BOW VALLEY INDUSTRIES LTD. ANNUAL REPORT 1982

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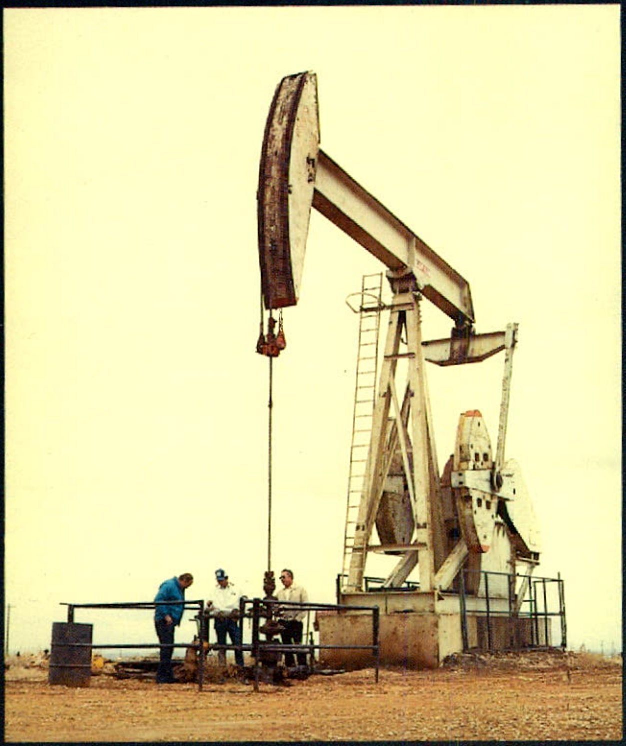
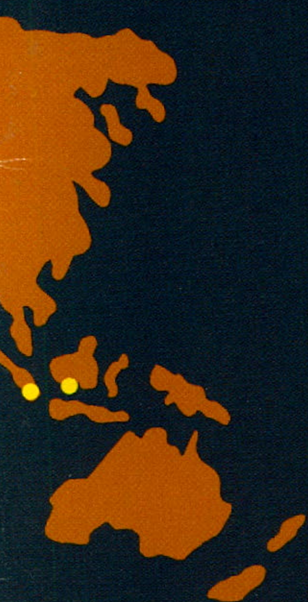
Bow Valley's worldwide and diverse operations enable the Company to react to market conditions and remain profitable in a changing economy.



OIL AND GAS

MINING



RILLING

HIGHLIGHT OF OPERATIONS

Financial	1982	1981
Revenue	$454,100,000	$494,400,000
Net Income	$ 10,800,000	$ 28,900,000
Per Common Share	$ 0.17	$ 0.71
Cash Flow	$ 78,800,000	$ 99,400,000
Per Common Share	$ 2.09	$ 2.71
Average Shares Outstanding	35,346,000	35,208,000
Capital Expenditures	$392,700,000	$405,600,000
Working Capital	$145,800,000	$ 74,700,000

Operations	1982	1981
Production		
Oil (barrels per day)	5,647	5,468
Gas (MMcf per day)	56.6	61.1
Coal (millions of tons per year)	2.5	2.3
Proved Reserves		
Oil (millions of barrels)	72.2	72.0
Gas (Bcf)	477.1	489.3
Coal (millions of tons)	79.9	77.1
Gross Exploratory Acreage (millions of acres at year end)	32.7	16.0
Gross Wells Drilled	150	220

All amounts in this report are in Canadian dollars, unless stated otherwise.
All production and reserve statistics are on a pre-royalty basis, unless stated otherwise.

The Company

Bow Valley Industries Ltd. is a Canadian natural resource company incorporated under the laws of the Province of Alberta in 1950.

Domestic and international oil and gas operations are conducted in nine countries from offices in Calgary, Denver, London, Singapore, and Jakarta.

Bituminous coal is mined in Kentucky and the Company has an interest in a uranium deposit in Saskatchewan.

Bow Valley is engaged in drilling and manufacturing operations through a 78 percent-owned subsidiary, Bow Valley Resource Services Ltd. BVRS is the largest oilwell drilling contractor in Canada and also operates rigs in the United States and Indonesia. Manufacturing facilities are located in western Canada.

The Cover
South Brae production platform with derrick barge on location in the United Kingdom sector of the North Sea.

REPORT TO SHAREHOLDERS

Bow Valley had two significant exploration successes during the year; one at Brae in the United Kingdom sector of the North Sea and the other at Ramba in south Sumatra.

Financial results in 1982 for Bow Valley's oil, gas, and coal activities were comparable to 1981. Drilling and manufacturing operations experienced a difficult year, however, resulting in lower net income and cash flow for the Company in 1982. Net income was $10.8 million compared with $28.9 million in 1981. Cash flow decreased to $78.8 million from $99.4 million.

Capital expenditures during 1982 were $392.7 million which included $231.5 million for oil and gas exploration and development, $105.8 million for oilwell drilling equipment, and $55.4 million for supply boats and other items. Working capital at year end was $145.8 million after receipt of the proceeds from a $107 million issue of Class D Cumulative Redeemable Convertible Preferred Shares in November 1982.

During 1982, Bow Valley made considerable progress in expanding its interest in oil and gas operations. The Company intends to take a more active role in the management and operation of oil and gas exploration and development projects, and has strengthened its capabilities through the addition of well qualified and experienced management and technical staff. By the end of 1982, Bow Valley had significantly increased its holdings of gross exploratory acreage in Canada over the previous year. The Company has been particularly active off Canada's east coast where projects are long term in nature but rewards can be substantial.

In the United Kingdom sector of the North Sea, a well drilled in East Brae in early 1983 encountered a thicker gross hydrocarbon section than had been anticipated giving strong encouragement to indications that East Brae will ultimately prove to be a significant reserve of gas and condensate. The development of South Brae is proceeding on schedule and within budget. Development drilling has started and production should begin in July of this year.

In Indonesia, two successful onshore exploratory tests were drilled resulting in the discovery of the Tanjung Laban and Ramba oil fields. A drilling program is currently underway to determine the extent and reserve potential of these fields. These discoveries should materially contribute to the Company's oil production during the last half of 1983.

In 1982, Bow Valley's coal operation enjoyed the highest level of production in the Company's history. Coal sales have been on a long term contractual basis with minimal reliance on the spot market, but it is now apparent that the soft demand for steam coal will adversely affect our 1983 sales by about ten percent.

The Company's drilling and manufacturing operations had a disappointing year in 1982. Utilization rates for land-based drilling rigs continued to decline in 1982 due principally to a lack of gas markets and an oversupply of rigs. Manufacturing activities were affected by depressed conditions in the forest products, mining, trucking, and petroleum industries. By the end of 1983, three semi-submersible drilling rigs, including two now under construction, will be contracted off the east coast of Canada which should improve the financial results of the drilling operations.

Bow Valley anticipates spending $490.8 million on capital expenditures in 1983, including $315.5 million on oil and gas exploration and development, $120.7 million on oilwell drilling equipment, and $54.6 million for supply boats and other items. These expenditures will be financed by non-recourse advances, equipment loans, cash flow from operations, and working capital. However, our investment policy will remain flexible in view of fluctuating world oil prices, changing demand for hydrocarbons, and volatile economic conditions. With Bow Valley's comparatively solid financial base and with a number of projects close to production, we anticipate improved financial results on a consolidated basis and continued strong growth.

Following the annual general meeting in May 1982, Daryl K. Seaman, founder of the Company, stepped down as Chief Executive Officer but continued as Chairman of the Board. Gerald J. Maier, who joined the Company in April 1982 as President, Chief Operating Officer, and a Director, was appointed Chief Executive Officer. Other senior appointments included Dale I. Beischel as Vice-President, Exploration; Orest Humeniuk, Vice-President, Finance; Walter DeBoni, General Manager, Production; and Charles W. Fischer, Manager, Economics and Planning.

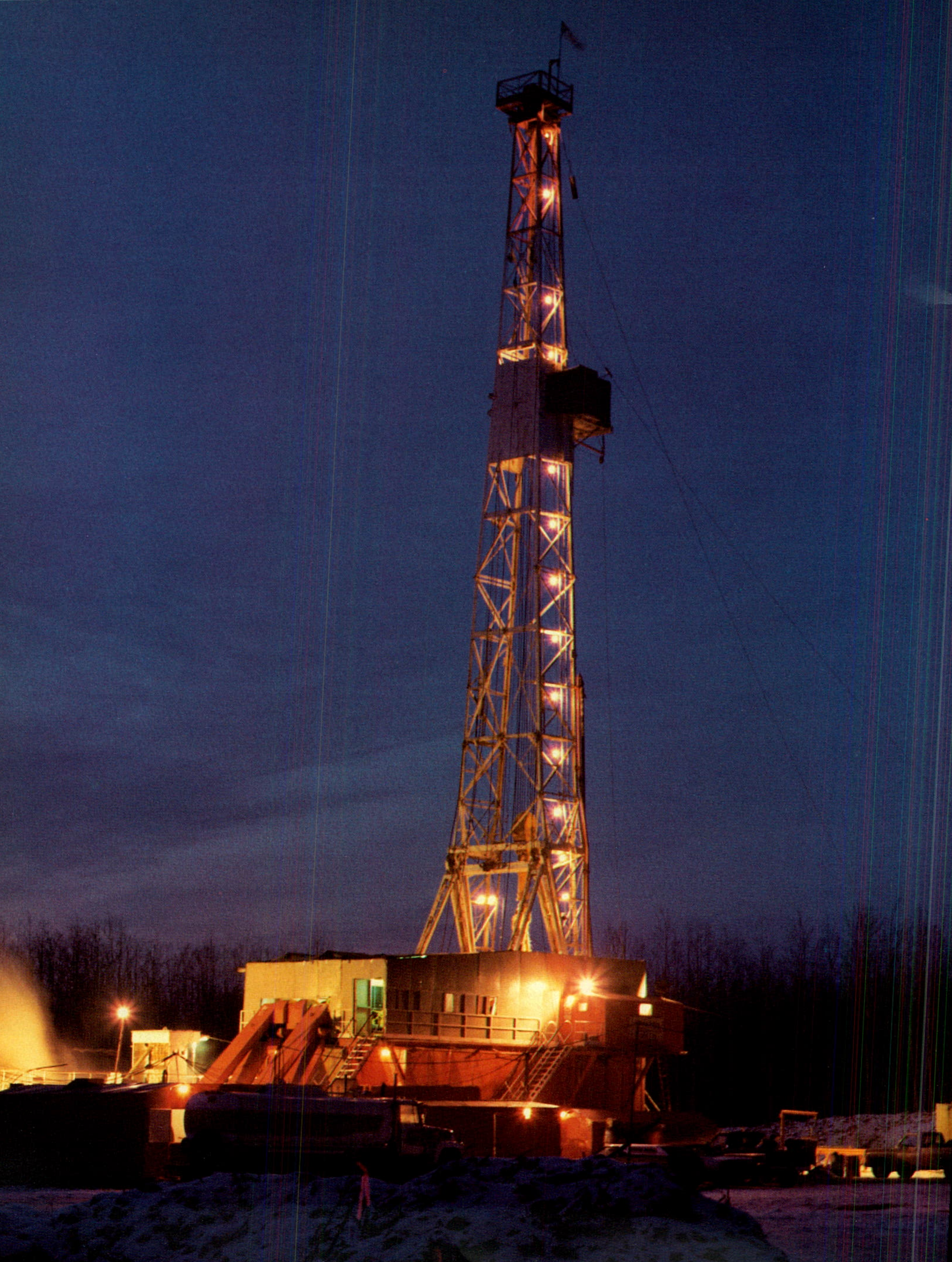
On Behalf of the Board,

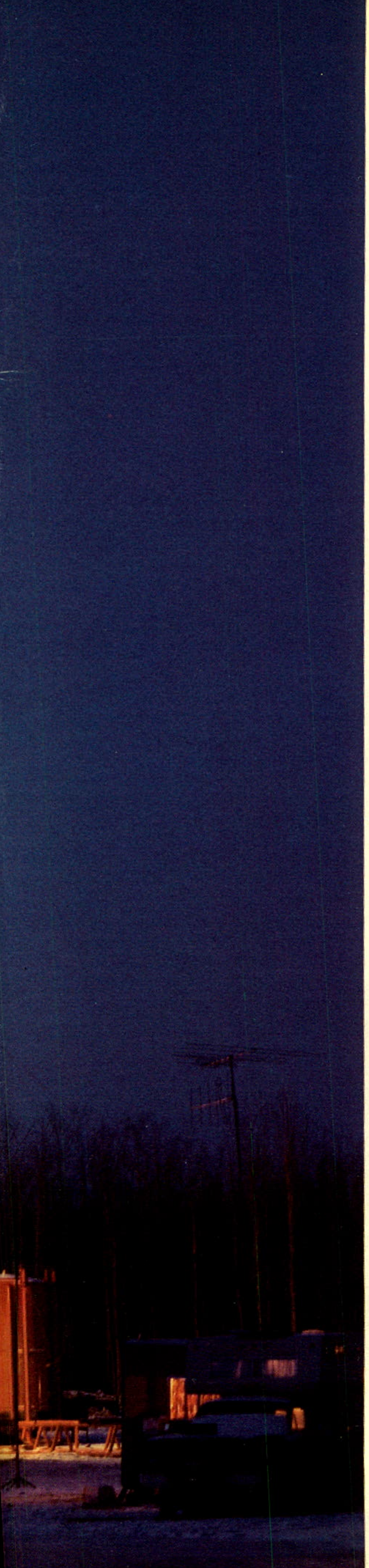
Daryl K. Seaman
Chairman

Gerald J. Maier
President and
Chief Executive Officer

April 8, 1983

D.K. SEAMAN, *Chairman of the Board* G.J. MAIER, *President and Chief Executive Officer*





REVIEW OF OIL AND GAS OPERATIONS

In 1982, Bow Valley conducted oil and gas exploration and development in nine countries, investing $232 million and drilling 150 wells for a success ratio of 82 percent.

Oil and Gas

Bow Valley conducts oil and gas exploration and development in Canada, the United States, the United Kingdom, Indonesia, and five other countries. During 1982, a record $231.5 million was invested in these areas, which included drilling 150 wells. The Company participated in 58 exploratory wells and 92 development wells with an overall success ratio of 82 percent. Production in 1982 averaged 5,647 barrels of oil and 56.6 MMcf of gas per day.

As at December 31, 1982, the Company held varying interests in 32.7 million gross exploratory acres and had proved reserves of 72.2 million barrels of oil and 477.1 Bcf of gas.

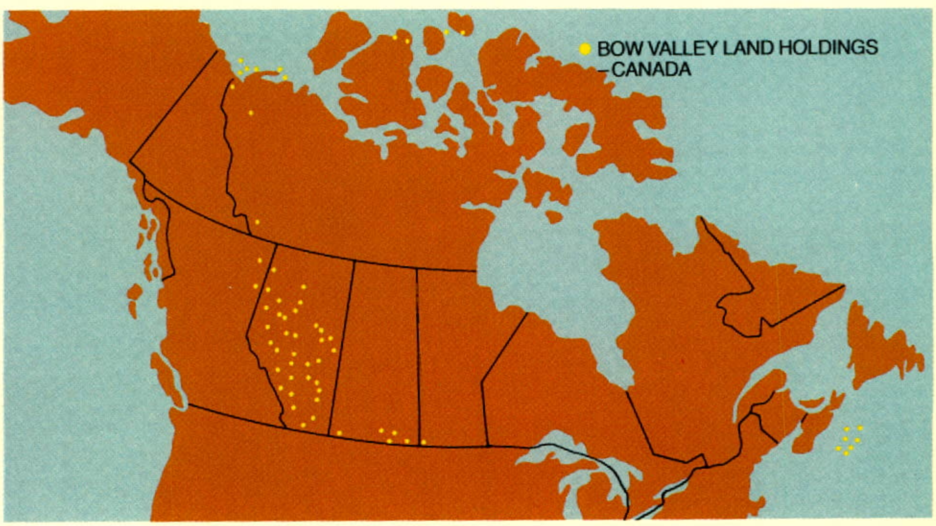
Bow Valley has approximately 500 employees engaged in worldwide oil and gas activities. In 1983, the Company anticipates spending a total of $315.5 million on finding and developing petroleum reserves, which includes participating in 87 exploratory and 138 development wells.

Canada

Bow Valley significantly expanded its exploration and development activities in Canada in 1982. Highly qualified and experienced technical staff was added and there was a substantial increase in the Company's gross landholdings. Capital expenditures during 1982 increased 60 percent to $22.8 million and in 1983 are projected to total $36.5 million.

In western Canada, varying interests in mineral rights were acquired in 59,600 gross acres at government land sales. The acreage is located primarily in recognized oil areas in central and northern Alberta and in southwestern Saskatchewan. In western Canada, the Company participated in 21 exploratory and 19 development wells, of which 15 exploratory and 15 development wells were successful. Drilling results were encouraging, particularly in the Peace River Arch area of Alberta and the central part of the province. In 1983, Bow Valley will continue to increase its land inventory in western Canada and expects to participate in drilling 24 exploratory and 27 development wells.

CANADA



Hi-Tower rig no. 10 drilling BVI et al Sunset 16-6 in north central Alberta.

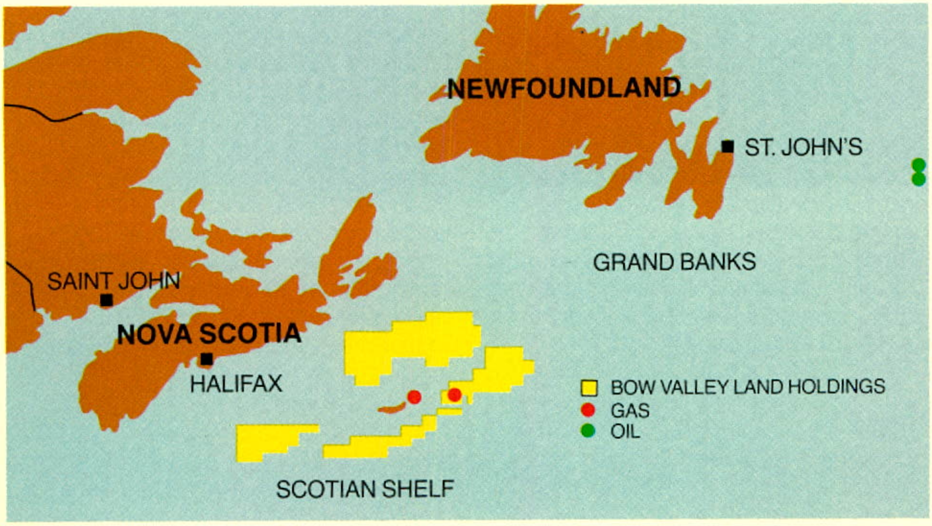
With a Canadian Ownership Rate of 69 percent, Bow Valley is eligible for maximum "PIP" grants in 1983.

In western Canada, the 1983 capital budget of $21.3 million represents a 50 percent increase over 1982.

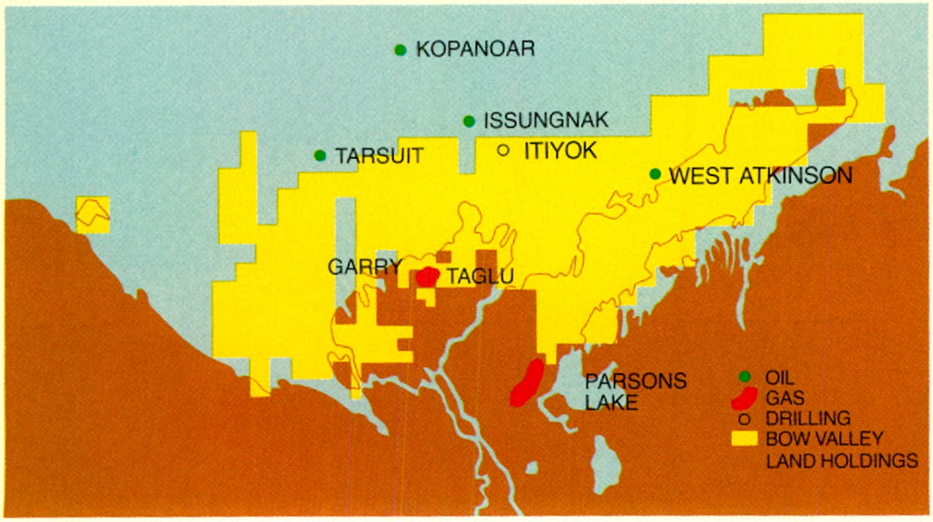
All of Bow Valley's Canadian production is in western Canada, and in 1982 averaged 1,353 barrels of oil and 43.9 MMcf of gas per day. Proved reserves at year end totalled 4.5 million barrels of oil and 268 Bcf of gas.

On the Scotian Shelf, off the coast of Nova Scotia, Bow Valley has successfully negotiated five agreements with varying participation rates in 8.5 million gross acres. During 1982, two exploratory wells were drilled on the Banquereau Block in which the Company has a five percent interest. The first well, Banquereau C-21, tested 23 MMcf of gas and 95 barrels of condensate per day. The second well was dry and abandoned, and a third well is currently in progress. A well is scheduled to be drilled this year on the Mohican Block where Bow Valley is earning a 25 percent interest.

EAST COAST CANADA



MACKENZIE DELTA/BEAUFORT SEA



During the next four years, the Company will conduct extensive seismic programs and participate in drilling approximately 20 wells off the east coast, making Bow Valley one of the more active oil companies in the region. The Company anticipates spending $11.7 million on exploration and development off the east coast of Canada in 1983. Bow Valley intends to continue to expand its land inventory on the Scotian Shelf, and on the Grand Banks off the coast of Newfoundland.

To conduct the east coast drilling program, two new semi-submersible drilling rigs, Bow Drill 2 and Bow Drill 3, and six supply boats have been contracted for four years. An office and supply base is being established in Halifax, Nova Scotia, and a base facility is located in St. John's, Newfoundland. Although still in the relatively early stages of exploration, these areas have already given indication of containing large reserves of hydrocarbons. While these projects are long term in nature, the rewards can be substantial. It is anticipated that gas reserves off the coast of Nova Scotia will be the first hydrocarbons to be produced from the frontier coastal areas of Canada.

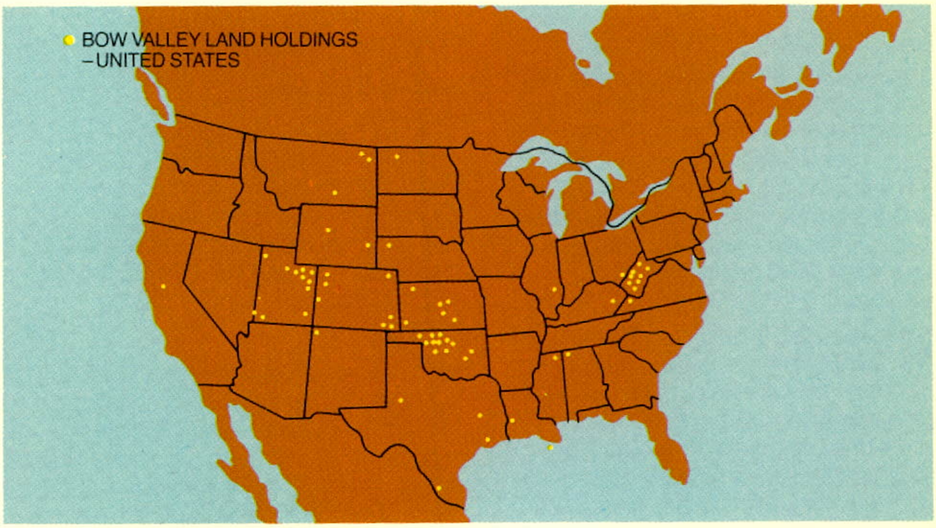
In the Mackenzie Delta/Beaufort Sea region, the Company is a three percent participant in a 5.7million-gross acre farm-in on which 13 wells will be drilled over five years. The first well in the program, Atkinson L-17, was drilled in 1982 and tested oil at 1,072 barrels per day. The second well, drilled in early 1983, was dry and abandoned, and the third well, Itiyok I-27, was drilled about 15 miles from shore on an artificial island and is currently being tested. The fourth well was unsuccessful and a fifth well will be drilled before year end. The acreage under this farm-in is adjacent to permits on which Bow Valley, as a 27.5 percent participant, drilled two oil and gas discovery wells in 1975 and 1978.

In the Arctic Islands, the Company is participating in exploration and development through a 1.57 percent interest in Panarctic Oils Ltd. During the 1981-1982 season, Panarctic drilled four offshore wells, of which three were successful. This season, a four-well drilling program is being completed. Panarctic estimates that it has discovered 18.2 Tcf of gas as at December 31, 1982.

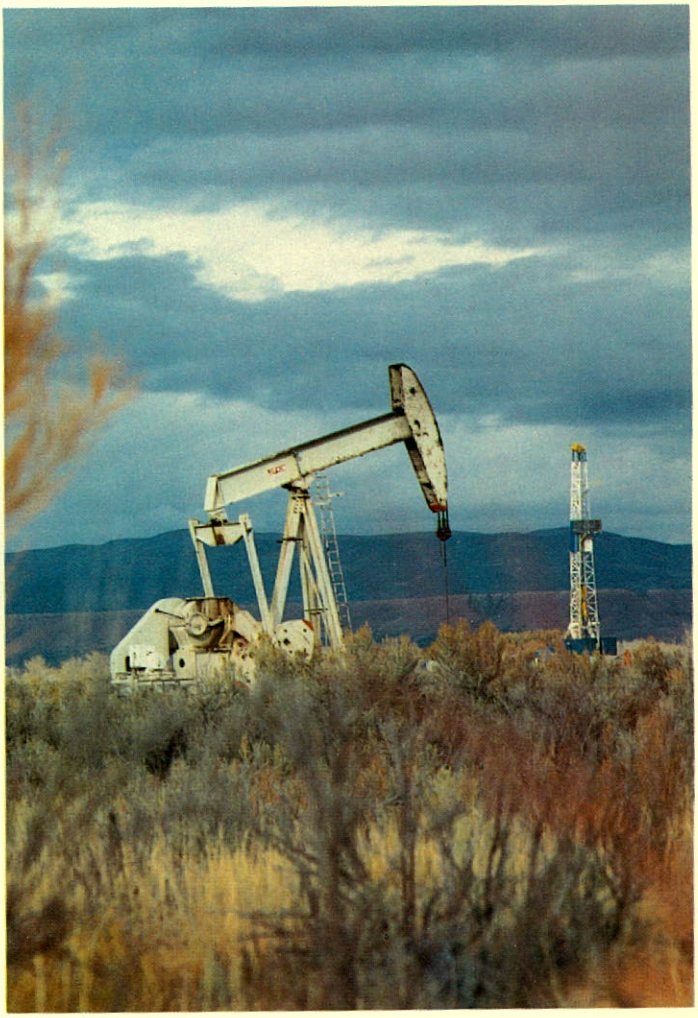
United States

During 1982, Bow Valley invested $32.5 million on exploration and development programs in the United States. Principal areas of activity are the Rocky Mountain region, the mid-continent, the Gulf of Mexico, and the Appalachian states. As at December 31, 1982, the Company had varying interests in 998,000 gross exploratory acres. Drilling results for 1982 included participation in 25 exploratory and 60 development wells, with a success ratio of 88 percent and 93 percent, respectively. A majority of the drilling was for infill or extension wells in the Burning Springs oil and gas

UNITED STATES



In 1982, 28 wells were successfully completed in the Burning Springs oil and gas field in West Virginia.



Apollo rig no. 3 on location in the Altamont/Bluebell oil field in northeastern Utah.

field in West Virginia, the Altamont/Bluebell oil field in Utah, and the Madisonville gas field in Texas.

In early 1982, a nine-mile gas gathering system was completed in the Burning Springs field. At year end, 35 gas and/or oil wells had been connected to the system with a further 14 wells still awaiting completion and connection. Additional drilling in the area will be contingent upon economic development of reserves.

In the Hugoton area of southwestern Kansas, Bow Valley is the operator and has varying interests averaging 35 percent in approximately 83,000 gross acres of prospective oil and gas leases, on which 210 miles of reconnaissance and detailed seismic have been completed. Three exploratory wells are planned during 1983 to evaluate multi-zone oil and gas reservoirs.

Production in the United States averaged 2,644 barrels of oil and 12.7 MMcf of gas per day in 1982. As at December 31, 1982, proved reserves were 12.4 million barrels of oil and 93.8 Bcf of gas.

During 1983, Bow Valley plans to participate in drilling 114 wells and spend $49.9 million on exploration and development programs throughout the United States. Due to a current oversupply of gas in certain regions, the Company's 1983 programs will focus principally upon oil prospects.

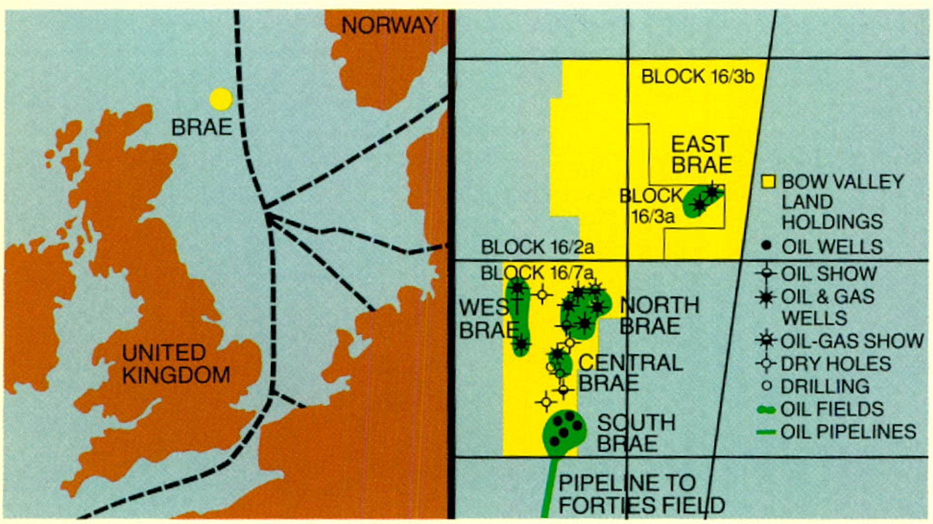
United Kingdom

In March 1983, development drilling started on schedule in the South Brae field in the United Kingdom sector of the North Sea. Production will begin mid-1983 and is expected to attain a maximum flow level of 112,000 barrels of oil and condensate per day by mid-1984.

Bow Valley has a 14 percent interest in the Brae fields which are located in Blocks 16/7a and 16/3a, 150 miles northeast of Aberdeen, Scotland, in 350 feet of water. The Blocks were initially acquired in 1970, and the first exploratory well, 16/7a-1, was drilled in 1975 and tested 22,000 barrels of oil per day. Subsequently, 20 wells were drilled establishing five separate fields: South Brae, North Brae, East Brae, Central Brae, and West Brae.

South Brae is the first field to be developed. Government approval was received in 1980, and the production platform was placed on location in June 1982, and completed for drilling early in 1983. During the next two years a total of 19 wells for oil production, 14 for

UNITED KINGDOM, BRAE



The South Brae production platform is 648 feet tall, weighs 55,000 tons, has four acres of deck space, and provides living accommodation for 240 people. The derrick barge on the left will be moved off location in late 1983.

Bow Valley's international search for hydrocarbons is directed from offices in Calgary, Denver, London, Singapore, and Jakarta.

water injection, and three for gas injection will be drilled from the platform. The development costs for South Brae are estimated to be $2.5 billion. Capital expenditures incurred by the Company on South Brae and other fields during 1982 were $124.5 million. Bow Valley's share of proved reserves at South Brae is 40.9 million barrels of oil and 21.5 Bcf of gas.

A plan for the development of the North Brae field has been presented to the participants for approval prior to submission to the Government. Assuming group approval and a favourable response from the authorities, North Brae could begin production in late 1988.

In East Brae, well 16/3a-2 was spudded in 1982 and completed in February 1983. This well penetrated a substantial hydrocarbon section but downhole mechanical problems forced abandonment before a test program could be undertaken. Approximately 500 feet of gross hydrocarbon section was indicated on logs and cores. This is a significantly thicker section than anticipated and could result in a substantial increase in gas and condensate reserves projected at East Brae.

An appraisal well, 16/7a-22, is now being drilled in Central Brae, and one additional exploratory test will be drilled prior to year end. There is a considerable amount of delineation drilling to be completed on Block 16/7a and Block 16/3a, while Block 16/2a has yet to be drilled.

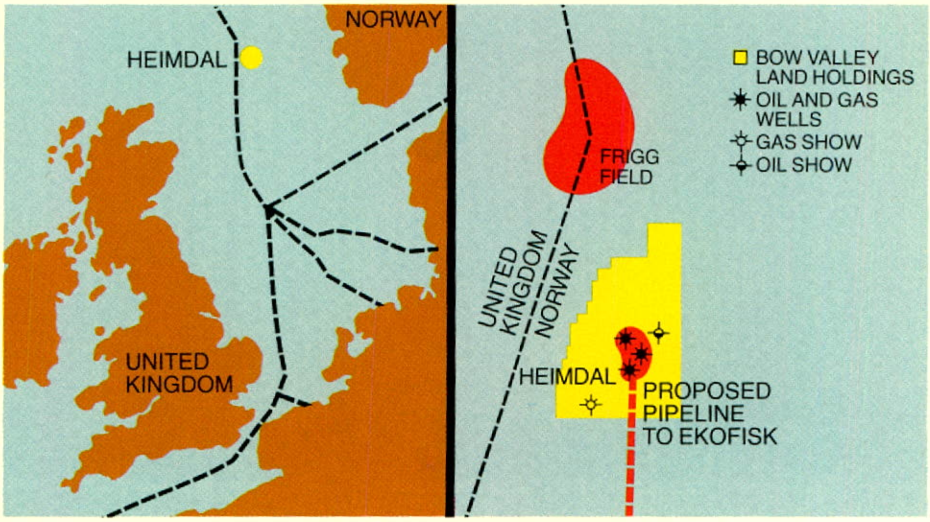
All costs incurred by Bow Valley on Blocks 16/7a, 16/3a, and 16/2a are paid for by other participants in the venture by way of non-recourse loans which totalled $324.9 million at December 31, 1982. These loans and interest thereon are only repayable from 70 percent of Bow Valley's share of net proceeds of production, after cash income taxes, from petroleum produced from the Brae fields. Capital expenditures during 1983 are estimated at $107.4 million.

Norway

Bow Valley has an eight percent interest in the Heimdal gas and condensate field in Block 25/4 in the Norwegian sector of the North Sea. The Block is about 100 miles from shore in 375 feet of water. The first exploratory well was drilled in 1972, 20 miles south of the Frigg field, and discovered gas and condensate in the Paleocene sands. The discovery well tested 33.8 MMcf of gas and 545 barrels of condensate per day. Three delineation wells subsequently proved reserves net to Bow Valley of 93.6 Bcf of gas and 2.2 million barrels of condensate.

Development of the Heimdal field has been approved and engineering design and construction of the production facilities is under way. Gas from Heimdal will be connected by a 100-mile pipeline to the Statpipe system which is being built to transport gas from Statfjord to the existing Ekofisk/Emden pipeline. The condensate produced from the Heimdal field will be transported by a pipeline to be constructed to the South Brae pipeline system.

NORWAY, HEIMDAL



Bow Valley's share of development costs is anticipated to approximate U.S. $140 million. Production is expected to begin in 1986 at 337 MMcf of gas per day and 8,290 barrels of condensate per day.

Capital expenditures during 1982 were $17.4 million and are estimated at $48.3 million for 1983. Bow Valley has entered into an agreement with a participant in the project providing for a limited non-recourse loan of U.S. $145 million for Bow Valley's share of Heimdal development costs. The Company is negotiating a non-recourse loan with a consortium of banks which is intended to replace the existing financing arrangements.

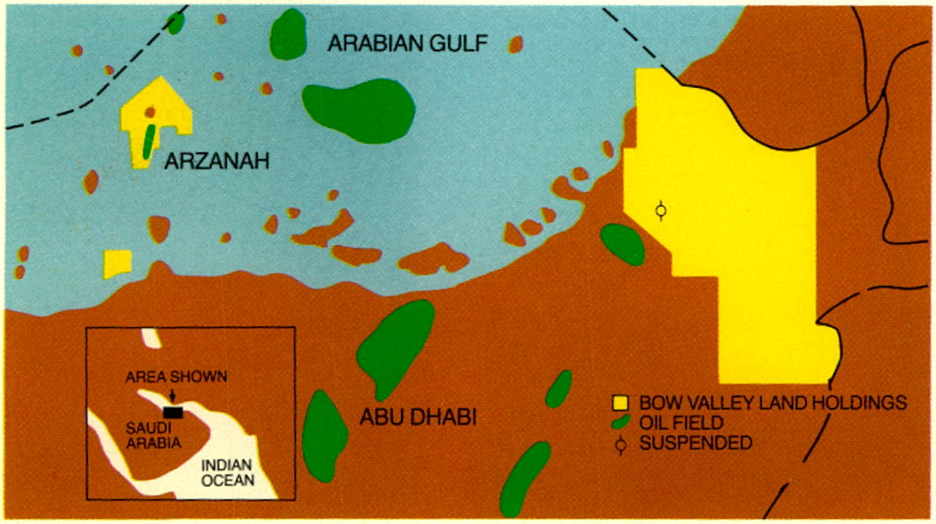
Italy

Bow Valley negotiated a 15 percent interest during November 1982 in three permits comprising 309,000 acres off the south coast of Sicily. The Company participated in drilling an 11,800-foot test, Spada Mare No. 1, which was abandoned early in 1983 after testing non-commercial flows of oil. The well was located in the southern permit, about 11 miles east of the Vega oil discovery. Another structure on the same permit will be evaluated for future drilling.

Ireland

In June 1982, Bow Valley acquired a 10.5 percent interest in three Blocks containing 193,000 acres off the south coast of Ireland. The Blocks are 30 miles from shore in about 360 feet of water. A 560-mile seismic program has been completed and the first of two exploratory tests will be drilled in 1983.

ABU DHABI



Abu Dhabi

Offshore Abu Dhabi in the Arabian Gulf, Bow Valley has a ten percent interest in the Arzanah oil field. The field is located south of Arzanah Island, about 20 miles from the mainland in 50 feet of water. An 11,000-foot Upper Jurassic test discovered the field in 1973 and production commenced in 1979. Facilities on Arzanah Island were constructed to process 35,000 barrels of oil per day. Since 1980, production has been reduced because of declining reservoir pressure and during 1982 averaged about 10,000 barrels of oil per day. A pressure maintenance project is being implemented and will include the drilling of eight production and injection wells. With successful completion of this enhanced recovery project, Arzanah oil production should be restored to approximately 20,000 barrels per day.

During 1982, an 11,500-foot unsuccessful exploratory test was drilled about three miles west of the Arzanah oil field. Another well will be drilled on the Block in 1983.

Onshore Abu Dhabi, Bow Valley has a 20 percent interest in a 1.9 million-acre Block on which a Jurassic test, Sweihan No. 1, was drilled in early 1982. The well was drilled to 14,525 feet and suspended after encountering non-commercial shows of oil and gas. A seismic program is being carried out and an exploratory well may be drilled in late 1983 or early 1984.

Capital expenditures in Abu Dhabi in 1982 amounted to $16.1 million and are estimated at $24.9 million in 1983.

Indonesia

Sumatra

In 1982, two significant oil discoveries, Tanjung Laban and Ramba, were drilled on the Corridor Block in south Sumatra in which Bow Valley has a 40 percent interest.

At Tanjung Laban, four wells have successfully tested oil in both the Batu Raja carbonate and the deeper Talang Akar sands at depths of approximately 2,500 feet. The wells have tested up to 1,500 barrels per day of light gravity sweet oil.

Delineation drilling has proven the Ramba discovery to be the substantially larger reservoir. Ramba is located two and one-half miles northeast of Tanjung Laban on a separate structure. Seven wells have been successfully drilled to the 2,500-foot deep Batu Raja limestone and have tested flow rates of up to 3,425 barrels of oil per day. Two wells also produced from the deeper Talang Akar sands. The extent of the field has yet to be determined and step-out drilling is continuing. As at December 31, 1982, Bow Valley's share of proved reserves at Tanjung Laban and Ramba were estimated to be 11 million barrels of oil, but ultimate recoverable reserves are expected to be considerably higher.

A development program for Ramba has been submitted to Indonesian authorities.

Both the Tanjung Laban and Ramba fields will be connected to a six-inch pipeline which will transport the oil 70 miles to the Plaju refinery in Palembang. This pipeline system can transport a maximum of 5,600 barrels of oil per day; consequently, additional facilities will have to be developed to handle the larger volumes that are expected to be produced from these fields. Rehabilitation of an existing eight-inch pipeline from this area to the Plaju refinery will be undertaken, after approval by Indonesian authorities, in order that production may be increased to approximately 17,000 barrels of oil per day from the new discoveries. Further production increases will depend on drilling and production results and pipeline capacity. If required, approval to construct a new pipeline will be sought from the Indonesian authorities.

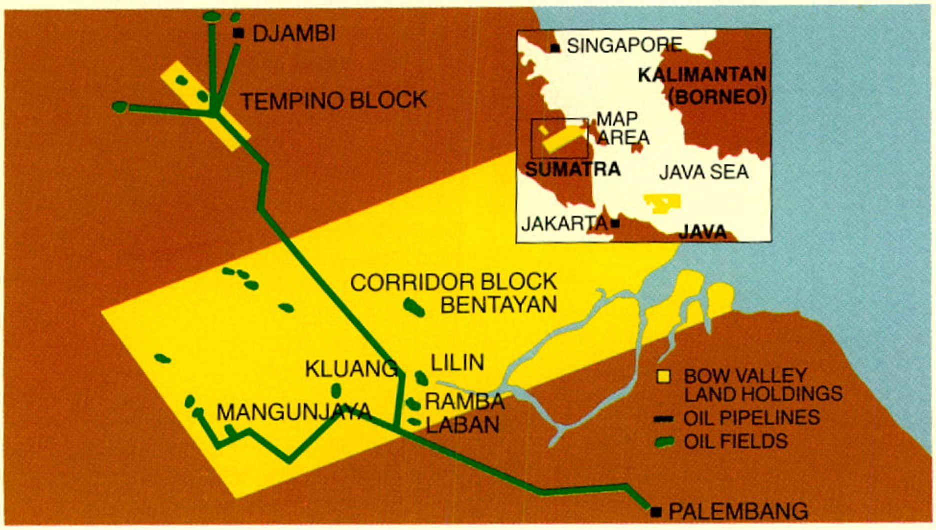
In other areas on Bow Valley's Corridor/Tempino Blocks, five development wells were drilled during 1982, of which three were successful. Work is also continuing on the development of the Bentayan field. This field contains reserves of high pour-point oil and the objective is to achieve commercial production by mixing this oil with lighter crude and certain chemicals which alter the pour-point of the oil. This field should commence production on a pilot basis in the last quarter of 1983. Exploration and development on the 3.1 million-acre Blocks are conducted under a Technical Assistance Contract.

During 1983, six exploratory and 16 development wells are scheduled to be drilled on the Corridor Block. The drilling program has been accelerated because of successful exploration results in the area and the existence of undrilled anomalies on the Blocks which have similar seismic characteristics to Tanjung Laban and Ramba.

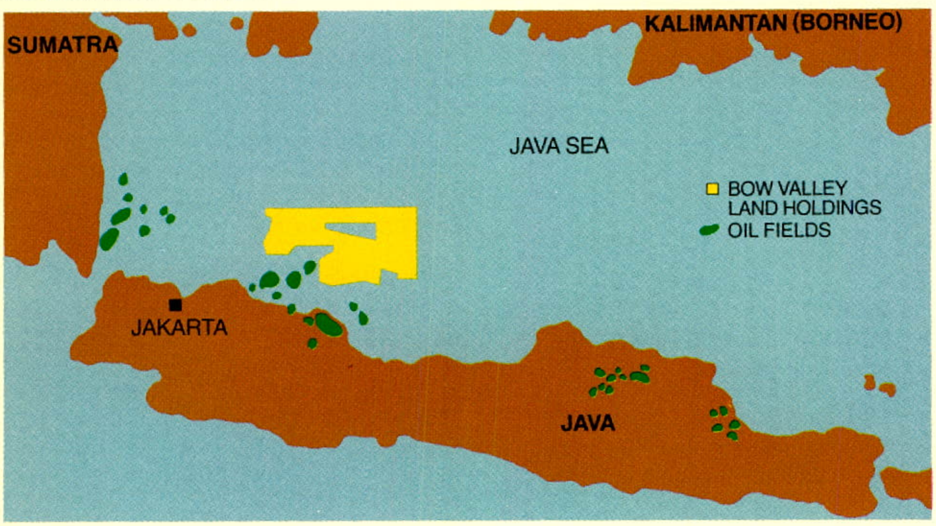
Java

In early 1983, Indonesian authorities approved Bow Valley's acquisition of a 40 percent interest in a 3.2 million-acre Production Sharing Contract off the northern coast of Java. The acreage covers an area from 15 to 60 miles offshore in approximately 150 feet of water. The closest commercial production is the Arjuna oil field located six miles southwest of the contract area. A 2,200-mile seismic program will be conducted during 1983. In 1984, the first of a series of 5,000-foot multiple zone tests will be drilled. Bow Valley is the project operator and is establishing an office in Jakarta.

INDONESIA/SOUTH SUMATRA



INDONESIA/OFFSHORE JAVA



Ramba No. 5 being drilled on the Corridor Block in south Sumatra.

SCHEDULE OF WELLS DRILLED

Year ended December 31, 1982

	Exploration				Development				Total			
	Oil	Gas	Dry	Total	Oil	Gas	Dry	Total	Oil	Gas	Dry	Total
CANADA												
— Gross	4.0	13.0	7.0	24.0	3.0	12.0	4.0	19.0	7.0	25.0	11.0	43.0
— Net	2.2	6.0	1.6	9.8	1.3	7.4	1.7	10.4	3.5	13.4	3.3	20.2
UNITED STATES												
— Gross	14.0	8.0	3.0	25.0	35.0	21.0	4.0	60.0	49.0	29.0	7.0	85.0
— Net	2.8	4.5	0.6	7.9	18.7	11.7	0.6	31.0	21.5	16.2	1.2	38.9
EUROPE												
— Gross	—	—	1.0	1.0	1.0	—	—	1.0	1.0	—	1.0	2.0
— Net	—	—	0.1	0.1	0.1	—	—	0.1	0.1	—	0.1	0.2
MIDDLE EAST												
— Gross	—	—	2.0	2.0	1.0	—	—	1.0	1.0	—	2.0	3.0
— Net	—	—	0.3	0.3	0.1	—	—	0.1	0.1	—	0.3	0.4
SOUTHEAST ASIA												
— Gross	2.0	—	4.0	6.0	9.0	—	2.0	11.0	11.0	—	6.0	17.0
— Net	0.8	—	1.3	2.1	3.6	—	0.8	4.4	4.4	—	2.1	6.5
TOTAL												
— Gross	20.0	21.0	17.0	58.0	49.0	33.0	10.0	92.0	69.0	54.0	27.0	150.0
— Net	5.8	10.5	3.9	20.2	23.8	19.1	3.1	46.0	29.6	29.6	7.0	66.2

EXPLORATORY ACREAGE

as at December 31, 1982

	Gross Acres	Net Acres
CANADA		
Alberta	1,697,004	468,660
British Columbia	74,764	8,585
Saskatchewan	38,816	18,252
Manitoba	341	12
Northwest Territories	371,880	2,054
Mackenzie Delta	268,717	74,031
Beaufort Sea	6,057,687	32,111
Arctic Islands	84,631	10,257
Atlantic East Coast	9,656,094	225
	18,249,934	614,187
UNITED STATES		
Utah	229,642	82,051
West Virginia	104,846	75,261
Indiana	86,532	43,266
Colorado	69,812	27,176
Montana	59,207	24,736
Kansas	55,383	18,782
Other	392,610	97,808
	998,032	369,080

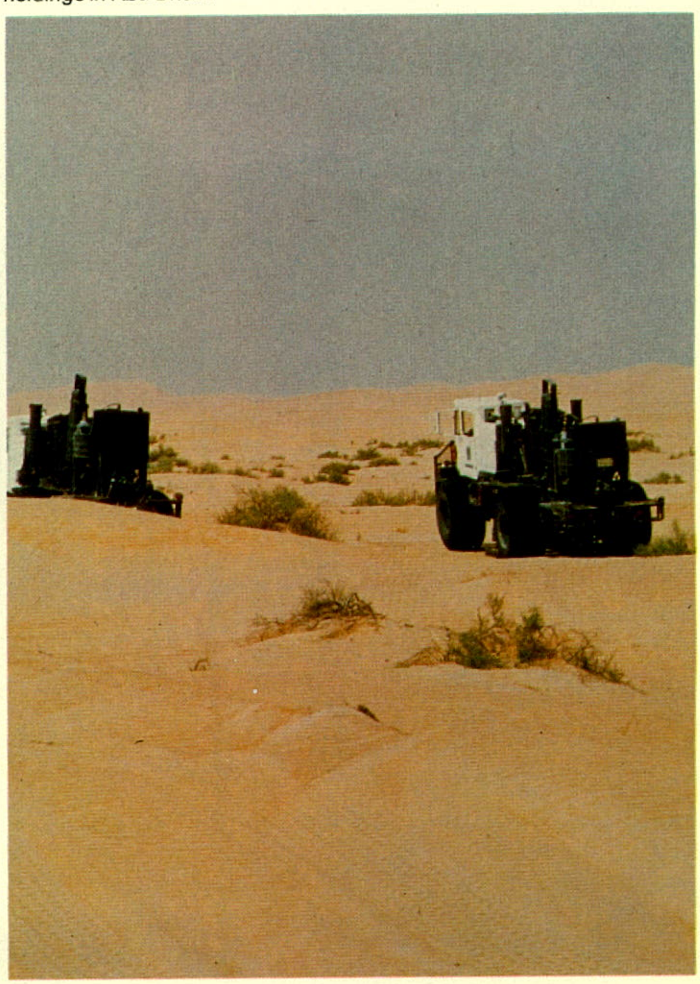
	Gross Acres	Net Acres
EUROPE		
Ireland	193,038	20,319
Italy	308,552	46,283
Netherlands	83,027	15,038
Norway	54,714	7,374
United Kingdom	188,228	30,626
West Germany	196,175	149,191
	1,023,734	268,831
MIDDLE EAST		
Abu Dhabi	2,141,560	408,627
SOUTHEAST ASIA		
Australia	3,569,891	44 525
Indonesia	3,123,552	1,249,421
Philippines	3,583,012	447,877
	10,276,455	1,741,823
Total	32,689,715	3,402,548

PROVED OIL AND GAS RESERVES (Gross)
as at December 31, 1982

	Developed	Undeveloped	Total
Oil and Natural Gas Liquids			
(thousands of barrels)			
Canada	4,470	4	4,474
United States	7,338	5,077	12,415
United Kingdom	—	40,880	40,880
Norway	—	2,170	2,170
Indonesia	3,168	6,621	9,789
Other	2,470	—	2,470
	17,446	54,752	72,198
Gas (MMcf)			
Canada	210,651	57,515	268,166
United States	50,187	43,648	93,835
United Kingdom	—	21,529	21,529
Norway	—	93,600	93,600
	260,838	216,292	477,130

An Indonesian rig crew in south Sumatra.

Almost 1,000 miles of seismic has been completed on Bow Valley's land holdings in Abu Dhabi.



With highly-automated equipment, operators can mine over 500 tons of clean coal per shift.

During 1982, Bow Valley's highly-automated load-out facilities averaged almost one unit train per day. Each train normally consists of 72 hopper cars each loaded with 100 tons of coal.

Coal

Bow Valley sold a record 2.5 million tons of high quality bituminous coal in 1982, representing the fourteenth consecutive year of annual increase in shipments from the Company's coal properties in the Appalachians.

The Company operates 19 underground and two surface mines on several tracts of land, comprising 33,000 acres, in southeastern Kentucky. The coal, which has a high Btu and low sulphur content, is sold as steam coal to utility companies for power generation.

The utilization of 21 units of electrically and hydraulically powered underground mining equipment and two computerized semi-automatic weighing and loading facilities has resulted in Bow Valley having one of the most efficiently operated mines in the Appalachians. Approximately 600 employees are engaged in mining activities, a large majority of which are non-union.

Almost all of the Company's coal production is sold under long term contracts, rather than on the spot market. This allows Bow Valley to maintain a high level of coal sales even though demand for coal in the United States is soft, due to the present recession. It is anticipated that current economic conditions will reduce Bow Valley's coal production by about ten percent in 1983. Two utility companies have contracted to purchase quantities of coal increasing from present levels of production to 3.3 million tons annually by 1986. The contracts extend to the years 1995 and 2004.

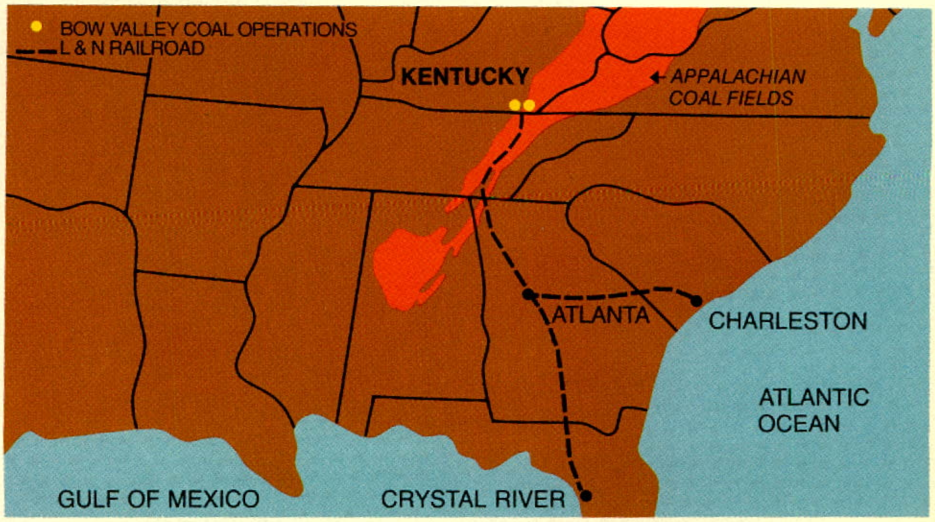
As at December 31, 1982, there were 79.9 million tons of recoverable clean coal reserves. Capital expenditures during 1982 amounted to $18.7 million and included the installation of a large conveyor belt system and a new preparation plant. Capital expenditures in 1983 are estimated at $12.3 million.

Uranium

At Midwest Lake in northeastern Saskatchewan, Bow Valley has a 20 percent interest, reducing to 12½ percent after payout, in a uranium deposit that was discovered in 1978.

A plan was developed to mine, by open pit, only high grade mineralization with an average uranium oxide content of 2.26 percent. Approximately 38 million pounds of uranium oxide, of which Bow Valley's share is 5.6 million pounds, was to be processed over a ten-year period. The project has been deferred pending improved market conditions.

UNITED STATES, COAL



REVIEW OF DRILLING AND MANUFACTURING OPERATIONS

Since March 1981, when Bow Drill ONE was purchased, the strategy of management was to establish BVRS as the premier offshore drilling contractor in Canada.

DRILLING AND MANUFACTURING

A 78 percent-owned subsidiary, Bow Valley Resource Services Ltd., provides drilling and manufacturing facilities to the natural resource industries in Canada, the United States, and Indonesia. BVRS is headquartered in Calgary, Alberta, and has approximately 1,700 employees. Byron J. Seaman is Chairman of the Board and Chief Executive Officer and Donald R. Seaman is President and Chief Operating Officer. BVRS is listed on The Toronto Stock Exchange and has about 2,000 shareholders.

Drilling

BVRS is placing greater emphasis on offshore drilling and by year end should be operating three semi-submersible drilling rigs off the east coast of Canada. Management anticipates a high level of activity in this area.

The semi-submersible, Bow Drill ONE, has now completed a full year of drilling and will remain under contract to Petro-Canada Exploration Inc. until March 1985. The rig was recently refitted with blowout prevention equipment of increased capacity which will enable Bow Drill ONE to drill the higher pressures encountered in deeper formations on the Scotian Shelf.

Bow Drill 2 is under construction in Sandfjord, Norway, and should be completed and ready for operation in Canadian waters in August 1983. The rig is an Enhanced Pacesetter design. Bow Drill 3, an Akers H3.2 design, is being built in Saint John, New Brunswick, and should commence drilling activities in December 1983. Bow Drill 2 and Bow Drill 3 are new generation designs for harsh weather environments with capability to drill to depths of 25,000 feet in water up to 1,500 feet deep. Both rigs are financed on favourable terms and are contracted for four years to Bow Valley and Husky Oil Operations Ltd. BVRS has a 65 percent interest in the two rigs.

BVRS and Husky have equal interests in six supply boats that are being built to service and support the semi-submersible drilling rigs. Four boats are being constructed in Korea and two in Canada.

As the leading Canadian offshore drilling contractor in Canada, BVRS is making a significant contribution to training local rig crews. Twenty-four applicants from Nova Scotia and Newfoundland are enrolled in a comprehensive 14-month training program involving offshore and land-based rigs and classroom training. The cost of the program is $1.4 million.

BVRS operates 47 land-based oilwell drilling rigs. The 37 rigs in Canada drilled 2,233,000 feet and had a utilization rate of 44 percent in 1982. The decline in results continued from the previous year and represents the greatest period of inactivity for BVRS rigs since 1975. Demand for rigs in Canada is low because of the preponderance of gas reserves in the western Canada sedimentary basin and the lack of gas markets.

The nine rigs in the United States experienced a substantial downturn in activity in 1982. The utilization rate reduced to 42 percent from 86 percent the previous year, while footage decreased to 400,000 feet from 512,000 feet in 1981. Competition in the oilwell drilling industry in the United States continues at a high level because of an oversupply of rigs and reduced exploration activity.

One land-based rig was moved from Alberta to Indonesia in September 1982

Bow Drill ONE in Halifax Harbour being refitted with new blowout prevention equipment.

and is under contract to Pertamina, the Indonesian national oil company. There is a considerable amount of development drilling to be completed in the area and the BVRS rig should enjoy a high utilization rate. Other foreign drilling opportunities are being examined.

During 1982, BVRS incurred capital costs of $94.1 million on drilling-related equipment and anticipates spending $115.6 million in 1983.

Manufacturing

The BVRS manufacturing operations are located in British Columbia, Alberta, and Ontario and service the natural resource, construction, and trucking industries. Facilities include:

• 140,000 square feet of manufacturing space in Vancouver, including a foundry, steel fabrication shop, machine shop, and saw shop. The facilities manufacture machinery and products for the oil and gas, forest products, and mining industries. Sales and distribution activities are conducted from 12 warehouses across Canada.

• 67,500 square feet of plant in Edmonton and Toronto for the manufacture of heating and air conditioning equipment for residential, commercial, and institutional construction. Related sales offices and warehouses are located in Vancouver, Calgary, Edmonton, and Toronto.

• A 150,000-square foot assembly plant in Kelowna, British Columbia, which assembles Western Star heavy-duty trucks. BVRS has a 50 percent interest in this operation.

• Offices, laboratory, and a plant in Calgary which conducts research and development programs including process monitoring and control instrumentation to minimize pollutant emissions from the refining, gas processing, and power generation industries.

Equipment and supplies for the oil and gas, forest products, mining, and trucking industries were not in demand in 1982 because of the depressed state of the economy. Certain operations were consolidated during the year, while others were sold in an attempt to minimize expenses. International market opportunities were pursued. In conjunction with a French firm, BVRS was awarded a $30 million contract early in 1983 to design and build an eight-mile raw coal conveyor system in British Columbia.

Heating and air conditioning equipment is a profitable line for BVRS despite adverse market conditions, and the environmental control group continues to report satisfactory financial results.

The development of a Vertical Tube Reactor to detoxify waste waters is in progress. The reactor is designed to oxidize organic wastes, using wet oxidation principles at substantially lower costs than existing technology allows.

Bow Drill 3 under construction at Saint John, New Brunswick. Canadian content of the rig upon completion in December 1983 will be 78 percent.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

During 1982, revenues declined by $40.3 million (8%) from 1981 to $454.1 million, income before extraordinary item by $18.1 million (63%) to $10.8 million, and cash flow from operations by $20.6 million (21%) to $78.8 million. The decline in financial results in 1982 was largely attributable to the Company's 78%-owned subsidiary, Bow Valley Resource Services Ltd. ("BVRS"), which has been affected by the continuing economic recession.

Capital expenditures of $392.7 million in 1982 were marginally lower (3%) than in 1981; the major expenditures related to the Brae exploration and development program ($124 million) and the BVRS semi-submersibles and supply boats ($113 million). The issue of Class D Cumulative Redeemable Convertible Preferred Shares in 1982 resulted in net proceeds of $102.6 million and improved Bow Valley's debt to equity ratio slightly to 1.8:1.

In 1981, an extraordinary income item of $18.4 million, or $0.52 per common share, was recorded on the public issue of common shares by BVRS.

OPERATIONS

Bow Valley's oil, gas, and coal operations recorded increases in revenue and cash flow from operations, while the combined net income attributable to these segments was virtually unchanged. The decline in energy consumption has led to lower North American contract oilwell drilling activity and demand for BVRS' oilfield equipment, manufactured products, supplies and services was severely reduced. All major segments of the BVRS operation experienced lower activity, except offshore drilling which operated for twelve months in 1982, compared to nine months in 1981.

Oil and Gas

Revenues increased only moderately during 1982. Higher production, exploration,

SELECTED CONSOLIDATED FINANCIAL DATA

(Canadian dollars — millions, except per share data)

	Year Ended December 31				
	1982	1981	1980	1979	1978
Revenue	**$454.1**	$494.4	$362.1	$275.6	$232.5
Operating income	**94.0**	113.4	98.2	68.7	45.1
Income before extraordinary item	**10.8**	28.9	32.0	16.4	14.3
Net income	**10.8**	47.3	32.0	16.4	14.3
Cash flow from operations	**78.8**	99.4	90.9	59.0	42.6
Share capital issued — Bow Valley	**104.9**	3.0	63.8	26.1	1.1
— BVRS	**—**	45.1	—	—	—
Increase (decrease) in long term obligations					
Debt	**164.0**	165.5	1.8	(1.3)	205.0
Non-recourse exploration and development advances	**135.7**	117.0	58.8	6.5	5.7
Capital expenditures	**392.7**	405.6	194.6	78.0	85.7
Total assets	**1,496.7**	1,061.9	659.5	480.3	418.1
Working capital	**145.8**	74.7	35.6	16.8	10.1
Net book value of capital assets	**1,184.6**	857.0	510.2	360.6	324.4
Long term obligations					
Debt	**586.9**	422.9	257.4	255.6	256.9
Non-recourse exploration and development advances	**339.8**	204.1	87.1	28.3	21.8
Shareholders' equity	**333.8**	225.2	184.4	95.9	54.8
Return, before extraordinary item, on average shareholders' equity	**3.9%**	14.1%	22.8%	21.7%	30.1%
Ratio of long term debt to shareholders' equity	**1.8:1**	1.9:1	1.4:1	2.7:1	4.7:1
Per common share					
Income before extraordinary item	**$0.17**	$0.71	$0.85	$0.49	$0.47
Net income	**0.17**	1.23	0.85	0.49	0.47
Cash flow from operations	**2.09**	2.71	2.55	1.79	1.44
Dividends	**0.15**	0.15	0.10	0.033	0.029

and development costs have resulted in a declining trend, since 1980, in operating income attributable to this segment. Petroleum and natural gas taxes in Canada and the United States have further eroded the contribution of this segment to Bow Valley's net income.

	1982	1981	1980
AVERAGE DAILY PRODUCTION, BEFORE ROYALTIES			
Oil (bbls)			
Canada	**1,353**	1,438	1,540
United States	**2,644**	2,557	2,366
Abu Dhabi	**998**	1,155	2,065
Indonesia	**652**	318	104
	5,647	5,468	6,075
Gas (Mcf)			
Canada	**43,893**	48,047	46,260
United States	**12,701**	13,038	15,761
	56,594	61,085	62,021
AVERAGE PRICE			
Oil (per bbl)			
Canada	**$23.35**	$17.57	$14.35
United States	**37.21**	40.15	30.45
Abu Dhabi	**42.12**	44.71	37.36
Indonesia	**41.82**	40.90	34.97
Weighted average	**$35.29**	$35.22	$28.89
Gas (per Mcf)			
Canada	**$ 2.74**	$ 2.50	$ 2.36
United States	**3.62**	2.97	2.33
Weighted average	**$ 2.94**	$ 2.60	$ 2.35

a) Canada

Oil production continues to decline as a result of the natural productivity characteristics of Bow Valley's oil wells. Gas production in Canada remains well below estimated capacity because of reduced demand in both the domestic and export markets.

b) United States

Gas production has decreased throughout the period as a result of gas surpluses in Bow Valley's market areas, mainly due to conservation and the economic environment, while oil production continues to increase at a modest rate due to new field extensions. After substantial increases in revenues in prior years due to higher prices, gross revenues stabilized during 1982. Oil prices have decreased in line with the world surplus of oil, while gas prices have increased over the three-year period due to the phased gas price decontrol program. Windfall Profit Tax declined considerably during 1982, from $5.5 million to $0.6 million, because of the lower oil price levels on which the tax is based and a rebate, in 1982, of $2.1 million for tax paid in prior years.

c) Abu Dhabi

Production from the Arzanah field in Abu Dhabi was curtailed in mid-1980 to conserve reservoir pressure. Production is expected to remain at a relatively low level until pressure response has been achieved, following completion of the pressure maintenance project now under construction. During 1982, oil prices dropped, with additional declines expected in 1983. The impact of Abu Dhabi's royalties and income taxes has increased since they are based on official prices which remained constant in 1982 in contrast with lower prices realized.

During 1982, as a result of the decline in reservoir pressure, 4.2 million gross barrels of oil (3.7 million net barrels) have been reclassified from proved to probable reserves. These reserves reflect the volumes expected to be recovered on completion of the pressure maintenance facilities currently being installed. The impact of this reclassification was to increase the depreciation and depletion expense in 1982 by $4.2 million.

d) Indonesia

Bow Valley's production increased substantially during 1982 as a result of the new discoveries at Tanjung Laban and Ramba, continued development work, and the participation increase to 40%, effective July 1, 1981, following completion of the earning-in process.

Coal

Coal production has increased because of higher customer demand from 1.9 million tons in 1980 to 2.3 million tons in 1981, and 2.5 million tons in 1982. Virtually all of Bow Valley's coal is sold under long term contracts which provide for periodic price escalations based upon cost increases. During 1983, Bow Valley expects to deliver in excess of 2.3 million tons of coal under the long term contracts.

Offshore Drilling

BVRS acquired its first semi-submersible drilling rig, the Bow Drill ONE, at the end of March 1981, and immediately started to earn revenue under a four-year contract with Petro-Canada Exploration Inc. The 1982 results reflect the first full year of operations, compared to nine months in the previous year.

BVRS (65%) and a partner (35%) are constructing two semi-submersibles which are scheduled for delivery in mid- and late 1983. Bow Valley and another company have contracted to use the rigs for a four-year period and expect to use them in their Canadian east coast offshore exploration program.

Land Drilling

The revenues and operating income of this segment decreased significantly during 1982.

	1982	1981	1980
RIGS OPERATED AT YEAR END			
Canada — shallow rigs	**23**	23	23
Canada — deep rigs	**14**	16	21
	37	39	44
United States — deep rigs	**9**	8	4
Indonesia — deep rigs	**1**	—	—
	47	47	48
UTILIZATION RATE			
Canada — shallow rigs	**44%**	47%	63%
Canada — deep rigs	**44**	50	77
Weighted average	**44**	48	70
United States — deep rigs	**42**	86	90
Indonesia	**71**	—	—
Total weighted average	**43%**	53%	71%

The economic downturn and surplus of gas in Canada has resulted in declining rig utilization from 70% in 1980 to 44% in 1982 and lower charge-out rates. The Alberta Government provided a drilling incentive program during the last half of 1982, which resulted in a temporary increase in Canadian drilling activity. Although exceptionally good utilization rates were experienced in the United States in 1980, an oversupply of drilling rigs has resulted in lower utilization and competitive pressures on rig rates during 1981 and 1982. One Canadian deep drilling rig was transferred to Indonesia in late 1982.

Manufacturing and Distribution

All operations in this segment experienced a significant decline in business levels in 1982 due to the deteriorating economic conditions. The Western Star Trucks operation, which was acquired in April 1981 and accounted for the majority of the increased revenues from the manufacturing and distribution segment during that year, recorded a significant reduction in levels of activity during 1982. Truck revenues for the year declined to $38 million, compared to $63 million for the nine months in 1981.

Supply Boats

BVRS has a 50% interest in a partnership which is constructing six supply boats, which are scheduled for delivery in mid- and late 1983. The supply boats will be contracted to provide logistical support for the Bow Drill 2 and 3 currently under construction, as previously discussed.

Other Expenses

General corporate expenses increased significantly from 1980 to 1982 as a result of additional salaried staff necessary to administer the rapid expansion in Bow Valley's assets and operations. In addition, inflationary pressures and growing governmental reporting, regulatory, and taxation requirements continue to have an impact on increasing costs. These amounts included foreign exchange translation losses of $1.4 million, $1.6 million, and $4.2 million in 1980, 1981, and 1982, respectively.

Interest incurred by Bow Valley has increased substantially from $43 million in 1980 to $107 million in 1982. A substantial portion, amounting to almost $33 million in 1982, results from exploration and development advances relating to the Brae and Heimdal fields and has been capitalized; this interest is also advanced to Bow Valley on a non-recourse basis and is only repayable out of the respective proceeds of production from these two fields. In addition, Bow Valley capitalized interest, amounting to $15 million in 1982, on other major capital assets under construction and oil and gas exploration projects. Net interest expense, after interest capitalized, has increased from $36 million in 1980 to $60 million in 1982, mainly due to the acquisition of Bow Drill ONE in 1981 and the high level of interest rates incurred over the majority of this period. Note 7 to the Consolidated Financial Statements contains an analysis of interest costs.

The 1981 effective tax rate of 33% was particularly low as a result of investment tax credits recognized on the qualifying capital expenditures made during 1981, including the acquisition of Bow Drill ONE. The recognition of investment tax credits in 1981 was attributable partially to the existence of deferred tax credits arising in prior years. The recording of investment tax credits in income for 1982 has been limited by lower accounting income and the extent to which Management anticipates the realization of credits, through the payment of income taxes during the carry-forward period. Improvements in the Alberta Royalty Tax Credit have reduced Canadian current income taxes by $3.3 million in 1982, compared to 1981. The credit has been established at a maximum of $4 million for 1983, declining to $2 million thereafter. A more detailed analysis of income taxes is provided in Note 8 to the Consolidated Financial Statements.

Minority interest represents the earnings of BVRS attributable to its outside common and preferred shareholders. As explained in Note 5 to the Consolidated Financial Statements, the extraordinary income item in 1981 arose from the public offering of common shares by BVRS.

OUTLOOK

Depending on market demand and prices, significant increases in Bow Valley's oil and gas revenues are projected in the future as a result of the commencement of production from the Brae field in mid-1983 and development of the recent Indonesian discoveries. Production from the South Brae field is expected to reach a maximum of 112,000 barrels of oil a day by mid-1984. Bow Valley has a 14% interest in the field, with 70% of Bow Valley's share of net proceeds of production, after cash income taxes, being committed to the repayment of non-recourse exploration and development advances, including interest thereon.

International oil prices declined sharply in early 1983 due to the continuing oversupply. As a result of the present world oil price adjustments, the Government of Canada and the producing provinces are reviewing Canadian pricing policies which have provided significant price increases in recent years. As previously mentioned, coal production is expected to decline by approximately 10% in 1983. An increase in overall levels of economic activity, particularly in North America, should assist the majority of Bow Valley's segments.

Revenues from offshore drilling will increase as a result of the addition of Bow Drill 2 and 3 but conditions for the land drilling group are not expected to improve during the coming year. The performance of the manufacturing and distribution segment in 1983 will depend significantly on the forest products, mining, oil and gas, and trucking industries, which are its main customers. In 1983, BVRS received a $30 million contract for the engineering, design, and manufacture of one of the longest overland conveyor systems in North America.

Interest rates have moderated considerably since mid-1982. At December 31, 1982, Bow Valley had approximately U.S. $300 million of floating-rate debt and will benefit from a sustained reduction of interest rates on the LIBOR market. Interest on floating-rate LIBOR debt was at an average of 13.3% at year end, compared to the average for the year of approximately 15.7%.

A significant portion of capital expenditures on oil and gas exploration and development in Canada is eligible for PIP grants. Qualifying exploration expenditures in frontier areas by companies with a Canadian Ownership Rate of 67% in 1982, increasing by 2% annually to 75% in 1986, are eligible for the maximum 80% PIP grant benefit. Bow Valley's Canadian Ownership Rate is currently 69%.

CAPITAL RESOURCES AND LIQUIDITY

The table below provides an analysis of the capital expenditures made during the period 1980 to 1982 and the expenditures proposed for 1983.

CAPITAL EXPENDITURES

(Canadian dollars — millions)	1983 (Proposed)	**1982**	1981	1980
Oil and Gas				
Canada	$ 36.5	**$ 22.8**	$ 14.2	$ 18.4
United States	49.9	**32.5**	36.8	19.1
Abu Dhabi	24.9	**16.1**	9.1	9.0
United Kingdom	107.4	**124.5**	118.0	60.5
Norway	48.3	**17.4**	5.8	4.3
Indonesia	29.2	**12.4**	18.2	12.9
Other	19.3	**5.8**	1.6	3.3
	315.5	**231.5**	203.7	127.5
Coal	12.3	**18.7**	28.2	13.4
Offshore drilling equipment	115.6	**94.1**	143.3	—
Land drilling equipment	5.1	**11.7**	15.3	45.1
Other	42.3	**36.7**	15.1	8.5
	$490.8	**$392.7**	$405.6	$194.5

Capital expenditures will be continuously monitored throughout 1983 and reduced if declines in oil, gas, or coal prices or production have a significant impact on operating cash flows.

Expenditures in 1982 included $136 million for exploration and development of the Brae and Heimdal fields and $94 million by BVRS on the construction of the Bow Drill 2 and 3 semi-submersible drilling rigs. Projected expenditures for 1983 include $107 million on the Brae fields, $116 million on the Bow Drill 2 and 3 semi-submersibles, and $48 million for development of the Heimdal field which is expected to commence production in 1986.

Bow Valley's capital expenditures will probably remain at relatively high levels in 1984 and subsequent years due to continuing expenditures on other Brae fields, development of the Heimdal field, the Canadian east coast offshore exploration project, and other ongoing capital expenditure projects.

In view of the significant benefits provided by the Canadian Government for frontier exploration by Canadian companies and the attractiveness of the Canadian east coast offshore area, Bow Valley has embarked upon a significant exploration program in this area. Bow Valley is actively pursuing the acquisition and evaluation of appropriate east coast acreage through direct application to the Federal and Provincial Governments and farm-ins. As discussed earlier, Bow Valley and another company have contracted for the use of the Bow Drill 2 and 3 semi-submersibles and six supply boats for four years following delivery. It is anticipated that Bow Valley will be able to recover a significant portion of the ownership and operating costs of these rigs and supply boats through PIP grants and direct charges to joint venture partners and third-party charterers of the rigs and supply boats.

Bow Valley's ambitious capital expenditure program has been financed through cash flow from operations, non-recourse advances, and external financing. During the period 1980 to 1982, Bow Valley extensively used the debt and equity markets in Canada, the United States, and Europe to raise new funds as required. In November 1982, Bow Valley further strengthened its financial position with the issue of $107 million Cumulative Redeemable Convertible Class D Preferred Shares, providing net proceeds after costs of issue of $102.6 million. The majority of the proceeds from this issue was held in short term cash equivalents at year end.

Financing for Brae and Heimdal expenditures continues to be provided through non-recourse advances. Financing has been arranged for construction of Bow Drill 2 and 3. Funds from the Class D preferred share issue, augmented by cash flow from operations, will be used to finance the remainder of the 1983 capital budget and working capital requirements. Additional financings may be required, depending upon the impact of declines in prices and production and the extent of future capital expenditures.

OTHER COMMENTS, AS REQUIRED BY REGULATIONS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Bow Valley's loss in 1982 under United States generally accepted accounting principles would have been $10,134,000, or $0.42 per share, compared to a profit reported under Canadian accounting principles of $10,836,000, or $0.17 per share. A discussion of the items giving rise to this difference in reported income is contained in Note 13 to the Consolidated Financial Statements.

Bow Valley does not prepare a detailed analysis of the impact of inflation on the results of operations; accordingly, it is impossible to quantify the impact of inflation on Bow Valley. Virtually all of Bow Valley's costs and revenues are affected by inflation; on the other hand, general market conditions also have a significant impact. The current value of Bow Valley's reserves in place generally fluctuates with inflationary trends and market conditions; the real value of the funds borrowed to acquire or develop these reserves declines on a relative basis during inflationary periods. A substantial proportion of Bow Valley's assets has been acquired during the last few years and, hence, is probably closer to replacement cost than would be the case for a more mature company. As required by guidelines recently introduced by the Canadian Institute of Chartered Accountants, an analysis will be provided for 1983 of the impact of inflation on Bow Valley's operations.

A discussion of the various governmental regulations affecting Bow Valley in Canada, the United States, the United Kingdom, Norway, and other countries is contained in the Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission.

FIVE YEAR FINANCIAL AND OPERATING SUMMARY

(Canadian dollars — millions, except per share data)

	Year Ended December 31				
	1982	1981	1980	1979	1978
Summary of Earnings					
Revenue	**$454.1**	$494.4	$362.1	$275.6	$232.5
Income before extraordinary item	**$ 10.8**	$ 28.9	$ 32.0	$ 16.4	$ 14.3
Cash flow from operations	**$ 78.8**	$ 99.4	$ 90.9	$ 59.0	$ 42.6
Common shares outstanding (weighted average in millions)	**35.3**	35.2	34.6	32.9	29.2
Net income per common share before extraordinary item	**$ 0.17**	$ 0.71	$ 0.85	$ 0.49	$ 0.47
Cash flow per common share	**$ 2.09**	$ 2.71	$ 2.55	$ 1.79	$ 1.44
Common dividends	**$ 0.15**	$ 0.15	$ 0.10	$ 0.03	$ 0.03
Changes in Financial Position					
Cash flow from operations	**$ 78.8**	$ 99.4	$ 90.9	$ 59.0	$ 42.6
Long term debt issued	**163.3**	435.5	122.8	33.3	185.1
Non-recourse advances	**135.7**	116.9	58.8	6.5	5.7
Share issues and other	**120.4**	65.8	75.6	30.3	6.6
	498.2	717.6	348.1	129.1	240.0
Oil and gas exploration and development	**231.5**	203.1	127.5	53.4	47.0
Mining facilities	**19.8**	31.4	15.1	10.7	14.4
Offshore rigs	**94.1**	143.2	—	—	—
Land rigs	**11.7**	15.3	45.1	9.9	12.8
Other assets	**35.6**	12.0	6.9	4.0	11.5
Debt retirement	**17.8**	261.4	125.7	42.8	19.8
Dividends and other	**16.6**	12.1	9.0	1.6	134.6
	427.1	678.5	329.3	122.4	240.1
Increase (decrease) in working capital	**$ 71.1**	$ 39.1	$ 18.8	$ 6.7	$ (0.1)
Balance Sheet					
Working capital	**$ 145.8**	$ 74.7	$ 35.6	$ 16.8	$ 10.1
Total assets	**$1,496.7**	$1,061.9	$659.5	$480.3	$418.1
Long term debt	**$ 586.9**	$ 422.9	$257.4	$255.6	$256.9
Non-recourse advances	**$ 339.8**	$ 204.1	$ 87.1	$ 28.3	$ 21.8
Shareholders' equity	**$ 333.8**	$ 225.2	$184.4	$ 95.9	$ 54.8
Operations					
Drilling (gross wells)					
Oil	**69**	75	51	29	23
Gas	**54**	86	121	94	78
Dry	**27**	59	41	57	55
	150	220	213	180	156
Production (per day)					
Oil — bbls	**5,647**	5,468	6,075	4,690	3,811
Gas — MMcf	**56.6**	61.1	62.0	66.8	67.1
Proved reserves					
Oil — millions of bbls	**72.2**	72.1	72.6	68.0	66.4
Gas — Bcf	**477.1**	489.3	501.6	537.6	597.8
Land holdings (gross) millions of acres	**32.7**	16.8	19.6	13.1	16.0
Coal shipped millions of tons	**2.5**	2.3	1.9	1.5	1.2
Average utilization rates					
Land rigs — percent	**43**	53	71	59	63
Offshore rig — percent	**100**	100	—	—	—
Total employees	**2,800**	3,000	2,700	2,600	2,600

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by Management in accordance with the accounting policies described below. Where necessary, Management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of Management, these statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances.

The accounting principles used conform in all material respects with the International Accounting Standards ("IAS") adopted by the International Accounting Standards Committee. As explained in Note 13, Bow Valley's accounting policies do not conform in certain respects with United States generally accepted accounting principles.

Information provided for prior years has been reclassified to conform to the presentation adopted in 1982.

Principles of Consolidation

These consolidated financial statements include Bow Valley Industries Ltd., all its wholly-owned subsidiaries and its 78%-owned subsidiary, Bow Valley Resource Services Ltd. ("BVRS"). A significant amount of Bow Valley's activity is conducted through joint venture, partnership, and similar agreements, and is accounted for by the proportionate consolidation method.

Foreign Currency Translation

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

- Monetary assets and liabilities (cash, receivables, current liabilities, and long term debt) are translated at year end rates.
- Non-monetary assets and liabilities (inventories, capital assets, deferred income taxes, and non-recourse exploration and development advances) 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 income, except for unrealized translation gains and losses relating to long term debt and receivables which are amortized over their remaining terms.

Capital Assets, Depreciation, and Depletion

a) Oil and Gas Properties and Equipment

The full cost method of accounting used by Bow Valley for oil and gas operations results in all costs of exploring for and developing oil and gas reserves being capitalized to individual cost centres and charged against earnings as explained below. The most significant cost centres are:

- Producing Cost Centres — Canada, excluding frontier areas north of 60°N and offshore; United States; North Africa and the Middle East; and Southeast Asia.
- Non-Producing Cost Centres — Frontier Canada and Europe, including the North Sea.

Costs accumulated in producing cost centres, including provision for necessary future development expenditures, are depleted using the unit of production method based upon estimated proved reserves of oil and gas. Depreciation of oil and gas well equipment is also calculated on the unit of production basis. Depreciation and depletion are not recorded on investments in significant exploration projects, pending an assessment of the existence of proved reserves, or significant development projects, prior to the commencement of commercial production. Such projects are evaluated annually for impairment; expenditures incurred in excess of the impairment valuation are reflected in the costs subject to depreciation and depletion.

Expenditures in non-producing cost centres are amortized at the rate of 10% annually on a straight-line basis until sufficient reserves are established to warrant commercial production (at present, only Europe), at which time amortization ceases. If exploration activities are discontinued in a cost centre, the unamortized costs in that area are charged to depletion expense.

b) Mining Properties and Equipment

All costs of exploring for and developing mineral and coal reserves which relate to specific properties are capitalized. Costs accumulated for productive properties are depleted using the unit of production method when production commences, based on proved recoverable reserves. Costs relating to properties which are proven to be unproductive or uneconomic are written off to depletion expense during the period when such event occurs. Mining and related equipment is depreciated by the straight-line method over the estimated useful life of the equipment.

c) Drilling Equipment

Depreciation of all drilling equipment is based on an estimated 15-year life with a residual value of 30%. Offshore drilling equipment is depreciated by the straight-line method at the rate of 4.67% annually and land drilling equipment by the declining balance method at the rate of 8% annually.

d) Other Capital Assets

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.

Repairs and Maintenance

Semi-submersible drilling rigs and other offshore assets are inspected periodically under applicable statutory regulations, and accruals are made for any major repair costs anticipated at such times. Other costs of maintaining assets in normal operating condition generally are expensed as incurred. Betterments and major renovations to assets are capitalized.

Capitalization of Interest

Interest is capitalized on costs incurred for significant oil and gas projects currently subject to exploration or development activities, and the construction of other major capital assets. Capitalization is discontinued when production commences, the exploration project is terminated, or the asset is ready for use. Capitalization is based upon actual interest incurred on debt relating directly to the project or asset, or on Bow Valley's average borrowing rate for all other debt.

Research and Development

Costs relating to specific development projects are capitalized if Management has determined that the project is technically feasible and has a clearly defined future market; prior to that time, research and development costs are expensed as incurred. If it is subsequently determined that the project is no longer technically feasible or that a market no longer exists, the capitalized costs are charged to income at such time. Upon completion of the project, the capitalized development costs are amortized over periods not exceeding the estimated revenue-generating life of the project.

Pneumoconiosis (Black Lung) Benefits

Bow Valley self-insures for black lung benefits to be paid to current and former employees of the U.S. coal operation. Provision is made for all known and estimated future claims in accordance with annual reports prepared by independent actuaries. Any unrecorded actuarial liability is amortized over the estimated remaining economic life of the coal reserves.

Investment Tax Credits

Investment tax credits are recorded following the flow-through method as a reduction of income tax expense. In applying this method, Bow Valley 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

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

- Oil and Gas — The exploration, development, and production of oil and natural gas;
- Coal — The development and mining of coal;
- Offshore Drilling — The provision by BVRS on a contract basis of offshore oilwell drilling services;
- Land Drilling — The provision by BVRS on a contract basis of land oilwell drilling services;
- Manufacturing and Distribution — Various manufacturing, assembly, and distribution activities of BVRS; and
- Other — Various other assets and operations which presently are not material, including supply boats, uranium, and real estate held for development or resale.

CONSOLIDATED BALANCE SHEET

(Canadian dollars — thousands)	December 31	
	1982	1981
ASSETS		
Current Assets		
Cash and temporary cash investments	**$ 113,236**	$ —
Accounts receivable	**108,598**	111,975
Inventories, at lower of cost or net realizable value	**36,681**	58,174
Prepaid expenses	**5,708**	4,026
	264,223	174,175
Capital Assets, at cost (Note 1)	**1,421,364**	1,038,353
Less accumulated depreciation and depletion	**236,782**	181,400
	1,184,582	856,953
Other Assets, at cost less amounts amortized	**47,931**	30,741
	$1,496,736	$1,061,869

Approved by the Board

Director

Director

	December 31	
	1982	1981
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness	**$ 1,970**	$ 8,332
Accounts payable and accrued	**95,942**	77,055
Long term debt due within one year	**20,465**	14,051
	118,377	99,438
Long Term Debt (Note 2)	**566,392**	408,890
Non-Recourse Exploration and Development Advances (Note 4)	**339,806**	204,075
Other Liabilities	**31,704**	21,401
Deferred Income Taxes	**79,591**	73,803
Minority Interest (Note 5)	**27,047**	29,023
	1,162,917	836,630
Shareholders' Equity (Note 6)		
Cumulative redeemable convertible preferred shares		
Class B	**58,194**	58,218
Class D	**104,818**	—
Common shares — 35,511,514 shares issued and outstanding (1981 — 35,323,112)	**65,899**	63,551
Retained earnings	**104,908**	103,470
	333,819	225,239
Commitments and Contingent Liabilities (Notes 9 and 10)		
	$1,496,736	$1,061,869

AUDITORS' REPORT

TO THE SHAREHOLDERS OF BOW VALLEY INDUSTRIES LTD.

We have examined the consolidated balance sheets of Bow Valley Industries Ltd. as at December 31, 1982 and 1981 and the consolidated statements of income, changes in financial position, segmented financial information, changes in components of working capital and retained earnings for the years ended December 31, 1982, 1981 and 1980. Our examinations were 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 1981, and the results of its operations and the changes in its financial position for the years ended December 31, 1982, 1981 and 1980 in accordance with Canadian generally accepted accounting principles consistently applied.

Price Waterhouse

Chartered Accountants

Calgary, Alberta, Canada
February 25, 1983

CONSOLIDATED STATEMENT OF INCOME

(Canadian dollars — thousands, except per share data)	Year Ended December 31		
	1982	1981	1980
Revenue			
Service and manufacturing	**$227,942**	$291,543	$193,097
Oil, gas, and coal, less royalties	**213,269**	187,411	157,650
Other	**12,853**	15,486	11,380
	454,064	494,440	362,127
Expenses			
Direct costs			
Service and manufacturing	**160,154**	206,758	136,883
Oil, gas, and coal	**96,482**	76,547	58,250
Depreciation and depletion	**60,885**	53,692	41,423
General and administrative	**54,496**	47,271	32,185
Interest (Note 7)	**59,693**	53,098	35,953
	431,710	437,366	304,694
Income Before Undernoted Items	**22,354**	57,074	57,433
Income and Other Taxes (Note 8)			
Petroleum and natural gas taxes	**6,288**	9,285	2,585
Income taxes — current	**(2,139)**	(874)	5,101
— deferred	**8,021**	16,683	17,746
	12,170	25,094	25,432
Income Before Minority Interest and Extraordinary Item	**10,184**	31,980	32,001
Minority interest (Note 5)	**(652)**	3,076	—
Income Before Extraordinary Item	**10,836**	28,904	32,001
Extraordinary item (Note 5)	**—**	18,350	—
Net Income	**$ 10,836**	$ 47,254	$ 32,001
Income Per Common Share, after provision for preferred share dividends and based on the weighted average number of shares outstanding of (thousands)	**35,346**	35,208	34,631
Before extraordinary item			
Basic	**$0.17**	$0.71	$0.85
Fully diluted	**$0.17**	$0.71	$0.84
After extraordinary item			
Basic	**$0.17**	$1.23	$0.85
Fully diluted	**$0.17**	$1.20	$0.84

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Canadian dollars — thousands, except per share data)	Year Ended December 31		
	1982	1981	1980
Source of Working Capital			
From operations			
Income before extraordinary item	**$ 10,836**	$ 28,904	$ 32,001
Add non-cash items, principally depreciation, depletion, minority interest, and deferred income taxes	**67,985**	70,534	58,942
Cash Flow From Operations	**78,821**	99,438	90,943
Long term debt issued	**163,339**	435,496	122,834
Non-recourse exploration and development advances	**135,731**	116,931	58,817
Common shares issued	**2,324**	2,967	5,347
Preferred shares issued, less costs	**102,585**	—	58,413
Shares issued by Bow Valley Resource Services Ltd., less costs (Note 5)	**—**	45,134	—
Other	**15,429**	17,652	11,768
	498,229	717,618	348,122
Application of Working Capital			
Additions to capital assets			
Oil and gas properties and equipment	**231,543**	203,737	127,542
Mining properties and equipment	**19,843**	31,433	15,088
Offshore drilling equipment	**94,143**	143,252	—
Land drilling equipment	**11,677**	15,276	45,112
Other	**35,508**	11,882	6,809
	392,714	405,580	194,551
Less proceeds of disposals	**6,300**	8,956	5,938
	386,414	396,624	188,613
Repayment of long term debt	**17,853**	261,433	125,693
Dividends paid to Bow Valley shareholders	**9,398**	9,395	5,639
Dividends paid to minority shareholders	**1,324**	836	—
Other	**12,131**	10,174	9,387
	427,120	678,462	329,332
Increase in Working Capital	**71,109**	39,156	18,790
Working Capital at Beginning of Year	**74,737**	35,581	16,791
Working Capital at End of Year	**$145,846**	$ 74,737	$ 35,581
Cash Flow From Operations Per Common Share, after provision for preferred share dividends and based on the weighted average number of shares outstanding			
Basic	**$2.09**	$2.71	$2.55
Fully diluted	**$1.95**	$2.49	$2.43

CONSOLIDATED STATEMENT OF SEGMENTED FINANCIAL INFORMATION

(Canadian dollars — thousands)	Year Ended December 31		
	1982	1981	1980
Industry Segments			
Revenue			
Oil and gas	**$ 108,843**	$ 105,342	$ 96,601
Coal*	**113,217**	91,783	67,154
Offshore drilling**	**39,033**	29,343	—
Land drilling	**69,186**	98,610	106,815
Manufacturing and distribution	**115,788**	166,040	93,668
Other	**14,357**	16,084	12,530
	460,424	507,202	376,768
General corporate	**1,909**	249	2,621
Inter-segment eliminations	**(8,269)**	(13,011)	(17,262)
	$ 454,064	$ 494,440	$362,127
Operating Income			
Oil and gas	**$ 44,198**	$ 48,719	$ 50,647
Less petroleum and natural gas taxes	**6,288**	9,285	2,585
	37,910	39,434	48,062
Coal	**26,245**	24,575	15,342
Offshore drilling	**20,976**	14,984	—
Land drilling	**7,513**	20,832	23,856
Manufacturing and distribution	**(1,206)**	10,959	8,777
Other	**2,563**	2,623	2,204
Operating income	**94,001**	113,407	98,241
General corporate	**(18,242)**	(12,520)	(7,440)
Interest	**(59,693)**	(53,098)	(35,953)
Income taxes	**(5,882)**	(15,809)	(22,847)
Minority interest	**652**	(3,076)	—
Income before extraordinary item	**$ 10,836**	$ 28,904	$ 32,001
Assets, at year end			
Oil and gas	**$ 799,502**	$ 582,976	$395,350
Coal	**109,421**	103,264	79,710
Offshore drilling	**229,401**	148,202	—
Land drilling	**90,539**	96,389	97,444
Manufacturing and distribution	**64,043**	83,720	44,643
Other	**54,614**	27,980	26,151
	1,347,520	1,042,531	643,298
General corporate	**149,216**	19,338	16,154
	$1,496,736	$1,061,869	$659,452
Capital Expenditures			
Oil and gas	**$ 233,999**	$ 204,844	$129,429
Coal	**19,090**	28,443	13,348
Offshore drilling	**94,205**	143,321	—
Land drilling	**11,816**	16,715	45,319
Manufacturing and distribution	**4,619**	7,919	3,841
Other	**28,176**	3,743	2,046
	391,905	404,985	193,983
General corporate	**809**	595	568
	$ 392,714	$ 405,580	$194,551

**Substantially all coal is sold under long term contracts to two utility companies.*

***All revenue is attributable to one drilling rig which is under long term contract to Petro-Canada Exploration Inc.*

	Year Ended December 31		
	1982	1981	1980
Depreciation and Depletion Expense			
Oil and gas	**$ 30,236**	$ 25,438	$ 22,862
Coal	**11,957**	10,708	8,994
Offshore drilling	**6,458**	4,780	—
Land drilling	**7,984**	8,976	6,629
Manufacturing and distribution	**1,890**	1,662	969
Other	**2,033**	1,930	1,739
	60,558	53,494	41,193
General corporate	**327**	198	230
	$ 60,885	$ 53,692	$ 41,423
Geographic Areas			
Revenue			
Canada	**$ 241,221**	$ 288,670	$200,555
United States	**188,852**	185,025	134,246
Abu Dhabi	**13,261**	16,379	24,953
Indonesia	**9,378**	4,405	1,248
	452,712	494,479	361,002
General corporate	**1,909**	249	2,621
Inter-area eliminations	**(557)**	(288)	(1,496)
	$ 454,064	$ 494,440	$362,127
Operating Income			
Canada	**$ 49,057**	$ 58,357	$ 51,146
United States	**42,291**	50,056	33,485
Abu Dhabi	**441**	5,681	13,680
Indonesia	**2,212**	(687)	(70)
Operating income	**94,001**	113,407	98,241
General corporate	**(18,242)**	(12,520)	(7,440)
Interest	**(59,693)**	(53,098)	(35,953)
Income taxes	**(5,882)**	(15,809)	(22,847)
Minority interest	**652**	(3,076)	—
Income before extraordinary item	**$ 10,836**	$ 28,904	$ 32,001
Assets, at year end			
Canada	**$ 498,226**	$ 391,424	$208,889
United States	**346,844**	321,268	252,582
United Kingdom	**341,707**	214,737	98,581
Abu Dhabi	**61,949**	52,045	47,954
Indonesia	**46,567**	30,668	14,183
Other	**52,227**	32,389	21,109
	1,347,520	1,042,531	643,298
General corporate	**149,216**	19,338	16,154
	$1,496,736	$1,061,869	$659,452

CONSOLIDATED STATEMENT OF CHANGES IN COMPONENTS OF WORKING CAPITAL

(Canadian dollars — thousands)	Year Ended December 31		
	1982	1981	1980
Increase (Decrease) in Current Assets			
Cash and temporary cash investments	**$113,236**	$ —	$ —
Accounts receivable	**(3,377)**	19,776	16,609
Inventories	**(21,493)**	30,558	5,548
Prepaid expenses	**1,682**	668	1,277
Net increase in current assets	**90,048**	51,002	23,434
Increase (Decrease) in Current Liabilities			
Bank indebtedness	**(6,362)**	317	(5,240)
Accounts payable and accrued	**18,887**	21,378	9,568
Long term debt due within one year	**6,414**	(9,849)	316
Net increase in current liabilities	**18,939**	11,846	4,644
Increase in Working Capital	**$ 71,109**	$39,156	$18,790

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(Canadian dollars — thousands, except per share data)	Year Ended December 31		
	1982	1981	1980
Retained Earnings at Beginning of Year	**$103,470**	$ 65,611	$ 40,896
Add			
Net income	**10,836**	47,254	32,001
	114,306	112,865	72,897
Deduct			
Dividends paid			
7% Class B preferred shares	**4,074**	4,105	2,138
Redeemable preferred shares	**—**	—	21
Common shares	**5,324**	5,290	3,480
Capital transactions relating to the issue and redemption of preferred shares, less income taxes	**—**	—	1,647
	9,398	9,395	7,286
Retained Earnings at End of Year	**$104,908**	$103,470	$ 65,611
Dividends Paid Per Common Share	**$0.15**	$0.15	$0.10

(Canadian dollars — tabular amounts in thousands, except per share data)

1. Capital Assets

	1982		1981	
	Cost	**Net Book Value**	Cost	Net Book Value
Oil and gas properties and equipment by cost centre				
Canada, including frontier areas	**$ 133,421**	**$ 88,922**	$ 111,065	$ 73,262
United States	**208,398**	**153,512**	175,885	134,999
North Africa and the Middle East	**78,756**	**59,649**	61,940	50,185
Europe, including the North Sea	**378,737**	**378,372**	232,946	232,581
Southeast Asia	**56,836**	**49,473**	43,149	37,653
	856,148	**729,928**	624,985	528,680
Mining properties and equipment	**147,823**	**103,896**	128,192	96,061
Offshore drilling equipment	**237,395**	**226,199**	143,252	138,482
Land drilling equipment	**112,050**	**70,580**	105,152	69,324
Other	**67,948**	**53,979**	36,772	24,406
	$1,421,364	**$1,184,582**	$1,038,353	$856,953

Petroleum Incentives Program (PIP) grants under Canada's National Energy Program introduced in 1981, in the cumulative amount of $19.7 million (1981 — $2.5 million), have been deducted from the cost of Canadian oil and gas properties.

Capitalized costs of oil and gas properties in producing cost centres includes approximately $31 million of expenditures relating to significant exploration projects not currently subject to depletion charges pending an assessment of the existence of proved reserves.

2. Long Term Debt

	1982	1981
Term bank loan — secured (a)	**$116,107**	$123,333
Revolving term bank credit facility — secured (b)	**66,355**	23,660
Construction loan — secured (c)	**50,381**	—
Export Development Corporation term loan — secured (d)	**27,277**	—
Other bank loans — secured	**7,901**	2,127
Eurodollar loans — unsecured (e)	**122,880**	83,013
14½% senior notes — unsecured (f)	**118,304**	114,872
11% subordinated debentures convertible into BVRS common shares — unsecured (g)	**28,500**	28,500
8% subordinated debentures convertible into Bow Valley common shares — unsecured (h)	**49,152**	47,436
	586,857	422,941
Less portion due within one year	**20,465**	14,051
	$566,392	$408,890

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 ⅝ to ⅞ of 1% over the London Interbank Offered Rate ("LIBOR"). 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. Quarterly repayments approximate U.S. $4.4 million, decreasing to approximately U.S. $1.8 million 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, which is secured by a floating charge on its assets and undertakings. Interest rates range from ⅝% to 1% over LIBOR. 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. The average interest rate during 1982 was 15.4% (1981 — 14.8%). Monthly repayments at the rate of U.S. $0.9 million commence January 1, 1984.

c) BVRS has a loan and guarantee facility arranged with a consortium of international banks whereby BVRS may borrow up to U.S. $81 million to assist in financing the construction and purchase of the Bow Drill 2 semi-submersible drilling rig. The loan bears interest at LIBOR plus ⅞ of 1% and is secured by a first mortgage on the rig and an assignment of the related drilling contracts. The average interest rate during 1982 was 14.4%. U.S. $41 million was outstanding at December 31, 1982, with an interest rate of 12.2%. Upon delivery, Eksportfinans of Oslo, Norway, has committed to refinance up to U.S. $57.2 million of the loan, at an effective interest rate of 9.65%. Both loans will require equal semi-annual repayments for a period of eight and one-half years commencing six months after delivery of the rig, expected about July 1, 1983.

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. The loan bears interest at 12.5% and is secured by a first mortgage on the rig and an assignment of the related drilling contracts. Equal semi-annual repayments 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) The Eurodollar loans are unsecured and bear interest at rates ranging from ½ to ⅝ of 1% over LIBOR, as redetermined at various times during the lives of the loans. Loans under these facilities amounted to U.S. $100 million at December 31, 1982, with an average interest rate of 13.0%; the average interest rate during 1982 was 15.4% (1981 — 14.4%). Repayments are scheduled in varying amounts during the period December 1985 to December 1989. Prepayments may be made without penalty on interest redetermination dates.

f) The 14½% senior unsecured notes are due in 1996 and were issued under the terms of a note agreement with institutional investors. The principal amount of the notes comprises U.S. $80 million and Cdn. $20 million. Annual repayments commence January 1984 and amount to 7.7% of the principal then outstanding, with a final installment due in January 1996.

The agreement imposes on the Company and certain subsidiaries (excluding BVRS) covenants which require the maintenance of certain financial ratios; limit the incurrence of debt, leases and liens; and restrict the acquisition and disposal of certain investments and assets. The notes can be prepaid, with possible penalty, as a result of adverse changes in certain Canadian tax regulations or failure of the noteholders to consent to the incurrence of additional debt by Bow Valley.

g) The BVRS 11% convertible unsecured subordinated debentures mature on March 1, 2001, and are convertible at any time prior to March 2, 1991 into BVRS common shares at a conversion price of $15.00 per share, subject to anti-dilutive provisions. 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 weighted average market price of BVRS common shares for a specified period of time is at least 125% of the conversion price then in effect. A premium of 9.6% during the six months prior to March 1, 1984, declining annually by 0.6%, is payable upon early redemption. Mandatory 4% sinking fund payments are required annually from March 1, 1992, until maturity.

h) The U.S. $40 million convertible subordinated guaranteed debentures are due December 15, 1995 and were issued by Bow Valley Investments B.V., a wholly-owned subsidiary incorporated in The Netherlands. Interest is payable semi-annually with withholding taxes, if any, payable by Bow Valley Investments B.V. These debentures are convertible before the due date into common shares of Bow Valley Industries Ltd. at a conversion price of Cdn. $23.125 per common share, subject to anti-dilutive provisions.

On December 15, 1985, the debentures may be redeemed at the option of the holder for an amount equal to 125% of their principal amount. Redemption is permitted in full or in part by Bow Valley at any time; however, during the period prior to December 15, 1985, redemption is permitted only if the market value of Bow Valley common shares for a specified period of time is at least 130% of the conversion price then in effect. A premium of 3% during 1983, declining annually by 1%, is payable upon early redemption prior to 1985. Full redemption by Bow Valley is permitted at any time, and without premium, if an adverse change occurs in withholding tax regulations which affects payments made relating to these debentures.

i) Aggregate repayments on long term debt, in each of the next five years, are: 1983 — $20,465,000; 1984 — $49,756,000; 1985 — $62,474,000; 1986 — $63,335,000; and 1987 — $72,214,000.

3. Unused Lines of Credit

Bow Valley had unused short term lines of credit with banks, providing for overdrafts, loans and bankers' acceptances, of approximately $47 million at December 31, 1982. Borrowings under these lines of credit can be made at any time and bear interest based on prevailing bank prime rates; there are no significant compensating balance requirements or commitment fees.

In addition to the credit lines arranged for the construction of the semi-submersible drilling rigs and supply boats (Note 9), Bow Valley had unused long term lines of credit of approximately $72 million at December 31, 1982. Commitment fees of ¼ of 1% are payable on these unused lines.

4. Non-Recourse Exploration and Development Advances

Bow Valley receives interest bearing, non-recourse advances in connection with the exploration and development of United Kingdom Blocks 16/2a, 16/3a and 16/7a in the North Sea, which include the Brae fields. Interest rates are 6.75% on U.S. $52.6 million of advances with the balance at the principal lender's cost of providing such funds, currently based on LIBOR, as redetermined at various times. Advances aggregated U.S. $271 million at December 31, 1982 bearing an average rate of 9.4%. The advances and interest are repayable solely out of 70% of Bow Valley's share of net proceeds of production after cash income taxes from these Blocks when commercial production commences. Development activities for the South Brae field are progressing on schedule and production is expected to commence in mid-1983. These advances are secured by charges on 70% of the related assets.

Bow Valley also receives non-recourse advances, up to a maximum of U.S. $145 million, at prevailing market rates in connection with the development of Block 25/4, the Heimdal field, in the Norwegian sector of the North Sea. Advances aggregated U.S. $12 million at December 31, 1982 and the lender was using short term LIBOR financing at a rate of 9.3%. The advances and interest are repayable solely from Bow Valley's share of proceeds when commercial production commences. The Norwegian Government has approved the development of the Heimdal field, and it is anticipated that development will be completed within the non-recourse financing limit, with production commencing in 1986. These advances will be secured by a charge on the related assets.

5. Minority Interest and Extraordinary Item

During February 1981, BVRS completed a public offering of common shares, reducing Bow Valley's ownership interest from 100% to 78%. This resulted in an extraordinary income item reflecting the increase in Bow Valley's share of the net equity of BVRS compared to its previously recorded value.

At December 31, 1982 and 1981, BVRS had 12,970,000 common shares outstanding, of which 2,850,000 shares represented minority interests, and an additional 1,900,000 common shares were reserved for conversion of its 11% convertible debentures (Note 2). Conversion would reduce Bow Valley's interest in BVRS to 68% and result in an additional extraordinary income item.

In 1981, BVRS issued 1,000,000 variable rate Series A cumulative redeemable term preferred shares at their par value of $10 each. The quarterly dividend rate is 50% of the weighted average prime rate of a specified Canadian chartered bank, plus 2%. These shares are reflected in minority interest. The average dividend rate during 1982 was 11.4% (1981 — 12.6%).

6. Shareholders' Equity

a) Authorized Share Capital

The Company's authorized share capital, as increased at a Special General Meeting of the common shareholders on November 16, 1982, is:

i) 1 million Class B preferred shares, with a par value of $60 per share;

ii) 50 million Class C preferred shares, with a par value of $23 per share;

iii) 50 million Class D preferred shares, with a par value of $23 per share;

iv) 10 million Class Z preferred shares, with a par value of $1 per share;

v) 200 million common shares, without par value.

All of the Class B preferred shares have been issued as 7% cumulative redeemable convertible Class B preferred shares. The Class C, D and Z preferred shares may be issued from time to time in one or more series. The Company's Board of Directors has the authority to fix the number of shares in each series and to determine the initial designation, rights, privileges, restrictions and conditions attaching to the shares of each series.

At the same Special General Meeting, the Company was authorized to seek continuance under the Business Corporations Act of Alberta. Upon continuance, all issued and authorized shares of the Company will be deemed to be without nominal or par value, including the Class B, C, D and Z preferred shares.

b) Class B Preferred Shares

In 1980, the Company issued 1 million 7% cumulative redeemable convertible Class B preferred shares ("Class B shares") at their par value, with proceeds amounting to $60 million, before costs. Underwriters' commissions and other expenses related to this issue were charged to retained earnings.

These shares are convertible at any time prior to May 16, 1990 into approximately 3½ common shares of Bow Valley Industries Ltd. at a conversion price of $17.10 per common share, subject to anti-dilutive provisions. Redemption by the Company is permitted in full or in part at any time; however, during the period prior to May 15, 1985, redemption is permitted only if the weighted average market price of the Company's common shares for a specified period of time is at least 125% of the conversion price then in effect (a market price requirement of $21.375 per share, at present). A premium of $3.00 per Class B share during the period to May 16, 1985, declining annually by $0.60, is payable upon redemption prior to May 16, 1989. Purchase fund obligations, commencing July 1990, are based on the number of Class B shares outstanding on May 16, 1990.

At December 31, 1982, 969,906 Class B shares (1981 — 970,306) were outstanding. Details of Class B shares converted into common stock during the period 1980 to 1982 are:

	Class B Shares Converted		Common Shares
	Number	Par Value	Issued
1982	400	$ 24	1,402
1981	9,580	575	33,609
1980	20,114	1,207	70,566

c) Class D Preferred Shares

Of the authorized Class D preferred shares, 2,800,000 have been designated as $2.05 cumulative redeemable convertible Class D preferred shares Series 1 ("Series 1"), and 1,200,000 designated as U.S. $2.00 cumulative redeemable convertible Class D preferred shares Series 2 ("Series 2").

Following a public offering, dated November 16, 1982, the Company received Cdn. $70 million and U.S. $30 million from the issue of 2,800,000 Series 1 and 1,200,000 Series 2 shares, respectively, for combined proceeds of Cdn. $107,116,000, compared to a par value of Cdn. $92,000,000. Underwriters' commissions and other expenses relating to this issue amounted to $4,531,000, before deducting income taxes of $2,233,000. In anticipation of continuance, at which time any contributed surplus can be reclassified to the appropriate share capital account, the contributed surplus of $12,818,000 received on this issue, representing the excess over par value less issue expenses, has been reflected in the preferred share account.

These shares are convertible at any time prior to December 1, 1989 into common shares of Bow Valley Industries Ltd. on a conversion basis of approximately 1.1628 common shares for each Series 1, and 1.4263 common shares for each Series 2 share, subject to anti-dilutive provisions. Redemption by the Company is permitted in full or in part at any time after November 30, 1985; however, during the period prior to December 1, 1987, redemption is permitted only if the weighted average market price of the Company's common shares for a specified period of time is at least 125% of the conversion price then in effect. The Series 1 and Series 2 shares are redeemable at $26.50 per share, in Canadian and U.S. dollars, respectively, during the period to November 30, 1987, declining annually by $0.25 to $25 payable on redemption after November 30, 1992. Purchase fund obligations, commencing January 1990, are based on the number of Series 1 and Series 2 shares outstanding on December 31, 1989.

d) Class C Preferred Shares and Class Z Preferred Shares

At December 31, 1982, no Class C or Class Z preferred shares had been specifically designated or issued. A maximum of 2,500,000 Class Z shares are permitted to be issued under the Equity Incentive Plan for key employees, and it is anticipated that one or more series will be issued by the Board of Directors under this Plan.

e) Common Shares

Details of common shares issued during the period 1980 to 1982 are:

	1982		1981		1980	
	Shares Issued	**Consid- eration**	Shares Issued	Consid- eration	Shares Issued	Consid- eration
Issued for cash under employee stock option plans	**187,000**	**$2,324**	297,000	$2,967	466,670	$5,347
Issued on conversion of Class B shares	**1,402**	**24**	33,609	575	70,566	1,207
	188,402	**$2,348**	330,609	$3,542	537,236	$6,554

During 1982, stock options exercisable at any time over a ten-year period were granted to various officers permitting them to purchase 100,000 common shares at a price of $13.18 each and 60,000 common shares at a price of $14.96 each. Outstanding options totalling 17,000 common shares were cancelled during the year.

At December 31, 1982, the following options were outstanding:

Number of Shares	Option Price Per Share	Option Price Total	Expiry Date
31,500	$ 4.89	$ 154	June 7, 1983
106,700	15.79	1,685	May 27, 1990
7,000	23.63	165	August 13, 1990
25,900	18.53	480	May 13, 1991
73,500	21.61	1,588	August 12, 1991
30,000	18.05	541	November 25, 1991
274,600		$4,613	

At December 31, 1982, 10,447,420 common shares were reserved for conversions (Class B shares — 3,403,185; Class D shares — 4,967,349; and 8% convertible debentures (Note 2) — 2,076,886) and 274,600 common shares for outstanding employee stock options. Additional common shares up to a maximum of 2,500,000 may be reserved for the potential conversion of Class Z preferred shares which may be issued in the future under the Equity Incentive Plan for key employees.

Options have been granted to certain officers and senior employees under a plan introduced in 1980 which provides for ten-year interest-free loans for 100% of the purchase price. Shares purchased under this plan are held by an independent trustee as security for the loans. Repayment of the loans is required at an annual rate of 5% of the original balance plus an amount equal to the dividends paid on the related shares; accelerated maturities are required in the event of retirement or other termination of employment. Details of loans made under the plan during the period 1980 to 1982 are:

	1982		1981		1980	
	Officers	**Senior Employees**	Officers	Senior Employees	Officers	Senior Employees
Individuals receiving loans	**3**	—	2	1	6	10
Amount of loan	**$2,216**	—	$451	$173	$2,454	$2,425
Number of shares	**160,000**	—	23,000	8,000	155,400	153,600

The balances outstanding from officers and senior employees at December 31, 1982 were $3,030,000 and $1,890,000, respectively. None of the options outstanding at December 31, 1982 qualified for interest-free loans.

f) Retained Earnings

The 14½% senior unsecured note agreement (Note 2) includes various restrictions relating to the payment of dividends. The amount available for the payment of dividends is based on a specified amount increased by 50% of accumulated net income (or reduced by 100% of accumulated net losses) earned by the Company and certain of its subsidiaries, excluding BVRS, subsequent to January 1, 1981. As at December 31, 1982, the Company had approximately $36.5 million available for payment of dividends under these provisions, of which $30 million is designated solely for the payment of dividends on the Class D preferred shares during the three years commencing January 1, 1983.

7. Interest Expensed and Capitalized

	1982	1981	1980
Interest incurred on			
Long term debt	**$ 69,135**	$56,287	$37,070
Non-recourse exploration and development advances	**32,747**	15,789	3,121
Other	**5,363**	5,180	2,771
	107,245	77,256	42,962
Less interest capitalized on			
Brae and Heimdal (non-recourse interest)	**32,747**	15,789	3,121
Other oil and gas projects	**5,855**	4,684	2,477
Semi-submersible drilling rigs under construction	**5,335**	565	—
Other assets under construction	**3,615**	3,120	1,411
	47,552	24,158	7,009
Interest expensed	**$ 59,693**	$53,098	$35,953

8. Income Taxes

Bow Valley's income before minority interest and extraordinary item, and income and other taxes, is analyzed as follows:

	Canada	United States	Other	Total
Year Ended December 31, 1982				
Income before undernoted items	$ (8,370)	$24,526	$ 6,198	$22,354
Petroleum and natural gas taxes	5,131	577	580	6,288
Income before income taxes	(13,501)	23,949	5,618	16,066
Income taxes — current	(4,682)	277	2,266	(2,139)
— deferred	(1,383)	8,670	734	8,021
	(6,065)	8,947	3,000	5,882
Income before minority interest	$ (7,436)	$15,002	$ 2,618	$10,184
Income tax as a percent of income before income taxes	45%	37%	53%	37%
Year Ended December 31, 1981				
Income before undernoted items	$15,165	$33,734	$ 8,175	$57,074
Petroleum and natural gas taxes	3,498	5,481	306	9,285
Income before income taxes	11,667	28,253	7,869	47,789
Income taxes — current	(3,027)	378	1,775	(874)
— deferred	5,187	9,215	2,281	16,683
	2,160	9,593	4,056	15,809
Income before minority interest and extraordinary item	$ 9,507	$18,660	$ 3,813	$31,980
Income tax as a percent of income before income taxes	19%	34%	52%	33%
Year Ended December 31, 1980				
Income before undernoted items	$33,870	$12,532	$11,031	$57,433
Petroleum and natural gas taxes	—	2,585	—	2,585
Income before income taxes	33,870	9,947	11,031	54,848
Income taxes — current	2,995	(2,036)	4,142	5,101
— deferred	10,731	2,462	4,553	17,746
	13,726	426	8,695	22,847
Income before minority interest	$20,144	$ 9,521	$ 2,336	$32,001
Income tax as a per cent of income before income taxes	41%	4%	79%	42%

These consolidated effective income tax rates varied from the Canadian corporate tax rate of 47%, for the following reasons:

	1982		1981		1980	
	Amount	**%**	Amount	%	Amount	%
Income taxes at the Canadian corporate tax rate	**$7,551**	**47**	$22,461	47	$25,779	47
Add (deduct) effect of						
Crown charges disallowed for tax purposes	**7,398**	**46**	7,320	15	6,620	12
Resource profits rate reductions	**(6,606)**	**(41)**	(6,461)	(13)	(6,967)	(13)
Non-deductible petroleum and natural gas taxes	**2,684**	**17**	1,788	4	—	—
Provincial resource industry rebates	**(5,140)**	**(32)**	(1,917)	(4)	(1,545)	(3)
Higher foreign taxes on foreign earned income	**323**	**2**	1,115	2	4,722	9
Permanent differences between foreign depreciation and depletion for tax purposes over book	**(791)**	**(5)**	(749)	(2)	(2,580)	(5)
Investment tax credits	**(2,534)**	**(16)**	(8,154)	(17)	(2,534)	(4)
Losses of subsidiaries not recognized	**2,345**	**15**	60	—	—	—
Other	**652**	**4**	346	1	(648)	(1)
Actual income tax provision	**$ 5,882**	**37**	$15,809	33	$22,847	42

Deferred income tax expense results from timing differences in the recognition of revenues and expenses for tax and financial statement purposes, primarily relating to depreciation, depletion and investment tax credits. Bow Valley does not anticipate a major reversal of these deferred timing differences over the next five years, and expects to continue the deferral of a significant portion of its future income tax provisions.

A significant part of the 1981 and 1980 tax benefit of investment tax credits related to Canadian capital expenditures and 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, Bow Valley 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, Bow Valley had additional investment tax credits of $8.5 million which have not been reflected in net income and are available for claiming prior to expiry during the years 1984 to 1987, inclusive.

Certain subsidiaries have incurred accumulated losses of $6.5 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 period.

9. Commitments

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. BVRS' combined commitment approximates U.S. $210 million, of which approximately 43% had been incurred as at December 31, 1982. Financing has been arranged for approximately U.S. $192 million of these commitments and delivery is expected in the third and fourth quarters of 1983.

In view of the significant benefits provided by the Canadian Government for frontier exploration by Canadian companies and the attractiveness of the Canadian east coast offshore area, Bow Valley has embarked upon a significant exploration program in this area. Bow Valley and another company have contracted for the use of the Bow Drill 2 and 3 semi-submersibles and the six supply boats for four years following delivery. Bow Valley is actively pursuing the acquisition and evaluation of appropriate east coast acreage through direct application to the Federal and Provincial Governments and farm-ins. Bow Valley believes that it has a sufficiently high Canadian Ownership Rate to claim currently the maximum PIP grant benefit of up to 80% of qualifying exploration expenditures in such areas. It is anticipated that Bow Valley will be able to recover a significant portion of the ownership and operating costs of these rigs and supply boats through PIP grants, and direct charges to joint venture partners and third party charterers of the rigs.

10. Contingent Liabilities

a) Outstanding Litigation

Bow Valley is a defendant in a number of lawsuits arising out of the normal course of business. In the opinion of Management and legal counsel, it is unlikely that Bow Valley will suffer material losses as a result of these lawsuits.

Bow Valley is a defendant in a number of lawsuits involving either the activities of Flying Diamond Oil Corporation before its acquisition by Bow Valley in 1978, or as a result of the acquisition process itself. Bow Valley has filed answers denying the substantive allegations either asserting affirmative defences or requesting dismissal of these lawsuits, some of which involve substantial amounts. In the opinion of Management, it is unlikely that Bow Valley will suffer material losses as a result of these lawsuits. Settlements, if any, will be treated as additional Flying Diamond Oil Corporation purchase consideration and allocated to the capital assets acquired rather than charged to net income. These lawsuits are in varying stages of proceedings and probably will not be resolved in the immediate future.

b) Redemption Premium on 8% Convertible Subordinated Guaranteed Debentures

As discussed in Note 2, holders of any debentures still outstanding on December 15, 1985 may, on that date, require redemption of the debentures at a premium of 25% over their principal amount. As at December 31, 1982, the maximum premium payable is U.S. $10 million.

11. Pension Plans

Bow Valley's non-unionized permanent employees are eligible after various service requirements to participate in one of several pension plans. As of the date of the most recent actuarial valuations (January 1, 1982 or subsequent), Bow Valley did not have any material unfunded pension liabilities. Bow Valley's contributions for these plans were: 1982 — $1,608,000; 1981 — $1,335,000; 1980 — $1,170,000.

12. Selected Quarterly Financial Information (Unaudited)

	Quarter Ended				Full
	March 31	June 30	Sept. 30	Dec. 31	Year
Year Ended December 31, 1982					
Revenue	$123,094	$106,468	$100,154	$124,348	$454,064
Gross profit	33,998	34,677	29,693	38,175	136,543
Net income	3,459	1,966	1,212	4,199	10,836
Cash flow from operations	20,765	19,085	17,502	21,469	78,821
Income per common share	$0.07	$0.03	$0.00	$0.07	$0.17
Cash flow per common share	0.56	0.51	0.47	0.55	2.09
Year Ended December 31, 1981					
Revenue	$101,405	$127,656	$130,902	$134,477	$494,440
Gross profit	35,941	42,584	40,231	38,687	157,443
Income before extraordinary item	9,906	7,496	7,048	4,454	28,904
Net income	28,256	7,496	7,048	4,454	47,254
Cash flow from operations	26,784	24,157	22,724	25,773	99,438
Income per common share					
Before extraordinary item	$0.25	$0.19	$0.17	$0.10	$0.71
After extraordinary item	0.77	0.19	0.17	0.10	1.23
Cash flow per common share	0.73	0.66	0.62	0.70	2.71

Gross profit represents revenues less direct costs, depreciation and depletion.

13. Significant Differences Between Canadian and United States Generally Accepted Accounting Principles ("GAAP")

a) Foreign Currency Translation

The U.S. Financial Accounting Standards Board's ("FASB") Statement No. 8 requires that all unrealized foreign exchange translation gains and losses be reflected immediately in net income with no deferral for those relating to long term debt and receivables.

FASB Statement No. 52, required for 1983, will significantly modify the treatment of foreign exchange translation gains and losses. Bow Valley believes that 1982 adjustment would have been considerably lower applying this new statement; however, a detailed evaluation has not been performed.

b) Full Cost Accounting for Oil and Gas Properties
The U.S. Securities and Exchange Commission's ("SEC") full cost accounting rules require the establishment of cost centres on a country-by-country basis. Unproven cost centres are not amortized unless a valuation loss is apparent. In determining the limitation on costs capitalized to a cost centre, SEC rules require a 10% discounting of future net revenues from production of proved oil and gas reserves and give no value to probable reserves.

c) Research and Development

Under Canadian GAAP and IAS, Bow Valley has capitalized certain development expenditures where the project has been determined technically feasible with a clearly defined future market. FASB Statement No. 2 requires the expensing of such items as incurred.

d) Extraordinary Income Item

Under Canadian GAAP, Bow Valley is required to recognize the gain resulting from the public issuance of common shares by BVRS as an extraordinary income item (Note 5). Under SEC rules, however, gains are credited directly to contributed surplus.

e) Reconciliation of Net Income and Retained Earnings

	1982		1981		1980	
	Net Income	**Retained Earnings**	Net Income	Retained Earnings	Net Income	Retained Earnings
After extraordinary item, in accordance with Canadian GAAP, as reported	**$10,836**	**$104,908**	$47,254	$103,470	$32,001	$65,611
Add (deduct) adjustments for Foreign currency translation	**(6,505)**	**(8,806)**	3,066	(2,301)	(1,386)	(5,367)
Full cost accounting ..	**(8,066)**	**(13,605)**	(3,054)	(5,539)	(1,158)	(2,485)
Research and development costs ...	**(6,399)**	**(6,399)**	—	—	—	—
Extraordinary income item	—	**(18,350)**	(18,350)	(18,350)	—	—
In accordance with United States GAAP ..	**$(10,134)**	**$57,748**	$28,916	$ 77,280	$29,457	$57,759
Earnings (loss) per share, in accordance with United States GAAP (Canadian Dollars) ...	**$(0.42)**		$0.71		$0.80	

These adjustments would have increased the accumulated losses for which a future tax benefit has not been recorded from $6.5 million, as reported in Note 8, to $12.2 million under United States GAAP.

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES

(Tabular amounts in thousands of Canadian dollars, unless otherwise indicated)

The following unaudited supplementary information is presented in compliance with Statement of Accounting Standards No. 69 issued in 1982 by the United States Financial Accounting Standards Board. As a result, this information may not be directly comparable with the information provided in the Consolidated Financial Statements.

a) Capitalized Costs

Capitalized costs and related accumulated depreciation and depletion for oil and gas properties and equipment at December 31st were:

	1982		1981	
	Capitalized Costs	Accumulated Depreciation and Depletion	Capitalized Costs	Accumulated Depreciation and Depletion
Canada	$133,421	$ 44,499	$111,065	$37,803
United States	208,398	54,886	175,885	40,886
Abu Dhabi	75,862	18,172	59,104	11,237
United Kingdom	338,934	62	214,824	62
Norway	32,082	302	14,709	302
Indonesia	46,561	5,169	33,212	3,529
Other	20,890	3,130	16,186	2,486
	$856,148	$126,220	$624,985	$96,305

Costs capitalized during each of the following years were:

	Property Acquisition Costs	Exploration Costs	Development Costs	Total
Year ended December 31, 1982				
Canada	$3,774	$12,998	$ 5,984	$ 22,756
United States	4,368	11,834	16,309	32,511
Abu Dhabi	—	10,311	6,447	16,758
United Kingdom	—	13,293	111,298	124,591
Norway	—	2,894	14,478	17,372
Indonesia	1,101	7,781	4,467	13,349
Other	50	4,156	—	4,206
	$9,293	$63,267	$158,983	$231,543
Year ended December 31, 1981				
Canada	$ 5,369	$ 5,070	$ 3,749	$ 14,188
United States	5,039	15,308	16,492	36,839
Abu Dhabi	—	7,186	1,924	9,110
United Kingdom	—	11,475	106,571	118,046
Norway	—	4,415	1,366	5,781
Indonesia	52	7,760	10,345	18,157
Other	132	1,484	—	1,616
	$10,592	$52,698	$140,447	$203,737
Year ended December 31, 1980				
Canada	$ 5,142	$ 5,410	$ 7,865	$ 18,417
United States	1,744	783	16,615	19,142
Abu Dhabi	3,549	857	4,561	8,967
United Kingdom	—	8,514	51,941	60,455
Norway	—	4,290	54	4,344
Indonesia	4,404	973	7,536	12,913
Other	108	2,961	235	3,304
	$14,947	$23,788	$88,807	$127,542

b) Analysis of Operating Results
The following tables analyse the operating results realized by Bow Valley's oil and gas producing activities during the past three years.

	Canada	United States	Abu Dhabi	Indonesia	Total
Year ended December 31, 1982					
Revenues	$37,474	$41,288	$13,240	$8,773	$100,775
Less					
Production and direct overhead costs	7,429	13,317	5,543	4,685	30,974
Depreciation and depletion	6,929	14,021	7,398	1,888	30,236
Petroleum and natural gas taxes	5,131	577	—	580	6,288
Income taxes	6,252	5,089	1,688	1,028	14,057
Results of operations from producing activities, excluding corporate overhead and interest costs	$11,733	$ 8,284	$ (1,389)	$ 592	$ 19,220
Year ended December 31, 1981					
Revenues	$34,373	$41,334	$16,356	$4,132	$96,195
Less					
Production and direct overhead costs	6,547	11,561	6,796	3,054	27,958
Depreciation and depletion	6,978	12,841	3,868	1,751	25,438
Petroleum and natural gas taxes	3,498	5,481	—	306	9,285
Income taxes	6,242	4,081	4,928	(578)	14,673
Results of operations from producing activities, excluding corporate overhead and interest costs	$11,108	$ 7,370	$ 764	$ (401)	$18,841
Year ended December 31, 1980					
Revenues	$31,557	$32,775	$24,931	$1,234	$90,497
Less					
Production and direct overhead costs	5,019	9,872	6,117	736	21,744
Depreciation and depletion	5,784	11,191	5,251	621	22,847
Petroleum and natural gas taxes	—	2,585	—	—	2,585
Income taxes	8,487	3,646	8,873	98	21,104
Results of operations from producing activities, excluding corporate overhead and interest costs	$12,267	$ 5,481	$ 4,690	$ (221)	$22,217

c) Estimated Net Quantities of Proved Oil and Gas Reserves

Bow Valley's estimated net proved (developed and undeveloped) reserves of oil and gas at the dates indicated, and the changes occurring between these dates, were:

Oil (thousands of barrels)	Canada	United States	United Kingdom	Norway	Indonesia	Other	Total
Proved reserves at December 31, 1979	5,916	6,655	35,770	2,743	—	6,766	57,850
Revisions of previous estimates	(403)	2,098	—	(691)	—	529	1,533
Extensions, discoveries and other additions	6	1,376	—	—	3,071	—	4,453
Production	(352)	(693)	—	—	(30)	(656)	(1,731)
Proved reserves at December 31, 1980	5,167	9,436	35,770	2,052	3,041	6,639	62,105
Revisions of previous estimates	72	589	—	—	—	—	661
Extensions, discoveries and other additions	6	144	—	—	242	(96)	296
Production	(324)	(747)	—	—	(101)	(366)	(1,538)
Proved reserves at December 31, 1981	4,921	9,422	35,770	2,052	3,182	6,177	61,524
Revisions of previous estimates	(1,266)	(134)	—	(153)	(1,474)	(3,725)	(6,752)
Extensions, discoveries and other additions	113	1,476	—	—	7,127	—	8,716
Production	(318)	(745)	—	—	(210)	(314)	(1,587)
Proved reserves at December 31, 1982	3,450	10,019	35,770	1,899	8,625	2,138	61,901

Gas (Bcf)	Canada	United States	United Kingdom	Norway	Indonesia	Other	Total
Proved reserves at December 31, 1979	188.3	101.4	18.8	98.0	—	—	406.5
Revisions of previous estimates	4.5	(19.1)	—	(14.5)	—	—	(29.1)
Extensions, discoveries and other additions	5.1	7.6	—	—	—	—	12.7
Production	(10.3)	(4.7)	—	—	—	—	(15.0)
Proved reserves at December 31, 1980	187.6	85.2	18.8	83.5	—	—	375.1
Revisions of previous estimates	(2.6)	(5.6)	—	—	—	—	(8.2)
Extensions, discoveries and other additions	12.0	2.9	—	—	—	—	14.9
Production	(11.3)	(3.9)	—	—	—	—	(15.2)
Proved reserves at December 31, 1981	185.7	78.6	18.8	83.5	—	—	366.6
Revisions of previous estimates	6.8	(9.1)	—	(1.6)	—	—	(3.9)
Extensions, discoveries and other additions	17.9	13.7	—	—	—	—	31.6
Production	(10.7)	(3.8)	—	—	—	—	(14.5)
Proved reserves at December 31, 1982	199.7	79.4	18.8	81.9	—	—	379.8

Proved developed net reserves of oil and gas at the dates indicated were:

Oil (thousands of barrels)	Canada	United States	United Kingdom	Norway	Indonesia	Other	Total
December 31, 1979	3,909	3,355	—	—	—	6,766	14,030
December 31, 1980	3,698	4,753	—	—	628	6,639	15,718
December 31, 1981	3,452	5,352	—	—	748	6,177	15,729
December 31, 1982	3,448	5,861	—	—	2,792	2,138	14,239
Gas (Bcf)							
December 31, 1979	167.5	40.2	—	—	—	—	207.7
December 31, 1980	173.5	41.4	—	—	—	—	214.9
December 31, 1981	171.6	40.3	—	—	—	—	211.9
December 31, 1982	156.2	41.9	—	—	—	—	198.1

Proved reserved are those reserves which geological and engineering data demonstrate, with a reasonable degree of certainty, to be recoverable from known reservoirs at commercial rates using existing technology and existing economic and operating conditions. Proved reserves include proved developed and proved undeveloped reserves. Proved developed reserves are proved reserves that can reasonably be expected to be recovered through existing wells and production facilities. Proved undeveloped reserves are proved reserves which require significant capital expenditure for their recovery. Substantially all of Bow Valley's proved developed reserves are producing.

The Canadian and United States reserves were appraised by independent consultants. Estimates as to oil and gas reserves are subject to uncertainty owing to such factors as the inability to estimate accurately total recoverable quantities of oil and gas, their rate of future production and completion, the effects of changing oil and gas prices and the cost of future operations. Bow Valley has received a reserve report as at January 1, 1983 with respect to its United States reserves from another independent petroleum engineer, commissioned in compliance with an annual undertaking pursuant to a senior debt instrument, estimating reserves at 7.1 million net barrels of oil and natural gas liquids and 35.9 Bcf of net gas reserves. Bow Valley continues to rely on the consultants it has used since 1978. In addition, the Operating Committee has received a 1980 report which estimates proved recoverable reserves in South Brae at Block 16/7a at 205 million barrels of oil and natural gas liquids and 89 Bcf of gas compared to the Operating Committee's own estimates of 292 million barrels of oil and natural gas liquids and 154 Bcf of gas. Bow Valley continues to rely on the estimates of the Operating Committee. Bow Valley's 14% net interest, based on these estimates, is shown in the preceding table. Other foreign reserves were based upon the applicable operator's latest estimate, adjusted by Bow Valley for subsequent production, where appropriate. All reserve information provided in this section is after deduction for estimated royalties payable to governments and others. These reserves have been determined assuming continuation of year end economic and operating conditions, and constant prices and costs.

In 1982, "producible reserves" located in the Mackenzie Delta (1,469,000 barrels of crude oil and liquids and 14.1 Bcf of gas) were removed from the proved category, since exploitation of these reserves would require a major transportation system which is not presently planned.

The proved reserves for United Kingdom presently reflect only the South Brae field, which is scheduled to commence production in mid-1983. A plan for the development of the North Brae field has been presented to the Brae group for approval, prior to submission to the Government. When approved by the participants and the Government, the North Brae reserves will be classified as proved undeveloped reserves. Additional fields have been discovered in the Brae area and will require additional delineation drilling and evaluation before a decision can be made to proceed with development.

The Norwegian reserves are currently being developed with production scheduled to commence in 1986. In Indonesia, proved reserves were added as a result of the Tanjung Laban and Ramba discoveries in 1982. Delineation drilling of the Ramba structure in 1983 is expected to confirm additional proved reserves.

In 1982, 3,689,000 barrels of oil reserves, previously recorded for "other" countries, have been removed from proved (developed) reserves. These reserves reflect volumes expected to be recovered upon completion of pressure maintenance facilities currently being installed. Upon completion of these facilities and with reservoir response to the pressure maintenance, these reserves will again be classified as proved.

d) Standardized Measure of Discounted Future Net Cash Flows

Bow Valley's "standardized measure of discounted future net cash flows", as defined in Statement No. 69, is provided in the following tables.

**Standardized Measure of Discounted Future Net Cash Flows
From Proved Reserves**
(millions of Canadian dollars)

As at December 31, 1982

	Canada	United States	United Kingdom	Norway	Indonesia	Other	Total
Cash inflows	$695	$748	$1,394	$680	$356	$91	$3,964
Less							
Production costs	132	156	342	364	54	39	1,087
Development costs	18	97	97	93	29	11	345
Petroleum and natural gas taxes	90	14	354	33	25	—	516
Income taxes	216	188	174	98	92	18	786
	456	455	967	588	200	68	2,734
Future net cash flows	239	293	427	92	156	23	1,230
Less 10% annual discount for estimated timing of net cash flows	125	133	119	80	41	7	505
Standardized measure of discounted future net cash flow	$114	$160	$ 308	$ 12	$115	$16	$ 725

**Standardized Measure of Discounted Future Net Cash Flows
From Proved Reserves**
(millions of Canadian Dollars)

As at December 31, 1981

	Canada	United States	United Kingdom	Norway	Indonesia	Other	Total
Cash inflows	$560	$689	$1,544	$707	$130	$250	$3,880
Less							
Production costs	115	114	299	269	30	86	913
Development costs	15	70	146	97	13	25	366
Petroleum and natural gas taxes	84	29	491	91	8	—	703
Income taxes	183	187	243	146	30	79	868
	397	400	1,179	603	81	190	2,850
Future net cash flows	163	289	365	104	49	60	1,030
Less 10% annual discount for estimated timing of net cash flows	86	124	139	94	18	25	486
Standardized measure of discounted future net cash flow	$ 77	$165	$ 226	$ 10	$ 31	$ 35	$ 544

During 1982, the standardized measure of discounted future net cash flows increased by $181 million, from $544 million to $725 million. An analysis of the causes of this increase is as follows:

	Increase (Decrease) ($ millions)
1982 oil and gas revenues, net of royalties and production costs	$ (76)
Development costs incurred during 1982	159
Net changes in prices and production costs relating to future production	(176)
Net changes in future development costs	(87)
Extensions and discoveries, less related costs	236
Revisions of previous quantity estimates	(131)
Changes in petroleum and natural gas taxes	102
Changes in income taxes	73
Accretion of discount	54
Other	27
	$181

Cash inflows represent Bow Valley's aggregate expected future revenues, net of royalties payable to governments and others, accruing from the sale of proved reserves; the year end prices have been used, with the exception of Canadian prices, which are as of the following January 1st. International oil prices and production levels have declined subsequent to December 31, 1982, and additional adjustments are possible; Bow Valley has not been able to determine the impact of such changes on its standardized measure of discounted future net cash flows.

Estimated production costs include field operating expenses and severance taxes, but exclude depreciation and depletion, corporate overhead and interest costs. These costs are based on year end costs and assume continuation of existing economic conditions.

Estimated development costs represent capital expenditures considered to be necessary to complete the development and production of the proved reserves. These costs are based on year end costs and assume continuation of existing economic conditions.

The provision for Petroleum and Natural Gas Taxes includes the Canadian Petroleum and Gas Revenue Tax and the Incremental Oil Revenue Tax, the United States Windfall Profit Tax, the United Kingdom Petroleum Revenue Tax and Advance Petroleum Revenue Tax, the Norwegian Special Tax and the Indonesian Additional Payment. The United Kingdom introduced a budget in March 1983, which proposed significant changes to the Petroleum Revenue Tax and a phasing out of the Advance Petroleum Revenue Tax; preliminary review indicates that the overall net impact of these changes on Bow Valley's standardized measure of discounted future net cash flows will be favourable and significant, although Bow Valley has not yet been able to quantify the impact.

The provision for income taxes has been calculated for each geographic area by applying the appropriate year end statutory tax rate to the future pre-tax net cash flows, adjusted for known permanent differences and the tax basis of the properties involved.

In determining Bow Valley's standardized measure of discounted future net cash flows, the impact of the United Kingdom gas reserves have been excluded. While the future cash inflows from the sale of these gas reserves may be substantial, the timing of such inflows is not determinable at this time due to the lack of adequate gas transportation systems in the area.

The net changes in prices and production costs, future development costs, petroleum and natural gas taxes and income taxes have been calculated as the difference between their year end amount and 110% of their amount at the previous year end. The net change relating to prices was calculated using the beginning proved reserves values. The net changes due to revisions, extensions and discoveries were valued in accordance with the prices and costs used to calculate the end of year "cash inflows". The impact of the revision to proved developed reserves relating to the pressure maintenance project, as discussed earlier, has also been reflected in the item "revisions of previous quantity estimates". The accretion of discount represents 10% of the standardized measure of discounted future net cash flows as at the beginning of the year. The "other" item primarily reflects changes in the estimated production schedule of Bow Valley's reserves.

Bow Valley believes that this standardized measure of discounted future net cash flows may not be representative since the provisions for income taxes and the United Kingdom Petroleum Revenue Tax have been severely overstated, due to the exclusion of recognizing the impact of future exploration and development projects, such as North Brae, which will result in considerable deferral of such taxes. Furthermore, the standardized measure of discounted future net cash flows requires a provision for cash income taxes, which will not be required after reflecting general corporate and interest costs.

The standardized measure of discounted future net cash flows should not be considered to represent the fair market value of Bow Valley's reserves or oil and gas properties. An estimate of fair market value would have to take into account, among other things, such additional factors as:

a) the probability that future recoveries of oil and gas from presently proved properties will differ from the reserves currently estimated;

b) the probability that reserves presently classified by engineers as probable will ultimately become proved;

c) the probability of additional reserves being discovered on unproven acreage;

d) the value of producible reserves in frontier areas which have not been included in the evaluation due to such factors as lack of transportation systems and government approvals;

e) the probability that future oil and gas prices and costs of developing and producing the reserves will vary from those projected in the analyses;

f) the probability of significant changes in the production schedules from those projected in the analyses; and

g) the probability of changing tax, royalty and other government levies on oil and gas production and net income.

Furthermore, a discount rate of 10% may not be appropriate in view of the high level of interest rates currently being experienced. Finally, a uniform discount rate may not be appropriate due to an evaluation of differing risk factors for development of offshore reserves, or operation in various foreign jurisdictions.

CORPORATE INFORMATION

Directors

R. GUY GODBOUT•, President, Prego Investments Inc., Montreal

JAMES S. GRAHAM†•, Industrialist, Vancouver

WILLIAM A. HOWARD*†•, QC, Barrister and Solicitor, Calgary

E. LEO KOLBER, President, Cemp Investments Ltd., Montreal

ARNOLD M. LUDWICK†, Vice-President, Financial Analysis, The Seagram Company Ltd., Montreal

GERALD J. MAIER*•, President, Bow Valley Industries Ltd., Calgary

JOHN S. POYEN*, Energy Industry Management Consultant, Calgary

BYRON J. SEAMAN*, Chairman of the Board, Bow Valley Resource Services Ltd., Calgary

DARYL K. SEAMAN*•, Chairman of the Board, Bow Valley Industries Ltd., Calgary

DONALD R. SEAMAN*, President, Bow Valley Resource Services Ltd., Calgary

D'ALTON L. SINCLAIR†, Financial Consultant, Toronto

*Executive Committee
†Audit Committee
•Personnel Committee

Executive Officers

GERALD J. MAIER, President and Chief Executive Officer

WILLIAM H. TYE, Senior Vice-President and Chief Financial Officer

DALE I. BEISCHEL, Vice-President, Exploration

WILLIAM F. CLARK, Vice-President, Land

ROBERT E. HINDSON, Vice-President, Mining

OREST HUMENIUK, Vice-President, Finance

PHILIP R. LAWTON, Vice-President and Controller

H. KEITH LAZELLE, Vice-President, Corporate Affairs

ROBERT J. PHIBBS, Vice-President, Administration

HENRY A. SMITH, Vice-President, General Counsel, and Secretary

LAWRENCE A. MACKWOOD, Treasurer

Head Office

1800, 321 Sixth Avenue SW,
P.O. Box 6610, Station D,
Calgary, Alberta T2P 3R2
Telephone: (403) 231-1211 Telex: 24692

International Offices

BOW VALLEY COAL RESOURCES INC.
Clyde E. Goins, President and General Manager
Coalgood, Kentucky 40818
Telephone: (606) 573-1715

BOW VALLEY EXPLORATION (U.S.) INC.
C. Rod DeLuca, President
1700 Broadway, Denver, Colorado 80290
Telephone: (303)861-4366

BOW VALLEY EXPLORATION (U.K.) LIMITED
Clive A. Randle, Managing Director
Windsor House, 50 Victoria Street, London
SW1H 0NW
Telephone: (01) 222-5421 Telex: 23688

BOW VALLEY EXPLORATION (S.E. ASIA) LTD.
A. Lloyd Flood, President
1406 - 1411 Tower Block, Goldhill Plaza,
Newton Road, Singapore 1130
Telephone: 252-2160 Telex: 8726328

Transfer Agents

Common Shares
GUARANTY TRUST COMPANY OF CANADA
Calgary, Toronto, and Vancouver
THE BANK OF NEW YORK, New York

Preferred Shares
GUARANTY TRUST COMPANY OF CANADA
Vancouver, Regina, Winnipeg, Toronto, Montreal, and Halifax

Debentures
ORION BANK LIMITED
London

Registrars

Common Shares
GUARANTY TRUST COMPANY OF CANADA
Calgary, Toronto, and Vancouver
THE BANK OF NEW YORK, New York

Preferred Shares
GUARANTY TRUST COMPANY OF CANADA
Vancouver, Regina, Winnipeg, Toronto, Montreal, and Halifax

Stock Exchange Listings

Common Shares
The Toronto Stock Exchange
American Stock Exchange
Montreal Exchange
London Stock Exchange (Section 163(1)E)

Preferred Shares
The Toronto Stock Exchange
Montreal Exchange

Auditors

PRICE WATERHOUSE

Legal Counsel

HOWARD, MACKIE, Calgary
PAUL, WEISS, RIFKIND, WHARTON & GARRISON, New York
TEACHER STERN HUNTER & SELBY, London

Banker

THE ROYAL BANK OF CANADA

Market Price and Volume — Common Shares

	The Toronto Stock Exchange		American Stock Exchange			
	Price Range		Price Range ($US)		Number of Shares Traded	
Period	High	Low	High	Low	Toronto	American
1978	$ 8⅛	$ 3⅜	$ 7⅛	$ 3¹⁄₁₆	19,351,500	23,543,100
1979	15¼	6¹⁵⁄₁₆	12¹⁵⁄₁₆	5¾	16,315,300	35,801,700
1980	27	11	23⅜	8⅜	27,693,000	36,792,700
1981						
1st quarter	21¾	16⅝	18¼	13¾	2,568,600	2,304,000
2nd quarter	23⅜	16½	19⅝	13¾	3,940,900	1,764,100
3rd quarter	25½	13¾	21¼	11⅝	6,170,700	1,903,200
4th quarter	21⅝	15⅛	18⅛	12½	3,270,900	755,000
					15,951,100	6,726,300
1982						
1st quarter	19¾	10	16⅝	8	2,400,500	737,100
2nd quarter	16¼	13½	13	10¾	1,626,800	653,900
3rd quarter	16⅝	13⅜	13⅝	10½	1,991,200	604,800
4th quarter	20½	15½	16¾	12⅜	2,683,900	990,800
					8,702,400	2,986,600

Shareholder Distribution of Common Shares (as determined by addresses in the Shareholder Register).

December 31, 1982

	Number of Shareholders	Number of Shares	Percent
Canada	5,710	30,191,000	85%
United States	1,980	4,610,000	13%
Other	140	711,000	2%
	7,830	35,512,000	100%

Major shareholders are: the Seaman brothers of Calgary, 16 percent; Cemp Investments Ltd. et al of Montreal, 11 percent; and the Olympia & York group of Toronto, seven percent.

Annual General Meeting

The Annual General Meeting of Shareholders of Bow Valley Industries Ltd. will be held in Calgary in the Glenview Room of the Calgary Convention Centre at 10:00 a.m., May 12, 1983.

Other

The payment of dividends on common shares is subject to the holders of the Cumulative Redeemable Convertible Class B Preferred Shares receiving a dividend of seven percent per annum.

The general rate of withholding tax on common dividends paid to United States shareholders is 15 percent.

Form 10-K

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 1982, as filed with the U.S. Securities and Exchange Commission, may be obtained without charge by writing to the Vice-President, Corporate Affairs, Bow Valley Industries Ltd., P.O. Box 6610, Postal Station D, Calgary, Alberta, Canada T2P 3R2.

BOW VALLEY INDUSTRIES LTD.
ANNUAL REPORT 1982

LITHO'D IN CANADA