

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86/2

923 SCOM32: AK GENERAL STOCK OWNERSHIP CORP. 1979-80 963

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AS A UNIT IN THE ORIGINAL DOCUMENT.

B.C. RESOURCES

British Columbia Resources Investment Corporation
2600-1177 West Hastings Street,
Vancouver, B.C. V6E 3Y3 Phone: (604) 687-2600

David L. Helliwell
President & Chief Executive Officer

June 20, 1979

Mr. Tom Singer
State of Alaska
Office of the Governor
Division of Policy Development & Planning
Pouch AD
Juneau 99811

Dear Mr. Singer:

Thank you for your letter of June 13th. The attention that B.C. Resources has received since its inception, and latterly throughout our three month public offering has been overwhelming. I am pleased to enclose our prospectus, brochure, two speeches recently delivered by myself on the concept of BCRIC and Order in Council 739, with the hope that this material will be of assistance to you. I have also enclosed a press release dated June 15th, which at this point is the most up to date information on the public offering campaign. If after you peruse this information, you have any specific questions relating to BCRIC, I would be delighted to answer them.

Thank you again for your interest in B.C. Resources and my best wishes for a successful venture with AGSOC.

Yours truly,



/jab

JUN 25 1979

POLICY DEVELOPMENT
& PLANNING

C. RESOURCES

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Vancouver, B.C. V6E 3Y3 Phone: (604) 687-2600

PRESS RELEASE

Contact: David Helliwell
687-2600

or

Jack Morris
687-2600 or 736-8644

June 15, 1979

VANCOUVER -- British Columbia Resources Investment Corporation (BCRIC) announced today that 1,614,805 British Columbians had applied for their five free shares.

In its final progressive report on share applications, BCRIC said its latest figures, to June 14, show that applications have been made for a total of 8,074,025 free shares.

David Helliwell, president of the corporation, also announced that up to June 14 British Columbians had applied to purchase 14,924,435 additional BCRIC shares at \$6 each. This has yielded the corporation gross proceeds of \$89,546,610 and reflects a registered shareholder application total of 47,000. Registered shareholders of BCRIC must have 100 or more shares.

The figures reported reflect only those applications processed as there is a significant number of unprocessed applications.

Mr. Helliwell noted that it will take some time to complete a tabulation of the number of share applications made up to the June 15 deadline. An announcement of final results will be made in about a week, when processing has been completed.

An opportunity to invest in B.C. RESOURCES

British Columbia Resources Investment Corporation



This is B.C. RESOURCES



British Columbia Resources Investment Corporation
2600-1177 West Hastings Street,
Vancouver, B.C. V6E 3Y3 Phone: (604) 687-2600

British Columbia Resources Investment Corporation, or "B.C. Resources", is a unique company established to provide a special opportunity for British Columbians to invest individually in their own province.

This brochure is intended to give you some basic information about the company. For many who have never purchased shares before, we have included some additional information about the investment process.

For those who may wish to have more detailed information, a full prospectus is available on request from B.C. Resources or at a bank, trust company, credit union, or investment dealer.

We hope you find the following pages helpful and that you will take advantage of this opportunity to purchase shares at \$6.00 per share prior to June 15.

David L. Helliwell
President and Chief Executive Officer

March 1, 1979

B.C. RESOURCES

A brief history

British Columbia Resources Investment Corporation is one of the province's larger corporations, with interests in forest products, a pipeline utility, and in energy exploration and development.

The company was established to provide an investment opportunity for British Columbians and to create a new pool of investment capital that is owned and managed in the province.

As a profit-oriented company, B.C. Resources' primary objective is to earn for its shareholders a profitable return on their investment.

Funds which are being raised by the current share sale will be used for additional investments, including the development of the company's gas and oil activities in northeastern B.C.

The company was incorporated on February 22, 1978, and in the following month it purchased its present holdings — which include interests in Canadian Cellulose Company, Limited, Kootenay Forest Products Ltd., Plateau Mills Ltd., Westcoast Transmission Company Limited and oil and gas exploration rights — from the provincial government for \$151.5 million.

Under the legislation governing B.C. Resources, only Canadian citizens or residents may hold voting shares of the company. No individual may hold more than one per cent of the company's voting shares, and no mutual or pension fund or health plan may hold more than three per cent. The legislation also prohibits the government from electing a majority of the board of directors of the company while the government holds more than 10 per cent of the company's voting shares.

The present board of directors is composed entirely of successful British Columbia businessmen.

The head office of B.C. Resources is located at the Board of Trade Tower in Vancouver's business district. The company also maintains a gas and oil exploration office in Calgary.



B.C. RESOURCES

Our holdings

Canadian Cellulose

B.C. Resources owns 81 per cent of the shares of Canadian Cellulose, a forest products company with some 2,700 employees in its pulp, lumber and logging operations in British Columbia. It is among Canada's largest exporters of market pulp.

Bleached softwood kraft pulp from Canadian Cellulose mills at Prince Rupert and Castlegar is marketed in 19 countries. The company's lumber production sold in the United States and Canada.

In addition to its two kraft pulp mills, Canadian Cellulose operates lumber mills and logging divisions in the northwest and southern interior regions of British Columbia.

The company recently completed a \$145 million modernization and conversion program at its Prince Rupert pulp mill which has increased kraft pulp capacity at the mill from 680 to 1,100 tonnes per day.

In 1978, Canadian Cellulose had net sales of \$175,490,000 and net earnings of \$6,774,000 after providing for income tax and after an extraordinary item. In the first 10 months of 1978, B.C. Resources received dividends totalling \$3,164,000 from Canadian Cellulose.

Plateau Mills

B.C. Resources owns 100 per cent of the shares of Plateau Mills, a lumber manufacturer employing about 300 people at its two sawmills located at Engen in the Vanderhoof area.

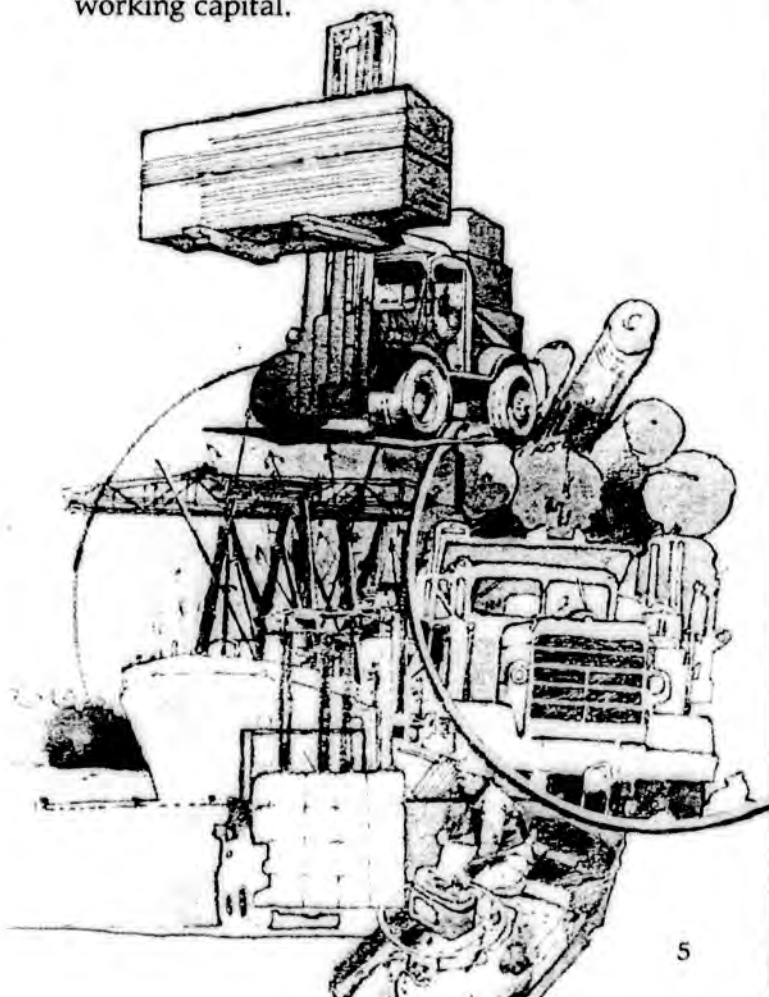
The company produces dimension lumber and ships it to markets primarily in the United States. The company had sales of \$28,224,000 and net earnings of \$4,432,000

in 1978. Rather than pay dividends to B.C. Resources in 1978, Plateau used the funds for debt retirement and sawmill expansion.

Kootenay Forest Products

B.C. Resources owns 100 per cent of the shares of Kootenay Forest Products, a lumber and plywood manufacturer with about 500 employees at its plants in Nelson.

Kootenay produces sheathing plywood primarily for the Canadian market and dimension lumber for markets in Canada and the United States. The company had sales of \$28,560,000 and net earnings of \$3,896,000 in 1978. B.C. Resources did not receive any dividends from Kootenay in 1978 because cash was conserved to finance plant improvements, logging roads and working capital.



B.C. RESOURCES

Our holdings

Westcoast Transmission

B.C. Resources owns about 10 per cent of the common shares of Westcoast Transmission, a major pipeline utility operating primarily in British Columbia.

This holding of 3,471,375 common shares of Westcoast generates dividend income for B.C. Resources which amounted to \$2,394,000 in 1978.

Through a system of pipelines and associated facilities, Westcoast gathers and processes natural gas from northeastern British Columbia, the Yukon and the Northwest Territories and transports the gas to markets in British Columbia and in the United States.

Westcoast Transmission owns 50 per cent of Foothills Pipe Lines (Yukon) Ltd., which is responsible for the construction and operation of the Canadian portion of the Alaska Highway Pipeline Project.

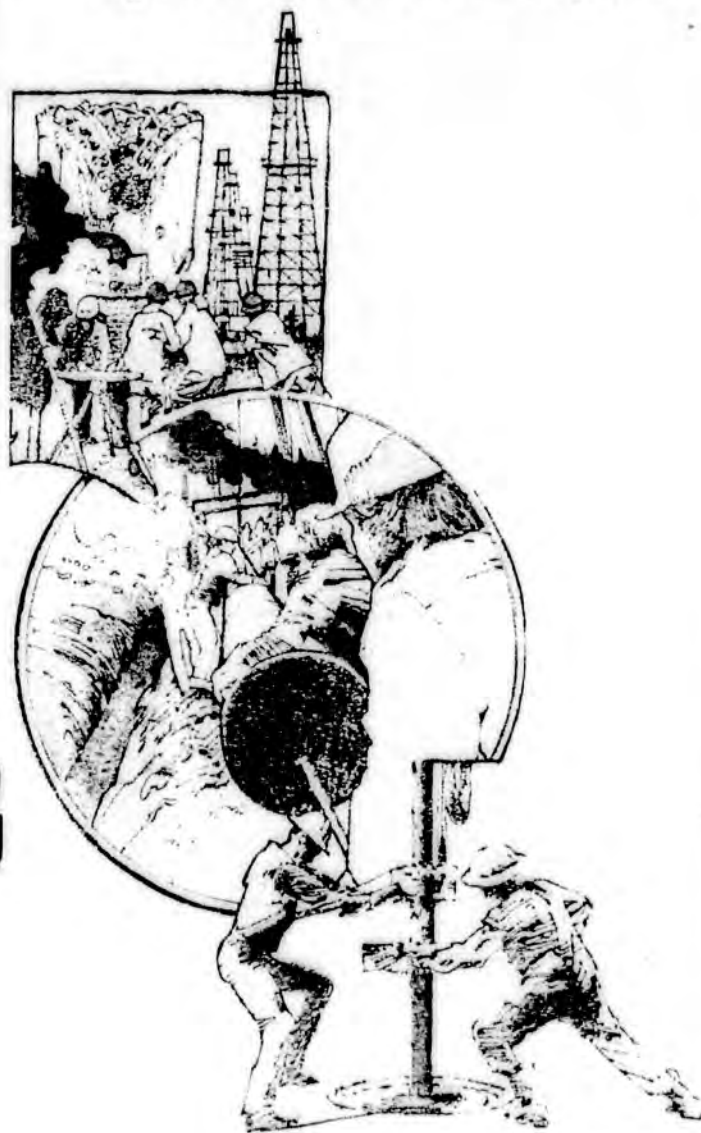
Operating revenues of Westcoast in 1978 were \$843,902,000 and the company had net earnings, after taxes, of \$41,938,000.

Gas and Oil Division

B.C. Resources' gas and oil division holds a petroleum and natural gas licence on 2.3 million acres of Crown land in northeastern British Columbia, where much of the province's present production of oil and gas is located.

The company has a five-year licence to explore this land for oil and gas. Under the terms of the licence, B.C. Resources does not drill for oil and gas itself, but makes agreements with other companies to do so (called "farmout agreements") under which both companies share in any discovery.

By early 1979, farmout agreements had been negotiated to explore on about 90 per cent of the land. These agreements cover the drilling of 18 wells over the next 3½ years. Four of these wells are being drilled in the 1978-79 winter drilling season, and in the first well drilled a gas-bearing section was found. Additional testing will be required to determine if there are sufficient quantities of gas to make the well commercially viable.



B.C. RESOURCES

A summary of our financial affairs

The following is intended to be a limited summary of the financial affairs of B.C. Resources. For complete financial statements, please refer to the prospectus.

The term "consolidated", used in describing the information which follows, means that the assets, liabilities, revenues and expenses of B.C. Resources have been combined with those of the companies which it controls (Canadian Cellulose, Kootenay and Plateau).

Our Consolidated Earnings in 1978

Revenues	
Sales of pulp, lumber and plywood	\$202,659,000
Other	10,960,000
	<u>213,619,000</u>
Expenses	
The cost of the pulp, lumber and plywood sold	184,130,000
Selling and administration expenses	9,603,000
Interest expense on long term debt	4,715,000
Other expenses, including income taxes of \$303,000	1,997,000
	<u>200,445,000</u>
Revenues less expenses	13,174,000
Deduct minority shareholders' interest in revenues less expenses shown above	494,000
Our earnings before the following extraordinary item	12,680,000
B.C. Resources' share of an extraordinary recovery by Canadian Cellulose in 1978 of some of its logging taxes of prior years	3,242,000
Our consolidated earnings in 1978 ..	<u>\$ 15,922,000</u>

Our Consolidated Assets and Liabilities

What we owned at December 31, 1978

Cash and short-term investments, amounts owed to us, and inventories ("current assets")	\$138,630,000
Pulp mills and sawmills and supporting facilities and equipment ("property, plant, and equipment") ..	198,773,000
Oil and gas exploration rights	40,959,000
Investment in Westcoast Transmission	37,364,000
Other	9,342,000
	<u>\$425,068,000</u>

What we owed to others, excluding the Province of British Columbia at December 31, 1978

Amounts owed to suppliers and others, short-term loans, and other liabilities payable in 1979 ("current liabilities")	\$ 60,808,000
Long-term debt	168,247,000
Ownership of 19% of CanCel by minority shareholders	23,066,000
Other	5,492,000
	<u>257,613,000</u>

Investment in B.C. Resources by the Province at December 31, 1978

Note payable to the Province (B.C. Resources has agreed that it will issue 15,000,000 common shares to the Province in exchange for the note. The Province's announced distribution of free shares to eligible residents will be made from this allotment.)	151,533,000
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Assets minus liabilities ("shareholder's equity")

Shares issued to the Province on February 22, 1978 for \$5 cash	
Our consolidated earnings in 1978 ..	15,922,000
	<u>167,455,000</u>
	<u>\$425,068,000</u>

B.C. RESOURCES

A Shareholder: What it means

Assets . . . Liabilities . . . Dividends. These and many other technical terms are often used in the board rooms of business and in the stock market. But to the person who has never been a share owner before, they can be confusing.

These pages present some of the more common terms and a simple explanation of what they mean.

Shareholder — Each shareholder has an interest in the business of the company through his or her investment in shares. Shareholders are entitled to dividends if declared by the directors. Registered shareholders are entitled to vote at shareholders' meetings.

Directors — Directors are elected by the voting shareholders and are responsible for the over-all policy and direction of the company. It is the board of directors that decides on behalf of the shareholders what uses will be made of the company's money and other assets, what dividends will be paid to the shareholders, and what new investments or projects the company will undertake. The officers are appointed by the directors and are in charge of the day-to-day affairs of the company.

Annual and Interim Reports — These are made available on a regular basis to registered shareholders. They contain a review of the company's affairs, a financial report, and the outlook for the future.

Assets — Everything a company owns.

Liabilities — Everything a company owes to someone else.

Board Lot — A block of shares, usually 100, which is the common trading unit on a stock exchange.

Odd Lot — A number of shares, usually less than 100, that can also be traded on a stock exchange but at a lower net price to the seller than a board lot.

Book Value per Share — What the company owns, less what it owes, as shown in its accounting statement, divided by the number of shares outstanding.

Market Price — The price at which a share can be sold. This price fluctuates and may be higher, or lower, than the book value per share or the original issue price.

Dividend — The portion of the company's net earnings that the directors decide to pay to the shareholders. In determining that amount, directors must also consider the cash resources and needs of the company for such items as debt repayment, investment in new ventures and expansion of facilities. For new companies, like B.C. Resources, dividends are often not paid for several years after startup.

Net Earnings — The amount of profit the company has made after paying all expenses and taxes.

Retained Earnings — The cumulative amount of net earnings that is not paid in dividends but that is retained by the company to pay for modernization, expansion or new investment.

Prospectus — A detailed and technical document describing the company's financial and business affairs. A prospectus is prepared prior to the sale of shares to the public and is intended to help prospective shareholders evaluate the shares and the company before investing.

How to acquire shares

To purchase shares from B.C. Resources, you must be eligible for the five free shares offered by the government. You may purchase up to 5,000 shares in B.C. Resources at \$6.00 per share at any time up to June 15, 1979.

Every man, woman and child who has lived in the province since birth or for the year preceding the date of application, and who holds or has qualified and applied for Canadian citizenship, is eligible. Application forms and prospectuses are available at banks, trust companies, credit unions and investment dealers in the province.

All you need to do is the following:

- a) Go to the local branch of the financial institution you wish to deal with and fill out an application form.

Those 16 years of age and over should apply in their own name. Children under 16 are also eligible but the application must be made by the mother or guardian who becomes the legal owner of the shares based on the child's entitlement.

- b) Provide any two of the following pieces of identification — driver's licence, social insurance card, medical plan card.

For children, the mother need only furnish a medical plan number or a birth certificate. If you are 65 years of age or over, and do not have two of the three identification documents, one will be acceptable, including your Pharmacare card. Those unable to apply in person may delegate an individual to act on their behalf, using a power of attorney form which is available where applications are made.

- c) The financial institution you wish to use will assist you in filling out the application form.

If you apply for 100 shares or more, your shares will be registered and you will be entitled to vote your shares. Because registering shares takes additional time, purchasers of shares which will be registered are urged to apply before May 15, 1979.

B.C. RESOURCES

Board of Directors



John W. Pitts,
Chairman of British
Columbia Resources
Investment Corporation;
Chairman and President,
Okanagan Helicopters Ltd.

David L. Helliwell,
President and Chief
Executive Officer,
British Columbia
Resources Investment
Corporation.



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

John W. Poole,
President and Chief
Executive Officer, Daon
Development Corporation



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

W. Maurice Young,
Chairman and Chief
Executive Officer,
Finning Tractor &
Equipment Company
Limited.



REMARKS TO THE
CANADIAN PENSION CONFERENCE

SPRING MEETING

BY

DAVID L. HELLIWELL
PRESIDENT & CHIEF EXECUTIVE OFFICER
BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION

MAY 15, 1979

FOUR SEASONS HOTEL
VANCOUVER, B.C.

I WAS DELIGHTED WHEN GERRY DORSET AND DON LARGE INDICATED TO ME THAT YOUR CONFERENCE MIGHT BE INTERESTED IN B.C. RESOURCES. ITS ALWAYS A PLEASURE FOR ME TO TALK ABOUT THE BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION.....AND I'M PLEASED THAT SUCH AN IMPORTANT GROUP OF PEOPLE IS INTERESTED IN US.

THE INTEREST AND ATTENTION THE B.C. RESOURCES INVESTMENT CORPORATION HAS OCCASIONED HAS BEEN AMAZING TO ME AND MY COLLEAGUES. THIS ATTENTION HAS COME NOT ONLY FROM BRITISH COLUMBIA, BUT FROM MANY PARTS OF CANADA, AND LATERALLY FROM OTHER POINTS IN THE WORLD AS WELL.

I'M NOT CERTAIN WHETHER THIS IS A RESULT OF THE PHILOSOPHICAL UNDERPINNINGS OF THE CORPORATION.....THAT IS, IN PART THAT THIS IS A DELIBERATE ATTEMPT TO RETURN TO THE PRIVATE SECTOR WHAT HAS BEEN ACQUIRED BY GOVERNMENT.....OR WHETHER ITS SIMPLY THAT PEOPLE LOVE TO BE TOLD THEY'RE GOING TO BE GIVEN SOMETHING FREE, IN THIS CASE FREE SHARES.

WHATEVER THE REASON, THE RESPONSE TO B.C. RESOURCES INVESTMENT CORPORATION HAS BEEN SIGNIFICANT. IN FACT, IN A FEW MINUTES I WILL GIVE YOU SOME FIGURES WHICH WILL INDICATE THE DEGREE OF RESPONSE WE HAVE BEEN GETTING IN THIS PROVINCE.

BUT FIRST, LET ME SET THE SCENE BY TELLING YOU WHAT THE B.C. RESOURCES INVESTMENT CORPORATION IS, AND WHAT ITS DOING.

B.C. RESOURCES OR "BCRIC" AS IT HAS BECOME KNOWN, CAME TO BE WHEN THE PRESENT PROVINCIAL GOVERNMENT DECIDED TO RETURN TO THE PRIVATE SECTOR A NUMBER OF CORPORATE INVESTMENTS THAT WERE INHERITED FROM A PREVIOUS ADMINISTRATION. THERE WERE OBVIOUSLY SOME PHILOSOPHICAL REASONS FOR DOING SO, BUT THERE WAS ALSO THE IMPORTANT FACTOR OF TRYING TO AVOID SOME CONFLICTS OF INTEREST....CONFLICTS WHICH COULD ARISE, FOR EXAMPLE, WHERE THE GOVERNMENT HAD REGULATORY AUTHORITY

OVER THE FOREST INDUSTRY AND YET AT THE SAME TIME HAD
A DIRECT HOLDING IN SOME FORESTRY COMPANIES AND AS WELL
ESSENTIALLY THE SAME SORT OF AUTHORITY OVER WESTCOAST
TRANSMISSION BY B.C. PETROLEUM CORP., ANOTHER CROWN AGENCY.

THERE WAS ALSO ANOTHER REASON FOR THE FORMATION OF "BCRIC".
THE GOVERNMENT FELT THIS ALSO WOULD BE AN OPPORTUNITY TO
CREATE IN THIS PROVINCE A LARGE NEW POOL OF INVESTMENT CAPITAL,
AND THAT THIS CAPITAL COULD THEN BE UTILIZED TO DEVELOP
INVESTMENTS FOR THE BENEFIT OF ALL BRITISH COLUMBIANS.

SO THE GOVERNMENT PASSED THE NECESSARY LEGISLATION AND B.C.
RESOURCES WAS INCORPORATED JUST OVER A YEAR AGO. SHORTLY
AFTERWARD, OUR PRESENT INVESTMENTS WERE TRANSFERRED TO US IN
EXCHANGE FOR A PROMISSORY NOTE FOR 151.5 MILLION DOLLARS.

THOSE INVESTMENTS ARE:

- 81 PERCENT OF CANADIAN CELLULOSE, A PUBLIC COMPANY AND
A MAJOR PULP AND LUMBER PRODUCER IN THE PROVINCE.
- 100 PERCENT OF TWO MEDIUM-SIZED LUMBER PRODUCERS, KOOTENAY
FOREST PRODUCTS AND PLATEAU MILLS.

- 10 PERCENT OF THE SHARES OF WESTCOAST TRANSMISSION,
A NATURAL GAS PIPELINE FIRM.
- AND, TO GIVE THAT 'GRAB BAG' SOME SIZZLE--A LICENCE
TO EXPLORE FOR GAS AND OIL ON SOME 2.3 MILLION ACRES
OF LAND IN NORTHEASTERN BRITISH COLUMBIA.

THEN, THE CONUNDRUM OF HOW TO GO ABOUT THE MECHANICS
OF ACHIEVING THOSE SIMPLE BUT WHEN INTERRELATED, COMPLEX
OBJECTIVES.....THE SOLUTION TO THAT PROBLEM WAS WHAT PUT
US IN THE HEADLINES..... THE GOVERNMENT DECIDED THAT
INSTEAD OF HAVING US SELL BACK TO THE CITIZENS OF THE
PROVINCE WHAT THEY ALREADY OWNED, THEY WOULD SIMPLY
CHANGE AN INDIRECT, AND NON-TRANSFERRABLE COLLECTIVE
TITLE, TO A DIRECT AND NEGOTIABLE FORM OF OWNERSHIP.

LAST JANUARY, THE GOVERNMENT ANNOUNCED A PLAN UNDER
WHICH IT WOULD GIVE EVERY ELIGIBLE MAN, WOMAN AND CHILD
IN THE PROVINCE FREE SHARES OF "BCRIC".

THOSE SHARES WOULD COME FROM AN ISSUANCE BY US OF 15,000,000 COMMON SHARES THAT WE WOULD EXCHANGE IN FULL PAYMENT FOR OUR PROMISSORY NOTE THAT GOVERNMENT HELD FOR 151.5 MILLION DOLLARS. THE GOVERNMENT SAID THEY THEN WOULD GIVE 12,000,000 OF THOSE 15,000,000 AWAY AND IF ALL OF THE 2.4 MILLION PEOPLE WHO ARE ELIGIBLE APPLY FOR THEIR FIVE FREE SHARES, THE GOVERNMENT'S OWNERSHIP IN OUR CORPORATION WILL BE REDUCED TO 20 PERCENT FROM THE PRESENT 100 PERCENT.

THEN, AT THE SAME TIME AS THE FREE SHARES WERE BEING MADE AVAILABLE B.C. RESOURCES WOULD BE SELLING ADDITIONAL SHARES FROM ITS OWN TREASURY. THE NUMBER TO BE SOLD WILL DEPEND ENTIRELY ON THE DEMAND.

BUT THIS SALE WILL PROVIDE THE COMPANY WITH ITS UNCOMMITTED INVESTMENT CAPITAL AND, AT THE SAME TIME, REDUCE EVEN FURTHER THE GOVERNMENT'S PERCENTAGE OWNERSHIP IN "BCRIC".

THE FREE SHARES AND THE SHARES FOR SALE ARE EXACTLY THE SAME IN ALL RESPECTS. HOWEVER, IN ORDER TO HAVE SHARES REGISTERED, AND THUS BE ELIGIBLE FOR VOTING PURPOSES AT MEETINGS OF THE SHAREHOLDERS AND TO BE ENTITLED TO RECEIVE DIRECTLY REPORTS AND NOTICES, A PERSON MUST HAVE AT LEAST 100 SHARES. OTHERWISE, THE SHARES WILL BE IN BEARER FORM; BOTH THE 5 FREE AND ANY ADDITIONAL PURCHASES AGGREGATING LESS THAN 100. THIS UNUSUAL STEP IS OF COURSE NECESSARY TO SAVE THE CORPORATION THE EXPENSE OF THE DIRECT SERVICE COST OF THIS LARGE SHAREHOLDER LIST RELATIVE TO THE SIZE OF THE CORPORATION.

THIS BRINGS ME TO THE ISSUE PRICE FOR THE PURCHASED SHARES. THE DECEMBER, 1978, BOOK VALUE OF THE 15,000,000 SHARES I MENTIONED WAS \$11.16 PER SHARE. OUR BOARD OF DIRECTORS DECIDED THAT WE WOULD SELL ADDITIONAL SHARES AT A PRICE OF \$6 PER SHARE.

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AT THAT PRICE A BRITISH COLUMBIAN QUALIFYING FOR FIVE
FREE SHARES WILL BE ABLE TO ACQUIRE 100 SHARES FOR
\$570....A PRICE THAT WILL, I BELIEVE, MAKE A REGISTERED
HOLDING OF SHARES ACCESSIBLE TO ALMOST EVERYBODY WITH
ANY FUNDS AVAILABLE FOR INVESTMENT.

HOW DID WE DECIDE UPON \$6 PER SHARE?

THERE WERE A NUMBER OF REASONS. SOME REDUCTION FROM
UNDERLYING VALUE HAD TO BE MADE BECAUSE IN THE STOCK
MARKET, HOLDING COMPANIES SUCH AS WE ARE PRESENTLY
PERCEIVED, TRADITIONALLY SELL AT BELOW UNDERLYING VALUE.
WE WERE ALSO MINDFUL OF THE FACT THAT THERE IS NO
MARKET FOR OUR SHARES AT PRESENT AND WHEN TRADING DOES
BEGIN, THERE WILL BE SOME PEOPLE WHO WILL WANT TO SELL
THEIR FREE SHARES WHICH COULD DEPRESS AND DISTORT
AN INITIAL MARKET. ANOTHER CONSIDERATION WAS THAT AS
THIS IS AN UNLIMITED SHARE SALE, OTHER THAN A 5,000

MAXIMUM FOR EACH ELIGIBLE RESIDENT, IT WOULD BE DIFFICULT TO DETERMINE HOW MUCH THE BOOK VALUE MIGHT BE DILUTED. AND FINALLY, WE DO NOT INITIALLY INTEND TO PAY DIVIDENDS.

ALL OF THESE CONSIDERATIONS TENDED TO PUSH THE PRICE DECISION TO THE LOWER END OF A POSSIBLE RANGE AND HAVE CONSEQUENTLY RESULTED IN WHAT MOST ANALYSTS HAVE ALREADY CALLED AN ATTRACTIVE DEAL.

ONE OF THE KEYS TO THE FUTURE SUCCESS OF ANY COMPANY ARE THE PEOPLE WHO MAKE THE DECISIONS AND GIVE IT DIRECTION. I BELIEVE OUR BOARD OF DIRECTORS IS AN EXCEPTIONAL ONE. ALL OF THEM ARE CHIEF EXECUTIVE OFFICERS OF THEIR OWN SUCCESSFUL COMPANIES:

- TREVOR PILLEY, CHAIRMAN OF THE BANK OF BRITISH COLUMBIA;
- JOHN PITTS, CHAIRMAN AND PRESIDENT OF OKANAGAN HELICOPTERS;
- JACK POOLE, PRESIDENT OF DAON DEVELOPMENT;

- CHUNKY WOODWARD, CHAIRMAN OF WOODWARD'S STORES; AND
- MAURY YOUNG, CHAIRMAN OF FINNING TRACTOR AND EQUIPMENT COMPANY,

THEY ARE WELL POSITIONED TO ADVISE US ON FUTURE OPPORTUNITIES.

IT IS VERY CLEAR ALREADY THAT BRITISH COLUMBIANS ARE RESPONDING IN LARGE NUMBERS TO THE CONCEPT OF "BCRIC". AND ON THE BASIS OF NUMBERS ALONE, THIS CORPORATION ALREADY HAS BECOME--OR WILL BECOME WHEN THE ACTUAL SHARE CERTIFICATES ARE ISSUED--A CORPORATION WITH ONE OF THE LARGEST GROUPS OF SHAREHOLDERS IN THE WORLD.

THE NUMBERS ARE STILL BEING TABULATED, BUT I CAN TELL YOU THAT AT THIS POINT IN TIME WELL OVER ONE MILLION BRITISH COLUMBIANS HAVE ALREADY APPLIED FOR THEIR SHARES.

THAT REPRESENTS ABOUT 44 PERCENT OF THE AVAILABLE FREE SHARES.....AND WE STILL HAVE ABOUT A MONTH TO GO BEFORE THE JUNE 15 DEADLINE.

SHARE PURCHASES STARTED TO DECLINE BECAUSE OF THE
INTERRUPTION OF A PROVINCIAL ELECTION CAMPAIGN AND
ALL OF THE UNCERTAINTIES THAT AROUSES 'N INVESTORS. BUT
NOTWITHSTANDING THAT, TO DATE OVER TWO MILLION SHARES,
HAVE BEEN PURCHASED - YIELDING 12 MILLION PLUS TO OUR
BANK.

BUT WHAT ABOUT B.C. RESOURCES AS A COMPANY?
WHAT HAVE WE SET AS OBJECTIVES FOR OURSELVES?

WHILE WE WERE BORN OUT OF GOVERNMENT POLICY WE HOPE
SOON TO EARN A MEASURE OF RESPECT FOR OUR POSITION
IN THE PRIVATE SECTOR. WE WANT TO MAINTAIN AN
ALERTNESS THAT WILL ALLOW US TO BE QUICKLY REACTIVE
TO THE DRAMATICALLY CHANGING ATTITUDES AND EXPECTATIONS
OF SOCIETY TODAY.

...11/

IT IS OUR INTENTION TO BE A HIGHLY ACCOUNTABLE COMPANY,
THAT IS, WE INTEND TO KEEP FOREFRONT IN MIND OUR
RESPONSIBILITIES TO OUR SHAREHOLDERS, EMPLOYEES,
COMMUNITIES WHERE WE OPERATE AND TO THE PROVINCE
GENERALLY. WE WILL KEEP THOSE INTERESTED IN OUR
AFFAIRS WELL INFORMED.

AS A COMPANY CREATED IN BRITISH COLUMBIA FOR INVESTMENT
INITIALLY BY BRITISH COLUMBIANS, WE WILL BE KEEPING
THAT ORIGIN IN MIND WHEN WE ASSESS NEW INVESTMENT
OPPORTUNITY.....OPPORTUNITY OF COURSE THAT MAY ALSO
TAKE US TO OTHER AREAS.

THE FINAL, MOST IMPORTANT, AND OVER-RIDING CORPORATE
OBJECTIVE IS THIS: WE ARE OUT TO MAKE A PROFIT FOR
THOSE WHO ARE WILLING TO INVEST THEIR MONEY IN "BCRIC".

BY DOING SO WE HOPE TO MAKE THE EXPERIENCE REWARDING FINANCIALLY....AND TO AWAKEN AND ENCOURAGE OTHER INVESTMENT IN THIS PROVINCE BY ITS CITIZENS.

LET ME EXPAND UPON THIS LAST POINT FOR A MOMENT, BECAUSE I THINK IT IS A VERY SIGNIFICANT ONE.

THERE IS NO NEED FOR ME TO EXPOUND TO YOU ABOUT THE NEED FOR INVESTMENT CAPITAL IN THIS COUNTRY. IT IS OBVIOUS THAT CANADA WILL NEED LITERALLY HUGE AMOUNTS OF CAPITAL TO EXPAND AND DEVELOP IN ALL OF THE AREAS THAT YOU'RE FAMILIAR WITH.....ENERGY, TRANSPORTATION, COMMUNICATIONS, HOUSING AND SO ON.

TO ENCOURAGE INDIVIDUAL CANADIANS TO INVEST IS A PROBLEM THAT POLITICIANS, ECONOMISTS, BUSINESS PEOPLE AND OTHERS HAVE BEEN WRESTLING WITH FOR SOME TIME. ALL OF US HAVE HEARD NUMEROUS IDEAS FROM THESE GROUPS.

IT SEEMS TO ME THAT WHILE MANY OF THE PROPOSED SOLUTIONS HAVE MERIT, WHAT IS REALLY NEEDED IS TO SOMEHOW MAKE THE AVERAGE PERSON--THE MAN OR WOMAN WHO NOW BUYS A SAVINGS BOND EVERY YEAR, AND HAS SOME BANK DEPOSITS BUT HAS NEVER BOUGHT STOCKS BEFORE--AWARE OF THE OPPORTUNITY,...AND TO SHOW THEM HOW TO GO ABOUT IT.

I THINK THE AVERAGE PERSON WOULD RESPOND, PROVIDED IT IS MADE EASY ENOUGH TO DO, THAT THE INVESTMENT IS ATTRACTIVE, AND THAT ADVICE IS AVAILABLE TO THEM IN THE SAME WAY IT'S AVAILABLE TO WEALTHIER OR MORE KNOWLEDGEABLE INDIVIDUALS.

IN FACT, I SUGGEST THIS IS A CHALLENGE THAT CORPORATIONS AND THEIR ADVISORS MUST MEET, FOR IN THE END IT IS THEIR FUTURE THAT IS AT STAKE. I DO NOT THINK A PROPER EFFORT HAS BEEN MADE IN THE PAST TO REACH AVERAGE CITIZENS, AND TO MAKE IT EASY FOR THEM TO INVEST. I BELIEVE THE TIME HAS COME TO DO SO.

THIS LEADS ME TO ANOTHER POINT I'D LIKE TO MAKE, AND ONE THAT I KNOW IS ON YOUR MINDS AS ADMINISTRATORS OF LARGE AMOUNTS OF INVESTMENT FUNDS.

OVER THE LAST FEW YEARS, WE HAVE SEEN IN THE WESTERN WORLD A REMARKABLE DEGREE OF CONTRACTION OF CORPORATE OWNERSHIP. IN CANADA, IT HAS BEEN PARTICULARLY PRONOUNCED, WITH A FLURRY OF CORPORATE TAKEOVERS. THE RESULT IS A MARKED TREND TOWARD FEWER, AND LARGER, CORPORATIONS CONTROLLING INDUSTRY.

THE BROAD PUBLIC OWNERSHIP CONCEPT THAT IS, IN MY OPINION SO HEALTHY, IS SLOWLY DIMINISHING. AS ADMINISTRATORS OF PENSION FUNDS, I KNOW THIS IS OF CONCERN TO YOU. THE COMPANIES IN WHICH YOU CAN INVEST YOUR AVAILABLE FUNDS ARE BECOMING FEWER. THE MARKET, IN TERMS OF LIQUIDITY, IS ALSO BECOMING SMALLER FOR LARGE FUND INVESTORS....AND THAT IS BAD NOT ONLY FOR YOU BUT FOR ALL INVESTORS, LARGE AND SMALL.

AND THE TREND FOR THE FUTURE SEEMS THE SAME.

BUT LET ME ASK YOU TO WIDEN THE HORIZONS LITTLE.....

CONSIDER THE BROADER SOCIAL IMPLICATIONS OF FEWER AND FEWER

CORPORATIONS....LARGER AND LARGER COMPANIES, WITH FEWER

AND FEWER INDIVIDUAL OWNERS OF SHARES IN THE MARKET.

SURELY, THAT IS NOT HEALTHY FOR OUR PENSION FUNDS, OUR

ECONOMY OR EVEN OUR LONG-TERM SOCIAL WELL-BEING AS A SOCIETY.

PEOPLE MUST FEEL THEY HAVE A STAKE IN THE RESOURCE RICHES

AND INDUSTRIAL BASE OF OUR COUNTRY. THEY MUST FEEL THEY

OWN PART OF IT, THAT THEY PARTICIPATE IN IT. SO EFFORTS

MUST BE MADE TO REVERSE THAT TREND TOWARD CONCENTRATION,

AND WE MUST FIND WAYS OF ENCOURAGING PARTICIPATION IN

SHARE OWNING BY THE AVERAGE PERSON.

OBTAINING, I THINK B.C. RESOURCES IS A STEP IN THAT DIRECTION.

BUT MORE IS NEEDED.

IT IS THROUGH B.C. RESOURCES THAT SOME COMPANIES THAT PREVIOUSLY WERE OWNED BY GOVERNMENT IN THIS PROVINCE ARE NOW BEING RETURNED TO INDIVIDUAL OWNERSHIP, AND IT IS THROUGH B.C. RESOURCES THAT THE AVERAGE BRITISH COLUMBIAN--PERHAPS FOR THE FIRST TIME IN THEIR LIFE-- IS BEING GIVEN A CHANCE TO INVEST IN THE RESOURCE RICHES OF THE PROVINCE. IT IS FROM THESE TWO FEELINGS, THE ONE ABOUT THE RETURN OF INVESTMENTS TO THE PRIVATE SECTOR AND THE OTHER ABOUT THE AVERAGE PERSON NEVER HAVING A REAL OPPORTUNITY IN TERMS OF INVESTING, THAT YOU CAN TRACE THE PHILOSOPHICAL UNDERPINNINGS OF THE BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION.

SO "BCRIC" HAS NOW EMBARKED ON AN EXCITING NEW COURSE. WE WILL BECOME ONE OF THE MOST WIDELY HELD COMPANIES IN THE WORLD. WE WILL HAVE MORE SHAREHOLDERS THAN ALL

BUT THE VERY LARGEST CORPORATIONS, WE WILL ALSO BE EMBARKING ON A NEW ADVENTURE FOR MANY PEOPLE WHO HAVE NEVER BEFORE BEEN AN OWNER OF SHARES.

IN SOME CASES, THE REASON PEOPLE HAVE NOT INVESTED IN EQUITIES IS BECUASE THEY FEEL THEY HAVE NEVER HAD THE CHANCE; EITHER THEY DON'T KNOW HOW, OR THEY HAVE LOST CONFIDENCE IN THE INVESTMENT PROCESS.

IF THERE EVER WAS AN OPPORTUNITY CORRECT THAT SITUATION, I BELIEVE IT IS HERE NOW.

PLEASE LET ME HAVE ANY QUESTIONS YOU MAY HAVE.

REMARKS FOR THE
ANNUAL DINNER OF THE VANCOUVER STOCK EXCHANGE

BY

DAVID L. HELLIWELL
PRESIDENT & CHIEF EXECUTIVE OFFICER
BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION

JUNE 15, 1979
HYATT REGENCY
VANCOUVER, B.C.

GENTLEMEN, (AND LADIES) I AM PLEASED TO BE HERE TONIGHT
AND VERY FLATTERED THAT YOU ASKED ME TO SPEAK TO YOU.
HOWEVER, AS SOMEBODY CAUTIONED ME THE OTHER DAY, I
SHOULD BE CONSCIOUS THAT I AM BEING OFFERED AN
OPPORTUNITY TO PONTIFICATE TO A GROUP OF PEOPLE
WHO HAVE TO SELL WHAT WE'VE BEEN GIVING AWAY FREE.
AND THAT'S SORT OF AN UNFAIR STARTING POINT.

I WANT TO TALK TO YOU TONIGHT ABOUT PEOPLE AND SHARES, AND
HOW THE INVESTMENT COMMUNITY IN THIS PROVINCE -- INDEED, IN
THIS COUNTRY -- IS FACED WITH AN ENORMOUS CHALLENGE....HOW
TO BRING PEOPLE AND SHARES TOGETHER IN A MEANINGFUL WAY.

NOW I CAN ALREADY IMAGINE SOME OF YOU THINKING THAT
BRINGING PEOPLE AND SHARES TOGETHER IS WHAT ALL OF YOU DO
EVERY DAY. YOU DO. BUT LET ME SAY, IN A POLITE WAY, THAT
THE INVESTMENT COMMUNITY AS A WHOLE HAS NOT BEEN DOING
A VERY GOOD JOB OF IT, JUDGING BY SOME OF THE NUMBERS
INVOLVED.

LET ME EXPLAIN.

THERE IS NO NEED FOR ME TO POINT OUT TO MEMBERS OF THE
FINANCIAL COMMUNITY THE NEED FOR INVESTMENT CAPITAL IN THIS

.....2/

PROVINCE AND THIS COUNTRY. IN ALMOST EVERY SECTOR OF OUR ECONOMY.....ENERGY, TRANSPORTATION, COMMUNICATIONS, HOUSING VERY LARGE AMOUNTS OF CAPITAL WILL BE NEEDED OVER THE NEXT DECADE.

FUNDAMENTAL TO A HEALTHY CAPITAL MARKET IS A STRONG PRIVATE ENTERPRISE SYSTEM. AND THAT IN TURN REQUIRES ACTIVE SUPPORT AND PARTICIPATION BY MANY PEOPLE....PEOPLE WHO FEEL THEY HAVE A STAKE IN THE SYSTEM, WHO BENEFIT FROM IT, AND WHO ARE THEREFORE WILLING TO PUT THEIR MONEY INTO IT.

BUT HOW MANY PEOPLE TODAY PARTICIPATE? HOW MANY PEOPLE DIRECTLY BUY AND HOLD SHARES IN OUR MAJOR INDUSTRIES? HOW MANY PEOPLE THEREFORE FEEL THEY HAVE A STAKE IN THE SYSTEM?

LET ME GIVE YOU A SOBERING STATISTIC. DESPITE THE EFFORTS OF THE INVESTMENT COMMUNITY, ONLY ABOUT ONE IN 35 BRITISH COLUMBIANS IN 1978 DIRECTLY OWNED SHARES IN PUBLICLY TRADED COMPANIES.

LET ME REPEAT THE FIGURE. ONLY ABOUT ONE IN 35 BRITISH COLUMBIANS DIRECTLY HOLDS SHARES.

....3/

TO MY MIND THAT IS COURTING DISASTER. THOSE WHO ARE ON THE "OUTSIDE" -- AND REMEMBER, WE ARE TALKING ABOUT THE VAST MAJORITY OF CITIZENS -- HAVE NO DIRECT INTEREST IN SHARES, COMPANIES, PROFITS OR BUSINESS. AS A RESULT, THEIR USUAL REACTION IS ONE OF INDIFFERENCE. LET ME SUGGEST THE NEXT STAGE IS RESENTMENT. THEN HOSTILITY. THEN PRESSURE FOR INTERVENTION BY GOVERNMENT.

WHAT IS NEEDED IS TO SOMEHOW MAKE THE AVERAGE PERSON -- THE MAN OR WOMAN WHO NOW BUYS A SAVINGS BOND EVERY YEAR, AND HAS SOME DEPOSITS BUT HAS NEVER BOUGHT STOCKS BEFORE -- AWARE OF THE OPPORTUNITY....AND TO SHOW THEM HOW TO GO ABOUT IT.

IN THE CASE OF B.C. RESOURCES INVESTMENT CORPORATION, WE THINK WE HAVE SHOWN THE WAY. WE NOW HAVE IN EXCESS OF 1.75 MILLION UNREGISTERED SHAREHOLDERS, EACH WITH FIVE FREE SHARES. IN ADDITION, THROUGH INDIVIDUAL PURCHASES OF 100 OR MORE SHARES WE WILL HAVE, AT LEAST BY YESTERDAY'S FIGURES, 62,000 REGISTERED SHAREHOLDERS AND THAT NUMBER IS CERTAIN TO BE MUCH LARGER.

MANY OF BOTH OUR REGISTERED AND OUR 1.75 MILLION UNREGISTERED SHAREHOLDERS HAVE NEVER OWNED SHARES BEFORE. THAT PLACES

....4/

A SPECIAL RESPONSIBILITY ON BCRIC TO COMMUNICATE WITH THEM.....TO TELL THEM WHAT'S GOING ON WITH THEIR COMPANY, TO SHOW THEM THE DIRECTIONS IN WHICH WE'RE MOVING AND WHY, AND TO PROVE TO THEM THAT THEIR STAKE IN THIS COMPANY IS WORTHWHILE AND OF BENEFIT TO THEM AND SOMETHING THEY WILL WANT TO CONTINUE TO OWN.

DEVisING EFFECTIVE COMMUNICATIONS TO OUR SHAREHOLDERS IS GOING TO BE A MAJOR CHALLENGE FOR THIS COMPANY. WE'LL NOT ONLY HAVE TO USE THE TRADITIONAL MEANS BUT WE'RE GOING TO HAVE TO LOOK AT NEW AND PERHAPS INNOVATIVE AVENUES TO DO THE JOB EFFECTIVELY, NOT ONLY FOR THE SOPHISTICATED INVESTOR BUT ALSO THE NOVICE INVESTOR, WHETHER HE'S IN VANCOUVER, VICTORIA, POUCE COUPE OR CANAL FLATS.

I KNOW THAT A FEW OF YOU HAVE A POSSIBLE CONCERN THAT WHAT IS PERCEIVED AS A SUCCESSFUL CAPITAL RAISING EXERCISE HAS IN FACT BEEN TOO SUCCESSFUL AND COULD LEAD TO POSSIBLE AFTERMARKET PROBLEMS. I DON'T SHARE THAT CONCERN BECAUSE, IN PART, OF THE CROSS-CANADA INTEREST BY INDIVIDUALS IN BCRIC BUT MORE IMPORTANTLY, THE FACT THAT THIS OVERWHELMING RESPONSE HAS NOW OPENED UP FOR BCRIC AN ENTIRELY NEW HORIZON OF INVESTMENT POSSIBILITY. WE ARE A TIGHTLY DIRECTED

....5/

CORPORATION WITH NO INHERITED PROBLEMS AND A VIRTUALLY UNFETTERED MANDATE TO SEEK PROFITABLE OPPORTUNITY ON BEHALF OF OUR OWNERS.

THIS CHALLENGE OF NOW MEETING THE EXPECTATIONS OF OUR SHAREHOLDERS IN TERMS OF PERFORMANCE IS NOT ONLY ANOTHER STORY BUT ONE IN ITSELF THAT CAN ONLY BE ADDRESSED AFTER WE ARE OUT OF PRIMARY DISTRIBUTION.

BUT WHAT WE HAVE DONE TO DATE AT BCRIC IS TO REACH A VAST GROUP OF PEOPLE WHO HAVE NEVER PARTICIPATED IN SHAREOWNING BEFORE. AND HERE'S WHERE I SUGGEST THE INVESTMENT COMMUNITY FACES A GREAT CHALLENGE.

COMMUNICATING WITH THESE NEW SHAREHOLDERS, ADVISING THEM, KEEPING THEM AWARE OF WHAT'S HAPPENING.....ALL OF THESE TASKS FACE NOT ONLY BCRIC BUT YOU AS INVESTMENT DEALERS. IN FACT, I SUGGEST THAT THE ULTIMATE FUTURE OF YOUR INDUSTRY DEPENDS ON MEETING THAT CHALLENGE, BECAUSE THE PRIVATE ENTERPRISE SYSTEM IN CANADA TODAY NEEDS A STRONG SUPPORTIVE CONSTITUENCY FOR SURVIVAL IN THE YEARS AHEAD.

I AM AWARE OF WHAT'S INVOLVED, FOR US AS WELL AS FOR YOU. I KNOW IT WILL COST MONEY AND TAKE TIME. BUT IT MUST BE DONE.

....6/

I SUGGEST TO YOU THAT BROKERAGE HOUSES WILL HAVE TO ALLOCATE THE RESOURCES NECESSARY TO AGAIN PREPARE TO SERVICE SMALL RETAIL ACCOUNTS, EVEN THOUGH THEY ARE NOT AS LUCRATIVE AS LARGER OR INSTITUTIONAL ACCOUNTS.

FOR THOSE WHO MAY THINK THEIR FIRMS ARE ALREADY DOING THIS, LET ME PASS ON TO YOU A SMALL, UNSCIENTIFIC BUT I BELIEVE SIGNIFICANT SAMPLING.

LESS THAN TWO MONTHS AGO, A BUSINESS ACQUAINTANCE OF MINE TELEPHONED TWO OF THE LARGER BROKERAGE FIRMS IN THIS CITY AND ASKED, AS A POTENTIAL SMALL RETAIL CUSTOMER, FOR INFORMATION AND ADVICE ABOUT STOCK PURCHASES. IN ONE CASE HE WAS TOLD SOMEBODY WOULD CALL HIM BACK. IN THE SECOND CASE HE WAS TOLD THE INFORMATION WOULD BE MAILED TO HIM AND THE DEALER WOULD FOLLOW UP BY TELEPHONE FOR THE ORDER. THIS PERSON IS STILL WAITING TO HEAR FROM EITHER FIRM.

IT IS TRUE THAT THIS MAY BE AN ISOLATED INCIDENT. IT'S ALSO POSSIBLE THAT THE INQUIRIES WERE MADE DURING A BUSY TIME AND SOMEHOW SOMEBODY FAILED TO FOLLOW THROUGH. AND, FINALLY, IT'S INDISPUTABLE THAT TWO INQUIRIES CAN HARDLY BE THE BASIS FOR A BLANKET JUDGEMENT ABOUT THE ENTIRE VANCOUVER INVESTMENT COMMUNITY.

.....7/

BUT I LEAVE TO YOUR OWN JUDGEMENT HOW THIS POTENTIAL
SHAREHOLDER VIEWED THE WELCOME SIGN TO INVESTING.

SO I COME BACK TO THE CHALLENGE FACING THE INVESTMENT
COMMUNITY.....BRINGING PEOPLE AND SHARES TOGETHER. IT
IS A CHALLENGE I PLACE BEFORE YOU, AS WELL AS B.C. RESOURCES
INVESTMENT CORPORATION.

This prospectus constitutes a public offering of these securities only in British Columbia.

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

New Issue

British Columbia Resources Investment Corporation

Common Shares (without par value)

This offer is made only to individuals who have qualified for free common shares of British Columbia Resources Investment Corporation ("BCRIC") to be distributed by the Province of British Columbia as described under "Distribution of Free Common Shares" on page 23. This offer commences on March 15, 1979 and will expire on June 15, 1979 unless extended by BCRIC. Up to 5,000 common shares may be purchased, in integral multiples of five, by or in respect of each eligible resident of British Columbia. Bearer share certificates will be issued on all applications for less than 100 common shares. See "Plan of Distribution".

Price: \$6.00 per share

No market has been established for the common shares of BCRIC, but application will be made to list the common shares on the Vancouver Stock Exchange. The offering price for the common shares was determined by BCRIC and the Province of British Columbia was notified of this price. BCRIC has agreed to pay an agents' commission of \$0.25 per common share purchased pursuant to this offer. The net proceeds to BCRIC from this offer will be \$5.75 per common share sold, before deducting expenses of issue payable by BCRIC estimated at \$2,500,000. Other expenses common to the distribution of free common shares by the Province of British Columbia will be borne by the Province.

The common shares are not guaranteed in any manner by the Province of British Columbia or any other government, nor has any government any direct or indirect obligation with respect to them. The common shares are subject to certain risk factors as described under "Risk Factors Affecting Common Shares" on page 23. If a material change occurs during the offering period that makes untrue or misleading any statement of a material fact contained in this prospectus, an amendment will be filed with the Superintendent of Brokers of British Columbia.

These common shares are conditionally offered if, as and when issued by BCRIC subject to enabling legislation and the distribution of free common shares by the Province, all as more particularly set out under "Plan of Distribution" and "Details of the Offering".

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BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION

British Columbia Resources Investment Corporation ("BCRIC") was incorporated under the Companies Act of British Columbia on February 22, 1978. The British Columbia Resources Investment Corporation Act (the "BCRIC Act"), which was proclaimed in parts on September 14, 1977 and March 9, 1978 and was amended on August 24, 1978, contains provisions relating to BCRIC, including conditions concerning the ownership and voting of its shares. Reference is made to "British Columbia Resources Investment Corporation Act" on page 21.

The head office and registered office of BCRIC is located at Suite 2600, 1177 West Hastings Street, Vancouver, British Columbia, V6E 3Y3.

Objective

The objective of BCRIC is to operate profitably and to maximize the value of BCRIC for the benefit of the shareholders through growth in earnings and asset values. BCRIC was established in part to encourage British Columbians to participate individually in equity investments based in British Columbia. The first efforts of BCRIC will be directed towards identifying additional investment or business opportunities within British Columbia which are consistent with its objective. However, BCRIC has the same unlimited investment opportunity available to it as any Canadian company and may vary or extend its investments in a manner that the directors believe will benefit the shareholders of BCRIC.

Dividend Policy

BCRIC has not paid dividends on its common shares and does not expect to pay dividends in the early years of its operation. All available funds are expected to be used by BCRIC to finance expansion and new investment until dividends from existing holdings improve or satisfactory cash returns are developed. This policy will be reviewed from time to time by the directors of BCRIC and any change in policy will be influenced by the level of earnings available for distribution in BCRIC, financial market and economic conditions in general, and the degree to which funds should be retained to finance internal requirements such as debt repayment, capital expenditures or working capital.

BUSINESS AND PROPERTIES OF BCRIC

BCRIC has to date acquired investments in the forest products industry, which involve the manufacture and sale of pulp, lumber and plywood, and in the energy industry, which involve the exploration, development and transmission of energy resources. The forest products investments consist of approximately 81% of the shares of Canadian Cellulose Company, Limited and all of the shares of Kootenay Forest Products Ltd. and Plateau Mills Ltd. The energy investments include a licence to explore for petroleum and natural gas over approximately 2.3 million acres of land located in northeastern British Columbia and approximately 10% of the common shares in Westcoast Transmission Company Limited.

These investments were acquired on March 9, 1978 from the Province of British Columbia at a transfer price of \$151,532,930. As consideration for these interests BCRIC issued to the Province a non-interest bearing demand note which will be exchanged for 15,000,000 common shares of BCRIC. Reference is made to "Consolidated Capitalization", "Plan of Distribution" and Note 2 to the Consolidated Financial Statements.

Each of these investments is described in more detail below. However, BCRIC is not limited to these investments or industries and may invest in a broad spectrum of ventures. A sketch of the location of BCRIC's properties is presented on page 4.

SKETCH OF BCRIC PROPERTIES



FOREST PRODUCTS INVESTMENTS

CANADIAN CELLULOSE COMPANY, LIMITED

Canadian Cellulose Company, Limited ("CanCel") produces bleached softwood kraft pulp in British Columbia at Prince Rupert and Castlegar for sale in North America, Europe and the Far East. CanCel also manufactures lumber at Castlegar, Terrace and Kitwanga in British Columbia, for sale principally in North America.

CanCel's business had its origins in operations in British Columbia formerly controlled by Celanese Corporation of New York. These consisted of a sulphite pulp mill constructed near Prince Rupert in 1951, two bleached softwood kraft pulp mills, one constructed at Castlegar in 1961 and the other at Prince Rupert in 1966, and three sawmills at Castlegar, Terrace and Kitwanga. On June 29, 1973 the Province of British Columbia acquired 79% of the Common Shares and all of the 39,750 Non-Voting Shares of CanCel from Celanese Corporation in exchange for the Province's guarantee of \$68,000,000 (U.S.) of First Mortgage Bonds of CanCel, formerly guaranteed by Celanese Corporation. There was no cash outlay by the Province. The remaining 21% of CanCel's Common Shares were received by the public and the Common Shares were listed on the Toronto, Montreal and Vancouver stock exchanges. In 1975 the Province acquired an additional 2% of the Common Shares from the public. In October 1976 production of sulphite pulp was discontinued.

Financial Summary

CanCel's net sales, earnings and dividends paid in each of the past five fiscal years ended December 31 were as follows:

	1978	1977	1976	1975	1974
	(in millions of dollars)				
Net sales	\$175.5	\$161.1	\$177.6	\$156.0	\$191.5
Earnings before income taxes and extraordinary items	3.4	23.5	29.4	29.5	54.6
Provision for income taxes	.5	10.9	14.8	14.2	25.6
Earnings before extraordinary items	2.8	12.6	14.6	15.3	29.0
Extraordinary items (1)	4.0	4.7	11.5	12.2	21.9
Net earnings	\$ 6.8	\$ 17.3	\$ 26.1	\$ 27.5	\$ 50.9
Dividends	\$ 3.9	\$ 3.9	\$ 3.7	\$ 3.7	\$ 0.6

(1) In each of the years 1974 to 1977, the extraordinary item was a tax credit arising from prior years' losses. In 1978 the extraordinary item represented a reduction of provincial logging taxes of prior years due mainly to adjustment of tax depreciation claims.

CanCel's financial performance is dependent upon the demand for and supply of market pulp, the value of the Canadian dollar in terms of United States currency and, to a lesser extent, lumber prices. In the 1974 - 1976 period CanCel's results largely reflected a strong pulp market, offset in 1975 by low lumber prices and an industry-wide labour dispute and in 1976 by the closure of the sulphite mill and unfavourable foreign exchange. The pulp market weakened during 1977 and 1978. Earnings in 1977 were reduced by lower pulp prices, partially offset by fire insurance proceeds, foreign exchange gains and higher lumber sales and prices. A continuation of poor pulp prices into the third quarter of 1978 significantly lowered 1978 earnings. In addition, higher manufacturing costs at Prince Rupert associated with tie-ins and startup of the kraft pulp mill modification described under "Pulp Operations" below, failure of a turbo-generator, a major fire at the Castlegar sawmill and a disruption in operations and damage to logging roads and bridges caused by a severe winter flood in the northwestern region all contributed to the substantial earnings decline. Higher lumber prices and favourable foreign exchange partly offset these factors.

Sales and Marketing

CanCel's net sales by principal product, after deducting freight and delivery charges, in each of the last five years were as follows:

	1978	1977	1976	1975	1974
	(in millions of dollars)				
Kraft pulp	\$126.0	\$103.0	\$112.1	\$102.4	\$106.7
Lumber	49.5	51.7	40.9	22.6	34.7
Sulphite pulp (1)	—	6.4	24.6	31.0	50.1
Total	\$175.5	\$161.1	\$177.6	\$156.0	\$191.5

(1) Production of sulphite pulp was discontinued in October 1976.

The following table shows the geographic distribution of CanCel's net sales by principal product during the past five years:

	1978		1977		1976		1975		1974	
	(in millions of dollars)									
Pulp:										
Canada	—	—	\$ 4.0	4%	\$ 8.2	6%	\$ 11.2	8%	\$ 11.2	7%
United States	\$ 33.5	27%	36.2	33	48.2	35	49.4	37	63.0	40
Europe	64.7	51	55.6	51	51.3	38	49.3	37	52.4	34
Far East	25.4	20	11.3	10	26.6	19	21.4	16	27.7	17
Other	2.4	2	2.3	2	2.4	2	2.1	2	2.5	2
	<u>\$126.0</u>	<u>100%</u>	<u>\$109.4</u>	<u>100%</u>	<u>\$136.7</u>	<u>100%</u>	<u>\$133.4</u>	<u>100%</u>	<u>\$156.8</u>	<u>100%</u>
Lumber:										
Canada	\$ 15.6	32%	\$ 11.9	23%	\$ 10.1	25%	\$ 6.5	29%	\$ 9.2	27%
United States	33.9	68	39.8	77	30.8	75	16.1	71	25.5	73
	<u>\$ 49.5</u>	<u>100%</u>	<u>\$ 51.7</u>	<u>100%</u>	<u>\$ 40.9</u>	<u>100%</u>	<u>\$ 22.6</u>	<u>100%</u>	<u>\$ 34.7</u>	<u>100%</u>
Total	<u>\$175.5</u>		<u>\$161.1</u>		<u>\$177.6</u>		<u>\$156.0</u>		<u>\$191.5</u>	

With the substantial completion of the kraft pulp mill modification at Prince Rupert in late 1978, CanCel has increased its kraft pulp capacity by approximately 35%. CanCel is susceptible to the cyclical demand and price trends of pulp markets as it lacks the product diversification and secondary manufacturing facilities of more integrated competitors. CanCel has attempted to minimize the effects of non-integration by negotiating longer term contracts and broadening its customer base. Approximately 90% of pulp production in 1979 and 1980 has been committed under contracts for fixed terms of between three and seven years, compared to virtually none before 1973. CanCel has broadened its customer base to more than 100 customers in 19 countries and operates sales offices in Vancouver, Montreal and Brussels.

Kraft pulp prices are principally determined by world market factors. CanCel's sales are based on its announced prices in force at the date of customers' requisitions, but some are subject to discounts based on volume and to meet competitive situations.

The principal market for pulp produced at Castlegar is the United States, where it is shipped by rail. Castlegar pulp also moves by rail to Vancouver for shipment to Southeast Asia, Europe and South America. Pulp manufactured at Prince Rupert is transported by bulk ocean carrier to Western Europe, the Mediterranean, China and Japan. CanCel maintains inventories at key distribution points in the United States and Europe.

All lumber is sold in the North American market by sales staffs at the Terrace and Castlegar sawmills.

Pulp Operations

The Prince Rupert pulp mill, located on Watson Island eight miles south of Prince Rupert, has a daily capacity of 1100 tonnes. In 1976 a modification project was undertaken which incorporated usable portions of the adjacent sulphite pulp mill into the kraft pulp mill and increased its capacity. The modified mill has been in a run-in phase since October 1978 and average daily production at Prince Rupert in the first two months of 1979 was 964 tonnes. The Castlegar pulp mill, completed in 1961, has a daily capacity of 515 tonnes.

Production of kraft pulp and sulphite pulp over the past five years was as follows:

	1978	1977	1976	1975(1)	1974
	(in thousands of tonnes)				
Kraft pulp					
Prince Rupert	195.6(2)	155.0(3)	200.5	143.3	194.2
Castlegar	171.2	164.0	164.8	126.2	176.7
Sulphite pulp					
Prince Rupert (4)	—	—	66.9	79.3	141.7

(1) Operations were suspended for 95 days due to a strike.

(2) Production was affected by power outages and the mill modification project.

(3) Production was affected by a shortage of chemicals due to a strike in the chemical industry and by a shutdown of approximately two months primarily for major improvements.

(4) Sulphite pulp production ceased in October 1976.

Lumber Operations

The Terrace sawmill produces annually 120 million board feet of dimension lumber and the Kitwanga mill, located on 22 acres of leased land, produces annually 40 million board feet of green dimension lumber. The Castlegar sawmill consists of a large log facility which produces annually 100 million board feet of lumber and a small log facility constructed in 1978 with an estimated annual capacity of 35 million board feet. The output of the Castlegar mill is approximately evenly divided between boards and dimension lumber.

On June 17, 1978 the Castlegar sawmill, including the just completed small log facility, was severely damaged by fire. Reconstruction of the sawmill was substantially completed in late 1978. Production from the large log facility reached approximately 80% of design capacity by the end of January 1979 and the small log facility commenced production in February 1979.

Production of lumber over the past five years was as follows:

	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975(1)</u>	<u>1974</u>
		(in millions of board feet)			
Terrace	122.5	127.2	111.8	66.6	93.6
Kitwanga	40.3	36.8	35.7	16.6	32.3
Castlegar	49.2(2)	94.0	102.5	83.9	116.8
	<u>212.0</u>	<u>258.0</u>	<u>250.0</u>	<u>167.1</u>	<u>242.7</u>

(1) Operations were curtailed by a labour dispute.

(2) Sawmill closed by fire on June 17, 1978.

Timber Resource

The Province of British Columbia owns approximately 95% of all forest lands in British Columbia and grants licences to harvest timber from these lands. CanCel holds tenure in the form of two tree farm licences ("TFLs") and three timber sale harvesting licences ("TSHLs"). Both TFLs were granted for terms of 21 years and were stipulated to be renewable. The present Forest Act, which came into force on January 1, 1979, provides that both TFLs will expire within the next five years and gives CanCel the right to replace them on expiry with new 25 year TFLs. A TFL grants to its holder the exclusive right to harvest timber from a designated area of forest land, under short term cutting permits, at a rate, called the "allowable annual cut" ("AAC"), that is calculated according to sustained yield forestry principles. The licensee is responsible for managing the licence area for timber production and forest renewal under the general supervision of the British Columbia Forest Service and has obligations respecting recreation, fish, wildlife and associated resources. Under its TFLs CanCel is obliged to pay to the Province annual rent, based on the AAC, and stumpage for timber harvested from the licence area. Stumpage rates fluctuate according to the market values of forest products, estimated logging, production and forest management costs and allowances for profit, risk and incentive.

TSHLs typically are for terms of ten years, although some are longer. The licensee is granted the right to harvest an AAC in a designated Public Sustained Yield Unit ("PSYU"), which is an area of forest land managed according to sustained yield forestry principles by the Forest Service. In almost all PSYUs harvesting rights are held concurrently by a number of licensees. The licence itself does not specify areas within the PSYU where the licensee will carry out his logging operations. Short term cutting permits are issued from time to time by the Forest Service to identify specific areas to be logged. The holder of a TSHL is obliged to pay annual rent based on the AAC specified in the licence, and stumpage on timber harvested. The holder of a TSHL has the right to obtain a new form of tenure, a forest licence with a 15 year term, as a replacement for the TSHL when it expires or is surrendered.

The AAC authorized under an existing or replacement TFL, a TSHL or a forest licence may be reduced permanently by the Province if the licensee undercuts. Where the volume of timber actually harvested under the licence during a five year cut control period is less than the minimum volume required to be harvested during that period, the AAC may be reduced by as much as the deficiency. In the case of a TFL the Province may delete land from the licence area sufficient to account for the reduction in AAC or as an alternative grant timber sale licences in the TFL authorizing the reduction in the original holder's AAC to be harvested by others.

Northern Operations

CanCel harvests its wood supply for its northern operations (the Prince Rupert pulp mill and Terrace and Kitwanga sawmills) primarily from TFL No. 1 under which CanCel has exclusive cutting rights over certain forest lands in the Skeena and Nass river valleys in northwestern British Columbia. During 1978 CanCel and the Province agreed to reduce the area of the TFL from approximately 2,300,000 productive acres to approximately 935,000 productive acres and the AAC from 72,000,000 cubic feet to 45,606,000 cubic feet. The licence expires in 1983 and CanCel has the right to a replacement TFL. The three TSHLs held by CanCel have an aggregate AAC of 16,200,000 cubic feet. CanCel also manages two TSHLs held by others with a combined AAC of 3,253,000 cubic feet. The sulphite pulp mill, which has now been phased out, required chips produced from roundwood at the mill whereas approximately 45% of the future requirements of the modified kraft pulp mill are anticipated to be supplied by residual chips produced as a lumber by-product by sawmills. CanCel believes that the reduced AAC for TFL No. 1, the AAC of the other tenures available to CanCel and purchased pulp logs and residual chips are sufficient to meet the requirements of its mills. Logs are transported to the mills by road, on the Canadian National Railway and by towed booms.

Interior Operations

TFL No. 23 grants CanCel cutting rights over approximately 968,000 productive acres of forest lands in the basin of the Columbia River. Timber from the TFL supplies logs for the Castlegar sawmill, which in turn supplies residual chips to the adjacent pulp mill. The balance of the requirement of the pulp mill is met by purchasing residual chips from other sawmills in the area and from pulp logs from the TFL. Logs are transported by truck to dumps along the Columbia River below Revelstoke and are towed to the mills in log booms. The construction of the Revelstoke Dam, two miles north of Revelstoke on the river, will affect log transport from the north block of the TFL. The conditional licence issued by the Comptroller of Water Rights to British Columbia Hydro and Power Authority ("B.C. Hydro") for the dam authorizes provision for such log handling facilities as the Comptroller may order.

In 1978 the Province amended TFL No. 23 to provide for licences to an independent sawmill operator to harvest timber in a designated area comprising approximately 112,000 productive acres of the TFL. Such a licence has been granted with an AAC of 5,660,000 cubic feet, effectively reducing CanCel's AAC from 41,500,000 cubic feet to 35,840,000 cubic feet in 1979. CanCel believes that this reduced AAC and available log inventory will provide sufficient wood for the mills in 1979 because the sawmill has not yet reached full production and CanCel is entitled to cut up to 50% in excess of the AAC in one year. When the sawmill achieves full production, CanCel believes that it will require approximately 46,000,000 cubic feet of AAC under the TFL to maintain full production at its mills. TFL No. 23 expires on December 31, 1979 and CanCel has the right to a replacement TFL. The AAC under the replacement TFL has not yet been determined, but will be based on the latest independent inventory of the TFL made in 1975. In CanCel's opinion this inventory substantiates an increase in the AAC for the TFL and CanCel anticipates that, subject to the concurrence of the Minister of Forests, its AAC will be increased under the replacement TFL to meet its wood requirements.

Employee Relations

CanCel employs approximately 2,700 people, of whom approximately 2,200 are represented by industrial unions. There are ten collective agreements involving four unions, the International Woodworkers of America (the "IWA"), the Pulp, Paper and Woodworkers of Canada (the "PPWC"), the British Columbia Government Employees Union, and the Canadian Merchant Service Guild, which directly affect CanCel's operations. The IWA is the certified bargaining agent for approximately 1,080 employees engaged in logging and sawmill activities and the PPWC bargains for approximately 1,025 employees at the pulp mills. Negotiations with the IWA and the PPWC are conducted on an industry-wide basis in British Columbia through employers' organizations of which CanCel is a member. Both unions are operating under two year contracts which were negotiated under federal anti-inflation controls without work stoppages and expire in June 1979.

In July 1975 a Province-wide pulp and paper workers' strike shut down CanCel's pulp mills. This strike also forced curtailment of CanCel's logging and sawmill operations. The strike continued until mid-October 1975 when the Province enacted "back-to-work" legislation. Operations may be affected by work

stoppages in other industries on which CanCel depends, such as the chemical, towboat, shipping and rail transportation industries. In early 1977, the pulp mill at Prince Rupert was shut down for about 20 days due to a shortage of chemicals caused by a strike in the chemical industry.

Environment

In the forest products industry, pollution control is primarily regulated provincially under the Pollution Control Act, 1967 and federally under the Fisheries Act and the Clean Air Act. CanCel's operations do not currently comply with certain requirements of its permits and pollution control standards. CanCel is modifying its facilities to comply with some of the requirements and is evaluating alternatives for compliance with others.

During the last five years CanCel has expended approximately \$6,200,000 on projects involving pollution abatement. In addition the modification project at Prince Rupert avoided pollution abatement requirements for the sulphite mill which were estimated in 1975 to cost \$80,000,000. CanCel estimates that it may be required to expend during the period 1979 to 1987 approximately \$40,000,000 (in 1978 dollars) primarily to meet existing and anticipated pollution control requirements. The specific facilities required and the amounts and timing of expenditures have not been determined and will be subject to the requirements of regulatory authorities and approval by CanCel's directors.

Additions to Property, Plant and Equipment

Capital expenditures on property, plant and equipment during the five fiscal years ended December 31, including expenditures on roads to the extent not offset against provincial stumpage payments, were as follows:

	1978	1977	1976	1975	1974	Total
			(in millions of dollars)			
Logging	\$ 4.8	\$ 7.2	\$ 4.5	\$ 9.9	\$ 7.9	\$ 34.3
Lumber	7.9	2.5	0.5	1.1	3.5	15.5
Pulp	67.6	68.0	22.2	3.9	3.2	164.9
Other	0.1	0.2	0.3	—	—	0.6
Total	<u>\$80.4</u>	<u>\$77.9</u>	<u>\$27.5</u>	<u>\$14.9</u>	<u>\$14.6</u>	<u>\$215.3</u>

Included in the above table are \$133,000,000 of construction costs and \$11,800,000 of interest and other capitalized costs relating to the modification of the pulp mill at Prince Rupert, \$7,400,000 relating to the new small log facility at the Castlegar sawmill, and \$22,100,000 relating to logging roads net of stumpage offsets. The balance relates mainly to logging operations, pollution abatement and plant replacement and improvement.

CanCel has planned capital expenditures of \$12,600,000 in 1979 for additions to property, plant and equipment including an estimated \$2,200,000 to complete the pulp mill modification. In addition expenditures of approximately \$7,000,000 will be made in 1979 for logging roads, part of which will be eligible for stumpage offset. The planned expenditures may be increased as described under "Environment".

Energy

CanCel utilizes hydro-electric power, natural gas, petroleum products and hog fuel in its manufacturing processes. Natural gas, the price of which is set by the British Columbia Energy Commission, is supplied through pipelines to Prince Rupert and Terrace by Pacific Northern Gas Ltd. and to Castlegar by Inland Natural Gas Co. Ltd. Oil is supplied to Prince Rupert by barge and to Castlegar by rail. At Prince Rupert and Castlegar, part of CanCel's electrical energy requirements is met from its own steam driven turbo-generators and the balance is supplied at Castlegar by Cominco Ltd. and at Prince Rupert by B.C. Hydro. It is expected that a recent connection to the Peace River generating facilities through the provincial power grid will reduce disruptions in the supply of purchased power to Prince Rupert.

Investment

CanCel has a 24% interest in Babine Forest Products Limited ("Babine") which owns a sawmill, opened in 1975, at Burns Lake in the central interior of British Columbia. The sawmill's annual production is 100 million board feet of dimension lumber and 24% of its residual chips are committed for sale to CanCel's Prince Rupert pulp mill. In 1978 CanCel's equity in Babine's net earnings amounted to \$1,230,000.

KOOTENAY FOREST PRODUCTS LTD.

Kootenay Forest Products Ltd. ("Kootenay") commenced sawmill operations in 1952 at Nelson in the Kootenay Lake area of British Columbia. In 1967 a plywood plant was added to the sawmill operations. In 1974 Kootenay was acquired by the Province of British Columbia.

Kootenay's net sales and earnings in each of the fiscal periods from 1975 to 1978 inclusive were as follows:

	12 months ended December 31		10 months ended December 31	12 months ended February	
	1978	1977	1976	1976	1975
	(in thousands of dollars)				
Net sales	\$28,560	\$21,522	\$16,031	\$15,263	\$12,385
Earnings (loss) before extraordinary items (1) (3)	3,896	(11)	530	601	(4,210)
Extraordinary items (2)	—	848	—	84	1,284
Net earnings (loss) (3)	\$ 3,896	\$ 837	\$ 530	\$ 685	(\$2,926)

(1) Kootenay received a non-interest bearing advance of approximately \$11.6 million from the Province in March 1974. This advance was repaid in March 1978 out of the proceeds of an issue of common shares to the Province. As part of these arrangements Kootenay agreed to transfer certain of its freehold lands to the Province.

(2) Gains arising on sale of private land to the Province.

(3) No provision has been made for income taxes as Kootenay has been exempt since March 1974 due to its status as a Crown corporation. Kootenay will lose this exemption in 1979.

Strong demand and higher prices for both plywood and lumber in 1978, the beneficial effects of the substantially lower value of the Canadian dollar in terms of U.S. currency, and improved productivity combined to increase Kootenay's sales and earnings over previous years. These favourable factors were partially offset by higher operating and stumpage expenses.

Business of Kootenay

Kootenay carries on logging operations primarily through independent contractors and operates a sawmill, a plywood plant and related facilities in Nelson on approximately 30 acres of land and nine acres of leased foreshore lots served by two railway lines. The sawmill has an annual capacity of 55 million board feet of dimension lumber and the annual capacity of the plywood plant is 570 million square feet (1/16th inch) of sheathing plywood.

Production, sales volumes and sales revenues by product for the past five years were as follows:

	Twelve months ended December 31				
	1978	1977	1976	1975	1974
Lumber					
Production (MMFBM)	52.2	52.8	38.8	25.2	32.1
Sales volume (MMFBM)	54.4	51.1	37.7	29.5	34.0
Sales revenue (millions)	\$12.8	\$9.9	\$6.2	\$3.9	\$5.1
Plywood					
Production (MMSF 1/16") (1)	530.7	504.4	552.4	452.1	412.9
Sales volume (MMSF 1/16")	533.3	500.5	554.5	466.2	413.0
Sales revenue (millions)	\$15.7	\$11.6	\$13.1	\$9.9	\$7.9

(1) Includes purchased veneer.

(2) MMFBM means millions of board feet and MMSF 1/16" means millions of square feet on a 1/16 inch basis.

Inadequate log supply resulted in curtailed production in 1974 and 1975. Increased expenditures on logging and road construction together with sawmill modifications have led to increased sawmill production.

Kootenay's lumber and plywood production is marketed by its own sales staff at Nelson. Lumber is sold primarily to wholesalers and is shipped by both rail and truck. In 1978, approximately 22% of lumber

was sold in Canada and 78% in the United States. The majority of Kootenay's plywood is transported by rail and sold in Eastern Canada. In 1978, 90% of plywood was sold to Canadian purchasers and 10% was exported.

Kootenay also sells wood chips to CanCel's pulp mill at Castlegar and to Georgia-Pacific Corporation in Bellingham, Washington. In 1978, wood chip sales revenues were approximately \$959,000.

Kootenay employs approximately 500 people of whom 82% are union members represented by the IWA. The present collective agreement, which was negotiated under federal anti-inflation controls, expires on June 30, 1979. Collective bargaining is conducted by the Interior Forest Labour Relations Association which represents Kootenay and other forest industry employers in the southern interior region. Kootenay may be affected by work stoppages in other services on which it depends such as transportation.

Kootenay is subject to various environmental protection laws and regulations and is currently installing emission control devices at an estimated cost of \$200,000 to meet provincial requirements. Additional expenditures to meet environmental protection requirements in 1979 are projected to be \$160,000.

Timber Resource

Kootenay holds two TSHLs expiring in 1981 and 1982 which it expects to replace with a forest licence having a 15 year term. The present AAC is approximately 12,600,000 cubic feet. The timber consists of many species and contains a high proportion of small, over-mature and decadent trees. Harvesting operations are conducted in steep terrain at relatively long distances from conversion facilities resulting in high raw material costs. Logs are transported by truck and by towing on Kootenay Lake.

In previous years Kootenay has logged its private timberlands to supplement its AAC by between 900,000 and 3,200,000 cubic feet per annum. These private lands were recently transferred to the Province. Kootenay retains harvesting rights on these lands and is preparing a plan for logging operations over a maximum of twenty years. Kootenay anticipates continuing to cut approximately 1,200,000 cubic feet per year for its mills from these lands.

Kootenay's conversion facilities annually require approximately 14,500,000 cubic feet of timber composed of 7,500,000 cubic feet of peeler logs and 7,000,000 cubic feet of saw logs. Logging operations have generally yielded an insufficient supply of peeler logs and an excess of small saw logs. To overcome this wood imbalance, Kootenay has had to purchase peeler logs. As a result of inadequate log handling and log preparation facilities it has also had to purchase green veneer. Both these problems have contributed to excessive saw log inventory. Kootenay expects to continue to depend upon purchases of between 3,500,000 and 4,500,000 cubic feet of peeler logs per annum for the foreseeable future as well as purchasing varying quantities of veneer.

Kootenay has increased expenditures on roads to improve its access to timber stands with a higher peeler log content. Continued substantial expenditures are anticipated because of the imbalance between Kootenay's timber resources and its conversion facilities.

Capital Expenditures

Total capital expenditures during the five years ended December 31, 1978, including expenditures on roads to the extent not offset against provincial stumpage payments, were as follows:

<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
(in thousands of dollars)				
\$1,515	\$1,996	\$2,317	\$2,256	\$1,464

Capital expenditures in recent years have been directed primarily to renovation of the sawmill in 1975 and 1976 and development of logging roads. BCRIC and Kootenay are studying plans to adapt facilities for better use of the timber resource and to improve log handling and log preparation. These plans, if implemented, would increase sawmill capacity, reduce inventory and eliminate purchases of veneer. Current projections for such expenditures through 1980 amount to approximately \$10 million. In addition Kootenay expects to spend an average of \$1.7 million annually, before stumpage offsets, over the next three years on road development to provide access to better stands of timber suitable for plywood manufacture as well as

to increase the supply of harvestable timber. Roads currently developed permit access to sufficient timber which, together with purchases of peeler logs and veneer at present levels, will supply present mill requirements for approximately one and one-half years.

PLATEAU MILLS LTD.

Plateau Mills Ltd. ("Plateau"), incorporated in 1967, has sawmill operations at Engen, twelve miles west of Vanderhoof, British Columbia. The Province of British Columbia acquired control of Plateau in 1973 and the remaining minority interest in 1974.

Plateau's net sales and earnings in each of the past five fiscal years ended December 31 were as follows:

	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
	(in thousands of dollars)				
Net sales	\$28,224	\$21,826	\$11,573	\$8,624	\$9,385
Earnings (loss) before extraordinary item (1)	4,432	4,378	1,937	68	(316)
Extraordinary item (2)	—	—	—	—	229
Net earnings (loss) (1)	\$ 4,432	\$ 4,378	\$ 1,937	\$ 68	\$ (87)

(1) Plateau has been exempt from income taxes since 1974 due to its status as a Crown corporation. Plateau will lose this exemption in 1979.

(2) Reduction of deferred income taxes upon acquiring status as a Crown corporation.

Plateau's results in 1978 compared to 1977 were favourably affected by strong demand and higher prices for lumber, as well as by exchange gains resulting from the lower value of the Canadian dollar. Earnings were affected adversely by higher stumpage, logging and operating costs and by marketing and productivity problems.

Business of Plateau

Plateau operates two sawmills and related facilities in Engen on its 1,080 acre site adjacent to the Canadian National Railway and the Yellowhead Highway. The older mill, constructed in 1970, handles larger diameter logs and the newer mill, constructed in 1976, handles small logs. The combined annual capacity of these mills is 149 million board feet of dimension lumber. The newer mill is being expanded so as to be able to process both small and large logs. Upon completion of the expansion in March 1979, the older mill will be phased out. The designed annual capacity of the expanded mill is 156 million board feet. Plateau anticipates a reduction of unit costs and an improvement in timber utilization as a result of the expansion.

Lumber production and sales volumes for the past five years ended December 31 have been as follows:

	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
	(in millions of board feet)				
Production	133.9	142.6	95.5	66.8	86.3
Sales	141.7	138.4	89.3	82.3	84.7

Plateau's sales staff at Engen markets its lumber to wholesalers, retailers and industrial users. In 1978, approximately 6% was sold in Canada and 94% in the United States. Wood chips are sold to Prince George Pulp and Paper Ltd. In 1978 wood chip sales revenues amounted to \$2,068,000.

Plateau employs approximately 330 full-time employees of whom 85% are represented by the IWA. The collective agreement which was negotiated under federal anti-inflation controls expires on August 31, 1979. Collective bargaining is conducted by the North Cariboo Forest Labour Relations Association on behalf of Plateau and many of the forest employers in the northern interior region. Shortages of skilled labour and a high turnover rate have adversely affected productivity. Plateau expects that the improvement in working conditions associated with the sawmill expansion will reduce turnover.

Plateau depends on outside sources for transportation of lumber products and for supply of energy. Plateau is pioneering a wastewood burner as a heat source for two of its six kilns used for drying lumber. If this process is commercially successful, Plateau will significantly reduce natural gas purchases.

Plateau is subject to various environmental protection laws and regulations. Plateau believes its operations are generally in compliance with all requirements.

Timber Resource

Plateau holds three TSHLs and one timber sale licence with a total AAC of 26,468,000 cubic feet and annually harvests approximately another 720,000 cubic feet under a private agreement. Licences for 63% of the AAC have been extended under the new Forest Act to expire in 1981 and the other licences expire in 1988. Plateau intends to replace its existing licences with a forest licence having a term of 15 years.

Plateau's timber consists of accessible stands of lodgepole pine, spruce and balsam fir. Most logging operations and log transport are carried out by independent contractors. Plateau does not foresee any shortage of suitable wood for its existing facilities.

Capital Expenditures

Total capital expenditures during the past five years ended December 31, including expenditures on roads to the extent not offset against provincial stumpage payments, have been as follows:

<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
(in thousands of dollars)				
\$8,814	\$4,291	\$4,069	\$4,537	\$2,750

This table includes approximately \$6.3 million relating to construction of a new sawmill completed in November 1976 and \$5.7 million relating to the current mill expansion. Road expenditures in recent years have been increased to support the increase in production. Existing logging roads provide access to sufficient timber to supply the present mill requirements for approximately four years. Plateau anticipates that total capital expenditures in 1979 will be approximately \$4.5 million, including about \$2 million for the sawmill expansion and log yard improvements.

ENERGY INVESTMENTS

GAS AND OIL DIVISION

On March 9, 1978, the Province of British Columbia issued to BCRIC a petroleum and natural gas licence (the "Licence") under which BCRIC has the exploration rights described below covering 2,343,667 acres of unproven and undeveloped land in northeastern British Columbia ("the Licenced Lands"). BCRIC paid \$40,896,043 for the Licence. The location of the Licenced Lands is illustrated on the map on page 15.

The Licence

The Licence stipulates that BCRIC may undertake geological and geophysical methods of exploratory work, alone or in conjunction with others, but may not drill, in its own right, exploratory wells for petroleum and natural gas on the Licenced Lands. In order to drill and prove potentially productive geological horizons, farmout agreements must be negotiated with third parties who undertake the drilling operation on behalf of themselves and BCRIC. This provision ensures that the oil and gas industry will have the opportunity to participate in the exploration and development of the Licenced Lands.

During the five year term of the Licence, BCRIC has the exclusive right to receive petroleum and natural gas permits from the British Columbia Ministry of Energy, Mines and Petroleum Resources for any portion of the Licenced Lands which will be evaluated under a farmout agreement. Each permit will cover a land area specified by BCRIC in its application and will be issued for a term of eight years where the permit relates to blocks designated "A" on the map on page 15 or for a term of ten years where the permit relates to blocks designated "B" on the same map. The Licence makes provision for the renewal of a permit for a five year term if a subsequent agreement is entered into for further exploration. Land under permit may be surrendered by BCRIC at any time subject to outstanding farmout agreements.

The right to produce from the Licenced Lands may be granted by way of leases issued pursuant to the Petroleum and Natural Gas Act, 1965 of British Columbia (the "PNG Act") after a well has been drilled. The area covered by these leases will be determined by the geographical location and depth of the well and its capability of producing.

Most of the provisions of the PNG Act and the regulations thereto will apply to BCRIC under the terms of the Licence. However, there are provisions of the Licence which supersede provisions of the PNG Act, including reduced rentals, the elimination of work obligations while under permit and enhanced lease entitlements.

The properties included in the Licenced Lands were valued in a report dated February 15, 1978 and prepared for the Minister of Energy, Mines and Petroleum Resources of British Columbia by D & S Petroleum Consultants (1974) Ltd. and D & S Geological Services Ltd. of Calgary, Alberta and London, England. The report set out appraised values for each of the tracts of land comprising the Licenced Lands and established a total value for the Licenced Lands of \$40,896,043 or an average price of \$17.45 per acre (\$43.11 per hectare). (A hectare is a metric unit of area which equals 10,000 square metres or 2.471 acres.) Because much of the Licenced Lands was remote from exploration activity in 1977, the valuation was based on a variety of factors including the results of recent land sales in the area, prevailing land prices for unproven wildcat acreage, the results of drilling on offsetting lands which might indicate reservoirs which could be encountered on the Licenced Lands, and the general level of exploration activity in the area.

Industry Price and Drilling Statistics

As BCRIC has no existing production or established oil and gas reserves on the lands managed by it, the following statistical information is provided in connection with land value and drilling activity trends in British Columbia. The bonuses paid on the sale of Crown reserve petroleum and natural gas rights for each of the last five years by type of disposition are set out below.

Crown Reserve Disposition Bonuses					
	1978	1977	1976	1975	1974
	(in millions of dollars)				
Permits	\$ 49.5	\$ 60.0	\$27.5	\$ 6.6	\$15.4
Drilling reservations	64.5	30.6	6.2	2.7	2.7
Leases	63.5	34.8	9.5	3.4	4.9
Total	<u>\$177.5</u>	<u>\$125.4</u>	<u>\$43.2</u>	<u>\$12.7</u>	<u>\$23.0</u>

During 1978, monies paid by the oil and gas industry to acquire petroleum and natural gas permits covering British Columbia Crown lands amounted to \$49.5 million or \$61.14 per acre, which compared to a total of \$60.0 million in 1977 on significantly more land area for an average of \$38.31 per acre. While the rights obtained by BCRIC under the Licence are not directly comparable to any of the disposition categories shown above, the bonus amounts realized on permit dispositions represent most closely the trend in values which might apply to the Licenced Lands.

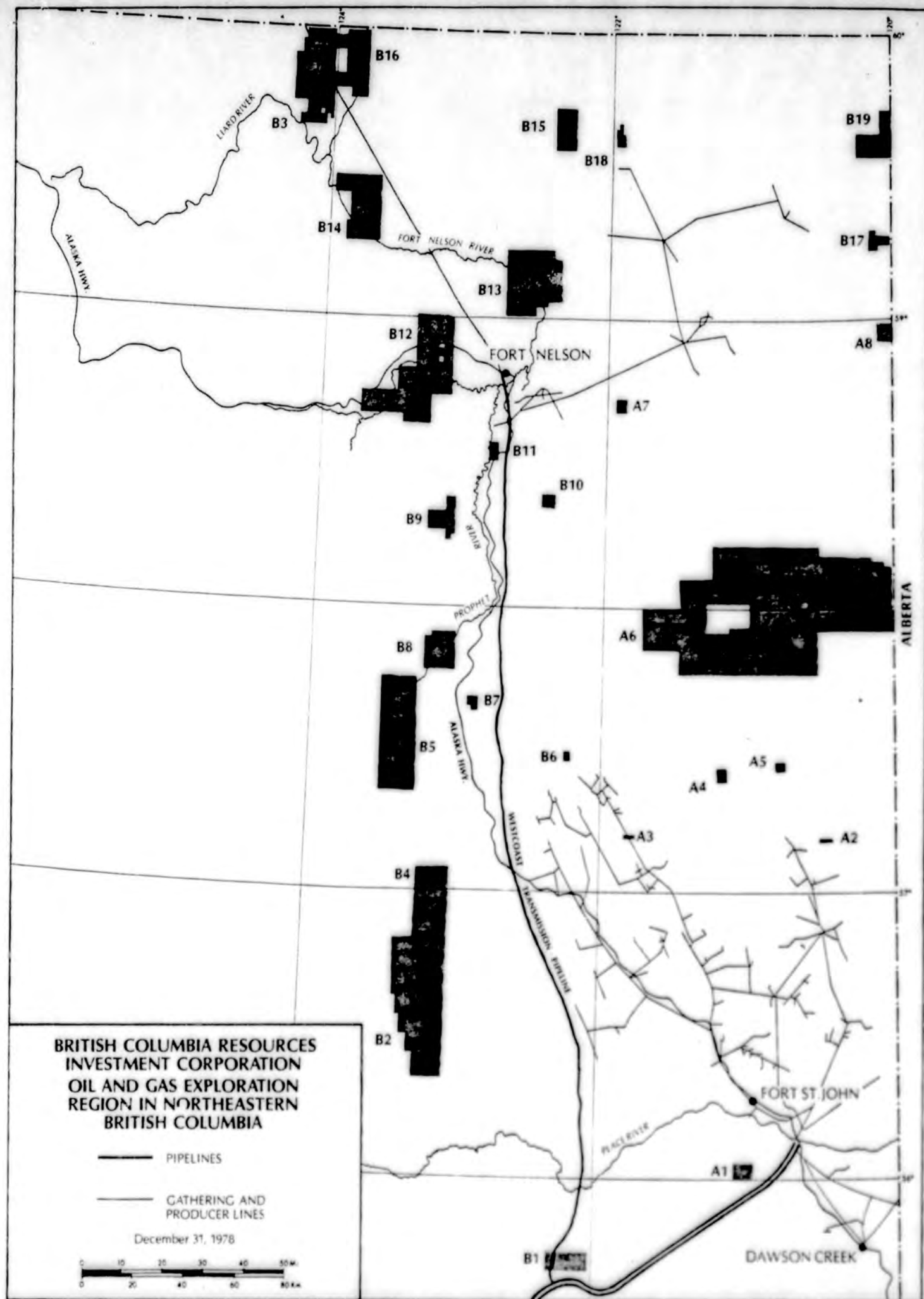
The following table sets out a review of drilling activity and results over the past five years in British Columbia.

Drilling Activity in British Columbia					
	1978	1977	1976	1975	1974
Oil wells	72	38	13	2	6
Gas wells	201	165	95	31	51
Dry holes	129	118	71	44	84
Servicing and standing wells	6	7	5	4	6
Total wells completed	<u>408</u>	<u>328</u>	<u>184</u>	<u>81</u>	<u>147</u>

Operating Strategies

BCRIC opened a Gas and Oil Division office in Calgary in June 1978. A small staff of experienced professionals is pursuing the following operating strategies and priorities for the Gas and Oil Division:

- to negotiate farmout agreements requiring farmees to provide all exploratory funds for seismic and drilling activity on Licenced Lands so that these lands are fully and expeditiously explored;
- to participate fully in development activity with others on the Licenced Lands;
- to pursue exploration prospects on other than Licenced Lands;
- to acquire selectively both semi-proven and unproven acreage in order to offset the dilution of BCRIC's land inventory which results from farmout agreements on the Licenced Lands; and
- to pursue opportunities to acquire interests in producing properties.



Farmout Agreements

All farmout agreements negotiated to date essentially provide that the third party farmee absorb all costs of exploratory activities on the Licenced Lands, although BCRIC has undertaken some minor seismic programs for control purposes on Licenced Lands prior to farmout. In addition, each farmee must drill one or more wells to a prescribed depth to earn a 50% interest in any leases which may issue from a permit. The interest earned extends down only to the depth or geological horizon penetrated by the well. Since a field discovered on Licenced Lands may extend to adjacent areas, another feature of most agreements is that an area of mutual interest is established covering the petroleum and natural gas rights on land adjacent to the farmout block. BCRIC will attempt to protect its interest in the related lands by participating with its farmee in any subsequent development work.

Twenty-two of the twenty-seven blocks comprising the Licenced Lands have been committed to farmout agreements, although formal agreements have not been signed in every case. Over 89% of the Licenced Lands are covered by these commitments. To this date in negotiations, farmees are obligated to conduct a minimum of 1,460 kilometres of seismic and to drill 18 wells over the next three and one-half years. Farmees on commitments negotiated to date include a broad range of experienced exploration companies.

Block A-6, the largest block in the Licenced Lands consisting of 905,019 acres, was divided into eleven parcels and farmed out to a number of operators in order to generate more concentrated exploration activity. One parcel has been retained by BCRIC. Some of the operators on Block A-6 have subsequently joined with others to explore jointly on this land. Approximately 550 kilometres of seismic line and nine wells have been committed on this block.

Drilling Activity

Four of the wells referred to above under "Farmout Agreements" are being drilled in the 1978-1979 winter drilling season. The first well on the Licenced Lands was Wainoco BCRIC Sojer, drilled in November 1978 on Block A-3 in the Nig Creek area 120 kilometres northwest of Fort St. John. An area of mutual interest was established adjacent to Block A-3. Consequently three parcels of land were purchased jointly by Wainoco Oil & Gas Limited and BCRIC at the November 22, 1978 Crown sale. The Sojer well found a gas-bearing section capable of commercial production and has been capped.

Gulf BCRIC Cheves, a 3,140 metre test, has been drilled on Block B-9 and is currently testing. This well is 3.5 kilometres south southeast of an earlier Gulf Cheves well which was drilled in early 1978.

Esso BCRIC Stanislas, a 3,000 metre test, commenced drilling operations on January 19, 1979 on Block B-15.

Czar BCRIC Dobin, a 1,000 metre test, commenced drilling operations on February 15, 1979 at the southwest extremity of Block B-19.

As the first investment in BCRIC's strategy to expand its activities beyond the Licenced Lands and related mutual interest lands, BCRIC has entered into a farmin agreement on a parcel of land located in the Sahtaneh area east of Fort Nelson. By paying 12½% of well costs, BCRIC will earn a 6¼% interest in production from the well after well costs have been recovered. The well, known as Tri Star et al Sahtaneh, is currently drilling and offsets Mobil Sahtaneh to the southwest, a well which flowed gas at a rate in excess of 11.5 million cubic feet per day.

Oil and gas exploration involves a high degree of risk, which can be reduced by a combination of experience, knowledge and careful evaluation. BCRIC intends to engage in the drilling of both exploratory and development wells. There is no assurance that commercial quantities of gas or oil will be discovered by BCRIC. The marketability of gas and oil which may be acquired or discovered by BCRIC will be affected by market fluctuations, the proximity and capacity of gas and oil pipelines and processing equipment and government regulations, including regulations related to prices, taxes, royalties, land tenure, methods of operation, allowable production, importing and exporting of oil and gas and environmental protection. Hazards such as unusual or unexpected formations, high pressures or other anomalous conditions are encountered in drilling and operating wells. BCRIC will have the benefit of insurance placed in such amounts as it considers adequate. BCRIC may become subject to liability for pollution, blow outs or other hazards against which it is not fully insured.

Expenditure Plans

BCRIC has established a preliminary five year expenditure plan totalling approximately \$55 million. This amount is allocated approximately equally to expenditures on Licenced Lands and to expenditures for or on other lands. The amount of actual expenditures will depend upon many factors including the success of prior expenditures in this program, the cash flow which may result from these expenditures, the amount of net proceeds from the present sale of BCRIC common shares which can be dedicated to this program and the opportunities for expenditure which become available to or are developed by BCRIC's Gas and Oil Division.

As part of this five year plan, BCRIC has developed an expenditure budget of \$8.3 million for 1979. These expenditures may include seismic and drilling work and land acquisition costs and will be allocated to participating in joint operations on Licenced Lands and mutual interest lands, the purchase of semi-proven and wildcat acreage not related to the Licenced Lands, and exploratory drilling on new acreage. The 1979 program will be financed from internal cash flow of BCRIC, the proceeds from the sale of common shares offered by this prospectus and debt capital where the expenditure plan will support such financing.

Government Regulation

All of BCRIC's present exploration activities are being conducted in British Columbia. The exploratory work carried out by BCRIC and its farmees and any production of petroleum or natural gas will be governed by the PNG Act as modified by the Licence.

The PNG Act and regulations prescribe royalties payable in respect of the sale of natural gas, natural gas by-products and petroleum produced in British Columbia. Virtually all natural gas and by-products produced in the Province are sold under contract with the British Columbia Petroleum Corporation ("BCPC"), a Crown corporation, and are exempt from royalties. The price payable to producers is based upon a "field price" reviewed annually by the British Columbia Energy Commission and is adjusted in accordance with changes in the average market value and volume of export and domestic gas sales, transmission costs and federal taxes. In December 1978 the price payable for "new gas" (generally, gas drawn from a pool which did not flow prior to November 14, 1973) was fixed at \$1.046 per thousand cubic feet and the price payable for "old gas" was fixed at \$0.766 per thousand cubic feet, at wellhead. The time of completion of a well also determines the royalty payable on "new oil" and "old oil". New pool discovery wells are exempt from royalties for the first three years of production and royalties on "new oil" (generally, oil drawn from a pool which did not contain a completed well prior to November 1, 1975) are usually less than those levied on "old oil". Royalty rates are also determined by the volume of monthly production from a particular well.

The Federal Government regulates the prices of crude oil and natural gas in interprovincial and export trade and controls the volumes of crude oil and natural gas exported from Canada.

WESTCOAST TRANSMISSION COMPANY LIMITED

BCRIC owns 3,471,375 common shares (approximately 10% of the outstanding common shares and the second largest shareholding) in the capital of Westcoast Transmission Company Limited ("Westcoast"). Westcoast is primarily engaged in purchasing, gathering, processing, transmitting and selling natural gas.

The following table sets out a five year history of Westcoast's operating revenues, net income, cash flow, net income per common share (weighted average) and dividends per common share and the high and low prices for Westcoast's common shares on The Toronto Stock Exchange.

	Year ended December 31				
	1978	1977	1976	1975	1974
Operating revenues (in thousands)	\$843,902	\$780,164	\$579,276	\$416,677	\$266,600
Net income after preferred dividends (in thousands)	41,538	39,450	36,059	29,619	25,172
Cash flow (in thousands)	85,805	81,419	75,867	55,060	47,161
Net income per common share	1.21	1.19	1.11	0.99	0.97
Dividends per common share	0.69	0.653	0.612	0.60	0.433
Common share price high—low	12 3/4—10 3/8	11 1/4—8 3/8	9 3/8—7 3/8	7 3/8—6 1/8	8 3/8—4 7/8

The Pipeline System

Westcoast, together with two wholly-owned subsidiaries, owns and operates a natural gas pipeline system (the "Pipeline System") consisting on May 31, 1978 of 1,400 miles of main transmission pipeline in British Columbia with 17 mainline compressor stations, 1,101 miles of gathering lines in British Columbia, Alberta, the Yukon Territory and the Northwest Territories with 13 field compressor stations, three gas processing plants located at Fort Nelson, Taylor and Boundary Lake, British Columbia with a total marketable gas capacity of 1,430 million cubic feet per day and two elemental sulphur recovery plants located at Fort Nelson and Taylor. The main transmission pipeline runs from Fort Nelson and Taylor in northern British Columbia to a point on the United States border near Huntingdon, British Columbia where it connects with the pipeline system of Northwest Pipeline Corporation ("Northwest"). The Pipeline System has a mainline transmission capacity (mainline sales plus compressor fuel) of approximately 1,360 million cubic feet per day.

Westcoast is in the midst of an extensive construction program involving expenditures in the order of \$225,000,000 during 1978 and 1979. Major projects completed in 1978 include the Grizzly Valley—Sukunka pipeline, the Silver—Dahl pipeline and the Clarke Lake South and Red Creek gas field connections. Scheduled for completion in 1979 are a processing plant near Chetwynd associated with the Grizzly Valley—Sukunka pipeline and other gathering facilities and additions to the Pipeline System.

Gas Supply, Cost of Service and Rate of Return

Westcoast has, in connection with the operation of the Pipeline System, entered into an agreement (the "BCPC Agreement") with BCPC. Under the BCPC Agreement substantially all of the gas produced in British Columbia is sold by the producers to BCPC which, in turn, commits and sells the gas to Westcoast. In addition, approximately 22% of Westcoast's gas is purchased from producers in northwestern Alberta, the Yukon Territory and the Northwest Territories.

Under the BCPC Agreement the price paid by Westcoast for the gas purchased from BCPC is an amount equal to the gross revenues received by Westcoast from the sale of gas transmitted through the Pipeline System and gas by-products from the processing and sulphur recovery plants, less both the cost incurred in purchasing gas from sources other than BCPC and the cost of service, including a return on rate base.

The rate base consists of actual investment in plant, property and equipment in service less depreciation plus working capital. The BCPC Agreement provides that the rate of return on rate base is subject to change by agreement or by arbitration. The present 11% rate of return has been in effect since January 1, 1977. Because operating income is generated by a return on rate base, the net income of Westcoast is not affected by fluctuations in the price or volume of gas sold and delivered through the Pipeline System. Net income is increased with additions to rate base by expansion of the Pipeline System.

National Energy Board Rate Application

Westcoast's tariffs, tolls and charges applicable to its customers are subject to the jurisdiction of the National Energy Board ("NEB"). The price payable for gas purchased outside British Columbia is governed by The Petroleum Administration Act.

In 1977 Westcoast filed its first rate application to be heard by the NEB. The application is being heard in three phases. Phase I which dealt with the depreciation and income tax components of cost of service has been heard. The NEB has approved an alteration of Westcoast's accounting treatment of depreciation, effectively increasing the recovery of depreciation, and a change from flow-through to normalized income tax accounting. A decision on methods of allocating these costs to domestic and export sales was postponed until Phase II. The components of rate base and the remaining components of the cost of service, including the return on rate base, are being considered in Phase II which is scheduled to be completed in March 1979. The design of rates and tolls charged to domestic customers will be considered in Phase III which is scheduled to be completed in April 1979.

Substantially all the decisions of the NEB as to depreciation, amortization and income taxes will be given effect to by the BCPC Agreement for purposes of determining the price to be paid by Westcoast for gas purchased from BCPC. Any increase in Westcoast charges authorized by the NEB will not necessarily result in additional after tax net profits.

Gas Sales

All gas transported through the Pipeline System, other than compressor fuel, is either exported to Northwest or sold to distributors in British Columbia, primarily B.C. Hydro, Inland Natural Gas Co. Ltd. ("Inland") and Pacific Northern Gas Ltd. ("Pacific Northern").

B.C. Hydro, Inland and Pacific Northern distribute approximately 95% of all the natural gas distributed to consumers in British Columbia. B.C. Hydro distributes gas throughout the lower mainland area of British Columbia including the metropolitan area of Vancouver. Inland carries on a gas distribution business principally in central and southern British Columbia. Pacific Northern carries on a gas distribution business in northwestern British Columbia as referred to under "Other Businesses" on page 20. Westcoast sells gas to B.C. Hydro, Inland and Pacific Northern pursuant to agreements each of which terminates on October 31, 1991.

Northwest, which is Westcoast's largest customer, owns and operates a gas transmission system in the United States serving markets in the States of Washington, Oregon, Idaho, Colorado, Utah, Nevada and Wyoming. Westcoast and Northwest have the necessary regulatory authorizations to export and import natural gas near Huntingdon under a contract which terminates on October 31, 1989. This contract provides for delivery of a maximum volume of 809.2 million cubic feet of gas per day.

Alaska Highway Pipeline Project

Westcoast owns 50% of the voting shares of Foothills Pipe Lines (Yukon) Ltd. ("Foothills Yukon") which, through its subsidiaries, is responsible for the construction and operation of the Canadian portion of the Alaska Highway Pipeline Project (the "Project"). The Project is sponsored by Westcoast, The Alberta Gas Trunk Line Company Limited and Northwest Alaskan Pipeline Company, an affiliate of Northwest, and will comprise a gas transmission system totalling 2,759 miles of large diameter pipe extending from Alaska through Canada to the lower 48 States with a throughput capacity of approximately 2.4 billion cubic feet of gas per day. Approximately 2,000 miles of the pipeline will be located in Canada. Completion of the Project is scheduled for the winter of 1984-85.

Five subsidiaries of Foothills Yukon, each of which will be owned to the extent of at least 51% of its voting shares by Foothills Yukon, will construct separate segments of the Canadian portion of the Project. Westcoast will be responsible for construction and operation of the northern British Columbia segment (approximately 440 miles) and will hold the remaining 49% voting interest in Foothills Pipe Lines (North B. C.) Ltd., the subsidiary company handling this phase of the Project.

The capital costs of the Project were estimated in mid-1978 to be approximately \$8.1 billion of which approximately \$4.4 billion was to be expended by Foothills Yukon and its subsidiaries for the Canadian portion of the Project. The foregoing capital cost estimates are currently being revised upward due to delays in the scheduled completion of the Project. These estimates are also subject to definitive design, timing and certain other factors affecting the Project and do not include capital cost estimates for a pipeline system from the Mackenzie Delta/Beaufort Basin along the route of the Dempster Highway to connect with the Project at Whitehorse, Yukon Territory.

As of December 31, 1978 Westcoast's total expenditures in respect of Foothills Yukon and its subsidiaries were \$24.5 million. Westcoast will continue to contribute its proportionate share to cover the costs to be incurred by Foothills Yukon and its subsidiaries to develop the Project. The amount and timing of any commitment with respect to Project construction will be subject to a number of factors including regulatory approvals, the execution of gas sales and transportation contracts and the financing of the Project. Westcoast estimated in mid-1978 that its equity contribution to Foothills Yukon and its subsidiaries in connection with the construction of the Project would be approximately \$440 million. This estimate will be updated based upon the revised capital cost estimates for the Project. Westcoast proposes to fund its equity contribution by means of a combination of debt issues, preferred share issues and funds received upon the exercise of outstanding share purchase warrants as well as cash flow which may result from the early construction and operation of the southern Alberta, southern British Columbia, and Saskatchewan sections of the Project or cash flow from other operations.

Feasibility studies are also progressing through Foothills Oil Pipe Line Ltd. on a concept to carry Alaskan oil through the same Alaska Highway transportation corridor to supply markets in the mid-western United States.

Other Businesses

Westcoast Petroleum Ltd. ("Westpete"), which is 59.8% owned (including 57.6% of the voting shares as at December 31, 1978), is engaged in oil and gas exploration, development and production and as at December 31, 1978 had interests in 8,249,090 gross acres (2,304,571 net acres) of prospective oil and gas lands in western Canada, the Yukon Territory, the Northwest Territories and the Arctic Islands. Westpete also owns and operates an oil pipeline extending for 505 miles between Taylor and Kamloops, British Columbia. Westpete accounted for approximately 10.6% of Westcoast's 1978 net income after tax.

Pacific Northern, which is 45% owned (including 100% of the voting shares), is a gas transmission and distribution company serving communities along its system which extends from a point on the Westcoast main transmission line near Summit Lake to Prince Rupert and Kitimat on the Pacific Coast as shown on the sketch on page 4.

The foregoing information with respect to Westcoast's business and operations was obtained from or based upon publicly available documents and records, particularly reports and other information which Westcoast has filed with the Superintendent of Brokers of the Province of British Columbia or the United States Securities and Exchange Commission, the 1977 Annual Report, the 1978 Mid-Year Update, the 1978 Third Quarter Interim Report to Shareholders and Westcoast's announcement of preliminary results for 1978.

CONSOLIDATED CAPITALIZATION

	Authorized	Outstanding as at December 31, 1978	Outstanding as at January 31, 1979
	(in thousands of dollars)		
Indebtedness			
Indebtedness of BCRIC			
Non-interest bearing promissory note payable (1)	\$151,533	\$151,533	\$151,533
Long term debt of CanCel			
6 $\frac{1}{8}$ % Bonds due January 2, 1981 (2)	\$ 71,136	\$ 14,202	\$ 9,531
5 $\frac{3}{8}$ % Bonds due July 1, 1985 (2)	\$ 47,424	\$ 26,664	\$ 26,807
10 $\frac{1}{2}$ % Promissory notes due December 15, 1992 (2)	\$ 59,288	\$ 59,288	\$ 59,570
11 $\frac{1}{2}$ % Promissory notes due December 15, 1992	\$ 20,000	\$ 20,000	\$ 20,000
Bank loans (3)	\$ 65,000	\$ 50,000	\$ 55,000
Sundry indebtedness		\$ 7,377	\$ 7,369
Minority interest in a subsidiary			
Common shares and retained earnings		\$ 23,066	\$ 23,101
Share capital (4)			
Common shares without par value (1)	100,000,000 shs.	5 shs. (\$5.00)	5 shs. (\$5.00)

NOTES:

- (1) The Province of British Columbia which holds the note has agreed to exchange it for 15,000,000 fully paid common shares of BCRIC. Reference is made to "Plan of Distribution".
- (2) Payable in U.S. dollars. Amounts shown are the Canadian dollar equivalents translated on the basis set out in Note 1 to the Consolidated Financial Statements.
- (3) Reference is made to Note 7 to the Consolidated Financial Statements for further details.
- (4) In addition to the stated dollar value for capital stock as indicated above, BCRIC had consolidated retained earnings of \$15,922,000 at December 31, 1978.
- (5) Reference is made to Note 9 to the Consolidated Financial Statements for particulars of long term leases.

DETAILS OF THE OFFERING

Common Shares

The authorized capital of BCRIC consists of 100,000,000 common shares without par value. The holders of common shares are entitled to dividends as and when declared by the board of directors; are entitled upon liquidation to receive pro rata such assets of BCRIC as are distributable to the holders of common shares; and have no pre-emptive, conversion or subscription rights. The common shares offered hereby will be fully paid and non-assessable. The holders of common shares are subject to the provisions of the BCRIC Act which are summarized below under "British Columbia Resources Investment Corporation Act".

Holders of common shares who hold registered share certificates are "members" of BCRIC for the purposes of the British Columbia Companies Act, are entitled to attend meetings of shareholders of BCRIC and will have one vote for each registered common share held. **The holder of common shares represented by a bearer share certificate will not be a "member" of BCRIC and will not be entitled to notice of or to attend at meetings of shareholders of BCRIC nor to vote as a shareholder.**

Bearer Share Certificates

Bearer share certificates will be issued on all applications for less than 100 common shares, including free common shares received from the Province of British Columbia as described under "Plan of Distribution". Holders of common shares represented by bearer share certificates will have the rights and restrictions summarized below. Amendments to the BCRIC Act will be required to authorize the issue by BCRIC of bearer share certificates. For full particulars reference should be made to the BCRIC Act and the Articles of BCRIC when amended and to the Companies Act of British Columbia.

Shareholder Rights

The holder of common shares represented by a bearer share certificate will be entitled to the principal rights and protections afforded individual registered shareholders under the Companies Act of British Columbia except the right to attend shareholders' meetings and to vote as a shareholder and the right to receive information mailed by BCRIC.

Share Registration

The bearer of bearer share certificates aggregating at least 100 common shares of BCRIC may become a registered shareholder of BCRIC by having such shares registered in his or her name subject to the restrictions on share ownership and share holdings described below.

Dividends

Declaration of dividends will be advertised and dividends payable on common shares represented by bearer share certificates will be paid to the bearer on presentation of such certificates to any dividend paying agent named in such advertisements. Dividends declared and not claimed within six years following their respective payment dates will be paid to the Minister of Finance to be held pursuant to the Unclaimed Money Deposits Act.

Loss or Destruction

Bearer share certificates will not be replaced by BCRIC if lost, stolen or destroyed.

British Columbia Resources Investment Corporation Act

Restrictions on Share Ownership

Only Canadian citizens or residents of Canada are eligible to purchase, own, or hold voting shares of BCRIC. Common shares of BCRIC represented by bearer share certificates will, by definition, not be voting shares. Voting shares may not be purchased or held in right of or for the use or benefit of a non-resident of Canada who is not a Canadian citizen.

For this purpose a resident of Canada is a person other than any of the following:

- an individual who is not ordinarily resident in Canada;
- a corporation that is incorporated, formed or otherwise organized elsewhere than in Canada or that is controlled directly or indirectly by non-residents or by a non-resident trust or of which the majority of directors are non-residents;

- the government of a foreign state or a political subdivision thereof, or an agent of either;
- a trust established by a non-resident (other than a trust for the administration of a pension fund for the benefit of individuals, a majority of whom are residents of Canada) or in which non-residents have more than 50% of the beneficial interest.

Maximum Share Holdings

The maximum number of voting shares of BCRIC which may be owned by or held for the use or benefit of any person or associated group of persons, other than the Province of British Columbia or a mutual fund, or pension or other similar fund, is 1% of the outstanding voting shares of BCRIC. A mutual fund or pension or other similar fund may hold up to 3% of the total number of the outstanding voting shares. The Lieutenant-Governor in Council is authorized by the BCRIC Act to change these limits.

Disposal of Excess Shareholding

Where voting shares of BCRIC are held in contravention of the BCRIC Act, BCRIC may require the holder to dispose of such shares to an eligible holder within a specified period of not less than sixty days. Failing compliance with such requirement, the voting shares may be redeemed for cancellation by BCRIC at its option at a price which is the lesser of the issue price on the initial issue of shares of that class or the market price prevailing at the time of redemption.

Voting Restrictions

The Province of British Columbia, while it owns 10% or more of the outstanding voting shares of BCRIC, may not vote those shares for the election of directors but may appoint:

- one director if the number of directors is four or less;
- two directors if the number of directors is five, six, seven or eight; and
- three directors if the number of directors is more than eight.

Where any of the shares of BCRIC are held or deemed to be held in contravention of the BCRIC Act, the voting rights attaching to those shares shall not be exercised, and any proceeding at a meeting at which voting rights pertaining to shares of BCRIC so held are exercised is, at any time within one year after the commencement of that meeting, voidable at the option of the directors.

Declarations

To ensure compliance with the restrictions imposed by the BCRIC Act on the holding and ownership of shares, BCRIC is entitled to receive, as a condition of registration of any shares of BCRIC on any subscription or transfer or on registration of bearer share certificates and at any time after registration, a declaration confirming that the subscriber or transferee or shareholder meets the requirements of the BCRIC Act. When a declaration is not received within 30 days after being requested, shares are deemed to be held in contravention of the BCRIC Act until the declaration is filed.

Redemption of Shares Held by the Province

BCRIC may redeem for cancellation voting shares held by or on behalf of the Province of British Columbia at a price per share agreed upon between BCRIC and the Minister of Finance, and approved by the Lieutenant-Governor in Council.

Company Meetings

BCRIC is seeking an amendment to the BCRIC Act which would provide that where the Supreme Court of British Columbia determines that it is impracticable to call or to conduct any general meeting of registered shareholders in the usual manner, or for any other reason the Court considers appropriate, the Court may order that the business to be transacted or the votes to be cast at the meeting be transacted or taken in such manner, and with or without the holding of a meeting, as the directors or the Court may prescribe. BCRIC is also seeking amendments to the BCRIC Act which would permit the directors of BCRIC to publish materials usually mailed to registered shareholders where they consider the cost of producing and mailing such material to be excessive or for any other reason they consider appropriate.

Winding Up

Proceedings to wind up BCRIC are invalid unless approved by the Lieutenant-Governor in Council.

Risk Factors Affecting Common Shares

The common shares are not guaranteed in any manner by the Province of British Columbia or any other government, nor has any government any direct or indirect obligation with respect to them. Future prices of the common shares will be determined by such factors as the selling intentions of persons receiving free common shares from the Province, the general economic climate, conditions in financial markets and the success or otherwise of BCRIC and its subsidiaries in attaining their objectives. Since BCRIC has only recently commenced operations, potential projects and investments in which BCRIC may participate or which may be acquired by it are not yet known. In addition results experienced by BCRIC's subsidiaries over the past five years are not necessarily indicative of future performance. No representations can be made as to the future influence of these factors on prices for BCRIC's common shares.

PLAN OF DISTRIBUTION

General

The common shares offered by this prospectus are offered for sale to individuals who qualify for free common shares of BCRIC to be distributed by the Province of British Columbia as described below. This offer is conditional upon such distribution being made by the Province.

An application for free common shares must be completed and validated before the expiry of this offer to establish qualification to purchase additional common shares. Each qualified applicant may purchase common shares in integral multiples of five, up to a total of 5,000 in respect of each eligible resident of British Columbia named in the application. The purchase price must be deposited with the application and will be invested by BCRIC in short term securities of Canadian financial institutions or governments until share certificates are available for delivery. Any interest earned from the time of deposit will accrue to BCRIC.

If any cheque tendered in payment with an application for common shares is returned "N.S.F.", the purchase is voidable at the option of BCRIC. Free common shares applied for in the same application must be re-applied for through the office of the Minister of Finance after October 1, 1979.

Distribution of Free Common Shares

On January 11, 1979 the Province of British Columbia announced its intention to make a gift of five common shares to each eligible resident of British Columbia. An eligible resident is an individual who is a Canadian citizen, or has qualified and applied for Canadian citizenship, and has either (i) ordinarily resided in British Columbia for at least the immediately preceding twelve months or has so resided since birth, or (ii) not met the qualifications in (i) but is otherwise qualified by residency as determined by the Minister of Finance.

Applicants must be 16 years of age or older. The parent or guardian is qualified to apply for and receive common shares in respect of eligible residents born after June 15, 1963. Applications to obtain free common shares may be made only at offices in British Columbia of participating chartered banks, trust companies, credit unions and registered investment dealers and at government offices designated by the Minister of Finance. The application period for free common shares is stated to commence on March 15, 1979 and to close on June 15, 1979, subject to the processing of appeals.

At the date of this prospectus the Province is the beneficial owner of the five outstanding common shares in the capital of BCRIC, which are held of record in the names of five of the directors of BCRIC. Pursuant to the BCRIC Act, on March 1, 1979 the Lieutenant-Governor in Council authorized the Minister of Finance to exchange the non-interest bearing demand note of BCRIC in the amount of \$151,532,930 described under "Business and Properties of BCRIC" for 15,000,000 fully paid common shares of BCRIC. The Province's gift of common shares will be distributed from these common shares to be issued by BCRIC. The Province estimates that there are approximately 2,400,000 residents of British Columbia who are eligible for free common shares. If free common shares are distributed to or in respect of all such eligible residents, the Province will continue to hold approximately 3,000,000 common shares of BCRIC and has announced that it intends to retain beneficial ownership of any free common shares not distributed.

Dilution

After the issue of the 15,000,000 fully paid common shares of BCRIC, the pro forma net book value per common share of BCRIC, based on the Consolidated Balance Sheet of BCRIC as at December 31, 1978, would be \$11.16 per share. The increment to the net book value of BCRIC for common shares sold on this offering is \$6.00 per share, less agents' commissions and expenses of issue. The sale of each common share will result in immediate dilution of the pro forma net book value per share referred to above. The full

extent of the dilution resulting from this offering cannot be determined until the offering is completed and the number of common shares sold is known.

Necessary Legislation

The offering of common shares by BCRIC by this prospectus is conditional upon the necessary amendments to the BCRIC Act being passed to authorize the issue by BCRIC of bearer share certificates representing common shares of BCRIC. For particulars of the proposed bearer share certificates see "Details of the Offering".

Agents

Participating chartered banks, credit unions, trust companies and registered investment dealers have agreed in principle to act as agents of the Province in connection with the distribution of free common shares and as agents of BCRIC for the sale of the common shares offered by this prospectus. BCRIC has agreed to pay to the agents a commission of \$.25 per common share purchased.

Delivery of Share Certificates

Share certificates will be available for delivery between August 7 and September 28, 1979 at the point of application and through the office of the Minister of Finance from October 22 to December 31, 1979. If the total of free and purchased common shares covered by any application form is less than 100, the common shares will not be registered in the name of the applicant but will be delivered in the form of bearer share certificates.

USE OF PROCEEDS

The proceeds to be derived from the sale of common shares offered hereby will depend upon the degree to which BCRIC's offer is accepted by qualified purchasers. BCRIC estimates that its expenses associated with this offering will amount to approximately \$2,500,000, which amount and commissions will be deducted from the proceeds.

BCRIC proposes to allocate a portion of the net proceeds to expenditures of its Gas and Oil Division as described under "Expenditure Plans" on page 17. The balance will be applied towards future expenditures, investments and projects related to both the presently owned interests and ventures hereafter acquired or participated in by BCRIC. The exact timing, amount and identification of these expenditures or investments cannot be determined at this time and accordingly no amount has been allotted to any particular project. Pending such expenditures or investments, the net proceeds of this offering will be deposited with or invested in instruments issued by Canadian financial institutions and in such marketable securities as from time to time are approved by the directors of BCRIC.

TAXATION MATTERS

Taxation of BCRIC

At the present time, BCRIC and its wholly-owned subsidiaries are exempt from tax under the Income Tax Act (Canada) and the Income Tax Act (British Columbia) (the "Tax Acts") because all the shares of BCRIC are owned by the Province of British Columbia. BCRIC and its wholly-owned subsidiaries will lose this exemption during 1979 because of the distribution of the free common shares and the sale of additional common shares.

Taxation of a BCRIC Shareholder

A tax ruling has been received from the Department of National Revenue to the effect that a recipient of free common shares of BCRIC will have received them as a gift with no immediate tax consequences. The cost of the free common shares for tax purposes will be equal to their fair market value at the time of receipt, which value has yet to be determined. Where such common shares are capital property to a shareholder resident in British Columbia, no Canadian tax consequences will arise (except with respect to any dividends which may be paid in the future) until such time as the common shares are, or are deemed to be, disposed of under the provisions of the Tax Acts or any other applicable legislation. Where such shareholder has also purchased common shares of BCRIC, the purchase price of these shares will be averaged with the fair market value of free common shares for the purpose of computing any gain or loss on disposition. If BCRIC pays a dividend, such dividend will be subject to the normal rules respecting the taxation of dividends in the hands of a shareholder.

DIRECTORS AND MANAGEMENT

Directors and Officers

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
JOHN WILSON PITTS 4391 Agar Drive, Richmond, British Columbia	Chairman of the Board and Director	Chairman, President and Chief Executive Officer, Okanagan Helicopters Ltd.
DAVID LEEDOM HELLIWELL 2600 - 1177 West Hastings Street, Vancouver, British Columbia	President and Director	President and Chief Executive Officer, BCRIC
TREVOR WILLIAM PILLEY 555 Burrard Street, Vancouver, British Columbia	Director	Chairman and Chief Executive Officer, a Canadian chartered bank
JOHN WILSON POOLE 1050 West Pender Street, Vancouver, British Columbia	Director	President and Chief Executive Officer, Daon Development Corporation
CHARLES NAMBY WYNN WOODWARD 101 West Hastings Street, Vancouver, British Columbia	Director	Chairman and Chief Executive Officer, Woodward Stores Limited
WILLIAM MAURICE YOUNG 555 Great Northern Way, Vancouver, British Columbia	Director	Chairman and Chief Executive Officer, Finning Tractor & Equipment Company Limited
RICHARD ARTHUR DANIEL COMMERFORD 2600 - 1177 West Hastings Street, Vancouver, British Columbia	Vice President and Controller	Vice President and Controller, BCRIC
ROBERT GORDON SCOTT CURRIE 200 - 355 - 4th Avenue S.W. Calgary, Alberta	Vice President	Vice President, Gas and Oil Division, BCRIC
MICHAEL GILDAY MCKIBBIN 2600 - 1177 West Hastings Street, Vancouver, British Columbia	Vice President and Treasurer	Vice President and Treasurer, BCRIC
GEORGE BUCHAN MCINTOSH 2800 - 650 West Georgia Street, Vancouver, British Columbia	Secretary	Barrister and Solicitor, Partner, Lawson, Lundell, Lawson & McIntosh
DAVID JOHN ROBERT PETITPIERRE 2600 - 1177 West Hastings Street, Vancouver, British Columbia	Assistant Secretary	Assistant Secretary, BCRIC

During the last five years, all of the directors and officers have been associated in various capacities with the companies or firms listed opposite their names except Mr. Helliwell who prior to March 1978 was employed by Steel Brothers Canada Ltd., Mr. Pilley who prior to May 1974 was employed by another Canadian chartered bank, Mr. Commerford who prior to June 1978 was employed by CanCel and prior to July 1975 was employed by MacMillan Bloedel Limited, Mr. Currie who prior to June 1978 was employed by Panarctic Oils Ltd., Mr. McKibbin who prior to March 1978 was employed by Okanagan Helicopters Ltd. and prior to September 1976 was employed by Wood Gundy Limited, and Mr. Petitpierre who prior to October 1978 was employed by The White Pass and Yukon Corporation Limited and prior to November 1975 was employed by the Canadian Cancer Society — British Columbia and Yukon Division.

Messrs. Helliwell and Poole, directors of BCRIC, are also directors of CanCel. Mr. Woodward, a director of BCRIC, is also a director of Westcoast and Mr. Helliwell has been proposed by management of Westcoast for election as a director of that company.

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by BCRIC and its subsidiaries to the directors and senior officers of BCRIC was \$262,684 for the ten months ended December 31, 1978 and was \$31,667 for the month ended January 31, 1979.

STOCK OPTIONS

Under the employee stock option plan of CanCel, as of January 31, 1979 there were options outstanding for senior officers of CanCel to purchase an aggregate of 19,900 Common Shares of CanCel and for other employees of CanCel to purchase an aggregate of 55,500 Common Shares of CanCel as shown in the following table:

Date of Grant	Held by Senior Officers	Held by Other Employees	Option Price
February 26, 1974	12,660	38,060	\$6.375
April 23, 1974	—	1,140	\$6.375
July 29, 1974	—	1,500	\$5.562
August 1, 1974	440	—	\$5.687
November 12, 1974	—	800	\$4.325
August 3, 1976	—	1,300	\$6.875
November 30, 1976	700	1,500	\$6.250
July 25, 1977	600	—	\$7.375
August 2, 1977	—	300	\$7.438
November 28, 1977	—	5,800	\$5.312
February 28, 1978	400	2,500	\$6.375
March 1, 1978	5,000	—	\$6.875
August 22, 1978	100	2,600	\$7.625
	19,900	55,500	

In each case the option price is the average of the high and low prices on The Toronto Stock Exchange on the date of grant. The options expire ten years after the date of grant subject to earlier expiration in the event of death or cessation of employment and may be exercised on a cumulative basis to the extent of 20% each year commencing one year after the date of grant. The closing price of the Common Shares of CanCel on The Toronto Stock Exchange on January 31, 1979 was \$9.625 per share.

MATERIAL CONTRACTS

The only contracts entered into by BCRIC and its subsidiaries within the two years prior to the date of this prospectus, other than in the ordinary course of business, which could reasonably be regarded as presently material to the purchasers of the common shares offered hereby are the following:

- (1) Two note agreements, each dated April 15, 1977, entered into by CanCel with The Prudential Insurance Company of America and Metropolitan Life Insurance Company, respectively, providing for the issue and sale by CanCel of \$50,000,000 (U.S.) 10½% Notes due December 15, 1992 and \$20,000,000 11½% Notes due December 15, 1992, and amending agreements dated June 15, 1978 and December 15, 1978.
- (2) Agreement dated March 9, 1978 between the Province of British Columbia and BCRIC providing for the acquisition of assets by BCRIC from the Province. See "Business and Properties of BCRIC".
- (3) The Petroleum and Natural Gas Licence dated March 9, 1978 issued by the Province of British Columbia to BCRIC. See "Gas and Oil Division".
- (4) Three loan agreements, each dated May 1, 1978, entered into by CanCel with three Canadian chartered banks, respectively, establishing lines of credit aggregating \$45,000,000 and amending agreements dated December 15, 1978 increasing the lines by an aggregate of \$20,000,000. See Note 7 to the Consolidated Financial Statements.
- (5) Agreement dated March 1, 1979 between the Province of British Columbia and BCRIC providing for the exchange of BCRIC's non-interest bearing demand note for 15,000,000 common shares of BCRIC, the introduction of enabling legislation including a provision that the issue of common shares at the offering price is deemed to be in the best interests of BCRIC and in compliance with sections 41 and 42 of the Companies Act, the establishment of procedures for the distribution of common shares and the allocation of the costs of the distribution.

Copies of these contracts except item (4) may be examined during ordinary business hours at the head office of BCRIC during primary distribution of the common shares offered by this prospectus. When the agreements with the financial institutions referred to under "Agents" on page 24 have been entered into, copies of these agreements may also be so examined.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Within the three years preceding the date of this prospectus, there have been no material transactions with BCRIC or its subsidiaries in which any of the directors, senior officers or any associate thereof has any material interest, direct or indirect. The Province of British Columbia, the holder of all of the outstanding common shares of BCRIC, has a material interest in the material transactions described under "Business and Properties of BCRIC" and "Plan of Distribution".

Within the three years preceding the date of this prospectus, the Province, B.C. Hydro and other governmental agencies of, and corporations beneficially owned by, the Province have entered into certain leases, licences, permits, contracts and other instruments with CanCel, Kootenay and Plateau in relation to timber rights and forest products, the supply of electricity and water and other matters, all in connection with, and in the ordinary course of, their respective businesses and which may materially affect them.

The Province, as guarantor of the 6½% and 5¾% Bonds of CanCel, assented to the release on February 1, 1977 of all property mortgaged by CanCel as security therefor, and to the amendment on June 15, 1978 and December 15, 1978 of the trust deed relating to such Bonds to permit CanCel to incur indebtedness under the bank lines of credit referred to in Note 7 to the Consolidated Financial Statements.

In February 1979, Kootenay completed the transfer to the Province of approximately 32,900 acres of timber and other lands. This transfer was made pursuant to commitments arising out of the purchase of Kootenay and the loan of \$11.6 million to Kootenay by the Province in 1974. On the condition that Kootenay transfer these lands, the Province subscribed in 1978 for 11,602,729 common shares of Kootenay with a par value of \$1.00 each, the proceeds of which were used to repay the Province's loan. Kootenay retained certain harvesting and other rights on the lands. In addition, Kootenay sold approximately 337 acres of land to the Province in 1977 for approximately \$920,000.

LEGAL MATTERS

BCRIC has advised General Telephone & Electronics Corporation that it is prepared, in principle, to act as a voting trustee in respect of certain ordinary shares of British Columbia Telephone Company ("B.C. Tel") which may be issued by B.C. Tel to GTE International Incorporated in exchange for shares in GTE Automatic Electric (Canada) Ltd. The latter company owns all the issued shares of GTE Lenkurt Electric (Canada) Ltd. If the transaction does proceed, BCRIC would have no beneficial interest in those shares.

BCRIC is not party to nor is its property the subject of any pending legal proceedings nor are any such proceedings known to be contemplated. The only proceedings to which any subsidiary of BCRIC is a party or to which any of its property is subject, and the only such proceedings known to BCRIC to be contemplated, other than proceedings the outcome of which is not considered material to BCRIC, are as follows:

- (1) CanCel commenced an action against B.C. Hydro on June 28, 1977 in the Supreme Court of British Columbia for damages for additional costs to transport logs arising out of the operation of the Mica Dam on the Columbia River and consequent deprivation from 1973 of rights to float logs down the river. The claim for damages is estimated at approximately \$1,000,000.
- (2) The Supreme Court of British Columbia has found Star Bulk Shipping Company liable to CanCel for breach of a contract of affreightment. The original claim was for approximately \$1,300,000, but the estimate of damages, not yet determined, on the basis of the present finding is approximately \$100,000. On February 8, 1978, CanCel commenced an appeal in the British Columbia Court of Appeal.

- (3) CanCel commenced an action against Royal Insurance Company of Canada, The Boiler Inspection and Insurance Company of Canada and New Hampshire Insurance Company on January 19, 1979 in the Supreme Court of British Columbia claiming approximately \$309,000 under contracts of insurance. The claim concerns costs and damages to CanCel resulting from a spill of polychlorinated biphenyls into Porpoise Harbour at Prince Rupert.
- (4) CanCel is contemplating proceedings against Brown Boveri Canada Limited, the supplier of a turbo-generator at its Prince Rupert pulp mill which failed in July 1978. The contemplated proceedings are to recover partial reimbursement of total costs of approximately \$2,800,000. The supplier has denied liability.

Legal matters in connection with this offering have been approved on behalf of BCRIC by Lawson, Lundell, Lawson & McIntosh, Vancouver. Mr. G. B. McIntosh, the Secretary of BCRIC, is a partner of Lawson, Lundell, Lawson & McIntosh.

AUDITORS

The auditors of BCRIC are Clarkson, Gordon & Co., Chartered Accountants, 700 West Georgia Street, Vancouver, British Columbia.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the common shares will be Montreal Trust Company at its principal offices in Vancouver, Calgary, Winnipeg, Toronto and Montreal.

PURCHASER'S RIGHTS OF RESCISSION

An applicant may rescind the purchase of common shares to which this prospectus relates if written notice of the intention to rescind is received by BCRIC before the earlier of:

- (a) seven days after the date of the application covering the purchase of such shares, or
- (b) June 15, 1979.

For these purposes, a notice of rescission received by BCRIC by mail at P.O. Box 4800, 349 West Georgia Street, Vancouver, B.C. V6B 4A4, shall be deemed to be received on the date postmarked on the enclosing envelope.

An applicant may also rescind the purchase of common shares to which this prospectus relates, while still the owner of the shares, if the prospectus and any amended prospectus filed with the Superintendent of Brokers of British Columbia as of the date of application for the shares contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made. No action for rescission under this paragraph may be commenced after September 15, 1979, nor may any action be commenced under this paragraph if the purchaser knew of the untruth of the statement or knew of the omission at the time he made application for the shares. It shall be a good defence to an action for rescission under this paragraph if the untruth of the statement or the fact of the omission was unknown to BCRIC at the time the application was filed and, in the exercise of reasonable diligence, could not have been known to BCRIC.

BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION

Consolidated Statement of Earnings and Retained Earnings

For the Period from Incorporation on February 22, 1978 to December 31, 1978

(in thousands of dollars)

Revenues	
Sales of forest products	\$ 202,659
Other income (Note 10)	10,960
	<u>213,619</u>
Costs and expenses	
Cost of goods sold	184,130
Selling and administration	9,603
Interest on long term debt	4,715
Other	1,694
	<u>200,142</u>
Earnings before the undernoted items	13,477
Provision for income taxes (Note 8)	303
	<u>13,174</u>
Earnings before minority interest and extraordinary item	13,174
Minority interest in earnings of subsidiary	494
	<u>12,680</u>
Earnings before extraordinary item	12,680
Recovery of logging taxes, net of minority interest - \$758 (Note 8)	3,242
	<u>15,922</u>
Net earnings and retained earnings at end of the period	\$ 15,922

See accompanying notes

BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION
(Incorporated under the laws of British Columbia)

Consolidated Balance Sheet

December 31, 1978

(in thousands of dollars)

Assets

Current

Cash and short term investments	\$ 9,787
Accounts receivable (Note 3)	52,040
Inventories (Note 4)	75,475
Prepaid expenses	1,328
	<u>138,630</u>

Investments and advances (Note 5)	<u>41,067</u>
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Fixed

Property, plant, and equipment (Note 6)	198,773
Petroleum and natural gas rights	40,959
	<u>239,732</u>

Unrealized foreign exchange losses	5,639
	<u>\$425,068</u>

Liabilities

Current

Bank loans	\$ 7,017
Accounts payable and accrued charges	44,507
Current portion of long term debt	9,284
	<u>60,808</u>

Long term debt (Note 7)	168,247
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Promissory note payable to the Province of British Columbia (Note 13)	151,533
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Deferred income taxes (Note 8)	5,492
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Minority interest in subsidiary	23,066
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Shareholders' Equity

Share capital (Note 13)

Authorized - 5 common shares without par value

Issued - 5 common shares for one dollar each

Retained earnings	<u>15,922</u>
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Commitments (Note 9)

\$425,068

See accompanying notes

Approved by the Board of Directors:

(Signed) D. L. HELLIWELL, Director

(Signed) JOHN W. PITTS, Director

BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION

Consolidated Statement of Changes in Financial Position

For the Period from Incorporation on February 22, 1978 to December 31, 1978

(in thousands of dollars)

Source of funds

From operations

Earnings before extraordinary item	\$ 12,680
Charges to earnings not requiring an outlay of funds	
Depreciation, amortization and depletion	12,207
Deferred income taxes	256
Other	(591)

24,552

Recovery of logging taxes (Note 8) 4,000

Acquisition of assets from the Province of British Columbia (Note 2)

Promissory note issued as consideration \$151,533

Less assets acquired

Investment in Westcoast Transmission

 Company Limited \$37,364

Petroleum and natural gas licence 40,896

Net long term assets of subsidiary companies 21,722 99,982

Working capital of subsidiary companies acquired 51,551

Issue of long term debt 79,998

Proceeds on sale of fixed assets 591

Other 571

161,263

Application of funds

Additions to fixed assets 77,669

Reduction in long term debt 5,031

Dividends paid to minority shareholders 741

83,441

Working capital at end of the period \$ 77,822

See accompanying notes

BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

December 31, 1978

1. SIGNIFICANT ACCOUNTING POLICIES

Management has prepared these financial statements using information available up to February 27, 1979, except for Note 13 which was prepared as of March 1, 1979. Because a precise determination of many assets and liabilities is dependent upon future events, estimates and approximations have been used where necessary. The financial statements have been prepared within the framework of the accounting policies summarized below:

Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries (see Notes 2 and 14).

Translation of foreign currencies

Transactions in foreign currencies are translated at rates in effect on the dates of the transactions. Cash, receivables, payables and other assets and liabilities carried at current prices are translated at the rate at the end of the period. Unrealized gains or losses are included in income except for those related to long term debt which are amortized over the remaining term of the debt. This policy conforms to the recommendations of the Canadian Institute of Chartered Accountants on foreign currency translation.

Inventories

Logs, pulp chips and other raw materials are valued at the lower of average cost and replacement cost. Finished products (pulp, lumber and plywood) are valued at the lower of average cost and net realizable value.

Property, plant and equipment

These assets are stated at cost less accumulated depreciation, amortization and depletion. Depreciation, amortization and depletion are computed as follows:

Asset	Rate and Method
Pulp mills	4% composite rate; straight-line
Sawmills	4% to 6% composite rate; straight-line
Logging equipment	10% to 20% rate; diminishing balance
Timber cutting rights, roads and related facilities	unit of production method, using current log production as a percentage of estimated total log production available from such assets.

Petroleum and natural gas rights

The gas and oil operations of the Corporation are in the exploratory stage. The costs of acquiring petroleum and natural gas rights, including the licence acquired from the Province of British Columbia (see Note 2), and exploration costs are being capitalized.

2. INCORPORATION AND ACQUISITION OF ASSETS

On September 1, 1977, the British Columbia Resources Investment Corporation Act was enacted. The Act authorized the incorporation of British Columbia Resources Investment Corporation under the Companies Act (British Columbia). Incorporation took place on February 22, 1978 and 5 common shares were issued for \$1 each.

Effective March 9, 1978, the Corporation acquired the following assets from the Province of British Columbia:

- 81% of the outstanding shares of Canadian Cellulose Company, Limited, a pulp and lumber manufacturer ("CanCel")
- 100% of the outstanding shares of Kootenay Forest Products Ltd., a lumber and plywood manufacturer ("Kootenay")
- 100% of the outstanding shares of Plateau Mills Ltd., a lumber manufacturer ("Plateau")
- 10% of the outstanding shares of Westcoast Transmission Company Limited, a gas transmission company ("Westcoast")
- A petroleum and natural gas licence covering 2.3 million acres in northeastern British Columbia.

In consideration for the above, the Corporation issued a non-interest bearing promissory note payable on demand to the Province of British Columbia in the amount of \$151,532,930 (see Note 13). The purchase price was allocated as follows:

	(in thousands)
CanCel, Kootenay and Plateau	\$ 73,273
Westcoast	37,364
Petroleum and natural gas licence	40,896
	<u>\$151,533</u>

The acquisition of CanCel, Kootenay and Plateau has been accounted for by the purchase method and the results of operations and the changes in financial position of these companies since the date of acquisition have been consolidated with those of the Corporation. A summary of the net assets acquired is as follows:

	CanCel	Kootenay	Plateau	Total
		(in thousands)		
Working capital	\$ 41,998	\$ 4,435	\$ 5,118	\$ 51,551
Net book value of fixed assets	157,256	9,162	11,193	177,611
Less long term debt, deferred income taxes and minority interest	103,068	2,226	5,347	110,641
Book value of net assets	<u>\$ 96,186</u>	<u>\$11,371</u>	<u>\$10,964</u>	<u>\$118,521</u>
Excess of book value of net assets acquired over the consideration paid				45,248
Consideration				<u>\$ 73,273</u>

The excess of book value of net assets acquired over the consideration paid, less \$4,217,000 which has been allocated to increase long term debt, is not allocable to specific assets or liabilities. The balance of \$41,031,000 has been deducted from the net book value of fixed assets and is being amortized as a reduction of depreciation expense over the remaining lives of these assets, estimated at fifteen years (see Note 6).

3. ACCOUNTS RECEIVABLE

	(in thousands)
Trade	\$ 40,700
Insurance claims	5,112
Other	6,228
	<u>\$ 52,040</u>

4. INVENTORIES

	(in thousands)
Logs, pulp chips and other raw materials	\$ 48,877
Pulp, lumber and plywood	18,106
Supplies	8,492
	<u>\$ 75,475</u>

5. INVESTMENTS AND ADVANCES

	(in thousands)
Investment in Westcoast, at cost (quoted market value of \$40,784,000 which does not necessarily reflect the realizable value of this investment)	\$ 37,364
Investment in an associated company, at cost plus equity in earnings less dividends received	2,117
Other	1,586
	<u>\$ 41,067</u>

6. PROPERTY, PLANT AND EQUIPMENT

	(in thousands)
Pulp mills	\$325,876
Sawmills	64,466
Timber cutting rights, roads and related facilities	58,722
Logging equipment and other facilities	21,369
	<u>470,433</u>
Less accumulated depreciation, amortization and depletion	<u>272,956</u>
	197,477
Land	1,296
	<u>\$198,773</u>

Accumulated depreciation, amortization and depletion has been increased by \$38,731,000 which represents an allocation of the excess of the book value of acquired net assets of subsidiary companies over the consideration paid, net of the \$2,300,000 amortization of this excess for the period ended December 31, 1978 (see Note 2).

7. LONG TERM DEBT

CanCel	(in thousands)
6½% Bonds due January 2, 1981 with annual principal payments (U.S. \$12,000,000)	\$ 14,202
5¾% Bonds due July 1, 1985 with annual principal payments (U.S. \$22,500,000)	26,664
10½% Promissory Notes due December 15, 1992 with annual principal payments commencing December 15, 1983 (U.S. \$50,000,000)	59,288
11½% Promissory Notes due December 15, 1992 with annual principal payments commencing December 15, 1983	20,000
Bank loans on revolving credit facilities, with interest at various rates	50,000
Other	527
	<u>170,681</u>
Other subsidiaries	
Term bank loan with repayments in 1979 and 1980, with interest at bank prime plus ¾%	2,200
Term loan with quarterly principal payments to 1986 with interest at bank prime plus ½%	4,650
	<u>177,531</u>
Less amounts due within one year	<u>9,284</u>
	<u>\$168,247</u>

CanCel has bank lines of credit of \$45,000,000 on revolving credit facilities with any loans at June 30, 1981 converting into term loans repayable over periods of up to nine years in equal semi-annual or annual installments, and an additional \$20,000,000 on a revolving credit facility repayable by December 15, 1980. At December 31, 1978 the outstanding loans under these facilities were \$45,000,000 and \$5,000,000 respectively.

The bonds, promissory notes and bank loans on revolving credit facilities are unsecured. Certain assets have been pledged as collateral for the term loan and the term bank loan.

CanCel's trust deed relating to its bonds and the agreements relating to its promissory notes, in general terms, restrict dividends and certain other payments by CanCel to a maximum of \$4,000,000 plus 50% of its net earnings after December 31, 1976. The amount available for payment of dividends at December 31, 1978 was \$6,985,000.

Principal payments required on long term debt in each of the next five years with the United States dollar component translated at the December 31, 1978 rate of exchange are:

	(in thousands)
1979	\$ 9,284
1980	\$14,529
1981	\$10,075
1982	\$ 9,771
1983	\$17,711

8. INCOME TAXES

The Corporation and two of its subsidiaries were exempt from income taxes in 1978 because not less than 90% of their outstanding shares were owned by the Province of British Columbia. When this condition is no longer met the companies will become taxable and will provide for income taxes based on the earnings reported in their accounts. The companies will be able to deduct from future taxable income various amounts comprised primarily of depreciation which were charged to earnings while the companies were exempt from income taxes. The potential future tax reduction is estimated to be \$5,400,000 at December 31, 1978. Had the Corporation and its two subsidiaries not been exempt from income taxes in 1978, and on the basis that the potential tax reduction will be accounted for as realized, the provision for income taxes in the Consolidated Statement of Earnings and Retained Earnings would have been increased by \$3,000,000, there would have been an extraordinary credit in the amount of \$2,400,000 and net earnings for the period would have been decreased by \$600,000.

In prior years, CanCel claimed depreciation for tax purposes in excess of depreciation recorded in its accounts in order to maximize the deferral of liability for income taxes. This resulted in increased liability for logging taxes. In 1978 the liability for such logging taxes was reduced by \$4,000,000 due to revision by CanCel of its tax depreciation claims as a consequence of the high level of capital expenditures in recent years and other factors. These revisions have been accepted by the taxing authorities. The logging tax reduction has been shown as an extraordinary item.

CanCel has made fixed asset acquisitions qualifying for federal investment tax credits which would enable it to reduce income tax expense by approximately \$6,000,000 if sufficient income taxes became payable prior to December 31, 1983. These benefits will not be recorded in the consolidated accounts of the Corporation until they are realized.

9. COMMITMENTS

Rental obligations under long term leases amount to approximately \$2,600,000 in each of the years 1979, 1980 and 1981, \$2,200,000 in 1982 and \$1,100,000 in 1983.

At December 31, 1978 commitments for expenditures on fixed assets amounted to \$4,400,000.

10. OTHER INCOME

	(in thousands)
Insurance proceeds relating to estimated loss of earnings due to a fire at CanCel's Castlegar sawmill	\$3,570
Income related to cancellation of a sales contract	3,370
Equity in earnings of an associated company	1,104
Income from other investments	2,916
	<u>\$10,960</u>

11. INSURANCE DEDUCTIBLES

During 1978 CanCel experienced a major fire, a severe storm and the failure of a major piece of equipment. The estimated insurance recoveries have been recorded as other income or as reductions in cost of goods sold, as appropriate. The deductible portion of the losses has been included as a reduction of earnings and amounts to approximately \$5,000,000.

12. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable to directors and senior officers amounted to \$262,684 in 1978.

13. SUBSEQUENT EVENT

The Corporation has increased its authorized common shares to 100,000,000 and has agreed to carry out the following in 1979:

- (a) issue 15,000,000 common shares to the Province of British Columbia in exchange for the promissory note of \$151,532,930, and
- (b) subject to enabling legislation being passed, offer for sale up to 5,000 common shares to or in respect of each eligible resident of British Columbia at a price of \$6.00 per share. Management anticipates that, in addition to agents' commissions which are dependent on the number of shares sold, expenses of approximately \$2,500,000 will be incurred in connection with the share offering.

14. SUBSIDIARY COMPANIES

Canadian Cellulose Company, Limited
Calum Lumber Limited
Canadian Cellulose International S.A.
Celgar Properties Limited
Celtran Equipment Limited
High Arrow Limited
Pohle Lumber Co. Ltd.
Twinriver Timber Limited

Kootenay Forest Products Ltd.

Plateau Mills Ltd.
Plateau Timber Ltd.
Nechako Valley Pulp Mill Ltd.

AUDITORS' REPORT

To the Directors of

British Columbia Resources Investment Corporation:

We have examined the consolidated balance sheet of British Columbia Resources Investment Corporation as at December 31, 1978 and the consolidated statements of earnings and retained earnings and changes in financial position for the period from incorporation on February 22, 1978 to December 31, 1978. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1978 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Vancouver, Canada,
February 27, 1979
(except for note 13 which is
dated March 1, 1979).

(Signed) CLARKSON, GORDON & Co.
Chartered Accountants

CERTIFICATES

Dated: March 1, 1979

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act (British Columbia) and the regulations thereunder.

(Signed) JOHN W. PITTS
Director

(Signed) D. L. HELLIWELL
Director

(Signed) T. W. PILLEY
Director

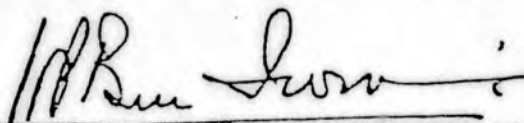
(Signed) J. W. POOLE
Director

(Signed) C. N. W. WOODWARD
Director

(Signed) W. M. YOUNG
Director

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APPROVED AND ORDERED MAR 13 1979



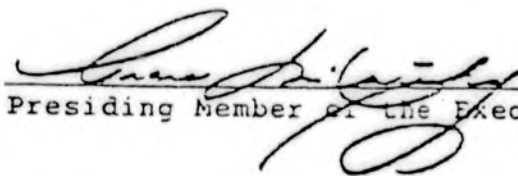
Lieutenant-Governor

EXECUTIVE COUNCIL CHAMBERS, VICTORIA MAR 13 1979

On the recommendation of the undersigned, the Lieutenant-Governor, by and with the advice and consent of the Executive Council, orders that the attached British Columbia Resources Investment Corporation (Free Shares) Regulation be made.



Minister of Finance



Presiding Member of the Executive Council

(This part is for administrative purposes and is not part of the Order.)

Authority under which Order is made:

Act and section British Columbia Resources Investment Corporation Act, sections 17 (3) and 23.Other (specify) the O

British Columbia Resources Investment Corporation
(Free Shares) Regulation

Interpretation

1. In this regulation,

"Act"

means the British Columbia Resources Investment Corporation Act;

"age"

means the age of an individual attained on his or her last birthday preceding June 16, 1979;

"attorney"

means a person appointed as the attorney of an applicant for shares of British Columbia Resources Investment Corporation by instrument in writing required by this regulation and who furnishes the identification required by the instrument or this regulation;

"authorized agents"

means the persons authorized to receive and stamp applications as provided by this regulation;

"corporation"

means British Columbia Resources Investment Corporation;

"eligible resident"

means a Canadian citizen or individual qualified to be a Canadian citizen who has applied for Canadian citizenship, and who

(a) has ordinarily resided in British Columbia for at least the immediately preceding 12 months, or has so resided since birth, or

(b) is

(i) a member of the Canadian Forces,

(ii) an agent-general, officer or servant of the Province,

(iii) performing services in a country other than Canada under a program of the Government of Canada, or

(iv) attending an educational institution outside of the Province,

and before his posting, appointment or attendance described in subparagraphs (i) to (iv) inclusive, has ordinarily resided in British Columbia for the preceding 36 consecutive months, or

(c) has ordinarily resided in British Columbia for at least 10 consecutive years before leaving the Province for not more than 60 months and who before January 1, 1979 has returned to and has resumed permanent residence in British Columbia, or

(d) is the spouse living with, or is the child under the age of 16 years of, an individual described in paragraph (b) (i), (ii), (iii), (iv) or (c);

"minister"

means the Minister of Finance.

Applications

2. (1) The Final Date for applications for free shares of the corporation is June 15, 1979 or such later date as the minister may, before that date, specify.

(2) The application form must be in Form A to this regulation and must be presented and stamped by an authorized agent on or before the Final Date.

(3) Applications may be presented at locations in British

Columbia specified by the minister before the close of business of the respective branches or offices on the Final Date.

(4) Employees of the institutions and civil servants at the locations specified under subsection (3) shall be referred to as "authorized agents" and are authorized to stamp applications that comply with this regulation and are received at the specified locations before the close of business on the Final Date.

(5) The documents that must be presented to an authorized agent in support of an application for shares of the corporation on the application being made at a branch of a bank, trust company or credit union or at an office of an investment dealer shall be:

- (a) where an applicant is over 15 years old but less than 65 years old, any 2 of the following:
 - (i) the applicant's British Columbia driver's licence;
 - (ii) the applicant's medical services plan card;
 - (iii) the applicant's social insurance card;
- (b) where an applicant is 65 years of age or older, any one of the applicant's British Columbia driver's licence, medical services plan card, social insurance card or pharmacare card;
- (c) where an applicant makes application based on child entitlement, the documents required by paragraph (a) or (b), and
 - (i) a medical services plan card showing a separate dependent number for the child, or
 - (ii) a Canadian birth certificate for the child, or
 - (iii) a certificate of Canadian citizenship of the child;
- (d) where an application is made by an attorney, the documents respectively specified in paragraphs (a), (b) or (c), as the case may require, and either
 - (i) any 2 of the following:
 - (A) the attorney's British Columbia driver's licence;
 - (B) the attorney's medical services plan card;
 - (C) the attorney's social insurance card, or
 - (ii) where the attorney is 65 years of age or older, any one of the items listed in subparagraph (i) (A), (B) or (C) or the attorney's pharmacare card.

(6) The application must be signed by the applicant or his attorney in the presence of the authorized agent.

(7) Where the application is made

- (a) at a branch of a bank, trust company or credit union or at an office of an investment dealer, the appointment of attorney must be in Form B to this regulation, or
- (b) at a government office for an Appeal Approval Notification, the appointment of attorney must be in Form B or another written instrument acceptable to the authorized appeal agent.

(8) Where the parents of an eligible resident under 16 years of age are not divorced or separated and such eligible resident is in their custody, or where the mother has custody of such eligible resident, application must be made by the mother or her attorney.

(9) Where the mother does not have custody of an eligible resident under 16 years of age, application must be made by the person who has custody of the eligible resident or that person's attorney.

(10) An eligible resident who is 16 years of age or older may appoint an attorney who is 19 years of age or older for the purpose of applying for shares and the person so appointed may present the identification, complete the application form and take delivery of the share certificates as provided in the power of attorney.

Appeal procedure

3. (1) Where an application is made on or before the Final Date at a branch of a bank, trust company or credit union, or at an office of an investment dealer and is rejected or not stamped by the authorized agent, the applicant or the attorney may appeal

at a designated government office by completing an Appeal Approval Notification in Form C to this regulation.

(2) Where an Appeal Approval Notification has been stamped by the authorized appeal agent designated by the minister, and is presented at a location specified by the minister before the Final Date, the applicant, attorney or trustee signing the Appeal Approval Notification may complete an application for free shares to the extent approved in the notification.

(3) Where an application for free shares is made after the Final Date the application shall be made by completing an Appeal Approval Notification at an office designated by the minister.

(4) Where an Appeal Approval Notification has been stamped by the authorized appeal agent and is not presented at a bank, trust company, credit union or investment dealer's office before the Final Date, the applicant, attorney or trustee may, before a date specified by the minister, complete an application for free shares to the extent approved in the notification at an office designated by the minister.

Procedure to receive
shares applied for

4. (1) Either the applicant or his attorney may receive the share certificates for the total shares applied for as shown in the space designated "Total Shares This Application" on the application form.

(2) Subject to paragraph 4 (7), the share certificates for the shares applied for will be available for delivery to the applicant or his attorney at the branch or office where the application was made on or after August 7 and before September 28, 1979.

(3) If the shares are applied for before the Final Date and the total shares applied for exceeds 99 shares, the shares shall be registered in the name of the applicant in the register of members of the corporation, the address of the applicant shown in the application form shall be entered in the register, and the share certificate delivered to the applicant or his attorney shall be a registered certificate in the name of the applicant.

(4) If the total shares applied for are less than 100 shares, the shares will not be registered in the name of the applicant in the register of members of the corporation and the share certificates delivered to the applicant or his attorney will be bearer share certificates.

(5) In order to receive the share certificates the applicant or attorney must surrender his copy of the application form and sign for receipt at the branch or office where the application was made.

(6) If the applicant or attorney has not taken delivery of the share certificates by September 28, 1979, the share certificates will be made available for delivery to the applicant or his attorney at an office designated by the minister.

(7) Where the application includes purchased shares and the payment is dishonoured or the purchase is rescinded the free shares applied for in the application may be reapplied for after October 1, 1979 at a Government office designated by the minister.

(8) If the applicant or attorney has not taken delivery of the share certificates for free shares by December 31, 1979, the right to receive the free shares applied for shall lapse.

(9) Where the application includes purchased shares and the applicant or his attorney has not taken delivery of the share certificates by December 31, 1979, the share certificates will be made available for delivery to the applicant or his attorney on surrender to the corporation at its offices of his copy of the application and signing for receipt.

PLEASE PRINT AND PRESS FIRMLY

FORM A

APPLICATION FOR COMMON SHARES



British Columbia Resources Investment Corporation

DO NOT WRITE IN THIS SPACE

"As a shareholder in the B.C. Resources Investment Corporation, you'll have a real stake in resource development throughout our province. I urge you, your family and friends to take advantage of this unique offer . . . and to participate directly in the future growth of British Columbia."

Bill Bennett

DATE OF APPLICATION DAY MC YR 17 9		APPLICATION ENTITLEMENT SELF CHILDREN BOTH OTHER ☐ ☐ ☐ ☐		PURCHASE ONLY ☐		AGENCY NUMBER		PREVIOUS APPLICATION NO.		APPLICATION NO. 2086018		APPEAL NO.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
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POWER OF ATTORNEY



British Columbia Resources Investment Corporation

DO NOT WRITE IN THIS SPACE

I _____ HEREBY IRREVOCABLY
(FULL NAME OF APPLICANT)

CONSTITUTE AND APPOINT _____
(FULL NAME OF ATTORNEY)

OF _____
(ADDRESS OF ATTORNEY)

MY TRUE AND LAWFUL ATTORNEY FOR ME AND IN MY NAME AND ON MY BEHALF TO PRESENT MY IDENTIFICATION,* TO APPLY FOR FREE COMMON SHARES AND PURCHASE COMMON SHARES OF BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION AND TO RECEIVE MY SHARE CERTIFICATES FOR SUCH COMMON SHARES AND CERTIFY THAT:

1. I AM 16 YEARS OF AGE OR OLDER;
2. I HAVE NOT PREVIOUSLY APPLIED AS AN APPLICANT OR BASED ON CHILD ENTITLEMENT, OR AUTHORIZED ANY OTHER PERSON TO SO APPLY FOR FREE COMMON SHARES OF BRITISH COLUMBIA RESOURCES INVESTMENT CORPORATION; AND
3. THE FOLLOWING IS THE TRUE SIGNATURE OF MY ATTORNEY:

(SIGNATURE OF ATTORNEY) DATED THIS _____ OF _____ 1979
(DAY) (MONTH)

*TWO PIECES OF IDENTIFICATION REQUIRED, CHOICE OF:

1. B.C. DRIVER'S LICENCE
2. MSP CARD (FULL NO. INC. DEPENDENT NO.) OR PHARMACARE CARD
3. SOCIAL INSURANCE CARD
4. BIRTHDATE (AGE 65 AND OVER ONLY)

(SIGNATURE OF APPLICANT)

CERTIFICATION OF ATTORNEY (TO BE COMPLETED AT TIME OF APPLICATION)

I HEREBY CERTIFY THAT:

1. I AM THE ATTORNEY APPOINTED ABOVE AND THAT MY APPOINTMENT IS VALID AND HAS NOT BEEN REVOKED; AND
2. I AM 19 YEARS OF AGE OR OLDER.

DATED THIS _____ OF _____ 1979
(DAY) (MONTH) (SIGNATURE OF ATTORNEY)

IDENTIFICATION OF ATTORNEY (TWO PIECES OF IDENTIFICATION REQUIRED)

B.C. DRIVER'S LICENCE NO.

MSP IDENTITY NO

SOCIAL INSURANCE NO.

APPEAL APPROVAL NOTIFICATION

FORM C



British Columbia Resources Investment Corporation

DO NOT WRITE IN THIS SPACE

APPEAL NUMBER

DATE OF APPEAL DAY MONTH YEAR 17.9		APPEAL AGENCY NUMBER		APPEAL AGENT NAME		AGENT'S TELEPHONE NO.		APPEAL NUMBER	
B.C. DRIVER'S LICENCE NO.		M.S.P. IDENTITY NO. (FULL NO. INCL. DEPENDENT NO.)		SOCIAL INSURANCE NO.		BIRTH DATE DAY MONTH YEAR		APPLICATION NUMBER	
APPLICANT'S SURNAME						NOT VALID UNLESS STAMPED BY AUTHORIZED APPEAL AGENT			
APPLICANT'S FIRST NAME FOLLOWED BY INITIAL(S)						APPEAL AGENT VALIDATION			
APPLICANT'S ADDRESS									
APPROVAL JUSTIFICATION (IF NECESSARY ATTACH A SEPARATE PAGE)						POSTAL CODE		APPLICANT'S PHONE NO.	
								APPROVAL OF APPLICANT	
								☐ RESIDENT ☐ CITIZEN ☐ APPROVED	
								AGENT: SIGN IF APPROVED IF NOT, PRINT NOT APPROVED	
CHILD ENTITLEMENT (CANADIAN CITIZENS BORN AFTER JUNE 15 1960)									
NAME		RELATIONSHIP		BIRTH DATE		M.S.P. IDENTITY NO. (FULL NO. INCL. DEPENDENT NO.)		APPROVAL OF DEPENDENT 1	
								☐ RESIDENT ☐ CITIZEN ☐ APPROVED	
1. APPROVAL JUSTIFICATION -								AGENT: SIGN IF APPROVED IF NOT, PRINT NOT APPROVED	
								APPROVAL OF DEPENDENT 2	
2. APPROVAL JUSTIFICATION -								☐ RESIDENT ☐ CITIZEN ☐ APPROVED	
☐ SAME AS DEPENDENT 1								AGENT: SIGN IF APPROVED IF NOT, PRINT NOT APPROVED	
								APPROVAL OF DEPENDENT 3	
3. APPROVAL JUSTIFICATION -								☐ RESIDENT ☐ CITIZEN ☐ APPROVED	
☐ SAME AS DEPENDENT 1								AGENT: SIGN IF APPROVED IF NOT, PRINT NOT APPROVED	
								APPROVAL OF DEPENDENT 4	
4. APPROVAL JUSTIFICATION -								☐ RESIDENT ☐ CITIZEN ☐ APPROVED	
☐ SAME AS DEPENDENT 1								AGENT: SIGN IF APPROVED IF NOT, PRINT NOT APPROVED	
CERTIFICATION: I HEREBY CERTIFY THE INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT				PRINT NAME AND ADDRESS (ONLY REQUIRED FOR POWER OF ATTORNEY OR TRUSTEE)					
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KNOWLEDGE OF
AND
ATTITUDES TOWARDS
BCRIC

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(7)

FOREWORD

Purpose

To provide an assessment of shareholder attitudes and knowledge of selected key issues of concern to BCRIC management with a view of providing guidance and establishing "actionable" priorities for the near term.

The issues examined in the research are:

- (1) What are shareholders intending to do on August 7 when trading commences: Hold or sell?
- (2) What motivated people to buy additional shares?
- (3) The perceived risk in buying BCRIC shares.
- (4) B. C. Government role.
- (5) Perceptions of the dollar value of the subscription, the size and its leverage potential.
- (6) Opinions regarding the investment of the funds.



Management also expressed interest in obtaining information on the degree of borrowing to finance share purchases. Research conducted to this point in time does not answer this question; however, some relevant information was obtained that will be commented on later in this report.

Methodology

The research was divided into two phases.

Phase I consisted of a brief random telephone survey in the Greater Vancouver free calling area. 150 interviews were conducted alternately with male and female heads of household. The main purpose was to determine what people expect that they will do with their shares when trading commences.

Phase II, exploratory in nature, was designed to obtain an indication of the level of knowledge and current attitudes of BCRIC shareholders (free only, bought and bought registered). This was in order to obtain an understanding of shareholder expectations. Additionally, this phase provides input for the development of a questionnaire to be used in a follow-up statistically valid quantitative study.



Five focus group discussions were conducted as follows:

2 "Free only" shareholders	] both males and females
2 "Bought" shareholders	
1 Loans officers	

Further, 4 individual depth interviews were conducted with men in upper middle management positions.

All research was conducted from July 5 to 13, 1979 in Vancouver, B. C..

Results

A summary of the overall results is provided herein along with the detailed tables from the survey.

Note: this research could not reach a sizeable number of purchasers of large blocks of shares and therefore may not be representative of the attitudes and level of information of this specific group. We believe, however, that because of the consistency in the findings to date, there is no reason to conclude that their opinions and attitudes are materially different.