British Columbia Investment Resources Corp. C

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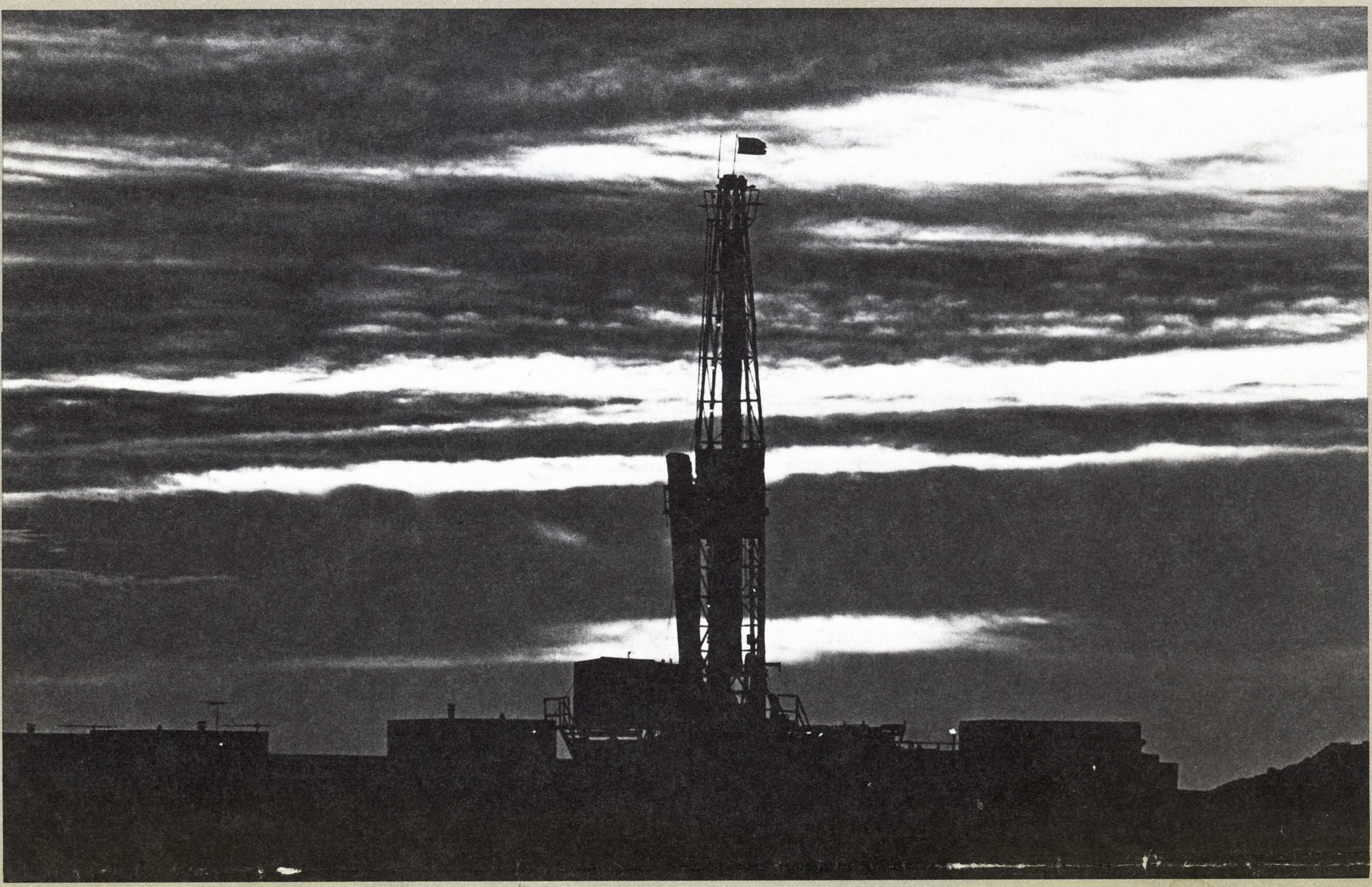
B.C. Resources '82

ANNUAL REPORT



Economic stormclouds which swirled about worldwide markets in 1982 appear to be lifting. One bright spot for B.C. Resources is Westar Petroleum, the Company's new oil and gas subsidiary which plans to drill 139 wells in Saskatchewan during 1983. Working around the clock, crews will drill an average of one new well every three days.

Ready for economic recovery

A quick glance at the pages of this annual report is convincing evidence that 1982 was an extremely eventful year for the B.C. Resources group of companies. The economic stormclouds which hung over the industrialized world for much of the year dominated corporate activities as management focused its full attention on combating the effects of the recession.

More than ever before, our Company's greatest strength lies in the ability of its people to profitably develop the natural resources it owns or manages. The enormous deposits of coal, oil and gas and timber which we own or control, together with the associated manufacturing and converting facilities, ensure that our operations will continue to keep pace with world competitors. We have a great deal of confidence in the future of Canada's resource industries, and we intend to remain a key supplier to the resource-hungry world.

The articles and financial tables in the 1982 Annual Report provide a detailed look at each unit in the B.C. Resources group. They describe how each company performed during the year, what was accomplished, and indicate what is planned for the future.

Because of our continuing desire to communicate the B.C. Resources' story to shareholders as clearly and understandably as possible, we have again used the tabloid newspaper format for our annual report. We believe that our shareholders want to continue to receive more easy-to-read information about Company operations and the business conditions that dictate management's decisions. To provide necessary information for many first-time investors, articles on pages 22 and 23 also describe the purpose of our annual general meeting and the role that proxies play in a public company like B.C. Resources.

We recognize that no annual report can answer every question posed by shareholders. To do so would require a book-length publication. So we encourage you to raise questions by completing and returning the blank comment card attached to your proxy form.

Bruce Howe

About the Company

British Columbia Resources Investment Corporation is a diversified company with interests in Western Canada's major natural resource industries — coal, forest products, and oil and gas. Based in the Province of British Columbia, the Company sold about 94 per cent of its products to customers in other countries during 1982. Its assets have a book value of \$2.3 billion and 1982 revenues were \$694.1 million.

At the end of 1982, the Company was owned by 121,218 registered shareholders and an estimated one million British Columbians who hold bearer shares. In addition, there were 1,988 preferred shareholders. It remains one of the most widely-held companies in North America.

Its principal operating subsidiaries are B.C. Coal Ltd. (67% ownership), BC Timber Ltd. (100% ownership) and Westar Petroleum Ltd. (100% ownership). Through B.C. Coal, the Company is also participating in exploration and development programs in the United Kingdom sector of the North Sea and has an interest in the Beaufort Sea. B.C. Resources 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 shareholders' return on investment through growth in earnings and assets. Its corporate offices are located at 1176 West Georgia Street, Vancouver, British Columbia.

Contents

Operations primed for world recovery

Although 1982 was a financially distressing year for B.C. Resources, the Company entered 1983 optimistic about the gradually improving economic conditions and confident of its ability to continue to build long-term value for its shareholders. Significant progress has been made in the development of major revenue-producing assets in the energy sectors of coal and oil and gas, despite the difficult economic climate.

With 94 per cent of B.C. Resources' products sold on international markets, the worldwide recession cut deeply into sales revenues during 1982, requiring difficult steps to protect shareholders' investment and the future potential of the Corporation. From the communities where the Company's subsidiaries operate to the stock exchanges where its shares trade, few Canadians escaped the effects of high inflation, declining world markets, high interest rates and growing unemployment. The cost of survival to the Company in 1982 was lengthy shutdowns of mills and mines, reduced capital spending, loss of jobs and the sale of some assets.

Falling market demand and declining prices in the forest products industry, along with reduced coal shipments, substantially decreased the Company's two major sources of sales revenue, cutting total revenue from $860.8 million in 1981 to $694.1 million in 1982, a drop of 19 per cent. These reductions, combined with higher wage rates and material prices, extremely high interest rates in the first half of 1982 and other economic factors, resulted in a loss before extraordinary items of $38.4 million, compared with earnings of $7.9 million before extraordinary items in 1981.

Despite its unsatisfactory financial performance, B.C. Resources continued with its plans to build for the future during a most difficult year. These ongoing developments, combined with a belief that the worldwide recession will ease in 1983, should provide shareholders with confidence that this young company has a bright future.

Among the major achievements in 1982 were the acquisition of Bighart Oil and Gas Ltd., and its amalgamation into what is now a new, wholly-owned operating oil and gas company named Westar Petroleum Ltd.; the successful sale of B.C. Resources' first preferred share issue; and the obtaining of a U.S. $300 million credit facility to assist in financing B.C. Coal's share of development costs for the South Brae oil and gas field in the U.K. sector of the North Sea. The Company sold its 10 per cent holding of the Sable Island oil and gas field at a profit of $11.5 million. The year also saw the formation of the coal marketing group now called B.C. Coal International, and the continued progress of three major revenue-producing B.C. Coal projects — the new Greenhills coal mine, a doubling of capacity at the Westshore Terminals coal port, and development of the South Brae oil and gas field, in which B.C. Coal has a 7.7 per cent interest.

Progress despite difficult times

Although the worst conditions in the province's forest industry in more than 40 years wreaked havoc on BC Timber's financial performance, and brought severe hardship to its employees and their communities, the company still managed to achieve some progress. BC Timber centralized its lumber marketing operations, converted two of its mills to produce lumber to export dimensions and recorded some initial, modest success with the sale of lumber to offshore customers. In operations, Celgar Woodlands achieved significant reductions in wood costs, and management and employees together made important productivity improvements at Celgar Lumber, Plateau Lumber and both pulp mills. However, in the case of Skeena Pulp at Prince Rupert, falling pulp prices on the world market eroded productivity gains to the point where the pulp mill was forced to shut down operations until markets improve.

The outlook for BC Timber in 1983 is for a poor first half, followed by gradual improvement in the building products sector, but little change in pulp markets. The U.S. housing market, which accounts for most of the company's lumber sales, began to show improvement in late 1982. Some 1.4 million U.S. housing starts are forecast in 1983, up from the low of 1.1 million in 1982. The B.C. forest industry requires about 1.6 million U.S. housing starts for healthy and continued operation. Before this can happen, the United States must first enter a period of continuing low interest rates and renewed confidence among potential home purchasers. In the interim, BC Timber will continue its efforts to develop new offshore markets for its lumber.

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

BC Timber's northern operations were hit hard in 1982 by a combination of falling prices and reduced demand for bleached kraft market pulp. Pulp manufactured at the company's Skeena Pulp Division in Prince Rupert is used mainly to produce fine writing and printing papers, a market which has also been affected by the worldwide recession. The northern sawmills in Terrace, Hazelton and Kitwanga depend on the sale of residual wood chips from their lumber production to maintain economically viable operations. Moreover, these coastal-category mills are faced with high logging costs and an aging timber resource. As a result, these northern operations can only operate profitably when the demand and prices for both lumber and pulp are extremely favorable.

These factors were both absent in 1982, with the result that the northern operations accounted for some 80 per cent of BC Timber's after-tax loss of $54.5 million during the year. In late November, with no foreseeable improvement in pulp prices and poor market demand for the product, the company closed its northern operations until markets improve to avoid continued heavy losses. These closures, dictated by the market situation for both lumber and pulp, are under continual review. However, while it is generally believed that world pulp prices have reached their bottom, there is no indication of any strong recovery before the end of 1983. Although lumber prices have begun to improve, they have not yet reached a level to enable these northern sawmills to generate a positive cash flow.

In November, BC Timber gave notice to 160 workers that it was permanently closing its Kootenay Forest Products plywood plant at Nelson effective January 17, 1983. A continued forecast of poor markets for construction grade plywood and a lack of an economical wood supply indicated that the plywood plant would not be able to operate in 1983 as had been the case for most of 1982. In addition, the Kootenay Forest Products

Financial and Other Highlights

	1982	1981	Increase (Decrease)
Operations	($ Thousands)	($ Thousands)	($ Thousands)
(For the year ended December 31)			
Revenue	694,098	860,793	(166,695)
Earnings (loss) before extraordinary items	(38,391)	7,930	(46,321)
Net earnings (loss)	(31,304)	42,487	(73,791)
Funds provided by operations	12,005	77,572	(65,567)
Additions to property, plant and equipment	406,925	295,546	111,379
Financial Position	($ Thousands)	($ Thousands)	($ Thousands)
(At December 31)			
Working capital	64,499	87,904	(23,405)
Total assets	2,251,870	1,799,851	452,019
Long term debt	1,126,299	718,949	407,350
Shareholders' equity	799,676	773,585	26,091
Per Common Share	($)	($)	($)
Earnings (loss) before extraordinary items	(0.41)	0.08	(0.49)
Net earnings (loss)	(0.34)	0.44	(0.78)
Book value (at December 31)	7.69	8.04	(0.35)
Price range (V.S.E. and T.S.E.)			
High	3.95	6.63	
Low	2.38	3.00	
Ratios			
Current ratio	1.39 to 1	1.51 to 1	
Debt to equity ratio	1.41 to 1	0.93 to 1	
Percentage of long term debt to total capital employed	54.0%	44.3%	
Return on common shareholders' equity	(5.2%)	1.1%	
Return on capital employed (Note)	0.2%	3.9%	
Other Information			
Number of employees (at December 31)	6,078	6,562	
Wages, salaries and employee benefits ($ Thousands)	210,778	217,655	
Number of registered shareholders			
Common shares	121,218	127,944	
Exchangeable Preferred shares	1,988	—	

Note
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.

B.C. Resources: Operations

sawmill was closed indefinitely because of poor lumber markets. BC Timber is attempting to sell the entire Kootenay Forest Products complex.

Recession reduces demand for coal

The global recession began to affect the international steel industry in the second half of 1982. The result was a reduction in coal shipments of approximately 25 per cent during 1982. The volume of shipments from Balmer Mine at Sparwood, B.C., fell from 7.4 million tonnes in 1981 to 5.2 million tonnes in 1982, forcing the company to shut down its coal mining operations for a total of 10 weeks, including vacation time. Total B.C. Coal revenues declined from $511.8 million in 1981 to $430.6 million in 1982.

Coal demand in the first quarter of 1983 continued to decline from last year's reduced levels, resulting in an additional Balmer Mine closure from February 5 to March 20 and a four-week vacation shutdown planned for this summer. Although a slight upturn in world coal demand is expected late in 1983, B.C. Coal expects the demand for its coal from Japanese customers to remain at current levels for the balance of the year as additional supplies enter the market from new coal mines.

The coal industry traditionally follows other industrial sectors in both economic downturn and recovery cycles, so little dramatic change is forecast for B.C. Coal's markets until 1984. However, when recovery comes for steel and coal markets, it usually comes quickly. The long-range outlook for coal remains bright and demand should increase steadily once the current recession comes to an end. B.C. Coal is in a strong position since it is well prepared for the period of recovery and growth which lies ahead.

On October 14, 1982, Kaiser Resources Ltd., which owed B.C. Coal $10.7 million, failed to make a scheduled quarterly payment on its outstanding 1980 promissory note to B.C. Coal. The original amount of the note was $18.5 million and was given by way of partial payment for the purchase of shares and notes of Kaiser Oil (U.S.) Ltd. from B.C. Coal.

B.C. Coal was asked for a deferral of the payment due October 14, but, after reviewing Kaiser Resources' financial condition, took legal steps to preserve Kaiser Resources' unsecured assets for its creditors. B.C. Coal has arranged with Kaiser Resources' banker to share in the proceeds from Kaiser Resources' assets, when they can be sold. As a result of an assessment of those assets, B.C. Coal has written down the value of the note to $1.4 million, which results in a B.C. Resources write-down of $4.4 million after tax.

B.C. Coal made substantial progress on construction of the $300 million Greenhills Mine near Elkford, B.C. during 1982. The mine, which is a joint venture with Pohang Iron and Steel Company Limited of South Korea, began shipping thermal coal in August. Greenhills, with its high quality metallurgical coal and large thermal coal deposits, will allow B.C. Coal to capture a larger share of international markets. About 2.4 million tonnes of its 2.8 million-tonne annual capacity has been committed under long-term contracts.

Early in 1982, B.C. Coal also completed stage I of its expansion of Westshore Terminals, increasing the designed capacity of the existing facilities by 3 million tonnes to 12.5 million tonnes per year. Good progress has been made on stage II, which will increase annual capacity to 22 million tonnes by the end of 1983.

Bighart acquisition highlights oil and gas

Developments in the Company's oil and gas sector in 1982 were highlighted by the acquisition of Bighart Oil and Gas Ltd. of Calgary, a publicly-traded company operating primarily in the Dodsland area of Saskatchewan. The purchase of Bighart ended an extensive search to find a mature, producing oil company to combine with the exploration-oriented expertise of B.C. Resources' existing Oil and Gas Division. The purchase price of approximately $76 million not only reflected the value of Bighart's assets, but also its production expertise, excellent record of finding oil, steady annual growth, and cash flow. Much of Bighart's value comes from the significant benefit the company derives from "new" oil prices and the current Saskatchewan royalty holiday.

Late in 1982, the staff and offices of Bighart began a merger with B.C. Resources' Oil and Gas Division into a new company, Westar Petroleum Ltd. Westar's Saskatchewan properties produced approximately 3,200 barrels of oil daily from 396 wells as of the end of January 1983. Its 1983 development drilling program in Saskatchewan is targeted at 139 additional wells, or an average of one new well every three days. The acquisition of Bighart, along with the economic realities of the current recession, have combined to redirect oil and gas exploration activities to concentrate on those areas which offer the highest and quickest near-term return on exploration investment.

Sable Island sold, Brae on schedule

In June, B.C. Resources sold its 10 per cent share in the Sable Island oil and natural gas field off the East Coast of Canada to Nova Scotia Resources (Venture) Limited. The $52 million sale price for this property resulted in an after-tax gain of $11.5 million. The sale gave the Company an opportunity to use the proceeds to reduce part of its outstanding debt. Natural gas production from the Sable Island reserves is still years away and retention of the holding would have required the Company to spend a very substantial sum on its development.

Off the northeast coast of Scotland, B.C. Coal's 7.7 per cent interest in the South Brae oil and gas field will begin production and cash flow in July, 1983. B.C. Coal's share of production is estimated to be 23 million barrels of recoverable reserves. An important step in the development of the Brae asset was taken in October when Chemical Bank of New York and a syndicate of banks agreed to provide a U.S. $300 million credit facility to assist in financing B.C. Coal's share of the South Brae development costs along with its carried interest obligation.

B.C. Coal invests $800 million

B.C. Coal is presently investing some $800 million, including financing costs, in three of its major assets —South Brae, the Greenhills Mine and expansion at Westshore Terminals. All three projects essentially will be finished and begin to make a financial contribution in the second half of this year. It is important to keep in mind that, to date, approximately $600 million of B.C. Resources' consolidated long-term debt of $1.1 billion is represented by these three assets. The financial burden of carrying this investment during the recent period of high interest rates has been onerous. However, the most difficult period appears to be over so that the Company can look forward to a substantial reduction of its debt load beginning in 1984.

B.C. Resources is still reviewing its capital spending plans for 1983 because of the existing uncertain economic climate. It has currently budgeted about $200 million in capital spending in 1983, about one half of last year's level. The 1983 program will include about $25 million to bring the South Brae Field to production, about $65 million to complete the expansion of Westshore Terminals at Roberts Bank, and about $55 million to complete the Greenhills coal mine. Other capital spending will include up to $30 million for oil and gas development.

First preferred shares issued

The action taken at the 1982 Annual General Meeting to authorize the creation of preferred and additional common shares enabled the Company to further reduce its debt load by issuing preferred shares in the second half of 1982. The Company used its existing investment of 3.4 million common shares of Westcoast Transmission Company Limited to arrange an issue of cumulative redeemable exchangeable preferred shares. The shares, which were issued at a price of $25 per share, pay a dividend of 10.75 per cent per

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annum and provide investors with the option of retaining the preferred shares and receiving quarterly dividends, or exchanging each share for 1.449 common shares of Westcoast prior to April, 1990. The issuance of these preferred shares raised about $57 million, and allowed the Company to reduce the carrying costs on that amount of money to a fixed rate of 10.75 per cent for a seven-year period.

Total assets now $2.3 billion

At the end of 1982, 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 $2.3 billion, up from $1.8 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 $7.69 per share at year end, compared to $8.04 one year ago. The decrease is largely due to the 1982 net loss of $31.3 million.

Like the average household, large companies suffer from the effects of inflation and increasing costs, especially when their income declines. One area of increasing concern to the Company is that of local taxation. Property taxes on BC Timber and B.C. Coal properties in the province have almost doubled from $9.6 million in 1980 to $17.9 million in 1982. These companies, which have to compete with other international suppliers for their share of world markets, have embarked on a program to make local officials, employees and citizens aware of the increasing burden which this rapid growth in taxation is placing on their competitive ability.

Board acknowledgment

The Board of Directors wishes to express its thanks to John W. Pitts who will step down as a director of the Company effective April 26. Mr. Pitts served as the first chairman of the Company from September 1977 until November 1980 and is one of the original directors of B.C. Resources. He was also Chairman of the Audit Committee of the Board.

1982 a difficult year for employees

While B.C. Resources has a rich base of natural resource wealth, its long-term growth is dependent on the performance of its employees who are charged with turning those resources into wealth producing assets. The year was a difficult one for employees as the Company and its subsidiaries had to take steps to keep costs under firm control through the closure of unproductive operations. The reduction of operating expenses, when revenues cannot match them, is crucial to protecting the Company's financial health during recessionary times. In the longer term it protects both the jobs of employees and the investment of the shareholders.

The Company has, however, survived the recession and expects economic improvement to occur in the last half of 1983. Its employees, particularly at BC Timber, have experienced an extremely difficult period and the first half of 1983 will unfortunately not be any easier. Deteriorating economic conditions are mirrored by reductions in the B.C. Resources group workforce. At the end of 1981 it stood at 6,562. At December 31, 1982 it was at 6,078, despite the creation of new jobs at Greenhills and Westshore Terminals and the integration of the Bighart employees into Westar Petroleum. Reductions of permanent positions early in 1983 at Kootenay Forest Products plywood plant and the Balmer Mine brought the total workforce down to 5,600 by February 28, 1983. It is anticipated that once BC Timber returns to full operation and its workforce is clearly defined, this figure will be closer to 5,000 permanent employees.

Outlook

The first few months of 1983 reflect little change from the business conditions of late 1982. Recovery from the economic recession is still ahead of us, although there are some positive signs, such as the recent lowering of interest rates. However, world economic strength, on which the Company's sales depend, has been badly battered. The resultant weakness will take some time to overcome.

While confident of long-term improvement, the Company is currently concerned about three major issues. These are the threat of countervailing tariff duties which could be imposed on exports of Canadian lumber to the United States (which as of March 7 appears to be moving toward a satisfactory resolution); a rapid and significant decline in the world price of oil; and upcoming negotiations over coal prices in the light of reduced Japanese steel production.

British Columbians who depend on the natural resource industries for their livelihood should realize that there are significant short-term challenges ahead and we collectively have some major hurdles to overcome with respect to world markets.

The Company expects a climate of slow recovery to develop in 1983 and is optimistic about the long-range outlook. Oil revenues are expected to increase substantially. Coal assets have enormous potential once the recession ends. In addition, the demand for forest products will steadily increase as inventories dwindle and only minimal new production capacity is added, leading to anticipated significant improvements in both pulp and lumber markets in 1984 and 1985. By following a prudent course of action, and with the understanding and support of its employees, B.C. Resources believes that it is in a position to build significant long-term growth for its shareholders.

On behalf of the Board of Directors,

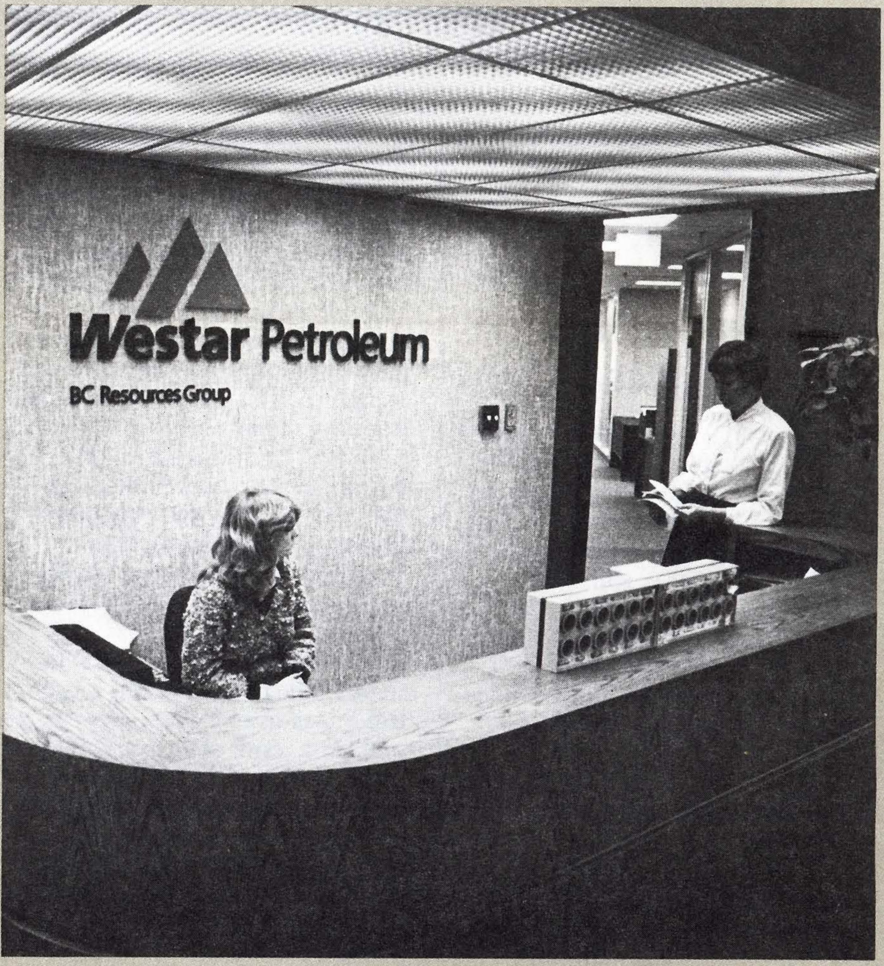
Bruce I. Howe
President and
Chief Executive Officer
February 28, 1983

Westar name and symbol introduced

B.C. Resources' operating subsidiaries began to take on a slightly new look when the company introduced the "Westar" name and accompanying graphic symbol on a limited basis during the final months of the year. The name and symbol combination, which appear in this annual report, were developed to provide a unified corporate identity for all companies in the B.C. Resources group and to help establish a broader international reputation for the Company and its products.

This need for a unified marketing approach has become increasingly important in today's competitive marketplace, especially for a company like B.C. Resources, which exported more than $600 million worth of products in 1982. Within the province, the existing company names of "B.C. Coal" and "BC Timber" are often confused with the general products sold — such as British Columbia customer documents during the year.

The Westar symbol will also enable the Company's operating subsidiaries to develop a uniform and cohesive identity for all signs, forms and documents, mobile equipment and other related items required in the day-to-day operations of a large company. When the program is phased in over the next several years, the symbol and new corporate colors will gradually replace the varied assortment of symbols and colors on trucks, graders, tractors and other heavy-duty vehicles now in use throughout B.C. and Saskatchewan. As an example of the scale of its operations, the Company now owns a fleet of approximately 2,100 vehicles of all kinds in 16 different communities. In addition, scores of signs and corporate documents will eventually be modified to include the Westar name, symbol and colors as time and business conditions permit.



Calgary offices of Westar Petroleum illustrate application of Westar corporate identity program.

coal — and also with crown corporations. These factors, combined with the need for a cohesive identity to unite all operating subsidiaries, resulted in the Westar corporate identity program.

The Westar name and symbol were first applied to a shipment of export lumber produced at BC Timber's northern sawmills in mid-1982. Since this shipment represented the company's inaugural sale of building products to the U.K. market, it was essential that it carry a name and symbol that would be readily identifiable in international markets. For the same reason, B.C. Coal International Ltd., which is responsible for all worldwide sales of metallurgical and thermal coal for B.C. Coal, adopted the "Westar" symbol in its

Because of the serious economic downturn in forest products and coal, the Company limited its 1982 changeover program to the newly-formed Westar Petroleum Ltd. The relatively small size of this subsidiary's operations kept expenditures to the minimum, while fulfilling the legal requirement for a new name to identify the new oil and gas organization.

At year end, B.C. Resources also transferred its Vancouver corporate staff and office assets to one of its existing wholly-owned subsidiaries now named Westar Industries Ltd. This change is primarily for administrative purposes and will not affect any of the duties formerly carried out by B.C. Resources' employees.

Coal

Major projects near completion

Walter J. Riva
Chairman and Chief Executive Officer
B.C. Coal

Despite major reductions in coal shipments brought on suddenly in the last half of 1982 by the global recession, B.C. Coal was able to react to quickly changing market conditions in a manner which makes the company confident about its ability to meet future challenges and opportunities.

As the global recession deepened in 1982, falling demand for steel-based products, particularly automobiles and consumer products, triggered sharp reductions in international steel production. The result was a downturn in orders for metallurgical coal, affecting coal producers throughout the world.

B.C. Coal, which is Canada's largest exporter of metallurgical coal, ended the year with total shipments down 25 per cent from 1981 levels to 5.5 million tonnes.

Coming in the last six months of the year, the decline in coal shipments forced the company to take steps to readjust its production levels, reduce inventories and cut costs. The first quarter of 1983 has provided no clear indications that the situation will improve this year. As a result the company must continue to keep its expenses in line with reduced revenues for the balance of 1983.

At the same time, B.C. Coal is continuing with major investments in new coal production and shipping capacities which will enable it to increase its market share and put it in a particularly good position as global economic recovery begins to take place. The new $300 million Greenhills Mine will come into production in the second half of the year with a substantial portion of its annual capacity of 2.8 million tonnes already committed on long-term contracts. During the same period, the company will complete a $127 million expansion of its coal terminal at Roberts Bank to increase annual capacity from 12.5 million tonnes to 22 million tonnes. This will enable the port to accommodate the increasing coal production which southeastern British Columbia and Alberta coal producers will bring on stream over the next several years.

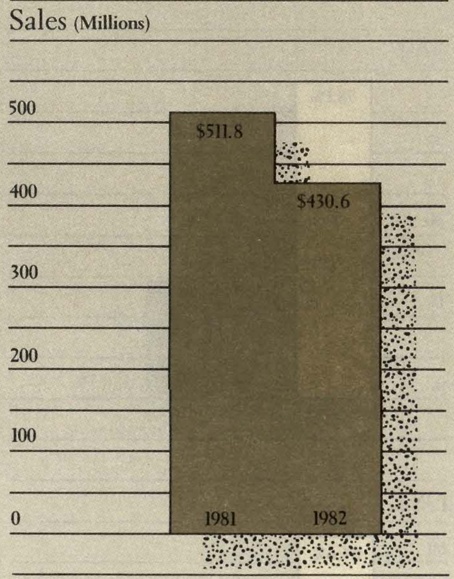
The ability to market its products in an even more competitive international climate will be a key factor in the company's future success. A major step toward ensuring that the company aggressively markets its products was taken in 1982 with the termination of the coal marketing contract with Kaiser Resources and the establishment of the company's own marketing arm, B.C. Coal International Ltd.

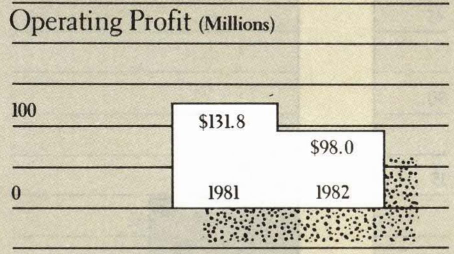
During 1982, the marketing group negotiated a number of significant long-term agreements:

- In February, a ten-year sales agreement was signed with China Steel Corporation of Taiwan for the supply of 2.8 million tonnes of metallurgical coal from the new Greenhills Mine.
- In March, a major contract for thermal coal was negotiated with Elkraft Power Company of Denmark for the shipment over ten years of some 3.8 million tonnes.
- In April, a seven-year agreement was signed for the supply of 3.3 million tonnes of metallurgical coal to a consortium of four Brazilian steel mills.
- Also in April, B.C. Coal and its Japanese customers agreed on an order for a total of 1.9 million tonnes of Greenhills metallurgical coal through to March 31, 1986. In addition, a price increase of $15.66 per tonne (to $82.62 per tonne) was negotiated on the existing Japanese contract of 4.4 million tonnes of Balmer coal per annum.
- In June, a six-year contract for 1.6 million tonnes of Greenhills thermal coal was signed with the Kowloon Electricity Supply Co. Ltd. of Hong Kong.

In 1983, with the expectation of continued soft markets throughout the world, B.C. Coal expects to ship about 5 million tonnes from its Balmer Mine near Sparwood, augmented by shipments of about 1.4 million tonnes from the new Greenhills Mine, near Elkford, B.C. This will bring total B.C. Coal projected shipments for the year close to 6.5 million tonnes.

B.C. COAL — SALES AND OPERATING PROFIT





Prior to the reduction in coal demand, Balmer Mine employees set several new production records in both underground and surface operations. B.C. Coal employees also worked more safely than ever before in 1982, with a 22 per cent company wide improvement in accident frequency over the previous year. Accident frequency has improved by 48 per cent at B.C. Coal over the past three years. Despite these safety improvements, the company is saddened by the accidental deaths of two employees in the Panel 6 hydraulic underground mine at Balmer on January 28, 1983. The company extends its sympathies to the families of Martin Hruby, an employee for 21 years, and John Dodsley, who worked at the mine for eight years.

Balmer Mine coal production was shut down twice in 1982, for a total of 10 weeks. While every attempt was made to reduce the impact on employees, the workforce was simply too large for the reduced production levels. By the end of 1982 the Balmer workforce was down from 2,200 to 1,912. Supervisory and management salaries were frozen.

In early 1983 the company announced an additional shutdown would be necessary at the Balmer Mine from February 5 through March 20, with a further four week closure planned for the summer. In an effort to avoid additional permanent layoffs, the company proposed a work sharing program to its unions for the balance of 1983.

A work sharing agreement was reached with the Office and Technical Employees Union in mid-January 1983 which will avoid the permanent layoff of 35 people from the 135-member union local. However, a similar program was

Giant front-end loader at work at the new Greenhills Mine.

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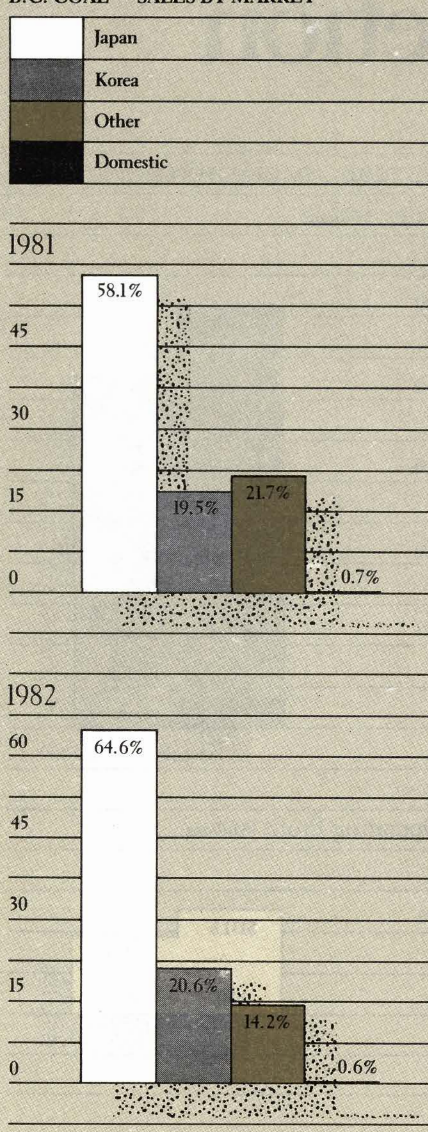
B.C. COAL — SALES BY MARKET



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rejected by officials of the United Mine Workers of America, forcing the company to permanently lay off 375 people from the union's 1,420 positions at the mine. Some management and supervisory positions are also scheduled to be eliminated as the company brings its workforce into line with 1983 production requirements. The staff employees facing permanent layoff at Balmer Mine will be offered alternative employment at the Greenhills Mine.

The Greenhills Mine is a joint venture between B.C. Coal, which is responsible for 80 per cent of the development costs, and the Pohang Iron and Steel Company Limited of South Korea, which will pay the other 20 per cent. The project is the largest joint venture ever between Canadian and Korean companies. The Korean partner will take 700,000 tonnes of coal annually from Greenhills' production.

At the site of the new Greenhills Mine, 40 kilometres north of Sparwood, good progress was made on construction during 1982. Although work was delayed during the summer by a province wide labor dispute in the construction industry, the delays will be made up and the $300 million mine should open on schedule in the second half of 1983.

Meanwhile, as overburden is being stripped and removed, workers have been stockpiling thermal coal which does not need to be processed. As a result, beginning in August, the mine was able to ship 338,000 tonnes of thermal coal to the port in 1982. It is anticipated that when regular production begins, the mine will ship approximately 600,000 tonnes of metallurgical and 750,000 tonnes of thermal coal in 1983.

Total annual capacity at Greenhills is currently planned to be 1.8 million tonnes of metallurgical coal and one million tonnes of thermal coal. Approximately 2.4 million tonnes of this annual capacity has already been committed by long-term agreements. Proven recoverable reserves at Greenhills are estimated at 170 million tonnes of raw coal. Situated at the 2,000 metre level, the mine office, maintenance facilities, warehouse and employee facilities were completed and put in use late in 1982. Coal processing facilities will be phased into production in the second half of 1983.

Two coal pits, Hawk and Grizzly, were developed during 1982, a job requiring the movement of 5.8 million bank cubic metres of rock. Both pits are being worked on a narrow ridge in the Rocky Mountains above the Elk Valley, with Hawk Pit located at an elevation of 2,175 metres.

Early in 1983, the B.C. Labour Relations Board granted certification for representation of Greenhills hourly employees to the Greenhills Workers' Association. Negotiations on a new collective agreement between the company and this bargaining unit will begin early in 1983. The Greenhills workforce is expected to reach 470 by the end of 1983, up from 333 at the beginning of the year.

The demand facing B.C. Coal and its employees in the years immediately ahead is to produce coal as efficiently as possible so that the company can remain strongly competitive in international markets. New challenges lie ahead as additional coal production capacity comes into operation in Canada and elsewhere in 1984.

However, the company feels that, with proper monitoring of market opportunities and control of costs, it has several competitive factors in its favor. Its Balmer Mine, currently one of the most efficient producers in Canada, has recently undergone a number of improvements and additions to facilities and equipment. Its Greenhills Mine, as modern a coal operation as anywhere in the world, will allow the company to increase its market share, particularly in thermal coal. Finally, expansion of Westshore Terminals at Roberts Bank, will ensure that facilities there are capable of meeting existing and planned expansion of coal production in southeastern British Columbia.

Plans by the Government of Canada to encourage expansion of Western Canada's railway capacity through reform of the Crow Rate

B.C. Coal Ltd.

The Company

B.C. Coal is Canada's largest exporter of metallurgical coal. It is 67 per cent owned by B.C. Resources and 33 per cent owned by Mitsubishi Corporation of Japan and a consortium of nine Japanese coal consumers. It operates the Balmer surface mine and two underground mines near the town of Sparwood, B.C., about 130 kilometres east of Cranbrook. These operations, with a workforce of 1,900 people, produced 5.6 million tonnes of clean coal in 1982. The company's new Greenhills Mine, 40 kilometres north of Sparwood, will officially open in the summer of 1983 with an initial annual capacity of 1.8 million tonnes of metallurgical coal and one million tonnes of thermal coal. A joint-venture project, owned 80 per cent by B.C. Coal and 20 per cent by Pohang Iron and Steel Company Limited of South Korea, the Greenhills Mine will employ about 500 people.

B.C. Coal also is the sole owner of Westshore Terminals Ltd., which operates a coal-loading port at Roberts Bank, south of Vancouver. Westshore Terminals also ships coal for other mines in southeastern B.C. and western Alberta. It has 120 employees and will have an annual capacity of 22 million tonnes when its expansion program is completed in late 1983. It shipped 10.5 million tonnes of coal in 1982.

The Products

Metallurgical or coking coal, as it is commonly called, is used for manufacturing steel. After mining, the coal is crushed to a size of five centimetres or less and washed to reduce the ash content. (The ash comprises rock or debris adhering to the coal.) Customer contracts specify the maximum percentage of ash they will accept as part of the coal shipment. At the steel mill, the coal is converted into coke by heating in coke ovens where it expands and the volatile gases are driven off. The remaining substance, known as coke, is lighter and more porous in texture than before. Coke performs important functions in the steelmaking process. In the blast furnace, it provides the chemicals necessary for reducing the iron ore, as well as furnishing the carbon content for steel. Coke is also used as fuel to provide heat for the smelting process.

Thermal coal sold for export is primarily used for power generation and as an industrial fuel, for example, in the production of cement. It is priced largely on its heat content rather than coking properties.

The Markets

Since early 1982, all of B.C. Coal's products have been marketed by B.C. Coal International Ltd., a wholly-owned subsidiary, which is responsible for all sales and customer relations. Japan's steel mills are the largest single market and took 70 per cent of the company's metallurgical coal shipments during 1982. B.C. Coal also sells coal to a number of other countries including Brazil, Chile, Denmark, Mexico, Pakistan, South Korea, Taiwan and the crown colony of Hong Kong.

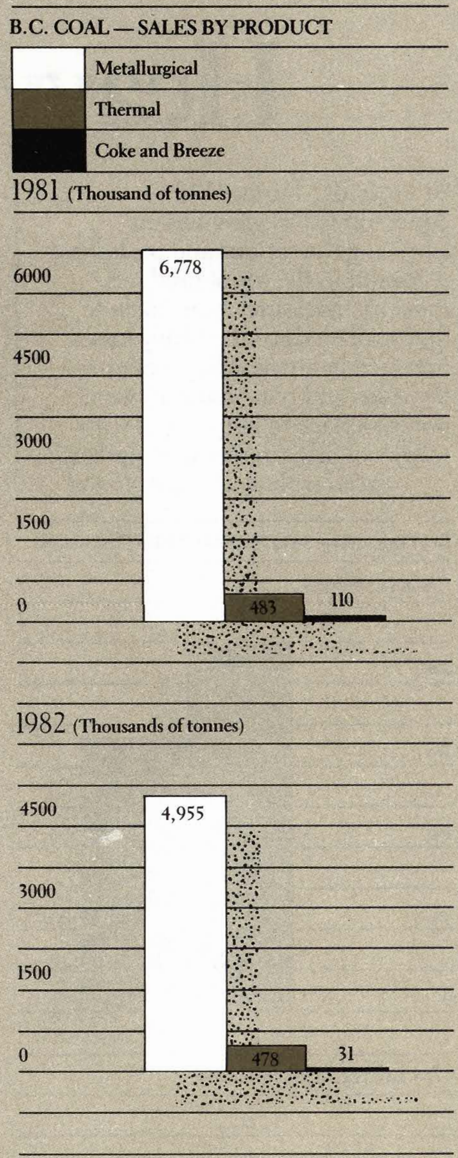
One section of the massive Balmer surface mine. Restored lands shown in foreground now provide prime winter feeding for wildlife inhabiting the area.

statutes are vitally important to B.C. Coal's future. The guarantee of adequate additional railway capacity, particularly westbound from the mines to the port, should help keep the western Canadian coal industry competitive in world markets. Orderly growth of railway capacity to meet export forecasts will avoid the threat of railway bottlenecks and rail capacity rationing which was becoming a growing concern to both coal suppliers and their customers.

To minimize downtime, a major repair facility for heavy duty equipment is located close to the Balmer surface mine.

The final key to B.C. Coal's ability to remain competitive and responsive is the performance of its new coal marketing organization. The current drop in coal demand requires new short-term marketing strategies to complement medium and long-term sales plans which are, along with customer development and service, an ongoing part of B.C. Coal International's worldwide activities.

Although little dramatic improvement is expected in 1983, the steel industry and its coal suppliers have characteristically recovered quickly once economic cycles turn for the better. This potential is even greater for B.C. Coal because the steel mills which it supplies are the most efficient in the world and should be among the first to profit from improved demand. Once the economy recovers, steady, long-term growth is forecast, particularly for thermal coal. Consumer plans to convert to coal or build coal-generated power plants are still in place, although delayed due to current energy forecasts. Coal still remains the bridging fuel into the 21st century until new technologies are developed. Moreover, Pacific Rim countries believe that coal is still the most reliable and economic source of energy.



Port in midst of major expansion

During 1982, high volumes of coal continued to move efficiently through the Westshore Terminals port at Roberts Bank, south of Vancouver.

The largest coal exporting port on the Pacific Coast, Westshore handled more than 1,150 trains and loaded 150 ships with 10.5 million tonnes of coal during the year. Although it is a wholly-owned B.C. Coal subsidiary, Westshore Terminals ships coal not only from the company's two mines, but also from other mines in southeastern British Columbia and western Alberta.

The port is located in the Strait of Georgia on a 20-hectare man-made island or "pad", connected to the mainland by a five kilometre road and rail causeway. Currently, Westshore Terminals has facilities to stockpile one million tonnes and handle some 12.5 million tonnes of coal a year. However, once the expansion projects are completed, these capacities will increase considerably.

In December, Westshore Terminals celebrated a milestone in its history by loading the 100 millionth tonne of coal since operations commenced in May, 1970.

During the first half of the year, Westshore signed two-year contracts effective February 1, 1982 with the three locals of the International Longshoremen's and Warehousemen's Union, continuing a twelve-year history of efficient and strike-free operation. The port operates 24 hours a day, year round.

Operating at or near its annual capacity for the past few years and faced with a need to handle increased coal shipments from new and existing mines in southeastern British Columbia, Westshore is in the midst of a major expansion program.

B.C. Coal is spending $127 million to increase Westshore's coal-handling capacity to 22 million tonnes per year. The initial phase of the expansion program was completed early in 1982 and increased the designed capacity of the existing facility by three million tonnes to 12.5 million tonnes annually. This part of the program involved upgrading conveyor systems and adding a second stacker reclaimer.

The second phase involves the doubling of the existing ground area from 20 to 40 hectares by the creation of an additional loading pad. The project includes the installation of a tandem dumper which can unload two rail cars at a time, a third stacker reclaimer and an additional shiploader, as well as the construction of a new shiploading berth capable of accommodating vessels of up to 250,000 deadweight tonnes.

The second phase, which was minimally affected by last year's construction industry strike, will near completion late in 1983.

Westshore Terminals is expanding to meet market demand. By the end of 1983, the port's annual capacity will rise to 22 million tonnes and an additional docking facility in the foreground will accommodate the largest ships in the coal trade.

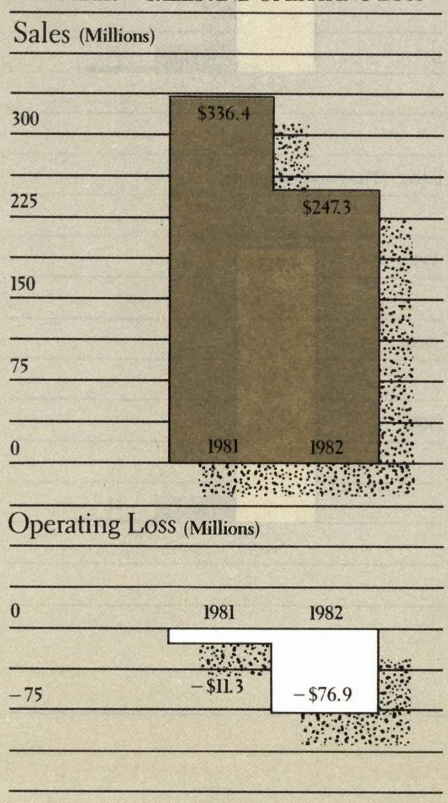
Forest Products

Heavy losses lead to mill closures

In 1982, BC Timber Ltd. concentrated its activities on surviving the serious and prolonged recession in the forest products industry. Measures were taken to drastically reduce the heavy losses incurred by many of its operating divisions and new strategies were put into place to help it deal with today's highly competitive markets.

Faced with weak markets and

BC TIMBER — SALES AND OPERATING LOSS



dismal prices for building products and pulp, the company was forced to suspend production at many of its mills, costs were cut at all levels of the organization and manning was reduced significantly. The low level of activity in the United States housing market and weakening pulp markets and prices led to an increased emphasis on productivity and new markets.

The continuing poor market for forest products resulted in a 1982 after-tax loss for BC Timber of $54.5 million compared to a loss of $18.5 million the previous year. Sales revenues fell to $247.3 million from the 1981 level of $336.4 million because of reduced demand and low prices for its products.

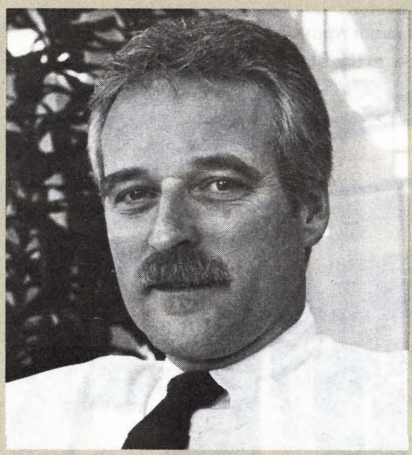
The severe recession in the U.S., a market which normally accounts for 85 per cent of BC Timber's total lumber sales, continued to depress prices and demand for building products. By mid-year, lumber prices had fallen to about the same level as in 1975.

However, signs of a gradual upturn in demand and prices for lumber products began to appear in the final months of the year because of the dramatic reduction in interest rates. A continuation of low interest rates should lead to renewed activity in the coming months, although market recovery will likely be slow because of the psychologically depressing effects of the continuing recession.

Continued high unemployment levels in the United States and changing lifestyles could also restrict the growth of the housing industry in the long term. The trend toward smaller, more affordable homes located closer to urban centres is expected to dampen future demand for many building products throughout the 1980s. The rate of new house construction is anticipated to be much below the levels experienced during the peak years of the 1970s.

Early in 1982, the company's pulp sector began to feel the effects of the prolonged global recession. Reduced industrial activity in most consuming countries led to a softening of demand which prevailed throughout the year. As supplier inventories of unsold pulp increased, prices declined.

In October 1982, Canadian pulp producers were placed at an additional competitive disadvantage in the European market when currency devaluations significantly



John S.R. Montgomery
President
BC Timber

reduced the cost of Scandinavian pulp. Over a period of 30 months, a 64 per cent currency devaluation in relation to the U.S. dollar allowed Swedish pulp producers to capture many European markets which had previously been served by Canadian producers. A reduced exchange rate and aggressive discounting of world prices allowed Scandinavian producers to outsell North American suppliers at every price level.

Many North American mills were not able to compete with the Scandinavian mills and were forced to make cutbacks to balance production with reduced demand. Production at the Skeena Pulp mill in Prince Rupert was curtailed during the year because of falling prices and demand in those offshore markets served by the mill. In mid-summer, the mill underwent a 12 week shutdown to reduce mounting inventories and on November 26, the mill was again shut down awaiting improved market conditions.

BC Timber's Celgar Pulp mill in Castlegar operated throughout 1982 and is expected to continue to do so because of its relatively low production costs.

The company's total pulp production for 1982 was 388,109 tonnes, which represented 69 per cent of operating capacity.

As a result of weak markets, pulp prices dropped from $545 U.S. in early 1982 to between $400 and $420 U.S. at year end, or about the same price level as in 1975. During this seven-year period, however, actual production costs have more than doubled, which illustrates the severe cost squeeze leading to the company's losses.

Since BC Timber's northern mills together make up an integrated operation, the combination of a deteriorating world pulp market and continuing poor lumber prices resulted in the curtailment of the company's northern sawmills and logging operations throughout 1982. With the exception of some finishing work, the Pohle, Skeena, Kitwanga and Rim sawmills closed for an extended period beginning November 26. The same situation applies to company and contractor logging operations which supply fibre for the network of mills in the north.

The exception to the northern closure was the company's Plateau Lumber Division near Vanderhoof, which operated virtually non-stop throughout 1982. This sawmill is the most cost competitive in the company and owes its continued operation to modern equipment and a plentiful source of economic timber.

At year end, only three of the company's nine mills remained in operation, with the remaining six shut down awaiting an upswing in markets.

Capital spending in 1982 was essentially restricted to completing those projects which had been carried forward from 1981. Total capital expenditures for the year amounted to $16 million.

The company spent approximately $2.3 million in 1982 on improving environmental emission levels at its two pulp mills as part of

Some 163,800 tonnes of bleached kraft pulp passed through this cutter lay-boy at Celgar Pulp mill in Castlegar during 1982. Sheets of pulp are later bundled and shipped to customers by boxcar.

a $75 million environmental improvement program. Although BC Timber remains committed to carrying out the projects under its agreement with the B.C. government's Waste Management Branch, it has obtained a deferral of the completion dates in light of the current economic situation.

Because of the sustained depression in the building products market, BC Timber launched an aggressive program in 1982 to reduce its historic dependence on the U.S. housing market. The company converted its Pohle and Kitwanga sawmills in northern B.C. to cut the special sizes and grades necessary to compete in the United Kingdom market. Two trial shipments made to customers in the U.K. during the year were highly successful and could lead to increased trade in future years. Although export prices remain depressed, the company is confident that its initial inroad into this new market could provide steady growth in the 1980s.

To bolster its own production, BC Timber also embarked on a program of marketing lumber from other producers in British Columbia to complement its own U.S. lumber sales. This venture into lumber wholesaling is common among large forest products companies and represents a further step toward broadening BC Timber's customer base.

During the year, the company announced its decision to permanently close its Kootenay Forest Products plywood plant in Nelson, B.C. Originally acquired from the provincial government when B.C. Resources was formed in 1978, the plywood mill had labored under financial difficulties for many years because of outdated equipment and an uneconomic wood supply. The only alternative to closing the plywood mill permanently was to find a buyer for the entire KFP mill complex, but neither BC Timber nor any of the potential purchasers of the operation could visualize running the mill before 1984. Approximately 160 employees were affected by the closure. Discussions are still underway with potential buyers.

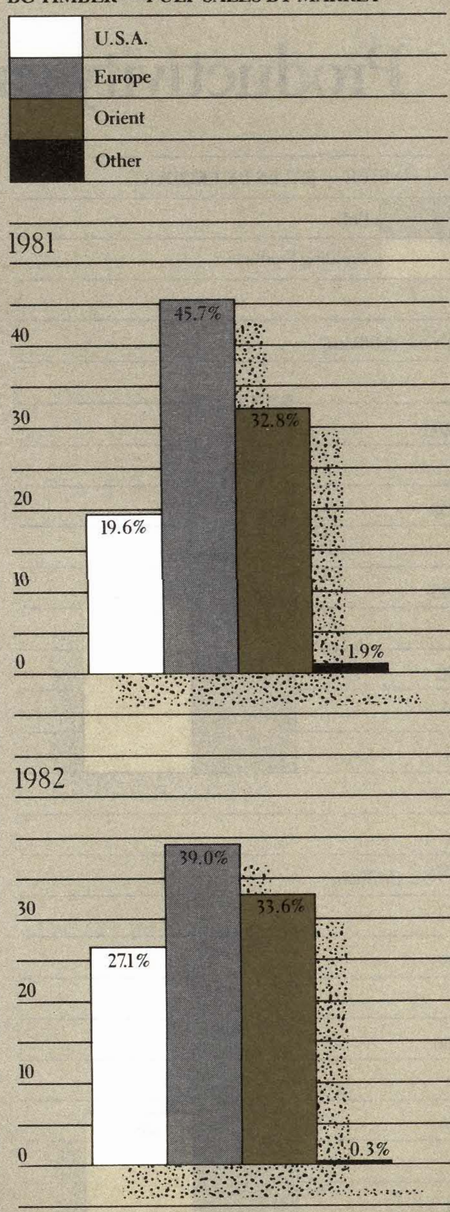
The company is deeply concerned about the effects of lengthy shutdowns on its employees and on the communities where its operations are located. It is well aware of the social and economic toll caused by the world recession and has attempted to act responsibly in making its operating decisions. Wherever possible, it has worked closely with government agencies to ease the impact of unemployment on its workforce. It is anticipated that once the company returns to full operation, its 1981 workforce of 4,000 will have been reduced by about 30 per cent.

Together with other Canadian lumber producers, BC Timber has been vitally concerned with the possibility of trade sanctions being imposed on lumber exported from Canada to the U.S. However, the ruling by the U.S. Government in early March that operations of Canadian sawmills are not subsidized by Federal or Provincial Governments, and therefore not subject to a countervailing duty, is a positive sign for the Canadian lumber industry. Any decision to impose a countervailing duty on Canadian lumber products would be a devastating blow to this country's already ailing economy.

Wood chips for the pulping process at the Celgar Pulp mill in Castlegar are made from logs like these being plucked from the river by the Colby crane. Despite deteriorating world pulp prices, Celgar Pulp operated at full capacity for most of 1982 because of its high efficiency.

Mounting inventories of pulp resulted from weakening demand from overseas customers and led to extended shutdowns for Skeena Pulp mill in Prince Rupert.

BC TIMBER — PULP SALES BY MARKET



The outlook for the company in 1983 remains mixed. Slow economic recovery in the U.S., Europe and the Far East will likely depress the market for both building products and kraft pulp during the first half of the year. Although there have been some recent signs of an increase in U.S. housing starts, demand will not likely be sufficient for many higher-cost sawmills to operate at capacity.

Pulp markets will probably remain relatively soft during the first half of the year, followed by modest increases in demand in the third and fourth quarters. Swedish pulp competitors will likely continue to expand their market share in Europe because of their ability to offer lower selling prices. Overall, 1983 is expected to be a stabilizing year for pulp.

While BC Timber faces a disappointing outlook for the first half of 1983, its building products sector should show steady improvement in both operating levels and earnings as the effects of the recession begin to ease. Company management will continue to devote its full efforts to reducing losses and increasing productivity to ensure the long-term survival of the company.

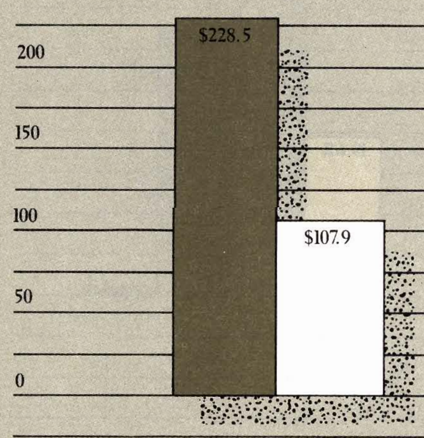
Productivity gains recorded

BC TIMBER — SALES BY PRODUCT

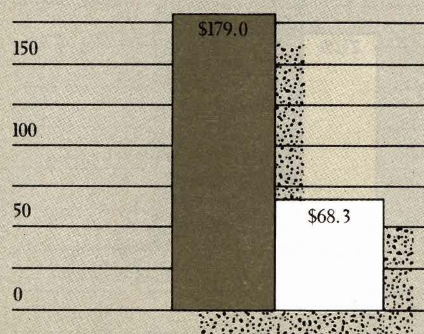
Pulp

Building Products

1981 (Millions)



1982 (Millions)



The deepening recession in the forest products industry prompted BC Timber to seek more efficient and productive ways of operating its mills during 1982. A renewed emphasis on improving relations between management and labor, for example, resulted in major increases in productivity and safety at four key operating divisions — Celgar Lumber, Plateau Lumber, Celgar Pulp and Skeena Pulp.

The Celgar sawmill in Castlegar achieved the most dramatic improvement in the company as production of lumber per employee increased steadily throughout the year. This trend culminated in the final three months of 1982, as productivity increased 35 per cent over the same period the year before. At the same time, the mill did not record a single lost-time accident during 1982 compared to an average of one per week the previous year.

Equally impressive results were achieved at the Plateau sawmill near Vanderhoof which is BC Timber's most efficient and productive lumber operation. Co-operative efforts among all employee groups raised the level of productivity by 25 per cent in the fourth quarter of 1982 while annual safety performance improved by 37 per cent over 1981. These advances coupled with low costs allowed the mill to operate with only 3 weeks of downtime during the 12-month period despite record poor market conditions and low prices for its products.

The company's Celgar Pulp mill, historically one of the most productive in the province, also continued to operate at near record levels during 1982 with total production of 163,800 tonnes. Cost cutting programs and improved productivity helped it to further reduce its production costs and maintain its competitive position in U.S. and export markets.

Partly as a result of a major capital improvement program over the past two years, the company's largest mill, Skeena Pulp in Prince Rupert, achieved record production levels in May, June, and November. Once again, the success of the program is largely due to the attitude of cooperation and understanding displayed by all employees. Unfortunately, these impressive productivity gains were achieved during a period of deteriorating prices and demand, so the gains were largely eradicated by the declining market. However, as business conditions improve, company mills will be more competitive on world markets and better able to operate for sustained periods.

Logging activities in most of BC Timber's woodlands operations were curtailed during 1982 because of low demand and prices for both lumber and bleached kraft pulp.

BC Timber Ltd.

The Company

BC Timber is one of the largest producers of bleached kraft softwood market pulp in North America and its lumber production capacity ranks it among the leading lumber manufacturers in Canada. The company employs about 3,000 British Columbians to operate its two pulp mills in Prince Rupert and Castlegar, and its seven sawmills and five woodlands operations in Terrace, Kitwanga, Hazelton, Vanderhoof, Castlegar, Nelson and Nakusp. It is 100 per cent owned by B.C. Resources.

The company's pulp operations have a combined annual capacity of 565,000 air dry metric tonnes. At peak production levels, its sawmills have a total capacity of 675 million board feet.

In addition to its operating facilities, BC Timber has timber licences which provide an annual allowable cut of 4.7 million cubic metres of timber in the northern and southern interior regions of the province. These long-term tenures give the company the right to harvest crown-owned timber for its mill operations in return for the payment of stumpage fees and the performance of various forest management responsibilities.

The Products

Bleached kraft pulp is the main ingredient used in the manufacture of printing and writing papers and high quality specialty papers. It is produced from the fibres of softwood tree species by a complex chemical process which breaks down the natural bonds holding the fibres together. Once they have been separated, the individual cellulose fibres undergo an extensive bleaching process to produce the whitest pulp possible.

The product is formed into a continuous sheet which is dried, cut into sections about 80 centimetres square and bundled for shipment. In its final form, kraft pulp resembles a sheet of white cardboard about 2 millimetres thick.

Most of BC Timber's sawmill production is dimension lumber, the basic construction material used in all wood frame housing and other building projects in North America. It is produced and sold in standardized widths, lengths and grades and is usually manufactured from spruce, pine, fir and hemlock trees. Company sawmills also produce one inch thick boards of various widths and lengths, as well as lumber manufactured to export specifications.

Since it is used mainly for construction, most lumber is kiln dried before it leaves the sawmill. Drying removes much of the natural moisture from the newly cut lumber so it does not warp once it is in place.

The Markets

BC Timber sells its pulp to customers in 15 different countries mainly through long-term contracts. Marketing offices are located in Vancouver, Montreal and Brussels to serve the company's customers.

The majority of the company's lumber production is sold to wholesale companies in the United States. All sales are handled by lumber traders who work out of the company's Vancouver offices. During the year, the company also began to diversify its lumber sales into the United Kingdom, Europe, the Middle East and Japan.

Lumber produced at BC Timber's sawmills is sold mainly to the United States market, where it is used in house construction and other building projects.

Oil and Gas

More than 400 producing wells

The highlight of B.C. Resources' growth activities during 1982 was the purchase of Bighart Oil and Gas Ltd. of Calgary, Alberta, a junior oil and gas company whose wells produced one million barrels of oil during the year. With its steady cash flow and consistent record of discovering new oil deposits, this new company will provide B.C. Resources with a firm base to expand its activities in the oil and gas sector of its operations.

The acquisition of Bighart, for approximately $76 million in October 1982, was the culmination of an extensive search for a mature, productive and profitable junior oil company which could be merged with B.C. Resources' Oil and Gas Division. The purchase was designed to complement the exploration-oriented activities carried out by the Division and generate the funds necessary for continued growth and expansion in the oil industry.

Employees and offices of Bighart and B.C. Resources' Oil and Gas Division have been combined in the offices of a new company, Westar Petroleum Ltd., which is now in the process of amalgamating all Company oil and gas investments in Canada and the United States. P. Murray Palin, formerly president and chief operating officer of Bighart, was appointed president of the newly-formed Westar Petroleum on November 15, 1982 and Robert G. S. Currie was appointed executive vice president, exploration. Westar continues to provide technical support for B.C. Coal's Brae Field investment in the North Sea.

Westar's revenues from the sale of oil and gas for the period from its acquisition on October 1, 1982 to year end were $8.0 million, with net earnings for the quarter of $1.0 million.

The oil production from those properties formerly owned by Bighart and now part of Westar was one million barrels during 1982. For the year, the company drilled 116 gross wells (114.7 net), all but one of which was a successful oil or gas well. Westar drilled 39 development wells in Saskatchewan since it became part of the B.C. Resources group at the beginning of the fourth quarter of 1982, and all were successful oil wells. At year end, the company owned 411 productive oil wells and 6 productive gas wells.

The majority of the company's drilling activities in 1982 centred around its operations in the Dodsland area in west central Saskatchewan. The company drilled 104 wells in this oil-prone region during 1982, all of which will be contributing to production in 1983. Production from these new wells qualifies for the "New Oil Reference Price" which at year end was approximately $43 (Cdn.) per barrel.

Significant oil discoveries in other areas of Saskatchewan resulted in several new oil areas being brought into production during the year. Oil discoveries were made in the Marsden area north of Dodsland; at Beverly, in the Gull Lake region; and at Steelman, in southeast Saskatchewan during 1982. Production of oil from these areas will add significant new revenues as further wells are brought on stream.

Westar's interest in net reserves on former Bighart lands was 18 million barrels of proven oil reserves plus eight million barrels of probable reserves. Net proven reserves of gas were 18.1 billion cubic feet at year end.

Westar's principal interest in Alberta is its wholly-owned investment in the Berry Field in the eastern part of the province, which produced 536 million cubic feet of natural gas in 1982. Westar has a long-term contract with TransCanada PipeLines to market the gas from this field.

The company has also reached an agreement with Saskatchewan Power Corporation to sell approximately two million cubic feet per day of solution gas from its Dodsland collecting system. This gas had previously been flared into a large earth pit because there was no nearby market for it. However, a 30-kilometre pipeline from Dodsland to Coleville was completed in December, 1982 and transportation began at the end of February, 1983. The proceeds from the sale of the gas are expected to pay for the cost of installing the pipeline and compressor equipment within a relatively short time and then begin earning new revenue for the company.

P. Murray Palin
President
Westar Petroleum Ltd.

Westar is continuing to actively develop its properties throughout Saskatchewan and is assembling sufficient land holdings to carry out its planned exploration and development drilling program for 1983. Nearly 200 kilometres of seismic recordings were made on the company's Saskatchewan properties during the year, and the results are now being interpreted. Future land acquisitions and drilling programs will be based on the results of these seismic tests.

At the end of 1982, the company had a land inventory in Canada of 46,271 gross hectares or 34,646 net hectares.

During 1983, Westar has planned an active development drilling program in Saskatchewan which will result in 139 new wells, with 124 of these in the Dodsland area. Drilling results on the company's U.S. land holdings were not as promising as originally anticipated and the company expects to eventually withdraw from all active exploration of these properties.

B.C. Resources' Oil and Gas Division, whose assets are currently being amalgamated into Westar, participated in drilling a total of 73 wells in 1982 on its properties in northern British Columbia, Alberta and in the southern United States. Of these wells, 14 were oil, 16 were gas, seven were suspended at year end and 36 were dry and abandoned. In Alberta, two oil wells were put on production while 10 of the new gas wells located in the Livock area in the northern part of the province are targeted for production in the first quarter of 1984.

During 1982, the Division participated in the drilling of 32 wells in West Kansas, resulting in 11 oil wells, of which 10 have been put on production. Three of these oil wells were drilled by other operators at no cost to B.C. Resources. The low productivity of the wells resulted in an average gross production of 290 barrels per day during the fourth quarter of 1982, for a net average daily production to B.C. Resources of 36 barrels.

The Division's net interest in proven gas reserves at year end was 11 billion cubic feet. Net probable reserves were an additional seven billion cubic feet.

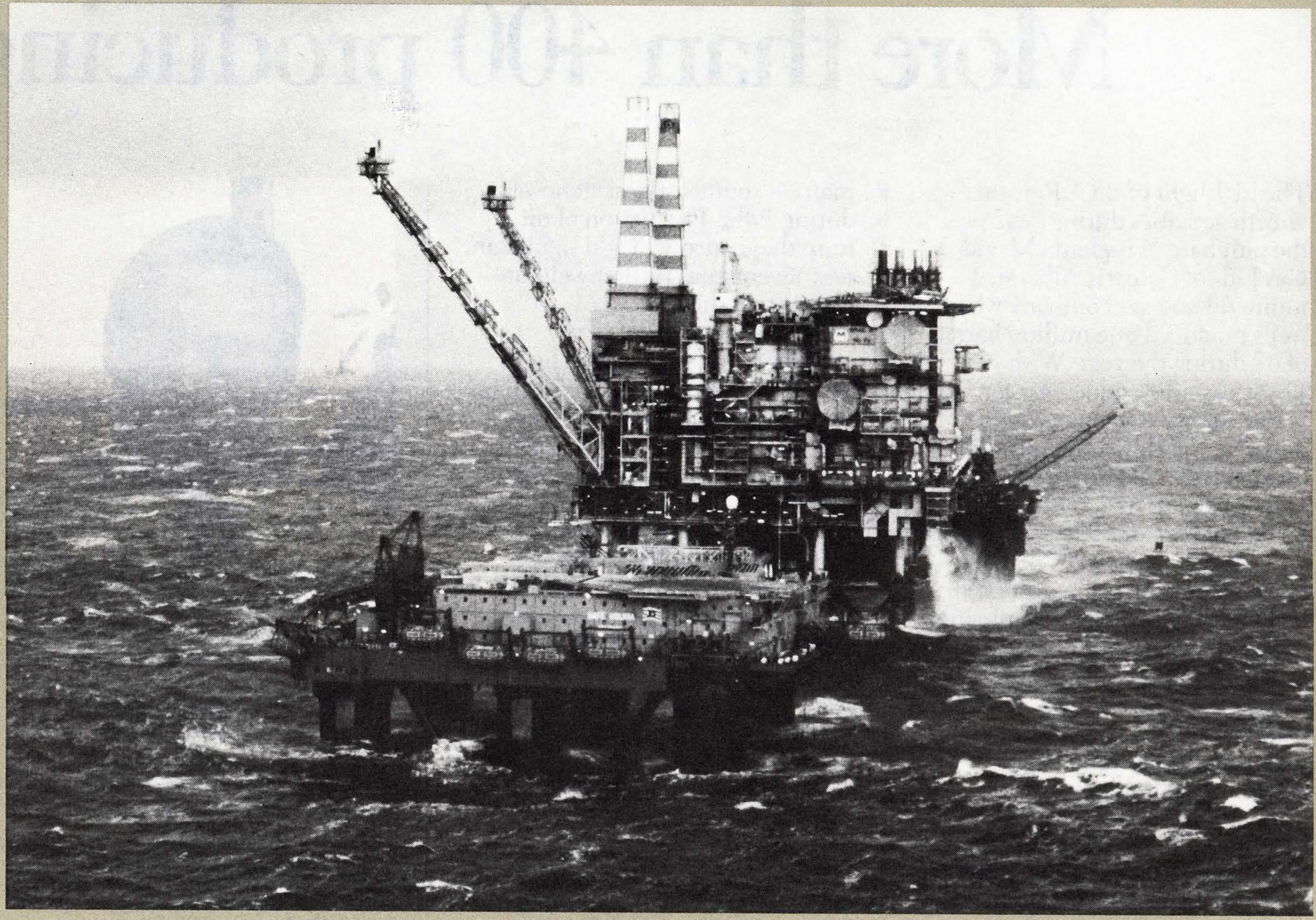
In total, the Division had gross land holdings of approximately 4,030,303 hectares (1,109,583 net hectares) in B.C., Alberta and various areas of the United States at year end. The bulk of these holdings are represented in the "Licence Lands" which were acquired from the Province of British Columbia in 1978 when B.C. Resources was established. In this area of 948,482 gross hectares, the Company has the exclusive right to carry out geological and geophysical exploration by itself or in partnership with other companies. However, the terms of the Licence require that exploratory drilling be farmed out to third parties.

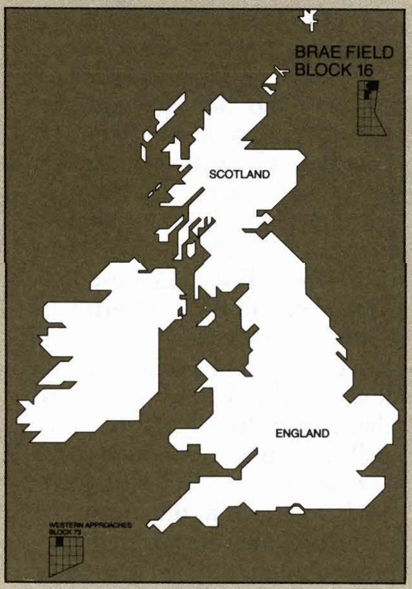
During 1982, drilling on these Licence Lands has resulted in two gas discoveries, which are currently shut in awaiting markets. Several additional wells will be drilled by the Company's partners on these lands during 1983.

The recent oversupply of oil on the world market and resulting price decreases are not expected to impact significantly on Westar's financial results in 1983 as long as any price declines are gradual and orderly. Reductions in the price of world oil are not reflected in Canadian produced oil for at least six months, and the incentive provided by the one-year royalty holiday in Saskatchewan will ensure a steady source of income from Westar's producing wells.

Near Kindersley, Saskatchewan, drill rig crew prepares to drill another well for Westar Petroleum, a wholly-owned subsidiary of B.C. Resources, which operates about 400 oil wells in the region.

Ready to begin oil production by mid-1983, this giant South Brae production platform stands in about 100 metres of water, 250 kilometres off the coast of Scotland. Low platform in foreground housed workers during peak construction period.





Dodsland, heart of operations

The operational heart of Westar Petroleum is the Dodsland Battery, a collection of holding tanks, pumping and metering equipment, offices and a maintenance shop, located on slightly undulating prairie just 40 kilometres northeast of Kindersley, Saskatchewan. As far as the eye can see are small blue oil pumps, each one slowly pumping away in the midst of the wheat-fields, alongside a dry alkalai lake.

The pump jacks number close to 400, each pumping its daily production of light gravity crude oil which flows into the tanks at the Dodsland Battery at a rate of approximately 3,200 barrels a day, or 1.2 million barrels of oil a year. Some wells are 16 years old, others less than a year. Initial production from a well in the Dodsland pool, just 710 metres below the surface, is between 18 and 21 barrels a day in the first year, about 10 to 12 barrels a day in the second year and then progressively tapering off over the next 20 years.

Twenty barrels of oil a day is not a big production number, but 3,200 barrels a day, over a period of a year means annual revenues of $45 million to the producer. Because they are shallow wells, and with costs meticulously controlled, a new well can pay for itself in less than a year under current oil royalties, leaving profits to accumulate over the next 19 years.

Westar has its drilling program down to a fine art. Using one rig, the company was averaging a new well every 36 hours in the last part of 1982. A second rig has been placed under contract to help meet the ambitious 1983 drilling program of 124 new wells in the Dodsland Field, an average of a new well every three days. The government of Saskatchewan has provided incentives through a royalty holiday on wells drilled from June, 1982 to December, 1983, providing some urgency to maximizing drilling and production for the balance of this year.

Westar will also increase its natural gas sales substantially in 1983 with the completion in March of a 30-kilometre pipeline which will transmit gas, previously "flared" or burned off, as an oil by-product to the Saskatchewan Power Corporation. The new pipeline, built at a cost of $1.8 million, will allow Westar to sell approximately two million cubic feet of gas per day.

Westar's field operations are carried out by a staff of 27 people, backed up by another 48 in its Calgary office. Many are long-service employees who have helped the Bighart organization grow steadily over the years until it became one of the leading junior oil and gas companies in Canada. Its new association with B.C. Resources as Westar Petroleum should open up new horizons in the energy field for the company.

Westar Petroleum Ltd.

The Company

Westar Petroleum Ltd. is a wholly-owned subsidiary of B.C. Resources and is engaged in the exploration, development and production of oil and natural gas. It resulted from the acquisition on October 1, 1982 of Bighart Oil and Gas Ltd. of Calgary. Primary operations of the former Bighart assets are in Saskatchewan where the company had some 396 wells producing approximately 3,200 barrels of oil per day at the end of January, 1983. The Bighart operations date back 16 years and the company began trading publicly on The Toronto Stock Exchange in 1979. The Oil and Gas Division of B.C. Resources, whose assets are currently being amalgamated into Westar, has been in existence since 1978, exploring and drilling wells in British Columbia, Alberta and the United States. Westar Petroleum Ltd. is headquartered in Calgary and has 75 employees.

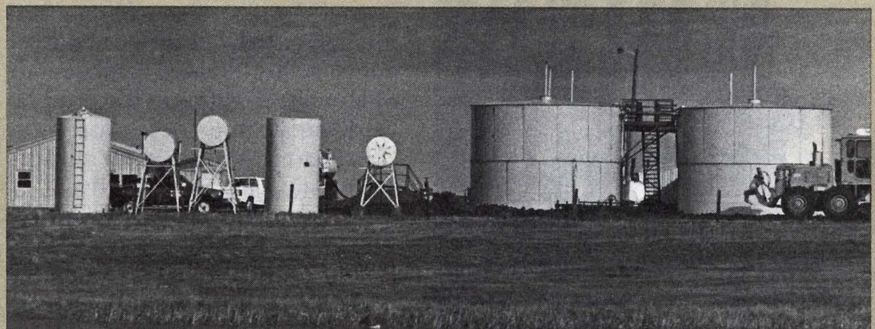
The Products

Oil production in west central Saskatchewan is a sweet, light gravity crude oil of about 38° API, and is generally considered to be among the highest quality oil produced in Canada. By October of 1983, the company estimates its Canadian daily oil production will reach 4,000 barrels, while total production for 1983 will be about 1.3 million barrels. Daily gas production in 1982 averaged 1.5 million cubic feet and for 1983, total annual gas production is estimated to be 1.4 billion cubic feet.

The Markets

Most of Westar's crude oil production comes from its Dodsland operation in west central Saskatchewan and is sold to a major Canadian oil company for refining into petroleum-based products such as gasoline and kerosene. Production from the company's other oil wells in the province is also sold to oil companies and is used to produce consumer and industrial petroleum products.

The company's natural gas production from its Berry Field in eastern Alberta is marketed by a long-term contract to TransCanada PipeLines. Completion of a new 30-kilometre gas gathering pipeline in the Dodsland Field of Saskatchewan will allow the company to sell approximately two million cubic feet of gas daily to the Saskatchewan Power Corporation, beginning in March.



Dodsland Battery is composed of oil storage tanks and related facilities.

Brae to produce oil by mid-year

Development of the South Brae oil and gas field off the northeast coast of Scotland proceeded on schedule in 1982, with initial production from the Field expected to begin by the end of June of this year. B.C. Coal's 7.7 per cent interest in Block 16/7a, which contains the South Brae Field, will result in initial cash returns from this investment shortly after production commences.

The South Brae Field contains estimated recoverable reserves of 300 million barrels of oil and natural gas liquids. B.C. Coal's share of these reserves totals 23 million barrels or roughly 8,600 barrels per day at peak production rates.

An 18,600-tonne steel platform, capable of peak production levels of 100,000 barrels of oil and 12,000 barrels of natural gas liquids daily, was installed on the seabed in June, marking a major step in the pre-production program.

The production platform was assembled from more than 20 pre-built modules. All hookup and commissioning work which was necessary before drilling could begin was completed early in 1983. During the past several months of hook-up, some 1,700 workers housed in two floating hotels were working to complete this phase of the project.

The project operator received approval to operate the drilling platform in March 1983 and drilling of the first of 19 production wells is due to begin in the near future. A pipeline linking the platform to the United Kingdom was completed in 1982.

The South Brae reservoir is one of five hydrocarbon pools which have been discovered to date, four of which are in Brae Block 16/7a and one in Brae Block 16/3a. The most promising new pool appears to be North Brae, located approximately 12 kilometres from the current South Brae development. A delineation well completed in early 1982 confirmed the results of four earlier wells and indicated sufficient reserves to warrant field development. A decision on whether the companies involved will proceed with developing the North Brae pool is expected by the end of the first quarter of 1983. The total cost of developing this pool is currently estimated to be £1.7 billion, of which B.C. Coal's share, including its carried interest obligations, would be approximately £260 million, the major portion of which would be incurred in the years 1985-1988. It is expected that a significant part of these costs will be funded from South Brae cash flows.

In the fourth quarter of 1982, an agreement was signed between B.C. Coal and a syndicate of banks to provide a credit facility of U.S. $300 million to assist in financing South Brae development costs. This new financing agreement replaced temporary financing agreements and assures the company a guaranteed source of funds to complete its development obligations with respect to South Brae. The credit facility also covers B.C. Coal's commitment to carry the development costs of Bow Valley Exploration (U.K.) Limited.

Current and future Brae developments represent one of the more promising new oil and gas finds and offer immense potential for future development. Although a temporary oversupply of oil on the world market has depressed prices, the company is confident that its $300 million investment in the Brae will develop into a highly productive asset in the long term.

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 pumped to the surface.

Metallurgical coal
Also known as coking coal, it 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.

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.

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-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 948,482 gross hectares of land in British Columbia for which the province issued an exploration licence to the Company in 1978.

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

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 oil and gas 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.

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.

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

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

Operating profit/loss
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 rights 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
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 2.5 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.

Financial Section

Financial Review

The financial performance of the Company in 1982 was affected by the following factors:
- weakening markets for pulp resulting in lower pulp prices and shipments
- weak markets for lumber continued during the year
- decline in the demand for coal resulting in lower shipments of metallurgical coal
- high interest rates during the year
- three major capital projects in progress during all of 1982
- acquisition of Bighart Oil and Gas Ltd., a producing oil and gas company.

Revenue

Revenue for 1982 was $694.1 million which is $166.7 million lower than revenue for 1981 of $860.8 million.

Coal revenue decreased by $81.2 million as a result of a 26% (1.9 million tonnes) reduction in coal shipments due to decreased demand for coal in the latter half of 1982. Demand for metallurgical coal has been affected by the reduced worldwide demand for steel. The average revenue per tonne of coal sold in 1982 was 15% greater than in 1981. The contract for sale of metallurgical coal to the Japanese steel mills provides for renegotiation of price to become effective after March 31, 1983.

Pulp revenue decreased by $49.5 million as a result of a weakening demand worldwide for pulp. Pulp shipments were down 11% (45,000 ADMT [air dry metric tonnes]) from 1981 and the average revenue per ADMT sold in 1982 was 12% less than in 1981.

Revenue from lumber decreased $39.6 million as a result of continuing weak markets. Shipments were 25% (120,000 MFBM [thousand board feet]) lower than in 1981. The average revenue per MFBM sold decreased 7% during the year. During the latter part of 1982, lumber prices were firming, primarily as a result of the increasing level of housing construction in the United States.

Revenue from oil and gas arises principally from the acquisition of Bighart Oil and Gas Ltd., effective October 1, 1982.

In 1982, 94% of the Company's sales revenue was from sales to customers outside of Canada. Accordingly, sales revenues are affected by the economies of the markets in which the Company sells its products and the relationships of foreign currencies to the Canadian dollar.

Costs and Expenses

Costs and expenses were lower than in 1981 because of reduced shipments which resulted in the closures of pulp mills, sawmills, woods operations and B.C. Coal's Balmer Mine operation. These reductions were partially offset by higher costs for labor, services and materials experienced throughout the Company's operations.

The decrease in cost of products sold of $53.0 million, resulted from a lower volume of products sold, offset by higher wage and salary levels and prices for materials and services. However, cost of products sold has been increased by the adjustment of pulp, lumber, chip and log inventories to net realizable value and fixed costs incurred during closures of operations.

General, selling and administrative expenses decreased by $14.7 million as a result of efforts to reduce the level of these expenses, including a reduction in the number of employees and the cancellation of the coal marketing contract, offset by the cost of establishing a coal marketing division.

Interest on borrowings increased by $28.5 million to $123.6 million primarily as a result of the higher debt levels, necessary to finance capital projects under development, and high interest rates during the year. After deducting interest charged to capital projects in progress, interest charged to operations decreased by $1.1 million.

Depreciation, depletion and amortization decreased as a result of the closures of the forest products operations, but was offset by higher amounts for the oil and gas operations.

Income taxes, because of the loss from operations, showed a credit of $22.3 million compared to a net expense of $23.1 million in 1981. Recognition has been given to the benefits, amounting to $51 million, which will result in future periods by offsetting the losses of BC Timber against income for tax purposes.

Net Earnings

The loss of $31.3 million compares with net earnings of $42.5 million in 1981. Before extraordinary items, the loss was $38.4 million compared with 1981 earnings of $7.9 million. The extraordinary items in 1982 were the gain from sale of Sable Island oil and gas interests, offset by a provision for a loss on a note receivable, and in 1981, the gain on sale of the investment in MacMillan Bloedel Limited.

Capital Expenditures

Capital expenditures for 1982 were $407 million compared with $296 million in 1981. In both years most of the expenditures involved three major capital projects which are scheduled for completion in 1983: Greenhills Mine $177 million ($82 million in 1981); expansion of Westshore Terminals $76 million ($5 million in 1981); and the development of oil and gas interests in the Brae Field $66 million ($71 million in 1981).

Financial Position

Total assets increased by $452 million to $2.3 billion, which reflects the amounts spent on capital expenditures, exploration and development advances and the acquisition of Bighart Oil and Gas Ltd. during 1982. The increase in long term debt was due to the Company's cash requirements during the year for capital expenditures, exploration and development advances relating to the Brae Field and acquisition of Bighart Oil and Gas Ltd., and was reduced by the proceeds from the sale of Sable Island oil and gas properties, the issue of exchangeable preferred shares and the payment received from the 20% participant in the Greenhills Mine. Funds from operations decreased $66 million to $12 million with BC Timber and B.C. Coal accounting for $73 million and $8 million respectively, of the decrease, offset by increases in other areas. Long-term debt will increase in 1983 as the Greenhills, Westshore and Brae projects are completed.

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 11, 1983.

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 five 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.

President and Chief Executive Officer

Executive Vice President, Finance and Chief Financial Officer

Consolidated Statement of Earnings

For the year ended December 31, 1982

	Note Reference	1982 (Thousands)	1981 (Thousands)
Revenue			
Coal		$ 430,609	$ 511,771
Forest products		247,317	336,382
Oil and gas		8,646	—
Interest and other income	10	7,526	12,640
		694,098	860,793
Costs and expenses			
Cost of products sold		570,562	623,533
General, selling and administrative		56,141	70,809
Interest	11	58,638	59,722
Depreciation, depletion and amortization		53,132	53,047
		738,473	807,111
Earnings (loss) before income taxes and other items		(44,375)	53,682
Income taxes	12	(22,300)	23,062
		(22,075)	30,620
Minority interest in net earnings of subsidiaries		(16,316)	(22,690)
Earnings (loss) before extraordinary items		(38,391)	7,930
Extraordinary items	13	7,087	34,557
Net earnings (loss)		$ (31,304)	$ 42,487
Earnings (loss) per Common share			
Before extraordinary items		$ (0.41)	$ 0.08
Net earnings		$ (0.34)	$ 0.44

Consolidated Statement of Retained Earnings

For the year ended December 31, 1982

	1982 (Thousands)	1981 (Thousands)
Retained earnings at beginning of the year	$ 134,593	$ 92,106
Net earnings (loss)	(31,304)	42,487
	103,289	134,593
Dividends on Exchangeable Preferred shares	(1,120)	—
Expenses relating to issue of Exchangeable Preferred shares, net of income taxes of $1,451,000	(1,366)	—
Retained earnings at end of the year	$ 100,803	$ 134,593

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1982

	Note Reference	1982 (Thousands)	1981 (Thousands)
Source of funds			
Earnings (loss) before extraordinary items		$ (38,391)	$ 7,930
Add (deduct) items not affecting working capital			
Depreciation, depletion and amortization		53,132	53,047
Deferred income taxes		(19,366)	(7,711)
Minority interest		16,316	22,690
Other		314	1,616
Funds provided by operations		12,005	77,572
Additions to long term debt		548,383	350,842
Issue of Exchangeable Preferred shares, net of expenses		57,064	—
Proceeds on sale of			
Interest in Sable Island oil and gas field		52,000	—
20% interest in Greenhills Mine	9	55,385	—
Investment in MacMillan Bloedel Limited		—	213,600
Other		(5,129)	6,593
		719,708	648,607
Application of funds			
Additions to property, plant and equipment			
Coal		306,193	139,850
Forest products		16,341	56,872
Oil and gas		83,574	95,481
Other		817	3,343
		406,925	295,546
Reduction of long term debt		172,533	217,108
Acquisition of subsidiary	2	77,930	—
Investments and advances		84,605	64,028
Dividends paid on Exchangeable Preferred shares		1,120	—
Dividends paid to minority shareholders of B.C. Coal Ltd.		—	58,325
Redemption of shares by B.C. Coal Ltd.		—	7,924
		743,113	642,931
Increase (decrease) in working capital		(23,405)	5,676
Working capital at beginning of the year		87,904	82,228
Working capital at end of the year		$ 64,499	$ 87,904
Represented by:			
Current assets		$ 231,672	$ 261,366
Less: Current liabilities		167,173	173,462
		$ 64,499	$ 87,904

Consolidated Balance Sheet

December 31, 1982

	Note Reference	1982 (Thousands)	1981 (Thousands)
ASSETS			
Current			
Short term investments		$ —	$ 24,023
Accounts receivable		77,830	77,798
Inventories	3	146,622	156,404
Prepaid expenses		7,220	3,141
		231,672	261,366
Notes receivable	4	6,250	18,022
Investments, advances and other assets	5	259,607	162,788
Property, plant and equipment	6	2,132,170	1,715,944
Less: Accumulated depreciation, depletion and amortization		377,829	358,269
		1,754,341	1,357,675
		$2,251,870	$1,799,851
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness		$ 37,345	$ 48,469
Accounts payable and accrued liabilities		117,328	110,670
Income taxes payable		—	10,181
Current portion of long term debt	7	12,500	4,142
		167,173	173,462
Long term debt	7	1,126,299	718,949
Deferred income taxes		111,443	110,064
Minority interest in subsidiary companies		47,279	23,791
Shareholders' equity			
Share capital	8	698,873	638,992
Retained earnings		100,803	134,593
		799,676	773,585
Commitments	9		
		$2,251,870	$1,799,851

Approved by the Directors:

Director Director

Notes to the Consolidated Financial Statements

December 31, 1982

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. Investment 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, except in the case of the Brae Field oil and gas properties, exploration and development costs where the year-end rate is used. Gains and losses resulting from translation of foreign currency are reflected in earnings except for those relating to long term debt which are deferred and amortized over the term of the debt and those relating to the net investment in the Brae Field which are deferred until the investment is realized.

Inventories

Inventories of coal, pulp, lumber, plywood, 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 Acquisition of Subsidiary

Effective October 1, 1982, the Company acquired Bighart Oil and Gas Ltd., an oil and gas exploration and production company, by amalgamation with a subsidiary to form a company now named Westar Petroleum Ltd. Former shareholders of Bighart received preferred shares retractable for cash. The net assets of Bighart as at October 1, 1982, accounted for by the purchase method, were as follows:

		(Thousands)
Property, plant and equipment		
Oil and gas properties including development costs		$ 104,264
Lease and well equipment		10,978
		115,242
Other assets		1,656
		116,898
Less: Long term debt	$ (31,500)	
Deferred income taxes	(7,468)	(38,968)
Net non-current assets		77,930
Working capital deficiency		(2,448)
Total cost including acquisition costs		$ 75,482

3 Inventories

	1982 (Thousands)	1981 (Thousands)
Coal	$ 39,851	$ 13,079
Pulp	35,207	28,473
Lumber	6,056	7,510
Logs, wood chips and other raw materials	27,408	60,641
Operating and maintenance supplies	38,100	39,068
Real estate	—	7,633
	$ 146,622	$ 156,404

4 Notes Receivable

	1982 (Thousands)	1981 (Thousands)
Note receivable, interest at 13¾%, principal repayments of $2,500,000 on February 22, 1983 and $6,250,000 on February 22, 1985	$ 8,750	$ 8,750
Note receivable, net of provision for loss (see Note 13)	1,430	13,908
	10,180	22,658
Less: Current portion included in accounts receivable	3,930	4,636
	$ 6,250	$ 18,022

5 Investments, Advances and Other Assets

	1982 (Thousands)	1981 (Thousands)
Associated company — carried at equity:		
Babine Forest Products Limited — 24% interest	$ 2,593	$ 2,587
Other investment — carried at cost:		
Westcoast Transmission Company Limited — 8.5% interest (market value, $50,335,000; $45,966,000 in 1981)	37,364	37,364
Exploration and development advances, (U.S. $146,407,000; U.S. $88,572,000 in 1981) (see Note 9)	179,994	105,038
Deposit with trustee	9,583	—
Other	30,073	17,799
	$ 259,607	$ 162,788

In connection with the Trust Indenture issued in conjunction with the issue of the Exchangeable Preferred shares as detailed in Note 8, the investment in Westcoast Transmission Company Limited and the deposit in the amount of $9,583,000 (U.S. $7,795,000) have been deposited with a trustee. The deposit account will be reduced based on dividend payments and redemptions or purchases for cancellation of Exchangeable Preferred shares.

6 Property, Plant and Equipment

	1982 (Thousands)	1981 (Thousands)
Coal		
Properties and development costs	$ 604,276	$ 556,486
Plant and equipment	528,828	333,237
	1,133,104	889,723
Less: Accumulated depreciation, depletion and amortization	43,293	22,975
	1,089,811	866,748
Forest products		
Land	3,914	3,896
Pulp mills	380,940	369,774
Sawmills	86,003	110,274
Timber cutting rights, roads and related facilities	88,459	96,285
Logging equipment and other facilities	31,104	27,995
	590,420	608,224
Less: Accumulated depreciation, depletion and amortization	316,517	324,765
	273,903	283,459
Oil and gas		
Properties, exploration and development costs, and plant and equipment	406,053	214,647
Less: Accumulated depreciation, depletion and amortization	17,647	10,376
	388,406	204,271
Other	2,593	3,350
Less: Accumulated depreciation and amortization	372	153
	2,221	3,197
	$1,754,341	$1,357,675

Property, plant and equipment includes costs incurred on projects under development amounting to $577 million. Major projects are described in Note 9, Commitments.

Coal development costs and plant and equipment includes the 80% of these items relating to the Greenhills Mine Joint Venture in the amount of $216 million after deducting accumulated depreciation, depletion and amortization.

7 Long Term Debt

	1982 (Thousands)	1981 (Thousands)
Bank credit agreements	$ 707,047	$ 476,114
Bank production loans	30,900	—
Brae Field project financing (U.S. $236,438,000)	290,677	—
Interim Brae Field project bank financing (U.S. $123,656,000)	—	146,643
5⅜% Bonds due July 1, 1985 with annual principal payments, (U.S. $10,500,000; 1981 U.S. $14,000,000)	12,929	16,603
10½% Promissory notes due December 15, 1992 with annual principal payments commencing December 15, 1983, (U.S. $50,000,000)	61,500	59,295
11½% Promissory notes due December 15, 1992 with annual principal payments commencing December 15, 1983	20,000	20,000
Other	15,746	4,436
	1,138,799	723,091
Less: Amounts due within one year	12,500	4,142
	$1,126,299	$ 718,949

The Company and its subsidiaries have bank credit agreements with interest at floating rates. Borrowings under these agreements can be in prime rate based funds, bankers' acceptances or in London Interbank Offered Rate (LIBOR) based funds in any freely convertible currency. Bankers' acceptances can be for periods of up to one year and LIBOR borrowings, subject to availability, for periods up to five years. 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, 1982 was 11.34%. The amounts outstanding at December 31, 1982 under these bank credit agreements have maturities as follows: $228 million due April 1, 1984; $40 million due in nine equal annual instalments commencing in 1985; $60 million in nine equal instalments commencing in 1985 or later and the balance in instalments commencing no earlier than in 1986.

The bank production loans are secured by certain petroleum and natural gas properties and bear interest at the bank's prime lending rate and are repayable out of future production proceeds.

The Brae Field project financing is a U.S. $300 million syndicated credit facility secured by fixed and floating charges on the interest of B.C. Coal in the licences, assets and revenues relating to South Brae. Repayment of U.S. $175 million of the facility is secured by a guarantee of B.C. Coal and will be repayable in eight equal semi-annual instalments, commencing June 30, 1985 and U.S. $125 million of the facility is repayable only out of B.C. Coal's net cash flow from the South Brae and will be due no later than December 31, 1988. The amount of the facility guaranteed by B.C. Coal may be reduced in whole or in part if certain production and economic criteria are met.

Principal repayments required on the bonds and promissory notes for the next five years are $12,500,000 in each of the years 1983, 1984 and 1985 and $8,176,000 in each of the years 1986 and 1987.

At December 31, 1982, the Company and its subsidiaries had available a further $254 million in long term bank credit agreements and an additional $279 million in operating lines of credit.

8 Share Capital

	1982 (Thousands)	1981 (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	$ —
96,243,235 Common shares	638,992	638,992
	$ 698,873	$ 638,992

The authorized capital of the Company was increased, pursuant to special and ordinary resolutions approved May 14, 1982, from 100,000,000 shares without par value to 300,000,000 shares without par value divided into 200,000,000 Common shares and 100,000,000 Preferred shares. The Preferred shares may be issued from time to time in one or more series having terms fixed prior to issue of each series by the directors of the Company.

On October 13, 1982, the Board of Directors of the Company designated 2,395,248 Preferred shares as $2.6875 Cumulative Redeemable Exchangeable Preferred shares exchangeable for Common shares of Westcoast Transmission Company Limited held by the Company (Note 5). The Exchangeable Preferred shares, which were issued on October 28, 1982 at $25 per share, are exchangeable until close of business on March 31, 1990 for Common shares of Westcoast at an exchange price of $17.25, which is equivalent to an exchange basis of 1.449 Westcoast shares for each Exchangeable Preferred share. The Exchangeable Preferred shares will not be redeemable prior to April 1, 1986 unless at least 90% of the shares have been exchanged for Westcoast shares. 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 if the Common shares of Westcoast have traded for a specified period at a weighted average price not less than $22.425 adjusted for any consolidation or subdivision of Westcoast Common shares;

— on or after April 1, 1988 at $26.25 for the year ending March 31, 1989, declining by $0.25 in each subsequent year to $25 on or after April 1, 1993.

The Company shall make all reasonable efforts to purchase for cancellation Exchangeable Preferred shares at prices not exceeding $25 as follows:

— 2.5% of the 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

B.C. Coal has interests in several licences for the exploration and development of oil and gas in the United Kingdom sector of the North Sea. Under the terms of the acquisition of its interests, B.C. Coal 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 in an area designated as the South Brae Field in which B.C. Coal holds a 7.7% working interest. The B.C. Coal share of the development costs to the date of commercial production together with the carried interest obligation, is estimated to be $260 million ($340 million including financing costs) of which $245 million ($309 million including financing costs) has been incurred to December 31, 1982. Commercial production is scheduled for 1983.

B.C. Coal is expanding its port facilities at Roberts Bank which will increase the annual capacity to 22 million tonnes on completion late in 1983. The cost of the expansion, including financing costs, is estimated to be $148 million of which $81 million was incurred to December 31, 1982.

B.C. Coal is an 80% participant in the Greenhills Mine Joint Venture. On December 29, 1982 the other participant acquired its 20% interest in the joint venture. The company's share of the cost of development, including financing costs, is estimated to be $274 million of which $217 million has been incurred to December 31, 1982. Commercial production of thermal coal commenced in the fourth quarter of 1982. Commercial production of metallurgical coal is expected to commence in the fourth quarter of 1983.

10 Interest and Other Income

	1982 (Thousands)	1981 (Thousands)
Interest	$ 4,364	$ 7,673
Dividends from Westcoast Transmission Company Limited	3,610	3,194
Equity in net earnings (loss) of associated companies	(2)	1,736
Other	(446)	37
	$ 7,526	$ 12,640

11 Interest

	1982 (Thousands)	1981 (Thousands)
Interest expense relates to:		
Short term borrowings	$ 6,116	$ 4,687
Long term borrowings	117,513	90,489
Less: Interest charged to major capital projects	(64,991)	(35,454)
	$ 58,638	$ 59,722

12 Income Taxes

	1982 (Thousands)	1981 (Thousands)
The provision for income taxes comprises the following:		
Current	$ (2,934)	$ 30,773
Deferred	(19,366)	(7,711)
	$ (22,300)	$ 23,062

BC Timber has recognized the future tax benefit relating to losses carried forward. At December 31, 1982, the company had losses carried forward for tax purposes of $109 million of which $22 million has to be utilized by 1986 and $87 million by 1987.

B.C. Coal has accumulated earned depletion benefits and investment tax credits available to reduce the provision for income taxes in future years by approximately $19 million and $10 million respectively.

13 Extraordinary Items

	1982 (Thousands)	1981 (Thousands)
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)	—
Gain on sale of investment in MacMillan Bloedel Limited, net of income taxes of $14,199,000	—	34,557
	$ 7,087	$ 34,557

14 Pension Plans

The Company has pension plans for hourly and salaried employees. At December 31, 1982 the aggregate of the unfunded past service liabilities for all Company pension plans is estimated to be $9,121,000.

15 Related Party Transactions

B.C. Coal sells metallurgical coal under a long term contract extending through March 31, 1985 to Mitsubishi Corporation for resale to nine Japanese corporations. At December 31, 1982, Mitsubishi Corporation owned 13% of the outstanding shares of B.C. Coal and the other nine corporations owned 20%. Sales under the contract amounted to $272 million and $284 million for the years ended December 31, 1982, and 1981, respectively.

In 1982 B.C. Coal had sales of metallurgical coal amounting to $84 million to Pohang Iron and Steel Company of Korea which has a 20% interest in the Greenhills Mine Joint Venture.

16 Subsidiary Companies

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

- B.C. Coal Ltd. (67% owned)
  - Westshore Terminals Ltd.
  - B.C. Coal International Ltd.
  - BCRIC Holdings (U.K.) Limited
    - BCRIC Oil (U.K.) Limited
      - BCRIC Petroleum (U.K.) Limited
    - BCRIC Finance (U.K.) Limited
    - BCRIC Exploration (U.K.) Limited
- B.C. Resources Holdings Ltd.
- B.C. Resources Oil & Gas Inc.
- BC Timber Ltd.
  - BC Timber International S.A.
  - High Arrow Limited
- Westar Petroleum Ltd.
  - Bighart Oil and Gas Inc.
- 6870400 Holdings Ltd.
  - Westar Industries Ltd. (formerly BCRIC Enterprises Ltd.)

17 Segmented Information

($ Millions)

	Export 1982	Export 1981	Domestic 1982	Domestic 1981	Total 1982	Total 1981
Sales						
Coal	416.3	497.1	14.3	14.7	430.6	511.8
Forest products (1)						
Pulp	178.8	227.8	.2	.7	179.0	228.5
Lumber	50.0	62.3	18.3	45.6	68.3	107.9
Oil and gas	.4	—	8.3	—	8.7	—
	645.5	787.2	41.1	61.0	686.6	848.2
Operating profit (loss)						
Coal					98.0	131.8
Forest products (2)						
Pulp					(32.6)	20.0
Lumber					(32.6)	(22.1)
Unallocated administration and other					(11.7)	(9.2)
					(76.9)	(11.3)
Oil and gas					(1.8)	(5.2)
					19.3	115.3
Corporate expenses, less interest and other income					(5.1)	(1.9)
Interest expense					(58.6)	(59.7)
Income taxes					22.3	(23.1)
Minority interest					(16.3)	(22.7)
Earnings (loss) before extraordinary items					(38.4)	7.9

	Identifiable Assets 1982	Identifiable Assets 1981	Capital Expenditure 1982	Capital Expenditure 1981	Depreciation Depletion and Amortization 1982	Depreciation Depletion and Amortization 1981
Coal	1,203.0	959.2	306.2	139.8	25.3	24.3
Forest products						
Pulp	250.8	246.4	11.7	31.8	8.8	9.8
Lumber	68.1	79.5	.3	5.8	4.0	4.8
Woodlands	88.6	114.5	3.8	17.0	7.0	9.6
Unallocated	11.7	8.6	.5	2.3	.2	.1
	419.2	449.0	16.3	56.9	20.0	24.3
Oil and gas						
Canada	205.3	98.6	13.9	15.1	4.0	3.7
United States	15.7	12.9	3.5	9.6	3.5	.6
United Kingdom (Brae Field)	356.7	215.5	66.2	70.8	—	—
	577.7	327.0	83.6	95.5	7.5	4.3
Corporate	52.0	64.6	.8	3.3	.3	.1
Total	2,251.9	1,799.8	406.9	295.5	53.1	53.0

(1) The sales for the forest products segments do not include sales of wood chips at estimated market value from the lumber and plywood to the pulp segment in the amount of $11.6 million in 1982 and $10.0 million in 1981.

(2) The operating profits (losses) for the forest products segments are after deducting costs allocated, on a cost recovery basis, for the logs used by the segment.

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, 1982 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada,
February 11, 1983

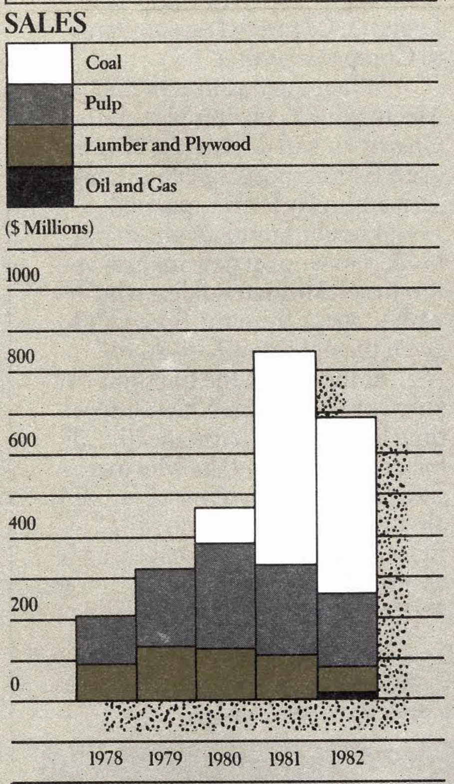
Coopers & Lybrand
Chartered Accountants

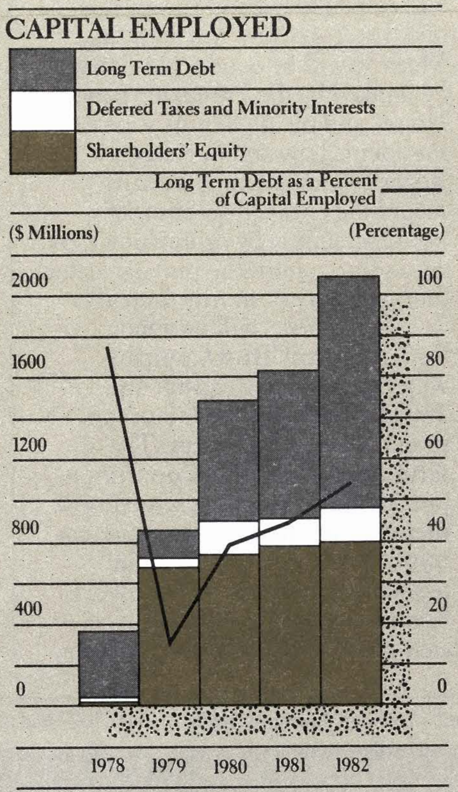
Financial and Statistical Summary

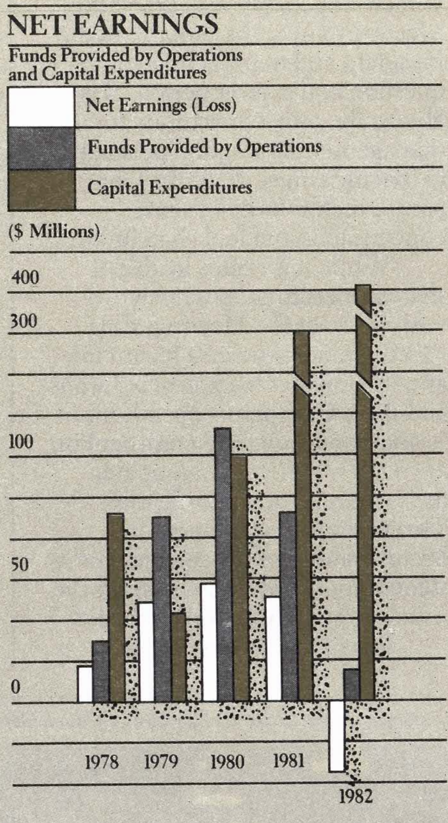
(For five years from date of incorporation, February 22, 1978 to December 31, 1982)

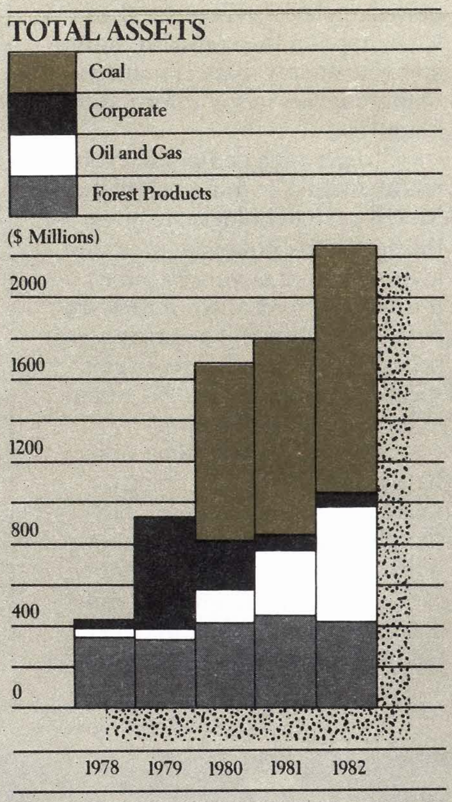
	1982	1981	1980[1]	1979[2]	1978
Financial Information ($ Millions)					
For the year					
Revenue					
Coal	430.6	511.8	83.7	—	—
Forest products	247.3	336.4	385.3	321.6	202.7
Oil and gas	8.7	—	—	—	—
Interest & other income	7.5	12.6	51.4	36.8	10.9
	694.1	860.8	520.4	358.4	213.6
Earnings (loss) before extraordinary items	(38.4)	7.9	45.7	40.8	12.7
Net earnings (loss) for the year	(31.3)	42.5	47.9	40.8	15.9
Funds provided by operations	12.0	77.6	110.3	76.2	24.6
Additions to property, plant and equipment	406.9	295.5	99.9	35.2	77.6
At end of year					
Working capital	64.5	87.9	82.2	559.7	77.8
Total assets	2,251.9	1,799.8	1,676.2	940.7	425.1
Long term debt	1,126.3	718.9	585.2	132.6	319.8
Deferred income taxes and minority interest	158.7	133.9	166.6	42.6	28.5
Shareholders' equity	799.7	773.6	731.1	683.2	15.9
Per Common Share Information ($)					
Earnings (loss) before extraordinary items	(0.41)	0.08	0.47	0.69	—
Net earnings (loss)	(0.34)	0.44	0.50	0.69	—
Book value	7.69	8.04	7.60	7.10	—
Price Range — High	3.95	6.63	9.25	9.25	—
— Low	2.38	3.00	5.75	5.87	—
— Close	2.65	4.00	5.95	7.10	—
Statistical Information					
Shipments (Thousands)					
Coal — tonnes	5,464	7,371	1,300	—	—
Pulp — air dry tonnes	364	409	480	450	360
Lumber — thousand foot board measure	354	475	545	434	338
Oil — cubic metres	44	—	—	—	—
Gas — thousand cubic metres	2.4	—	—	—	—
Employees	6,078	6,562	6,819	3,918	3,742
Registered Common Shareholders (Thousands)	121.2	128.0	133.3	136.1	—

Notes:
1. Includes information relating to B.C. Coal Ltd. from October 15, 1980.
2. The Company issued 96,243,230 Common shares for $638,992,310.









Quarterly Information

(Unaudited — $ Millions)

	Three Months Ended								Year Ended	
	March 31		June 30		September 30		December 31		December 31	
	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981
Revenue										
Coal	86.8	110.8	147.9	131.0	85.2	133.4	110.7	136.6	430.6	511.8
Forest products	53.6	104.8	65.3	111.7	67.3	33.3	61.1	86.6	247.3	336.4
Oil and gas	—	—	.2	—	.3	—	8.2	—	8.7	—
Interest & other income	2.8	7.7	1.6	3.1	.9	.8	2.2	1.0	7.5	12.6
	143.2	223.3	215.0	245.8	153.7	167.5	182.2	224.2	694.1	860.8
Earnings (loss) before extraordinary items	(13.0)	2.7	2.7	6.0	(14.9)	(2.1)	(13.2)	1.3	(38.4)	7.9
Net earnings (loss)	(13.0)	2.7	13.2	40.6	(14.9)	(2.1)	(16.6)	1.3	(31.3)	42.5
Earnings per Common share ($)										
Earnings (loss) before extraordinary items	(0.13)	0.03	0.02	0.06	(0.15)	(0.02)	(0.15)	0.01	(0.41)	0.08
Net earnings (loss)	(0.13)	0.03	0.13	0.42	(0.15)	(0.02)	(0.19)	0.01	(0.34)	0.44

Why hold an Annual Meeting?

One of the key issues raised by a shareholder at last year's Annual General Meeting was by way of a comment on the results of the polls taken at the Meeting.

Why did B.C. Resources go to all the effort of holding a Meeting, the shareholder asked, when it already knew what the outcome would be? The obviously puzzled shareholder questioned why the Company bothered with the expense of renting a hall and inviting shareholders to attend if it already had enough proxy votes to pass its resolutions before the Meeting began.

Judging from the response of many others in the room, the questioning shareholder wasn't the only one who misunderstood the basic rules that govern the operation of widely-held companies and the conduct of business at their meetings.

Extensive controls, checks and balances set out in current legislation regulate and monitor the way companies relate to their shareholders. The annual meeting of shareholders, which all companies are required to hold once a year, is one way a company is held accountable to its shareholders. The directors are required to report to the shareholders on the operation of the company during the past fiscal year. The shareholders are required to elect directors for the next term, appoint the company auditor and vote on any matters management proposes in the Information Circular.

To permit a democratic vote on the matters coming before the Meeting, shareholders are given the option to either vote in person at the Meeting or vote by proxy, through a proxyholder, if they are not able to attend. The proxy form permits each shareholder to give specific instructions for each item to be voted at the Meeting.

The proxyholder does not have discretion to vote on any matter as he or she sees fit. The shareholder instructs the proxyholder to vote on each matter or each issue in the manner in which that shareholder wishes his or her vote to be recorded. The proxyholder has no discretion on the specific issues set out in the Information Circular. In fact, the proxyholder is permitted discretion generally only in regard to any amendments to the resolutions proposed in the Information Circular.

It is interesting to note that although the Company now has in excess of 121,000 shareholders, only 761 representing 1,333,989 voting shares were able to attend the last Annual General Meeting. The ability to submit proxies however, enabled some 17,027 absent shareholders to vote and these shareholders owned more than 21 million shares. With this thought in mind, it is obvious that it would be unfair to propose additional resolutions at an Annual General Meeting because those absent would be unable to vote.

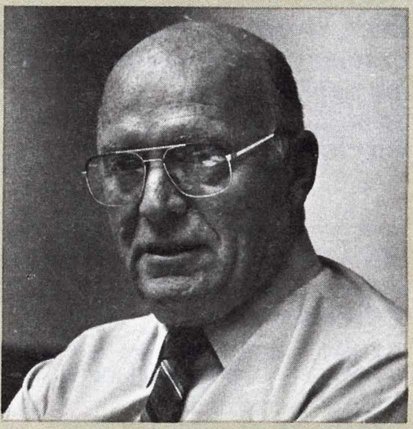
To get back to the issue raised by the shareholder at the last Annual Meeting, it is possible that if an issue is particularly controversial the proxies either for or against a particular matter could be so evenly divided that the vote of the shareholders actually in attendance at a Meeting could be the determining factor.

Even if the number of proxies received indicates that the outcome is a foregone conclusion, the Directors and Management of the Company hope that as many shareholders as possible will attend the Meeting to hear the remarks of the President and to participate in the question and answer period. It is almost the only opportunity for management to respond personally to specific issues about the Company which may be of some concern to individual shareholders.

While it is unfair to absent shareholders to propose new resolutions at the Meeting, the Meeting does provide a forum for any shareholder to express opinions about the Company's operations or to ask management to comment on any matter which a shareholder feels needs further clarification. This permits management to become aware of the concerns of its shareholders and their views on the future operations of the Company.

It is important to note that the agenda for this year's Meeting requests the shareholders to:

1. receive the 1982 Report of the Directors, B.C. Resources' consolidated financial statements and the Auditor's Report;
2. increase the number of directors from 10 to 11;
3. if the increase is approved, elect 11 directors to the board; and
4. appoint the auditor.



Donald N. Watson
Chairman of the Board
B.C. Resources

In the conduct of the Meeting, the Chairman, Donald Watson, will first welcome the shareholders to the Meeting and will generally explain the agenda and the procedure by which the Meeting will be conducted. He will be flanked by the President, Bruce Howe, and by the Senior Vice President, Law and Secretary, Roger Duncan. Cameras will record the entire proceedings for home screening by cablevision networks throughout the province later that same day or shortly thereafter.

Scrutineers will be appointed from Montreal Trust Company which acts as the Registrar and Transfer Agent for the Common shares of B.C. Resources. The scrutineers check that a quorum is present at the Meeting, which is 10 members or proxyholders representing at least one per cent of the registered Common shares. B.C. Resources preferred shareholders are welcome to attend the Meeting, but do not have a vote.

The Chairman, Donald Watson, will then table the 1982 Report of the Directors, the consolidated financial statements and the Auditor's Report. Shareholders will have already received these with the Notice of Meeting.

The President, Bruce Howe, will then be introduced by the Chairman. As Chief Executive Officer, Mr. Howe will address in general terms the current status of the Company and its future. Because of his position and the shareholders' understandable eagerness to hear about B.C. Resources' immediate and future prospects, Mr. Howe's remarks and the answers he will later provide during the question and answer period will provide the main source of new information at the Meeting.

After the President's address, the shareholders will be asked to approve management's proposal to change the number of directors from 10 to 11. This proposal is being presented to shareholders because management recommends the re-election of nine of the 10 current directors, and in addition proposes the election of Gordon F. Gibson and John H. Matthews. Regrettably, John W. Pitts has advised that he will not be standing for re-election. B.C. Resources' management will also be proposing the reappointment of Coppers & Lybrand, Chartered Accountants, as Company auditor.

When the business of the Meeting has been completed, the Chairman will declare the Meeting open for questions and comments. As has already been explained, it would not be fair to absent shareholders to vote on new matters at this time. All shareholders who wish to speak from the floor will be given the opportunity to do so.

At the end of the question and answer period, which has no fixed time limit, the Chairman will call for a motion to end the Meeting. A simple majority by show of hands is all that is required to bring B.C. Resources' Fourth Annual General Meeting to a close.

Last year, 761 B.C. Resources' registered shareholders attended the Company's Annual General Meeting in Vancouver, while another 17,027 had their shares represented by proxy.

Proxies play vital part in voting

If you are a B.C. Resources' registered Common shareholder and want your shares to be voted at this year's Annual General Meeting, you should complete the proxy form that arrived in the same package as this Annual Report. The proxy gives all registered Common shareholders an opportunity to vote at the Meeting.

The British Columbia Company Act requires that all companies send their voting shareholders a proxy form so they can exercise their voting rights. The directors set March 8, 1983 as the "Record Date" for the 1983 Annual General Meeting. This means that all Common shareholders registered on that date will receive the Annual Meeting material and are entitled to vote at the Meeting in person or by proxy.

By completing your proxy form, you accomplish two things. First, you appoint someone to represent you at the Meeting. Second, you instruct your proxyholder how you want your shares voted on each item on the Meeting agenda.

Large companies like B.C. Resources have thousands of shareholders who are not able to attend shareholders meetings. So it is extremely important that completed proxies be sent in to ensure that as many shares as possible are represented at the meeting.

Before you fill in your proxy, you should read through the Annual Report and Information Circular to familiarize yourself with the Company's past performance and proposals for the Meeting. Then, once you've decided how you plan to vote your shares, follow the instructions below.

The instructions for **Step 1** require some explanation. Since most shareholders cannot attend the Annual General Meeting in person, they should appoint someone to vote their shares on their behalf. Normally, this is done by appointing one of two representatives named in the proxy who are normally directors or officers of the Company. For B.C. Resources, the Chairman, Donald N. Watson, and President, Bruce I. Howe, are named on the proxy. They are legally bound to vote the proxies exactly as shareholders instruct.

However, should you want to appoint someone else as your proxy representative, simply write that person's name in the space provided. Your chosen representative does not have to be a registered shareholder, but he or she does have to attend the Meeting to vote your shares.

After the trust company receives the proxies and tabulates all the shares voted "for", "withhold" or "against", it reports the results of the tabulation to the Company. When a vote is taken at the Meeting by a poll, the shares voted by proxy must be **voted exactly as instructed** on the completed proxy form.

Each share voted by proxy counts as one vote.

If the shareholder is able to attend the Meeting and has already sent in a proxy, and if there is a vote by poll, the shareholder's personal vote automatically cancels the vote by proxy. So while there is no double counting of votes, it does provide a means for a shareholder who has changed his mind to personally vote the shares the way he or she wants.

Proxies sent in can always be revoked or cancelled at any time before the Meeting begins by written instruction.

Voting at the Meeting

There are two methods normally used to take votes at a meeting. Either can be adopted and the decision is usually taken by the Chairman after he has sensed how the shareholders wish to conduct the voting.

The first method of voting is by a show of hands where one hand counts as one vote and the majority carries the vote, unless there is a special resolution, which requires a three-quarter majority.

This is a simple, quick and straightforward voting system. For example, if the result of the hand vote runs contrary to the way the majority of shares were voted by proxy, the Chairman or any shareholder may demand a vote by poll. This will lead to the second method, namely a vote by poll.

In a poll vote, each shareholder and proxyholder present is required to complete a ballot form which is handed out at the Meeting. In this vote each share carries one vote. The scrutineers tabulate the voting and report to the Chairman who announces the result.

This method of voting takes longer to complete and tabulate, but it means that all shares voted by proxy and at the Meeting are included in the counting.

While each company may have slightly different proxy forms, all B.C. companies are governed by essentially the same laws and rules of order with respect to voting and tabulation of votes cast by proxy, ballot and show of hands.

Shareholder Information Centre

Write:
British Columbia Resources Investment Corporation
1176 West Georgia Street
Vancouver, B.C. V6E 4B9

Call:
(604) 687-2600 from all areas outside Greater Vancouver.

Shareholders living in the Greater Vancouver area can call 669-4443 for information about the Company.

B.C. Resources stock quotation line is 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 Street, Vancouver, B.C. at 10 a.m. on Tuesday, April 26, 1983.

How to complete the proxy form

Detailed instructions for completing the proxy form are contained in the Information Circular and on the proxy itself. But here in a simplified form is how to proceed.

Step 1 If you wish to appoint a proxyholder other than Messrs. Watson or Howe, just write in the person's name, city and province.

Step 2 Indicate by checking the appropriate box, your instructions to vote for or against the change in the number of directors from the existing 10 persons to 11.

Step 3 Indicate your instructions to vote for or withhold your vote from each of the directors listed, by checking the appropriate box. If you do not indicate your preference it will be considered a vote for the nominee.

Step 4 Do the same for the appointment of auditor. Check the appropriate box.

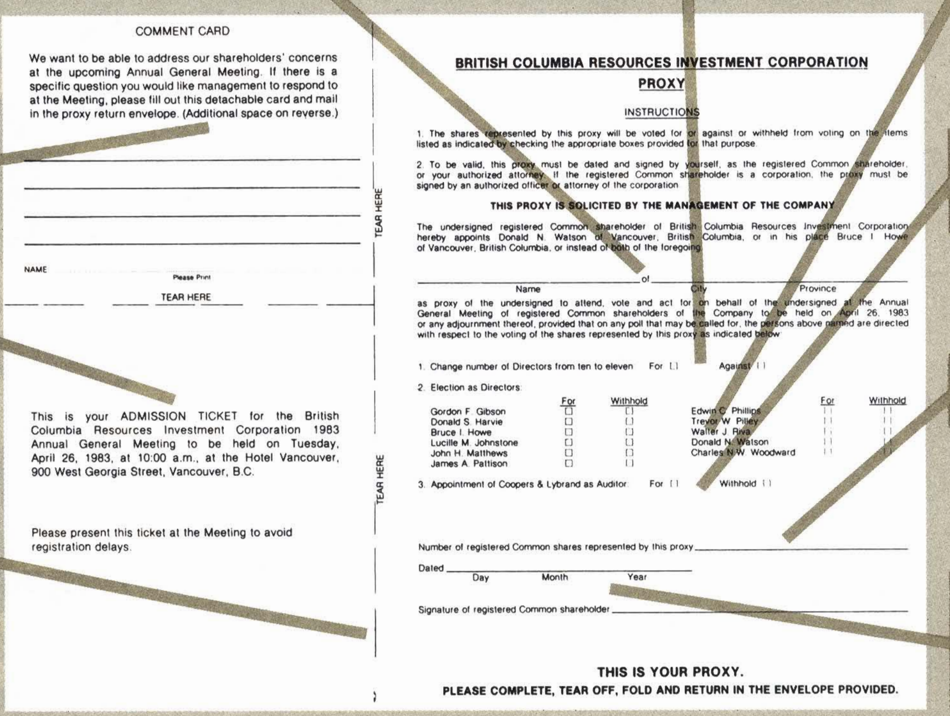
Step 5 Write in the number of shares represented by your proxy.

Step 6 Write the day, month and year you return the proxy, and make sure your signature is on the final line.

Step 7 Tear the proxy along the dotted line and mail it in the prepaid envelope provided. It must arrive at Montreal Trust Company's Vancouver office not later than 10 a.m. on April 25, 1983 or be delivered to the Chairman on the day of the Meeting prior to its commencement.

Step 8 Keep the Admission Ticket if you plan to attend the Annual General Meeting on April 26. It will help avoid registration delays at the door.

Step 9 If there is any specific question you'd like to have raised at the Meeting use the comment card. Mail it with the proxy in the envelope provided.



COMMENT CARD

We want to be able to address our shareholders' concerns at the upcoming Annual General Meeting. If there is a specific question you would like management to respond to at the Meeting, please fill out this detachable card and mail in the proxy return envelope. (Additional space on reverse.)

NAME ______ Please Print

TEAR HERE

This is your ADMISSION TICKET for the British Columbia Resources Investment Corporation 1983 Annual General Meeting to be held on Tuesday, April 26, 1983, at 10:00 a.m., at the Hotel Vancouver, 900 West Georgia Street, Vancouver, B.C.

Please present this ticket at the Meeting to avoid registration delays.

TEAR HERE

BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION

PROXY

INSTRUCTIONS

1. The shares represented by this proxy will be voted for or against or withheld from voting on the items listed as indicated by checking the appropriate boxes provided for that purpose.

2. To be valid, this proxy must be dated and signed by yourself, as the registered Common shareholder, or your authorized attorney. If the registered Common shareholder is a corporation, the proxy must be signed by an authorized officer or attorney of the corporation.

THIS PROXY IS SOLICITED BY THE MANAGEMENT OF THE COMPANY

The undersigned registered Common shareholder of British Columbia Resources Investment Corporation hereby appoints Donald N. Watson of Vancouver, British Columbia, or in his place Bruce I. Howe of Vancouver, British Columbia, or instead of both of the foregoing

______ of ______
Name City Province

as proxy of the undersigned to attend, vote and act for on behalf of the undersigned at the Annual General Meeting of registered Common shareholders of the Company to be held on April 26, 1983 or any adjournment thereof, provided that on any poll that may be called for, the persons above named are directed with respect to the voting of the shares represented by this proxy as indicated below:

1. Change number of Directors from ten to eleven For [ ] Against [ ]
2. Election as Directors:

	For	Withhold		For	Withhold
Gordon F. Gibson	[ ]	[ ]	Edwin C. Phillips	[ ]	[ ]
Donald S. Harvie	[ ]	[ ]	Trevor W. Pilley	[ ]	[ ]
Bruce I. Howe	[ ]	[ ]	Walter J. Riva	[ ]	[ ]
Lucille M. Johnstone	[ ]	[ ]	Donald N. Watson	[ ]	[ ]
John H. Matthews	[ ]	[ ]	Charles N.W. Woodward	[ ]	[ ]
James A. Pattison	[ ]	[ ]			

3. Appointment of Coopers & Lybrand as Auditor For [ ] Withhold [ ]

Number of registered Common shares represented by this proxy ______

Dated ______
Day Month Year

Signature of registered Common shareholder ______

THIS IS YOUR PROXY.
PLEASE COMPLETE, TEAR OFF, FOLD AND RETURN IN THE ENVELOPE PROVIDED.

Corporate Information

Board of Directors

Donald N. Watson
Chairman
British Columbia Resources Investment Corporation

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

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

Edwin C. Phillips
Chairman and Chief Executive Officer
Westcoast Transmission Company Limited

Trevor W. Pilley
Chairman and Chief Executive Officer
Bank of British Columbia

John W. Pitts
Chief Executive Officer
MacDonald Dettwiler and Associates Limited

Walter J. Riva
Chairman and Chief Executive Officer
B.C. Coal Ltd.

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

B.C. Resources Officers

Donald N. Watson
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

Robert G.S. Currie
Senior Vice President, Oil and Gas

Roger J. Duncan
Senior Vice President, Law and Secretary

William S. Cameron
Vice President, Corporate Planning

Robert F. Chase
Vice President, Brae and Treasurer

Gary S. Duke
Vice President, Government Relations

Michael G. McKibbin
Vice President, Corporate Development

David J.R. Petitpierre
Assistant Secretary

Barry N. Wilson
Controller

B.C. Coal Officers

Walter J. Riva
Chairman and Chief Executive Officer

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

Gary K. Livingstone
President

Robert C. Stanlake
Executive Vice President, Marketing and Transportation

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

Thomas A. Beckett
Vice President, General Counsel and Secretary

Robert F. Chase
Vice President, Brae and Treasurer

Gary S. Duke
Vice President, Government Relations

Arthur E. Geikie
Vice President, Human Resources

W. Larry Millar
Vice President and Controller

John Powell
Vice President, Mining Operations

Suzanne K. Wiltshire
Assistant Secretary

BC Timber Officers

Bruce I. Howe
Chairman

John S.R. Montgomery
President

Sandy M. Fulton
Senior Vice President, Building Products

Richard A. D. Commerford
Vice President and Controller

Ken D. Halliday
Vice President, Human Resources

Jack E. Kennedy
Vice President, Woodlands

Dan J. McCallum
Vice President, Wood Products Marketing

Harry R. Papushka
Vice President, Pulp Marketing

William H. Vaughan
Vice President, Market Planning and Development

Ken W. Voight
Vice President, Lumber Manufacturing

Robert F. Chase
Treasurer

John C.A. de Wit
Assistant Treasurer

Roger J. Duncan
Secretary

Peter M. Steele
Assistant Secretary

Westar Petroleum Officers

Bruce I. Howe
Chairman

P. Murray Palin
President

Robert G.S. Currie
Executive Vice President, Exploration

Michael G. McKibbin
Vice President

Robert F. Chase
Treasurer

Roger J. Duncan
Secretary

David J.R. Petitpierre
Assistant Secretary

Eve E. Graham
Assistant Secretary

Report of the Directors

The 1982 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, 1982 and the related Notes.