Bow Valley Resource Services Ltd.

"Building For The Future . . ."

1982 Annual Report

BOW VALLEY RESOURCE SERVICES LTD.

Bow Valley Resource Services Ltd. ("BVRS" or the "Company") and its subsidiary and affiliated companies provide contract oilwell drilling and support services to the international petroleum industry. Land drilling is performed primarily in western Canada and the Rocky Mountain area of the United States. Offshore drilling is being conducted off the east coast of Canada. The Company also provides industrial and environmental products and supplies primarily to the natural resource industries in Canada and the United States.

Bow Valley Resource Services Ltd. is in the midst of the largest capital expenditure program in its history. Most of the portfolio of photographs included in this annual report forms a collage of our major projects under construction: the Bow Drill 2 semi-submersible drilling rig at the Framnaes mek Vaerksted Shipyard at Sandefjord, Norway (page six); the Bow Drill 3 semi-submersible drilling rig at the Saint John Shipbuilding and Dry Dock Co. Ltd. in New Brunswick (page two); and supply boats at the Bel-Aire Shipyard and Vito Steel Boat and Barge Construction Shipyard in Vancouver (page 18). Four other supply boats are under construction at the Hyundai Shipyard in Korea.

Annual Meeting Of Shareholders

The Annual General Meeting of the Shareholders of Bow Valley Resource Services Ltd. will be held in the Glencoe Room of the Calgary Convention Centre, 120 - 9th Avenue S. E., Calgary, Alberta, at 10:00 a.m. on Wednesday, May 11, 1983.

Contents

1982 was a year for consolidation and resolution as the economic recession reduced Company revenues resulting in a net loss. Certain smaller operations were sold while the Company continued with its capital expenditure program for offshore drilling equipment.

Financial Summary

(in thousands of dollars, except per share amounts)	1982	1981	1980	1979
Revenue	**$219,516**	$283,653	$186,325	$152,913
Cash flow from operations	**6,894**	29,161	27,344	14,383
Net income (loss)	**(6,515)**	15,018	14,879	10,522
Per share (after preferred share dividends)				
— cash flow from operations	**.44**	2.28	2.70	1.42
— net income (loss)	**(.59)**	1.16	1.47	1.04
— common dividends paid	**.05**	0.125	—	—
Weighted average shares outstanding	**12,970**	12,556	10,120	10,120
Capital expenditures	**136,849**	168,112	49,227	12,064
Shareholders' equity	**87,585**	95,931	37,880	23,001
Long term debt	**274,337**	161,706	19,734	14,840
Working capital	**29,243**	52,786	29,394	24,514
Deferred income taxes	**16,627**	17,076	13,299	6,510
Total assets	**435,168**	334,987	149,710	96,172


BOW
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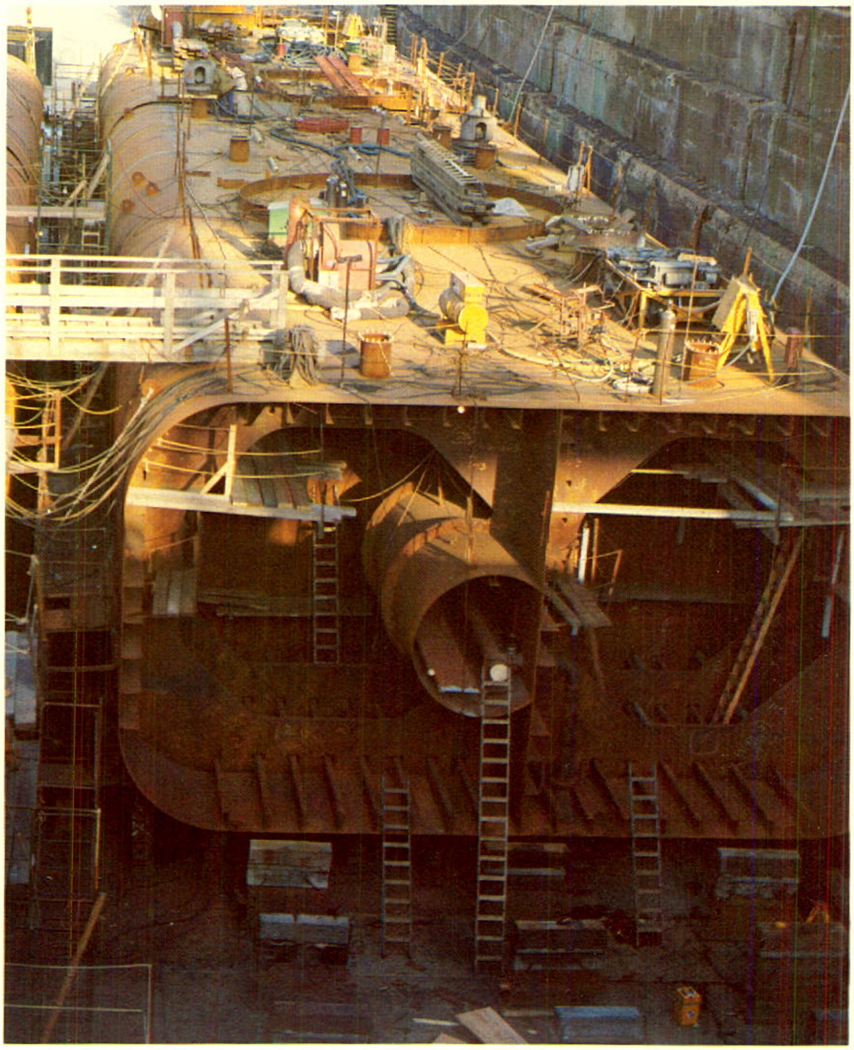
OFFSHOR



Building For The Future

- *The Bow Drill ONE semi-submersible oilwell drilling rig successfully completed its first full year of operations for the Company and is contracted until March 1985 to Petro-Canada Exploration Inc.*

- *Capital expenditures totalled $137 million in 1982 and are estimated at $149 million in 1983.*

- *Construction of the Bow Drill 2 semi-submersible drilling rig is 75 percent completed and scheduled for delivery in July 1983.*

- *Construction of the Bow Drill 3 semi-submersible drilling rig is 45 percent completed and scheduled for delivery in December 1983.*

- *Construction of six ocean-going supply boats is at various stages of completion for delivery in May through October 1983.*

  Bow Valley Resource Services Ltd. has a 65 percent interest in Bow Drill 2 and Bow Drill 3 and is the manager and operator. The Company has a 50 percent interest in the six supply boats.

- *Fixed contracts for four years at favourable day rates were negotiated for both new offshore drilling rigs and attendant supply boats prior to construction.*

- *The employment of technical, operating and support personnel to manage the increase in Canadian offshore drilling operations and the structuring of a lengthy, comprehensive training program for Canadian personnel to be employed on the semi-submersible rigs were well under way by December 31, 1982.*

- *Planned long term financing arrangements for 1982 and 1983 capital expenditures were successfully completed, with the major portion at an average fixed interest rate beneath current market rates.*

- *The land drilling divisions accounted for approximately 7.7 percent of all land rigs available in Canada during 1982 and were responsible for 12.2 percent of all oilwells drilled and approximately 10.7 percent of total footage drilled in Canada during 1982.*

- *The Company signed a new $30 million contract for the engineering design and manufacture of a coal conveyor system in northeast British Columbia to be completed by November 1, 1983.*

- *Construction commenced for a prototype facility to test a new production treatment process of organic waste for a municipality in Colorado, United States.*

To Our Shareholders

A Year For Resolution

The past year was characterized by a rapid downturn in oil and gas exploration and development and manufacturing overcapacity. The economic recession led to a decline in energy consumption and the petroleum industry throughout North America did not have the cash flow nor the incentives to sustain activity for the large increases in the drilling fleet. The decrease in rig utilization and decreasing sales and profit margins of manufactured products and industrial supplies had a severe effect on the Company's earnings.

Gross revenue decreased from $283.7 million in 1981 to $219.5 million in 1982, even with a $9.7 million increase in offshore drilling revenues. Cash flow from operations decreased from $29.2 million in 1981 to $6.9 million in 1982. Net income was $15.0 million in 1981, or $1.16 per share. BVRS had a net loss of $6.5 million in 1982, or ($0.59) per share. The negative results from manufacturing operations and reduced profits from deeper drilling operations in Canada and the United States are the main reasons for the decrease in Company profits when compared to 1981.

In the 1981 annual report we commented that "the challenge to Bow Valley Resource Services Ltd. is to anticipate the economic fluctuations that occur in each of its business segments and to emphasize activities that have, or will have, the highest rate of return". In 1982 we tightened our belt in the land drilling, manufacturing and distribution operations but we continued with a sizeable capital expenditure program for offshore drilling and logistical support equipment. Capital expenditures totalled $168.1 million in 1981 and $136.8 million in 1982, and are estimated at $149 million in 1983 as construction continues on two semi-submersible drilling rigs and six attendant supply boats. These expenditures will enable your Company to increase its participation in the exploration and development of Canada's offshore oil and gas reserves.

Management critically reviewed the costs of operating and during the past year the Company divested itself of some operations which serviced the mining and forestry industries. These were smaller, unprofitable operations and the recession made continuation unjustifiable because required profit levels would not be reached in the near future. The total number of employees was reduced from 1,895 in 1981 to 1,554 as of December 31, 1982, principally due to the divestitures and lower operating activity.

We expect a return to modest profitability in 1983, however, any major improvement in earnings from land drilling or the distribution of oilfield and industrial supplies is contingent upon increases in North American economic activity and in the demand for petroleum products. Our optimism is due to the development of opportunities such as the engineering and manufacture of an overland coal conveyor system in northeast British Columbia; increased earnings from current offshore drilling equipment; and the addition of the Bow Drill 2 semi-submersible drilling rig and six supply boats. Operating results will be further enhanced in 1984 with the addition of the Bow Drill 3, due for delivery in December 1983. We believe that the Company's future earnings potential has been improved considerably.

The National Energy Program continues to spur activity offshore Nova Scotia and as Canada pursues energy self-sufficiency your Company is benefiting directly through its offshore drilling operations. The long-term advantages of Canada's frontier program, particularly the development of the indicated large reserves off the east coast, merit a maintenance of momentum in spite of a temporary drop in world oil prices. Security of supply would reduce our country's exposure to the vagaries of world oil supply and prices.

The oil and gas industry needs a favourable business climate to ensure energy self-sufficiency for Canada. Such a climate did not exist in 1982. The energy pricing agreements completed by the federal government and the producing provinces have so far failed to produce any major turnaround. Provincial intervention in the form of reduced royalties and incentives has resulted in only brief spurts of activity. To stimulate more long-term investment planning, governments should be prepared to accept a lower economic rent for resource development.

Some of the problems affecting oilwell drilling are being addressed. The National Energy Board, endorsed by the federal government, has approved substantial increases in exports of natural gas and heavy crude oil and opened the door to exports of light crude oil, first steps to reduce western Canada's surplus gas and shut-in oil and restore confidence within the industry. Changes in Canada's oil-pricing structure and in natural gas marketing policy would raise exploration activity. The rate of inflation has been dramatically reduced, interest rates have declined and central money managers are changing their stance in favour of economic stimulus. Industry and government must co-operate to enable the energy industry to once again drive the Canadian economy in the 1980s.

In 1982 BVRS continued to develop its management team and supporting structure, autonomous from Bow Valley Industries Ltd., and fully devoted to its own areas of expertise.

At the Annual General Meeting held on May 11, 1982, Mr. Gerald J. Maier, President and Chief Executive Officer of Bow Valley Industries Ltd. and Mr. Arnold M. Ludwick, Vice-President, Financial Analysis, The Seagram Company Ltd. and Deputy Chairman, Joseph E. Seagram & Sons, Limited were appointed to the Board of Directors. We welcome their counsel.

The Directors and Management of Bow Valley Resource Services Ltd. wish to express their appreciation of the dedicated response of employees to the competitive environment that developed in 1982. Costs were reduced to match the decrease in activity while maintaining productivity. The Company recognizes its reliance on the vast experience and proven adaptability of its personnel.

Annual Meeting of Shareholders

All shareholders are encouraged to attend the Annual General Meeting to be held at 10:00 a.m. on May 11, 1983, at the Calgary Convention Centre. Those shareholders who are unable to attend are urged to exercise their right to vote by completing and returning the proxy form.

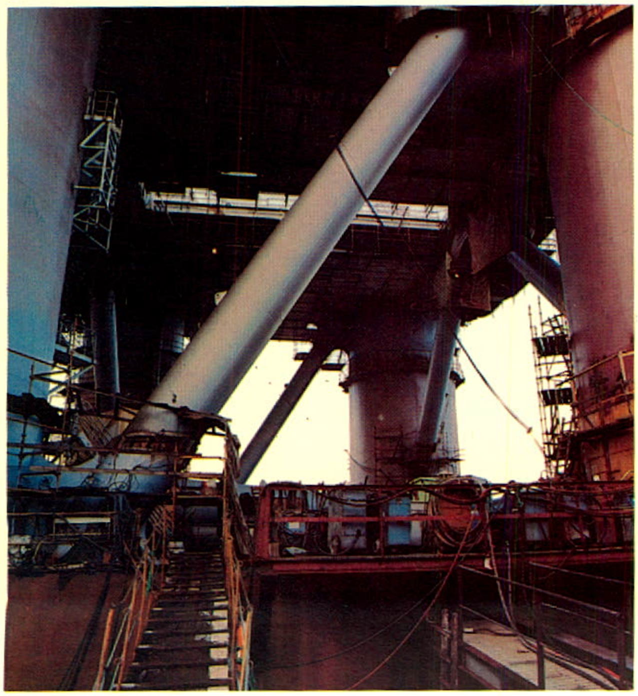
D. R. Seaman
President and
Chief Operating Officer

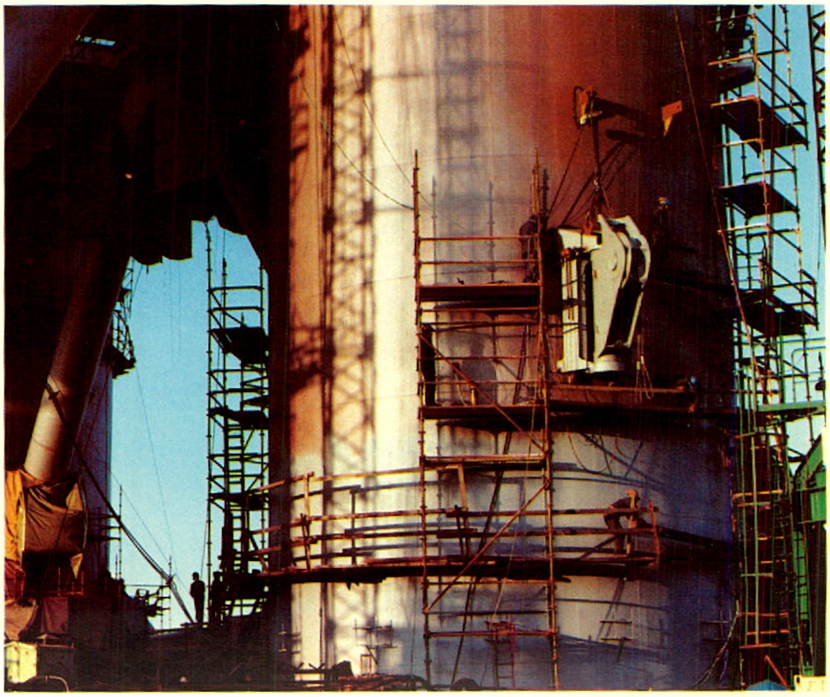
B. J. Seaman
Chairman and
Chief Executive Officer

March 28, 1983, Calgary, Alberta

Donald R. Seaman
President and Chief
Operating Officer

Byron J. Seaman
Chairman of the Board and
Chief Executive Officer





Drilling Group

Since 1952, the Company has experienced the recurring shifts in demand which characterize the contract oilwell drilling market. Land drilling activity in Canada peaked early in 1981, and in 1982 the supply of equipment throughout North America very quickly surpassed demand. Energy consumption dropped sharply during this worldwide economic recession and oil and gas exploration was dramatically curtailed. The sudden change in the petroleum industry's outlook took many companies by surprise and utilization rates for drilling equipment deteriorated.

The National Energy Board of Canada, however, has approved exports of 11.5 trillion cubic feet of gas, and approved increased sales of heavy crude oil and exports of light crude oil. Assuming Canada and the United States can successfully conclude bilateral energy issues, the first steps have been taken to increase Canada's export program. Alberta's Energy Resources Conservation Board has given a boost to gas producers with respect to extraction of natural gas liquids.

Offshore Drilling

thousands of dollars	**1982**	**1981**	**1980**
Revenue . . .	**$ 39,033**	$ 29,343	Nil
Operating Income . .	**20,976**	14,984	Nil
Total Assets Year End	**229,401**	148,202	Nil

The Company purchased the Bow Drill ONE semi-submersible drilling rig in March 1981 and, therefore, 1982 was the first full year of operations. The gross profit margin was a higher percentage of revenue in 1982 reflecting the elimination of startup costs encountered early in 1981, and the lower value of the Canadian dollar in relation to the United States dollar. Contract revenue is in United States dollars. Interest costs decreased compared to 1981 primarily because the Company refinanced a substantial portion of the long-term debt associated with the purchase of Bow Drill ONE, at significantly lower rates. The Company is in a position to take advantage of even lower prevailing interest rates in 1983 and, therefore, expects the income contribution from Bow Drill ONE to increase.

The Bow Drill ONE completed its second well off the coast of Nova Scotia and spudded the Banquereau F-34 well for Petro-Canada Exploration Inc. in February 1983. The Bow Drill ONE has been retrofitted with additional equipment, in particular a $13.5 million 15,000 p.s.i. blowout prevention system which will enable it to safely drill the high pressure reservoirs common to the acreage offshore eastern Canada. The cost is recoverable under the term of the drilling contract.

Worldwide offshore rig utilization peaked in 1981 and decreased from 100 percent in January 1982 to approximately 84 percent at year end. Demand declined significantly more for jack-ups and other types of equipment than for semi-submersibles. The current oil surplus as well as the confusion about the future price of oil will likely result in a continued decline of offshore drilling activity through 1983. The Company's management negotiated four-year fixed contracts at favourable day rates for both the Bow Drill 2 and Bow Drill 3 semi-submersible drilling rigs currently under construction. These long-term contracts will enable management to more effectively plan operations and investment strategy. BVRS has a 65 percent interest in the Bow Drill 2 and Bow Drill 3.

Two new semi-submersible drilling rigs to be delivered in 1983

Canada is pursuing energy self-sufficiency through encouragement of frontier exploration and development. The Company's offshore rigs can work anywhere in the world and have the specialized equipment required by Canadian regulatory agencies for Canada's harsh waters. Numerous exploration agreements have been announced for the Scotian Shelf and Slope and the total amount of money committed to drilling offshore Nova Scotia now exceeds $2 billion. A resolution of the Newfoundland and federal governments' jurisdictional dispute over offshore waters would increase offshore drilling in eastern Canadian waters, assuming a fiscal regime which is not too punitive for the companies involved.

Four year contracts for both new rigs

Management believes that the early execution dates for its drilling and charter party contracts and construction contracts for the three semi-submersibles and the supply boats will result in "grandfathered" exemption from custom tariffs should proposed legislation be approved to increase Canada's coasting trade and customs jurisdiction to 200 miles from 12 miles. The Bow Drill 3, being constructed in Saint John, New Brunswick, will have a precedent-setting 78 percent Canadian construction content while the Bow Drill 2, under construction in Norway, will have a ten percent Canadian content.

The drilling contract expiration dates for the Bow Drill ONE, Bow Drill 2 and Bow Drill 3 are in early 1985, mid-1987 and late 1987 respectively, reducing exposure to the cyclical nature of the market. Additionally, the contracts for the Bow Drills 2 and 3 contain extension options.

The contracts for all the Company's semi-submersible drilling equipment provide that Bow Valley Resource Services Ltd. be paid in United States dollars. The rates specified in each contract depend upon the nature of the work, the equipment and services supplied and other variables. The contracts provide for payment on a day-rate basis while drilling, moving or on stand-by. Cash flows to the Company, as an owner of Bow Drills 2 and 3 through the drilling contracts, are to cover all operating costs and normal debt service and will be sufficient to retire a significant portion of relevant debt by the end of the first drilling contracts, regardless of changes in the market cycle for contract oilwell drilling.

Financing at favourable rates has been executed

Long term financing arrangements to support the construction and the delivery of the Bow Drills 2 and 3 have been completed, with the major portion at an average fixed interest rate beneath current market rates.

The Bow Drill ONE is a Norwegian Aker H-3 Enhanced design, the Bow Drill 2, an Enhanced Pacesetter and the Bow Drill 3, an Aker H-3.2 new design. Both of the new rigs can drill in water depths up to 1,500 feet and have a maximum drilling depth of 25,000 feet. Both rigs have been designed to the latest standards and in compliance with the most stringent regulatory requirements.

Increasing earnings from offshore drilling

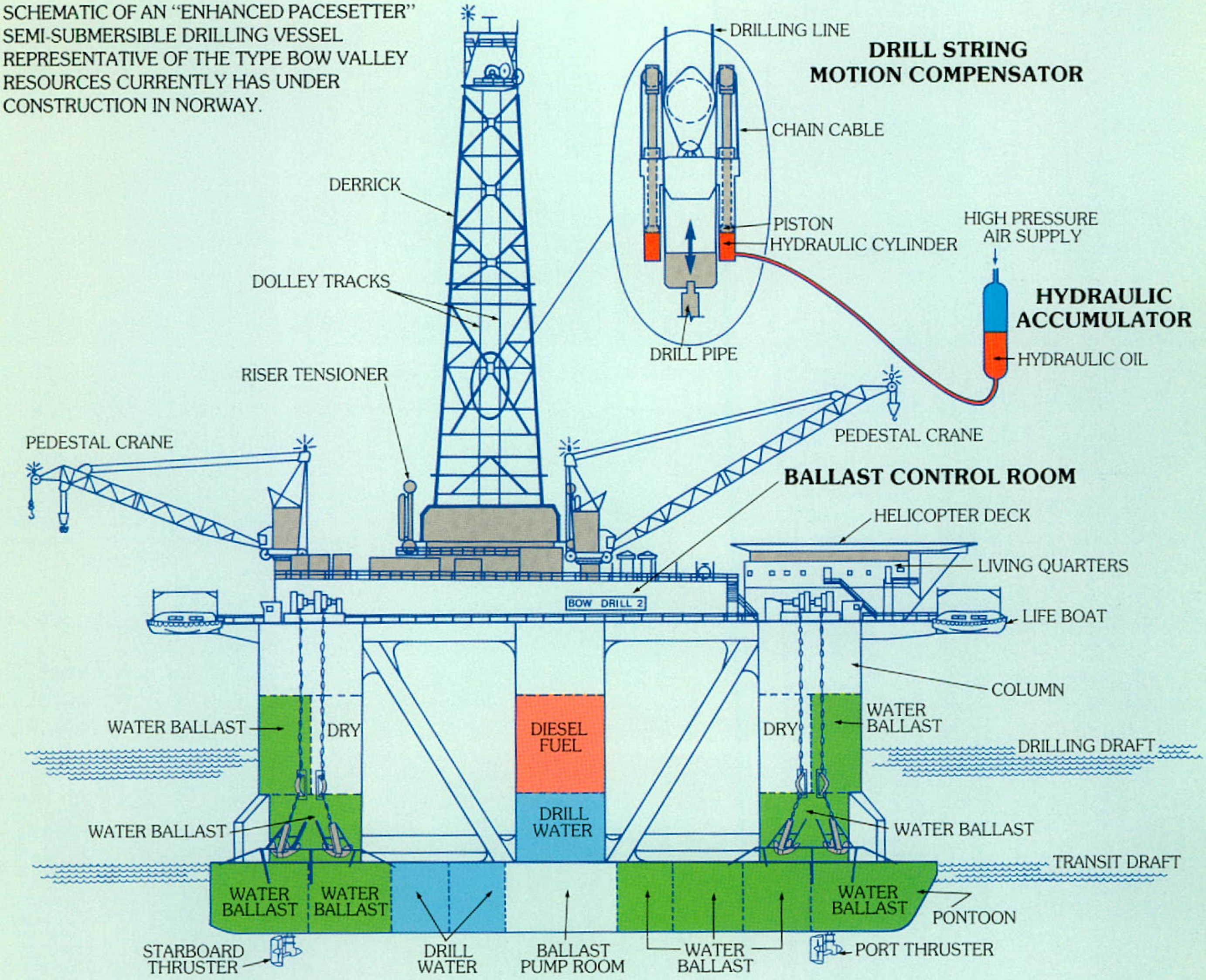
The Company's offshore drilling is being managed through Bow Valley Offshore Drilling Ltd. which employed 96 people at the end of 1981, 147 as of December 31, 1982, and is estimated to employ 300 at year end 1983. By the third quarter of 1983 the Company will have developed an organization which will support a three-rig operation and which will supply a sophisticated, efficient level of service to its clients. In 1983, the Engineering Section will move to the operations office in Halifax. Other offices are maintained in Calgary and St. John's, Newfoundland.

A 14-month comprehensive training program has been implemented whereby individuals from Nova Scotia and Newfoundland receive offshore, land drilling and classroom training. The cost of the program is estimated at $1.4 million and 24 successful candidates are enrolled. Fifteen hundred applications were received.

Motion Compensation

Many conditions in drilling from floating vessels differ from those in normal land operations or even in drilling from fixed offshore structures. One of the most readily identifiable is the motion compensation equipment required to keep the drill bit on bottom. The drill string motion compensator, illustrated on page nine, enables the vessel to heave up and down while the drill string remains stationary despite being attached to the vessel. The compensator is comprised of a piston with a hydraulic cylinder which is tied into an adjustable high pressure air reservoir in an accumulator. This assembly is located between the travelling block and the drilling hook which is used to lower and raise the drill string. As the vessel heaves downward the cylinder moves downward but constant air pressure is maintained on the piston enabling a constant pull or hook load. Similar types of systems are incorporated as riser and guideline tensioners to allow for heave of the semi-submersible drilling vessel. The tensioning requirements on both these systems increases with water depth and water currents and are also influenced by drilling fluid density, vessel displacement and other variables.

SCHEMATIC OF AN "ENHANCED PACESETTER" SEMI-SUBMERSIBLE DRILLING VESSEL REPRESENTATIVE OF THE TYPE BOW VALLEY RESOURCES CURRENTLY HAS UNDER CONSTRUCTION IN NORWAY.



Ballast System

A semi-submersible drilling rig, being a moored, floating vessel, requires stabilization for varying sea conditions. To accomplish this, a ballast system with a series of tanks which can be flooded or emptied is incorporated.

As the semi-submersible moves to the drilling location, mooring anchors are set, and the vessel is submerged to drilling draft. The object is to lower the centre of gravity of the vessel and thus increase stability in heavy seas. Movement of equipment on the decks of the rig and forces of wind and sea tend to make the rig tilt. The ballast system is used to offset such forces and ensure level decks.

Bow Valley Offshore's new semi-submersibles under construction in New Brunswick and Norway incorporate the latest technology in ballast design. Duplication of ballast equipment and manual back-up operation of ballast controls in an emergency, along with highly-trained ballast operators give the semi-submersible ability to drill safely and effectively in hostile seas. Bow Valley Offshore personnel were instrumental in the design and installation of a remote-controlled sea-chest valve to guard against uncontrolled flooding of the ballast chambers.


Sedco Drilling
RIG #81
Sedco Drilling
Sedco Drilling
RIG '93

Land Drilling

thousands of dollars	1982	1981	1980
Revenue	**$69,186**	$98,610	$106,815
Operating Income	**7,513**	20,832	23,856
Total Assets at Year End	**90,539**	96,389	97,444

Bow Valley Resource Services Ltd. is one of Canada's leading contract oilwell drilling companies. The land drilling divisions are Hi-Tower Drilling and Sedco Drilling in Canada and Apollo Drilling in the United States. These drilling divisions employ 761 people (853 as of December 31, 1981) who operate 46 drilling rigs, mainly in western Canada and the Rocky Mountain area of the United States and one rig in Indonesia. The divisions provide drilling equipment, personnel and camps for both the development of proven fields and the exploration of new areas.

Total revenues and earnings from the Company's land drilling divisions declined from 1981 levels due to reduced industry activity and the oversupply of rigs resulting in highly competitive bidding.

The dramatic downturn in Canadian oil and gas exploration and development that began in 1981 subsequent to the National Energy Program continued throughout 1982 due to the recession and the large surplus of natural gas. Exploration and development activity was strong in some regions of the United States but generally there was a downturn in activity in the last half of 1982. Rig utilization throughout the industry decreased dramatically. The United States active rig count is currently about 2,500, down from about 4,500 one year ago. At mid-January 1983, less than 57 percent of available rigs in Canada were active.

Hi-Tower Drilling and Sedco Drilling accounted for 7.7 percent of all land drilling rigs available in Canada during 1982, but drilled 729 wells or 12.2 percent of Canada's total (1981 -796 wells, or 11.1 percent) for 2.2 million feet, or 10.7 percent of the total land footage drilled by the Canadian industry during 1982 (1981 -2.3 million feet, or 8.6 percent). BVRS rigs accounted for 9.0 percent of the Canadian industry's drilling days in 1982 compared to 7.8 percent in 1981. Results from contract land drilling in 1983 are expected to be only modestly better than 1982 levels.

International Drilling

Historically, BVRS has adapted to new political and economic environments and has been cautious about moving rigs to the United States when activity in Canada weakened. Management recognized, however, that cyclicality can be peculiar to geographical locations due to differing petroleum markets, politics and an increasing focus on resource development and production by historically non-oil producing countries. To create a broader base of earnings BVRS acquired in April 1980 the majority of the oilwell drilling assets of Apollo Drilling and Exploration Inc., an established company in the United States.

Proven long-term dependability

Hi-Tower Drilling

As of December 31, 1982, Hi-Tower had 14 deep rigs, some capable of drilling wells to 25,000 feet.

Hi-Tower's 26 percent decrease in drilling days was consistent with the overall industry decline, and Hi-Tower maintained its share of the overall Canadian market with respect to wells and footage drilled in 1982.

There was work for all Hi-Tower rigs during the fourth quarter of 1982 with Alberta's Development Drilling Incentive Supplement resulting in a spurt of activity. The Company hopes that these incentives will be brought back for a sufficient period of time to enable the drilling industry to recover from the dislocation of the past 18 months. The Company expects that eight to nine Hi-Tower rigs will work through to spring breakup. Hi-Tower's deeper rigs work mainly along the foothills and the outlook for these rigs will remain uncertain until new gas exports create a recovery in deep gas drilling. During the course of the year several people were transferred from Hi-Tower to other Bow Valley operations.

The Company's land drilling operations improved their industry position in Canada

Selected Oilwell Drilling Data

The following schedule sets forth the number of rigs, utilization rate and footage drilled by the Company's land rigs in Canada and internationally.

			Year Ended December 31				
			1982	**1981**	**1980**	**1979**	**1978**
Canada							
Hi-Tower		Number of rigs	**14**	16	21	20	19
		Utilization rate	**44%**	50%	77%	71%	71%
		Footage (ft. in thousands)	**505**	553	933	1,103	1,114
Sedco		Number of rigs	**23**	23	23	22	19
		Utilization rate	**44%**	46%	63%	55%	57%
		Footage (ft. in thousands)	**1,728**	1,759	2,189	1,933	1,835
United States							
Apollo		Number of rigs	**9**	8	4	—	—
		Utilization rate	**42%**	86%	90%	—	—
		Footage (ft. in thousands)	**400**	512	244	—	—
Indonesia		Number of rigs	**1**	—	—	—	—
		Utilization rate	**71%**	—	—	—	—
		Footage (ft. in thousands)	**11**	—	—	—	—
Total Land		Rigs	**47**	47	48	42	38
		Utilization rate	**43%**	53%	71%	62%	64%
		Footage (ft. in thousands)	**2,644**	2,824	3,366	3,036	2,949

Notes: — Number of rigs at end of year.

— Utilization rate represents total spud to release days (actual drilling time) as a percentage of total days in year.

— Hi-Tower statistics for 1978 and 1979 include the Company's 50 percent share of the four Westburne Hi-Tower Partnership rigs. This Canadian Arctic project was terminated in 1980. Hi-Tower retired one rig late in 1982.

— Apollo's statistics reflect results since April 1, 1980, the date of acquisition of Apollo Drilling.

Shallow rigs (Sedco) move more frequently than deep rigs (Hi-Tower and Apollo) and their overall utilization rates are traditionally less than for deep rigs. In Canada, unlike many areas of the United States, utilization rates are affected by weather conditions which restrict the movement of equipment during spring road bans. The Company estimates that the maximum annual attainable utilization rate (spud to release, not rigging, moving, and maintenance) of its shallow rigs is 63 percent, its Canadian deep rigs is 77 percent, and its United States deep rigs is 90 percent. The principal contract drilling customers of the oilwell drilling group are independent oil companies and affiliates of international oil companies.

A highly competitive environment for contract oilwell drilling services

Apollo Drilling

Apollo's deep rigs benefited directly from increased contract drilling rates in 1981 and revenue and earnings increased significantly. In 1982, the supply of equipment very quickly surpassed demand and reduced utilization resulted in a 38 percent reduction in total drilling days for Apollo compared to 1981 levels, causing a significant decrease in revenue and an overall net operating loss for the year. There has been a high attrition of available rigs during the past six months in the United States although it appears that the oversupply of rigs will continue to keep utilization rates low and unfavourably affect profitability throughout 1983.

Apollo has new equipment and is able to reduce maintenance expenditures without affecting drilling performance. One new rig was delivered in 1982 and two more on order were cancelled when the downturn in contract drilling became apparent early in the year. Two rigs have been moved out of the Williston Basin area into Utah on day-work contracts. Efforts are being directed at expanding the number of Apollo's customers in new operating areas. There is currently work for six of Apollo's nine rigs.

Indonesia

In pursuing an international diversification program for deployment of the Company's deeper drilling rigs, Hi-Tower transferred a rig to Indonesia, and in partnership with an Indonesian privately owned company commenced drilling in October 1982 for Pertamina, the Indonesian national oil company. The rig is currently drilling about 500 miles east of Singapore on East Kalimantan, formerly the island of Borneo. There is a considerable amount of development drilling required in the area.

The Company is investigating other international opportunities to increase its contract drilling activity.

Sedco Drilling

Throughout 1982, Sedco maintained 23 rigs specializing in shallow drilling to depths of 7,000 feet. Sedco's rigs have been particularly active in central Alberta and the heavy oil areas of Saskatchewan and eastern Alberta. Sedco's performance was exceptional considering the very competitive conditions for this class of rig.

Sedco accounted for less than five percent of total available rigs but greater than eight percent of total footage drilled and 11 percent of total wells drilled by the industry in Canada during 1982. Currently the trend is towards a shallower average depth of well drilled in Canada and despite reduced market activity, Sedco remained relatively busy by increasing its share of the market. Due to a six percent decrease in drilling days Sedco's revenues decreased slightly in 1982 compared to 1981. Operating income increased modestly, however, because of extremely good control of direct operating costs.

These statistics reflect the favourable results of Sedco's long-term philosophy of quality service and equipment. Sedco has been able to work very closely with an established clientele and continued to add new customers during 1982. Sedco has experienced crews with drilling superintendents averaging 24 years of experience and toolpushers averaging 13 years. During prior years Sedco followed an active reinvestment program to upgrade every rig and thus has been able to maintain a high level of performance in this competitive environment.

There were indications that additional shallow oilwells receiving the New Oil Reference Price were drilled prior to year end and that this may have a salutory effect on some regions in 1983. The Saskatchewan government became conservative in early 1982 and the oil royalty structure was subsequently amended to make it less onerous on oil and gas operators. The National Energy Board has authorized a significant increase in heavy oil exports. The new export volumes, the highest in a decade, are expected to remain at such levels for the remainder of 1983 and should stimulate drilling activity. Currently all 23 Sedco rigs are working and the majority will work through the winter until spring breakup. Sedco is well placed to maintain or increase its market share in 1983 and forecasts operating results similar to 1982.

Increased operating income from Sedco Drilling

Equipment surplus to the requirements of reduced market activity was sold in 1981. Environmental concerns with respect to the multiple well patterns for heavy oil development has necessitated a PAD drilling concept. Sedco has on-going experience in this type of directional drilling.

Apollo Drilling has two rigs on contract in Utah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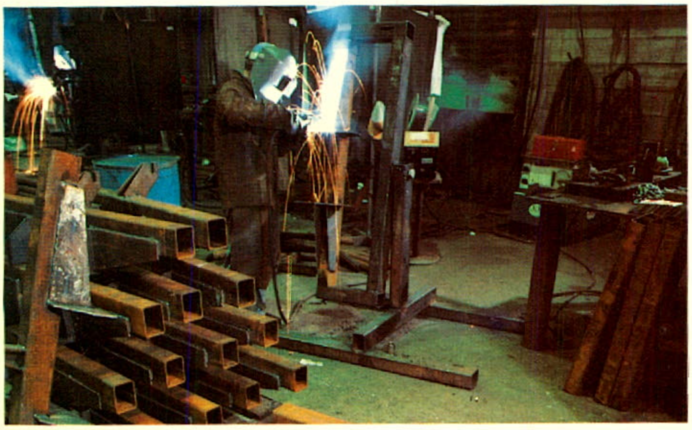
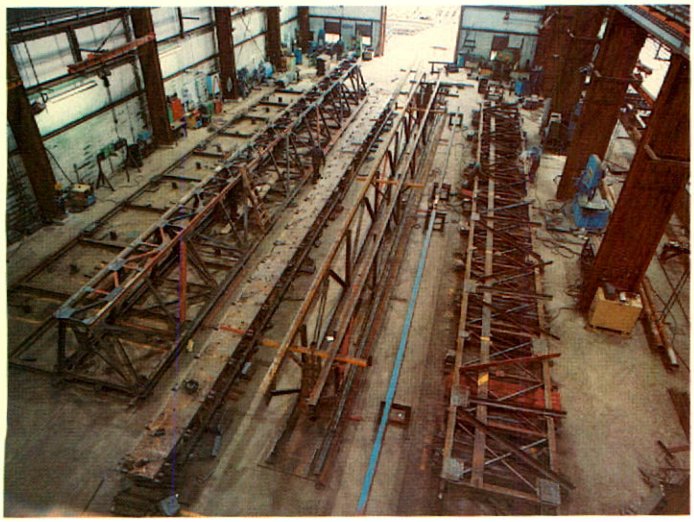




Manufacturing and Distribution Group

thousands of dollars	1982	1981	1980
Revenue	**$78,353**	$102,801	$93,668
Operating Income (loss)	**(576)**	9,131	8,777
Total Assets at Year End	**49,614**	51,722	44,643

Equipment and industrial products are manufactured and supplied for the resource-based industries particularly oil and gas, mining, forest products and the construction industry in Canada. Internationally the Company also manufactures environmental products and provides specialized research and engineering.

Demand for the Company's products deteriorated rapidly during 1982 resulting in a reduction in revenue of 24 percent compared to 1981 and an operating loss. The scale of operations was reduced to match this falling demand and manpower was reduced by approximately 500 employees by year end. Three smaller divisions were sold — C.M. & E. in Portland, Oregon, and Elworthy and Wesdrill divisions in Vancouver.

Manufacturing and distribution divisions were successful in reducing inventories 32 percent and entered 1983 with a healthier balance sheet. Product diversification and geographical expansion will be the focus throughout 1983.

Materials Handling Systems

In 1981, the Company obtained the manufacturing and distribution license for a unique overland materials conveyor system with application to the mining industry. Late in 1982, the Company received a $30 million contract for the engineering design, procurement and manufacture of an overland raw coal conveyor system at the Quintette Coal Project to connect the mine to the processing plant. The system for Denison Mines Limited in northeast British Columbia will be one of the longest in North America at 13.2 kilometers.

The belt conveyor system is designed to transport a normal capacity of 1,800 long tons per hour of raw coal from the McConkey Pit area to the Coal Preparation Plant and is scheduled for completion November 1, 1983.

The design, engineering and supply of the complete conveyor system is a joint undertaking of the Materials Handling Systems Division of Bow Valley Resource Services, in Vancouver, British Columbia and R.E.I. (Realisation Equipments Industriels) of Paris, France. R.E.I. has many years of experience in designing and supplying long distance belt conveyors worldwide, and under a licensing agreement will transfer design technology to the Company. Canadian content for the project is in excess of 70 percent.

The main mechanical and electrical components are being manufactured by Canadian companies. The fabricated steel for the conveyor structures is being manufactured by the Company's manufacturing plant in Richmond, British Columbia.

Smaller, unprofitable operations sold

Once the system is in place, costs are fixed and maintenance is minimal. With the tremendous advantage in cost per tonne per kilometer inherent in long distance conveyors compared with traditional transportation methods BVRS is looking forward to installing similar systems to other mines in North America.

This conveyor technology is unique because the design can accommodate considerable vertical variations in topography and major curves around small mountains and hills where required. The belt tensioning system is designed to accommodate a wide range of temperatures and the patented turnover system permits longer belt life.

An unusual aspect of this conveyor system is that it will be a generator rather than a consumer of power. A drop of nearly 700 meters from a mountain elevation of 1,600 meters will allow the system's DC electrical generating system to feed power into Quintette's regular power system. This same power system will provide the braking protection throughout the conveyor system.

$30 million contract for engineering and manufacture of a coal conveyor system

Manufacturing

In 1980, the Company initiated expansion of manufacturing opportunities for the oil and gas industry to add to the product base which was aimed primarily at the forest products industry. In 1981, these efforts were rewarded with record levels of revenue and earnings from sales, mostly to the United States. Mainland Manufacturing, a division of BVRS, continued with a program of plant expansion and modernization in 1982 completing a new 30,000 square foot fabrication shop in mid-1982, as well as adding new major machine tools. Total plant capacity in Richmond, British Columbia, is now 160,000 square feet and includes a ferrous foundry, steel fabrication, fitting and assembly shops and an extensive machine shop.

The 1981 upswing in services and supplies to the petroleum industry in the United States developed very quickly, but instead of enduring for four to five years collapsed very rapidly and caught industry participants by surprise. BVRS was no exception and utilization of plant capacity fell below 50 percent primarily due to cancellation of orders from the United States oil and gas sector. Sales of forest products equipment, supplies and services also decreased in 1982 as this industry continued to postpone capital expenditure programs. The Company's ferrous foundry and the machine shop were particularly affected by the downturn in industry activity. Entering 1983 there is still considerable industry overcapacity in production equipment and excess inventory. The Company's management and labour are working together successfully with respect to further improving productive labour performance. No major capital expenditures are currently planned for 1983.

Aggressive research and development of electronic instrumentation continues at Western Research

The Company's fabrication capacity was expanded partly to accommodate the manufacture of the conveyor structures for the Quintette Coal facility. The Company's Materials Handling Systems personnel have completed the engineering and Mainland's steel fabrication facilities should remain 100 percent utilized for approximately six months.

Distribution

Mainland Oilfield Supply and Mainland Industrial Products divisions and Harvey Oilfield Supplies (49 percent owned by BVRS) distribute oilfield equipment and supplies as well as products for the forestry, mining and bulk-handling industries. Demand for drilling supplies and heavy equipment was severely reduced in 1982. Sales of production related items such as tubing and casing also decreased, however, although not as severely as total industry sales. Inventory was reduced nearly 50 percent during 1982. The distribution divisions reduced their workforce 30 percent in 1982 consistent with the slowdown in operations. A total of 13 stores are being maintained, a reduction of three from a year ago. A new electrical and industrial supplies marketing program will reflect a new specialization in industrial proprietary products.

Environmental

Western Research, a division of BVRS, provides specialized engineering consulting and instrumentation to environmental and process problems for industry and government. Aggressive, successful research is being maintained, particularly in the design and manufacture of high-technology electronic instrumentation. With over a decade of technical involvement in gas processing and sulphur recovery, this group pioneered the development of instrumentation systems which became industry standards. The high-quality product lines for sulphur gas analysis and sulphur recovery process control were further enlarged in 1982.

BVRS believes that the environmental business is a maturing production support activity with a relatively constant demand for products and services. Governments have not deviated from their concern for strong environmental control including source monitoring of sulphur compounds and harmful effects of pollution, such as acid rain.

A new international marketing program was essentially responsible for the 10 percent increase in the Environmental group's revenues to $8.7 million in 1982 compared to 1981, and the maintenance of profitability. In 1982, 60 percent of process instrumention sales were international compared to 40 percent in 1981.

Offices are now maintained in Calgary, Edmonton, Denver and San Francisco. The Denver office was opened in 1981 and increased market penetration immediately. In 1983 expansion, through agents, will continue into Europe, the Middle East, Australia, Singapore and Japan. In 1982, Western Research's major seminars in Texas, Colorado and the Netherlands in sulphur recovery plant operations were highly regarded by the industry and contributed significantly to sales. Western Research continues to refine ultra-violet technology and is completing the Total Reduced Sulphur Analyzer for application in the pulp and paper industry. Western Research activities continue to introduce BVRS to many new areas, geographical and technical.

Heating, Ventilating and Air Conditioning

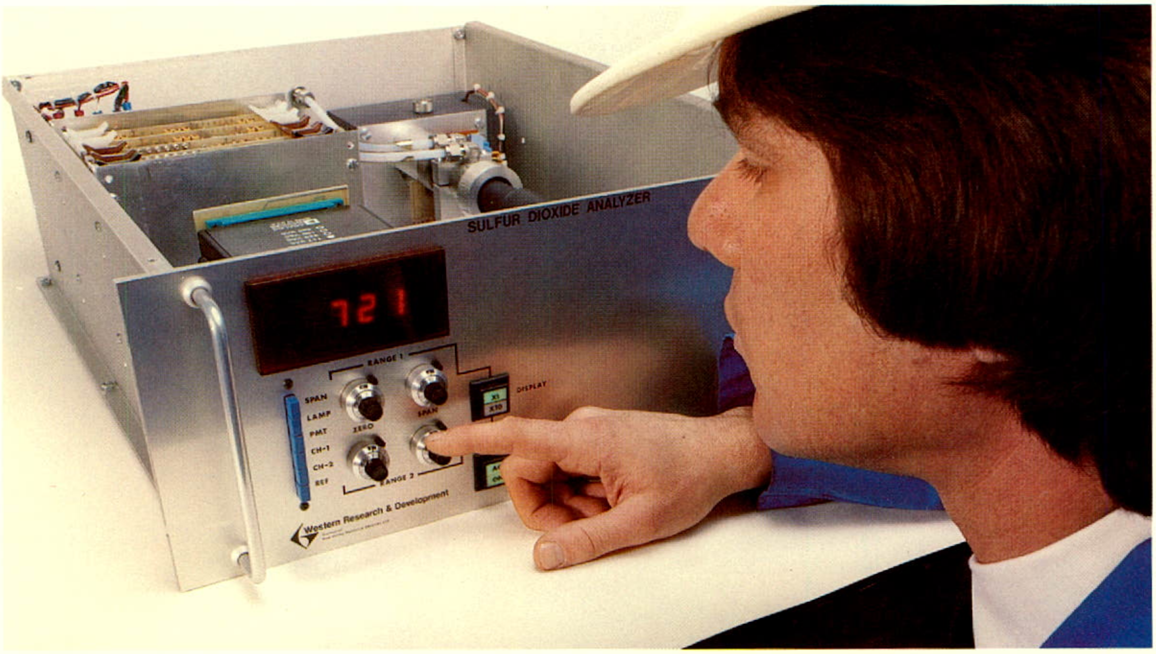
This division designs, manufactures and markets equipment for residential, commercial, institutional and industrial package equipment under the brand names Climate-Master, Flame-Master and Buffalo. The principal market is western Canada. Product lines include forced air furnaces and central air conditioning equipment for residential use, unit heaters and large engineered ventilation, heating and air conditioning products for commercial and industrial application. All of the heating equipment is gas-fired.

The market for this division's product is closely allied to the activity of the Canadian construction industry which started declining in 1981 due to high interest rates and collapsed in 1982. As in 1981, the Company increased its sales of commercial products particularly large air conditioning units, however, the decrease in sales of residential products, mainly furnaces, resulted in a reduction in total sales and earnings from record 1981 levels.

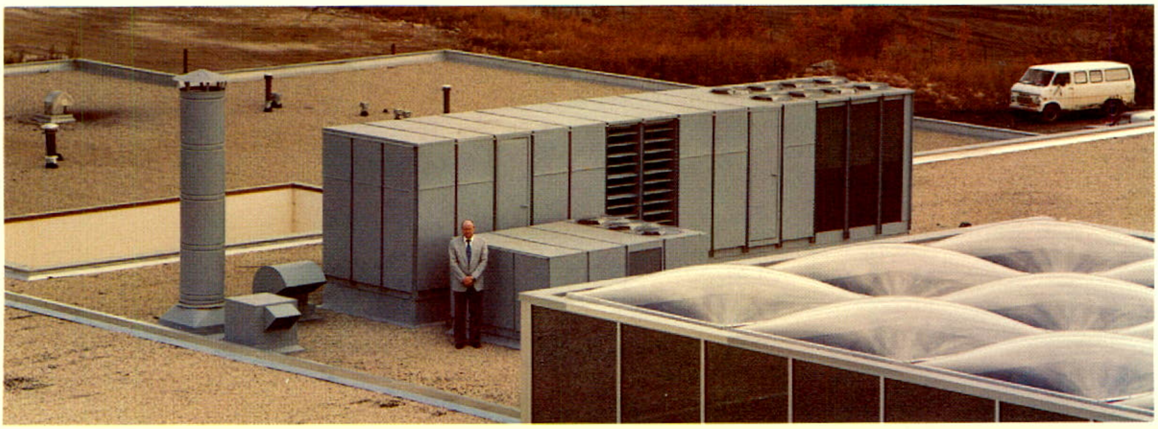
A consolidation of the plants in Edmonton early in 1983 will reduce costs and improve inventory management without reducing production capacity of more than 20,000 units per year. Approximately 12,000 units were produced in 1982, a reduction from 15,000 units in 1981.

The Company will continue its aggressive research in 1983 and will expand lines for institutional and commercial products particularly large air conditioning equipment. The Company increased its market share for such equipment in 1982 and maintained its position for all other major products produced.

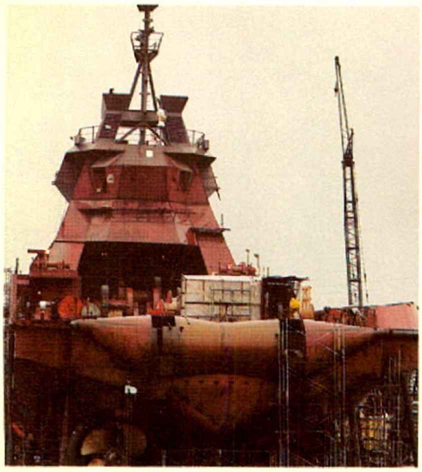
The peak season, historically the third and fourth calendar quarters, did not materialize in 1982 and the first six months of 1983 should be difficult even though residential construction has recently improved.

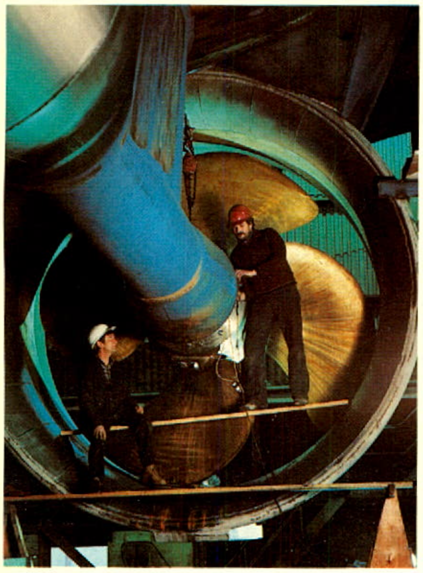


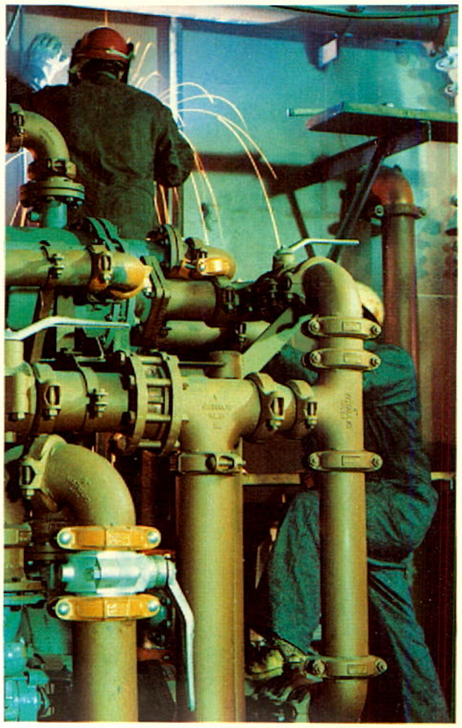
Increased sales from international acceptance of the Company's instrumentation systems



Increased sales of commercial products such as large air conditioning equipment







Investments

Supply Boats

BVRS has a 50 percent interest in six towing, anchor-handling supply boats currently under construction - four at the Hyundai Shipyard in Korea, and one at each of the Bel-Aire Shipyard and Vito Steel Boat and Barge Construction Shipyard in Vancouver, British Columbia. All the boats have been contracted for four years upon delivery and are currently scheduled for logistical support for exploration programs off the east coast of Canada including the transportation of fuel oil, pipe, drilling supplies, fresh water and all drilling consumables.

Designed in Canada specifically for use in harsh waters, the boats are ice-strengthened, classified Lloyds +100A1, Ice Class 1/1 AS, and built according to rigid Arctic pollution prevention regulations. Four engines per boat are designed for fuel conservation, 10,880 brake horsepower continuous, approximately 125 metric tonne bollard pull, and a range of 60-80 days at economical speed of 10-12 knots per hour.

The trend in supply boats is towards more powerful, capable equipment and the demand for highly specialized vessels continues. BVRS will have the latest generation supply vessels servicing the latest generation drilling rigs.

Vertical Tube Reactor

BVRS has an option to acquire the shares of the Vertical Tube Reactor Corporation, a Colorado corporation. This company owns patents, inventions, assets and proprietary technical data pertaining to the manufacture and technology of a vertical tube chemical reactor.

The vertical tube reactor is a production treatment process for stabilization of organic wastes when significant sludge volume reduction is required, where stringent requirements for sludge disposal exist and where destruction of toxic or pathogenic organisms is necessary.

The VTR is a patented process designed to oxidize high strength organic wastes using wet combustion principles. The process started with theoretical and laboratory studies in the early 1970s for expression of the VTR concept in engineering terms. In 1977, a pilot scale reactor was built to gain operating data for a full-scale design. The major goal remaining is to demonstrate VTR steady-state operation at full scale. A prototype facility near the city of Longmont, Colorado, for completion in mid-1983 is being underwritten by BVRS. This facility is being designed and built to treat daily 12,500 pounds of sewage sludge contained in eight million U.S. gallons of liquid waste water from an urban population of 80,000.

Testing of new sewage treatment process to be completed in mid-1983

When successful, the VTR process will be an exciting new participant in the international market for municipal and industrial sludge treatment equipment.

Western Star Trucks Inc.

BVRS in equal partnership with NOVA, AN ALBERTA CORPORATION owns the only wholly Canadian Class 8 heavy duty diesel truck manufacturing, parts, marketing and distribution business.

During 1982, the North American market for heavy-duty trucks was severely depressed and for a period production in Kelowna was suspended. In 1982, 648 conventional Western Star trucks were produced and 917 trucks were sold in domestic and export markets.

Four-year contracts for six supply boats to be delivered in 1983

On March 1, 1983, Western Star Trucks Inc. signed a new agreement with Volvo White Truck Corporation granting Western Star greater access to the United States market whilst allowing continued importation of high and low cab over engine trucks for distribution through Western Star's Canadian distributor network.

Western Star can be expected to benefit in 1983 from an improving North American economy plus the ability to market directly into the United States and international markets.

BVRS was not required to contribute any funds to Western Star during 1982 with truck sales, significant inventory and receivable reductions providing for a self-sustaining operation. As of December 31, 1982, Western Star did not have any debt outstanding and had $6.6 million in cash. Western Star sales of $38.3 million are proportionately consolidated in the Company's revenues for the year and a net loss of $2.6 million is included in the Company's results.

Financial Review

Historical Financial Summary

(thousands of dollars unless otherwise indicated)

	1982	1981	1980	1979	1978
Revenue	**$219,516**	$283,653	$186,325	$152,913	$133,885
Direct Costs	**153,223**	198,323	130,181	108,076	100,727
General and Administrative	**31,071**	28,674	17,269	13,616	13,856
Depreciation	**16,458**	15,498	7,675	5,187	6,132
Interest	**25,728**	23,384	7,022	6,772	4,894
Income (loss) Before Income Taxes	**(6,964)**	17,774	24,178	19,262	8,276
Income Taxes: Current	**—**	(1,021)	2,510	6,418	3,641
Deferred	**(449)**	3,777	6,789	2,322	146
Net Income (loss)	**(6,515)**	15,018	14,879	10,522	4,489
Cash Flow From Operations	**6,894**	29,161	27,344	14,383	10,376
Per Common Share:					
Net Income — Basic	**$(0.59)**	$1.16	$1.47	$1.04	$0.44
— Fully diluted	**$(0.59)**	$1.12	$1.47	$1.04	$0.44
Cash Flow From Operations	**$0.44**	$2.28	$2.70	$1.42	$1.03
Dividends (common)	**$0.05**	$0.125	—	—	—
Working Capital	**29,243**	52,786	29,394	24,514	12,443
Total Assets	**435,168**	334,987	149,710	96,172	92,839
Long Term Debt**	**274,337**	161,706	19,734	14,840	17,141
Advance from BVI	**—**	—	35,740	18,654	20,432
Deferred Income Taxes	**16,627**	17,076	13,299	6,510	4,188
Total Shareholders' Equity	**87,585**	95,931	37,880	23,001	12,479
Total Preferred Dividends Paid	**1,182**	480	—	—	—
Ratio of Total Funded Debt** to Shareholders' Equity	**3.4:1**	1.8:1	.7:1	.8:1	1.8:1
Capital Expenditures	**136,849**	168,112	49,227	12,064	22,796
Total Number of Employees	**1,554***	1,895*	1,889	1,780	1,742

* Excludes any portion of 373 (1981 — 728) Western Star Trucks Inc. employees

** Includes Construction Commitment Payable.

Revenues

Revenues in 1982 of $219.5 million were 23 percent lower than in 1981 reflecting a $29.4 million, or 30 percent, decrease in land drilling revenues and a $24.5 million, or 24 percent, decrease in sales of manufactured products and distribution of equipment and supplies. Sales of truck products decreased $24.9 million, or 39 percent. Offshore drilling operations had increased revenues of $9.7 million, or 33 percent. Offshore drilling and Western Star Trucks operations impacted BVRS' financial results for only nine months in 1981.

Earnings

Operating income in 1982 was $27.3 million, a decrease of 42 percent from 1981. The decrease was due to significantly lower activity in the land drilling, manufacturing and distribution operations with a significant improvement in the contribution from offshore drilling.

BVRS had a net loss of $6.5 million in 1982 compared to income of $15.0 million in 1981. The Company had a foreign exchange loss of $1.8 million in 1982 and an increase in interest expense of $2.3 million. The Company recognized a benefit of approximately $5.1 million from Investment Tax Credits in 1981, whereas none were recognized in 1982.

Costs

Direct costs remained a constant percentage of total revenue with the 23 percent reduction consistent with the decrease in business activity.

The increase in the depreciation charged relates mainly to a full year of Bow Valley Offshore operations offset by lower charges in land drilling because of some asset dispostions.

Net interest expenses for 1982 of $25.7 million represents a ten percent increase compared to 1981. The increase is after deducting capitalized interest of $7.0 million (1981 - $0.6 million). The increase is a reflection of increased borrowings.

BVRS reported a foreign exchange loss of $1.8 million at December 31, 1982, resulting from the declining value of the Canadian dollar. Most of this loss does not reflect an economic loss to the Company but is the result of the prevailing accounting rules which require that a certain proportion of the translation gain or loss, resulting from the conversion of all future repayment instalments of the U.S. dollar loans to Canadian dollars, must be brought into income. Furthermore the actual U.S. dollar revenue earned and converted at current exchange rates, which could provide an offsetting favourable factor to the debt translation loss, is included with the general revenues of the Company instead of being identified as a separate gain. To date, actual exchange losses are almost equal to the gains realized by having U.S. dollar revenue. The drilling contracts for Bow Drills ONE, 2 and 3 provide for U.S. dollar revenue.

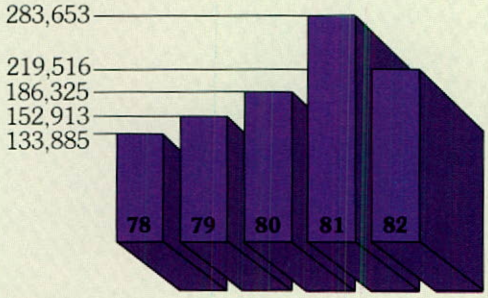
The total liability for deferred taxes now stands at $16.6 million, a decrease from $17.1 million in 1981 due to the lower level of operating activity.

In 1981 and 1982, mainly because of expansion into offshore drilling, the Company significantly increased its fixed asset base with a coincident increase in the amount of tax depreciation available. The availability of excess tax depreciation compared to book depreciation will result in a deferral of cash taxes for several years.

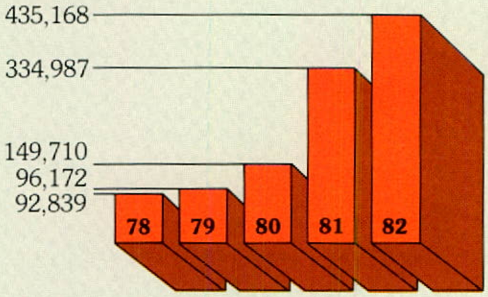
	Relationship to Total Revenue			Year to Year Increase (Decrease)	
	Year Ended December 31			Years Ended	
	1982	**1981**	**1980**	**1982-1981**	**1981-1980**
Revenue:					
Offshore Drilling	**17.8%**	10.3%	—	33.0%	—
Land Drilling	**31.5**	34.8	57.3%	(29.8)	(7.7)%
Manufacturing	**19.9**	19.3	24.6	(20.1)	19.1
Distribution	**15.8**	17.0	25.7	(27.9)	.8
Truck Products	**17.4**	22.2	—	(39.5)	—
Other	**.5**	.1	1.0	—	(84.7)
Subtotal	**102.4**	103.7	108.6	(23.5)	45.4
Less Inter-Segment Eliminations	**2.9**	3.7	8.6	(51.3)	(33.7)
	100.0	100.0	100.0	(22.6)	52.2
Expenses:					
Direct Costs	**69.8**	69.9	69.9	(22.7)	52.3
General and Administrative	**14.2**	10.1	9.2	8.3	66.0
Depreciation	**7.5**	5.5	4.1	6.2	101.9
Interest	**11.7**	8.2	3.8	10.0	233.0
Income Before Income Taxes	**(3.2)**	6.3	13.0	(139.2)	(26.5)
Income Taxes	**(.2)**	1.0	5.0	(116.3)	(70.4)
Net Income (loss)	**(3.0)%**	5.3%	8.0%	(143.4)%	.9%

The above table sets forth for the years indicated (a) percentages which certain items in the financial statistics bear to total revenue of the Company and (b) the percentage change of such items when compared to the indicated prior year.

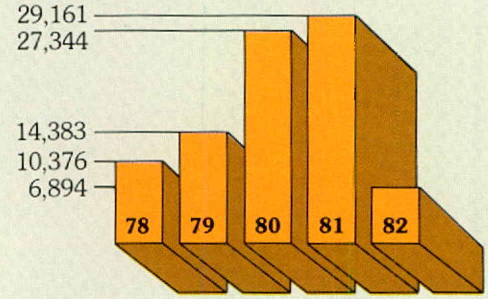
Revenue (thousands of dollars)



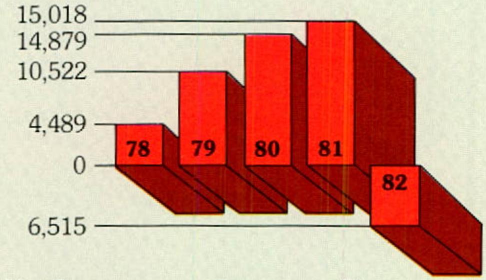
Total Assets (thousands of dollars)



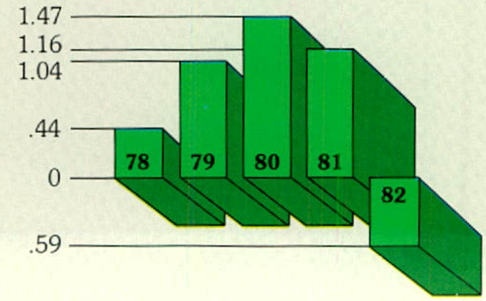
Cash Flow From Operations (thousands of dollars)



Net Income (thousands of dollars)



Net Income per Common Share



Asset Growth

The Company's total assets continue their strong growth pattern standing at $435.2 million as at December 31, 1982, an increase of $100.2 million from one year earlier. In 1982, capital expenditures totalled $136.8 million in a profile as follows:

$94.1 million	on offshore drilling rigs including progress payments on BVRS' 65 percent share of Bow Drills 2 and 3 of $89.1 million.
$11.1 million	land drilling including $7.1 million for Apollo's new rig and miscellaneous equipment necessary to maintain assets in good condition.
$ 0.9 million	on manufacturing equipment.
$30.7 million	other; including $18.9 million progress payments on our 50 percent share of six supply boats and expenditures on the VTR project in Longmont, Colorado.

Net capital assets increased from $223.5 million at December 31, 1981, to $340.5 million at December 31, 1982. Asset growth will continue in 1983 with the completion and delivery of the Bow Drills 2 and 3 and six supply boats.

Disposal of Subsidiaries and Divisions

During 1982, Management reviewed the present and potential contribution of several operating entities and decided that the very small marginal operations should be disposed of. The fixed assets and inventories of the Company's contract drilling operations in Canada and the U.S. conducted by Connors Drilling and Connors Drilling Inc., respectively, and Wesdrill Equipment, which manufactures diamond drilling bits for the mining industry, were sold to the managers of the respective entities. The sale in each case was facilitated by our accepting a long-term note (six months to five years) from the purchaser.

The Company also sold a small operating company in Portland, Oregon, which manufactures equipment used in the forest products industry. This sale was to a third party on a cash basis.

The loss resulting from the sales was approximately $1 million.

Financial Position

During 1982, funds generated from current operations amounted to $6.9 million. Additional long-term debt issued particularly with respect to the construction of Bow Drills 2 and 3 and six supply boats provided a total of $126.5 million. After fixed asset additions of $136.8 million, dividend payments to shareholders totalling $1.8 million and funds of $17.6 million used to reduce outstanding long-term debt, and $6.7 million for other applications, working capital decreased by $23.5 million.

Inventories decreased almost 47 percent reflecting major cutbacks in the inventories of Western Star Trucks and the distribution and manufacturing operations. A provision of $1 million has been made against potential obsolescence or writedown in value of manufacturing inventory.

All planned financings to support the construction and operation of the Bow Drills 2 and 3 have been completed. Offshore drilling commitments and financing arrangements are referred to in Note #15 to the 1982 Consolidated Financial Statements. In addition to these credit facilities, long-term lines of credit have been increased with the Company's principal banker. At December 31, 1982, the Company maintained unused committed bank credit facilities amounting to $25.5 million.

The Company's working capital position remained strong at $29.2 million as of December 31, 1982. The ratio of total funded debt to equity at year end was 3.4 to 1, as compared to 1.8 to 1 at the end of 1981. This ratio is expected to increase during 1983 as the new offshore drilling and support commitments are financed. The Company has sufficient working capital, available bank borrowings and debt capacity and authorized share capital to permit flexibility for planned expenditures and current commitments.

Stock Market Information

In February 1981, Bow Valley Resource Services Ltd. successfully completed a $64.8 million public offering. The offering included the company's initial public common share offering of 2,850,000 shares and $28.5 million 11 percent Convertible Subordinated Debentures.

The conversion feature of the debentures represents a total of 1,900,000 shares or possible dilution of Bow Valley Industries Ltd.'s holding from 78 percent to 68 percent.

The Company declared one common dividend in June 1982 of $0.05 per share to shareholders of record June 4, 1982. It is the Company's policy to continue to declare regular common dividend payments, although this will be dependent upon the Company's financial requirements.

On September 10, 1981, a Special General Meeting of Bow Valley Resource Services Ltd. shareholders authorized creation of 50,000,000 preferred shares having a par value of $10 each which may be issued from time to time. During 1981, 1,000,000 variable rate Series A cumulative redeemable preferred shares were issued at $10 per share to a Canadian chartered bank. The dividend rate for any quarterly period is 50 percent of the weighted average prime rate for the period, plus two percent. The Company may redeem these preferred shares at par at any time after June 1, 1983. Preferred dividends totalled $1.2 million during 1982. The preferred shares are not publicly traded. Under terms and conditions of issuance of the preferred shares the declaration and payment of dividends on common shares is subject to full payment of all dividends on all the preferred shares.

At December 31, 1982, there were 1,799 holders of record of Bow Valley Resource Services Ltd.'s common shares. The Toronto Stock Exchange is the principal market for the Company's common shares. The high and low prices for each quarter in 1981 and 1982 are shown in the following table.

Trading Information - The Toronto Stock Exchange

Stock	1981	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
BOW	Hi	$12.5	12.125	12.125	8
	Low	$10	11	5	5
	1982	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
	Hi	$ 8	6.5	4	6
	Low	$ 4.9	3.0	3.2	3.8

Management's Responsibility for Financial Statements

The financial statements which consolidate the financial results of BVRS and its subsidiaries have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied. The objectivity and integrity of data in these financial statements, including estimates and judgments relating to matters not concluded by year end, are the responsibility of Management as is all other information included in the annual report unless otherwise indicated.

In Management's opinion the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Company's accounting policies. In meeting its responsibilities for the reliability of the financial statements, Management maintains a system of internal accounting controls and administers a program of proper business conduct compliance. Management also supports a program of internal audit.

Price Waterhouse chartered accountants, the independent auditors of the Company, have been engaged to render a professional opinion on the accompanying financial statements. In order to complete their report, which is shown below, they develop and maintain an understanding of the Company's systems and procedures and conduct an examination in accordance with generally accepted auditing standards.

The Audit Committee, a committee of the Board of Directors, is composed of outside directors. It meets regularly with Management, the internal auditors and the independent auditors to assure that they are all carrying out their responsibilities and to discuss audit objectives and plans, internal control, accounting policy and financial reporting matters. The internal auditors periodically meet alone with the Audit Committee, as do the independent auditors, and both have unrestricted access to the Audit Committee and Board of Directors at any time. The financial statements were reviewed by the Audit Committee and were approved by the Board of Directors.

Auditors' Report

TO THE SHAREHOLDERS OF
BOW VALLEY RESOURCE SERVICES LTD.

We have examined the consolidated balance sheet of Bow Valley Resource Services Ltd. as at December 31, 1982 and the consolidated statements of operations, changes in financial position, changes in components of working capital and retained earnings 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.

Price Waterhouse
Chartered Accountants

Calgary, Alberta, Canada
February 18, 1983

Summary of Significant Accounting Policies

Principles of Consolidation

These consolidated financial statements include Bow Valley Resource Services Ltd. ("BVRS") and all its subsidiaries. Activities which are conducted through joint ventures and partnerships are proportionately consolidated.

Foreign Currency Translation

BVRS translates foreign currency transactions and accounts of foreign subsidiaries to Canadian dollars as follows:

- Monetary assets and liabilities (receivables, current liabilities, long term debt and construction commitment payable) are translated at year-end rates.
- Non-monetary assets and liabilities (inventories, capital assets and deferred income taxes) are translated at rates in effect on the dates of the transactions (historical rates).
- Most revenues and expenses are translated at average rates in effect during the year. Certain expenses relating to non-monetary assets are translated at historical rates.
- The resulting gains and losses are reflected immediately in the statement of operations, except for unrealized translation gains and losses relating to long term receivables and debt which are amortized over their remaining terms.

Capital Assets and Depreciation

- Offshore drilling equipment is depreciated by the straight-line method at the rate of 4.67% annually, based on an estimated 15-year life and a residual value of 30%.
- Land drilling equipment is depreciated by the declining balance method at the rate of 8% annually, based on an estimated 15-year life and a residual value of 30%.
- Other capital assets are depreciated by various methods and at various rates designed to amortize the cost of the assets over their estimated useful lives.

Semi-Submersible Drilling Rigs — Repairs and Maintenance

- The Company's semi-submersible drilling rigs are inspected on an annual and four-yearly basis. BVRS accrues the costs of the inspections and anticipated major repairs resulting therefrom.
- Repairs and spare parts are expensed and betterments and major renewals are capitalized.

Capitalization of Interest

Interest is capitalized on expenditures relating to the construction of major capital assets until the asset is ready for use. Interest is capitalized at the rate on the loan that is applicable to a specific asset and in other cases on the average interest rate incurred by the Company.

Capitalization of Development Costs

Costs relating to specific development projects that in the Company's view are technically feasible and have a clearly defined future market are capitalized. Upon completion, the capitalized development costs are amortized over periods not exceeding the estimated revenue generating life of the project. If a project is subsequently determined to be technically unfeasible or it is determined that a market no longer exists for the project, all the capitalized costs relating to the project are charged to income at that date.

Investment Tax Credits

Investment tax credits are recorded following the flow-through method as a reduction of income tax expense. In applying this method, BVRS records investment tax credits to the extent that existing deferred tax credits and current income are available to generate the tax payments, by individual taxable entity, necessary to claim the credits prior to their expiry.

Industry Segments

BVRS has divided its operations into the following business segments for segmented financial reporting:

- Offshore drilling — Offshore oilwell drilling services on a contract basis;
- Land drilling — Land oilwell and diamond drilling services on a contract basis;
- Manufacturing — Various manufacturing operations, primarily related to the natural resource industries;
- Distribution — The supply of goods and materials to the natural resource industries;
- Truck products — The assembly and distribution of heavy duty trucks and parts; and
- Other — Development projects and marine equipment.

Consolidated Statement of Operations

Year Ended December 31

	1982	1981
	(thousands of dollars, except per share data)	
REVENUE		
Service and manufacturing	**$216,960**	$279,348
Other	**2,556**	4,305
	219,516	283,653
EXPENSES		
Direct costs	**153,223**	198,323
General and administrative	**29,289**	28,582
Depreciation	**16,458**	15,498
Foreign exchange loss	**1,782**	92
Interest (Note 7)	**25,728**	23,384
	226,480	265,879
INCOME (LOSS) BEFORE INCOME TAXES	**(6,964)**	17,774
INCOME TAXES (Note 8)		
Current	—	(1,021)
Deferred	**(449)**	3,777
	(449)	2,756
NET INCOME (LOSS)	**$ (6,515)**	$ 15,018
NET INCOME (LOSS) PER COMMON SHARE, based on the weighted average number of shares outstanding of (thousands):	**12,970**	12,556
Basic	**$(0.59)**	$1.16
Fully diluted	**$(0.59)**	$1.12

Consolidated Balance Sheet

As At December 31

	1982	1981
	(thousands of dollars)	
Assets		
CURRENT ASSETS		
Cash	**$ 11,801**	$ 1,460
Accounts receivable	**44,620**	55,870
Income taxes recoverable	**—**	2,960
Inventories (Note 1)	**23,427**	44,423
Prepaid expenses	**978**	1,675
	80,826	106,388
CAPITAL ASSETS, at cost (Note 2)	**398,175**	269,942
Less accumulated depreciation	**57,706**	46,378
	340,469	223,564
OTHER ASSETS, at cost less amounts amortized	**13,873**	5,035
	$435,168	$334,987
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Bank indebtedness	**$ 126**	$ 1,668
Accounts payable and accrued	**31,196**	38,145
Long term debt due within one year	**20,261**	13,789
	51,583	53,602
LONG TERM DEBT (Note 3)	**235,694**	161,706
CONSTRUCTION COMMITMENT PAYABLE (Note 4)	**38,643**	—
OTHER LIABILITIES	**5,036**	6,672
DEFERRED INCOME TAXES	**16,627**	17,076
	347,583	239,056
SHAREHOLDERS' EQUITY (Note 6)		
Variable rate term preferred shares	**10,000**	10,000
Common shares — 12,970,000 shares issued and outstanding	**37,639**	37,639
Retained earnings	**39,946**	48,292
	87,585	95,931
CONTINGENT LIABILITIES AND COMMITMENTS (Notes 11 & 15)		
	$435,168	$334,987

Approved by the Board

Director

Director FA Dobson

Consolidated Statement of Changes in Financial Position

Year Ended December 31

	1982	1981
	(thousands of dollars)	
SOURCE OF WORKING CAPITAL		
From operations		
Net income (loss)	**$ (6,515)**	$ 15,018
Add non-cash items, principally depreciation, amortization of deferred foreign exchange loss and deferred income taxes, net of gains on sale of capital assets	**13,409**	14,143
Cash flow from operations	**6,894**	29,161
Long term debt issued	**87,997**	194,118
Construction commitment payable	**38,465**	—
Common shares issued, less costs	**—**	35,134
Preferred shares issued	**—**	10,000
Other	**576**	8,118
	133,932	276,531
APPLICATION OF WORKING CAPITAL		
Additions to capital assets		
Offshore drilling equipment	**94,143**	143,252
Land drilling equipment	**11,067**	15,051
Manufacturing equipment	**878**	2,490
Land, buildings and other equipment	**30,761**	7,319
	136,849	168,112
Less proceeds of disposals	**5,524**	7,791
	131,325	160,321
Repayment of long term debt	**17,617**	53,091
Repayment of advances from Bow Valley Industries Ltd.	**—**	35,740
Dividends paid	**1,831**	2,101
Other	**6,702**	1,886
	157,475	253,139
INCREASE (DECREASE) IN WORKING CAPITAL	**(23,543)**	23,392
WORKING CAPITAL AT BEGINNING OF YEAR	**52,786**	29,394
WORKING CAPITAL AT END OF YEAR	**$ 29,243**	$ 52,786

Consolidated Statement of Changes in Components of Working Capital

Year Ended December 31

	1982	1981
	(thousands of dollars)	
Increase (Decrease) in Current Assets		
Cash	**$ 10,341**	$ (549)
Accounts receivable	**(11,250)**	7,095
Income taxes recoverable	**(2,960)**	2,960
Inventories	**(20,996)**	23,691
Prepaid expenses	**(697)**	740
Net increase (decrease) in current assets	**(25,562)**	33,937
Increase (Decrease) in Current Liabilities		
Bank indebtedness	**(1,542)**	97
Operating advances from Bow Valley Industries Ltd.	**—**	(6,185)
Accounts payable and accrued	**(6,949)**	11,171
Long term debt due within one year	**6,472**	5,462
Net increase (decrease) in current liabilities	**(2,019)**	10,545
Increase (Decrease) in Working Capital	**$(23,543)**	$ 23,392

Consolidated Statement of Retained Earnings

Year Ended December 31

	1982	1981
	(thousands of dollars)	
RETAINED EARNINGS AT BEGINNING OF YEAR	**$48,292**	$35,375
NET INCOME (LOSS)	**(6,515)**	15,018
	41,777	50,393
DIVIDENDS PAID		
Preferred shares (Note 6)	**1,182**	480
Common shares at $0.05 per share (1981 — $0.125)	**649**	1,621
	1,831	2,101
RETAINED EARNINGS AT END OF YEAR	**$39,946**	$48,292

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars)

1. INVENTORIES

Inventories are valued at the lower of cost or net realizable value and are analyzed by business segment as follows:

	1982	1981
Offshore and land drilling	**$ 45**	$ 1,902
Manufacturing	**9,389**	12,258
Distribution	**5,600**	9,660
Truck products	**8,393**	20,603
	$23,427	$44,423

2. CAPITAL ASSETS

	1982		1981	
	Cost	Net Book Value	Cost	Net Book Value
Offshore drilling equipment	**$237,395**	**$226,199**	$143,252	$138,482
Land drilling equipment	**105,108**	**68,012**	98,819	66,336
Manufacturing equipment	**7,712**	**4,249**	7,935	4,452
Land, buildings and other equipment	**47,960**	**42,009**	19,936	14,294
	$398,175	**$340,469**	$269,942	$223,564

Included in the above figures are assets under construction totalling $125 million (1981 — $12 million).

3. LONG TERM DEBT

	1982	1981
Term bank loan — secured (a)	**$116,107**	$123,333
Term bank loans — secured (b)	**66,355**	23,660
Construction loans — secured		
Term bank loan (c)	**5,974**	—
Export Development Corporation term loan (d)	**27,277**	—
Term bank loan, International banks' consortium (e)	**11,738**	—
11% convertible subordinated debentures — unsecured (f)	**28,500**	28,500
Other	**4**	2
	255,955	175,495
Less portion due within one year	**20,261**	13,789
	$235,694	$161,706

a) BVRS has a term bank loan of U.S. $94.4 million which matures in 1990 and is secured by a first mortgage on the Bow Drill ONE semi-submersible drilling rig and an assignment of the related drilling contract. Interest rates range from 5/8 to 7/8 of 1% over the London Interbank Offered Rate ("LIBOR") or, at the option of BVRS, from 1/4 to 1/2 of 1% over the lender's U.S. base rate. The average interest rate during 1982 was 16.2% (1981 — 18.5%), and was 15.4% as at December 31, 1982. LIBOR rates are redetermined at various times during the life of the loan. Repayments were at the rate of U.S. $3.4 million per quarter in 1982, with approximately U.S. $4.4 million due quarterly commencing January 4, 1983, decreasing to approximately U.S. $1.8 million due quarterly commencing February 1, 1987. Partial or complete prepayments may be made at any time with a nominal penalty.

b) BVRS has a seven-year revolving term credit facility with a Canadian chartered bank for up to U.S.$70 million or its equivalent in other currencies. Interest rates range from ⅝ to 1% over LIBOR or, at the option of BVRS from ¼ to ⅞ of 1% over the lender's prime rate. The average interest rate during 1982 was 15.4% (1981 — 14.75%). U.S. $54 million was outstanding at December 31, 1982, with an average interest rate of 11.2%, subject to periodic redetermination under a LIBOR option. Loan repayment commences January 1, 1984 and is secured by a floating charge on the Company's assets and undertakings.

c) BVRS has a facility to borrow up to U.S. $8 million, under a term loan agreement with a United States bank, relating to the construction of a prototype facility, as described in Note 10, and to exercise an option to acquire Vertical Tube Reactor Corporation, Denver, Colorado. Interest is charged at the rate of ¾ of 1% over the LIBOR rate (subject to periodic redetermination), or, at the option of BVRS, at ½ of 1% over the lender's U.S. prime rate. At December 31, 1982, U.S. $4.8 million was outstanding with an interest rate of 11.8%. The loan is repayable in full on September 30, 1985 and is secured by a floating charge on the Company's assets and undertakings.

d) BVRS has a loan facility of up to U.S. $78 million with the Canadian Export Development Corporation to assist in financing the construction and purchase of the Bow Drill 3 semi-submersible drilling rig, of which BVRS owns 65%. The loan bears interest at 12.5% and is secured by a first mortgage on the rig and an assignment of the related drilling contract. Equal semi-annual payments for a period of eight and one-half years will commence six months after delivery which is expected about December 1, 1983. At December 31, 1982 U.S. $22.1 million was outstanding.

e) BVRS has U.S. $9.6 million outstanding as of December 31, 1982 under a loan and guarantee facility arranged with a consortium of international banks. BVRS may borrow up to U.S. $18 million to assist in financing the construction and purchase of the Bow Drill 2 semi-submersible drilling rig of which BVRS owns 65%. The interest rate is LIBOR plus ⅞ of 1% and the rate at December 31, 1982 was $10^{5}/_{16}$%. Equal semi-annual payments for a period of eight and one-half years will commence six months after delivery of the rig, expected to be July 1, 1983. The loan is secured by a first mortgage on the rig and an assignment of the related drilling contract.

Upon delivery Eksportfinans of Oslo, Norway has committed to lend BVRS up to U.S. $54 million, at an effective rate of 9.65%. Equal semi-annual payments for a period of eight and one-half years will commence six months after delivery of the rig.

f) The 11% convertible unsecured subordinated debentures were issued in February 1981 and mature on March 1, 2001. Interest is payable semi-annually on March 1 and September 1. The debentures are convertible into common shares at any time prior to March 2, 1991 at a conversion price of $15 per share. The debentures are subject to anti-dilutive provisions under certain circumstances.

Redemption is permitted in full or in part by BVRS at any time after August 31, 1983; however, during the period September 1, 1983, to February 28, 1986, redemption is permitted only if the market value of BVRS common shares is at least 125% of the conversion price then in effect for a specified period of time. A premium of 9.6% during the six months prior to March 1, 1984, declining annually by 0.6%, is payable upon early redemption. Open market purchases for redemption are permitted at prices not to exceed specified amounts.

Mandatory 4% sinking fund payments are required annually from March 1, 1992, until maturity. BVRS has a non-cumulative right to make an additional sinking fund payment of 2% in each of these years.

g) The aggregate repayments required under long term debt are:

1983	$ 20,261
1984	35,885
1985	41,859
1986	35,885
1987	25,757
Thereafter	96,308
	$255,955

4. CONSTRUCTION COMMITMENT PAYABLE

BVRS has $38.6 million accrued as at December 31, 1982 in respect of the construction of the Bow Drill 2 semi-submersible drilling rig. This amount represents funds drawn down on interim financing arranged by the builder, and is payable by BVRS upon delivery of the rig as described in Note 15.

5. UNUSED LINES OF CREDIT

In addition to the credit lines arranged for the construction of the Bow Drill 2 and Bow Drill 3 semi-submersible drilling rigs and the anchor handling and supply boats (Note 15), BVRS had unused short and long term lines of credit approximating $25.5 million as at December 31, 1982.

6. SHAREHOLDERS' EQUITY

a) Preferred shares

Authorized: 50,000,000 preferred shares having a par value of $10 each, which may be issued at any time and from time to time in one or more series, each series to consist of such number of shares with such designation, rights, restrictions, conditions and limitations as the Board of Directors may so determine.

Issued: 1,000,000 variable rate Series A cumulative redeemable term preferred shares at $10 per share, repayable at par on June 16, 1991. The dividend rate for any quarterly period is 50% of the weighted average prime rate of a specified Canadian chartered bank for the period, plus 2%. BVRS may redeem these preferred shares at par any time after June 1, 1983.

b) Common shares

Authorized: 30,000,000 common shares without nominal or par value.

Issued: 12,970,000 common shares. At December 31, 1982, 1,900,000 shares were reserved for conversion of the 11% convertible debentures (Note 3).

7. INTEREST EXPENSED AND CAPITALIZED

	1982	1981
Interest incurred on:		
Long term debt	**$29,424**	$21,543
Advance from Bow Valley Industries Ltd.	**367**	611
Other	**2,963**	1,873
	32,754	24,027
Less interest capitalized	**7,026**	643
Interest expensed	**$25,728**	$23,384

In 1982, the assets under construction on which interest was capitalized were a land drilling rig, a metal fabricating plant, Bow Drill 2 and Bow Drill 3 semi-submersible drilling rigs, six anchor handling and supply boats and a prototype facility for the processing of organic waste. The land drilling rig and the metal fabricating plant were completed in April 1982.

8. INCOME TAXES

The BVRS income tax provisions have varied from the Canadian corporate tax rate for the following reasons:

	1982		1981	
	Amount	%	Amount	%
Income taxes at the Canadian corporate tax rate	**$(3,273)**	**(47.0)**	$8,354	47.0
Add (deduct) effect of:				
Investment tax credits (a)	—	—	(5,077)	(28.5)
Non-taxable capital (gains) and losses	**354**	**5.1**	(529)	(3.0)
Losses not recognized (b)	**2,345**	**33.7**	60	.3
Other	**125**	**1.8**	(52)	(.3)
Actual income tax provision	**$ (449)**	**(6.4)**	$2,756	15.5

a) The tax benefit of investment tax credits recorded in 1981 resulted in a reduction of deferred income tax expense. To the extent that the related benefits of investment tax credits are not realized on an income tax basis during the relative carry-forward period, there will be a charge to deferred income tax expense on expiry of the credit, with a corresponding reduction in net income but no impact on cash flow from operations.

To date, BVRS has reflected in net income of prior years Canadian investment tax credits of $11.2 million having an after-tax effect of $5.8 million, which expire if not claimed prior to 1986 and 1987. As at December 31, 1982, BVRS had additional investment tax credits of $7.0 million which have not been reflected in net income and are available for claiming prior to expiry during the years 1985 to 1987 inclusive.

b) Certain subsidiaries and a corporate joint venture have incurred accumulated losses of which the Company's share is $8.4 million. A future tax benefit has not been recorded in the financial statements due to a lack of virtual certainty of realization of such benefit within the allowable carry forward periods.

9. RELATED PARTY TRANSACTIONS

During the year, BVRS provided land drilling services and sold oilfield supplies and equipment at commercial rates to Bow Valley Industries Ltd. ("BVI") in an aggregate amount of $2.8 million (1981 — $2.7 million). BVI has been charged certain administrative and overhead costs, such as office rentals and data processing, on the basis of estimated actual costs which have been incurred by BVRS and generally allocated based on usage.

From time to time during the year, BVRS borrowed short term funds from BVI at market rates; such loans were repaid at year end and interest paid to BVI during the year approximated $367,000. BVI has also provided legal and internal audit services to BVRS in 1982 at estimated actual costs incurred and generally allocated on the basis of usage.

10. CAPITALIZED DEVELOPMENT PROJECTS

BVRS has an option to acquire the shares of the Vertical Tube Reactor Corporation, a Colorado, U.S.A. corporation. The cost of the option and the construction of a prototype facility at Longmont, Colorado for the processing of organic waste at December 31, 1982 amounted to $8.4 million of which $6.7 million was spent in 1982 (1981 — $1.7 million). BVRS anticipates spending a further $2.2 million to complete the project in March, 1983.

11. CONTINGENT LIABILITIES

During the year, BVRS sold certain subsidiaries and divisions to former employees for $4.3 million which resulted in a net loss of $950,000. The agreements provide for bank loan guarantees by BVRS to a maximum of $2.1 million for periods varying from six months to five years, most of which were outstanding at December 31, 1982.

12. SEGMENTED INFORMATION

a) Industry segments

	1982				
	Revenue	Depreciation	Operating Income (Loss)	Assets at Year end	Capital Expenditures
Offshore drilling	$ 39,033	$ 6,458	$20,976	$229,401	$ 94,205
Land drilling	69,186	7,984	7,513	90,539	11,816
Manufacturing	43,608	1,400	149	35,341	4,101
Distribution	34,745	196	(725)	14,273	42
Truck products	38,252	294	(630)	14,429	476
Other	—	—	—	26,174	25,900
	224,824	16,332	27,283	410,157	136,540
General corporate	990	126	(8,519)	25,011	309
Interest	—	—	(25,728)	—	—
Income taxes	—	—	449	—	—
Inter-segment eliminations	(6,298)	—	—	—	—
	$219,516	$16,458	$(6,515)	$435,168	$136,849

	1981				
	Revenue	Depreciation	Operating Income	Assets at Year end	Capital Expenditures
Offshore drilling	$ 29,343	$ 4,780	$14,984	$148,202	$143,321
Land drilling	98,610	8,976	20,832	96,389	16,715
Manufacturing	54,603	1,290	7,619	35,487	4,582
Distribution	48,198	170	1,512	16,235	286
Truck products	63,239	202	1,828	31,998	3,051
	293,993	15,418	46,775	328,311	167,955
General corporate	286	80	(5,617)	6,676	157
Interest	—	—	(23,384)	—	—
Income taxes	—	—	(2,756)	—	—
Inter-segment eliminations	(10,626)	—	—	—	—
	$283,653	$15,498	$15,018	$334,987	$168,112

b) Geographic areas

	1982				
	Revenue	Depreciation	Operating Income (Loss)	Assets at Year end	Capital Expenditures
Canada	$204,766	$13,623	$29,597	$368,506	$120,788
U.S.	14,060	2,677	(2,539)	37,493	14,052
Other	257	32	225	4,158	1,700
	219,083	16,332	27,283	410,157	136,540
General corporate	990	126	(8,519)	25,011	309
Interest	—	—	(25,728)	—	—
Income taxes	—	—	449	—	—
Inter-area eliminations	(557)	—	—	—	—
	$219,516	$16,458	$(6,515)	$435,168	$136,849

In 1981 the majority of operations of BVRS were conducted in Canada, which accounted for approximately 90% of revenues, 84% of operating income, and 89% of assets with the balance in the United States.

13. JOINT VENTURES & PARTNERSHIPS

The following amounts included in these consolidated financial statements represent BVRS' proportionate interest in joint ventures and partnerships with third parties.

	1982	1981
Assets	**$138,095**	$32,161
Liabilities	**138,582**	32,045
Revenues	**38,953**	63,723
Expenses	**41,561**	63,852

The principal joint ventures and partnerships in which BVRS is involved are:

Offshore Drilling

Two semi-submersible drilling rigs currently under construction for delivery in July and December 1983, are owned 65% by BVRS.

Truck Products

BVRS has a 50% participation in Western Star Trucks Inc. which produces custom built Class 8 diesel trucks for heavy duty operations in long distance hauling.

Other

Six anchor handling and supply boats currently under construction for delivery in June and December 1983 are owned 50% by BVRS.

14. SELECTED QUARTERLY FINANCIAL INFORMATION (Unaudited)

	Quarter Ended				Full
	March 31	June 30	Sept. 30	Dec. 31	Year
YEAR ENDED DECEMBER 31, 1982					
Revenue	$70,152	$46,752	$41,344	$61,268	$219,516
Gross margin	20,086	15,800	14,795	15,612	66,293
Net income (loss)	(467)	(2,924)	(1,182)	(1,942)	(6,515)
Cash flow from operations	4,480	566	2,279	(431)	6,894
Net income (loss) per common share	$(0.06)	$(0.25)	$(0.12)	$(0.16)	$(0.59)
YEAR ENDED DECEMBER 31, 1981					
Revenue	$51,560	$74,583	$77,911	$79,599	$283,653
Gross margin	15,658	22,710	24,567	22,395	85,330
Net income	4,658	3,443	5,125	1,792	15,018
Cash flow from operations	8,556	6,099	7,687	6,819	29,161
Net income per common share	$0.41	$0.26	$0.36	$0.13	$1.16

15. COMMITMENTS

a) BVRS has a 65% interest in two semi-submersible offshore drilling rigs, Bow Drill 2 and Bow Drill 3, and a 50% interest in six supply boats, currently under construction. The rigs and boats have been contracted to BVI and a partner for a four-year period following delivery, and the partners anticipate using them in their exploration program off the east coast of Canada.

  i) Bow Drill 2 is being constructed in Norway at a total cost of approximately U.S. $110 million and is scheduled for delivery in July 1983. The shipyard has arranged for the majority of the financing during construction at commercial bank rates. Upon delivery, financing of approximately U.S. $82 million at an effective rate of 9.65% will be provided by Eksportfinans of Norway, repayable over a term of eight and one-half years. The remaining cost of approximately U.S. $28 million, of which U.S. $14.7 million was drawn down at December 31, 1982, will be financed at market rates with a consortium of international banks, with repayments over eight and one-half years, commencing six months after delivery. As at December 31, 1982 approximately 57% of the costs had been incurred.

  ii) Bow Drill 3 is being constructed in Saint John, New Brunswick at a total cost of approximately U.S. $133 million and is scheduled for delivery in December 1983. The Canadian Export Development Corporation will provide financing of approximately 80% up to U.S. $120 million for a 10½ year term at a rate of 12.5% of which U.S. $34.2 million was drawn down at December 31, 1982. The remaining costs will be financed at commercial bank rates. As at December 31, 1982, approximately 39% of costs had been incurred.

  iii) BVRS has a 50% interest in a partnership which has contracted to have six anchor handling and supply boats built. Four supply boats are being constructed in Korea at a cost of U.S. $48.4 million of which 80% will be provided by the Export Import Bank of Korea and the shipyard at 9.5%, repayable over eight years after delivery. Two Canadian built boats will cost $36.6 million and BVRS' share of funds will be provided by general bank credit facilities until permanent financing is arranged. The six boats are scheduled for delivery in June and December of 1983. As at December 31, 1982, approximately 39% of costs had been incurred.

b) BVRS is committed to the construction of a prototype facility for the processing of organic waste, of which $8.4 million was spent as at December 31, 1982, and approximately $2.2 million will be spent in 1983 to complete the project.

Corporate Directory

Directors

*Thomas S. Dobson
Chairman of the Board, Easton United Securities Ltd.
Calgary, Alberta

*George W. Govier
President, Govier Consulting Services Ltd.
Calgary, Alberta

*Arnold M. Ludwick
Vice-President, Financial Analysis
The Seagram Company Ltd.
Deputy Chairman
Joseph E. Seagram & Sons, Limited
Director, BVI
Montreal, Quebec

† Gerald J. Maier
President and Chief Executive Officer, BVI
Director, BVI
Calgary, Alberta

† Byron J. Seaman
Chairman of the Board and Chief Executive Officer, BVRS
Director, BVI
Calgary, Alberta

† Daryl K. Seaman
Chairman of the Board, BVI
Director, BVI
Calgary, Alberta

† Donald R. Seaman
President and Chief Operating Officer, BVRS
Director, BVI
Calgary, Alberta

†*Bruce W. Watson
President, Wrangler Resources Ltd.
Calgary, Alberta

* Members of the Audit Committee.
† Members of the Executive Committee.

Officers

Byron J. Seaman
Chairman of the Board and Chief Executive Officer

Donald R. Seaman
President and Chief Operating Officer

Trevor A. Legge
Senior Vice-President, Finance and Chief Financial Officer

William C. Hay
Senior Vice-President, Drilling

A. Michael Parent
Senior Vice-President, Manufacturing

Peter E. Sherburn
Senior Vice-President, Administration and Planning

Richard J. Chase
Vice-President, Supplies Group

Joseph Lukacs
Vice-President, Environmental Group

Richard M. McGhee
Vice-President, Shallow Drilling

Henry W. Popoff
Vice-President, Offshore Drilling

Selby W. Porter
Vice-President, Deep Drilling

Henry A. Smith
Vice-President, General Counsel and Secretary

Clarence S. Soderling
Vice-President, Manufacturing Group

Allan J. Solie
Vice-President, HVAC Group

Walter C. Yeates
Treasurer

Peter W. J. Butler
Corporate Controller

E. J. Adair
Assistant Secretary

Corporate Information

Stock Exchange Listings

The Toronto Stock Exchange
Montreal Exchange

Transfer Agent and Registrar

National Trust Company, Limited
Calgary, Vancouver, Regina, Winnipeg, Toronto, Montreal

Auditor

Price Waterhouse —
Calgary, Alberta

Legal Counsel

Howard, Mackie — Calgary, Alberta

Banker

The Royal Bank of Canada —
Calgary, Alberta

Copies of the Company's 1982 ANNUAL REPORT may be obtained by contacting W. C. Yeates, Treasurer, Bow Valley Resource Services Ltd. 1700, 321 Sixth Avenue S.W., Calgary, Alberta T2P 3R3

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