2

Consolidated Balance Sheet

December 31, 1984

Assets

	Note Reference	1984 (Millions)	1983 (Millions)
Current			
Accounts receivable		**$ 91.3**	$ 81.5
Inventories	2	**117.7**	154.3
Prepaid expenses		**10.5**	12.5
		219.5	248.3
Property, plant and equipment	3	**2,333.9**	2,363.3
Less: Accumulated depreciation, depletion and amortization		**521.7**	477.2
		1,812.2	1,886.1
Exploration and development advances	4	**243.5**	226.2
Investments and other assets	5	**84.3**	87.3
		$2,359.5	$2,447.9

Liabilities and Shareholders' Equity

	Note Reference	1984 (Millions)	1983 (Millions)
Current			
Bank indebtedness		**$ 31.3**	$ 77.2
Accounts payable and accrued liabilities		**102.4**	100.0
Income taxes payable		**6.5**	3.0
Current portion of long term debt	6	**25.6**	14.1
		165.8	194.3
Long term debt	6	**1,168.7**	1,208.2
Deferred income taxes		**124.6**	135.4
Minority interest in subsidiary company	7	**119.1**	111.6
Shareholders' equity			
Share capital	8	**700.0**	698.9
Retained earnings		**78.9**	99.5
Translation adjustment		**2.4**	—
		781.3	798.4
Commitments	9		
		$2,359.5	$2,447.9

Approved by the Directors:

Director

Director

Consolidated Statement of Retained Earnings

For the year ended December 31, 1984

	1984 (Millions)	1983 (Millions)
Retained earnings at beginning of the year	**$ 99.5**	$ 100.8
Net earnings (loss)	**(14.2)**	6.1
	85.3	106.9
Dividends on Exchangeable Preferred shares	**(6.4)**	(6.4)
Expenses relating to issue of preferred shares by subsidiary company	**—**	(1.0)
Retained earnings at end of the year	**$ 78.9**	$ 99.5

Auditors' Report

To the Shareholders of British Columbia Resources Investment Corporation

We have examined the consolidated balance sheet of British Columbia Resources Investment Corporation as at December 31, 1984 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1984 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.

Coopers & Lybrand

Vancouver, Canada
February 7, 1985

Chartered Accountants

Notes to the Consolidated Financial Statements

December 31, 1984

1 Significant Accounting Policies

The Company is incorporated under the Company Act of the Province of British Columbia and prepares its consolidated financial statements following the significant accounting policies summarized below:

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in joint ventures are accounted for using the proportionate consolidation method.

Translation of Foreign Currencies

The consolidated financial statements include assets and liabilities which are denominated in foreign currencies. These amounts are translated into Canadian dollars and the resulting gain or loss is accounted for following the recommendations contained in Section 1650 of the Handbook of the Canadian Institute of Chartered Accountants. The financial statements relating to the investment in the United Kingdom oil and gas operations are translated using the current rate method with the resultant translation adjustment being deferred as a separate component of shareholders' equity until the investment is realized. The adjustment was immaterial in prior years.

Inventories

Inventories of coal, pulp, lumber, logs and wood chips are valued at the lower of average cost and net realizable value. Other raw materials and operating and maintenance supplies are valued at average cost.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. During the construction or development stages of major capital projects, interest is capitalized as a cost of these projects on the basis of expenditures incurred without reference to specific borrowings for these projects. Gains and losses arising from the disposal or abandonment of property, plant and equipment are included in income, except for those mills determining asset lives on a composite basis where the gain or loss is included in accumulated depreciation.

Acquisition costs of coal-bearing lands are capitalized and depleted over the expected recovery of coal from the property by the unit of production method. Coal exploration costs are charged against earnings when incurred. Preproduction and development costs are capitalized and amortized on the straight line basis over the life of each mine.

Coal plant and equipment is depreciated using a unit of production method based on the estimated useful lives of the assets, at normal production levels, for periods up to 30 years.

Timber cutting rights, roads and related facilities are amortized on the unit of production method.

Pulp mills and sawmills are depreciated using a unit of production method based on the estimated useful lives of the assets, at normal production levels, for periods up to 25 years. Most mills determine estimated useful lives on a composite basis.

Logging and mobile mill equipment is depreciated using the diminishing balance method at rates of 10% to 30%.

Oil and gas properties are accounted for using a form of the full cost method whereby all acquisition, exploration and development costs, net of petroleum incentive grants, are capitalized as incurred by cost centre. These costs are depleted on the unit of production method when production commences. The recoverability of costs capitalized net of accumulated depletion is reviewed annually based on estimates of proven oil and gas reserves, prices and costs to assess whether the carrying value exceeds the recoverable value. Costs related to certain unproven oil and gas properties are excluded from costs subject to depletion. These properties are reviewed periodically to assess the extent to which the carrying value has been impaired with any required provision for impairment being included in costs subject to depletion. Plant and equipment relating to developed oil and gas properties are amortized on the unit of production method.

Pension Plans

Annual contributions to employees' pension plans are charged against earnings. Pension contributions are actuarially determined to include amounts necessary to provide for current service and for funding of past service liabilities over 15 years for retroactive benefit improvements.

Income Taxes

Income taxes are accounted for by the tax allocation method, whereby provision for taxes is made in the year transactions affect net earnings rather than when such items are recognized for tax purposes. Differences between the provision for taxes and taxes currently payable are reflected as deferred income taxes. Tax benefits from earned depletion and investment tax credits are reflected as a reduction in the provision for income taxes.

Earnings Per Common Share

Earnings per Common share are calculated by dividing net earnings, less dividends on the Exchangeable Preferred shares, by the number of Common shares outstanding during the year.

2 Inventories

	1984	1983
	(Millions)	(Millions)
Coal	**$ 27.9**	$ 43.2
Pulp	**19.2**	12.7
Lumber	**7.5**	28.2
Logs, wood chips and other raw materials	**29.2**	34.7
Operating and maintenance supplies	**33.9**	35.5
	$ 117.7	$ 154.3

Notes to the Consolidated Financial Statements

December 31, 1984

3 Property, Plant and Equipment

	1984 (Millions) Cost	1984 (Millions) Accumulated depreciation, depletion and amortization	1984 (Millions) Net	1983 (Millions) Net
Coal				
Properties and development costs	$ 628.8	$ 25.4	$ 603.4	$ 610.0
Plant and equipment	591.2	75.7	515.5	582.2
	1,220.0	101.1	1,118.9	1,192.2
Forest products				
Land	1.9	—	1.9	2.1
Pulp mills	385.9	229.7	156.2	165.3
Sawmills	86.8	44.3	42.5	44.1
Timber cutting rights, roads and related facilities	93.3	67.6	25.7	31.5
Logging equipment and other facilities	20.2	13.9	6.3	10.2
	588.1	355.5	232.6	253.2
Oil and gas				
Properties, exploration and development costs and plant and equipment				
Canada	247.9	29.4	218.5	212.0
U.K.	275.9	35.3	240.6	226.9
	523.8	64.7	459.1	438.9
Other	2.0	.4	1.6	1.8
	$2,333.9	$ 521.7	$1,812.2	$1,886.1

Coal development costs, plant and equipment include $263 million ($275 million in 1983) representing Westar Mining's 80% interest in the net book value of these items of the Greenhills Mine Joint Venture.

4 Exploration and Development Advances

These advances were made pursuant to Westar Mining's carried interest obligation as explained in Note 9 — Commitments and the balance outstanding was U.S. $184 million at December 31, 1984 and U.S. $182 million at December 31, 1983.

5 Investments and Other Assets

	1984 (Millions)	1983 (Millions)
Investment — carried at cost:		
Westcoast Transmission Company Limited — 8.5% interest (market value, $52.9 million; $52.0 million in 1983)	$ 37.4	$ 37.4
Deposit account (U.S. $3.7 million; U.S. $6.3 million in 1983)	4.9	7.8
Unamortized foreign exchange adjustment	7.4	3.1
Other	34.6	39.0
	$ 84.3	$ 87.3

Pursuant to the Trust Indenture created in conjunction with the issue by the Company of the Exchangeable Preferred shares in 1982, the investment in Westcoast Transmission Company Limited was pledged and the deposit account was established with a trustee. The deposit account is reduced based on dividend payments and redemptions or purchases for cancellation of Exchangeable Preferred shares.

6 Long Term Debt

	1984 (Millions)	1983 (Millions)
B.C. Resources		
Bank credit agreements	$ 340.0	$ 300.9
Westar Timber		
Bank credit agreements	100.0	100.0
Bonds and promissory notes		
5⅝% Bonds due July 1, 1985 (U.S. $3.5 million; 1983 U.S. $7 million)	4.6	8.7
10½% Promissory notes due December 15, 1992 with annual principal payments (U.S. $40 million; 1983 U.S. $45 million)	52.9	56.0
11½% Promissory notes due December 15, 1992 with annual principal payments	16.0	18.0
Other	.3	.2
Westar Mining		
Bank credit agreements	311.1	329.7
Westar Holdings (U.K.)		
South Brae Field credit facility	287.4	361.9
Other	13.0	14.4
Westar Petroleum		
Bank production loan	69.0	32.5
	1,194.3	1,222.3
Less: Amounts due within one year	25.6	14.1
	$1,168.7	$1,208.2

Notes to the Consolidated Financial Statements

December 31, 1984

Bank Credit Agreements

Bank credit agreements which total $751.1 million include revolving, term and demand loans. Revolving loans which aggregate $574.0 million are convertible into term loans on various dates between 1985 and 1987 followed by repayment periods of 7 to 10 years. Term loans which aggregate $100.0 million are repayable in nine annual instalments of $11.1 million commencing in 1985. Funds can be borrowed directly in Canadian dollars, U.S. dollars or Eurocurrencies with interest based on prime rate, U.S. base rate or London Interbank Offered Rate (LIBOR), respectively, or through bankers' acceptances. Interest rate swap arrangements have been entered into aggregating U.S. $110 million at fixed annual interest rates averaging 12.3% for periods to 1992. The average interest cost of borrowings under the bank credit agreements at December 31, 1984 was 12.0%. Demand loans which total $77.1 million are classified as long term debt since repayment can be made from available long term committed facilities.

Unutilized long term bank credit facilities available at December 31, 1984 total $195 million.

South Brae Field Credit Facility

This U.S. $300 million syndicated credit facility is secured by charges on the interest of the U.K. subsidiaries of Westar Mining in the licences, assets and revenues relating to the South Brae Field and bears interest based on LIBOR. The average interest cost at December 31, 1984 was 10.5%. Of the U.S. $217.5 million outstanding at December 31, 1984, U.S. $42.5 million is repayable solely out of Westar Mining's net cash flow from the South Brae Field. The balance of U.S. $175 million of the facility is guaranteed by Westar Mining and the amount guaranteed may be reduced in whole or in part if certain production and economic criteria are met. The guaranteed portion of the facility is repayable in eight equal semi-annual instalments commencing June 30, 1985, and will be paid from future production proceeds or unutilized existing long term credit facilities. Accordingly, the 1985 instalments have been classified as long term debt.

Bank Production Loan

The loan is secured by certain of Westar Petroleum's petroleum and natural gas properties and is revolving and at the option of the company can be converted into a term loan which provides for quarterly payments out of production proceeds over a period of up to seven years. Borrowings can be borrowed directly at interest based on prime rates or through bankers' acceptances. At December 31, 1984 the average interest cost was 11.3%. The maximum amount that may be borrowed under this loan was $78 million at December 31, 1984 and is subject to an annual evaluation based on hydrocarbon reserves and other factors.

Bonds and Promissory Notes

Principal payments required on the bonds and promissory notes for the next five years are $13.2 million in 1985 and $8.6 million in each of the years 1986, 1987, 1988 and 1989.

7 Minority Interest in Subsidiary Company

The minority shareholders' interest in the share capital and retained earnings of Westar Mining is as follows:

	1984	1983
	(Millions)	(Millions)
Preferred shareholders	**$ 45.9**	$ 45.9
Common shareholders	**73.2**	65.7
	$ 119.1	$ 111.6

The preferred shares are retractable at the option of the holder on April 15, 1989 and October 15, 1992 at $25 per share. The shares are redeemable commencing April 15, 1989 at $26.25 and declining annually to $25 on April 15, 1993. Commencing July 1, 1985, Westar Mining is required to make all reasonable efforts to purchase quarterly, at prices not exceeding $25, a specified quantity of shares not exceeding 1% of the outstanding shares.

8 Share Capital

	1984	1983
	(Millions)	(Millions)
Authorized		
100,000,000 Preferred shares without par value		
200,000,000 Common shares without par value		
Issued		
2,395,248 $2.6875 Cumulative Redeemable Exchangeable Preferred shares	**$ 59.9**	$ 59.9
96,243,235 Common shares	**639.0**	639.0
$0.24 Convertible Retractable Series 2 Preferred Shares issuable to 1984/85 flow-through shares unitholders	**1.1**	—
	$ 700.0	$ 698.9

The Preferred shares may be issued from time to time in one or more series having special rights and restrictions fixed prior to issue of each series by the directors of the Company.

The Exchangeable Preferred shares are exchangeable until March 31, 1990 for common shares of Westcoast Transmission Company Limited held by the Company, on the basis of 1.449 Westcoast shares for each Exchangeable Preferred share. The Exchangeable Preferred shares will be redeemable at the option of the Company on or after April 1, 1986 to March 31, 1988 at $26.25 per share declining annually to $25 on and after April 1, 1993. Commencing April 1, 1985, the Company is required to make all reasonable efforts to purchase annually, at prices not exceeding $25, a specified quantity of the Exchangeable Preferred shares not exceeding 5% of the outstanding shares.

The Company has received subscriptions for the issue of 1,250 1984/85 flow-through shares units at $6,000 per unit, each of which consists of the right to earn up to 1,000 $0.24 Convertible Retractable Series 2 Preferred Shares. Under the terms of the issue the proceeds from the units are deposited with a custodian. The funds are advanced by the custodian for expenditure on oil and gas exploration in Canada during the period from October 1984 to June 1985. The unitholders become eligible to receive income tax deductions and petroleum incentive payments relating to these expenditures and also earn the right to receive Series 2 Preferred Shares as the funds are expended. A total of 250,000 shares were earned to December 31, 1984. The shares have been recorded at the redemption price of $4.25 with the $1.75 difference from the subscription price being offset against the related oil and gas expenditures. Shares earned will be issued to investors on or before September 26, 1985.

Series 2 Preferred Shares may be converted into Common shares of the Company on the basis of one Common share for each Series 2 Preferred Share until October 1, 1990. The Series 2 Preferred Shares may be redeemed by the Company from October 1, 1987 to September 30, 1990 at $4.25 per share provided the Common shares have traded at an average price for a specified period of not less than $4.50 per share. They may be redeemed after September 30, 1990 at $4.25 per share. The Series 2 Preferred Shares are retractable at the option of the holder at $4.25 per share on October 1, 1990.

Notes to the Consolidated Financial Statements

December 31, 1984

9 Commitments

Westar Mining, through its U.K. subsidiaries, has interests in several licences for the exploration and development of the Brae oil and gas field in the United Kingdom sector of the North Sea. Under the terms of the acquisition of its interests, Westar Mining is obligated to finance an amount equivalent to its own share of exploration and development costs for another participant under a carried interest obligation. Amounts advanced under the carried interest obligation are repayable with interest solely out of 70% of the net proceeds, after operating costs, royalties and taxes, earned by the participant from commercial production of oil and gas from the licensed areas. Production commenced in 1983 in an area designated as the South Brae Field in which Westar Mining holds a 7.7% working interest.

Development has commenced in an area designated as the North Brae Field. The company estimates its 7.7% share of capital expenditures together with the carried interest obligation, based on the operator's estimate, to be £241 million (equivalent to $369 million at year-end exchange rates) of which $51 million was spent to December 31, 1984. Production is anticipated to commence late in 1988.

Westar Mining has a lease commitment requiring minimum annual rental payments of $6.7 million in 1985, $7.0 million in 1986, $7.0 million in 1987, $8.8 million in 1988 and $9.1 million in 1989. Minimum annual rental payments will escalate to $26.1 million by 2002.

10 Interest and Other Income

	1984 (Millions)	1983 (Millions)
Interest on exploration and development advances	$ 25.0	$ 10.2
Interest	3.3	4.3
Dividends from Westcoast Transmission Company Limited	3.6	3.6
Insurance proceeds for damage to pulp mill equipment	4.2	—
Other	(2.4)	3.1
	$ 33.7	$ 21.2

11 Interest Expense

Interest expense relates to:

	1984 (Millions)	1983 (Millions)
Short term borrowings	$ 6.9	$ 4.0
Long term borrowings	141.6	116.6
Less: Interest charged to major capital projects	(6.8)	(47.0)
	$ 141.7	$ 73.6

12 Income Taxes

The provision for income taxes comprises the following:

	1984 (Millions)	1983 (Millions)
Current	$ 7.2	$ (3.0)
Deferred	10.5	26.1
	$ 17.7	$ 23.1

The difference between the income tax provision recorded and the provision obtained by applying the combined federal and provincial statutory rates is as follows:

	1984 (Millions)	1983 (Millions)
Earnings before income taxes, minority interest and extraordinary items	$ 35.5	$ 62.7
Income taxes at the statutory rate — 52%	18.4	32.6
Effect on taxes from:		
Non-deductible payments to provincial governments for mining taxes, royalties, mineral land taxes and petroleum taxes	14.5	18.2
Federal resource allowance	(13.0)	(14.9)
Earned depletion	(2.9)	(14.5)
Manufacturing and processing allowance	.5	1.3
Other	.2	.4
Income tax provision	$ 17.7	$ 23.1

The future tax benefits relating to losses carried forward have been recognized in determining the income tax provisions. At December 31, 1984, there were losses carried forward for income tax purposes of $161 million of which $9 million has to be utilized by 1986, $89 million by 1987, $19 million by 1990 and $44 million by 1991.

Westar Mining has accumulated earned depletion benefits available to reduce the provision for income taxes in future years by approximately $5 million.

13 Extraordinary Items

	1984 (Millions)	1983 (Millions)
Loss on closure of the underground hydraulic mine, net of income taxes of $18.6 million and minority interest of $4.9 million	$ (13.4)	$ —
Loss on closure of the Nelson Lumber mill, net of income taxes of $3.2 million	(1.6)	—
Loss on sale of Skeena Lumber mill, net of income taxes of $1.2 million	—	(1.7)
Write-down of oil and gas interests in the United States, net of income taxes of $0.9 million	—	(11.2)
	$ (15.0)	$ (12.9)

Notes to the Consolidated Financial Statements

December 31, 1984

14 Pension Plans

The Company has pension plans for hourly and salaried employees. At December 31, 1984 the Company had some pension plans with unfunded past service liabilities estimated to total $6.1 million.

15 Related Party Transactions

Westar Mining sells metallurgical coal produced from its Balmer Mine to Mitsubishi Corporation for resale to nine Japanese corporations and from the Greenhills Mine Joint Venture directly to the nine Japanese corporations under long term contracts extending through March 31, 1990 and 1986 respectively. The purchasers have signed a letter of intent to extend these contracts beyond the current expiry date. At December 31, 1984, Mitsubishi Corporation owned 13% of the outstanding common shares of Westar Mining and the other nine corporations owned 20%. Sales under the contracts amounted to $254 million and $258 million for the years ended December 31, 1984 and 1983 respectively.

Westar Mining had sales of Balmer and Greenhills metallurgical coal under long term contracts expiring on March 31, 1985 and 2002 respectively, amounting to $72 million in 1984 and $87 million in 1983 to Pohang Iron and Steel Company of Korea which has a 20% interest in the Greenhills Mine Joint Venture. Negotiations for the extension of the Balmer contract are scheduled to commence in February, 1985.

16 Subsidiary Companies

The active subsidiaries of the Company, which are wholly-owned except where indicated, are:

- Westar Mining Ltd. (67% owned)
  - Westshore Terminals Ltd.
  - Westar Mining International Ltd.
  - Westar Engineering Ltd.
  - Westar Holdings (U.K.) Limited
    - Westar Oil (U.K.) Limited
      - Westar Petroleum (U.K.) Limited
    - Westar Finance (U.K.) Limited
    - Westar Exploration (U.K.) Limited
- Westar Timber Ltd. (formerly BC Timber Ltd.)
  - Westar Timber International S.A.
  - High Arrow Limited
  - Westar Pulp Inc.
- Westar Petroleum Ltd.
  - Bighart Oil & Gas Inc.
  - BC Resources Oil & Gas Inc.
- Westar Industries Ltd.
- B.C. Resources Holdings Ltd.

17 Segmented Information

($ Millions)	Total		Coal		Forest Products		Oil & Gas – Canada		Oil & Gas – U.K.	
	1984	1983	**1984**	1983	**1984**	1983	**1984**	1983	**1984**	1983
Sales	**1,026.6**	834.7	**530.5**	433.5	**361.4**	338.6	**43.5**	41.4	**91.2**	21.2
Operating profit	**151.8**	121.3	**88.7**	100.6	**7.0**	(4.8)	**19.9**	16.9	**36.2**	8.6
Interest and other income	**27.1**	14.9	**(2.0)**	4.8	**4.8**	1.9	**(2.4)**	(2.3)	**26.7**	10.5
Interest expense	**(100.2)**	(47.7)	**(37.9)**	(10.7)	**(21.2)**	(20.8)	**(6.1)**	(3.9)	**(35.0)**	(12.3)
Income taxes	**(41.6)**	(42.2)	**(25.4)**	(44.2)	**5.8**	12.7	**(6.7)**	(7.5)	**(15.3)**	(3.2)
Minority interest	**(17.0)**	(20.6)	**(12.8)**	(19.4)	**—**	—	**—**	—	**(4.2)**	(1.2)
Contribution to the Company	**20.1**	25.7	**10.6**	31.1	**(3.6)**	(11.0)	**4.7**	3.2	**8.4**	2.4
Unallocated expenses including interest less interest and other income and income taxes	**(19.3)**	(6.7)								
Earnings before extraordinary items	**.8**	19.0								
Funds provided by operating activities										
Operations	**213.5**	139.4	**99.3**	107.4	**34.1**	(2.4)	**17.4**	20.1	**62.7**	14.3
Unallocated	**(43.1)**	(41.9)								
	170.4	97.5								
Capital expenditures	**68.9**	226.0	**12.5**	134.6	**9.0**	9.6	**17.4**	25.1	**30.0**	56.7
Depreciation, depletion and amortization										
Operations	**111.0**	68.7	**49.3**	30.9	**25.3**	20.0	**8.4**	11.9	**28.0**	5.9
Corporate	**1.8**	.2								
	112.8	68.9								
Identifiable assets										
Operations	**2,312.9**	2,392.2	**1,213.5**	1,301.4	**364.1**	402.4	**233.2**	221.3	**502.1**	467.1
Corporate	**46.6**	55.7								
	2,359.5	2,447.9								

Notes:

1. Interest expense of a business segment relates to loans incurred directly by the segment.
2. Sales include export sales of coal of $494.8 million ($417.5 million in 1983) and of forest products of $319.5 million ($298.9 million in 1983).
3. The operating profit of the forest products segment includes an operating profit of $19.3 million (loss of $9.8 million in 1983) from pulp operations and an operating loss of $1.5 million (profit of $15.0 million in 1983) from lumber operations. These operating profits are before unallocated costs of $10.8 million ($10.0 million in 1983).

Financial and Statistical Summary

	1984	1983	1982	1981	1980[1]
Financial Information ($ Millions)					
Revenue					
Coal	**530.5**	433.5	430.6	511.8	83.7
Forest products	**361.4**	338.6	247.3	336.4	385.3
Oil and gas — Canada	**43.5**	41.4	8.7	—	—
— U.K.	**91.2**	21.2	—	—	—
Interest and other income	**33.7**	21.2	7.5	12.6	51.4
	1,060.3	855.9	694.1	860.8	520.4
Earnings (loss) before extraordinary items	**.8**	19.0	(38.4)	7.9	45.7
Net earnings (loss) for the year	**(14.2)**	6.1	(31.3)	42.5	47.9
Funds provided by operating activities	**170.4**	97.5	13.0	17.6	116.6
Additions to property, plant and equipment	**68.9**	226.0	406.9	295.5	99.9
At end of year					
Working capital	**53.7**	54.0	64.5	87.9	82.2
Total assets	**2,359.5**	2,447.9	2,251.9	1,799.8	1,676.2
Long term debt	**1,168.7**	1,208.2	1,126.3	718.9	585.2
Deferred income taxes and minority interest	**243.7**	247.0	158.7	133.9	166.6
Shareholders' equity	**781.3**	798.4	799.7	773.6	731.1
Per Common Share Information ($)					
Earnings (loss) before extraordinary items[2]	**(0.06)**	0.13	(0.41)	0.08	0.47
Net earnings (loss)[2]	**(0.21)**	0.00	(0.34)	0.44	0.50
Book equity	**7.48**	7.67	7.69	8.04	7.60
Price range — High	**4.60**	4.75	3.95	6.63	9.25
— Low	**2.50**	2.56	2.38	3.00	5.75
— Close	**2.65**	4.40	2.65	4.00	5.95
Ratios					
Current ratio	**1.3:1**	1.3:1	1.4:1	1.5:1	1.4:1
Debt to equity ratio	**1.5:1**	1.5:1	1.4:1	0.9:1	0.8:1
Percent of long term debt to total capital employed	**53.3%**	53.6%	54.0%	44.3%	39.5%
Return on common shareholders' equity	**(0.8%)**	1.7%	(5.2%)	1.1%	6.5%
Return on capital employed	**3.2%**	3.4%	0.2%	3.9%	7.9%
Statistical Information					
Shipments (Thousands)					
Coal — tonnes[3]	**7,485**	5,984	5,464	7,371	1,300
Pulp — air dry tonnes	**383**	391	364	409	480
Lumber — thousand foot board measure[4]	**667**	655	354	475	545
Oil — Canada — barrels	**1,220**	1,204	277	—	—
— U.K. — barrels	**2,307**	560	—	—	—
Natural gas liquids — barrels	**166**	—	—	—	—
Gas — thousand cubic feet	**890**	1,018	84	—	—
Employees	**4,560**	4,914	6,078	6,562	6,819
Wages, salaries and employee benefits ($ Millions)	**196.4**	194.9	210.8	217.7	140.4
Common shares outstanding (Millions)	**96.2**	96.2	96.2	96.2	96.2
Number of registered shareholders (Thousands)					
Common shares	**109.0**	114.5	121.2	128.0	133.3
Exchangeable Preferred shares	**3.0**	3.1	2.0	—	—

Notes:
1. Includes information relating to Westar Mining Ltd. from October 15, 1980.
2. After deducting dividends paid on Exchangeable Preferred shares.
3. Includes 80% of the Greenhills joint venture shipments.
4. Includes sales of lumber purchased for resale (1984 — 119 thousand; 1983 — 256 thousand).

Quarterly Information

(unaudited — $ Millions)

	Three Months Ended								Year Ended	
	March 31		June 30		September 30		December 31		December 31	
	1984	1983	**1984**	1983	**1984**	1983	**1984**	1983	**1984**	1983
Revenue										
Coal	**117.9**	103.0	**128.5**	109.8	**151.5**	128.4	**132.6**	92.3	**530.5**	433.5
Forest Products	**72.6**	64.2	**82.4**	96.4	**105.0**	87.1	**101.4**	90.9	**361.4**	338.6
Oil and gas										
Canada	**10.9**	9.3	**10.7**	9.4	**11.7**	11.6	**10.2**	11.1	**43.5**	41.4
U.K.	**20.0**	—	**24.1**	—	**21.3**	6.0	**25.8**	15.2	**91.2**	21.2
Interest and other income	**4.3**	1.8	**8.4**	2.8	**12.9**	7.2	**8.1**	9.4	**33.7**	21.2
	225.7	178.3	**254.1**	218.4	**302.4**	240.3	**278.1**	218.9	**1,060.3**	855.9
Earnings (loss) before extraordinary items	**(4.7)**	.1	**(.9)**	7.3	**4.9**	9.2	**1.5**	2.4	**.8**	19.0
Net earnings (loss)	**(4.7)**	.1	**(.9)**	5.6	**3.3**	9.2	**(11.9)**	(8.8)	**(14.2)**	6.1
Earnings per Common share ($)*										
Earnings (loss) before extraordinary items	**(0.07)**	(0.02)	**(0.02)**	0.06	**0.03**	0.08	**0.00**	0.01	**(0.06)**	0.13
Net earnings (loss)	**(0.07)**	(0.02)	**(0.02)**	0.05	**0.02**	0.08	**(0.14)**	(0.11)	**(0.21)**	0.00

*Per Common share amounts are after deducting dividends paid on Exchangeable Preferred shares.

SHAREHOLDER LIAISON COMMITTEE

Nine months after it was established, the Company's Shareholder Liaison Committee continues to play an important role in helping to improve communications between B.C. Resources and its shareholders.

The Committee was formed in May 1984 to act as an informal information gathering channel for shareholders in British Columbia. Its aims were to funnel shareholder concerns and comments to the Company and also transmit news of the Company to its investors.

B.C. Resources has one of the largest number of shareholders of any company in North America with about 109,000 registered Common shareholders and an estimated 1.5 million bearer shareholders. Most of these shareholders live in B.C.

Because of the varying interests of its shareholders, the Company last year set up the Committee to provide more input on shareholder concerns.

Members chosen from 1,700 nominations

Liaison Committee members were chosen from a list of more than 1,700 nominated by Company shareholders. In the selection process, the Company sought a group of individuals who would work well together and contribute different points of view. As a result, the Committee is made up of shareholders representing different occupational backgrounds, age groups and regions of the province.

Two meetings of the Committee have been held at Company headquarters in Vancouver. At the two-day sessions members were given a complete review of B.C. Resources operations by senior management and the heads of the business units as well as tours of Company facilities. Two Company directors attended the meetings, including Don Watson, vice chairman of the Board.

In turn, members brought to the meetings reports of the concerns and questions of shareholders in their region.

In December, a Committee member, Nancy Riegle, participated in a regional meeting of shareholders in Prince George together with Company president Bruce Howe and other senior officers. Similar arrangements are being planned for future regional meetings in 1985.

The ten members of the Shareholder Liaison Committee appointed in early 1984 are:

Herb Dhaliwal

A commerce graduate of the University of B.C. who owns and operates a building maintenance service. He is one of two representatives from the Vancouver Lower Mainland.

Dr. Mitchell Greene

A semi-retired physician who has lived in Prince Rupert for over 25 years. He is a former city alderman and a past president of the Chamber of Commerce. He represents the North Coast and the Charlottes.

Gail Griffiths

A homemaker, single parent and mother of teenagers. She lives in Rossland where her family set down roots in 1895. She represents the West Kootenays.

Andrew Humphreys

A fourth year commerce student at Simon Fraser University. He works during the summer as an airport baggage handler and also represents the Lower Mainland.

Chris Johnson

A mill worker and former steam engineer. A Kamloops resident, he is a past president of Local 1-147 of the International Woodworkers of America. He represents the Thompson region.

Walter Kumph

A retired grain farmer from Saskatchewan. He has lived in Kelowna for the past six years and represents the Okanagan.

George Mackay

Worked for the Department of National Defence before he retired to Victoria. He has attended the Company's last four annual meetings and represents Vancouver Island.

Nancy Riegle

The part owner of a second hand store in downtown Prince George and a partner in a mobile home park. She is a former grade school teacher and represents the Caribou and Central Interior.

Donna Telep

The co-owner and manager-nominee of a real estate and development company. She is a licenced mortgage broker and represents the Fraser Valley.

Randy Widmer

A realtor and investor in Sparwood in southeastern B.C. He is active in the local community and takes a keen interest in the coal mining industry. He represents the East Kootenays.

Regional shareholder meeting in Prince George in December was the third held by the Company in 1984 and the ninth since the unique communications program began.

Below left *Shareholders have opportunity to question management and offer comments on the Company's performance.*

Bottom left *Chairman Walter Riva (r.) exchanges information with Prince George area shareholder.*

Below *Nancy Riegle, member of Shareholder Liaison Committee (r.) and Bruce Howe, president and chief executive officer, greet guests at the door.*

ADVERTISING PROGRAM

A need to remove some myths about the Company and communicate directly about its makeup to the public is behind a current corporate advertising program about B.C. Resources now appearing in newspapers throughout the province and across Canada.

"Research we've conducted recently shows that in spite of this company's high profile, amazing misconceptions remain in the public's mind," says Jean G. Cormier, senior vice president of corporate affairs. "It shows that most people in British Columbia continue to think that we're somehow associated with the provincial government and that our business units are made up only of assets which couldn't make money when they were owned by the provincial government.

"As a result, we've decided to communicate directly with the public and tell them about the business operations of the Company. Most don't know, for example, that through Westar Mining, we own Westshore Terminals at Roberts Bank, the largest bulk loading port on the West Coast. And few in B.C. have ever heard of Westar Petroleum's oil operations in Western Canada. And so it goes with our other business operations.

Public lacks information on B.C. Resources

"In spite of our high profile, the average person who does not receive our annual and quarterly shareholder reports has a poor understanding of our business units," Mr. Cormier said.

"This lack of information about the Company can't do it any good, particularly with potential new investors. So we have embarked upon a low-cost, newspaper campaign in an effort to improve the general reputation of B.C. Resources among the non-shareholder public. It is a low-key, factual program — people want to know about our assets and the different industries the Company is in, that's all. They are not interested in hype or promotion. So far they have responded well to the initial advertisements in the campaign (one of which is reproduced here). We expect that our shareholders will see the program as a good investment in developing a more positive reputation for their Company."

NUMBER • TWO • IN • A • SERIES

The BCRIC you seldom hear about.

Who and what we are.

Hopefully, the following ad will answer some questions you might still have about what BC Resources is, who owns us and how we operate.

BCRIC was formed by the provincial government in 1978 to privatize its crown-owned assets and to encourage residents of British Columbia to invest in their natural resource industries. In 1979, our connection with the government ended when BCRIC became a public company owned entirely by its shareholders.

Since changing management in 1981, we've made major shifts in our asset base. Today, BCRIC is primarily an energy-oriented company with holdings in coal, oil and gas accounting for about 80 per cent of our total assets. The remainder is in forestry products.

Westar Timber, our forest products division, makes bleached kraft pulp for paper products and manufactures lumber for export.

Westar Petroleum, our domestic oil and gas subsidiary, is headquartered in Calgary with most of its 700 producing wells in central Saskatchewan. In addition, the company explores for new oil and gas reserves in Alberta and British Columbia.

We also own 67 per cent of Westar Mining, Canada's major coal exporter, which in turn owns Westshore Terminals, the coal superport at Roberts Bank.

Our newest subsidiary is Westar Oil U.K., a 7.7 per cent partner in the offshore Brae oil and gas fields in the North Sea.

With our diversified group of assets and large shareholder base, BC Resources is now becoming one of Canada's most important resource companies. Last year, total revenues amounted to more than $1 billion. And because some 88 per cent of that income came from export sales, BCRIC was responsible for directing a major stream of wealth back into Canada and the province.

Today, with world commodity prices down, our Westar companies are staying competitive with cost and production efficiency programs. These are proven short-term measures to maintain BCRIC's overall strategic position for the long-term when world markets improve.

We're also looking at a blueprint for change and possible diversification into areas with better profit and growth potential. As a company, we can enjoy greater success with balanced assets and a foothold in markets that are less susceptible to economic change.

If you'd like to know more or want a copy of the 1984 Annual Report, please call or write.

BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION
1176 West Georgia Street,
Vancouver, B.C. V6E 4B9

Within Greater Vancouver, call (604) 669-4443.
Outside Greater Vancouver and within B.C. call toll free (112) 800-663-0361.

BC Resources
We're getting our future together.

GLOSSARY OF TERMS

Coal Mining

Hydraulic mining
An underground mining method using a high pressure water jet to dislodge the coal, which is then flushed out of a sloping tunnel using water.

Metallurgical coal
Also known as coking coal, is most commonly used in steel making.

Preparation plant
Site where coal is sized and sorted to separate it from debris.

Reclamation
The process of restoring disturbed lands to their former uses or other productive land uses.

Surface mining
An excavation method used to mine coal located close to the earth's surface. It is also known as open pit mining.

Thermal coal
Also known as steam coal it is normally used as fuel for boilers which make steam to drive turbines.

Unit train
A train made up of a fixed number of railcars operating between two locations in continuous round trip cycles.

Forestry

Bleached kraft pulp
Cellulose material used to make paper. It is produced by "cooking" wood chips in chemicals to loosen fibres, which are bleached chemically and formed into dry sheets for shipment.

Export lumber
Lumber which is produced to the exacting sizes and standards required by overseas customers.

Housing starts
The number of new houses under construction. Used as an indicator of the health of the lumber market.

Market pulp
Pulp produced for sale to others rather than for use in the manufacturing company's own manufacturing plants.

Oil and Gas

Crown lands
Owned by federal or provincial governments, which permit exploration and development of resources under various forms of tenure.

Farmin
Agreement under which a company participates in exploration and/or drilling on another company's property to earn an interest.

Farmout
Agreement by which a company contracts for exploration activity on its property by another company.

Gross hectares
The total area of land in which a company owns an interest in oil and gas rights.

Licence Lands
Refers to the 948,500 gross hectares of land in British Columbia for which the province issued an exploration licence to the Company in 1978.

Net hectares
Represents the Company's share of the gross land holdings calculated in accordance with its various ownership interests.

Proven non-producing reserves
These are primarily gas reserves shut in due to lack of markets.

Proven reserves
These are reserves, based on an analysis of engineering and geological data, that can be recovered with a high degree of certainty from known reserves and existing wells, under existing economic and operating conditions.

Seismic program
An exploration method in which *energy sources are used to cause* earth vibrations which are "interpreted" scientifically to determine the location of potential gas and oil reservoirs.

Waterflood
Process of injecting water into an oil or gas reservoir to increase eventual oil recovery.

Financial

Asset
Anything owned by a company which has a measurable dollar value. A current asset is an asset which is expected to be converted into cash or used to produce income within one year.

Capital expenditure
Funds spent by a company to increase or improve its property, plant and equipment.

Carried interest obligation
A commitment to pay all or some of the exploration and development costs on behalf of another participant who owns a working interest in an oil or gas property. In return, the company is reimbursed from the participant's share of the oil or gas proceeds.

Consolidation
Financial statement which combines operating results for a company and its subsidiaries.

Depletion
An accounting procedure that charges the cost of asset or capitalized costs to earnings based on the consumption or removal of natural resources.

Depreciation
An accounting procedure which charges the cost of an asset to company earnings over its estimated useful life.

Earnings per common share
A company's annual net earnings, less Preferred dividends, divided by the total number of issued Common shares.

Extraordinary items
Gains and losses resulting from occurrences not typical of a company's normal business activities.

Funds provided by operating activities
Amount of cash generated by a company's normal operating activities, after Preferred share dividends.

Liability
A debt owed by a company. A current liability is a debt which will fall due within one year.

Minority interest
The portion of the equity of a subsidiary company that is not owned by the controlling parent company.

Net earnings
The revenue which is left after all expenses and taxes have been deducted.

Operating profit
Revenue which remains after all expenses — except for interest — have been deducted and before income taxes, equity income, interest income and minority interests share.

Preferred shares
A class of shares with special rights or restrictions which take preference over Common shares when it comes to dividend payments and rights in the event of the liquidation of a company.

Registered shareholders
Shareholders whose names and addresses are recorded in the Company's share register who receive share certificates registered in their name. They receive the Company's Annual Report, Notice of the Annual General Meeting, and are entitled to vote at shareholder meetings.

Retained earnings
Accumulated profits which are re-invested in the business after dividend payments and losses have been deducted.

Revenues
Amounts which have been received or are owed to a company from the sale of its products and services or from the investments it holds.

Working capital
The amount left after current liabilities are subtracted from current assets.

Weights and Measures

Bank cubic metre
Volume of solid rock or overburden which has to be removed before coal seam is reached.

Barrel
Standard measure of oil volume which equals 42 U.S. gallons, approximately 159 litres, or 0.159 cubic metres.

Cubic Foot
Imperial measure of volume equal to approximately 0.028 cubic metres.

Foot Board Measure (FBM)
Standard measure of lumber volume, usually stated in units of 1,000 board feet (MFBM). One board foot is equal to one-twelfth of a cubic foot and is equivalent to a board one inch thick and one foot square.

Hectare
Metric measurement of area which equals 10,000 square metres. Equivalent to roughly 2½ acres.

Kilometre
Metric distance measurement which equals 1,000 metres or 0.621 mile.

Tonne
Metric weight measurement which equals 1,000 kilograms or 1.1 short tons or 2,204.6 pounds.

SHAREHOLDER INFORMATION CENTRE

Factbook available

B.C. Resources has compiled a factbook of operating and financial statistics to give shareholders and the investment community a more detailed picture of the Company and its subsidiaries. This new publication is scheduled to be printed and ready for distribution in the near future.

If you are interested in receiving a copy of this factbook, or require additional information on the Company, send your request in a letter or phone.

Write

British Columbia Resources
Investment Corporation
1176 West Georgia Street
Vancouver, B.C. V6E 4B9
Telephone (604) 687-2600

Call

Shareholder Information Centre: Shareholders living in the Greater Vancouver area 669-4443; Outside Greater Vancouver and within B.C. toll-free (112) 800-663-0361. Stock quotation line — 681-2445.

Common Share Transfer Agent and Registrar

Montreal Trust Company
466 Howe Street
Vancouver, B.C. V6C 2A8
Telephone (604) 688-4411
Also in Calgary, Winnipeg, Toronto, Montreal.

Preferred Share Transfer Agent and Registrar

The Canada Trust Company
1055 Dunsmuir Street/Box 49390
Vancouver, B.C. V7X 1P3
Telephone (604) 688-8444
Also in Calgary, Winnipeg, Toronto, Montreal.

Shares Listed

Vancouver Stock Exchange
The Toronto Stock Exchange

Duplicate Reports

While every effort is made to avoid sending more than one copy of the annual and interim reports to each registered shareholder, duplicate mailings will occur when shares are listed under different first names or initials. Shareholders who receive more than one report are asked to contact Montreal Trust Company to have their shares registered under exactly the same name to avoid the cost of duplicate mailings.

Change of Address

In order to ensure that reports are sent to the correct address, shareholders should advise Montreal Trust Company in writing of any change of address.

Annual General Meeting

The Annual General Meeting of registered shareholders will be held at the Hotel Vancouver, 900 West Georgia St., Vancouver, B.C. at 10 a.m. on Wednesday, May 1, 1985.

CORPORATE INFORMATION

Board of Directors

Walter J. Riva
Chairman
British Columbia Resources Investment Corporation

Donald N. Watson
Vice Chairman
British Columbia Resources Investment Corporation

Gordon F. Gibson
President
Gibson and Clark Properties Ltd.

Donald S. Harvie
Chairman
Devonian Foundation

Bruce I. Howe
President and Chief Executive Officer
British Columbia Resources Investment Corporation

Lucille M. Johnstone
Senior Vice President Administration and Secretary
RivTow Straits Limited

John H. Matthews
General Manager
The Bank of Nova Scotia

James A. Pattison
Chairman, President and Chief Executive Officer
The Jim Pattison Group Inc.

Edwin C. Phillips
Consultant
Westcoast Transmission Company Limited

Trevor W. Pilley
President
Vornor Ltd.

Charles N.W. Woodward
Chairman and Chief Executive Officer
Woodward Stores Limited

B.C. Resources Officers

Walter J. Riva
Chairman

Donald N. Watson
Vice Chairman

Bruce I. Howe
President and Chief Executive Officer

L. Jack Smith
Executive Vice President and Chief Operating Officer

Jean G. Cormier
Senior Vice President, Corporate Affairs

Thomas A. Beckett
Vice President, General Counsel and Secretary

William S. Cameron
Vice President, Corporate Planning

Robert F. Chase
Vice President, Finance and Treasurer

Brant E. Ducey
Vice President, Public Affairs

Gary S. Duke
Vice President, Government Relations

Michael G. McKibbin
Vice President, Corporate Development

Barry N. Wilson
Controller

Eileen M. McKenzie
Assistant Secretary

Westar Mining Officers

Bruce I. Howe
Chairman of the Board and Chairman of the Executive Committee

Walter J. Riva
Vice Chairman

Gary K. Livingstone
President

Robert H. Gronotte
Senior Vice President, Engineering and Capital Projects

Thomas A. Beckett
Vice President, General Counsel and Secretary

Robert H. Brady
Vice President, Marketing

Richard J. Chase
Vice President, Planning and Business Development

Robert F. Chase
Vice President, Finance and Treasurer

Brant E. Ducey
Vice President, Public Affairs

Gary S. Duke
Vice President, Government Relations

Arthur E. Geikie
Vice President, Human Resources and Administration

W. Larry Millar
Vice President and Controller

John Powell
Vice President, Coal Mining Operations

Robert C. Stanlake
Vice President, Port Operations

Michael Pang
Assistant Secretary

Suzanne K. Wiltshire
Assistant Secretary

Westar Timber Officers

L. Jack Smith
Chairman

Sandy M. Fulton
President

Thomas A. Beckett
Vice President, General Counsel and Secretary

Ken D. Halliday
Vice President, Human Resources

Dan J. McCallum
Vice President, Wood Products Marketing

Harry R. Papushka
Vice President, Pulp Marketing

William H. Vaughan
Vice President, Market Planning and Development

Ken W. Voight
Vice President, Wood Products

Robert F. Chase
Treasurer

John C.A. de Wit
Assistant Treasurer

Eileen M. McKenzie
Assistant Secretary

Westar Petroleum Officers

Bruce I. Howe
Chairman

C. David Banks
President

Barry E. Harper
Vice President, Finance and Administration

Victor M. Luhowy
Vice President, Production

Michael G. McKibbin
Vice President

Robert F. Chase
Treasurer

R. Bryan Whitby
Controller and Secretary

Ronald T. Peirce
Vice President, Exploration

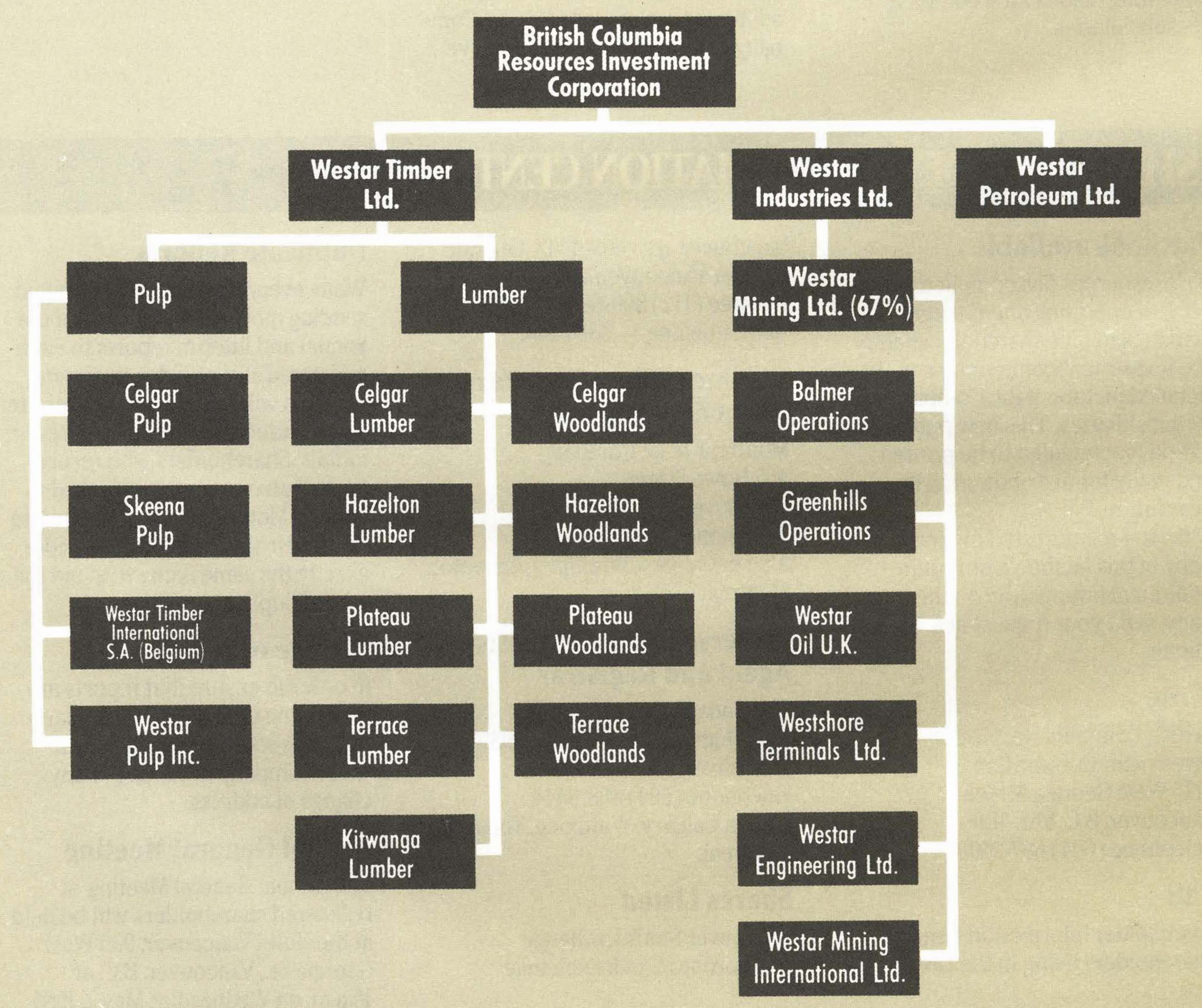
David B. Savage
Land Manager

Eileen M. McKenzie
Assistant Secretary

Report of the Directors

The 1984 Report of the Directors to the Members consists of the President's Report, the Reviews of B.C. Resources Operations, Financial and Other Highlights, Financial Review, the Consolidated Financial Statements of the Company for the year ended December 31, 1984 and the related Notes, and the Financial and Statistical Summary.

Organization Chart by Function



PRINTED IN CANADA BY MITCHELL PRESS LIMITED