

February 27, 2004

Innovation and Science Council of British Columbia
Suite 1048 – 4720 Kingsway
Burnaby, BC V5H 4N2

Attention: Mr. Gary Kuno, Director of Finance and Administration

This letter confirms the agreement between Her Majesty the Queen in Right of the Province of British Columbia represented by the British Columbia Offshore Oil and Gas Team ("the Province") and the Innovation and Science Council of British Columbia (ISCBC) (the "Organization") in respect of the Project, on the terms set out below (the "Agreement").

1. PROJECT

- 1.1 The Organization will carry out and complete the project described in Appendix 1 (the "Project") in accordance with the budget attached Appendix 2.

2. REPRESENTATIONS AND WARRANTIES

- 2.1 The Organization represents and warrants that it has the authority to enter into this Agreement and to carry out and complete the Project. The Organization acknowledges that the Province is relying on these representations and warranties in entering into this Agreement and in paying the Province's Contribution to the Organization.

3. ELIGIBLE COSTS

- 3.1 "Eligible Costs" are those costs and expenses described in the budget attached as Appendix 2, and incurred by the Organization in carrying out and completing the Project.

4. PROVINCE'S CONTRIBUTION

- 4.1 The Province will provide \$51,000.00 to the Organization for the Project, (the "Province's Contribution") subject to the terms of this Agreement.
- 4.2 In no circumstances whatsoever is the Province obligated to provide any funding to the Organization in excess of the Province's Contribution.
- 4.3 The Organization will use the Province's Contribution only for the purpose of defraying Eligible Costs.

5. PAYMENT

- 5.1 The Province will pay the Province's Contribution to the Organization as set out below, within 30 days of receipt from the Organization, of the documents referred to below:
- a) \$15,000 following receipt of an executed copy of this Agreement;
 - b) \$31,000 following completion of studies and receipt of reports in a manner satisfactory to the Province, as described in the attached project description
 - c) \$5,000 following receipt of project accounting as described in section 11.1 (b).

6. TERM OF THE AGREEMENT

- 6.1 This Agreement is for a term commencing upon the receipt by the Province of a fully executed copy of this Agreement and ending on the Project Completion Date.

7. PROJECT COMPLETION DATE

- 7.1 The Organization will complete the Project on or before April 30, 2004 (the "Project Completion Date").

8. INDEPENDENT RELATIONSHIP

- 8.1 Neither the Organization nor its servants, agents or employees will be the servant, employee, or agent of the Province.
- 8.2 The Organization will not, in any manner whatsoever, commit or purport to commit the Province:
- (a) to the payment of money to any person, firm, or corporation; or
 - (b) to take or refrain from taking any action of any kind whatsoever.

9. REPORTS

- 9.1 The Organization will:
- (a) fully inform the Province's Representatives in the manner prescribed by them of the work done and to be done by the Organization in connection with the Project as set out in Appendix 1; and
 - (b) immediately advise the Province of any expected cost overruns and/or delays in completing the Project, in accordance with section 13.2. This provision will not restrict the Province's entitlement to limit its obligations under, or terminate, this Agreement.

10. INSPECTION

- 10.1 The Organization will permit the Province's representatives at all reasonable times to inspect, examine and review any and all accounting records, findings, data, prints, specifications, drawings, working papers, reports, documents and all audio, visual and print material whether complete or otherwise that have been produced, received or acquired by the Organization as a result of the Project.
- 10.2 At the request of the Province, the Organization will provide the Province a copy of all of its completed documents and materials used in or in support of the Project.

- 10.3 If the Organization does not complete the Project, the Organization will permit the Province to copy all accounting records, findings, data, prints, specifications, drawings, working papers, reports, documents and all audio, visual and print material whether complete or otherwise that have been produced, received or acquired by the Organization as a result of the Project.

11. ACCOUNTING/AUDIT

11.1 The Organization will:

- (a) maintain financial records in accordance with generally accepted accounting principles, and
- (b) provide a financial statement of the Project audited by an independent auditor recognized in the Province of British Columbia, no later than June 30, 2004.

12. APPROPRIATION

12.1 Notwithstanding any other provision of this Agreement, the payment of money by the Province to the Organization is subject to:

- (a) there being sufficient monies available in an appropriation, as defined in the Financial Administration Act (the Financial Administration Act and every amendment made to that Act being collectively called the "Act"), in any fiscal year or part thereof when any payment of money by the Province to the Organization falls due pursuant to this agreement, to make that payment; and
- (b) Treasury Board, as defined in the Act, not having controlled or limited expenditure, pursuant to the Act, under any appropriation referred to in the preceding paragraph.

13. DEFAULT AND REMEDIES/REPAYMENT

13.1 The Organization will be in default of this Agreement if:

- (a) it breaches any provision of this Agreement, or fails to fulfill any of its obligations set out in Appendix I; or
- (b) if the audited statement required above contains a denial of opinion or adverse opinion.

13.2 If the Organization is in default, or if the Organization believes that there is a reasonable likelihood that it will be in default, it will notify the Province immediately. After the Province receives that notice the Parties will meet as soon as practicable to review the situation.

13.3 Notwithstanding the requirement to meet set out in section 13.2, the Province may, at any time, at its discretion:

- (a) withhold any amounts otherwise payable under this Agreement;
- (b) require the Organization to take reasonable steps to remedy the default;
- (c) take other steps the Province deems appropriate; or
- (d) terminate this Agreement.

13.4 Notwithstanding sections 13.1-13.3, if for any reason, the Project is not completed to the satisfaction of the Province, the Organization will repay to the Province the amount of the Province's Contribution paid to the Organization by the Province under this Agreement within 30 days of receipt by the Organization of a written request for repayment from the Province.

13.5 If the total Eligible Costs of the Project, as determined by the Province, are less than the amount of the Province's Contribution paid by the Province to the Organization under this Agreement, the Organization will repay that difference to the Province within 30 days of receipt by the Organization of a written request for payment of that difference from the Province.

14. PROVINCIAL REPRESENTATIVE

14.1 Any person designated by me from time to time as the Provincial Representative, may act for the Province with respect to communications, and all matters arising under this Agreement with respect to the Project. Until you are advised to the contrary, Ron Burleson, of the BC Offshore Oil and Gas Team, is the Provincial Representative.

15. NOTICES

15.1 Where in this Agreement any notice or other communication is required to be given by any of the Parties, it will be made in writing. It will be effectively given:

- (a) by delivery to the address of the party set out below, on the date of delivery; or,
- (b) by pre-paid registered mail, to the address of the party set out below, on the fifth business day after mailing; or
- (c) by facsimile, to the facsimile number of the party, mentioned in this agreement, on the date the facsimile is sent.

The address and facsimile numbers of the parties are:

Province:

BC Offshore Oil and Gas Team
Ste 250 – 1675 Douglas Street
Victoria, BC V8W 2G5
Fax: (250) 356-0582

Organization:

Innovation and Science Council of British Columbia
Suite 1048 – 4720 Kingsway
Burnaby, BC V5H 4N2
Fax: (604) 438-6564

The address or facsimile number set out above may be changed by notice in the manner set out in this section.

16. AMENDMENTS

16.1 This Agreement may only be amended by the agreement in writing of both Parties.

17. INDEMNITY

17.1 The Organization will indemnify and save harmless the Province from and against any and all losses, claims, damages, actions, causes of action, cost and expenses that the Province may sustain, incur, suffer or be put to by reason of any act or omission of the Organization, or by any servant, employee, or agent of the Organization carrying out or completing the Project.

18. APPENDICES

18.1 Appendices 1 and 2 are part of this Agreement.

ACCEPTANCE

Please confirm your acceptance of the terms and conditions of this Agreement, by dating and executing all three copies of this Agreement in the space and manner indicated below and returning two copies to me, free of any conditions, at your earliest convenience. You may retain one copy for your records. Note that in signing or executing below, you are committing to an agreement, which is binding on the Economic Development Association of British Columbia.

The Province recognizes that the Project is a positive and valuable contribution to the promotion of economic development in British Columbia I look forward to receipt of your confirmation.

Yours truly,

Jack Ebbels, Deputy Minister
British Columbia Offshore Oil and Gas Team
Ministry of Energy and Mines

Executed this ____ day of _____, 2004.

Agreed to this ____ day of _____, 2004.

Gary Kuno, Director of Finance and Administration
Innovation and Science Council of British Columbia

APPENDIX 1

Attached to and forming part of the
Contribution Agreement
between
the British Columbia Offshore Oil and Gas Team
and
the Innovation and Science Council of British Columbia

- (1) The Innovation and Science Council of British Columbia (ISCBC) will undertake a study that will examine the preliminary labour demand and supply implications for future human resources development associated with British Columbia offshore oil and gas development. This project will constitute the first building block in a broader labour force development strategy.

Key deliverables of the project include:

- Develop project plan in consultation with the British Columbia Offshore Oil and Gas Team
- Produce study as described above
- Provide draft report to the Province by March 25, 2004
- Post material on Innovation and Science Council Website
- Provide final draft three days after receipt of comments from the Province.

- (2) The ISCBC will also study the industrial capacity of British Columbia and requirements to respond to the needs that would result from the development of the offshore oil and gas industry in British Columbia. The study will focus on the economic opportunities for BC-based companies to support or be directly involved in offshore activity and will make recommendations as to appropriate approaches and policies for enhancing short and long term opportunities as input to a comprehensive strategic planning process.

Key deliverables of the project include:

- Develop project plan in consultation with the British Columbia Offshore Oil and Gas Team
- Produce study as described above
- Provide draft report to the Province by April 20, 2004
- Post material on Innovation and Science Council Website
- Provide final draft three days after receipt of comments from the Province.

APPENDIX 2

Budget:

(A) A preliminary analysis of labor demand and supply and implications for future human resource development in the BC offshore oil and gas industry.

Budget

Consultant Fees	\$	
ISCBC Administration	\$	
Travel		
Consultant Travel	\$	
ISCBC Travel	\$	
Communications (see below)	\$	
Data (See below)	\$	
Project Total		\$26,500

(B) An offshore Oil and Gas Industrial Capability Study and Preliminary Strategic Development analysis

Budget

Consultant fees	\$	
ISCBC Administration	\$	
Travel		
Consultant Travel	\$	
ISCBC Travel	\$	
Communications	\$	
Project Total		\$24,500

Total Contribution **\$51,000**

Note:

The consultants will be conducting telephone interviews to acquire additional information.

Data costs are for costs incurred by the ISCBC in acquiring data from BC Stats and the University of Victoria