British Columbia Resources Investment Corporation

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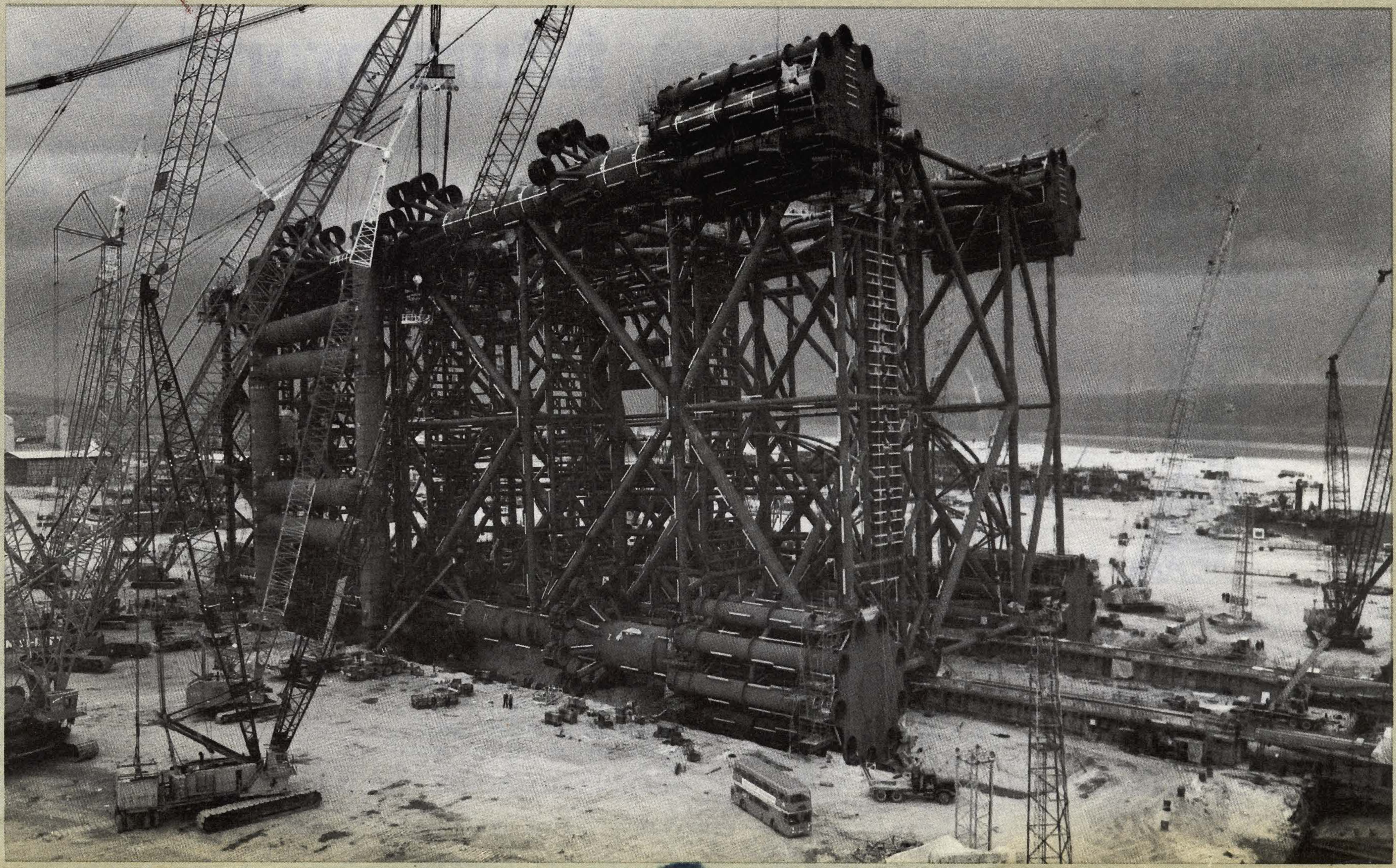
Report '83

B.C. RESOURCES 1983 ANNUAL REPORT



One of the largest engineering projects of its kind in the world, the underwater support structure for the South Brae production platform rests on its side during construction in 1982. Note how the double decker bus at the bottom of the photo is dwarfed by the 40-storey platform. Design work is now underway on a similar platform to produce oil and gas from the North Brae reservoir.

Building long term value

1983 was a year of transition for B.C. Resources as your Company made major changes to prepare itself for the building of long-term value for its shareholders. Despite sluggish world markets for its products, the Company enjoyed considerable progress during the year as it followed its plan to concentrate on the development of assets which will bring the greatest possible return to its investors over the coming years.

The changing face of the corporation can be seen most dramatically in the graph on page 3 of this Report, which illustrates the shift in total assets between 1980 and 1983. B.C. Resources is now primarily an energy-oriented company with 81 per cent of its total assets invested in coal, and oil and gas, compared with 61 per cent three years earlier. Although three major new energy assets only began producing revenues late in 1983 as they were completed, our energy-oriented revenues accounted for 58 per cent of total revenues in 1983.

This trend will increase even more in 1984 with the South Brae oil field, Greenhills Mine completion and the expansion to Westshore Terminals. The completion of the investment in these three major projects at a total investment of $830 million puts your Company in a position of being able to take advantage of an improving world demand for the natural resource products we sell. Equally important, improved productivity by our employees, along with the rigorous cost controls which were followed in 1983, made the year a profitable one.

The year also saw an important transition in our debt load which peaked in the third quarter and then began declining as the new projects were completed and cash began to flow from them. For the first time since this major expansion program began, revenues coming into the corporation now exceed the money going out to pay operating costs, debt servicing and the construction of new assets.

The end of 1983 marks the third year at B.C. Resources for me and for most of the current management team. Despite difficult economic conditions for most of that period, we have held to our basic objective, which is to structure and operate the Company's assets to get the highest return for our shareholders. This, of course, cannot be achieved overnight, but 1983 has been the year of transition for this plan. Communication with our shareholders indicates that they support this approach and that they believe in, and want to share in, the long-term growth of British Columbia and this Company.

Bruce Howe

About the Company

British Columbia Resources Investment Corporation is a wholly Canadian company which produces and markets natural resources from its diversified operations, mainly in Western Canada. Through its subsidiary operations, the Company is involved in mining coal, port operations, manufacturing lumber and bleached kraft pulp, and exploring and developing oil and gas fields in Western Canada and overseas. About 93 per cent of its products are sold to export markets.

At the end of 1983, the book value of the Company's assets was about $2.4 billion while its revenues for the year were $855.9 million.

B.C. Resources was formed in 1978 to encourage residents of British Columbia to invest in the natural resource industries. At the end of 1983, it had 114,498 registered shareholders and an estimated 1.5 million shareholders who own bearer shares. The Company also has some 3,087 preferred shareholders and remains one of the most broadly based, publicly-owned companies in North America.

Principal operating subsidiaries are Westar Mining Ltd. (67% owned), BC Timber Ltd. (100% owned), and Westar Petroleum Ltd. (100% owned). Through its interest in Westar Mining, the Company is also involved in the exploration, development and production of oil and gas in the North Sea off the east coast of Scotland. The Company also indirectly holds 8.5 per cent of the outstanding common shares of Westcoast Transmission Company Limited.

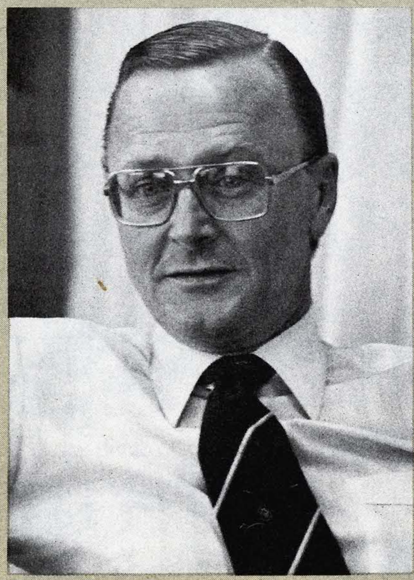
B.C. Resources is an operating company dedicated to increasing the value of its shareholders' investment through steady growth in earnings and assets. Its corporate head office is located at 1176 West Georgia Street, Vancouver, British Columbia, V6E 4B9, Canada.

Contents

BC Resources

Review of Operations

Profits up, debt down, future promising



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

Canadian resource companies entered 1983 relieved to have the recession of 1982 behind them, but generally convinced that 1983 would be a year of only slow recovery. That has been the case, with few resource industries enjoying a quick return to normal markets. For most companies the recovery has been slower than anticipated and for some, such as the coal industry, recovery has not yet arrived.

In terms of earnings, B.C. Resources enjoyed a better than anticipated year in 1983, but the results are far from satisfactory.

Demand for our major products, 93 per cent of which are sold to export markets, remained weak throughout most of the year. Coal prices to Japan were cut by 15 per cent effective April 1 and volume remained down throughout the year. Both North Sea and domestic oil prices fell by about 10 per cent by mid-year. Pulp prices remained at a long-time low throughout the year. Only lumber enjoyed improved prices and increased demand after hitting record lows in 1982.

Revenues and earnings up

In response to weak markets, lower prices and increased labor and interest costs, management continued strong cost control measures throughout the year. Coupled with significant productivity improvements in all operating sectors, these steps, along with lower than anticipated interest rates, enabled the Company to achieve an operating profit in 1983. Earnings before extraordinary items improved to $19.0 million in 1983, compared to a loss before extraordinary items in 1982 of $38.4 million. Led by the coal sector and buoyed by substantial increases in both forest products and oil and gas, the Company's total revenues moved up to $855.9 million in 1983, compared to $694.1 million in 1982. Most significantly, funds from operations increased from $12.0 million in 1982 to $133.2 million in 1983.

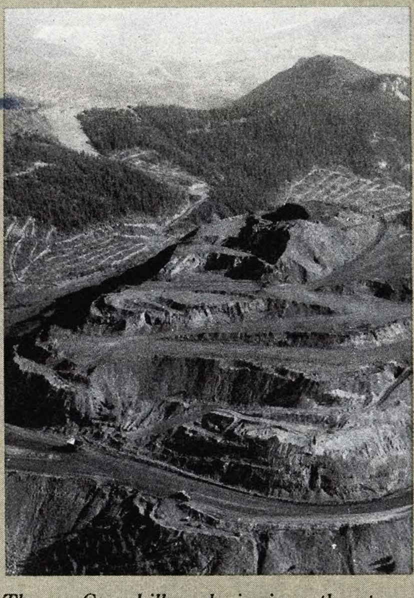
Debt load decreasing

The overall trend of higher revenues, increased cash flow and improved earnings has been complemented in 1983 by the peaking of our debt load, which is now declining with the completion of three major revenue producing assets. Debt peaked at $1,274 million in the third quarter and then began to decline, lowering to $1,222 million by the end of the year. With reduced capital spending in 1984, the Company expects to reduce the level of debt significantly during the year.

Assets now $2.4 billion

At the end of 1983, the total book value of B.C. Resources assets, including coal reserves and production equipment, forestry and mill operations, and oil and gas properties, stood at $2.4 billion, up from $2.3 billion a year earlier. The book value of each Common share of the Company, after all debts, tax liabilities and preferred shares were subtracted, was $7.67 per share at year end, compared to $7.69 one year earlier. The slight decrease was largely due to the peaking of corporate debt in 1983.

Capital expenditures made during 1983 totalled $226.0 million compared with $406.9 million in 1982. With the completion of the development of the South Brae oil field, the Greenhills Mine and the expansion program at Westshore Terminals, 1984 capital spending will decline to about $80 million.



The new Greenhills coal mine in southeastern B.C. was officially opened in mid 1983, and created 435 new permanent jobs.

Employees make the difference

The positive performance recorded during a year of slow recovery and weak markets has been achieved by improved productivity and effective cost control programs. Both management and employees have worked closely together on this effort throughout the year in all sectors of the Company and many of the savings and benefits achieved will continue in the future.

However, there was hardship involved. Early in 1983 Westar Mining closed its Balmer operations for a six-week period and the mine was shut for a four-week period in the summer. Weak sales forced the company to cut back on work schedules, introduce a work-sharing program and to reduce the overall workforce.

BC Timber employees continued to experience mill closures and layoffs during the greater part

Ocean-going ship takes on cargo of coal from new dock at Westshore Terminals. The recently expanded port can now handle 22 million tonnes per year.

of 1983. Weak demand for pulp and high operating costs forced the continued closure of the Skeena Pulp "B" mill at Prince Rupert during the year. Reductions were also made in management and staff ranks throughout the BC Timber organization. By December 31, 1983, the total B.C. Resources workforce stood at 4,914. However, as reported in the sections which follow, outstanding productivity improvements were made at Westar Mining and BC Timber during the year.

Board and management changes

At the 1983 Annual General Meeting, shareholders elected Gordon Gibson of Vancouver and John Matthews of Toronto as new members of B.C. Resources Board of Directors. John Pitts of Vancouver stepped down after almost six years of loyal service to the Company.

At mid-year, Walter J. Riva stepped back from day-to-day operating responsibilities of Westar Mining and his position as that company's chairman and chief executive officer. The mining company is now under the direction of president Gary K. Livingstone. Mr. Riva has taken on wider duties with B.C. Resources, becoming vice chairman of its Board of Directors and joining the Boards of Directors of Westar Petroleum and BC Timber. However, he remains active with Westar Mining as its vice chairman. Mr. Riva will assume the presidency of the Canadian Institute of Mining and Metallurgy in April 1984.

P. Murray Palin resigned as president of Westar Petroleum Ltd. in October, 1983. As former president of Bighart Oil and Gas Ltd., Mr. Palin presided over the merger of that company and the B.C. Resources Oil and Gas Division into Westar Petroleum Ltd. during the past year. Mr. Palin was succeeded by C. David Banks, formerly executive vice president, operations.

In August, W. Robert Mendes was appointed managing director of Westar Oil (U.K.), in London, England with the responsibility for managing Westar Mining's North Sea oil and gas investments. With production flowing in the South Brae field and the development of the North Brae field now underway, Mr. Mendes will play the key role in representing the Company's interest in these major projects.

At mid-year, Robert C. Stanlake, formerly vice president, transportation and marketing for Westar Mining, was appointed vice president of port operations and chairman of Westshore Terminals Ltd. This appointment reflects the growing importance of Westshore Terminals as its major expansion program is completed.

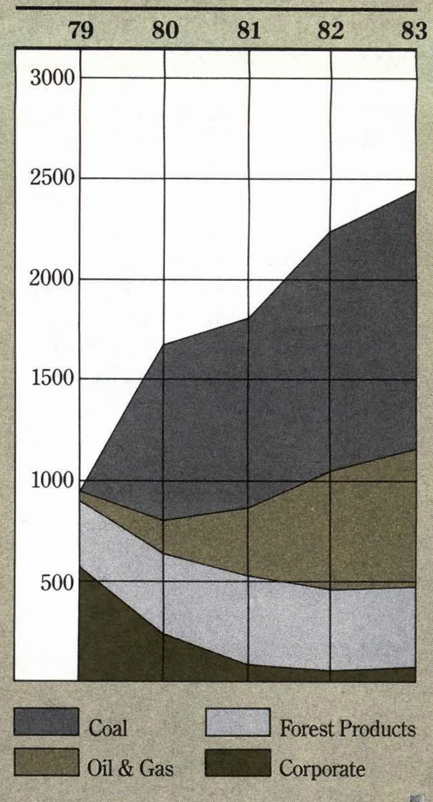
In September, Robert H. Gronotte, senior vice president, engineering and capital projects of Westar Mining, was appointed president of Westar Engineering Ltd., a new engineering consulting

Financial and Other Highlights

	1983 ($ Thousands)	1982 ($ Thousands)
Operations		
(For the year ended December 31)		
Revenue	**855,938**	694,098
Earnings (loss) before extraordinary items	**18,963**	(38,391)
Net earnings (loss)	**6,053**	(31,304)
Working capital provided by operations	**133,246**	12,005
Additions to property, plant and equipment	**226,039**	406,925
Financial Position		
(At December 31)		
Working capital	**53,975**	64,499
Total assets	**2,447,903**	2,251,870
Long term debt	**1,208,183**	1,126,299
Shareholders' equity	**798,342**	799,676
Per Common Share	**($)**	($)
Earnings (loss) before extraordinary items†	**0.13**	(0.41)
Net earnings (loss)†	**0.00**	(0.34)
Book value (at December 31)	**7.67**	7.69
Price range (V.S.E. and T.S.E.)		
High	**4.75**	3.95
Low	**2.56**	2.38
Ratios		
Current ratio	**1.28 to 1**	1.39 to 1
Debt to equity ratio	**1.51 to 1**	1.41 to 1
Percentage of long term debt to total capital employed	**53.6%**	54.0%
Return on common shareholders' equity	**1.7%**	(5.2%)
Return on capital employed*	**3.4%**	0.2%
Other Information		
Number of employees (at December 31)	**4,914**	6,078
Wages, salaries and employee benefits ($ Thousands)	**194,857**	210,778
Number of registered shareholders		
Common shares	**114,498**	121,218
Exchangeable Preferred shares	**3,087**	1,988

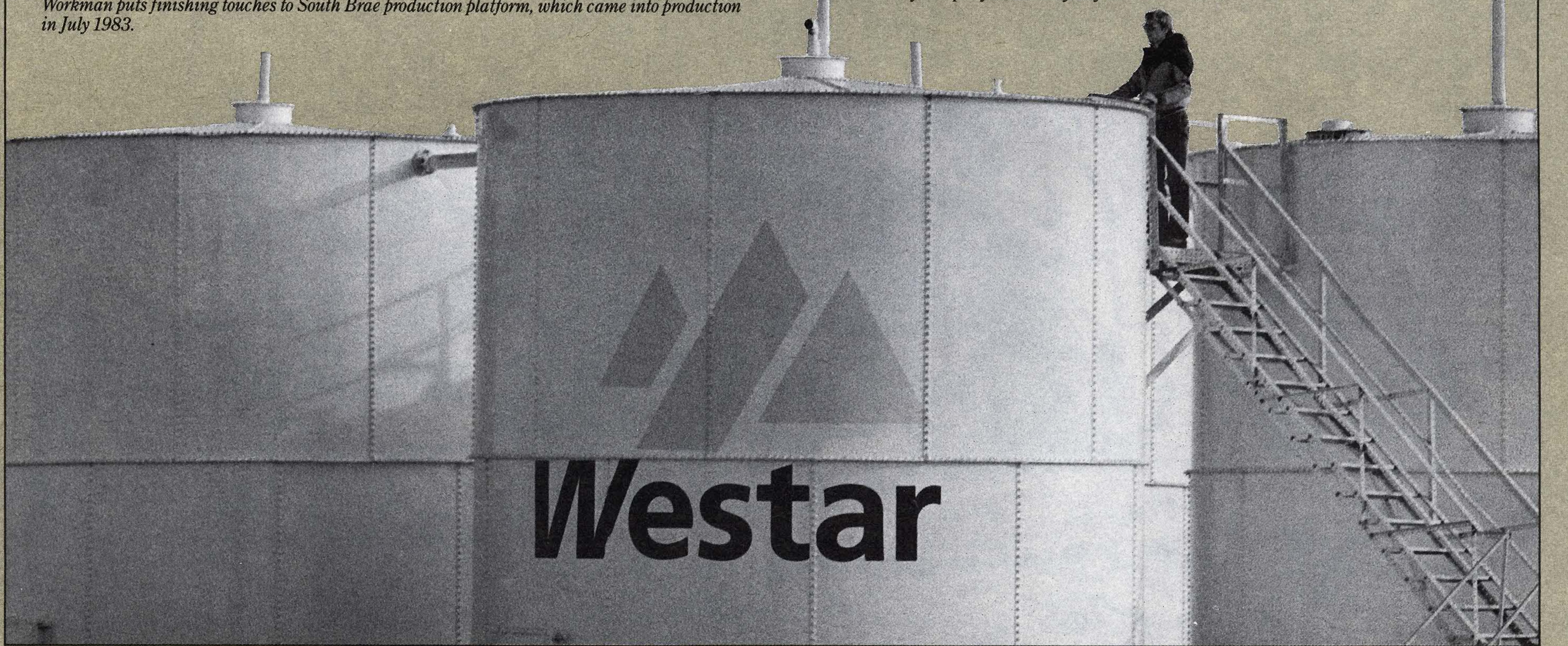
†After deducting dividends paid on Exchangeable Preferred shares.
*Return on capital employed is the percentage that earnings before extraordinary items, minority interest and interest adjusted for income taxes is of the average total assets less current liabilities.

Total Assets $ (Millions)



Workman puts finishing touches to South Brae production platform, which came into production in July 1983.

Oil storage tanks owned by Westar Petroleum hold thousands of barrels of crude oil which is produced by company wells every day.



subsidiary. It will sell a comprehensive package of engineering and computer services to mining and other clients around the world.

Outlook

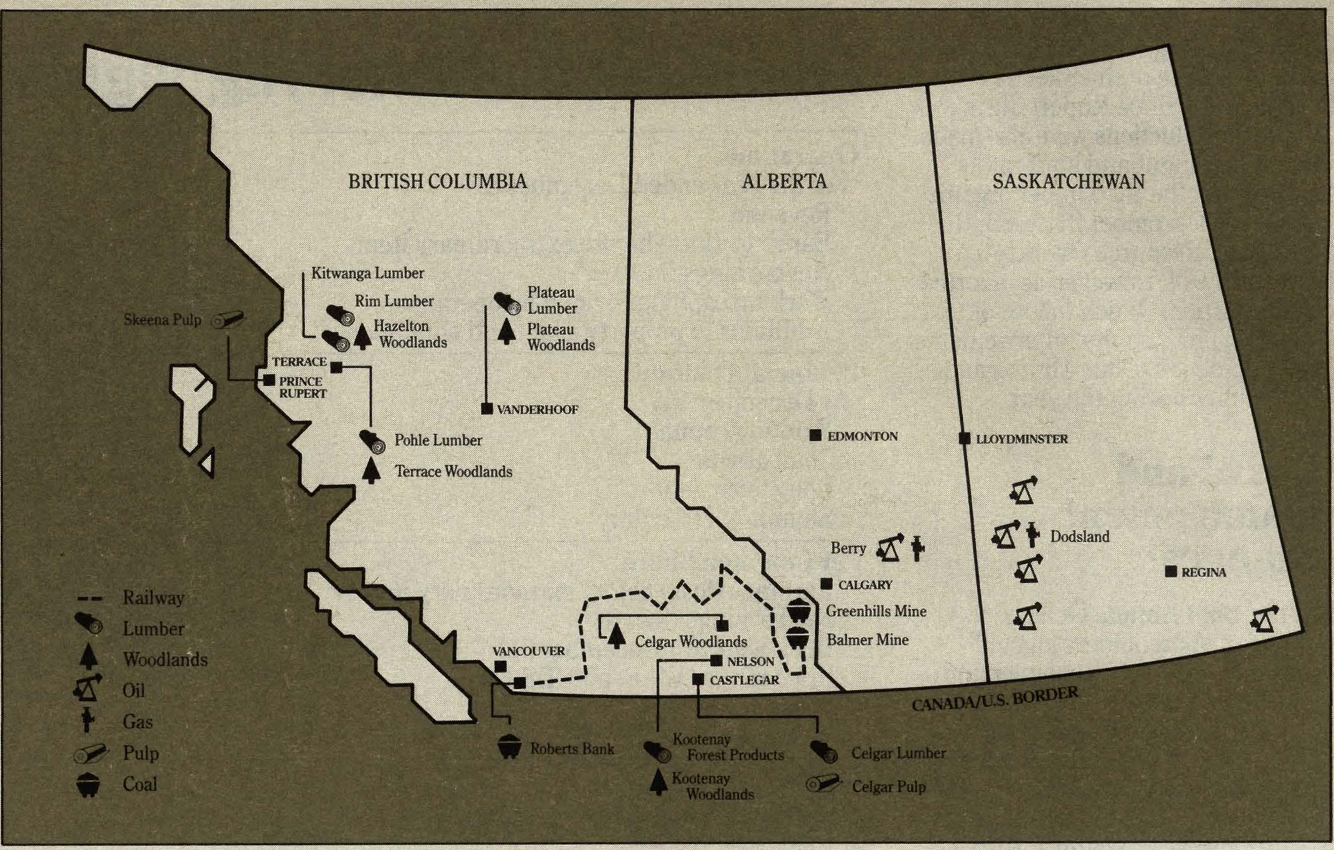
The first quarter of 1984 is bearing out forecasts that the year will be one of only moderate growth, particularly for the products we sell. Metallurgical coal for steel making and pulp traditionally lag in a recovery period and this has been the case in the fourth quarter of 1983 and early 1984.

Economic growth in Canada, the U.S., Japan and the European Economic Community is expected to average between three to four per cent per annum in real terms in 1984 and 1985. In normal times this would be a satisfactory rate, but because the world economy is just moving off the bottom of the economic cycle, this rate of increase will have only a moderate, albeit a positive, effect on industrial growth. Most economic forecasters expect that during 1984 inflation will remain under control, interest rates should remain stable, but unemployment will remain high.

There is an oversupply of coal competing for world markets and thus no growth in sales is expected in 1984. Earnings from coal are expected to decline from 1983 levels. Demand for metallurgical coal will remain depressed as the world steel industry shows little growth. In the longer term, the outlook for thermal coal is somewhat brighter.

World oil prices are expected to remain constant at about US $29 per barrel. However, an increase in production of South Brae oil to peak levels of 15,000 net barrels per day in the second quarter of 1984, will have a favorable impact on the earnings of Westar Mining.

The combination of peak flow from the South Brae field and modest production increases in oil and gas from Westar Petroleum is expected to double our total oil and gas revenues from 1983 to 1984. This will have a positive effect on cash flow in 1984.



B.C. Resources: Operations

Forest products to improve in 1984

The B.C. forest industry should be able to move from a negative to a positive earnings position in 1984. Lumber volumes should be up, with U.S. housing starts expected to increase from 1.75 million in 1983 to about 1.85 million. Prices are expected to increase slowly during the year. The industry also expects pulp prices to increase by $100 per tonne by year-end. The improvement in lumber and pulp markets should allow BC Timber to report a moderate and consistent earnings position in 1984.

Forecasts of a static coal demand along with only moderate demand growth in petroleum and forest markets do not suggest an environment which will bring about a significant increase in earnings in 1984. As a result, the Company will have to continue to seek ways to provide greater returns from its existing assets.

Steps in this direction began in 1983 with the sale of the Skeena Lumber Division at Terrace, the ongoing shutdown of Skeena Pulp's 'B' mill at Prince Rupert, and the write-down of oil and gas assets in the United States. In 1984 BC Timber will continue to work toward solutions aimed at redressing the problems involved with the cost and quality of its northern wood fibre supply. All sectors of B.C. Resources will continue to improve operating efficiencies and to reduce overhead and operating costs.

This challenge is one that faces all of Canada's natural resource exporting industries. An overabundance of raw materials in the world, devaluation of foreign currencies and low offshore labor costs are providing Canadians with stiff international competition for our traditional markets. Management and labor must end their adversary roles and develop a joint approach to ensure that our products can compete effectively abroad. Failure to produce more efficiently and failure to control our costs will result in loss of business, fewer jobs and a bleak economic future for all Canadians.

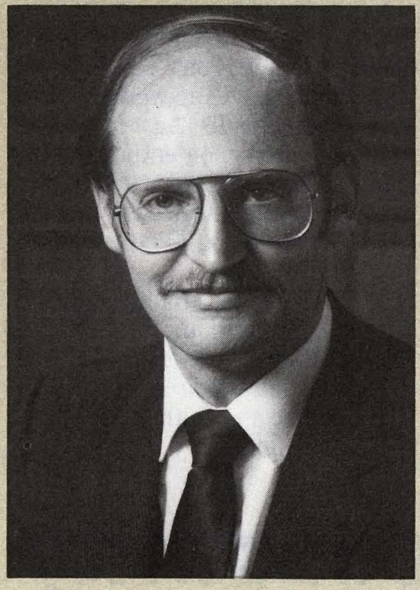
On behalf of the Board of Directors,

Bruce I. Howe
President and
Chief Executive Officer
February 29, 1984

Logging operations in the North and Interior of British Columbia provide the raw material for the company's six sawmills and two pulp mills.

Mining

Banner year for coal operations



Gary K. Livingstone
President
Westar Mining Ltd.

Faced with a $13 per tonne cut in metallurgical coal prices, 1983 was a poor year for Canada's exporting coal companies. Yet, despite these challenges, Westar Mining, Canada's largest exporting coal company, managed to turn the year into a success through rigorous cost reduction measures and improved productivity.

"As 1983 began, we were facing one of our worst years ever because world markets for metallurgical and thermal coal were reaching the bottom of their recessionary cycle," says Gary K. Livingstone, Westar Mining president. "The steel industry, which sets the pace for coal prices, traditionally lags behind other industries both going into a recession and coming out. So while other resource industries were beginning to improve in 1983, the coal industry was still facing decline. We took a number of corrective steps, and were able to turn what would have been a very difficult year into a successful 1983."

Westar Mining ended the year with net earnings of $60.7 million, compared with $72.8 million in 1982. The net contribution to the earnings of B.C. Resources by Westar Mining, was $33.5 million. Westar Mining's total revenues in 1983 from coal operations were $433.5 million, compared to $430.6 million in 1982. Clean coal shipped increased to 6.2 million from 5.5 million tonnes, as the Greenhills Mine came into operation. Balmer Mine shipped 5.3 million tonnes and Greenhills 850,000 tonnes of coal during the year.

But, as Livingstone explains, the positive performance in 1983 in the face of severe price and volume cuts came at a cost. "We managed to make major savings at the Balmer operation by reworking our mine plan. Because of volume reductions by our major customers, Balmer went from production of 7.1 million tonnes of metallurgical coal in 1981 to under 5.6 million tonnes in 1982, with most of the cuts coming late in 1982. This downsizing of the mine allowed us to take advantage of high field inventories of coal which were less costly to recover. We were therefore able to make considerable savings in our production costs in 1983. But these were one-time savings which we can't repeat in 1984."

Following the 1982 cut-back in coal volumes which continued in 1983, Balmer Mine was shut down for six weeks in February and in March, when all activities were closed except for train-loading and essential services. This was followed by a four-week vacation shutdown in the summer. Weak sales forced the company to cut back on work schedules, introduce a work sharing program and to reduce the overall workforce.

Employees work harder and safer

A substantial amount of the overall savings in 1983 came from other cost-cutting measures and increased productivity. "I can't over-emphasize the achievements made by our employees in 1983," Livingstone says. "They worked harder, safer and more efficiently, they cut costs in all areas of the operation. By all measures, it was simply an outstanding performance."

Westar Mining recorded other outstanding achievements in 1983. In September, along with its Korean partner, Pohang Iron and Steel of South Korea, it officially opened the new $300 million Greenhills Mine, creating 435 new permanent jobs near Elkford, B.C. It is located high above the floor of the Elk Valley and is mountain-top mining at its most spectacular. It is expected that Greenhills will ship about 2.6 million tonnes of coal in 1984, made up of 1.6 million tonnes of metallurgical and 1.0 million tonnes of thermal coal.

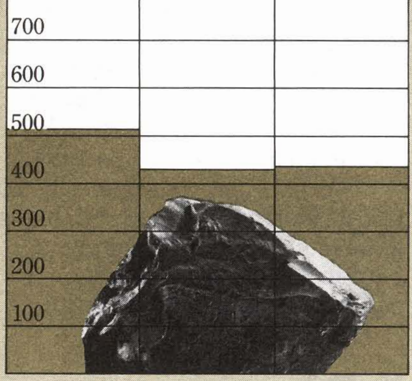
Groups cooperate

One of the unique features of the Greenhills Mine is its approach to participatory management for its work force. The first collective agreement signed with the Greenhills Workers Association does not have a fixed expiry date. It also features an Advisory Council made up of company and Association representatives. The Council's ongoing discussions are directed toward more efficient mine operations, with joint committees offering input on such areas as cost reduction, discipline, training, safety and apprenticeships. The collective agreement has scheduled times for discussions leading to modifications of the major areas of negotiation. Wages are dealt with in April, general contract provisions in August and benefits are covered in December.

As 1983 ended, Westar Mining's wholly-owned coal port at Roberts Bank, Westshore Terminals Ltd., was putting the final touches on

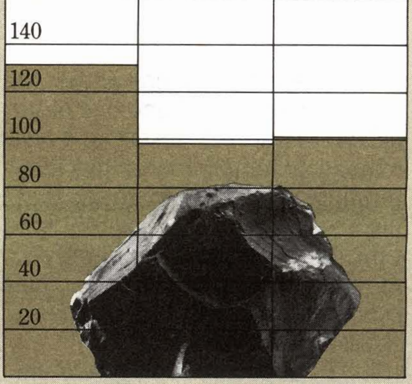
Sales $ (Millions)

1981	1982	1983
$511.8	$430.6	$433.5



Operating Profit $ (Millions)

1981	1982	1983
$131.8	$ 98.0	$100.6



Working in tandem, electric powered shovels and 154-tonne trucks remove the overburden covering the coal seam at Westar Mining's Balmer Mine. During the year, the mine shipped 5.3 million tonnes of coal.

completion of a major expansion program which has increased annual capacity from 12.5 million to 22 million tonnes of export coal. The $130 million project involved expansion to 80 hectares of the man-made island or "pad", connected to the mainland by a five kilometre road and rail causeway. The expansion also includes a new tandem dumper which can unload two rail cars at a time, a new stacker-reclaimer for moving coal, and a new shiploader. The new shiploading berth is capable of accommodating vessels of up to 250,000 deadweight tonnes.

The expansion makes Westshore Terminals the largest bulk-loading port on the West Coast of North America. Westshore handled more than 1,200 trains and loaded 154 ships with 11.8 million tonnes of coal in 1983. Serving both Westar Mining and six other producers, it expects to ship approximately 16 million tonnes of coal in 1984.

Westar Mining successfully sold its first issue of preferred shares as a result of a public offering in September, raising $45 million in equity which was used to retire bank debt. The issue consisted of 1.8 million cumulative redeemable preferred shares, priced at $25 each. In the same month, the company announced formation of a new engineering consulting subsidiary, Westar Engineering Ltd. offering a comprehensive package of services in three main areas — general engineering, resources technology and computer services — to mining and other clients around the world.

In 1984, Westar Mining expects substantially reduced earning levels from coal operations in comparison to its 1983 performance. "We still expect to be profitable, there is no question about that," Gary Livingstone stresses, "but we will not enjoy the same earnings level as 1983. Our mining costs will increase in 1984 and we will have to meet higher interest costs for recently completed capital projects in a period of depressed markets.

"We are looking at an over-supply of coal around the world for the next few years, which may see some marginal coal producers cease operations. This in turn could benefit the efficient producers over the long term. Some mines have their backs to the wall now and the next few years will see survival of only the fittest. We expect not only to survive, but to do well. We have several factors in our favor, led by the ability of our people to mine coal efficiently in good times and bad."

Thermal coal helps diversify

Livingstone points to the diversification of Westar Mining as one of its greatest strengths in the tough times head. "We've moved strongly into thermal coal markets with the opening of Greenhills; we have Westshore Terminals contributing to our revenues and in 1984 we will benefit from the earnings of our holdings in the South Brae oil and gas field in the North Sea." (Westar Mining, through various subsidiaries, holds a 7.7 per cent interest in the South Brae field. See separate stories on pages 9 and 10.)

One of the other factors which Livingstone feels will contribute to the company's success in 1984 is its marketing organization, Westar Mining International. "Quality will make the difference, particularly when the markets are in a position of oversupply. We intend to continue to diversify our sales in the next 12 months," Livingstone says. "We have already increased our sales to customers outside of Japan by 32 per cent in 1983. That will continue this year. I'm confident that our marketing people will develop new customers and continue this process of diversification in 1984."

Livingstone also feels that the company's major customers, Japan, the Republic of South Korea and Taiwan, are in the best position to lead the world steel industry out of its current recession. "Japan, Korea and Taiwan have the world's most modern steel mills. As world recovery gathers momentum and the demand for steel begins to increase, we fully expect these customers to lead the way back. That will be to our benefit.

"This will be a tough year," Livingstone cautions, "but with the employees that we have and the directions that we are going in, 1984 will be an exciting one for Westar Mining."

Mine employees key to higher productivity

"Mining," says John Powell, Westar's vice president of coal mining operations, "is more than machines and people moving material, it's motivation."

Responsible for one of the newest (Greenhills) and one of the oldest (Balmer) of Western Canada's major coal mines, Powell has the ultimate responsibility to see that his people produce efficiently, on time and safely as they literally move the tops of mountains to mine coal in the Elk Valley of southern British Columbia.

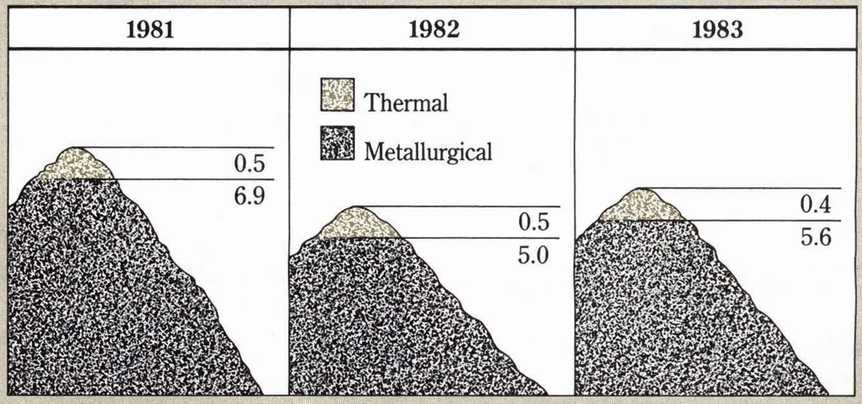
"Treat people well, give them good working conditions, challenge and reward them fairly and they will respond with the type of effort Westar achieved in 1983," says Powell, whose background includes university degrees in engineering and business administration.

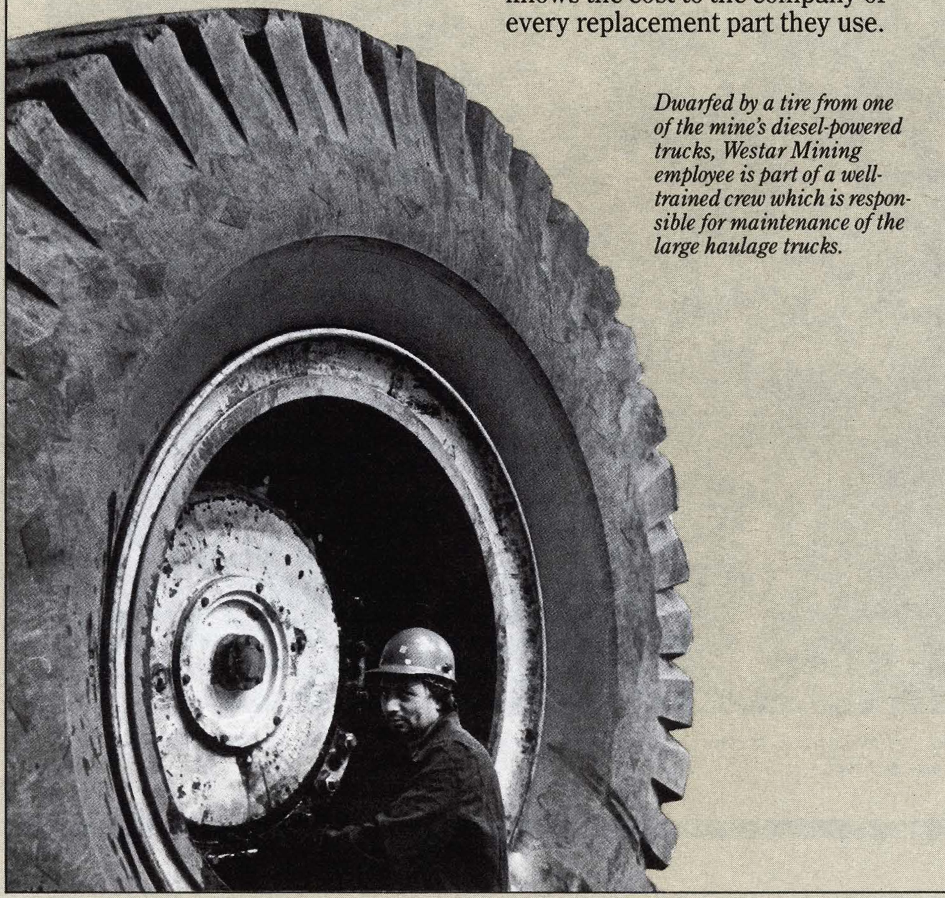
The hand-lettered graphs and charts on the walls of the Balmer Mine maintenance shop demonstrate the commitment of a group of workers which has been motivated by a management which believes that it is the person in the front lines who makes the difference between a good and an excellent company.

"We have been able to improve the availability of our haul trucks, since implementation of this program, by as much as 80 per cent because we moved our management philosophy down into the workforce," says Powell, partly explaining why the Balmer Mine, under the direction of general manager Lawrence Riffel, was able to reduce costs and improve productivity to such a degree in 1983. "While improved maintenance is theoretically easy to achieve, it has been an improvement in the human climate which has allowed us to make the greatest steps forward in the productivity of our maintenance program.

"To do this requires putting the organization into such a form that people can achieve and measure their performance. Feedback on how they are doing is vitally important. We made our first level of foremen more a part of management by giving them accountability for budgeting and operating decisions in their own unit. And each worker knows the cost to the company of every replacement part they use.

Sales by Product (Millions of Tonnes)





Dwarfed by a tire from one of the mine's diesel-powered trucks, Westar Mining employee is part of a well-trained crew which is responsible for maintenance of the large haulage trucks.

Employees set own goals

"The result," says Powell, "is that our maintenance is now improved to the point that we are in many cases getting better use out of older trucks than we were when they were new. We let people know how they are doing, and they let each other know. They set their own goals and we evaluate the results with them at the end of each week. The feedback process is vital. People know when they are doing a good job because they are told and can see the progress they are making. As a result, they enjoy a more interesting job. Good performance is reinforced by management recognition. But this whole process involves sharing an increased amount of corporate information with employees."

Powell explains that better communications with employees have been a major factor in improving attitudes and productivity. "We have developed a task team approach to communications which has been highly successful in answering some of the questions coming from employees. When an issue or a situation requires clear understanding on the part of everyone, we send out special teams to meet and talk with employees in the shop or in the pit. This approach has been highly successful. We find ourselves now doing more communicating on economic and market conditions, not just talking about the good news. We are talking more freely about the need to make profits to pay the bills, buy new equipment and improve the working conditions," Powell notes.

"This is the approach we've adopted from the start at the new Greenhills Mine and it has allowed us to create a new labor relations climate there. It has also resulted in good productivity and a safety frequency which was the best in the coal business in 1983. This creates some new demands for management, as well," Powell notes. "One of our greatest challenges at Greenhills is to learn how to manage effectively in a participatory style.

"We've also found that by giving our people more bottom-line responsibility and more information, their safety performance improves and they can work with less supervision," Powell says.

Powell points to the current experimental method of operation in one of the Balmer surface mine pits as the best example he knows of sharing responsibility and confidence with the workforce. "Here we have one of the largest truck and shovel mines in North America. Our people are working on a mountain-top in all kinds of difficult weather, wheeling back and forth with 90 to 180-tonne trucks 24 hours a day. On average they haul 26,000 tonnes of coal and 83,000 bank cubic metres of rock every day. And in one experimental area of the mine operations, they're doing it by themselves — no supervisors in the pit at all. Now that's performance!"

Port handled 80% of Canada's coal exports

Newly-expanded coal port at Roberts Bank, B.C. is linked to the mainland by a five kilometre causeway. Owned by Westar Mining, the port is the largest bulk loading terminal on the Pacific Coast of North America.

Westshore Terminals sits out in the water just north of Tsawwassen, B.C., on a 80-hectare square of ground. It's connected to the mainland by a slim, 5-kilometre causeway just wide enough for the road and railway which link it to the mainland. It is the largest bulk loading terminal on the Pacific Coast of North America and this is where Bob Stanlake now spends most of his time.

Stanlake, whose background has been in marketing and transportation, was named chairman of Westshore in mid-1983 in recognition by the owner, Westar Mining, that the new expansion to the port required additional management presence and increased contact with the port's customers.

"This has become a very busy place, with a huge capital investment in sophisticated equipment," Stanlake explains. "But we have only service to sell so we must be in constant contact with our customers, while making sure that the port runs smoothly. In 1983 we moved a record amount of coal, 11.8 million tonnes, but next year we'll be up around 16 million tonnes, so we are growing quickly."

Stanlake represents the young, people-oriented management which has made Westar Mining Canada's largest exporter of coal. At age 36, he is responsible for a $155 million, round-the-clock operation, working three shifts with a total of 150 employees.

"Westshore is the funnel-point for the export of Western Canadian coal in the southern part of the province. (A second major coal port, Ridley Terminals at Prince Rupert has just begun operation to serve new mines in northeast British Columbia.) Last year we handled 80 per cent of Canada's total coal exports and just under 25 per cent of all products shipped out of Canada's West Coast ports. So we are big in terms of volume. The coal shipped through our port represents foreign sales of approximately $770 million. So you can quickly get an idea of the importance of this port to B.C.'s economy, as well as that of Canada," he adds.

Port has eight major customers

Stanlake's job is to bring the newly-expanded port into operation smoothly and efficiently. He must deal with eight major customers who ship their coal through Westshore, the railways which haul it into the port, the ships which arrive at the rate of almost one every day, the tugboats, the pilots and his own employees. "This is where everything comes together. The mines depend on us to keep everything running smoothly. We can't have ships tied up in port waiting to be loaded and we have to turn the trains around as quickly as we can.

"We have to maintain a flexible operation and a flexible workforce. That is what we have worked hard to develop over the past 13 years. Our operators have to be able to do every job in the terminal. There are no fixed assignments for our workers. A man can be driving a front-end loader one day and operating a $11 million stacker/reclaimer the next. They are trained to do all the jobs," Stanlake remarks.

Bob Stanlake: "The coal shipped through our port represents foreign sales of approximately $770 million."

Stanlake says this type of approach to work requires a high degree of training so that employees can handle a variety of sophisticated equipment with efficiency and safety. The result of this approach has been one of the most enviable records of labor relations stability of any port in North America.

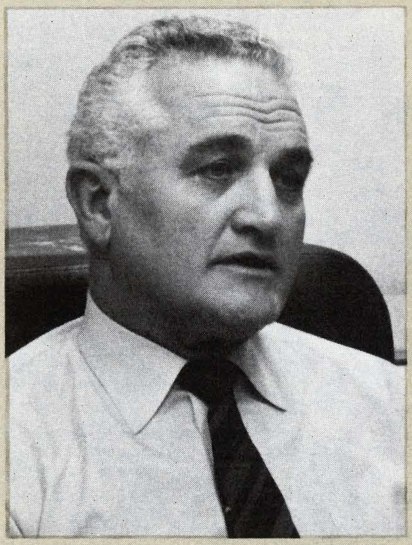
"We have to be reliable," Stanlake points out. "That is the main product we have to sell to our customers — a reliable and efficient service. If we don't perform properly then the system stops. You must remember that our customers don't get paid for their coal until we put it into the ship. That means a lot of miners and a lot of communities are depending on this port, even though most have never seen it."

Perhaps the heart of the Westshore operation is the dumping system. The 108-car unit trains move slowly through either the original one-car dumper or the new tandem dumper which can turn over two cars at a time. The specially designed cars remain coupled and the coal falls out onto a conveyor belt below. If the ship at the dock is taking that particular type of coal, it is conveyed directly on board. If not, the coal travels via conveyor through one of the three giant stacker/reclaimers onto a stockpile. As the name implies, the stacker/reclaimers are also used for moving coal from the stockpiles. The huge bucketwheels attached to the front move back and forth across the stockpile scooping up large quantities of coal and dropping it onto the conveyor system. From here, the coal travels to the shiploader and into the ship's hold.

In a sense it is a simple system, but it is highly sophisticated and very large in scale. With the recent expansion, the terminal area has been doubled to 40 hectares, an area about the size of 32 city blocks. It can now handle the largest ships currently on the drawing boards for the coal trade — up to 250,000 deadweight tonnes. The average ship pulling into Westshore today takes between 65,000 and 125,000 tonnes of coal.

The port operates as a common carrier, on land leased from the Vancouver Port Corporation. "Westar Mining is our largest shipper, but like any business, we must be responsive to the needs of all our customers, and that means even the smallest shipper," Stanlake adds. "In today's very competitive market, every vessel represents an important sale. If we do our job right, chances are that vessel will be back — and that's good for all of us."

Sales force calls on 35 countries



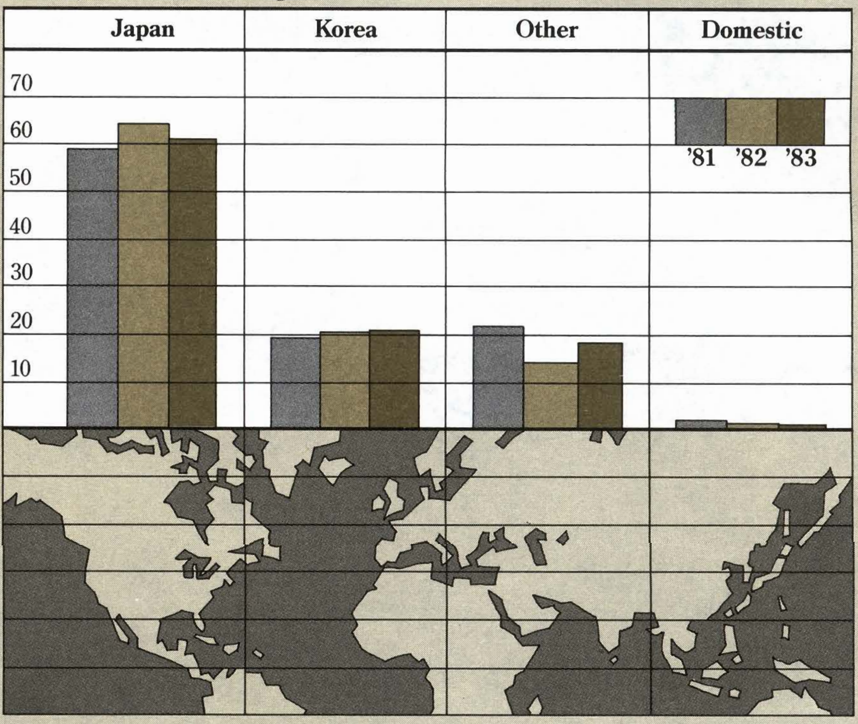
Bob Brady: "Our first priority is to hold on to the business we now have."

Bob Brady, president of Westar Mining International, adds up the numbers and calculates the days he spent travelling in 1983 as the company's chief coal salesman. "I was away travelling the marketplace for 141 days, according to my calendar," he says. "You can add to that the time spent travelling by Brian McDermott, who covers our South American and European markets. He was away for 110 days during the year. All told, there aren't a great number of coal-consumers in the world, but they are scattered around the globe, so covering them requires a lot of travelling."

Brady and McDermott, along with Brian Acton handling thermal coal development and Axel Conradi, who works out of the company's Tokyo office, lead a group who make up the Westar Mining International marketing team. They do the calls, negotiate the prices and close the sales, backed up by a group of marketing analysts, shipping experts and office support staff. "Among the four of us we visited 35 countries in 1983. I don't think we missed anywhere there's a steel mill using coking coal or a factory using thermal coal," Brady says. "It's really a small world in terms of potential clients and we want to cover them all."

Even in a year characterized by price and volume cuts, Brady is not about to concede that it was all bad. "You just have to work that much harder. We did. As a result we made one new major long-term sale to Sweden, another smaller one in the U.S.A. and negotiated three important trial shipments, to Japan, Southeast Asia and Europe. We also made progress with some other potential clients as we attempted to diversify our client base."

Sales by Market (Percentage)



Brady points out that a trial shipment is a major step in signing up a new long-term customer. "When a potential client takes a trial shipment of some 50,000 tonnes, he's buying more than $3 million worth of your coal. That's a major commitment. By then the customer has gone well past the testing of sample shipments and knows exactly how that coal will burn in his furnaces. He is satisfied that the ash content is low enough (around nine per cent for Balmer coals, seven per cent for Greenhills) and how well it will blend with other coals he may be burning."

In constant touch with customers

Coal marketing is more than just developing new sales. "We spend as much or more of our time with existing customers. It is particularly important to protect existing contracts when the market is in oversupply," says Brady. "We are in constant touch with them with regard to shipping, we monitor the quality of the coal we deliver to them and we spend a lot of time making sure we meet the specifications called for in the contract. Contract negotiations, or renegotiations take up a significant portion of the time we spend with existing customers — you simply cannot sign the order and pick up the cheque in this business."

Brady, who joined the company in 1981 and is a director of the Canadian Export Association, thinks that 1984 holds some promise, despite the outlook for world coal demand. "Our customers are going through difficult times. Our first priority is to hold on to the business we now have. That means our miners have to be among the most efficient in the world. They have to overcome an 1,100-kilometre rail haul to remain competitive with the Australians and the South Africans, who have land transport costs about one-third of what ours are. We know we can compete despite the longer rail haul and mountain-top mining.

"Our marketing group feels optimistic that we can find new opportunities in 1984 despite the oversupply of coal in the world. I don't foresee much growth for metallurgical coal, but I still feel our company will increase its sales as other, less competitive suppliers, fail to survive the market pressures we all face. Over the longer period, by 1986, I see the demand for thermal coal looking stronger as new industrial investments and power plants come into operation around the world. Coal is still a lower cost energy alternative for industrial complexes than is oil. We have our sights set on the long term — and we are going to perform well enough in the short term in our company to be ready for the better days ahead."

Hydraulic shovel is given a final inspection before being put to work at the new Greenhills Mine. These units can scoop up 14 cubic metres of rock in their buckets.

Westar Mining

Summary

Westar Mining Ltd. is Canada's largest exporter of metallurgical coal. It operates the Balmer surface mine and two underground mines near Sparwood, B.C., the new Greenhills surface mine about 40 kilometres north and the Westshore Terminals coal port, south of Vancouver. It also has a significant investment in the Brae oil and gas field in the United Kingdom.

Ownership

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

The new Greenhills Mine is a joint venture owned 80 per cent by Westar Mining and 20 per cent by Pohang Iron and Steel of South Korea.

Products

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. The molten iron, known as pig iron, then proceeds to the steelmaking process. Clean metallurgical coal production in 1983 from both mines was 5,740,000 tonnes.

Thermal coal sold for export is mainly used to generate power and as an industrial fuel. Some 448,000 tonnes were produced from the new Greenhills Mine in 1983.

Markets

Japanese steel mills are the major metallurgical coal customer, purchasing about 58 per cent of production in 1983. Metallurgical and thermal coal is also sold under contract to Brazil, Chile, Denmark, Hong Kong, Mexico, Pakistan, South Korea, Sweden and Taiwan.

Revenues

Total revenues from coal in 1983 were $433.5 million, an increase of 1 per cent over the year before.

Employees

The company employs about 2,100 people at its Balmer and Greenhills mines, its coal port and at its Vancouver corporate office.

Subsidiaries

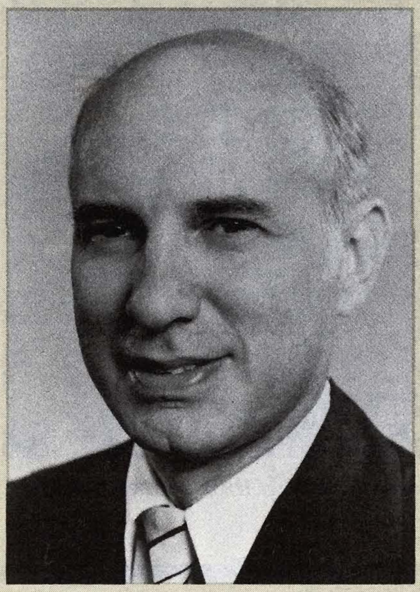
Westar Mining International Ltd. was established in 1982 and is responsible for all coal marketing and customer relations.

Westar Engineering Ltd. was formed in 1983 to market the company's technology and related services around the world. It offers project management services and economic evaluations, computer applications and software sales, as well as specialized mining technologies and related services.

Westshore Terminals Ltd. operates the coal loading port at Roberts Bank, B.C. It currently 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 11.8 million tonnes in 1983.

Westar Holdings (U.K.) Limited, through Westar Oil (U.K.), is responsible for the company's investment in the Brae Field.

Oil flows from South Brae field



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

The start of oil production from the huge South Brae oil and gas field off the coast of Scotland in July 1983 represented a major step in the transformation of B.C. Resources into an energy-based corporation. By the end of the year, an average of 80,000 barrels of oil and natural gas liquids were flowing from the field every day into a pipeline connected to the United Kingdom. Revenues from the sale of oil have already begun to repay the Company's original investment in the field.

"The South Brae is undoubtedly a most important investment for B.C. Resources," says Bob Mendes, recently-appointed managing director of Westar Oil (U.K.). From his office not far from historic Trafalgar Square in Central London, Mendes oversees the Company's existing oil and gas investment in the U.K., and keeps a watchful eye on new developments in the North Sea area.

"North Sea oil and gas developments represent one of man's greatest technical and business achievements, perhaps second only to space exploration. We in the Westar Oil office are proud to be participating in that endeavor through our interests in the Brae," says Mendes. He brought 26 years of international oil experience, including assignments in engineering, operations and management in the U.S.A., Venezuela, Libya and the U.K. to his new position.

"By the second quarter of 1984 oil and natural gas production from the South Brae field should have reached its peak level of 112,000 barrels per day. The total reserves of the field are estimated at 300 million barrels — so production will continue for many years to come," he says.

Mendes points out that even though the South Brae field is one of the most promising in the U.K. sector of the North Sea, it is by no means the only one. "At last count there were 27 oil reservoirs now producing — and that's just in the U.K. sector. The Norwegians and the Dutch have also moved into offshore drilling in a big way and are now producing from their own sectors of the North Sea.

"In an average day, wells in the U.K. sector — including our own — produce about 2.5 million barrels. That's about one million barrels per day more than the total amount produced in Canada, and makes the U.K. the world's fifth largest oil producer," he adds.

Mendes points out that in its first 24 weeks of operation, which included the start-up phase, revenues from the interest in the South Brae field totalled $21 million. These revenues will increase substantially in 1984 as the field reaches its full production capacity.

B.C. Resources is involved in the Brae Field through Westar Mining, which has a 7.7 per cent interest in exploring and developing the oil and gas in the area.

In addition to funding its own development costs, Westar Mining is also obligated to provide the financing for Bow Valley's share of Brae development costs. This arrangement is relatively common in the petroleum industry and means that one company acts as banker for another, in return for a share in the asset.

The Bow Valley carry was already in existence when B.C. Resources acquired 67 per cent of Westar Mining in 1980. The purchase price reflected the obligation to carry the exploration, development and operating costs of Bow Valley, through an earlier legal agreement. This "carried interest obligation" as it is known, commits Westar Mining to fund an amount equal to its own investment — 7.7 per cent.

Westar Mining's share of South Brae development costs has been largely financed by a credit facility of US $300 million arranged with a syndicate of international banks in late 1982. This amount will be repaid from revenues from the sale of oil production.

Westar Mining is entitled to about 15,000 barrels per day at peak production levels, including the Bow Valley carry.

South Brae is one of five fields

The South Brae reservoir is one of five hydrocarbon pools which have been discovered in the Brae area in recent years. Exploration and development of the South Brae field began in 1979 with the first of eight test wells drilled to determine the extent of the reservoirs. The field was found some four kilometres beneath the sea bed in an unusually thick — up to 300 metres — interval of oil-bearing sands. The unique chemical composition of the reservoir gases required the project operators, Marathon Oil, to build one of the largest and most sophisticated oil production platforms in the North Sea.

The support structure and related components of the production platform took over three-and-a-half years to design, build and install. The total project cost, including wells drilled from the platform, is expected to be some £980 million, or nearly (Cdn.) $1.8 billion at year-end exchange rates.

"The rate of flow from the first South Brae well was a remarkable 35,000 barrels per day," Mendes says. "The second well came on stream at the end of October, 1983 and increased our daily production to about 80,000 barrels. These two are among the most prolific wells in the North Sea. Three additional wells have recently been completed. We expect that further drilling in 1984 will concentrate on water injection which will be used to maintain reservoir pressure and increase oil recovery."

Starting in late October, export of natural gas liquids (NGL) from the field added to overall revenues. The final hookup of the NGL plant in early 1984 will result in peak production of 12,000 barrels of liquids per day by the end of the second quarter of 1984.

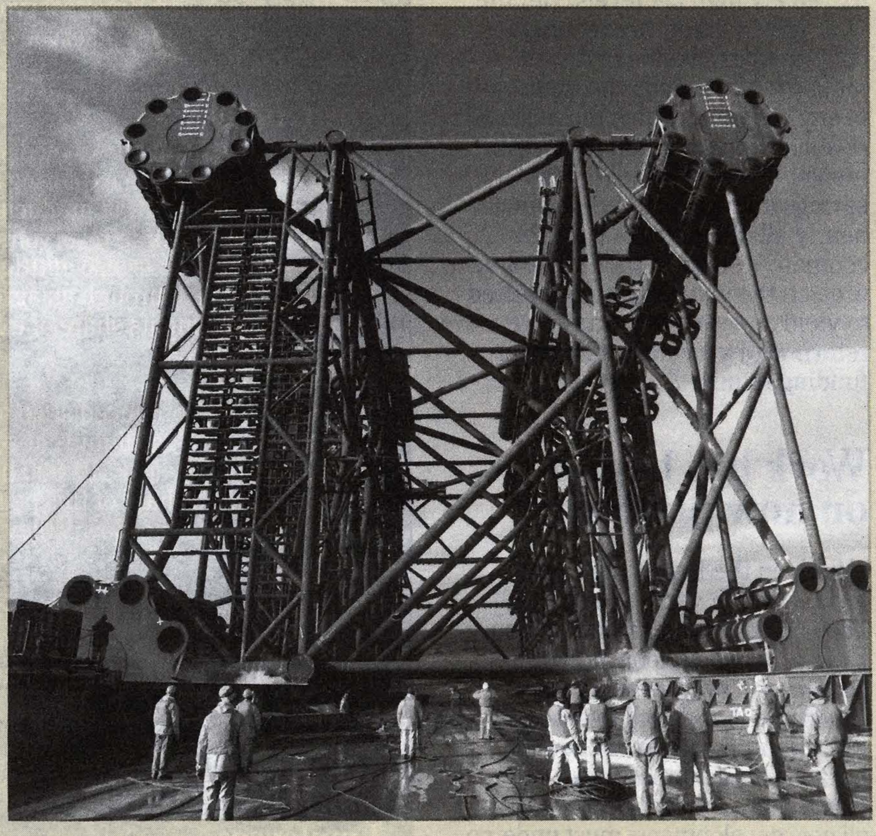
During the year, a contract was signed with the British National Oil Corporation to market Westar's production from the field for a period of three years. As a result, the company is able to utilize the resources of a major international oil marketer to secure an outlet for its production.

"The operators of the Field have also concluded an agreement with Sun Oil Company to allow that company to use part of the Brae pipeline to transport petroleum from their Balmoral Field. This arrangement will provide significant additional income for the Brae partners, and could be the first of a number of similar deals with other groups in the area needing to utilize our facilities," Mendes adds.

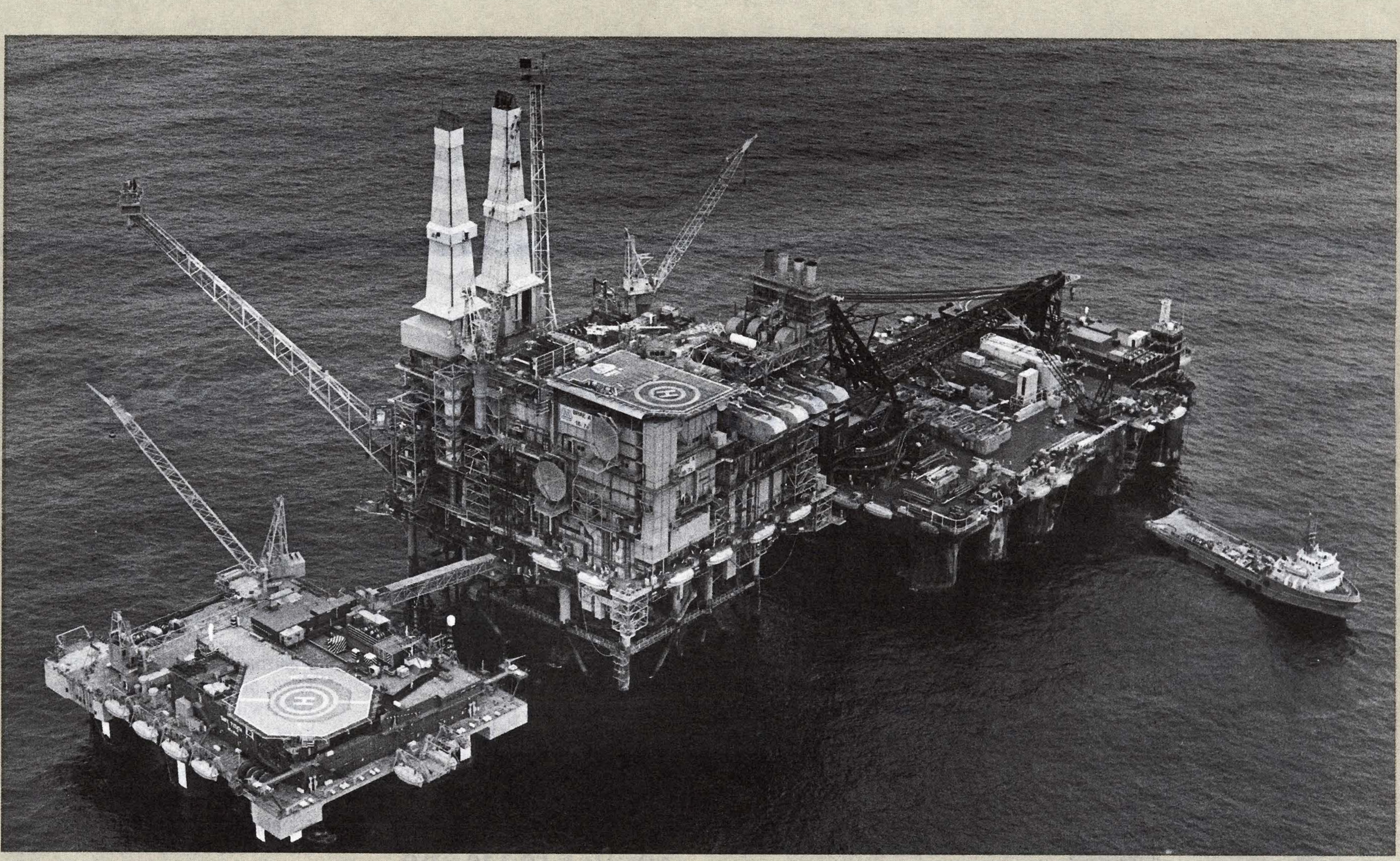
Through its involvement with the consortium of companies which is developing the Brae Field, Westar Mining also participates in the continuing exploration of other potential reservoirs. Mendes notes that delineation wells drilled in 1983 gave both good and bad results. A delineation well, which is currently being drilled in the east Brae area, encountered a thicker and better quality hydrocarbon reservoir sand than in two previous wells, while an earlier well on the central Brae structure was disappointing.

Other prospects which have been identified in existing licences are still to be evaluated, and part of this program will be undertaken in 1984.

"Because of our current involvement and the experience which we as a company are gaining in the North Sea, we are in an excellent position to evaluate and then invest in new oil and gas ventures," says Mendes. "By being involved in the Brae Field, we now have access to the data, the necessary experience and the contacts in the industry to go after new business ventures. This opportunity is simply not available to companies which do not already have a presence in the area. In the meantime, the cash flow from our existing operations will continue to provide needed revenues for the company and repay our long-term investment."



Tubular support structure for the South Brae production platform was towed to its location on a barge and launched into position on the ocean floor. It supports a topside structure weighing 32,000 tonnes.



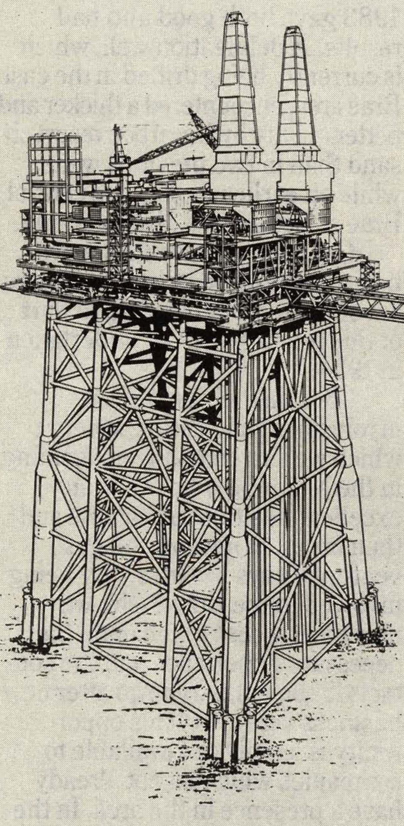
Crude oil began to flow from the South Brae reservoir through the completed production platform on July 12, 1983. The field is expected to reach peak production levels of 112,000 barrels of oil and natural gas liquids per day in the second quarter of 1984 and contains estimated recoverable reserves of 300 million barrels.

Tax savings to fund North Brae development

"People familiar with the oil and gas business in the North Sea can tell you two things about our plan to develop the new reservoir called the North Brae," says Westar Oil's managing director, Bob Mendes.

"In the first place, it is an extremely promising field. Marathon Oil, which is the operator, has estimated recoverable reserves of 200 million barrels of condensate and 600 billion cubic feet of natural gas. That would make Westar Mining's 7.7 per cent share of reserves about 15 million barrels of condensate and 46 billion cubic feet of natural gas. It's a big field, by any yardstick.

"The condensate, which is a very light hydrocarbon liquid, similar, in many ways, to a very high quality crude oil, occurs in the reservoir in solution with the gas.



Artist's conception of the new production platform now being designed for the North Brae field.

Once the wells produce this 'rich gas', the condensate will be extracted on the platform, and the dry gas will be returned to the reservoir. After most of the liquids have been produced by this 'cycling' of the gas, there will remain a valuable gas reservoir which can be produced and sold into the U.K. gas grid.

"The second interesting feature of the North Brae — and the main reason the company decided to invest in it — is its attractive pay back to shareholders. By taking advantage of substantial tax deferrals offered by the United Kingdom government, the company can virtually self-finance its share of development costs.

"Here's how it works. After the initial investment has been recouped, the revenues from a producing field like the South Brae would normally be subject to extremely high tax levels. But the U.K. government, to encourage continued expansion of the oil industry, offers major tax deferrals to any company which reinvests oil revenues in new offshore developments. Since the potential tax savings from the South Brae provide nearly all of the funding for the company's share of the North Brae project, the investment is expected to yield an extremely attractive return with very little additional funding required."

Work has begun on new platform

"Work on the North Brae platform — which will be positioned about 12 kilometres from the South Brae — began as soon as the consortium of companies received government approval to proceed," Mendes says. He explains that because of the importance of the North Sea oil to Britain's economy, all new developments must undergo an extensive series of government approvals to ensure they conform to engineering and financial standards.

Actual development will take up to five years, with first production due in late 1988. In all, the cost of bringing the pool into production is estimated at £1.7 billion [more than (Cdn.) $3 billion] which includes a substantial estimate for inflation.

The company's share of these costs, including its carried interest obligation, will be approximately £262 million or about (Cdn.) $470 million at year-end exchange rates.

One advantage for the company is the timing. About three-quarters of the company's total expenditures on the North Brae will fall between 1985 and 1988. That period coincides with the peak production from the South Brae wells. So when the expenditures are greatest, so is the incoming cash flow.

In future years as the company gains further experience in the North Sea, Westar Oil's managing director envisions even more attractive investment possibilities.

Westar Oil (U.K.)

Summary

Westar Oil (U.K.) oversees the substantial oil and gas investment made by Westar Mining in the United Kingdom sector of the North Sea. This investment includes the South Brae producing oil and gas field, the North Brae reservoir which is now undergoing development, and three other reservoirs known as the East, West and Central Brae fields.

Ownership

Through several wholly-owned subsidiaries, Westar Mining has a 7.7 per cent interest in exploring and developing the Brae Field, which includes the South Brae producing field, as well as the North, East, West and Central Brae reservoirs.

Westar Mining is also entitled to an additional percentage of oil and gas revenues through an agreement with another oil company, in return for carrying its share of exploration and development costs.

Production

The South Brae produced at an average daily rate of 80,000 barrels of oil and natural gas liquids at year-end. Production is expected to reach the peak level of 112,000 barrels in the second quarter of 1984. Westar Mining's share of this peak production will be about 15,000 barrels including the Bow Valley carry.

Markets

Oil and natural gas liquids from the Brae Field are shipped by underwater pipline to the coast of Scotland, where it is transferred to oil carriers for refining into petroleum products.

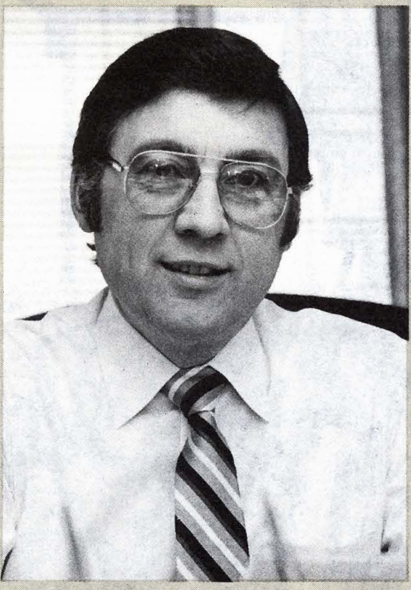
Revenues

The company's share of revenues from the South Brae field from the start of production on July 12, 1983 until year-end were $21.2 million.

Employees

The company's investments in the Brae Field are managed by a staff of eight in the London office.

Record year boosts oil production



C. David Banks
President
Westar Petroleum Ltd.

The Company's oil and gas operations in Western Canada surpassed all previous production and drilling records in 1983, establishing an improved source of revenue for B.C. Resources. Westar Petroleum Ltd., a wholly-owned subsidiary based in Calgary, strengthened its position as a major oil producer in Saskatchewan during the year by increasing its reserves and developing new fields for future production.

"With so much attention focussed on the effects of the world recession in 1983, most Canadians forget that entire segments of our national economy — notably the oil and gas industry in Saskatchewan — continued to expand and generate higher revenues during the year," says David Banks, president of Westar Petroleum. One of the new breed of top managers in the B.C. Resources organization, he joined the company in mid-1983 and is working hard to mold a team specializing in successful exploration and efficient production.

"Westar Petroleum is different from many other oil companies in Calgary: we have concentrated on a successful development drilling program for oil while maintaining a reasonable balance of exploration drilling. Last year alone, our success rate in drilling new wells was about 98 per cent. And we plan to continue that success by developing new oil and gas plays in Western Canada in the next few years," Banks says.

In fact, few other companies could match the drilling success record established by Westar Petroleum in 1983. Of the 162 gross wells (145 net) drilled in Canada during the year, 157 gross (141 net) were successful oil wells and one was a successful gas well. Average oil production in 1983 was 3,292 barrels per day compared to 2,779 barrels per day in the last quarter of 1982.

Westar Petroleum's net oil and gas revenues for the year were $41.4 million, resulting in earnings before an extraordinary item of $3.2 million. Funds generated from operations were $22.6 million for the year. No comparative figures are provided for 1982 since the major producing component of Westar Petroleum was acquired by B.C. Resources in October 1982. In 1983, Westar Petroleum acquired the original assets of B.C. Resources Oil and Gas Division.

The majority of Westar Petroleum's development activities occurred on its properties in the Dodsland area of west central Saskatchewan. This region has become increasingly attractive to other developers in the past year.

550 wells in Dodsland area

"The Dodsland field has been good to our company — and to many other producers as well. It now supports about 2,000 oil wells for dozens of different oil companies. We are definitely one of the larger producers with 550 wells, but we're starting to run out of land to drill on," Banks says.

He says the company recognizes the continuing importance of the Dodsland field to its financial health, but has begun to explore other areas of Saskatchewan, Alberta and British Columbia to diversify its base of operations. Significant oil discoveries made on company lands in Saskatchewan in 1983 have confirmed earlier discoveries and will add to company revenues as development of these fields proceeds.

At year-end in Canada, Westar Petroleum had proven oil and gas reserves of about 21.3 million barrels of crude oil and 41.7 billion cubic feet of natural gas. These reserves, evaluated by independent consultants, compare to 20.9 million barrels of proven oil reserves and 35.8 billion cubic feet of gas at the end of 1982.

The company's move to market approximately two million cubic feet of solution gas per day from its Dodsland collecting system to Saskatchewan Power Corporation beginning in February 1983 was highly successful. This program will be accelerated in 1984 as larger quantities of solution gas become available as a result of increased oil production.

The company is also optimistic that recent moves by the Saskatchewan government to increase the demand for natural gas within the province will allow producers to put more gas into production and increase revenues at little additional cost.

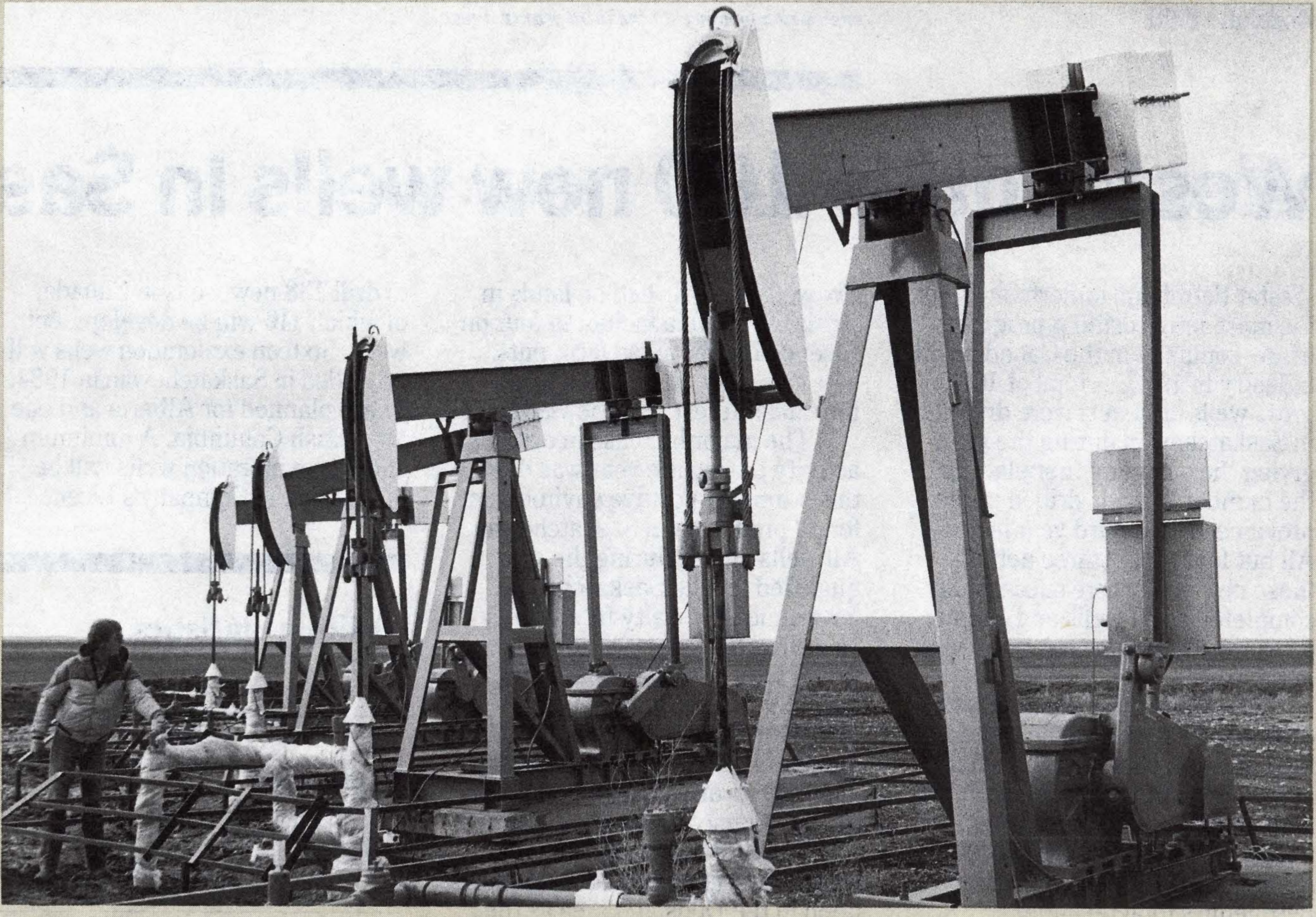
Alberta activity to increase

"Alberta is one of the key areas we'll be looking to for increased activity in 1984," Banks says. With industrial gas sales contracts now relatively common in Alberta, the company hopes to benefit from this new trend toward localized sales in 1984. Most of the company's gas reserves in the province, which do not require extensive transmission lines, will be on stream by 1985. Westar Petroleum's working interest in proven gas reserves in Alberta is approximately 24 billion cubic feet.

As a result of the rapid growth experienced by Westar Petroleum in the past year, new offices were completed in Kindersley, Saskatchewan to house field support staff. In keeping with its plans to diversify its base of operation, the field office at Hanna, Alberta was closed and its staff relocated to a new office in Lloydminster, Alberta.

The company is increasingly optimistic about the future of the oil and gas industry in Western Canada. The royalty-free holiday introduced by the Saskatchewan government to encourage new oil production has been extended to include all wells drilled to the end of 1985. New discoveries in other areas of Saskatchewan will allow the company to strengthen its existing production base with oil from other fields. Increased demand for natural gas which is currently shut in promises to develop into an additional source of revenue at little cost to the company.

The uncertainty in international oil markets has affected the price paid to Canadian producers in the past year, since reductions in the world price are eventually reflected in domestic prices. However, the company's ability to generate sufficient cash flow to fund its own exploration and development activities, together with its high overall productivity, will ensure an excellent return on shareholders' investment in coming years.



Hundreds of pump jacks like these dot the prairie skyline in west central Saskatchewan, the area which accounts for about 90 per cent of Westar Petroleum's total oil production.

Other areas of Saskatchewan

The substantial increase in the price of acquiring leases in the Dodsland area and the inevitable maturity of the field has prompted Westar Petroleum to seek other equally promising areas for development. In the heavy oil belt which extends in an arc along the Saskatchewan/Alberta border, the company has had excellent success in finding new reserves. A 194-kilometre seismic program was conducted on company properties in the region during the year. This resulted in a modest drilling program which will continue into 1984.

A number of new areas are being studied in Saskatchewan for their development potential — the most important of which are Marsden, Unity and Artland. At Marsden, heavy oil discoveries and encouraging seismic results may lead to a fairly ambitious drilling program in 1984. At Unity, about 100 kilometres north of the Dodsland area, two wells have been drilled to further evaluate the results of a heavy oil discovery made earlier in 1983. Seismic results tend to support the idea of an active drilling program in this area in 1984 and beyond. A heavy oil discovery at Artland has been followed up with seismic recordings and will likely lead to a small drilling program in 1984.

In the southwest corner of Saskatchewan near Swift Current, Westar Petroleum has completed 184 kilometres of seismic in a promising area of medium gravity crude. This will be followed up by a drilling program in 1984.

During 1984 the company also plans to become more actively involved in the area of southeastern Saskatchewan which encompasses the Williston Basin. It will pursue an active program to increase its land inventory in the area and expects to conduct a seismic survey at a later date.

The company is also using the experience it has gained in exploring and developing the Dodsland field to open up new adjacent areas. Collectively, these programs are aimed at complementing production from the Dodsland field.

Contractor crews drilled 160 gross oil wells for the company in Saskatchewan in 1983, making Westar Petroleum the most active driller in the energy-rich province for the third year in a row.

Westar drills 160 new wells in Saskatchewan

Westar Petroleum undertook one of the most active drilling programs of any company in the Canadian oil industry in 1983. A total of 160 gross wells (144 net) were drilled in Saskatchewan during the year, giving the company first place in the number of wells drilled in the province for the third year in a row. All but four gross (three net) of these new wells were successfully completed as oil wells and all but a few were in production by the end of the year.

The majority of the new wells drilled in 1983 were in the Dodsland field and surrounding area where, at the end of the year, Westar Petroleum operated 550 gross wells. Production from this area accounts for about 90 per cent of Westar Petroleum's total revenues.

In Alberta, the company drilled two gross (1.5 net) wells; in addition, one well was drilled on a farm-out at no cost to the company. Six wells were drilled on lands in British Columbia including four on Licence Lands, all as farm-outs. The company maintains a small residual interest in these wells.

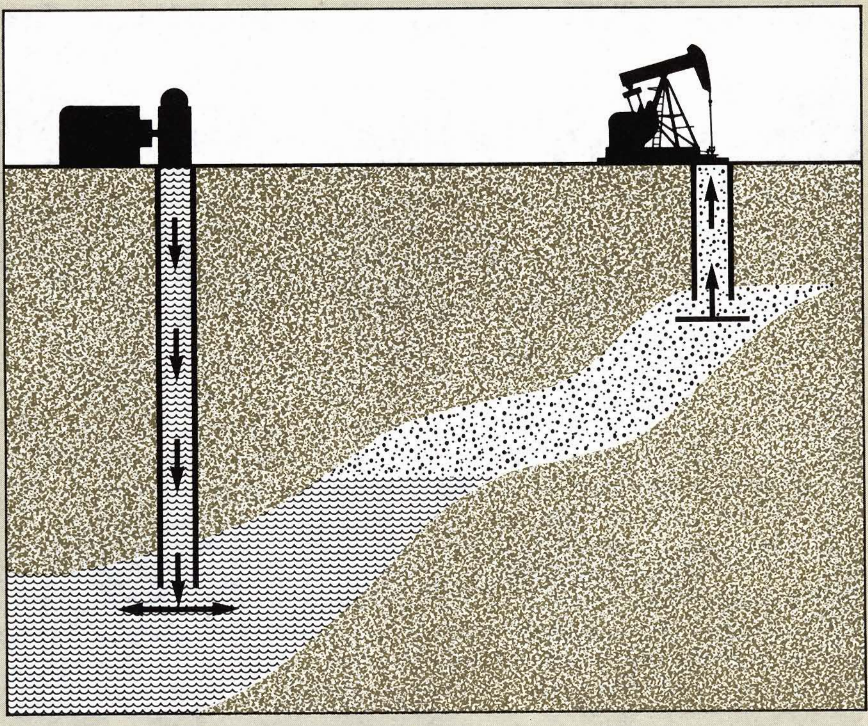
The major increase in drilling activity during the year was due to the extremely positive environment for oil producers in Saskatchewan. All wells drilled during the year qualified for the Saskatchewan government's royalty-free holiday as well as the "New Oil Reference Price" which for December 1983 was $39.55 per barrel for the Dodsland field. The company's aggressive land acquisition program allowed it to drill development wells at a previously unmatched rate.

In contrast, during 1984 less emphasis will be placed on exploration in the Dodsland area as the company redirects its attention to other areas of Saskatchewan and Alberta.

During the coming year, it plans to drill 138 new wells in Canada, of which 110 will be development wells. Sixteen exploration wells will be drilled in Saskatchewan in 1984, 11 are planned for Alberta and one for British Columbia. A minimum of three exploration wells will be drilled on the Company's Licence Lands in British Columbia in 1984 at no cost to the Company. Because of the extremely disappointing results during the past several years, minimal activity is planned for the Company's U.S. properties in 1984.

Drilling Statistics

	Oil		Gas		Dry		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploration								
Canada	6	6.0	—	—	2	1.5	8	7.5
U.S.A.	—	—	—	—	2	0.5	2	0.5
	6	6.0	—	—	4	2.0	10	8.0
Development								
Canada	151	135.25	1	1.0	2	1.38	154	137.63
Total	157	141.25	1	1.0	6	3.38	164	145.63



Water injection well (left) forces water into oil reservoirs.

Pilot project could double oil output

Westar Petroleum will launch a pilot project in 1984 which could double the production of its wells in the Dodsland oil field. Using a process called water flooding, the company plans to inject water from deeper formations into the oil reservoir to increase its recovery.

Normally, only a small percentage of total oil in the reservoir is recovered using conventional recovery techniques.

In its pilot project, the company plans to drill nine wells in a chosen area, and force water under pressure into the oil reservoir. (See sketch above.) Over a period of time, the water will displace the droplets of oil in the porous rock toward the producing wells.

Existing water injection systems in similar geological formations show a recovery rate almost triple the current seven to eight per cent rate experienced by producers in the Dodsland field. If the pilot project shows equal success rates, the company plans to institute a large-scale water flooding program throughout its Dodsland properties.

Canadian Proven Reserves* (before royalties)

	1983	1982
Crude oil — (millions of barrels)		
Proven producing	**21.1**	20.9
Proven non-producing	**.2**	—
	21.3	20.9
Natural gas — (billions of cubic feet)		
Proven producing	**9.3**	22.3
Proven non-producing	**32.4**	13.5
	41.7	35.8

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

Land holdings

	At December 31, 1983 Gross hectares	Net hectares
Canada		
B.C.	995,325	938,576
Alberta	84,063	31,175
Saskatchewan	58,802	26,916
N.W.T.	13,426	1,376
Total Canada	1,151,616	998,043
United States	177,964	70,716
Total	1,329,580	1,068,759

More activity in B.C.

Recent developments in British Columbia have opened up the prospect of substantially increased exploration and development of the Company's large land holdings in the province. Many industry experts believe that the provincial government's decision to accept the recommendations of the Govier Report, released in September 1983, will lead to a freer market for B.C. natural gas and a more equitable royalty system for producers. The result could be a big increase in gas exploration.

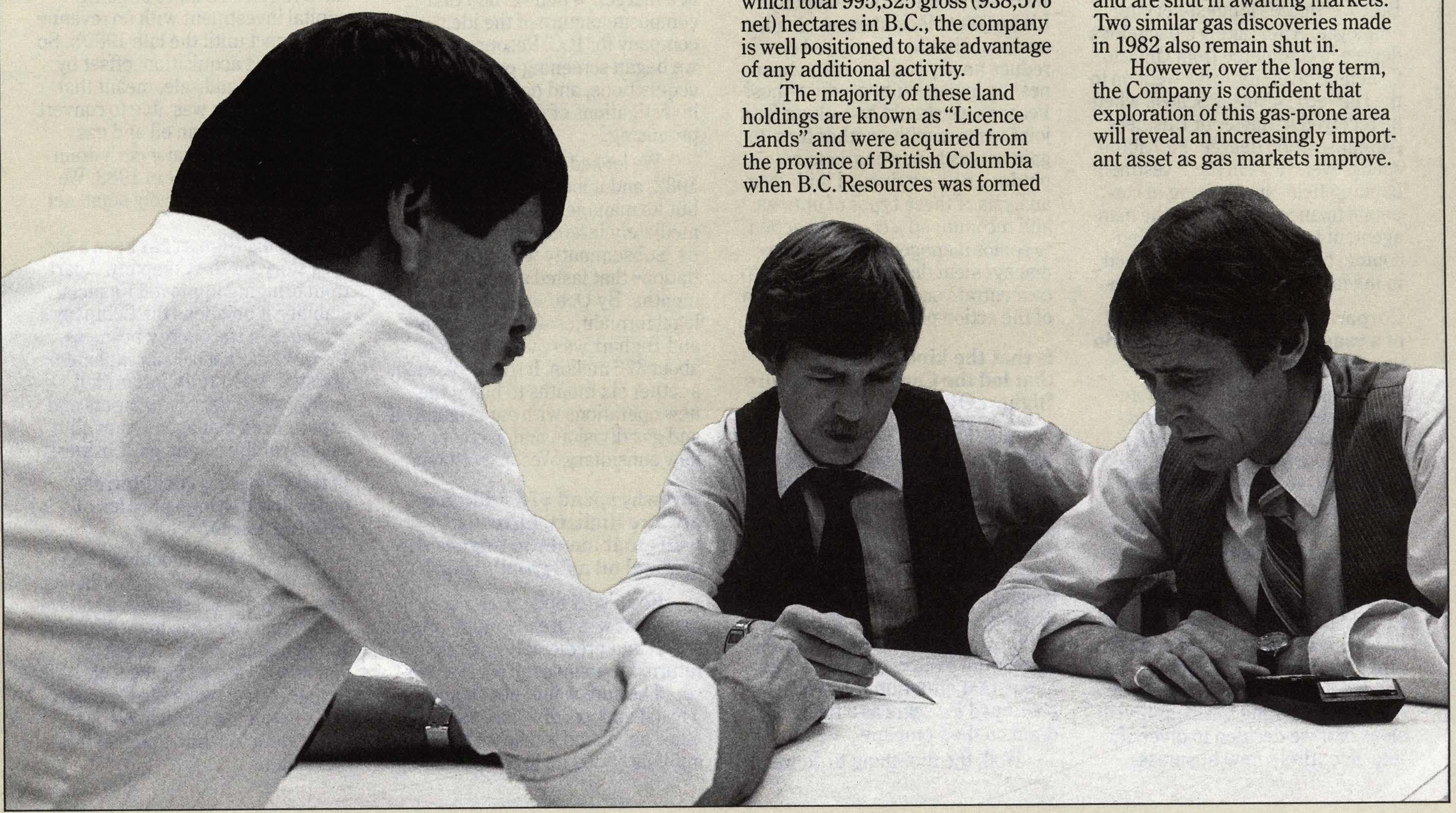
Westar Petroleum is currently examining the marketing of natural gas to potential customers both inside and outside British Columbia. Through its large land holdings which total 995,325 gross (938,576 net) hectares in B.C., the company is well positioned to take advantage of any additional activity.

The majority of these land holdings are known as "Licence Lands" and were acquired from the province of British Columbia when B.C. Resources was formed in 1978. The original agreement gave the Company the exclusive right to carry out geological or geophysical studies by itself or in partnership with other companies. But, the agreement also states that all exploratory drilling must be farmed out to other companies; B.C. Resources is not permitted to drill exploratory wells on its own Licence Lands.

Much of northeastern British Columbia — including the Licence Lands — has potential for large quantities of natural gas. However, gas discoveries cannot be economically brought to market under existing price structures. In 1983, two gas wells were drilled on these properties at no cost to the company and are shut in awaiting markets. Two similar gas discoveries made in 1982 also remain shut in.

However, over the long term, the Company is confident that exploration of this gas-prone area will reveal an increasingly important asset as gas markets improve.

Geologists plan each new drilling program with exacting precision, basing their decision on seismic tests and the collective experience of many staff members.



Calgary office employee checks out one of dozens of exploration maps of Western Canada. Westar Petroleum intends to increase exploration and drilling in Alberta in 1984 to diversify its operations.

Westar Petroleum

Summary

Westar Petroleum Ltd. is engaged in the exploration for, and the development and production of oil and gas, mainly in Western Canada. Headquartered in Calgary, Alberta, the majority of its production comes from oil wells in west central Saskatchewan.

Ownership

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

Production

Oil from the company's wells in west central Saskatchewan is a sweet light gravity crude, considered to be among the highest quality produced in Canada. During 1983, the company's production averaged 3,292 barrels per day. Daily gas production during the year averaged 2.8 million cubic feet.

Markets

The company's oil production from its wells in Saskatchewan is sold to integrated oil companies for refining into petroleum-based products. Gas produced in Saskatchewan is sold under long-term contract to Saskatchewan Power Corporation.

Revenues

The company had total revenues of $41.4 million in 1983, its first full year of operations as a producing oil and gas company.

Employees

Westar Petroleum has 85 employees at its Calgary office and field operations.

Assets constantly under review

Mike McKibbin: "On strategic issues, I act as a sort of internal consultant to the Company."

Mike McKibbin, vice president for corporate development, is B.C. Resources longest-serving employee. After taking a bachelor's degree in commerce from Ontario's Queens University, Mike went on to the Harvard Business School, where he received a Master of Business Administration degree. McKibbin spent seven years in the investment banking field, specializing in corporate finance, and was on the management team of Okanagan Helicopters before becoming involved in the founding of B.C. Resources.

Corporate development is kind of a vague term. What exactly do you do for B.C. Resources?

My job is to look at the Company's overall performance and lines of business and to identify areas where we need something we don't have, or where we have something we don't need. If we have an asset that doesn't really fit into the kind of company management is seeking to build or which isn't performing satisfactorily, I would be called upon to negotiate its sale to another company. On the other hand, if B.C. Resources needed to add a new operation to one of our existing business divisions or if we decided to diversify into an entirely new business, I would be directed to find and acquire an existing business that met our needs. Or I might develop a plan for building a new business.

That sounds like the work of an in-house investment counsellor or consultant?

Yes, that is a good analogy. On strategic issues, I act as a sort of internal consultant to the Company, trying to look at it from a broader outside perspective. I have to pose some of the basic questions: should we be in the oil and gas business, and if so, how should we participate in the business so that it best contributes to meeting B.C. Resources objectives?

Or, say we are having problems with one sector of the Company. It's my job to look at some broader options. Should we expand or reduce an investment in the business or in particular product lines? Perhaps we should be looking for a joint venture with another firm, to gain access to new markets or to produce new products. I initiate an analysis of these types of options, and recommend a course of action to senior management. Whatever management decides, it is my job to concentrate on the implementation of the action plan.

Is that the kind of analysis that led the Company to acquire Bighart Oil and Gas?

Yes. That story begins back in 1981. B.C. Resources had an oil and gas division that was then about three years old. It was involved in a grass-roots exploration program, which had discovered some gas reserves that could not be sold because of market conditions. The division was spending money, but not providing any revenues to help pay for the exploration costs. Left alone, that situation could have continued for years as a financial drain on the Company.

Well, the first thing to do was to decide whether to stay in the oil and gas business at all. The analysis concluded that it would be worthwhile to remain in the energy field, but we would have to find some way to make the oil and gas division self-supporting. Management decided to find and buy a mature oil company with producing wells that would provide the cash flow to balance the division's exploration costs.

We drew up a list of all the features we wanted: the right size, an emphasis on oil reserves and production rather than gas, the right geographical spread of its assets, the level of cash flow, and the kind of skills its management would bring to our oil and gas division in a merger. When we had that composite picture of the ideal company for B.C. Resources to buy, we began screening potential acquisitions, and doing detailed investigations of those that looked promising.

We looked at Bighart in early 1982, and it looked like a good fit, but its management wasn't immediately interested in talking to us. Subsequently we began negotiations that lasted about four months. By October of 1982, the legal formalities were completed, and Bighart was purchased for about $76 million. It then took about another six months to blend the new operations with our original oil and gas division, and to create our new subsidiary, Westar Petroleum.

But why spend $76 million to acquire Bighart, instead of using that money to finance the original oil and gas division?

Because it bought us a company that was already producing a stable and predictable cash-flow return, for an investment that we could be sure would not change. The oil and gas division, on the other hand, had already absorbed millions of dollars in the preceding three years. It would have continued to require cash from the parent Company in amounts which couldn't be forecasted, with no fixed date or immediate prospect for repaying the investment. Also Bighart was about to start paying cash taxes which we were able to defer using our own accumulating tax write-offs. This significantly enhanced the value of Bighart under our ownership.

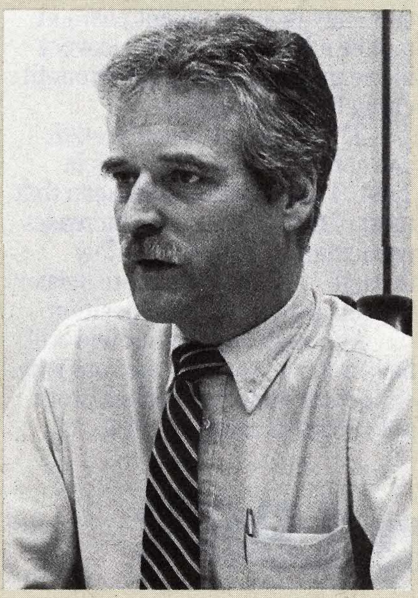
Besides, part of the cost of acquiring Bighart was financed indirectly by the sale of B.C. Resources holdings in the Sable Island natural gas fields. The Company sold its interest in Sable Island in early 1982 for $52 million . The development of Sable Island would have required a large ongoing capital investment with no revenue in prospect until the late 1980's. So the Bighart acquisition, offset by the Sable Island sale, meant that B.C. Resources was able to convert its North American oil and gas activities from a major cash drain to a cash contributor in 1983. We did this with a relatively small net investment.

Buying Bighart has been a success story for the Company. Apart from bringing improved financial stability, it broadens the Company's presence in the energy business. We now have not only an exploration division, but a fully-integrated energy subsidiary with assets and experienced management in all aspects of the oil and gas business.

Is the Company considering other acquisitions or sales of existing assets?

The process of looking at the shape of the Company is continuous. The world doesn't stand still and we can't either. We have to be thinking and planning ahead. Assets are not bought or sold for the sake of change, but to make the Company work better, and to achieve a better return on our shareholders' investment.

Recovery spurred by lower costs



John S.R. Montgomery
President
BC Timber Ltd.

A long-range plan to reshape the Company's forest products subsidiary into a leaner, more competitive organization began to pay off for BC Timber in 1983. The company put into place a number of new programs to increase productivity, reduce costs and expand markets during the year. The result was a major improvement in revenues and significant reduction in operating losses.

Revenues for the year were $338.6 million, compared to $247.3 million the previous year. In 1983, the company recorded a loss of $11.0 million, compared to a loss of $54.5 million in 1982.

Despite the continuing severe conditions in the forest products industry, BC Timber established a firm foothold during 1983 as it devised new methods of combatting the recession.

"The main focus of our activities," says president John Montgomery, "was stringent cost controls and the continued diversification of both our pulp and lumber markets. We reduced our dependency on the U.S. housing market by breaking into several markets overseas. We broadened our North American customer base by establishing ourselves as a lumber wholesaler. And we devoted a lot of time and effort to improving the productivity of our mills and the quality of our products."

Lumber sector improved

Improved performance of the lumber manufacturing group can be attributed to cost reduction programs and healthier housing construction activity in the U.S.

Lumber prices strengthened in the first six months as interest rates dropped and U.S. housing construction surged. Of BC Timber's six sawmills, two remained in continued operation throughout the year. The other four, closed because of the stagnant housing market in the U.S., resumed work during the second quarter when construction activity picked up.

The rapid recovery was short lived, however. Rising U.S. mortgage rates and an oversupply of lumber in the marketplace sent prices plummeting. Despite these ups and downs, volumes and prices were, on average, healthier in 1983 than the previous year.

"BC Timber's sawmills and related woodlands operations managed to survive this period of uncertainty because of major gains in productivity and reductions in operating costs," says Montgomery.

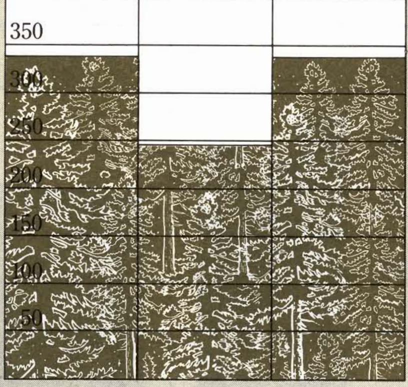
The total volume of lumber sold during the year was 655 million board feet, nearly double the 354 million board feet sold in 1982. Most of this increase was due to the company's wholesale lumber program. (See separate story on page 17.)

BC Timber continued its sawmill conversion program, started in 1982, to give its mills the flexibility of manufacturing lumber for both the North American and export markets. With the exception of Plateau Lumber Division in Vanderhoof, which is a very competitive producer of dimension lumber for the North American market, all of BC Timber's sawmills can now produce export lumber.

"To further establish itself in the U.K. market, BC Timber took the initiative and became the first North American lumber producer to grade its export lumber to U.K. specifications," says Montgomery.

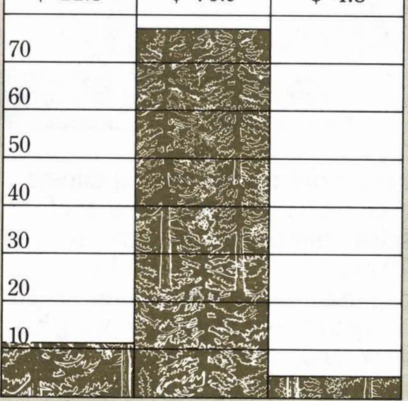
Sales $ (Millions)

1981	1982	1983
$336.4	$247.3	$338.6



Operating Loss $ (Millions)

1981	1982	1983
$-11.3	$-76.9	$-4.8



1983 also saw BC Timber benefit from a new North American marketing venture into lumber wholesaling. By buying lumber from other manufacturers in B.C. and reselling it to its customers, the company has succeeded in broadening its customer base in North America.

In May, BC Timber sold its Skeena Lumber Division, one of the company's two sawmills in Terrace, because the decadent pulp quality timber resource in the region could not economically support both mills. The sale included the transfer of the 190 employees but BC Timber retained its forest tenure. Part of the agreement calls for the purchasers, West Fraser Timber Co. Ltd. of Vancouver and Enso-Gutzeit Oy of Finland, to chip logs for BC Timber's Skeena Pulp Division in Prince Rupert.

Also in May, BC Timber, along with all other Canadian forest products companies, received some welcome news. Charges laid by U.S. lumber producers that the Canadian industry was subsidized were dropped following an exhaustive investigation. Had the ruling gone against Canada's sawmills, it could have led to the introduction of a countervailing duty on Canadian lumber. This would have raised the price of Canadian lumber in the U.S. to uncompetitive levels.

Pulp sector depressed

Pulp markets throughout 1983 remained very depressed. The $420 a tonne list price at the beginning of the year increased in April to $440 a tonne and remained at that level through the end of the year. This is substantially below the list price of $545 a tonne in 1981 prior to the recession.

Celgar Pulp Division in Castlegar which has been consistently profitable, operated continuously throughout the year without any major interruptions. The mill followed a strict program of productivity improvements and cost reductions in 1983. Production records were also set for eight out of the 12 months.

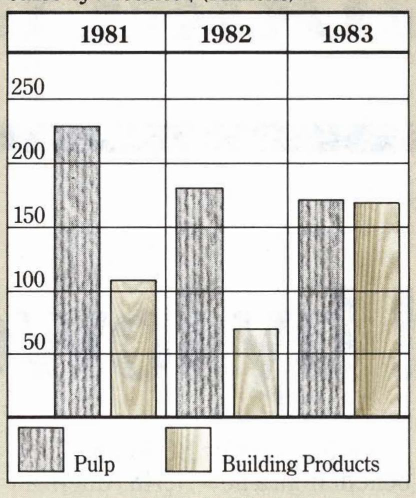
At the company's pulp mill in Castlegar, B.C., pulp is produced in a continuous sheet about five metres wide. It is later cut into bale-size sheets for shipment.

These positive results were made possible by several factors. A concerted effort to reduce the amount of decadent wood entering the mill has resulted in a marked improvement in the quality of the chips. New chip screening technology has also helped to boost yield. Mechanical re-alignment of equipment has resulted in fewer sheet breaks and therefore fewer machine stoppages.

"None of this work could have been accomplished without the whole-hearted co-operation of employees," says Montgomery. "It was through their efforts that the mill was able to make such progress in reducing its operating costs. This has enabled us to operate when we would have otherwise faced more curtailments."

Employee co-operation and higher productivity levels were also *significant contributors to the* overall performance of the Skeena Pulp Division in Prince Rupert. However, this was offset by the poor markets and low prices for the mill's production. The two side-by-side mills had been closed in November 1982 because of low prices and demand for bleached kraft pulp worldwide combined with high operating costs. These factors *delayed the start-up of the mill until* the beginning of the second quarter. Even then, only a partial start-up was possible. The 'A' mill, the older of the two facilities, resumed operations providing work for about 450 of the total workforce of 700 employees. The 'B' mill is still closed awaiting improvement in the markets.

Sales by Product $ (Millions)



"The dilemma facing BC Timber in its northern pulp operation is that although the division's pulp inventories are at their lowest level since 1981, prices and markets are not strong enough to support the increased production that would result from re-opening the 'B' mill," says Montgomery. Daily production capacity at the mill under normal circumstances is 1,100 tonnes. The 1983 average production rate for 'A' mill was 724 tonnes per day.

By the end of the year, total industry inventories had dropped to 1.2 million tonnes while shipments increased to 90 per cent of total output. These indications of a gradually improving recovery in the marketplace suggest that further price increases during 1984 will enable the company to recoup some of the revenues lost during the past several years.

Contract negotiations between representatives of the forest products industry and the three unions representing hourly-paid workers continued throughout the second half of 1983. Early in 1984, workers represented by the International Woodworkers of America ratified a new three-year agreement with the industry. A similar contract proposal was rejected by the union executive of both the Pulp and Paper Workers of Canada and the Canadian Paperworkers Union. The company is hopeful that negotiations can be successfully concluded in the near future.

The advances made by BC Timber in productivity, cost reduction and quality control place the company in an excellent position to take advantage of the recovery in the pulp sector and the strengthening lumber markets.

The company is confident it can continue to control costs in 1984. This situation will mean that most of the forecast price increases, particularly for pulp, will flow through to the bottom line to bolster the company's financial position.

Although BC Timber will still have debts to service, the company expects to move back into a profitable position again in 1984.

Strong dollar hurt pulp markets in 1983

World shipments of market pulp increased dramatically during the last nine months of 1983 as the effects of the recession began to ease in key consuming countries. But the continued strength of the U.S. dollar, which is the currency in which pulp is sold, made it extremely difficult for producers to raise their prices above 1982 levels. The result was another depressed year for BC Timber's pulp growth.

The price of pulp in U.S. dollars reached a four-year low early in 1983. Even though it increased by about five per cent during the year, the average for the year was still substantially lower than in 1982. However, all industry indicators now point to stronger pulp markets and better prices for the next few years. Price increases of 12 to 15 per cent are expected in 1984.

"BC Timber is a key player in the three major markets of Europe, U.S.A., and Japan," says Harry Papushka, vice president, pulp marketing. "The company realized that the devaluation of the Swedish krona in October 1982, would significantly change the competitive supply and demand relationships in the world pulp and paper industry. It is something you just cannot ignore when you export virtually all of your product to 18 countries around the world."

As a result, BC Timber's management completed an in-depth study and analysis of its products, markets, and marketing techniques during 1983. The recommendations of this study are now being implemented. One of the first actions was the opening of an office in Appleton, Wisconsin. "It is quite clear that increasing competition in all markets requires more intense regional coverage," says Papushka. "Our new service base in Wisconsin has already benefited our position in this key market."

The study also pointed out that most Pacific Rim countries continue to consume more and more long fibre kraft pulp, which has created an expansion opportunity for the company's pulp. However, since few of these markets can justify the cost of a service office, a unique agency arrangement was instituted which will give BC Timber strong local representation in Indonesia, Thailand, Malaysia, Taiwan, the Philippines, and Australia.

"It was essential that we introduced ourselves effectively and positioned ourselves strategically in these markets. This is especially true since we have always had a very strong position in Japan where BC Timber is the number one market pulp supplier and in China, where we were the first to obtain a long-term pulp contract with the People's Republic of China," added Papushka, who has twenty years experience in pulp distribution, transportation and marketing, including specialized knowledge of the Far East.

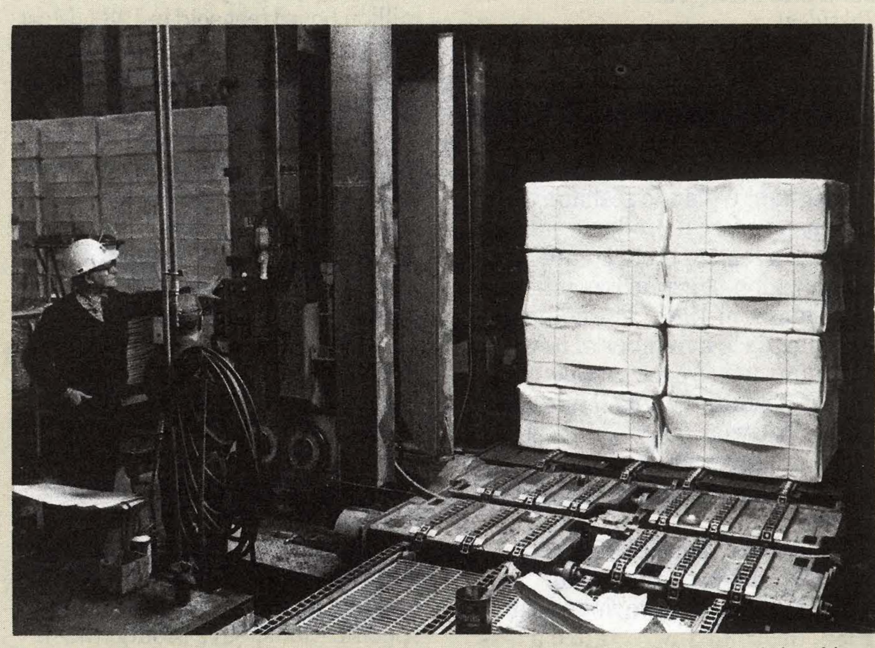
"We have also re-aligned our Brussels office, the centre for our European sales activities, to strengthen the overall effectiveness in this market, which is the largest for market pulp in the world. All indications are that certain sectors of the European paper industry will continue to be subjected to economic rationalization and a fair degree of financial uncertainty. For this reason, we are optimizing our on-site monitoring of credit, banking, and overall sales-related financial activities so we can sell effectively and profitably in this extremely competitive market."

Pulp outlook

Record world shipments of pulp during the last quarter of 1983 reduced pulp producers' stocks to a level of just under one month's supply. As other economies follow the lead of the U.S.A. the demand for market pulp will increase substantially. Minimal pulp capacity increases and continued increases in paper making capacity will keep the demand for market pulp strong over the next several years.

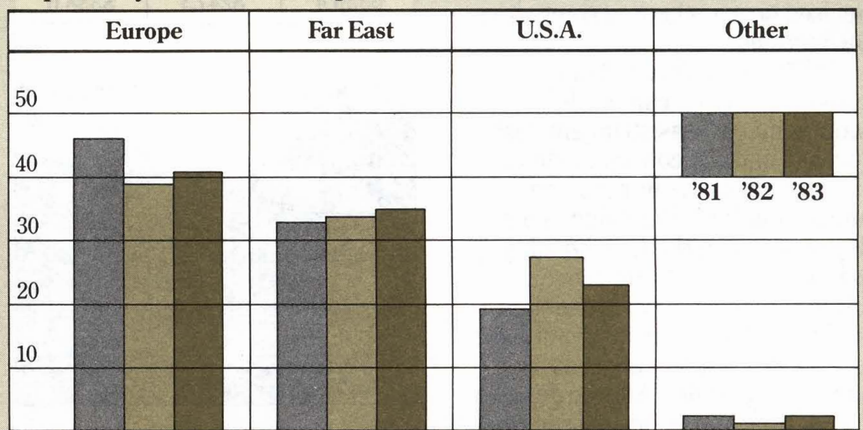
The U.S. $40 per tonne increase which came into effect on January 1, 1984 will be supplemented by further increases later in 1984 and beyond. A weakening of the U.S. dollar will enhance the probability of price increases.

Market pulp has two major end uses. Printing and writing papers account for about 60 per cent of sales while tissues consume another 19 per cent. The advent of the electronic office with its high speed computer printouts and copying has increased white paper consumption far beyond the level projected just a few years ago. Further, worldwide increases in educational levels and standards of living make the outlook for all printing and writing paper, tissue and specialty papers very attractive. All these developments will reflect positively on the future demand for market pulp.



Bleached kraft pulp from the company's two pulp mills is compressed into bales before being shipped by rail to the United States or by ship to Europe and the Far East.

Pulp Sales by Market (Percentage)



Program finds new markets for lumber

The company's lumber products group continues to develop programs to expand its market in the United States and overseas. In 1983, for example, BC Timber completed its first full year as a lumber wholesaler. The concept of wholesaling, though certainly not new to the industry, was a major change from BC Timber's traditional approach to sales.

As a wholesaler, BC Timber supplements its own sawmill production with purchases from independent mills, buying, selling and trading on the open market. It must anticipate markets and position itself to take advantage of market trends.

"BC Timber's decision to establish itself as a lumber wholesaler has gained the company several advantages," says Dan McCallum, vice president, wood products marketing. "There is a high return on capital since there is no long-term investment involved."

Also, wholesaling complements and increases mill sales. In BC Timber's case, the company purchases products which it cannot sufficiently produce in its own mills. This broadens the product base and widens the marketing exposure of its own products to other geographic areas in the U.S.

"The net result is that it broadens our customer base and eliminates our dependency on outside wholesalers," says McCallum, who came to BC Timber in 1982 with thirteen years experience in lumber sales. "The extra market share gained by wholesaling also leaves our mills free to concentrate their production on their best products, leaving other products to be supplied from purchased wholesale inventory."

This new, aggressive initiative in marketing is a managed program that, over the course of the year, has successfully been able to deal with the phenomenon of a changing market over an extended period of time. The proof is that the enterprise has been more profitable than expected — and moreover, at a time of continued market uncertainty.

During the year, the manufacture of lumber for the overseas market developed into a major part of BC Timber's business. As a key exporter, BC Timber now occupies a prominent position among B.C. forest products companies. It has established markets in the United Kingdom, Europe, and the Far East. Plans for 1984 call for further volume increases in shipments to these markets as well as expansion into new market areas.

U.K. largest export market

By far the largest export market is the U.K. Early in 1983, BC Timber identified an opportunity to win a larger percentage of this market. It became the first North American lumber producer to grade lumber according to U.K. standards.

"This innovation was prompted by a trend toward tailoring products to the specific requirements of the end user in Britain," says McCallum. "By doing so, BC Timber was able to reduce the cost of lumber to its customers by eliminating the regrading procedure required by the British authorities. The result is that BC Timber gained a competitive edge over other lumber exporters."

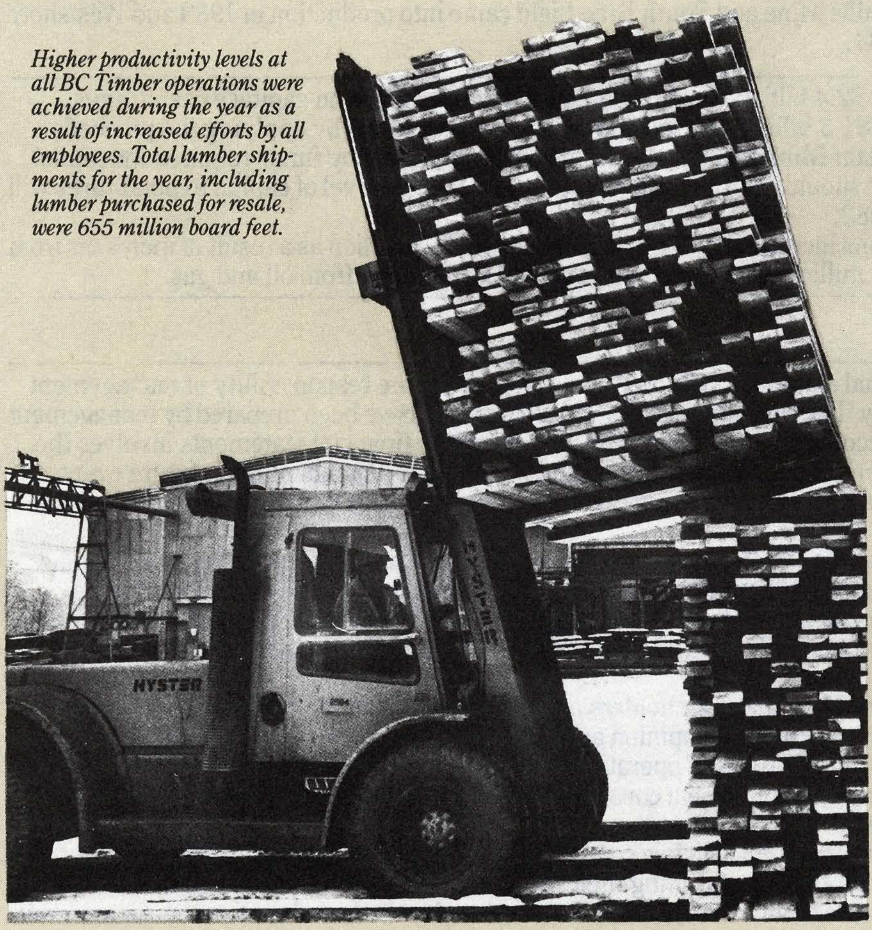
Conversion of BC Timber's sawmills to cut export lumber, a program started in 1982, continued in 1983. Five of the six sawmill divisions now have the capability to produce lumber for the export market. The only division which still produces exclusively for the U.S. market is Plateau Lumber in Vanderhoof.

In 1982, BC Timber introduced the name Westar as a marketing trade name and symbol. During 1983, BC Timber's insistence on product excellence was responsible for gaining international recognition for the Westar name. Emphasis on all aspects of quality control, packaging and follow-up service to customers has raised the company's reputation in the marketplace.

The company is now well-positioned to take advantage of expanding offshore markets for lumber products, and anticipates a dramatic growth in export shipments during 1984.

Mechanical harvesting machine used in company-managed forests near Vanderhoof, B.C. ensures safe working conditions for woodlands crews and reduces the cost of lumber produced at the nearby sawmill. Giant pincers can cut through a tree trunk in a single motion.

Higher productivity levels at all BC Timber operations were achieved during the year as a result of increased efforts by all employees. Total lumber shipments for the year, including lumber purchased for resale, were 655 million board feet.



BC Timber

Summary

BC Timber is one of North America's major producers and exporters of bleached kraft pulp and a leading manufacturer, exporter and wholesaler of softwood lumber. Its operations, all of which are located in British Columbia, include pulp mills in Prince Rupert and Castlegar, sawmills in Vanderhoof, Hazelton, Kitwanga, Terrace, Castlegar and Nelson and related logging operations.

Ownership

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

Products

Bleached kraft pulp is sold to manufacturers in about 18 countries, where it is used to make printing and writing papers and high quality specialty papers. Total pulp shipments in 1983 were 391,000 tonnes.

The company's six sawmills produce dimension lumber which is used as the basic structural material in wood frame houses and other construction projects in North America and overseas. It is produced and sold in standardized widths, lengths and grades and is usually manufactured from spruce, pine, fir and hemlock. The company also produces one-inch boards.

Marketing

The company maintains pulp marketing offices in Montreal, Quebec; Brussels, Belgium, and a pulp service office in Appleton, Wisconsin. Local agents 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 and also manages the wholesale lumber program.

Revenues

BC Timber's total revenues in 1983 were \$338.6 million compared to \$247.3 million in 1982, an increase of 37 per cent.

Employees

The company employs about 2,650 people in its pulp mills, sawmills, woodlands operations and administrative functions.

Subsidiaries

BC Timber International S.A. is a wholly-owned subsidiary based in Belgium which is responsible for all company pulp sales in Europe.

Financial Section

Financial Review

The financial performance of the Company in 1983 was affected by the following key factors:
- South Brae Field began oil production in mid July 1983
- Greenhills Mine officially opened in September 1983
- Westshore Terminals expansion nearing completion
- Continued weak markets for pulp resulting in lower prices, although market was strengthening towards the end of the year
- Stronger markets during the first half of 1983 for lumber resulting in higher prices and volumes
- Continued weak markets for coal resulting in lower prices
- Significantly lower interest rates than in 1982

Revenue

Revenue for 1983 was $855.9 million which was $161.8 million higher than revenues for 1982 of $694.1 million.

Coal revenue increased by $2.9 million. The average revenue per tonne of coal decreased by 9% largely reflecting the reduction of $13 per tonne effective April 1, in the contract price for the sale of Balmer metallurgical coal to Japanese steelmills. Coal sales during the year increased 10% or 520,000 tonnes. The increase was primarily due to shipments from the Greenhills Mine.

Pulp revenue decreased by $9.1 million as a result of the weak world pulp market. Although pulp shipments increased 7% (27,000 ADMT), the average revenue per ADMT sold decreased by 14%.

Lumber revenue increased by 146% as a result of stronger markets in the first half of the year. Shipments of manufactured lumber increased 25% (82,000 MFBM) and average revenue per MFBM sold increased 28%. In addition, revenue from wholesale operations in 1983 amounted to $68 million on sales of 256,000 MFBM of lumber.

Oil and gas revenue increased by $53.9 million of which $32.7 million relates to Westar Petroleum which was acquired effective October 1, 1982 and $21.2 million relates to South Brae Field production which commenced in July 1983.

In 1983, 93% (94% in 1982) of the Company's sales revenues was to customers outside of Canada. Accordingly sales revenues are substantially affected by the economies of the markets in which the Company sells its products, competition from other producing countries and the relationships of foreign currencies to the Canadian dollar.

Revenues for 1984 are expected to increase with the revenues from the South Brae Field, Greenhills Mine and the Westshore port expansion.

Costs and Expenses

Costs and expenses were $54.8 million greater than in 1982. The increase in cost of products sold of $24.2 million or 4%, compared with the 22% increase in sales revenue, results from increased level of shipments of products during the year offset by cost reductions due to cost control and productivity improvements.

General, selling and administrative expenses decreased by $0.1 million as a result of cost cutting measures offset by expenses relating to Greenhills and South Brae Field which commenced operations during the second half of the year and the inclusion of Westar Petroleum for the full year compared with three months in 1982.

Interest on borrowings decreased by $3.1 million to $120.5 million primarily as a result of lower interest rates during the year offset by the higher debt levels necessary to finance capital projects. After deducting interest included as a cost of capital projects, interest charged to earnings increased by $15 million or 25% due to interest relating to completed capital projects now being charged to earnings.

Depreciation, depletion and amortization increased by $15.8 million or 30% due to the inclusion of the operations of Westar Petroleum for the full year (three months in 1982) and the commencement of operations of Greenhills Mine and the South Brae Field development during 1983 offset by lower amounts in the forest sector.

Income taxes reflect an expense of $23.1 million compared with a credit of $22.3 million. The effective rate of tax of 37% compares favourably with the statutory rate of 52% primarily due to earned depletion benefits claimed.

The Company plans to continue its programs to closely monitor costs and increase productivity. As a result of the three major capital projects being completed the amounts to be charged to earnings for interest, depreciation and depletion will increase significantly in 1984.

Net Earnings

Net earnings of $6.1 million reflect a significant improvement over the net loss of $31.3 million in 1982. Before extraordinary items earnings were $19.0 million compared with a loss of $38.4 million in 1982. The extraordinary items in 1983 were the loss on sale of Skeena Lumber mill and the write-down of U.S. oil and gas properties. The write-down on the U.S. oil and gas properties reflects that the Company has essentially withdrawn from its operations in the United States.

Capital Expenditures

Capital expenditures for 1983 were $226 million compared with $407 million in 1982. In both years most of the capital expenditures related to three major projects. Greenhills Mine $70 million ($177 million in 1982); expansion of Westshore Terminals $59 million ($76 million in 1982) and the development of oil and gas interests in the Brae Field $57 million ($66 million in 1982). Greenhills Mine and South Brae Field came into production in 1983 and Westshore Terminals will be completed early in 1984.

Financial Position

Total assets increased by $196 million to $2.4 billion which reflects the amounts spent on capital expenditures. Long term debt reached its peak level of $1.3 billion and was reduced to present levels by applying the proceeds from the issue of preferred shares by Westar Mining and funds from operations offset by funds required for capital expenditures. The level of long term debt should continue to decrease in 1984 as the level of capital expenditures will be substantially less than in 1983 and 1982.

Working capital provided by operations increased by $121.2 million to $133.2 million as a result of increases from all operations; $20 million from coal, $81 million from forest products and $30 million from 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 9, 1984.

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 20.

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, 1983

	Note Reference	1983 (Thousands)	1982 (Thousands)
Revenue			
Sales	17	$ 834,698	$ 686,572
Interest and other income	10	21,240	7,526
		855,938	694,098
Costs and expenses			
Cost of products sold		594,789	570,562
General, selling and administrative		56,016	56,141
Interest	11	73,567	58,638
Depreciation, depletion and amortization		68,903	53,132
		793,275	738,473
Earnings (loss) before income taxes and other items		62,663	(44,375)
Income taxes	12	23,115	(22,300)
		39,548	(22,075)
Minority interest in net earnings of subsidiaries		(20,585)	(16,316)
Earnings (loss) before extraordinary items		18,963	(38,391)
Extraordinary items	13	(12,910)	7,087
Net earnings (loss)		$ 6,053	$ (31,304)
Earnings (loss) per Common share after Exchangeable Preferred dividends			
Before extraordinary items		$ 0.13	$ (0.41)
Net earnings		$ 0.00	$ (0.34)

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1983

	1983 (Thousands)	1982 (Thousands)
Funds from operations		
Earnings (loss) before extraordinary items	$ 18,963	$ (38,391)
Add (deduct) items not affecting working capital		
Depreciation, depletion and amortization	68,903	53,132
Deferred income taxes	26,117	(19,366)
Minority interest	20,585	16,316
Other	(1,322)	314
Working capital provided by operations	133,246	12,005
Reduction (increase) in working capital, excluding cash*	(29,324)	10,506
	103,922	22,511
Investment of funds		
Additions to property, plant and equipment	226,039	406,925
Acquisition of subsidiary	—	77,930
Exploration and development advances		
Amounts advanced	59,823	74,956
Repayments received	(13,720)	—
Proceeds on sale of		
Skeena Lumber mill	(2,350)	—
Interest in Sable Island oil and gas field	—	(52,000)
20% interest in Greenhills Mine	—	(55,385)
Other assets	(7,002)	14,778
	262,790	467,204
Dividends paid on Exchangeable Preferred shares	6,437	1,120
Funds required	165,305	445,813
Financed by		
Issue of Exchangeable Preferred shares	—	57,064
Issue of preferred shares by subsidiary	43,574	—
Additions to long term debt	146,780	548,383
Repayments of long term debt	(64,897)	(172,533)
	125,457	432,914
Decrease in cash*	$ 39,848	$ 12,899

*Cash consists of bank indebtedness net of cash and short term investments.

Consolidated Balance Sheet

December 31, 1983

	Note Reference	1983 (Thousands)	1982 (Thousands)
ASSETS			
Current			
Accounts receivable		$ 81,461	$ 77,830
Inventories	2	154,300	146,622
Prepaid expenses		12,497	7,220
		248,258	231,672
Property, plant and equipment	3	2,363,329	2,132,170
Less: Accumulated depreciation, depletion and amortization		477,180	377,829
		1,886,149	1,754,341
Exploration and development advances	4	226,224	179,994
Investments and other assets	5	87,272	85,863
		$2,447,903	$2,251,870
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness		$ 77,193	$ 37,345
Accounts payable and accrued liabilities		100,003	117,328
Income taxes payable		2,972	—
Current portion of long term debt	6	14,115	12,500
		194,283	167,173
Long term debt	6	1,208,183	1,126,299
Deferred income taxes		135,412	111,443
Minority interest in subsidiary companies	7	111,683	47,279
Shareholders' equity			
Share capital	8	698,873	698,873
Retained earnings		99,469	100,803
		798,342	799,676
Commitments	9		
		$2,447,903	$2,251,870

Approved by the Directors:

Director

Director

Consolidated Statement of Retained Earnings

For the year ended December 31, 1983

	1983 (Thousands)	1982 (Thousands)
Retained earnings at beginning of the year	$ 100,803	$ 134,593
Net earnings (loss)	6,053	(31,304)
	106,856	103,289
Dividends on Exchangeable Preferred shares	(6,437)	(1,120)
Expenses relating to issue of		
Preferred shares by subsidiary, net of income taxes of $353,000 and minority interest of $476,000	(950)	—
Exchangeable Preferred shares, net of income taxes of $1,451,000	—	(1,366)
Retained earnings at end of the year	$ 99,469	$ 100,803

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, 1983 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, 1983 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 9, 1984

Chartered Accountants

Notes to the Consolidated Financial Statements

December 31, 1983

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.

Investments

Investments where the Company is able to exercise significant influence are accounted for using the equity method. Other investments, including short term investments, are carried at cost.

Translation of Foreign Currencies

The consolidated financial statements include assets and liabilities which are denominated in foreign currencies. Monetary assets and liabilities, principally accounts receivable, exploration and development advances and long term debt, are translated at the year-end rate or at the contract rate when covered by a foreign exchange contract. Property, plant and equipment is translated at historical rates. Gains and losses resulting from translation of foreign currency are reflected in earnings except for those relating to long term monetary items which are deferred and amortized over the term of the item. The financial statements relating to the investment in oil and gas properties in the United Kingdom are translated using the current rate method with the resultant gain or loss being deferred until the investment is realized.

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 restriction 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 receivable, are capitalized as incurred by cost centre. These costs are amortized on the unit of production method when production commences. Costs relating to certain unproven oil and gas properties are amortized to provide for possible impairment. Oil and gas properties are reviewed periodically to assess the extent to which the carrying value of the properties has been impaired and the adequacy of the accumulated amortization of properties. 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

	1983 (Thousands)	1982 (Thousands)
Coal	$ 43,220	$ 39,851
Pulp	12,655	35,207
Lumber	28,168	6,056
Logs, wood chips and other raw materials	34,741	27,408
Operating and maintenance supplies	35,516	38,100
	$ 154,300	$ 146,622

3 Property, Plant and Equipment

	1983 (Thousands) Cost	1983 Accumulated depreciation, depletion and amortization	1983 Net	1982 (Thousands) Net
Coal				
Properties and development costs	$ 629,427	$ 19,388	$ 610,039	$ 566,633
Plant and equipment	635,768	53,593	582,175	523,178
	1,265,195	72,981	1,192,214	1,089,811
Forest products				
Land	2,101	–	2,101	3,914
Pulp mills	384,161	218,877	165,284	166,883
Sawmills	95,674	51,545	44,129	53,874
Timber cutting rights, roads and related facilities	103,029	71,479	31,550	35,912
Logging equipment and other facilities	27,212	17,042	10,170	13,320
	612,177	358,943	253,234	273,903
Oil and gas				
Properties, exploration and development costs and plant and equipment				
Canada	232,663	21,611	211,052	195,980
U.S.	18,315	17,315	1,000	15,775
U.K.	233,005	6,142	226,863	176,651
	483,983	45,068	438,915	388,406
Other	1,974	188	1,786	2,221
	$2,363,329	$ 477,180	$1,886,149	$1,754,341

Property, plant and equipment includes $279 million ($216 million in 1982) representing the 80% interest in 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. The amounts advanced are repayable in U.S. dollars and the balance outstanding was U.S. $181.8 million at December 31, 1983 and U.S. $146.4 million at December 31, 1982.

5 Investments and Other Assets

	1983 (Thousands)	1982 (Thousands)
Investment – carried at cost:		
Westcoast Transmission Company Limited – 8.5% interest (market value, $52,071,000; $50,535,000 in 1982)	$ 37,364	$ 37,364
Deposit account (U.S. $6,301,000; U.S. $7,795,000 in 1982)	7,841	9,583
Other	42,067	38,916
	$ 87,272	$ 85,863

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

	1983 (Thousands)	1982 (Thousands)
B.C. Resources		
Bank credit agreements	$ 300,906	$ 273,964
BC Timber		
Bank credit agreements	100,000	96,570
Bonds and promissory notes		
5⅜% Bonds due July 1, 1985 with annual principal payments, (U.S. $7,000,000; 1982 U.S. $10,500,000)	8,711	12,929
10½% Promissory notes due December 15, 1992 with annual principal payments, (U.S. $45,000,000; 1982 U.S. $50,000,000)	55,998	61,500
11½% Promissory notes due December 15, 1992 with annual principal payments	18,000	20,000
Other	185	207
Westar Mining		
Bank credit agreements	329,669	336,513
Westar Holdings (U.K.)		
South Brae Field credit agreement	361,878	290,677
Other	14,451	15,539
Westar Petroleum		
Bank production loan	32,500	30,900
	1,222,298	1,138,799
Less: Amounts due within one year	14,115	12,500
	$1,208,183	$1,126,299

Bank Credit Agreements

The Company and its subsidiaries have bank credit agreements with interest at floating rates. Borrowings under these agreements can be in bankers' acceptances or in prime rate, United States base rate, or London Interbank Offered Rate (LIBOR) based funds. Bankers' acceptances can be for periods of up to 180 days and, subject to availability, for periods from 181 days to 366 days and LIBOR borrowings, subject to availability, for periods up to one year. Interest rates on these borrowings vary, depending on changes in prime or base rates and in the form, currency and maturity dates of the borrowings. The average interest cost of borrowings under these agreements at December 31, 1983 was 10.34%. The interest rate on U.S. $60 million has been fixed at 12.5% through an interest swap arrangement expiring October 30, 1990. The amounts outstanding under these agreements at December 31, 1983 have repayment terms as follows: $100 million in nine annual instalments of $11.1 million commencing in 1985; $125 million with repayments over ten years commencing no earlier than in 1987; $291 million with annual repayments over seven years commencing no earlier than in 1987 and $215 million which is due April 1, 1984, but the lender has offered to extend the loan with semi-annual repayments over seven years commencing in 1986.

At December 31, 1983, the Company and its subsidiaries had available a further $211 million under long term bank credit agreements and an additional $56 million in operating lines of credit.

South Brae Field Credit Agreement

The South Brae Field credit agreement is a U.S. $300 million syndicated credit facility secured by fixed and floating charges on the interest of the U.K. subsidiaries of Westar Mining in the licences, assets and revenues relating to South Brae. U.S. $175 million of the facility is repayable in eight equal semi-annual instalments commencing June 30, 1985 and is guaranteed by Westar Mining. U.S. $125 million of the facility, of which U.S. $115.8 million is outstanding at December 31, 1983, is repayable only out of Westar Mining's net cash flow from the South Brae Field and will be due no later than December 31, 1988. The proportion of the facility guaranteed by Westar Mining may be reduced in whole or in part if certain production and economic criteria are met.

Bank Production Loan

The bank production loan is secured by certain petroleum and natural gas properties, bears interest at the bank's prime lending rate and is repayable out of future production proceeds.

Bonds and Promissory Notes

Principal payments required on the bonds and promissory notes for the next five years are $12.6 million in each of the years 1984 and 1985 and $8.2 million in each of the years 1986, 1987 and 1988.

7 Minority Interest in Subsidiary Companies

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

	1983 (Thousands)	1982 (Thousands)
Westar Mining		
Preferred shareholders	$ 45,935	$ —
Common shareholders	65,748	47,279
	$ 111,683	$ 47,279

On October 18, 1983, Westar Mining issued for cash 1,800,000 $2.5625 Cumulative Redeemable Class A Preferred Shares, Series 1 at $25 per share. The 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. Westar Mining is required to make all reasonable efforts to purchase quarterly, at prices not exceeding $25, 0.5% of the issued shares from July 1, 1985 to June 30, 1989, 1% of the shares outstanding April 15, 1989 from July 1, 1989 to December 31, 1992 and 1% of the shares outstanding October 15, 1992 commencing January 1, 1993. This obligation is cumulative only within each calendar year.

8 Share Capital

	1983 (Thousands)	1982 (Thousands)
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	$ 59,881	$ 59,881
96,243,235 Common shares	638,992	638,992
	$ 698,873	$ 698,873

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. The Company shall make all reasonable efforts to purchase for cancellation at prices not exceeding $25, 2.5% of the Exchangeable Preferred shares outstanding on March 31, 1985 during each 12-month period commencing April 1, 1985 and ending on March 31, 1990, and 5% of the shares outstanding on March 31, 1990 during each 12-month period thereafter.

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 interest, 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.

Development commenced in 1980 and production commenced in 1983 in an area designated as the South Brae Field in which Westar Mining holds a 7.7% working interest. Westar Mining's share of development costs together with its carried interest obligation and including financing costs is estimated to be $431 million of which $413 million was spent to December 31, 1983.

During 1983, Westar Mining announced it would participate in developing the North Brae oil and gas field. The company estimates its share of capital expenditures, together with the carried interest obligation, to be £260 million (equivalent to $470 million at year-end exchange rates) of which $19.8 million was spent to December 31, 1983.

Westar Mining has a lease commitment requiring minimum annual rental payments of $4.9 million in 1984, $6.7 million in 1985, $7.0 million in 1986 and 1987 and $8.8 million in 1988. Minimum annual rental payments will escalate to $26.1 million by 2002.

10 Interest and Other Income

	1983 (Thousands)	1982 (Thousands)
Interest	$ 14,506	$ 4,364
Dividends from Westcoast Transmission Company Limited	3,610	3,610
Other	3,124	(448)
	$ 21,240	$ 7,526

11 Interest Expense

Interest expense relates to:

	1983 (Thousands)	1982 (Thousands)
Short term borrowings	$ 3,984	$ 6,116
Long term borrowings	116,563	117,513
Less: Interest charged to major capital projects	(46,980)	(64,991)
	$ 73,567	$ 58,638

12 Income Taxes

The provision for (recovery of) income taxes comprises the following:

	1983 (Thousands)	1982 (Thousands)
Current	$ (3,002)	$ (2,934)
Deferred	26,117	(19,366)
	$ 23,115	$ (22,300)

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

	1983 (Thousands)	1982 (Thousands)
Earnings (loss) before income taxes, minority interest and extraordinary items	$ 62,663	$ (44,375)
Income taxes at the statutory rate – 52%	32,585	(23,075)
Effect on taxes from:		
Non-deductible payments to provincial governments for mining taxes, royalties, mineral land taxes and petroleum taxes	18,208	14,774
Federal resource allowance	(14,908)	(10,450)
Earned depletion	(14,505)	(9,799)
Manufacturing and processing allowance	1,346	4,883
Other	389	1,367
Income tax provision	$ 23,115	$ (22,300)

The future tax benefits relating to losses carried forward have been recognized. At December 31, 1983, there were losses carried forward for income tax purposes of $133 million of which $22 million has to be utilized by 1986, $90 million by 1987, and $21 million by 1990.

Westar Mining has accumulated earned depletion benefits and investment tax credits available to reduce the provision for income taxes in future years by approximately $10 million and $9 million respectively.

13 Extraordinary Items

	1983 (Thousands)	1982 (Thousands)
Loss on sale of Skeena Lumber mill, net of income taxes of $1,232,000	$ (1,674)	$ –
Write-down of oil and gas interests in the United States, net of income taxes of $916,000	(11,236)	–
Gain on sale of interest in Sable Island oil and gas field, net of income taxes of $22,340,000 and minority interest of $9,398,000	–	11,521
Provision for loss on note receivable, net of income taxes of $2,340,000 and minority interest of $2,226,000	–	(4,434)
	$ (12,910)	$ 7,087

14 Pension Plans

The Company has pension plans for hourly and salaried employees. At December 31, 1983 the aggregate of the unfunded past service liabilities for all Company pension plans is estimated to be $4.6 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, 1985 and 1986 respectively. At December 31, 1983, 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 $258 million and $272 million for the years ended December 31, 1983 and 1982 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 $87 million in 1983 and $84 million in 1982 to Pohang Iron and Steel Company of Korea which has a 20% interest in the Greenhills Mine Joint Venture.

Based on discussions with its Japanese and Korean customers, Westar Mining believes that the supply of Balmer and Greenhills metallurgical coal to these customers will continue on a long term basis beyond the March 1985 and 1986 expiry dates.

16 Subsidiary Companies

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

- Westar Mining Ltd. (67% owned)
  - (formerly B.C. Coal Ltd.)
- 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
- BC Timber Ltd.
  - BC Timber International S.A.
  - High Arrow Limited
- Westar Petroleum Ltd.
  - Bighart Oil and Gas Inc.
  - BC Resources Oil & Gas Inc.
- Westar Industries Ltd.
- B.C. Resources Holdings Ltd.

17 Segmented Information

($ Millions)

	Sales		Operating Profit (Loss)		Capital Expenditure		Depreciation, Depletion & Amortization		Identifiable Assets	
	1983	1982	**1983**	1982	**1983**	1982	**1983**	1982	**1983**	1982
Coal	**433.5**	430.6	**100.6**	98.0	**134.5**	306.2	**30.9**	25.3	**1,301.4**	1,203.0
Forest Products										
Pulp	**169.9**	179.0	**(9.8)**	(32.6)	**3.0**	11.7	**5.6**	8.8	**242.6**	250.8
Lumber	**168.7***	68.3*	**15.0**	(32.6)	**2.2**	.3	**4.7**	4.0	**91.0**	68.1
Woodlands	**—**	—	**—**	—	**4.0**	3.8	**9.5**	7.0	**59.4**	88.6
Unallocated	**—**	—	**(10.0)**	(11.7)	**.4**	.5	**.2**	.2	**9.4**	11.7
	338.6	247.3	**(4.8)**	(76.9)	**9.6**	16.3	**20.0**	20.0	**402.4**	419.2
Oil and Gas										
Canada	**41.0**	8.3	**20.1**	1.3	**25.0**	13.9	**8.8**	4.0	**220.3**	205.3
United States	**.4**	.4	**(3.2)**	(3.1)	**.1**	3.5	**3.1**	3.5	**1.0**	15.7
United Kingdom (Brae Field)	**21.2**	—	**8.6**	—	**56.7**	66.2	**5.9**	—	**467.1**	356.7
Corporate	**—**	—	**—**	—	**.1**	.8	**.2**	.3	**55.7**	52.0
	834.7	686.6	**121.3**	19.3	**226.0**	406.9	**68.9**	53.1	**2,447.9**	2,251.9
Unallocated expenses, less interest and other income			**15.0**	(5.1)						
Interest expense			**(73.6)**	(58.6)						
Income taxes			**(23.1)**	22.3						
Minority interest			**(20.6)**	(16.3)						
Earnings (loss) before extraordinary items			**19.0**	(38.4)						

	Coal		Pulp		Lumber*		Oil and Gas		Total	
	1983	1982	**1983**	1982	**1983**	1982	**1983**	1982	**1983**	1982
Sales										
Canada — Domestic	**16.0**	14.3	**.5**	.2	**—**	18.3	**41.0**	8.3	**57.5**	41.1
— Export	**417.5**	416.3	**169.4**	178.8	**168.7**	50.0	**.4**	.4	**756.0**	645.5
	433.5	430.6	**169.9**	179.0	**168.7**	68.3	**41.4**	8.7	**813.5**	686.6
United Kingdom	**—**	—	**—**	—	**—**	—	**21.2**	—	**21.2**	—
	433.5	430.6	**169.9**	179.0	**168.7**	68.3	**62.6**	8.7	**834.7**	686.6

*Including sales of lumber purchased for resale (1983 — $68.6 million; 1982 — $6.2 million)

Quarterly Information

(Unaudited — $ Millions)

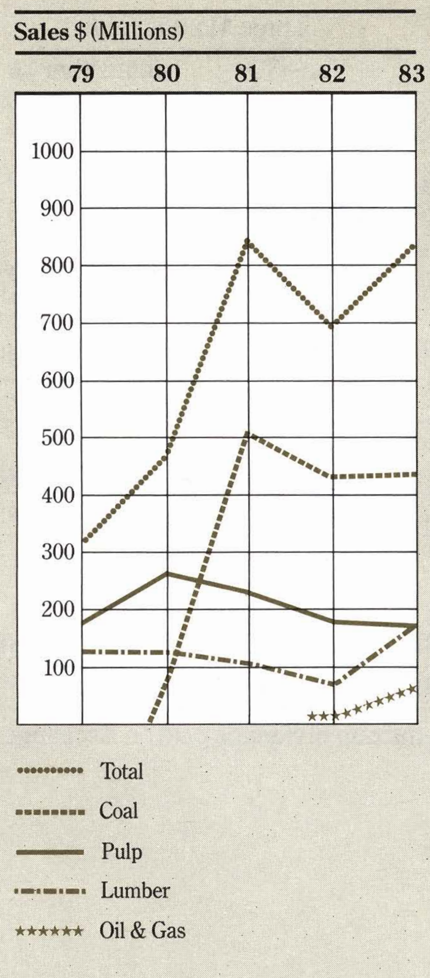
	Three Months Ended								Year Ended	
	March 31		June 30		September 30		December 31		December 31	
	1983	1982	**1983**	1982	**1983**	1982	**1983**	1982	**1983**	1982
Revenue										
Coal	**103.0**	86.8	**109.8**	147.9	**128.4**	85.2	**92.3**	110.7	**433.5**	430.6
Forest products	**64.2**	53.6	**96.4**	65.3	**87.1**	67.3	**90.9**	61.1	**338.6**	247.3
Oil and gas										
Canada	**9.3**	—	**9.4**	.2	**11.6**	.3	**11.1**	8.2	**41.4**	8.7
U.K.	**—**	—	**—**	—	**6.0**	—	**15.2**	—	**21.2**	—
Interest and other income	**1.8**	2.8	**2.8**	1.6	**7.2**	.9	**9.4**	2.2	**21.2**	7.5
	178.3	143.2	**218.4**	215.0	**240.3**	153.7	**218.9**	182.2	**855.9**	694.1
Earnings (loss) before extraordinary items	**.1**	(13.0)	**7.3**	2.7	**9.2**	(14.9)	**2.4**	(13.2)	**19.0**	(38.4)
Net earnings (loss)	**.1**	(13.0)	**5.6**	13.2	**9.2**	(14.9)	**(8.8)**	(16.6)	**6.1**	(31.3)
Earnings per Common share ($)*										
Earnings (loss) before extraordinary items	**(0.02)**	(0.13)	**0.06**	0.02	**0.08**	(0.15)	**0.01**	(0.15)	**0.13**	(0.41)
Net earnings (loss)	**(0.02)**	(0.13)	**0.05**	0.13	**0.08**	(0.15)	**(0.11)**	(0.19)	**0.00**	(0.34)

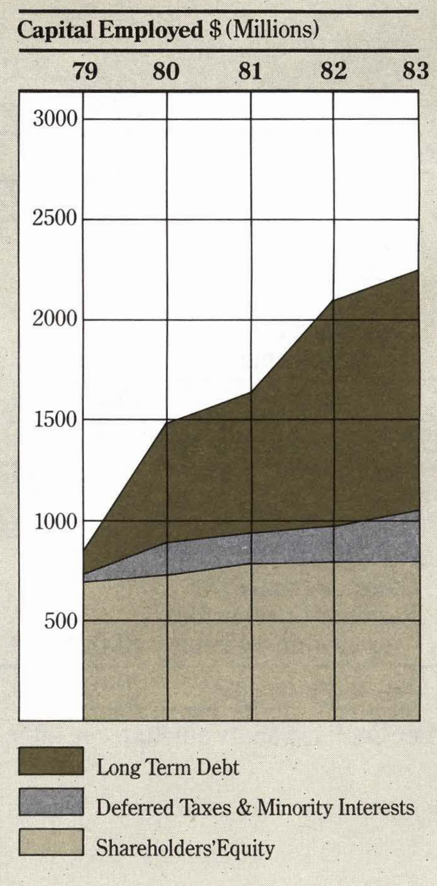
*Per Common share amounts are after deducting dividends paid on Exchangeable Preferred shares.

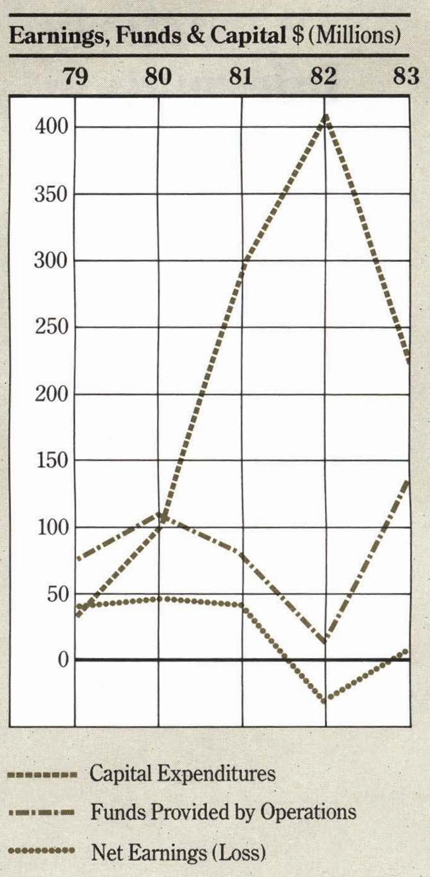
Financial and Statistical Summary

	1983	1982	1981	1980[1]	1979
Financial Information (**$ Millions**)					
For the year					
Revenue					
Coal	**433.5**	430.6	511.8	83.7	—
Forest products	**338.6**	247.3	336.4	385.3	321.6
Oil and gas	**62.6**	8.7	—	—	—
Interest and other income	**21.2**	7.5	12.6	51.4	36.8
	855.9	694.1	860.8	520.4	358.4
Earnings (loss) before extraordinary items	**19.0**	(38.4)	7.9	45.7	40.8
Net earnings (loss)	**6.1**	(31.3)	42.5	47.9	40.8
Funds provided by operations	**133.2**	12.0	77.6	110.3	76.2
Additions to property, plant and equipment	**226.0**	406.9	295.5	99.9	35.2
At end of year					
Working capital	**54.0**	64.5	87.9	82.2	559.7
Total assets	**2,447.9**	2,251.9	1,799.8	1,676.2	940.7
Long term debt	**1,208.2**	1,126.3	718.9	585.2	132.6
Deferred income taxes and minority interest	**247.1**	158.7	133.9	166.6	42.6
Shareholders' equity	**798.3**	799.7	773.6	731.1	683.2
Per Common Share Information (**$**)					
Earnings (loss) before extraordinary items[2]	**0.13**	(0.41)	0.08	0.47	0.69
Net earnings (loss)[2]	***0.00***	(0.34)	0.44	0.50	0.69
Book value	**7.67**	7.69	8.04	7.60	7.10
Price range — High	**4.75**	3.95	6.63	9.25	9.25
— Low	**2.56**	2.38	3.00	5.75	5.87
— Close	**4.40**	2.65	4.00	5.95	7.10
Ratios					
Current ratio	**1.3:1**	1.4:1	1.5:1	1.4:1	7.8:1
Debt to equity ratio	**1.5:1**	1.4:1	0.9:1	0.8:1	0.2:1
Percent of long term debt to total capital employed	**53.6%**	54.0%	44.3%	39.5%	15.4%
Return on common shareholders' equity	**1.7%**	(5.2%)	1.1%	6.5%	9.1%
Return on capital employed	**3.4%**	0.2%	3.9%	7.9%	11.2%
Statistical Information					
Shipments (Thousands)					
Coal — tonnes	**5,984**	5,464	7,371	1,300	—
Pulp — air dry tonnes	**391**	364	409	480	450
Lumber[3] — thousand foot board measure	**655**	354	475	545	434
Oil — barrels	**1,764**	277	—	—	—
Gas — thousand cubic feet	**1,018**	84	—	—	—
Employees	**4,914**	6,078	6,562	6,819	3,918
Wages, salaries and employee benefits ($ Millions)	**194.9**	210.8	217.7	140.4	95.5
Number of registered shareholders (Thousands)					
Common shares	**114.5**	121.2	128.0	133.3	136.1
Exchangeable Preferred shares	**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 sales of lumber purchased for resale (1983 — 256 thousand; 1982 — 37 thousand).







Company Directors

Directors represent shareholders interests

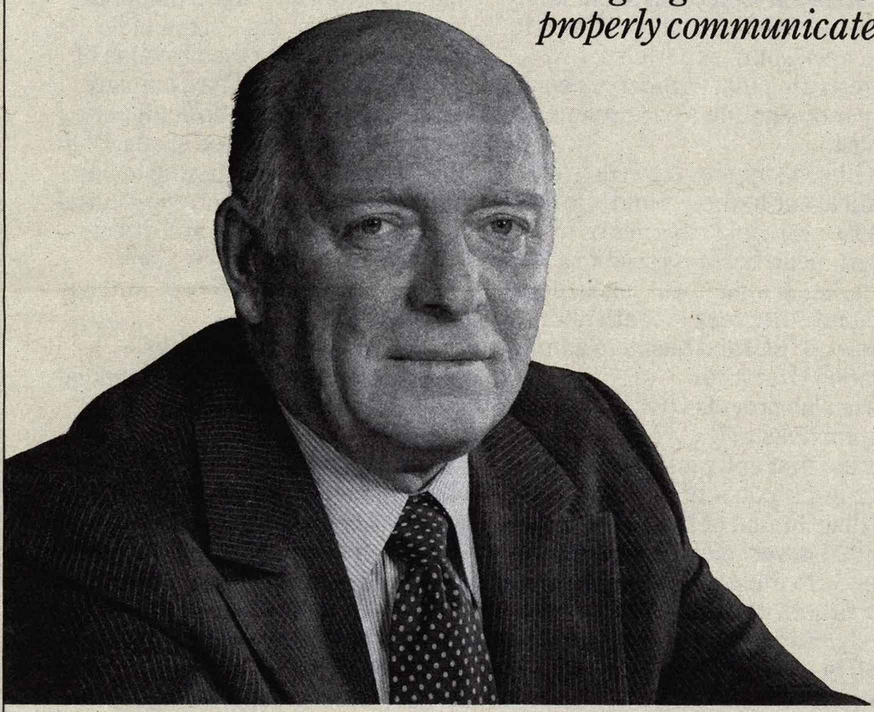
The board of B.C. Resources consists of 11 people who are all highly successful in their own line of business. Each is also deeply involved in the business world at large and in the advancement of educational, charitable, social or cultural causes. Each comes to a B.C. Resources *board meeting or committee meeting* having done considerable homework on the agenda, prepared to make proposals or advocate a point of view that they feel will best serve the interests of the Company's shareholders. The directors are required by law to be the representatives of all the shareholders.

Says director Ed Phillips: "a successful group of directors *cooperates with management, not* handicaps them, to be sure they conduct the enterprise in a manner consistent with its true purposes. This doesn't prohibit imaginative ideas from individual directors, but they are advanced for consideration by others and by management, not as instructions. A suggestion can only become an instruction when supported by the judgment of all directors and management. *Otherwise there would be chaos.*"

Normally, six general board meetings are held per year, and each of the standing committees (Executive, Audit, and Human Resources) meet several times a year. Management sits in on many of these meetings, and three of the directors (Watson, Howe, Riva) are part of management. Outside directors are paid a $5,000 annual fee plus meeting attendance fees. *The three B.C. Resources officers* now on the board do not receive any extra money for sitting on the board.

Donald Watson

"We've got to translate corporate activities into language that can be properly communicated."



Donald Watson is everybody's friend and brings a warm, reassuring business style to the B.C. Resources executive suite.

In addition to conducting board meetings and annual meetings, he manages the flow of corporate information to the board, liaises with board members, provides an interface between directors and management, interprets management proposals and actions along with other directors, and represents the corporation to shareholders and at public events and meetings.

Because B.C. Resources had a unique beginning, and has a unique range of shareholders, it has taken a much greater effort to develop and maintain good shareholder communications than in other large resource corporations in B.C., Watson points out. "Many of our shareholders are first-time investors. We have to understand that and we've got to translate corporate activities into language that can be properly communicated to a diversified group of people."

Moving efficiently from camp to camp and feeling welcome comes easily to Watson: he was a bush pilot in Saskatchewan and northwestern Ontario for many years. In 1958, he joined Pacific Western Airlines, which was itself a bush operation with about 300 employees. Starting as an assistant to the president and general manager, he soon began making major contributions to the rapid growth of the company: "motivating people to give more than 100 per cent — because we had to. Any company growing at the rate they were growing had serious problems. And management of the financial side, and maintaining operational integrity — and not kill a lot of people," Watson says seriously.

PWA grew rapidly, unhampered by strikes, and Watson grew with it, becoming president and chief executive in 1970. Six years later he moved to Canadian Cellulose Co. Ltd. as chairman and was also president and chief executive when he left the company (now a wholly-owned subsidiary, BC Timber) in 1981 to head up B.C. Resources Board.

Watson's only outside directorship now is with The Insurance Corporation of B.C. He is still active in national and international aeronautic institutes and associations, and is chairman of Canada's Aviation Hall of Fame. He is also chairman, Corporate Campaign of the Shaughnessy Hospital Foundation.

Walter Riva

Walter Riva is the kind of executive who gets things done without being noticed during the process. He is quiet, low key, considerate and reflective. But he's also a natural leader who brings to the B.C. Resources board a lifetime of experience in the coal industry that has earned him the title of "Canada's Mr. Coal," from his peers.

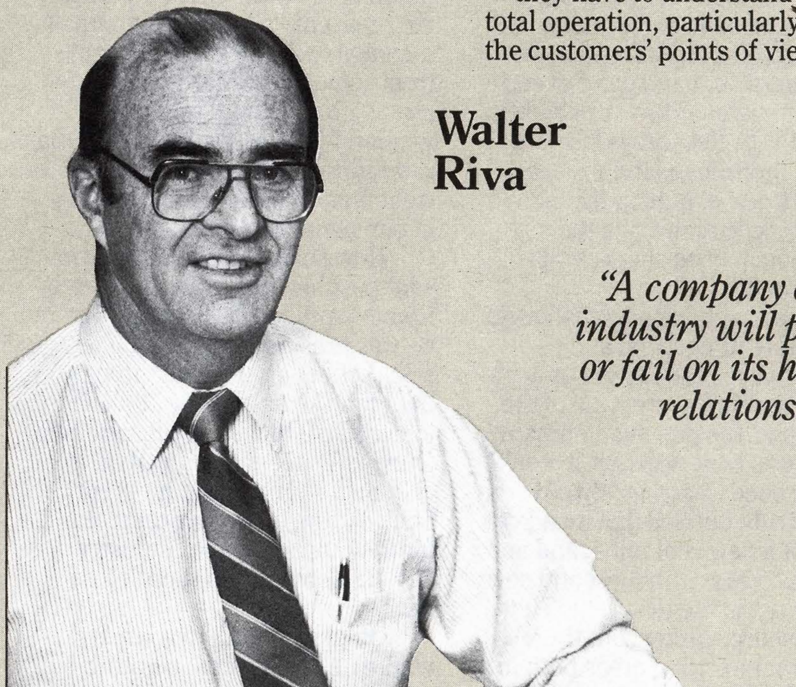
Riva obtained the first signed coal contract with Japan in 1957 and today is welcomed as an old and trusted friend among Japanese businessmen, bankers and government officials. His circle of contacts among Pacific Rim countries is ever-widening. He is now taking advantage of his business knowledge and expertise to broaden world-wide business opportunities for B.C. Resources, of which he is now vice-chairman, while serving as well on the boards of BC Timber, Westar Mining and Westar Petroleum.

He began his career as a laborer in the coal mines of Canmore, west of Calgary. That work was interrupted by military service, university (where he graduated with distinction) and the start of a family. Returning to Canmore after WWII, he stayed for 20 years and rose to become chief executive officer of Canmore Mines Ltd. Along the way he devoted every spare minute to developing the company town — raising money for the church, coaching hockey and little league baseball and building a circle of lifelong friendships.

He came to Sparwood, B.C. in 1973 as vice-president of Kaiser Resources. Again he devoted himself to contributing to the development of what is acknowledged today as one of Canada's finest company towns. His efforts were recognized in 1982 when he was named the first Freeman of the District of Sparwood. By 1978 he had become president of the coal division and in 1980 became chief executive officer of B.C. Coal, stepping back from day-to-day operations when the company became Westar Mining in mid-1983.

Walter Riva believes that people are the ultimate factor in the success or failure of the business enterprise. "You must appreciate the importance of people to a company. It is greater than major technological breakthroughs. A company or an industry will prosper or fail on its human relations."

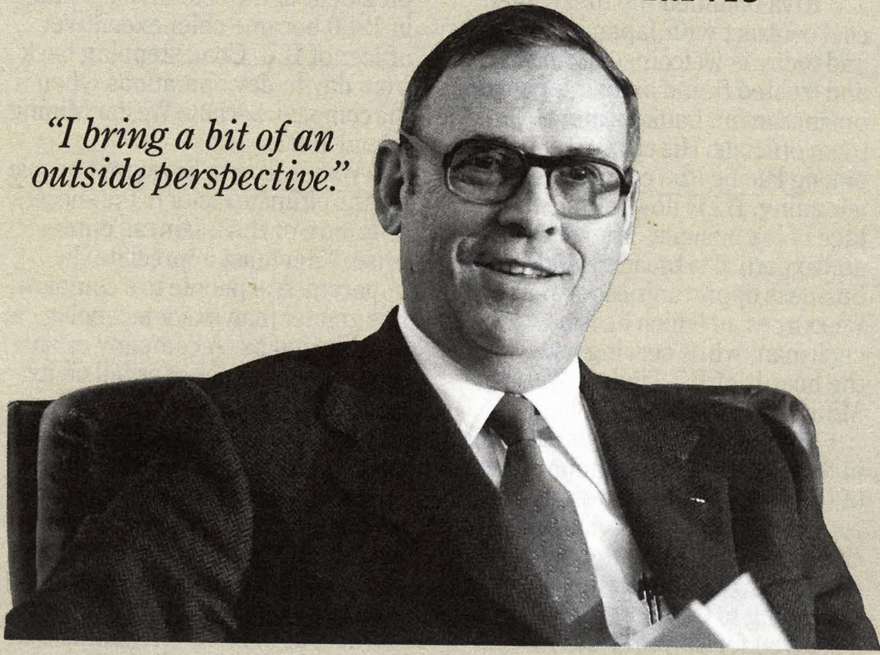
Riva's attitude toward involving people in their work has gone a long way toward contributing to the success which Westar Mining enjoys today as Canada's largest exporter of coal. It has culminated in the unique participatory contract with workers at the new Greenhills coal mine. "Employees must be involved in the process of making the company profitable, and then be able to participate in the benefits which come out of that success. I believe that Canadian industry is headed for disaster if we don't involve people in the entire process of the business — they have to understand that total operation, particularly from the customers' points of view."



"A company or an industry will prosper or fail on its human relations."

Donald Harvie

"I bring a bit of an outside perspective."



Donald Harvie of Calgary, oilman, rancher and one of Western Canada's leading philanthropists — was the first non-resident of B.C. to join the B.C. Resources board. Harvie, who is also on the board's executive and audit committees, believes that encouraging progress has been made. But further progress is subject to world competition for forest products and coal markets, he cautions.

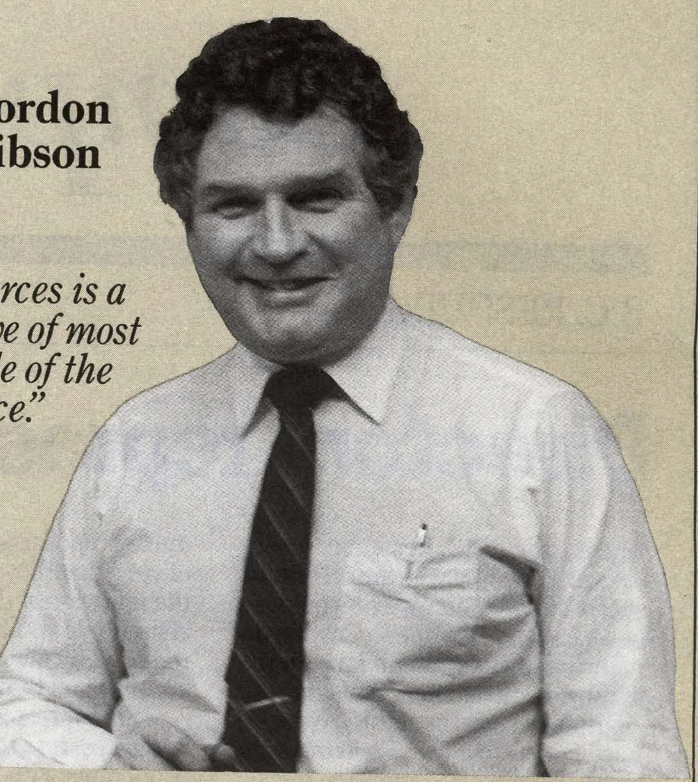
Harvie also brings to the B.C. Resources board a background in oil and gas exploration and production, complementary to Ed Phillips' background in the transportation and marketing of oil and gas. "I guess I bring a bit of an outside perspective — not being too tied to the Vancouver group or the B.C. direct perspective: that gives you balance."

Across Canada, Harvie is respected as the philanthropist who heads the Devonian Group of Charitable Foundations, which has granted $75 million during the past ten years — mainly in Western Canada — to a variety of public park improvements, applied science research projects, and historic preservation projects and museums. The flagship projects include the Glenbow Museum, the Devonian Gardens and Zoo, all in Calgary; Devonian Park in Vancouver; the veterinary disease research centre in Saskatoon; and the main street, parks and trails programs in B.C. and Alberta. Altogether B.C. has received about $7 million of the grants for 26 projects. The Foundation program is now largely completed.

Harvie's business background is extensive. After graduating in chemical engineering from the University of Alberta and in business administration from Harvard, he served two years with the Royal Canadian Engineers, and held executive positions with Western Leaseholds Ltd., Canadian Fina Oil Ltd., Petrofina Canada Ltd., and Petro-Canada (deputy chairman). He is presently non-officer chairman of BP Resources Canada Ltd. and a director of the Bank of Montreal, the Molson Companies Ltd. and Northern Telecom Ltd. as well as B.C. Resources. He is an active governor of the Glenbow-Alberta Institute, and was founding governor of Heritage Canada, and founding director and chairman of Calgary's Heritage Park Society. He has also served as a director of the Calgary Zoo and the Calgary United Fund.

Gordon Gibson

"B.C. Resources is a representative of most of the people of the province."



Gordon Gibson was executive assistant to the Prime Minister, 1968-72, and was leader of the Liberal Party of B.C. 1975-79. Although Gibson downplays his "time in politics," it does help him bring to the B.C. Resources board a keen sense of the interests of small shareholders and the way they feel about their Company.

"In many ways, B.C. Resources is a representative of most of the people of the province," he says. "So it's good to have on the board of that kind of institution, directors who have some experience in representing that number of people — in representing a constituency almost."

Gibson supplies more than a political ear-to-the-ground. He contributes valuable experience in government/business relations and in capital management, backed up by honors degrees in math and physics (UBC) and business administration (Harvard).

He also provides two important historic links to B.C. Resources: he was the first and most persuasive voice in the public arena to advocate the distribution of B.C. Resources original government-owned assets directly to the people of B.C. And he was born in B.C. to a pioneer B.C. family continuously engaged since 1900 in developing the natural resources of the province.

One of the youngest B.C. Resources directors at 46, Gibson has a balanced view of the board's role. In addition to the usual policy-making and housekeeping functions, and beyond the immediate concerns of ordinary shareholders about the safety of their capital, he is keenly interested in long-range planning: potential acquisitions, opportunities for corporate growth.

"Because we have so many shareholders who have entrusted us with a lot of capital, we have a duty and an opportunity to try to make the greatest use of that shareholder base in managing the direction of corporate growth. The Company has come through a difficult period of consolidation in good shape. With discretionary cash starting to become available, the entrepreneurial skills of management and directors will come into play as we look beyond oil, coal and forest products at other activities."

In community life, Gibson serves on the boards of the Canadian Club of Vancouver; the Arts, Sciences and Technology Center Society; The Canada West Foundation, and The Discovery Foundation of B.C. In private business, he is active in real estate development, through Gibson and Clark Properties Ltd., in general investment, through Spuraway Holdings Ltd., and in commercial laser technology, through General Systems Research Ltd.

Bruce Howe

One of the first things Bruce Howe did when he came from Montreal to the west coast 20 years ago was to join the YMCA to maintain his year-round fitness program. He's still at it, swimming or playing squash — or both — every day.

Behind the zip is formidable ability: president and chief executive officer Bruce Howe can rightly describe B.C. Resources last two years as "getting existing assets into good shape, pulling through the worst recession since the depression in good shape, and getting profitable."

Howe is tackling new challenges in corporate integration and growth: "we're ready to get on with building for the future. One of the promises of 'the peoples' company' when it was born was that it would be doing good things for B.C. We've only partially fulfilled that mandate: we've got a new coal mine, and an expanded coal port, almost 500 new jobs created in the past year. That's in the resource sector. But there's lots of other exciting areas both in B.C. and in Western Canada where exciting things can be done in the future."

Accordingly, Howe's priorities now are "to make the company profitable, to reduce our debt, and to go for the future." A critical role is the development of the management team he has fitted together. He sees it as "a top-flight group of managers who all willingly came from somewhere else where they already had a track record as winners." The young team has "the right mix of talents, and there's the right mix of wisdom and maturity in our senior management."

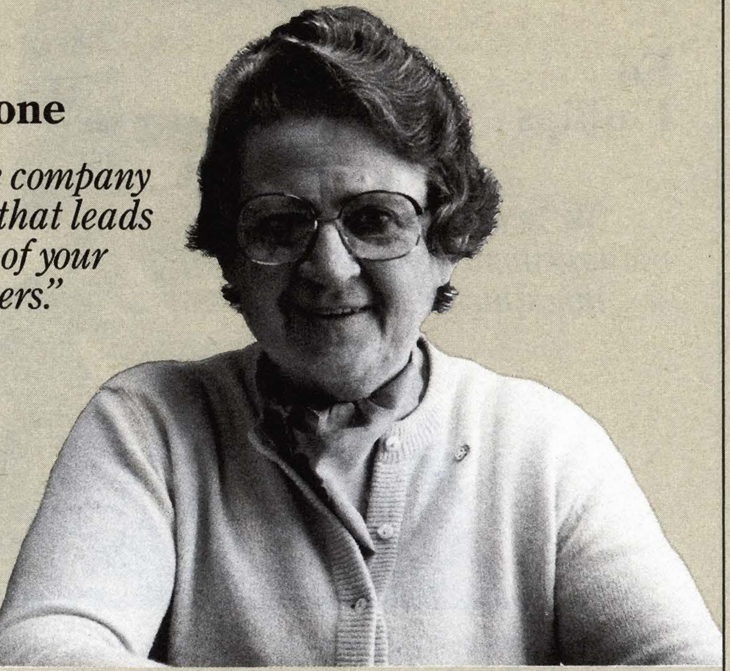
Howe came in 1980 to his present position with B.C. Resources from MacMillan Bloedel Ltd. where he was president and chief operating officer after rising through the MacBlo ranks since 1963. Born in northern Ontario; graduated from Queen's University, Kingston, in chemical engineering, he spent five years on technological research for the pulp and paper industry at Baie Comeau, Quebec before heading west.

Outside of B.C. Resources, where he also chairs operating subsidiaries, Howe is a director of the Bank of Montreal, B.C. Place, and the Conference Board of Canada. He is a governor of the Vancouver Public Aquarium and the Greater Vancouver YMCA, a trustee of Queen's University, serves on the advisory council of the commerce and business faculties at UBC and Queen's, is past president of the Canadian Club of Vancouver and active in various business and international trade associations.

"To make the company profitable, reduce debt, and go for the future."

Lucille Johnstone

"Conduct the company in a manner that leads to support of your customers."



When a financial problem comes up on the B.C. Resources board, Lucille Johnstone is often the one who finds the practical answer. Her strength in finding a pattern in a puzzle is a cornerstone of the board's audit committee.

"No matter whether the company is private or public, the principles are still the same. You still hold a key responsibility not only to the owners but to the people who work for the company," she says. "I feel the people who actually are employed are looking to those in leadership for their future security and for pride in the company. In order for them to have that pride and continue in employment with the company, one has to conduct the company in a manner that leads to support of your customers. All those ingredients have to be considered."

Her track record at RivTow, for example, speaks for itself: she started 37 years ago (with a predecessor company) as a Girl Friday and tug dispatcher, working seven days a week at two desks. The company had 12 employees. Annual sales were $200,000.

With Johnstone fitting the pieces together smoothly, the company has expanded throughout Western Canada into manufacturing, selling and servicing heavy resource-industry equipment. She now administers 1,500 employees. Annual sales are $250 to $300 million and she has earned a major shareholding in the privately-owned company.

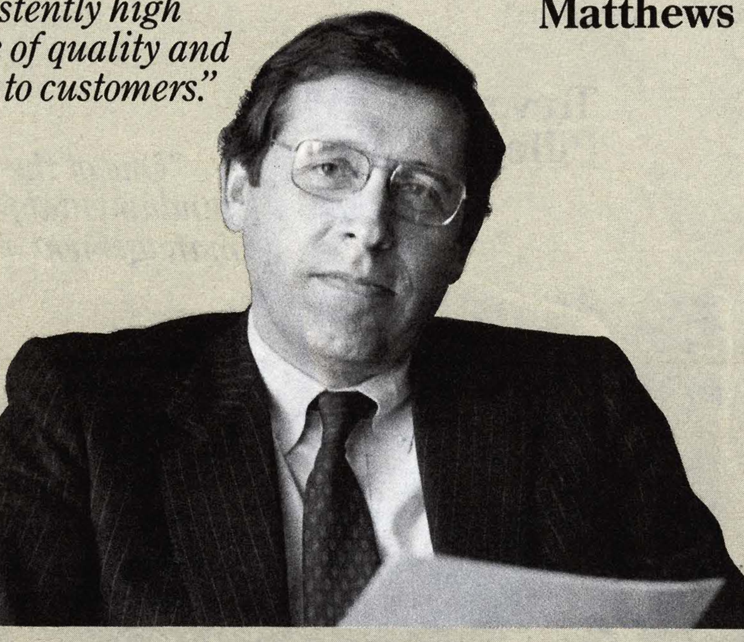
Mrs. Johnstone's unusual background has equipped her well for doing business. As a 12-year-old, she helped rescue family finances after her father's candy-making business went bankrupt and her mother could not earn enough selling candy door-to-door. Lucille went to work summers in the Kitsilano Park pavilion, helping run the concessions. She had to overcome shyness and to acquire "smarts" to deal with depression-hungry strangers; she worked 16-hour days for the minimum wage of $7.50 a week.

Lucille Johnstone was born in Vancouver over 50 years ago and is now senior vice president, administration and secretary, director and shareholder of RivTow Straits Ltd. She is also a director of Northland Bank, B.C. Forest Foundation and B.C. Place. She is a member of B.C. Resources audit committee, and chairperson of the Northland Bank and B.C. Place audit committees, as well as chairperson of The SARA Society.

Mrs. Johnstone's educational background is equally impressive. She's a Certified General Accountant; a notary public in the Province of B.C.; a graduate of the Banff School of Advanced Management; and professional administrator, Chartered Institute of Secretaries.

John Matthews

"Maintaining a consistently high measure of quality and service to customers."



The important capital markets of Eastern Canada are represented on the B.C. Resources Board by John Matthews, who contributes 25 years of experience in the field of finance in Montreal, Toronto and Western Canada.

Matthews is an advocate of board responsibility not only to shareholders, but to customers and employees. "My experience in the financial service industry has convinced me of the importance of maintaining a consistently high measure of quality and service to customers," he says. "The board helps employees toward this goal by making sure they are treated fairly, with appropriate rewards for top achievers, and an environment that taps their potential and provides job satisfaction."

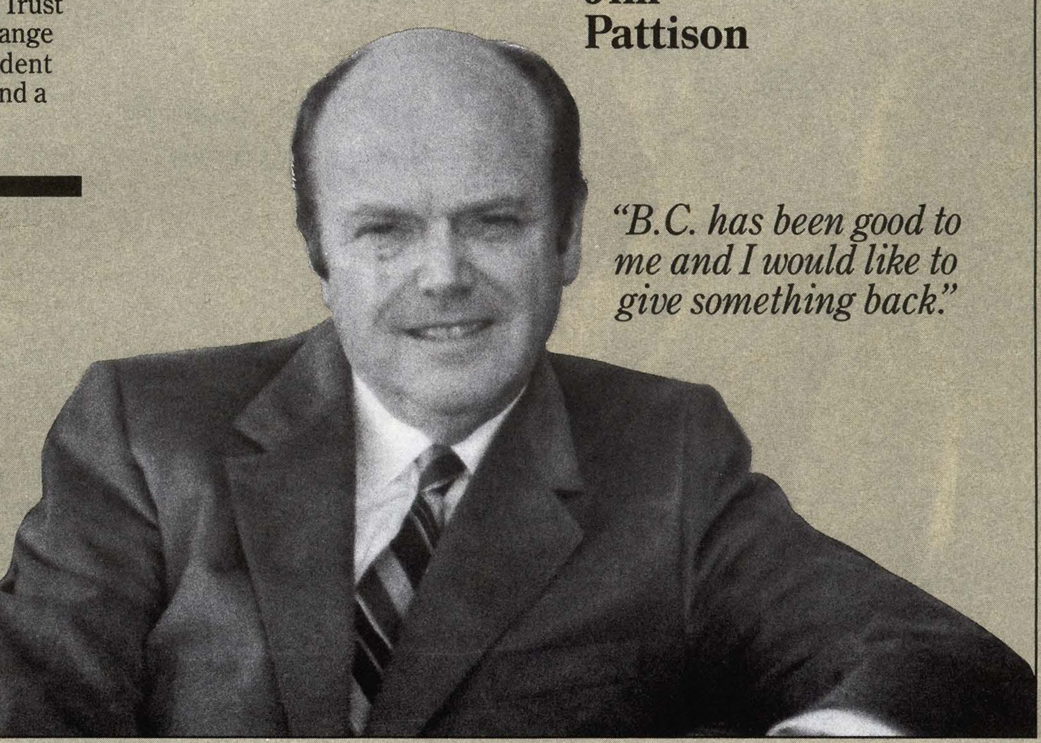
This does not mean any less concern for shareholder interests. Matthews feels a director's responsibility to shareholders is essentially the same regardless of the size or type of organization: to make sure their interests are looked after. This means the maintenance of the appropriate balance between short and long-term objectives.

Matthews was born in 1935 into a country clergyman's large family in Viking, Alberta. The family moved east in 1940 and Matthews grew up in various places in Quebec, finishing high school in Kenogami, a paper mill town in the Saguenay-Lake St. John district. The entire family worked to finance university educations for the five children. Matthews held summer jobs as varied as harvesting pulp logs, working on a railway in Labrador, and in a fish hatchery near Gaspe, Quebec.

His university education includes a B.A. from Bishop's in Lennoxville, Quebec; and an M.B.A. from the University of Western Ontario in London, Ontario. On graduating Matthews joined Royal Trust in Montreal and steadily worked his way up through the management and executive ranks. His career included stints in Vancouver, Calgary, Winnipeg and Toronto. When he left Royal Trust recently to make a career change he was executive vice president and chief operating officer and a director.

Jim Pattison

"B.C. has been good to me and I would like to give something back."



Jim Pattison is more of a phenomenon than a director on the B.C. Resources board. It is clear that this enigmatic, charismatic man makes an outsize contribution: when fellow directors describe him in action, their words tumble out enthusiastically.

Says one: "he is absolutely practical, and hard-nosed. He strips away all the decoration, reduces the subject to essentials. He's cautious and conservative in a sense; he's very good at risk analysis." Says another director: "he's shrewd, competent. He enjoys work and gets more out of 12 hours than most people get out of 18. He comes to meetings prepared. He listens to all the divergent points. His mind is incisive. He gets right to the thrust — strategic and financial — of what we're working on. He sees every business as cash in, cash out. You can't spend without knowing you're going to get it back."

Jim Pattison, an entrepreneur extraordinaire in privately-owned business, is perfectly comfortable in the boardroom of a large public corporation: Pattison rejects overly risky propositions, declaring: "we must never get into a position at B.C. Resources where we're betting the company, gambling with shareholders' money." Why is B.C. Resources the only non-governmental corporate board Pattison belongs to, outside The Jim Pattison Group? "B.C. has been good to me and I would like to give something back to the province by doing the best I can to help the Company's shareholders," he says.

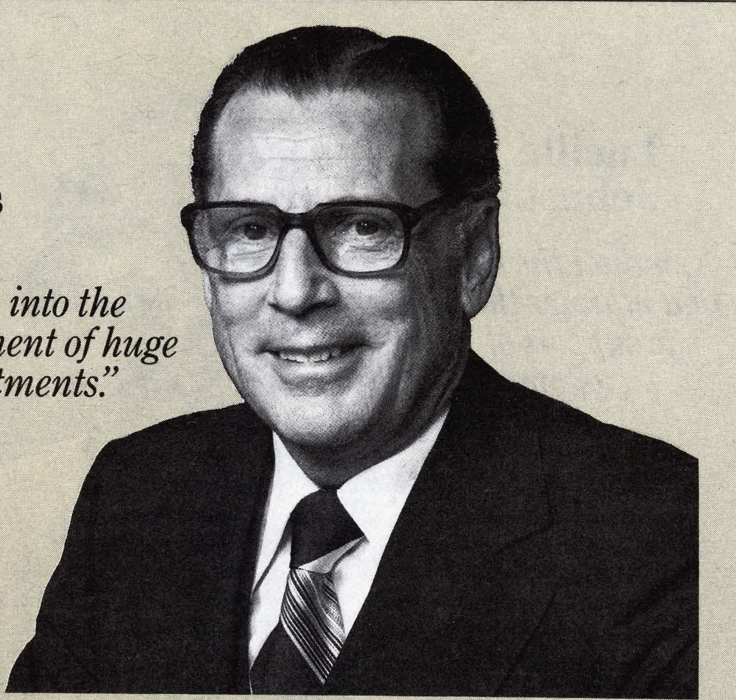
Pattison has created a complex empire of 35 corporations with 6,000 employees and annual sales approaching $1 billion. His holdings in The Jim Pattison Group now make up the ninth largest privately-held business in Canada, and ranked 103 in the top 500 of all Canadian corporations in 1982. By comparison, B.C. Resources ranked 107 in the top 500.

He has been saluted on the front cover of B.C. Business magazine, featured in Canadian Business magazine and the Financial Post, and was recently honored by his Vancouver peers as Businessman of the Year. As sole owner, chairman, president and chief executive of The Jim Pattison Group, he has been able to fine-tune his fleet of business organizations to ride out the recession comfortably. Making tough moves at the right time (like closing unprofitable divisions), he weathered the recession with rising profits.

Today, at age 55, Jim Pattison is not ready to retire or rest on his laurels. He has taken on new challenges involving multi-level public service. Pattison is the unpaid chairman of the board of two major Crown corporations: Expo 86 and B.C. Place.

Ed Phillips

"We're into the management of huge investments."



Asked about Ed Phillips' contribution to the B.C. Resources board, a fellow director replied "Ed is a class act, complete integrity. He's a diplomat: after everybody else has given up looking for a peaceful solution without confrontation, he's still finding a way to do it."

Although he is unassuming and cultivates a low profile, Ed Phillips would be on everyone's short list of the senior business statesmen of Western Canada.

In recent years Phillips guided oil and gas pipeline megaprojects in B.C., the Yukon and Alaska, which were among the largest civil projects ever undertaken by private business in the world. He continues to be a director and consultant to Westcoast Transmission Company Limited, after retiring a year ago from the chairmanship of that organization. He is president and chief executive of Foothills Oil Pipe Line Ltd. and vice chairman of Foothills Pipe Lines (Yukon) Ltd.

Phillips is more than a leading energy industry executive. He is a governor of The Resources of Canada Fund and a director of Barclays Canada Ltd., Dynalectron Corp., Emco Ltd., Keycorp Industries Ltd., Midland Doherty Financial Corp., Serem Inc., Westar Mining Ltd., and Worldwide Equities Ltd., in addition to being a director of The Foothills Group, Westcoast, and B.C. Resources. Active in many community and industry associations, Ed Phillips also served terms on the boards of MacMillan Bloedel and Canada Trust.

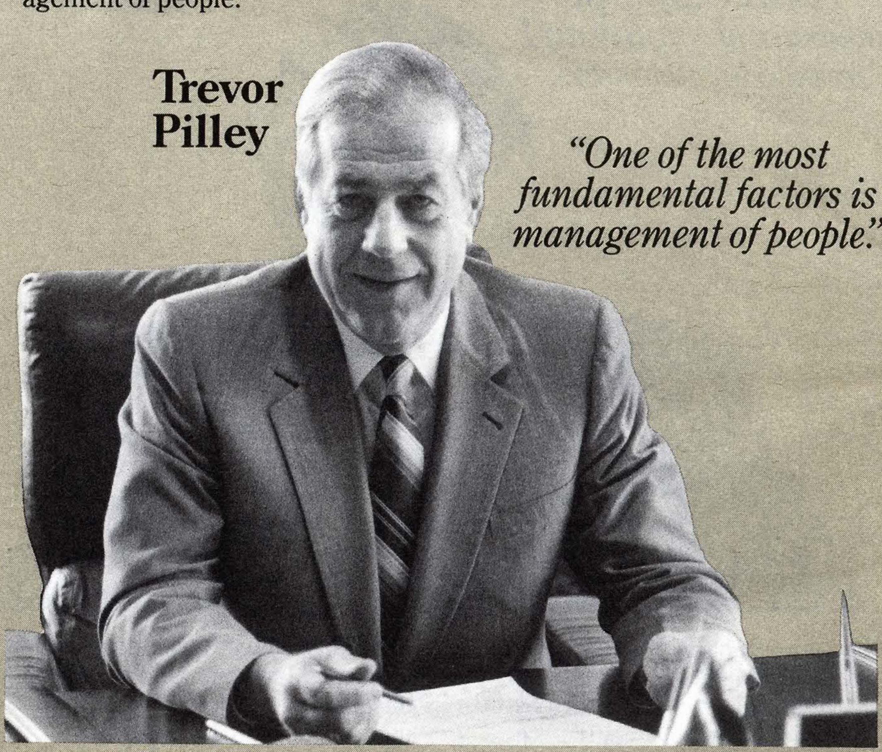
Not bad for a "small-time cowboy" from the prairies. Phillips was born on a homestead near Saskatoon to parents who later were both graduates of the University of Oregon. He worked as a youth herding cows, selling newspapers and delivering milk. In 1937, after two years as a salesman in Lethbridge, Alberta, he hopped on a cattle train for a seven-day ride to Toronto, where he planned to attend the University of Toronto School of Commerce. The dean suggested he wait for a later semester, so Phillips took a job for $12 a week as an office boy in the marketing department of Loblaw Groceterias.

"There's a great responsibility for a director: his personal life style becomes a reflection on his employer. Like it or not, within your community, you're the company and your style is the perceived style of the company," Phillips says.

"Performance is the bottom line when appraising a company." Relating this to B.C. Resources, Phillips points out "we've matured from the era of promotion and hoopla. We're into the management of huge investments already made. You don't sell coal, pulp, lumber and oil on world markets like you sell beer and hotdogs in the stadium. You're dealing with resources controlled by governments, markets influenced by governments and international economics."

Trevor Pilley

"One of the most fundamental factors is management of people."



As chairman and chief executive officer of the Bank of British Columbia, Trevor Pilley was asked in 1978 to serve on the B.C. Resources board as a free enterpriser with wide exposure to the public through large numbers of customers and shareholders.

In the six years since he joined the board, he has seen the company grow from an idea into one of the largest resource companies in Western Canada. "There's been a good turnaround from the early days with improvement in cash flow and profit. Bruce Howe has acquired and built up a very competent management team. The board is strong and well-balanced. The Company is looking at new and better ways of doing things."

Realistically, the Company can't be much better than the overall B.C. and world economy, Pilley cautions. "If the B.C. economy starts booming, B.C. Resources will do well. And I'm a basic optimist about British Columbia for the next 5-10-15 years."

This does not mean the Company is purely at the mercy of uncontrollable world events. "In any entrepreneurship, one of the most fundamental factors is management of people."

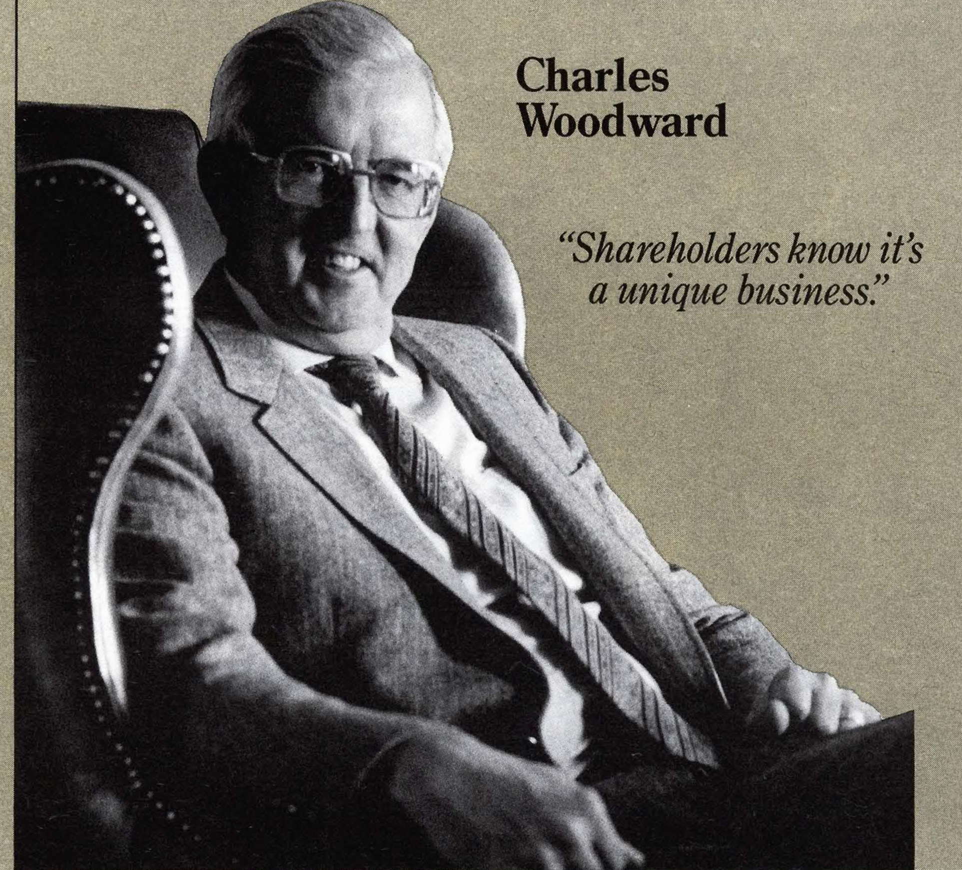
Pilley's enthusiasm for sports is strong in his private life. He swims, golfs, and skis with his family. In community life, he has led fund-raising campaigns for the United Appeal in Toronto and for The Multiple Sclerosis Society and the UBC Commerce Department in B.C. He has chaired and is still an active director of the Salvation Army board in B.C. and serves on the Vancouver General Hospital Foundation board and the advisory board of The UBC Faculty of Commerce and Business Administration.

Almost all of Pilley's career has been in banking. He joined the Bank of Nova Scotia at the age of 15, finishing high school at night.

He left at 17 to join the Air Force and served overseas as a navigation officer. Before rejoining the bank, he helped support himself through university by working summers and weekends as a stevedore on the Montreal waterfront. After unloading hundreds of 150 lb. bags of flour per day, it seemed no burden to begin working his way up through the ranks of the bank. He was its general manager for B.C. when he moved to the Bank of B.C. in 1974 as president and chief operating officer.

Charles Woodward

"Shareholders know it's a unique business."



Punctuating his rough and ready remarks with a boyish grin, Charles Woodward brings the direct, salty outlook of a ranch-hand, Hastings Street merchant, and sportsman to the boardrooms of several companies.

On the B.C. Resources board, Woodward contributes a wealth of good business judgment and the perspective of a labor-intensive, consumer oriented background; "the people's point of view," as he calls it. And there's no doubt that he represents them all. The people, including his customers, employees, and participants in many sports, are loyal and devoted fans of "Chunky" Woodward.

His corporate head office for the family business is still anchored in Vancouver's historic East End where Woodward Department Stores Ltd. opened a three-storey wood frame building at 101 West Hastings Street in November, 1903. Now headquartered in a six storey concrete building, Woodward Stores Ltd. has developed into 16 subsidiary companies operating with 16,000 employees throughout B.C. and Alberta; annual sales exceed $1 billion.

Woodward started in the business as manager of the boys department in 1946; managed the Park Royal and New Westminster stores in the early fifties, became president and general manager in 1956, board chairman and chief executive in 1964. In the succeeding 20 years he has guided major expansion of the business while keeping in personal touch with numerous employees.

Personally athletic and trim at 60, he either runs two miles a day or plays an hour of tennis. He's a veteran Quarterhorse breeder and rider. On the community and civic fronts, he and his family are major sponsors and supporters of the B.C. Ski Team, The Canadian Ski Team, Handicapped Skiers of Canada; and minor league baseball and other youth-in-sports organizations in western cities. He has served on many fund-raising activities for youth and charity, sits on the Greater Vancouver advisory board for The Salvation Army, and is honorary chairman of the B.C. Paraplegic Foundation. On a different level, he is also chairman of the advisory board of the B.C. Lions Football Club.

Woodward's world, as seen from Hastings Street, includes a crisp and realistic perspective of B.C. Resources: "We're very capital-intensive, we're in the commodities market, we're at the mercy of world-wide prices. Shareholders have been very patient because they now it's a unique business."

Glossary of terms

Coal Mining

Breeze
Coke dust developed in the heating process and in the handling of coke. It is mechanically collected and sold as a filtering agent or fuel.

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 washed 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.

Strip ratio
Volume of overburden removed in relation to coal recovered.

Thermal coal
Also known as steam coal, it is normally used as fuel in cement making and power generation.

Unit train
A train made up of a fixed number of railcars operating between two locations in continuous roundtrip 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 or related plants.

Woodlands
Those operations responsible for logging, log transportation, forest management and related functions.

Oil and Gas

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

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

Farm-out
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 a company's share of the gross land holdings calculated in accordance with its various ownership interests.

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.

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

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.

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.

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.

Funds provided by operations
Amount of working capital generated by a company's operations.

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 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 in the event of the liquidation of a company.

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

A.P.I.
Standard formulated by the American Petroleum Institute to measure the relative "thickness" of a liquid, usually oil.

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 .621 mile.

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

Shareholder Information Centre

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 Tuesday, May 1, 1984.

Corporate Information

B.C. RESOURCES 1983 ANNUAL REPORT

Board of Directors

Donald N. Watson
Chairman
British Columbia Resources Investment Corporation

Walter J. Riva
Vice Chairman
British Columbia Resources Investment Corporation

Gordon F. Gibson
President
Gibson and Clark Properties Ltd.

Donald S. Harvie
Chairman
The Devonian Group of Charitable Foundations

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
Business Executive

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
Chairman and Chief Executive Officer
Bank of British Columbia

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

B.C. Resources Officers

Donald N. Watson
Chairman

Walter J. Riva
Vice Chairman

Bruce I. Howe
President and Chief Executive Officer

L. Jack Smith
Executive Vice President, Finance and Chief Financial Officer

Jean G. Cormier
Senior Vice President, Corporate Affairs

Roger J. Duncan
Senior Vice President, Law and Secretary

William S. Cameron
Vice President, Corporate Planning

Robert F. Chase
Vice President, Treasurer

Brant E. Ducey
Vice President, Public Affairs

Gary S. Duke
Vice President, Government Relations

Michael G. McKibbin
Vice President, Corporate Development

David J.R. Petitpierre
Assistant Secretary

Barry N. Wilson
Controller

Westar Mining Officers

Bruce I. Howe
Chairman

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

Robert F. Chase
Vice President, 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

L. Jack Smith
Vice President and Chief Financial Officer

Robert C. Stanlake
Vice President, Port Operations

Howard G. Caldwell
Assistant Secretary

Suzanne K. Wiltshire
Assistant Secretary

BC Timber Officers

Bruce I. Howe
Chairman

John S.R. Montgomery
President

Sandy M. Fulton
Executive Vice President, Operations

Richard A. Commerford
Vice President, Controller and Secretary

Ken D. Halliday
Vice President, Human Resources

Jack E. Kennedy
Vice President, Southern Timber Operations

Dan J. McCallum
Vice President, Lumber Marketing

Harry R. Papushka
Vice President, Pulp Marketing

William H. Vaughan
Vice President, Market Planning & Development

Ken W. Voight
Vice President, Northern Timber Operations

Robert F. Chase
Treasurer

John C.A. de Wit
Assistant Treasurer

Westar Petroleum Officers

Bruce I. Howe
Chairman

C. David Banks
President

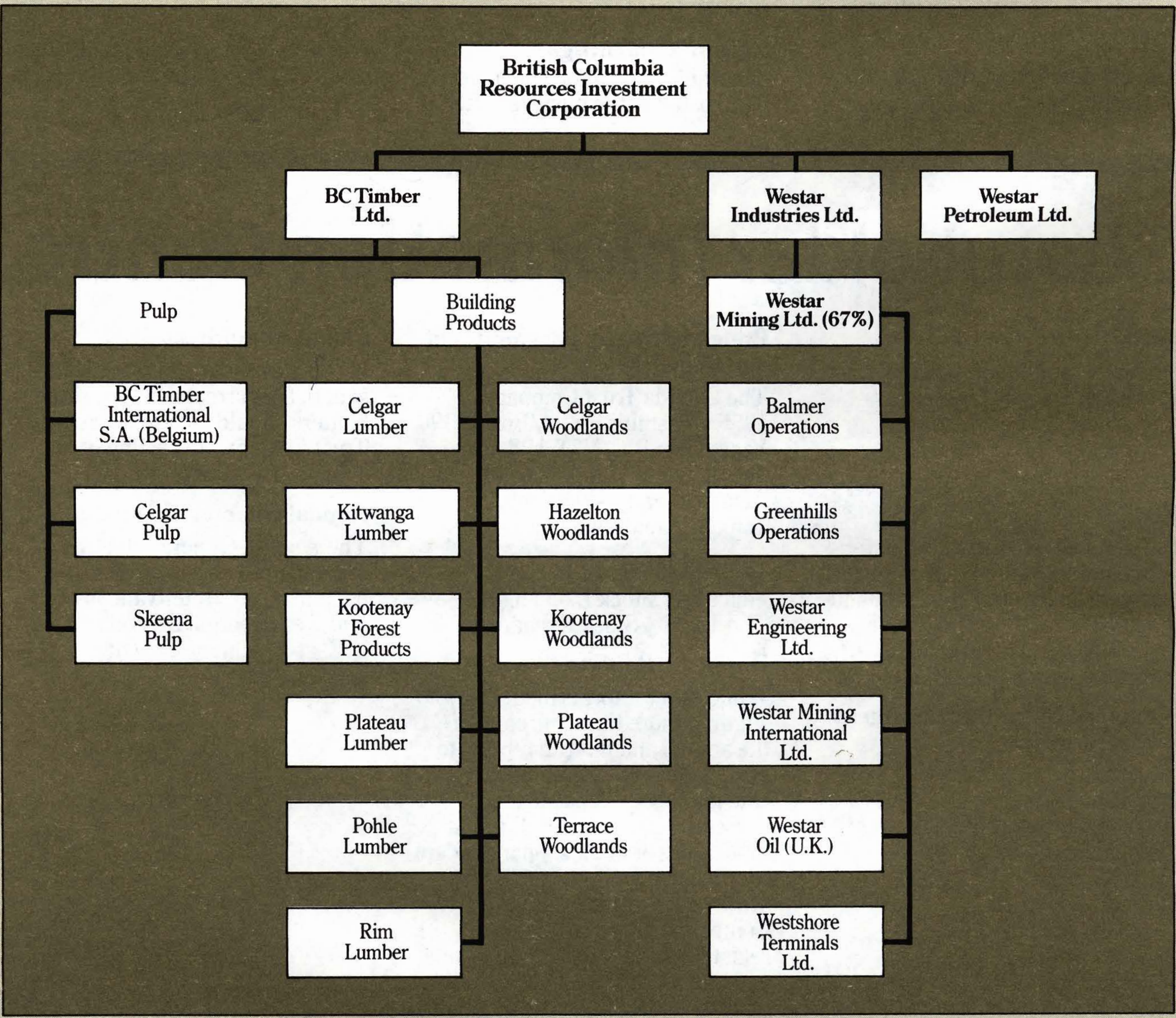
Victor M. Luhowy
Vice President, Production

Michael G. McKibbin
Vice President

Robert F. Chase
Treasurer

R. Bryan Whitby
Controller and Secretary

Organization Chart by Function



Report of the Directors

The 1983 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 and the Consolidated Financial Statements of the Company for the year ended December 31, 1983 and the related Notes.

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