Bristol Bay Native Corporation

2002 Annual Report

Table of Contents

Mission

Enriching our Native way of life.

Vision

To be a corporation that protects the past, present and future of the Natives from Bristol Bay.

Goals

To double dividends within eight years (by 2005). To protect Native use of land and water in Bristol Bay.

Values

To protect the best interests of our shareholders. To maintain or grow total dividends paid annually by providing a solvent corporation. To celebrate and preserve the Alaskan Native culture and linkage with land that provides the basis of our style of life.

Bristol Bay Native Corporation Board of Directors

Front row l-r:

Anthony G. Gregorio and Hjalmar E. Olson

Middle row l-r:

Dorothy M. Larson and Harold H. Samuelsen Sr.

Back row l-r:

Agnes Rychnovsky, Daniel J. O'Hara, Freeman A. Roberts, Donald F. Nielsen, Jeffrey Anderson, Andrew Golia, Joseph L. Chythlook and Robert J. Clark

Message to shareholders

In 2002 Bristol Bay Native Corporation celebrates its 30th anniversary. BBNC incorporated thirty years ago to acquire, manage and grow the monetary and resource assets conveyed by the passage of the 1971 Alaska Native Claims Settlement Act. Although challenging at times, BBNC met those expectations and built a company with a solid foundation for future growth. BBNC takes pride in fourteen consecutive years of profitability including net earnings of $7,549,000 this year.

All of BBNC's contract service companies posted positive earnings and continued to grow their revenues. Bristol Environmental & Engineering Services showed the most gain by earning $3,729,000. They performed challenging work in remote locations and were rewarded with unusually high margins. SpecPro exceeded expectations and earned $1,447,000 in their first complete year under our ownership. These earnings topped any of the ten years under its former owner. CCI diversified its revenue sources and posted earnings of $286,000. In October of 2001 BBNC purchased an additional 33% of Kakivik Asset Management, bringing BBNC's total interest in the company to 67%. New contracts and services allowed Kakivik to contribute $177,000 to consolidated earnings. PetroCard battled both a struggling Pacific Northwest economy and weakened margins yet still managed to earn $1,742,000. The investment portfolio bounced back from last year and earned $4,646,000. BBkp, BBCS and contract surveying services made modest contributions to the bottom line.

Improved profitability permits BBNC to pay increasingly larger dividends and contribute to the BBNC Education Foundation scholarship fund for vocational and secondary education. It also allows us to focus on one of our core values, "To celebrate and preserve the Alaskan Native culture and linkage with the land that provides the basis of our style of life." With that in mind, we asked shareholders to send in traditional stories so that BBNC could incorporate them into this year's annual report. BBNC selected one story from each cultural group in the region (Aleuts, Athabascans and Yup'iks), and we encourage you to read them to your children and grandchildren and share them with others. In this way, we can continue to preserve the oral traditions of the Bristol Bay people.

Hjalmar E. Olson
Chairman, President
& Chief Executive Officer

Tom Hawkins
Senior Vice President
& Chief Operating Officer

Hjalmar E. Olson
Tom Hawkins

Bristol Bay Native Corporation Staff

Front row l-r:

Luanne Pelagio, Verna L. Nanalook-Adams, April S. Ferguson,
Paul C. Roehl, Tom Hawkins, Linda L. Allen and LouAnn Backford

Back row l-r:

Juanita Pelagio, John C. Moores, Mary Fajen,
Trefon Angasan, Stephen P. Tolton, Andria Agli and Inez Webb

Voices of our people

From time before time, Alaska's Native people have used tales to entertain, to share history, and to teach children. Many of these tales incorporate the natural world in which they live – the birds and animals of the region – and on which they depend for their very survival. As they have in the past, today's people understand the importance of the region's plants, animals, birds and fish. They understand conservation and harvest, and how each helps the resources grow stronger, as well as feeding and clothing the people.

All the stories, in some way,
contribute to the
circle of lifelong learning . . .

In some cases, Native stories perpetuate a legend, such as Apanurpaq, and have been passed from father to son and mother to daughter to instill a sense of pride in the Native way of life. All the stories, in some way, contribute to the circle of lifelong learning that is inherent in the cultures of the Native people – the Aleuts, Athabascans and Eskimos – of the Bristol Bay region.

The story of the swallows, said Teddy Melgenak, is a story that helped him grow up with respect for the birds that appear in May and stay only until the middle of July.

"Pelekia Melgenak, the old lady that raised me, told me this story," Melgenak said. *"She told it every spring when the swallows came. She sang to the swallows when she saw them returning to our home."*

Stories such as this one, Melgenak said, helped him grow up to be good to the birds and to take care of them. Melgenak took that lesson to heart, and today, he builds houses for the swallows, both in his work for the Park Service and for himself.

"I see swallows all the time," he said. *"Swallows are in their houses in my front yard right now, laying eggs; and they will disappear in July, about July 15 or 20, and I won't see them again until next spring."*

Those stories taught survival and living skills, they taught right and wrong, and they taught history.

Elizabeth Balluta also chose a bird story that teaches children – the story of the loon.

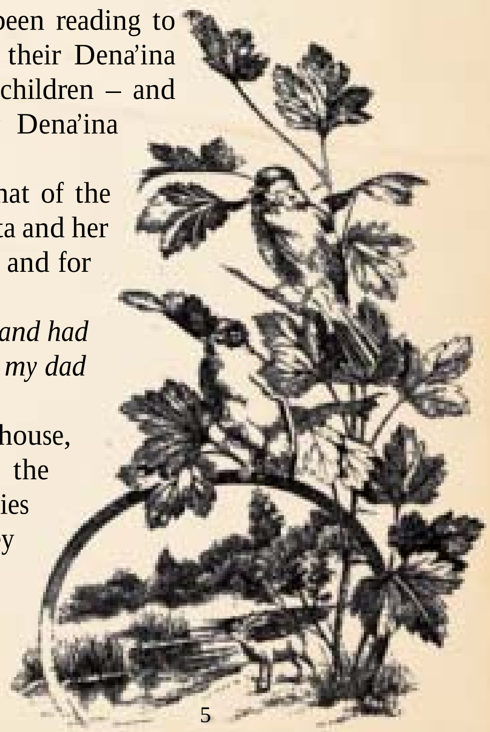
"It came from a book called Tanaina Tales from Alaska*,"* said Balluta. *"But I'm sure I heard the story when I was small."*

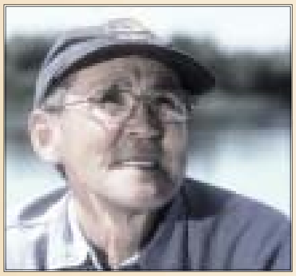
Balluta, a former teacher and now a special education aide, has been reading to children in Nondalton on Wednesday nights, helping them to learn their Dena'ina culture. One evening recently, she took a selection of stories to the children – and to the adults and elders who accompany them to the Wednesday Dena'ina culture nights. They chose their favorite – the loon story.

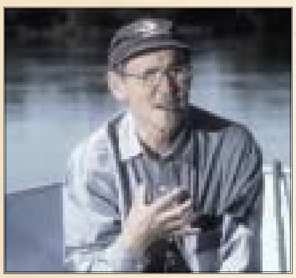
"My dad said it was a respect story," Balluta said. The story, like that of the swallows, imparts a sense of respect for the natural world in which Balluta and her family live. It goes a bit further, though, and teaches respect for people and for the trust between partners that should be the foundation of a family.

"I had read the story when the book was first published," Balluta said, *"and had sort of forgotten about it. Then, when I asked the group what they wanted, my dad – who is an elder – picked the loon story. The whole group agreed."*

Andy Golia tells of a time when every community had a council house, which served as the center of village life. Tribal councils met there, the elders met there and youth would join them to hear stories. Those stories taught survival and living skills, they taught right and wrong, and they taught history.







WHY SWALLOWS ARE "HOLY BIRDS"

as told by Teddy Melgenak

ONCE THERE WAS A MAN AND A WOMAN who were lost in the woods. They were cold, tired and getting worried. They ran into another couple that took them to their home and treated them like special guests, feeding them their best food. There the lost couple stayed until their strength returned. The nice couple agreed to show the lost pair the way home. On their way, the happy lost couple asked the two others who they were so they could repay them in some way. The man behind them said, "take ten steps forward, then turn around and we will show you." The lost couple did. When they turned around there was a male and female swallow sitting in the middle of the path. That is why swallows are "holy birds."

By Teddy Melgenak from New Savonoski, now residing in King Salmon, told to him by Pelakia Melgenak from Old Savonoski in what is now Katmai National Park. (Sugpiaq/Alutiiq Story)

Aleut Teddy Melgenak was born nearly 65 years ago in South Naknek and grew up in the village of Savonoski, near the Valley of Ten Thousand Smokes. Raised by his "auntie" Pelekia Melgenak, who took him in when he was born, Melgenak eventually left the village for South Naknek, and then moved into King Salmon nearly 20 years ago. Today, Melgenak works during the summers as a maintenance worker for the National Park Service at Brooks Lake.

Of vital importance to Golia is the sense of pride he feels to be a part of the Yup'ik Eskimo people – the people who claim the great warrior Apanurpaq.

"This story is part of my history," he said. *"I'm Yup'ik, and the Yup'ik Eskimo are looked up to. Knowledge of who I am and where I come from is important to me. I think that to know where you're going in life, you have to know something about your past."*

Golia said he has heard many stories of Apanurpaq, most told to him by his friend Simeon Bartman from Manokotak. Then, Golia added, he reconfirmed these stories with other people – *"some of the older folks. Most of the Yup'ik Eskimos know the stories,"* he said.

. . . to tell stories as a means of teaching youth is, very much, a part of the Alaska Native culture.

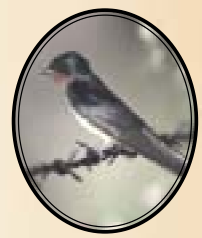
Another Apanurpaq story tells of a potlatch in which the son of a Kuskokwim chief accidently threw a dart that put out an eye of a Nushagak chief. In retaliation, the Nushagak chief poked out both eyes of the Kuskokwim man. The two tribes went to war, and the Kuskokwim chief summoned Apanurpaq. All the Nushagak tribes then evacuated their villages when they heard Apanurpaq was coming.

Melgenak echoes Golia's thoughts about the importance of knowing one's heritage. *"The old people, when they got together, told many stories in the old language,"* he said. *"It was Aleut, and I understood them. I'm the only one that remembers the old people and their stories now. The ones that used to listen are all gone."*

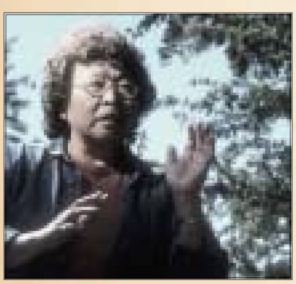
"Now," he added, *"I just think about the stories; and sometimes I share them to help keep them alive."* One person he has shared the swallow story with is Mary Jane Nielsen, who grew up with Melgenak and stayed with him and Pelekia many times when she was young.

Balluta is trying to make some of her history come alive again – for herself and for the youth of Nondalton. *"I'm an Athabascan Dena'ina,"* she said. *"Many of the Dena'ina stories were lost for a while, but I think they are coming back now. It's important to preserve the culture."*

The urge to tell stories is inherently human – and to tell stories as a means of teaching youth is, very much, a part of the Alaska Native culture. Only relatively recently have these stories been valued as priceless treasures of the Native culture that is being lost, bit by bit or in great rushing waves. And today, these stories – like the subsistence lifestyle – keep the Native heritage alive.



Swallows
(Iridoprocne bicolor)
More than 100 species of swallows can be found around the world. Of these, 34 species exist in the Western Hemisphere and six species reside in Alaska. Swallows are found most abundantly in warmer regions or they migrate south in the winter. This is due to the fact that swallows' diets consist mostly of insects, which do not survive well in long bouts of cold weather.



THE LOON STORY

as read by Elizabeth Balluta

THERE WAS AN OLD BLIND MAN in the village who had a wife and one son. They had to lead him around everywhere he went. He could see a little outside on a bright day, but not inside or in the dark. One morning he said to his wife, "Let's go into the woods and hunt. Maybe you'll get a spruce chicken or something." Game was scarce and they had to go a long way from the village. After a three-day trip the family made camp in some flat country far from home.

Unknown to the rest of the village, the woman had been starving her husband for a long time. Many of the people had been giving her what food they could spare, because they knew her husband couldn't hunt any more and they respected him. However, the old man never got any of the food. She cooked it for herself and the boy, and threw her husband the bones. Since he was blind, he never knew. He just figured that times were hard and food was scarce. One day while they were in camp his wife said to him, "Let's go for a walk in the woods." "You know I'm blind," he said. "How can I walk in the woods, when I can't see?" "We'll guide you," she said. So they walked out of their little camp and hiked way off into the woods. By and by she told him to sit down on a stump to rest. "Let's leave your daddy there for a while," she whispered to the little boy. "We'll come back for him after he's rested." Then she took the boy and started for home. After a while the old man began to suspect that she had abandoned him. He was hungry, so he took out some dry fish eggs that he had in his pocket and ate them. That filled him up, but now he was thirsty. He couldn't see anything, so he got down on his hands and knees and began crawling along the ground in search of water. He didn't know how long he crawled, because he couldn't tell the difference between night and day, but he was terribly tired and hungry and thirsty, and it was cold and damp on the ground. Once he thought he could see daylight. When his thirst was getting so bad he thought he would die the old man heard a loon. So he turned and began crawling in the direction of the sound. Soon he felt stones under him like on a beach, and at last he came to water. As he put his face down into the water and began drinking, he felt ripples on the surface and knew that the loon was coming toward him. He finished drinking and waited. Finally, the loon came near him on the beach, and as it stepped out of the water it turned into a man. "What's the trouble?" he asked the blind old-timer. So the old man told him his story. "Here," said the loon-man coming closer. "Put your head under my arm." As the old man did this, the loon jumped back into the lake and began swimming around. When he had circled it three times he dived underwater, pulling the old man down with him. When they came up, the loon let go of him and said, "Now, open your eyes and take a look." "I can see," said the old man. "But not good." So the loon did the same thing again. He swam around the lake two or three times with the old man under his arm, then dived. When they surfaced that time, the old man could see clearly. "What should I do now?" he asked. "Take your little boy and leave your wife," was the answer. "Well," said the old-timer, "I feel sorry for her, but I guess she doesn't feel sorry for me." So he thanked the loon and headed back for camp. Just before he got there he stopped and whittled out a birch cane. Then he stumbled into camp pretending that he still couldn't see. When the little boy saw him coming, he was happy and ran to meet him. But the wife was irritated and wondered how he ever found his way home. "I'm thirsty," said the old man. "Give me a drink of water." His wife went to fetch him water out of an old stagnant basin full of bugs. When she brought him a cup, however, he looked at it and said, "Here! I'd like to see you drink this." His wife was stu... "How did you know?" she asked. ... good as you can now," he said. She was really ... happy over it. "Do... our mother?" the old man asked him. "Or would you rather come along with me?" The boy wanted to go with his father, so the two of them headed back to the village together.

When they arrived, the people wondered how he got back his sight, so he told his story to them, and they were all happy for him and angry with the wife. Later, when she came back to the village complaining because he had thrown her out, nobody felt sorry for her, and from then on she didn't get along very well with the people.

The old man and his boy were always happy, however, and both of them made it a point never to shoot loons after that.

Elizabeth Balluta is an Athabascan Dena'ina concerned with preserving her culture through the stories of the past. Born and raised in Nondalton, Balluta was sent to Chemawa Indian School in Oregon when she was 13. After graduation, she moved to California, then returned to Alaska to live for a time in Anchorage. Balluta moved back to Nondalton when someone told her there was an opening for a preschool teacher. "I got the job," she said, "and since then, I've been working with children in Nondalton." Balluta is the oldest of 12 children, and has two sons and a grandson of her own. Today, she works with the school as a special education aide.

Loons (*Gavia adamsi),* which are found in the Northern Hemisphere, have been called the most powerful diving birds. With their dense, waterproof plumage, they can submerge to far depths and swim quickly underwater for great distances. Their grace in the water, however, does not translate to grace on land where their short legs make them extremely awkward.





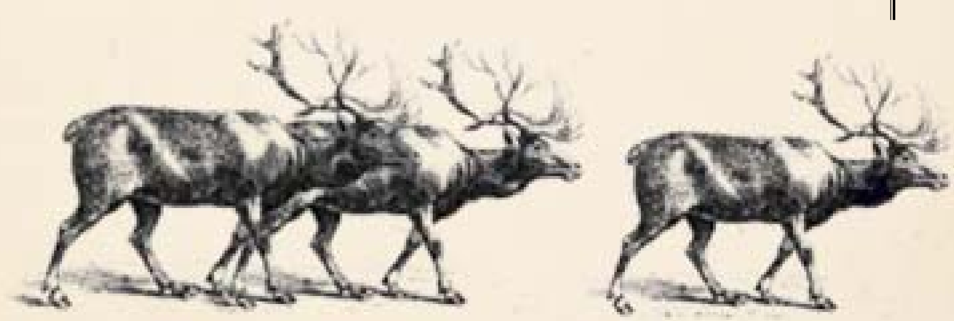
AND THERE WAS APANURPAQ . . .

as told by Andy Golia

BEFORE THE ARRIVAL OF RUSSIANS in Southwest Alaska, storytellers told of a man named Apanurpaq, a legendary Yup'ik warrior who occupied territory in the Kuskokwim area. It was here that he operated a "war station training camp" where he educated young, agile and strong warriors in hand-to-hand combat using knives, clubs and axes. He also taught these warriors the accurate use of spears/harpoons, throwing arrows, and bows and arrows (released from both the right and left hands).

Apanurpaq was empowered to travel to area villages to select young men for his warrior training camp. The parents of the young men chosen as warriors were always very proud. Many enemies feared this great Yup'ik warrior and the warriors that he trained. Whenever word spread that he had been summoned to take care of territorial disputes or mini wars between tribes, people in his path would evacuate their communities. No one wanted to encounter him and his warriors — for it was reported that he and his warriors, in bands of 20 to 30 warriors, would slay other warriors in combat and remained unscathed in many confrontations.

Yup'ik parkas told the legend of this great warrior. The parkas had two white strips on the shoulder area that meant "don't tread on me, I'm a member of Apanurpaq's tribe." These two white strips reminded people of the story told after Apanurpaq went



caribou hunting with two of his warriors. He and his warriors spotted a small herd of caribou in a valley on a mountainside. Apanurpaq told the warriors to stay hidden in the willows and he would run after the caribou and herd the caribou to them. He instructed the warriors to use their bows and arrows when the herd was within shooting range. Apanurpaq began to run after the caribou. He ran and ran, chasing the caribou up the mountainside, down into the valley and eventually near the two warriors. The warriors swiftly killed several caribou. When the warriors told others of this hunt, they reported that Apanurpaq arrived with white foam on both sides of his mouth, commonly seen on distance racing dogs and horses after they have run superb long-distance races. Foam was also visible on both his right and left shoulders — thus the white stripes on the parkas.

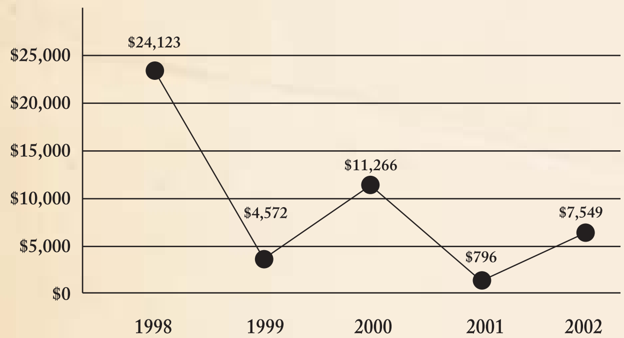
Andy Golia has lived his entire life in Dillingham. At the age of 12, Golia lost his father; and now, he has made it his quest to "know who I am and where I come from," to find out more about his Eskimo ancestry and to cultivate pride in that heritage. An economic development program manager for Bristol Bay Native Association, Golia still fishes in the Togiak herring and the Bristol Bay salmon fishery.

The Caribou *(Rangifer tarandus)* is widely distributed on arctic tundras, mountains and boreal forests of Eurasia and North America, including the Arctic Archipelago and the north coast of Greenland. Of the nine living subspecies of caribou in the world, the barren-ground caribou *(Rangifer tarandus granti)* is the only one found in Alaska.

Management Discussion and Analysis

Continued improvement in earnings from the BBNC's operating companies and rebounding earnings from its marketable equity portfolio allowed BBNC to report sharply higher net earnings in 2002. BBNC earned $7,549,000 in 2002 compared to $796,000 and $11,226,000 in 2001 and 2000, respectively. Stock market losses and the impact of writing off the investment in Alaska Marketplace caused most of 2001's decline as compared to the year 2000.

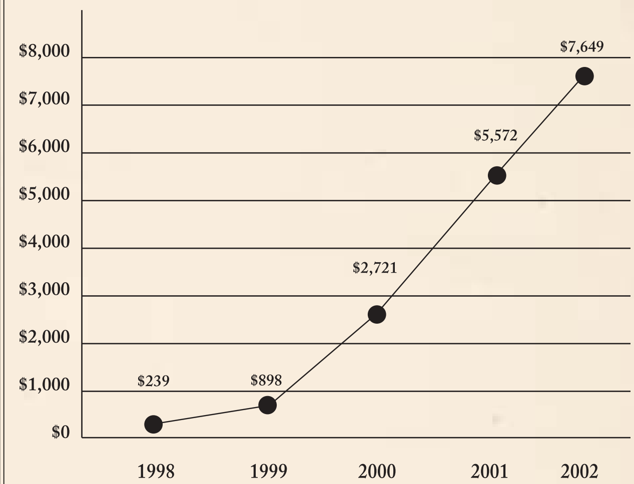
Net Earnings
(in thousands)



In October 2001 BBNC acquired an additional 33% interest in Kakivik Asset Management for a total investment of 67% of the Company. As a result, Kakivik's results are included in the consolidated financial statements for 2002.

Accounting rules changed in 2002. BBNC no longer automatically amortizes goodwill over 20 years. Starting in 2002 the current values of the companies that caused goodwill are compared to their book values. When current values decline from book value, BBNC will write-down the appropriate amount of goodwill. Goodwill amortization amounted to $781,000 and $755,000 in 2001 and 2000, respectively. No write-down of goodwill occurred in 2002.

Operating Companies' Net Earnings
(in thousands)



Results of Major Operating Activities

Contract services continue to grow. These services provided 37% of revenues while their operating earnings produced 78% of net earnings. Contract services provided operating earnings of $5,907,000, $3,259,000 and $798,000 in 2002, 2001 and 2000, respectively. All of the companies in this segment of BBNC's operations posted earnings in 2002 and 2001. Bristol Environmental & Engineering Services Corporation (BEESC) provided the largest part of the increase. SpecPro provided the results of a full year's operation and Kakivik added new services in 2002. BBkp and surveying services continue to provide less than 5% of revenues and operating earnings.

BEESC's revenues and operating earnings have steadily increased over the past three years. Earnings of $3,729,000 in 2002 represent a 97% increase over 2001's net earnings of $1,895,000. Earnings in 2001 grew 31% from the $1,443,000 reported in 2000. BEESC successfully negotiated unusually profitable contracts to provide remediation services in remote locations on Alaska's Aleutian Chain. These contracts carried more than the normal risk because of their location. Careful project planning and management reduced the impact of these risks. As a result BEESC earned larger than normal profits. The company used these profits to expand its scope of services to include civil engineering and design, construction management and infrastructure construction. These additional services will allow BEESC to continue to offer high quality services. However, as more work gets performed in less risky locations, BEESC may not be able to achieve its above-normal profits in the coming years.

SpecPro (formerly Vista Technologies Inc.) completed its first complete year of operations under BBNC's ownership by earning $1,447,000 in 2002. This result exceeded our expectations and out performed any previous year under its former ownership. The company reorganized itself during the year and eliminated unnecessary costs. SpecPro also eliminated two under-performing divisions. All major contracts that expired during the year were successfully renegotiated during the year. The company also secured a new major contract overseeing the closure of a U.S. Army manufacturing plant in Kansas. SpecPro transferred the ownership of Vista International Operations (VIO) to BBNC during the year. This company also secured entry into the Small Business Administration 8(a) program. VIO has its own work force, but will share administrative functions with SpecPro. With the renewal of all its major contracts and establishing VIO as an 8(a) company, the tools are in place to help SpecPro continue to report strong future earnings.

Kakivik Asset Management LLC (Kakivik) contributed $177,000 towards BBNC's consolidated earnings in 2002. Startup expenses caused BBNC to record a $65,000 loss as its share of Kakivik's 2001 loss. While providing a year of corrosion services to Phillips Petroleum at its North Slope Alaska oil fields, Kakivik also secured a contract to provide corrosion inspection services for the Alyeska Pipeline. The costs in securing this contract and providing additional administrative support for the new contract suppressed Kakivik's earnings during 2002. With this new contract and investment in extra administrative support services under its belt, Kakivik expects to report improved earnings in the future.

CCI had a challenging year in 2002, but remained profitable. It earned $286,000 in 2002 after earning $986,000 in 2001 and losing $706,000 in 2000. Earnings in 2001 were enhanced by several contracts that had unusually large profit margins. In order to gain experience with new customers, CCI negotiated several contracts in 2002 that carried lower than normal profit margins. CCI also invested in additional employee training, improved its employee benefit programs and expanded its marketing efforts into the state of Washington during 2002. These activities curtailed some of CCI's earnings, but should serve it well in the future.

A weakening economy in the Pacific Northwest and volatile petroleum prices challenged PetroCard in 2002. While the amount of fuel sold in 2002 grew, weaker margins caused operating income to fall to $1,742,000 compared to $2,403,000 and $1,957,000 in 2001 and 2000, respectively. Fuel margins averaged $.150 in 2002 while averaging $.159 and $.153 in 2001 and 2000, respectively. The lower margins in 2002 depressed earnings by about $697,000 compared to 2001. The company started a cost containment effort in 2002 when it became obvious that earnings would not meet expectations. This effort helped reduce overhead costs by about 7% in 2002 compared to 2001. Costs in 2002 remained unchanged from the costs incurred in 2000, even though the amount of fuel sold grew by 8% over the two-year period. PetroCard's management expects to face similar challenges in the coming year. They have begun a process to try to reduce overhead by an additional $300,000 to help meet the challenging economic environment.

Marketable equity portfolio performance rebounded in 2002 from 2001's disappointing loss, but did not equal 2000's results. The portfolio earned $4,646,000 (after deducting the cost of investment management) while losing $4,230,000 in 2001 and earning $15,594,000 in 2000. These earnings represent a 5%, (4%) and 16% return on the average portfolio balance. The past two year's returns fall well below BBNC's long-term expectations of an 11% return. They do, however, compare well with the S&P 500 returns for those years. The S&P 500 average returned 1%, (23%) and 17% for the three years, respectively. Since the portfolio was started in late 1979 it has earned about 14%, well above BBNC's long-term expectation.

Revenues

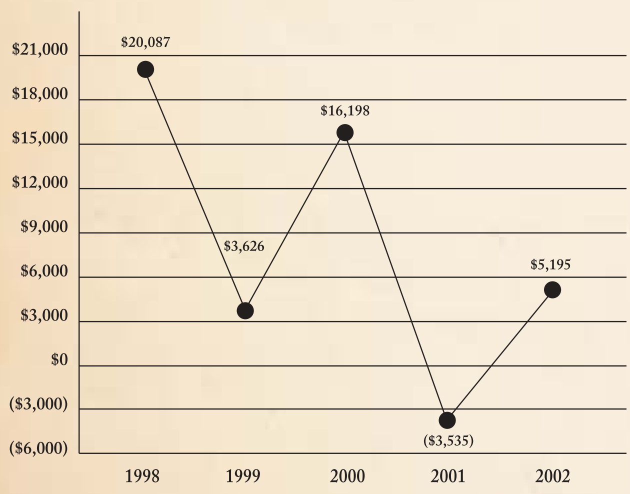
The following table displays Revenues and their Changes.

	FISCAL YEAR			$ CHANGE		% CHANGE	
	2002	2001	2000	2002/2001	2001/2000	2002/2001	2001/2000
Petroleum sales operations	$ 108,367	$124,721	$ 99,681	$ (16,354)	$ 25,040	(13.1%)	25.1%
Investment earnings (loss)	5,195	(3,625)	16,164	8,820	(19,789)	(243.3%)	(122.4%)
Contract services	66,768	29,030	16,040	37,738	12,990	130.0%	81.0%
Natural resources	1,202	1,450	1,259	(248)	191	(17.1%)	15.2%
Loss from unconsolidated	—	—	—	—	—	—	—
investment	—	(1,538)	(870)	1,538	(668)	(100.0%)	(176.8%)
Other	221	158	118	63	40	39.9%	33.9%
	$ 181,753	$150,196	$132,392	$ 31,557	$ 17,804	21.0%	13.4%

In 2002 the number of gallons sold grew 1% over 2001's sales. The number of gallons sold in 2001 grew 7% over the preceding year. While PetroCard sold more gallons in 2002, the average sales price declined so that revenues also declined. In 2001 the average sales price increased so that revenues increased more than the 7% increase in gallons sold. Volatile sales prices have a smaller impact on PetroCard's business as it concentrates on maintaining acceptable margins on each gallon sold. While average margins declined in 2002 compared to the earlier years, our cardlock business earns average margins larger than those earned by the normal retail station. Petroleum sales represent 60%, 83% and 75% of total revenues for 2002, 2001 and 2000, respectively. Petroleum revenues continue to comprise the largest part of total revenues. They come from over 2,500 customers in many different industries with the largest customer buying only 4% of the total gallons sold.

Investment Income

(in thousands)



Differences in the amounts of realized and unrealized portfolio gains cause most of the changes in investment earnings over the three years. The portfolio gained $2,341,000 from realized and unrealized gains in 2002 while losing $6,569,000 in 2001 and earning $13,083,000 in 2000. Dividend income grew steadily over the three years, while interest income fell. Low interest rates largely caused the decline in interest earnings over the period. Investment earnings represent 5%, (3%) and 12% of total revenues for 2002, 2001 and 2000, respectively. These revenues do not make up a large part of total revenues. They are very important, however, since they normally represent a large part of net earnings

Contract service revenues grew 130% in 2002. This growth follows an 80% and 16% growth in 2001 and 2000. The effects of a full year's operations for SpecPro, the addition of Kakivik and an 81% increase in BEESC's revenues caused most of the growth in 2002. Contract services continue to be a more important part of BBNC's business mix. Their revenues represent 37%, 19% and 12% of total revenues for 2002, 2001 and 2000, respectively. Much of the revenues come from the companies' participation in the SBA 8(a) program. The companies' individual participation in the program is limited to nine years and by a ceiling on annual revenues. As BEESC nears the end of its participation in the program, it has expanded its services in order to gain competitive contracts and fostered the creation of three new companies eligible to enter the 8(a) program. SpecPro has begun to strategically plan for its renewal by assisting BBNC in placing VIO into the 8(a) program.

The decline in natural resource revenues in 2002 to $1,202,000 comes from lower sales of BBNC's gravel and subsurface estate. In 2001 the Company enjoyed the largest sales of BBNC's resources in recent years and accounted for 2001's increase over 2000. Sealaska Corporation failed to distribute its revenue sharing in 2002 because of financial difficulties. These revenues will be recorded when their promised $350,000 payment is received.

The write-off of BBNC's investment in Alaska Marketplace accounts for the loss from unconsolidated subsidiaries in 2001 and 2000.

Costs and Expenses

The following table displays Costs and Expenses and their Changes.

	FISCAL YEAR 2002	FISCAL YEAR 2001	FISCAL YEAR 2000	$ CHANGE 2002/2001	$ CHANGE 2001/2000	% CHANGE 2002/2001	% CHANGE 2001/2000
Petroleum operations	$ 106,625	$122,318	$ 97,724	$ (15,693)	$ 24,594	(12.8%)	25.2%
Investment management	549	605	570	(56)	35	(9.3%)	6.1%
Contract services	60,861	25,771	15,242	35,090	10,529	136.2%	69.1%
General and administrative	2,758	2,883	2,616	(125)	267	(4.3%)	10.2%
Amortization of goodwill	—	781	755	(781)	26	(100.0%)	3.4%
Interest	1,505	1,569	1,053	(64)	516	(4.1%)	49.0%
Other	504	288	157	216	131	75.0%	83.4%
	$ 172,802	$154,215	$118,117	$ 18,587	$ 36,098	12.1%	30.6%

Cost of petroleum accounts for about 90% of total petroleum operation costs. Therefore, as petroleum prices fell in 2002 the cost of petroleum operations fell as well. Since PetroCard pays state of Washington business taxes based upon fuel prices, lower fuel prices also lowers these costs. These reductions were offset by higher insurance costs, increased write-offs of uncollectible accounts receivable and higher payroll costs. Increased fuel prices and the amount of fuel sold caused most of 2001's increase in the cost of petroleum operations.

Investment managers' fees make up the cost of investment management. These fees represent .6% of the average portfolio balance for each of the three years.

Increased business activity in 2002 and 2001 caused the increase in contract service costs. These costs grew by 102% and 69% in 2002 and 2001 over the prior year. The percentage increase in these costs in 2002 and 2001 was less than the percentage increase in revenues. A different mix of contracts caused the margins BEESC and CCI earned on their contracts to fall to their lowest levels in three years during 2002. However, both companies were able to administer their increased workload without having to increase overhead costs.

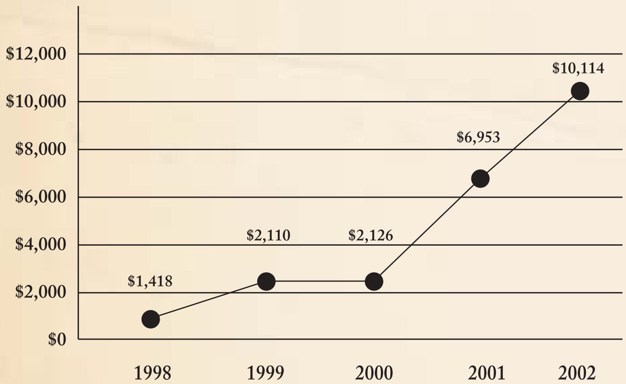
Following two years of increase, corporate general and administrative costs fell 4% in 2002. Decreased costs from the two areas that caused most of last year's increase, namely professional fees and the costs of renovating BBNC's offices, account for most of this year's decrease. Over the past ten years BBNC has met its goal to limit the increase in corporate general and administrative costs to 3%. Achieving this goal becomes more difficult as BBNC expands its business activities and mission to enhance the shareholders' "Native way of life."

Average outstanding borrowings increased in 2002, but lower interest rates caused interest expense to fall 4%. Last year's increase was due to both larger average borrowings and higher interest rates. BBNC entered into an interest rate swap in 2002 that fixed its interest rate on some of the outstanding debt at 5.25%. At the time the fixed rate seemed attractive. However, interest rates fell faster and stayed low longer than BBNC anticipated. The extra cost of the fixed interest rates and the cost to close out the interest rate swap are included in interest expense for 2002. The $247,000 of extra costs recorded to close out the swap agreement in 2002 will be recovered in 2003 as the swap agreement reaches its maturity date.

Liquidity and Capital Resources

Cash and equivalents amounted to $6,175,000 and $2,752,000 at March 31, 2002, and 2001, respectively. BBNC's operations provided $10,114,000 in usable cash flow during 2002 compared to $6,953,000 and $2,126,000 in 2001 and 2000, respectively. This year the cash was used to invest in additional property, plant and equipment; repurchase shares in a subsidiary owned by an outside investor; purchase the additional 33% interest in Kakivik and pay increased shareholder dividends.

Operational Cashflow
(in thousands)



Marketable equity securities grew somewhat to $92,588,000 on March 31, 2002, from $91,938,000 on March 31, 2001. The portfolio's earnings provide funds to help pay shareholder dividends, corporate costs and make additional investments in operating companies. As these companies start paying dividends back to BBNC (as BEESC did in 2002) more of the portfolio's future earnings will be reinvested into marketable securities.

Prospects for 2003

The United States stock market started 2003 in a tailspin. Accounting problems and a slow economy eroded investor confidence and led to a lower market. While BBNC's international stock portfolio seems poised to regain some of its value, the troubles in the United States may continue for some time. In anticipation of these problems, BBNC repositioned some of its investments in the latter part of 2002 to better withstand the effects of a troubled stock market.

PetroCard will also continue to fight against the effects of a slower economy in the Pacific Northwest and the effects of possible lower fuel margins. Its sales force seems up to the task of selling more fuel and the company intends to lower its operating costs during 2003. Since PetroCard is stronger than many of its competitors, it may acquire additional fueling stations during 2003 when they can be purchased at favorable terms and provide immediate additional cash flow.

The prospects for the contracting companies continue to look good. New contracts are being secured. The Alyeska contract should provide added earnings to Kakivik. SpecPro's marketing efforts that identify more profitable work should also help it increase its earnings. BEESC expects to continue to have a lot of new work, but at lower job margins since the new jobs will be less risky to perform.

The expectations of continued profits from BBNC's operating companies, good dividend and interest earnings from the marketable equity portfolio and continual emphasis on corporate cost control allowed the BBNC Board of Directors to increase the quarterly dividend to $1.65 a share beginning in June 2002. Dividends have now increased for the past 12 years.

TEN-YEAR FINANCIAL SUMMARY (In Thousands Except Share Data, Ratios and Percentages)

	2002	2001	2000	1999	1998
Operating Results:					
Revenues					
Investment income	**$ 5,195**	$ (3,625)	$ 16,164	$ 3,626	$ 20,087
Petroleum operations	**108,367**	124,721	99,681	69,365	16,111
Contract services	**66,768**	29,030	16,040	13,775	6,304
Natural resources	**1,202**	1,450	1,259	1,018	2,344
Other income[1]	**221**	(1,380)	(752)	268	104
Total operating revenue	**181,753**	150,196	132,392	88,052	44,950
Costs and expenses[1]	**172,802**	154,215	118,117	86,487	25,707
Earnings from operations before income tax expense	**8,951**	(4,019)	14,275	1,565	19,243
Income tax benefit (expense), net of extraordinary benefit	**(1,225)**	4,920	(3,100)	2,989	4,880
Earnings applicable to minority interests	**(177)**	(105)	51	18	—
Income (loss) from discontinued operations	—	—	—	—	—
Gain on disposal of discontinued operations	—	—	—	—	—
Other extraordinary items	—	—	—	—	—
Net earnings (loss)	**$ 7,549**	$ 796	$ 11,226	$ 4,572	$ 24,123
Cashflow Data:					
Net cash provided by operating activities	**$ 10,114**	$ 6,953	$ 2,126	$ 2,110	$ 1,418
Net capital expenditures	**3,595**	3,398	1,975	14,763	7,614
Addition (reduction) to long-term debt	**910**	2,905	118	11,314	6,700
Dividends paid	**3,249**	2,697	2,427	2,270	1,816
Shareholder Data:					
Earnings (loss) per share	**$ 13.98**	$ 1.47	$ 20.86	$ 8.47	$ 44.66
Dividends per share	**6.00**	5.00	4.60	4.00	3.20
Return on average stockholders' equity[2]	**6.7%**	1.0%	10.4%	4.4%	26.6%
Return on average stockholders' equity[3]					
Financial Position:					
Cash and equivalents	**$ 6,175**	$ 2,752	$ 1,913	$ 3,381	$ 6,241
Working capital[4]	**11,324**	7,119	4,445	5,000	7,555
Marketable equity securities at fair market value	**92,588**	91,938	100,309	89,656	88,098
Property, plant and equipment, at cost	**13,401**	10,683	9,186	8,502	5,403
Total assets	**152,790**	146,310	142,597	129,320	112,567
Long-term debt (including current maturities)	**22,565**	21,251	18,132	18,014	6,700
Stockholders' equity[2]	**115,551**	111,243	113,148	104,406	101,994
Stockholders' equity[3]					
Ratios:					
Current ratio[4]	**1.8**	1.5	1.4	1.7	3.0
Debt-to-equity ratio[2]	**0.3**	0.3	0.3	0.2	0.1

NOTES:

1 *The selected financial data have been prepared using consolidated information of BBNC and all subsidiaries.*

2 *Beginning in 1998, return of equity is computed using net earnings (including unrealized appreciation of marketable securities) and stockholders' equity that includes unrealized portfolio gains; prior to 1998, net earnings and stockholders' equity excludes unrealized portfolio gains.*

3 *Beginning in 1998, stockholders' equity includes unrealized portfolio gains; prior to 1998, stockholders' equity excludes unrealized portfolio gains as required by FAS No. 115.*

4 *For consistency, marketable equity securities have not been included as part of current assets for this computation.*

(cont'd on page 18)

TEN-YEAR FINANCIAL SUMMARY (In Thousands Except Share Data, Ratios and Percentages)
(cont'd from page 17)

	1997	1996	1995	1994	1993
Operating Results:					
Revenues					
Investment income	$ 3,834	$ 2,402	$ 1,926	$ 4,554	$ 3,330
Petroleum operations					
Contract services	3,145	871	528	28	—
Natural resources	1,549	1,992	2,054	984	912
Other income[1]	122	236	86	57	334
Total operating revenue	8,650	5,501	4,594	5,623	4,576
Costs and expenses[1]	5,244	3,579	3,325	3,068	2,265
Earnings from operations before income tax expense	3,406	1,922	1,269	2,555	2,311
Income tax benefit (expense), net of extraordinary benefit	(38)	(245)	(100)	(405)	(99)
Earnings applicable to minority interests	—	—	—	—	—
Income (loss) from discontinued operations	6,145	3,808	2,699	1,225	481
Gain on disposal of discontinued operations	25,735	—	—	—	—
Other extraordinary items	—	—	—	85	—
Net earnings (loss)	$35,248	$ 5,485	$ 3,868	$ 3,460	$ 2,693
Cashflow Data:					
Net cash provided by operating activities	$ 8,290	$ 7,827	$ 7,117	$ 5,528	$ 4,767
Net capital expenditures	721	4,703	1,190	415	1,067
Addition (reduction) to long-term debt	(20,167)	(1,467)	(2,913)	(2,930)	(3,308)
Dividends paid	17,461	3,136	2,670	982	924
Shareholder Data:					
Earnings (loss) per share	$ 65.26	$ 10.16	$ 7.16	$ 6.41	$ 4.99
Dividends per share	32.70	5.80	4.97	1.85	1.72
Return on average stockholders' equity[2]	—	—	—	—	—
Return on average stockholders' equity[3]	53.7%	9.8%	7.2%	6.6%	5.4%
Financial Position:					
Cash and equivalents	$ 7,873	$ 4,614	$ 6,293	$ 4,920	$ 3,061
Working capital[4]	6,174	1,092	2,733	2,161	1,209
Marketable equity securities at fair market value	70,376	31,734	26,813	23,257	24,590
Property, plant and equipment, at cost	1,963	44,700	42,373	43,920	46,459
Total assets	81,852	86,141	80,963	83,729	81,374
Long-term debt (including current maturities)	—	20,167	21,634	24,547	27,477
Stockholders' equity[2]	—	—	—	—	—
Stockholders' equity[3]	74,480	56,893	54,541	53,349	50,897
Ratios:					
Current ratio[4]	3.7	1.2	1.5	1.5	1.3
Debt-to-equity ratio[2]	—	0.4	0.5	0.5	0.6

NOTES:

1 *The selected financial data have been prepared using consolidated information of BBNC and all subsidiaries.*

2 *Beginning in 1998, return of equity is computed using net earnings (including unrealized appreciation of marketable securities) and stockholders' equity that includes unrealized portfolio gains; prior to 1998, net earnings and stockholders' equity excludes unrealized portfolio gains.*

3 *Beginning in 1998, stockholders' equity includes unrealized portfolio gains; prior to 1998, stockholders' equity excludes unrealized portfolio gains as required by FAS No. 115.*

4 *For consistency, marketable equity securities have not been included as part of current assets for this computation.*

Bristol Bay Native Corporation and Subsidiaries

Consolidated Financial Statements

March 31, 2002, and 2001

CONSOLIDATED BALANCE SHEETS

	March 31,	
ASSETS	**2002**	2001
	(In Thousands)	
CURRENT ASSETS:		
Cash and cash equivalents	**$ 6,175**	$ 2,752
Marketable securities (note D)	**92,588**	91,938
Accounts receivable:		
Trade	**17,585**	16,211
Natural resources	**1,272**	1,025
Inventories	**839**	839
Prepaid expenses	**229**	246
TOTAL CURRENT ASSETS	**118,688**	113,011
INVESTMENTS IN UNCONSOLIDATED AFFILIATES (note E)	**16**	18
OTHER ASSETS	**465**	1,913
DEFERRED TAX ASSETS (note J)	**8,700**	9,700
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	**1,608**	1,208
Buildings	**2,125**	1,850
Leasehold improvements	**6,025**	4,921
Machinery and equipment	**13,639**	11,078
	23,397	19,057
Less accumulated depreciation	**9,996**	8,374
	13,401	10,683
GOODWILL	**11,520**	10,985
TOTAL	**$ 152,790**	$ 146,310

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2002	2001
	(In Thousands)	
CURRENT LIABILITIES:		
Notes payable to banks (note F)	**$ 2,100**	$ 2,800
Accounts payable	**7,555**	6,984
Accrued liabilities	**4,194**	2,375
Billings in excess of costs and earnings	**238**	1,283
Unclaimed dividends	**233**	241
Current maturities of long-term debt (note G)	**456**	271
TOTAL CURRENT LIABILITIES	**14,776**	13,954
LONG-TERM DEBT, less current maturities (note G)	**22,109**	20,980
EQUITY OF MINORITY STOCKHOLDERS IN CONSOLIDATED SUBSIDIARIES	**354**	133
STOCKHOLDERS' EQUITY:		
Class A Common Stock, no par value -		
Authorized, 1,000,000 shares		
Issued and outstanding, 488,500 shares	**29,571**	29,571
Class B Common Stock, no par value -		
Authorized, 300,000 shares		
Issued and outstanding, 51,600 shares	**3,124**	3,124
Retained earnings	**82,856**	78,548
	115,551	111,243
COMMITMENTS AND CONTINGENCIES (notes H, K and L)		
TOTAL	**$ 152,790**	$ 146,310

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended March 31,		
	2002	2001	2000
	(In Thousands)		
REVENUES:			
Petroleum sales operations	**$108,367**	$124,721	$ 99,681
Investment earnings (loss) (note D)	**5,195**	(3,535)	16,198
Contract services	**66,768**	28,940	16,006
Natural resources	**1,202**	1,450	1,259
Equity in loss of unconsolidated subsidiaries (note E)	—	(1,538)	(870)
Other	**221**	158	118
	181,753	150,196	132,392
COSTS AND EXPENSES:			
Cost of petroleum operations	**106,625**	122,318	97,724
Cost of investment management	**549**	605	570
Cost of contract services	**60,861**	25,771	15,242
Corporate general and administrative expense	**2,758**	2,883	2,616
Amortization of goodwill	—	781	755
Interest	**1,505**	1,569	1,053
Other (note I)	**504**	288	157
	172,802	154,215	118,117
Earnings (loss) from operations	**8,951**	(4,019)	14,275
Minority interest in loss (earnings), net of income taxes	**(177)**	(105)	51
Income tax benefit (expense) (note J)	**(1,225)**	4,920	(3,100)
NET EARNINGS	**$ 7,549**	$ 796	$ 11,226
EARNINGS PER SHARE	**$ 13.98**	$ 1.47	$ 20.79

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended March 31, 2002, 2001 and 2000

	Common Stock		Retained Earnings	Total
	Class A	Class B		
	(In Thousands)			
Balance, March 31, 1999	$ 29,571	$ 3,124	$ 71,711	$ 104,406
Dividends ($4.60 per share)	—	—	(2,484)	(2,484)
Net earnings	—	—	11,226	11,226
Balance, March 31, 2000	29,571	3,124	80,453	113,148
Dividends ($5.00 per share)	—	—	(2,701)	(2,701)
Net earnings	—	—	796	796
Balance, March 31, 2001	29,571	3,124	78,548	111,243
Dividends ($6.00 per share)	—	—	(3,241)	(3,241)
Net earnings	—	—	7,549	7,549
Balance, March 31, 2002	$ 29,571	$ 3,124	$ 82,856	$ 115,551

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31, 2002	2001	2000
		(In Thousands)	
OPERATING ACTIVITIES:			
Net earnings	**$ 7,549**	$ 796	$ 11,226
Items not affecting cash:			
Unrealized (appreciation) depreciation of marketable securities	**(3,216)**	9,710	(5,959)
Depreciation and amortization	**1,738**	1,880	1,717
Gain on sale of marketable securities	**875**	(3,141)	(7,124)
Deferred tax expense (benefit)	**1,000**	(5,035)	2,885
Equity in loss of unconsolidated affiliates	—	1,538	959
Other	**390**	51	(193)
Changes in operating assets and liabilities that provided (used) cash, net of acquistion:			
Accounts receivable	**(373)**	(747)	(5,271)
Net purchase (sale) of marketable securities	**1,691**	1,802	2,430
Inventories	—	(312)	71
Accounts payable	**292**	66	1,309
Accrued liabilities & other	**168**	345	76
NET CASH PROVIDED BY OPERATING ACTIVITIES	**10,114**	6,953	2,126
INVESTING ACTIVITIES:			
Purchase of minority owners' shares	**(24)**	(214)	—
Acquisition of business, net of cash acquired	**(25)**	(1,046)	(529)
Investment in Northwest Retail Ventures, LLC	—	—	(2,350)
Additions to property, plant and equipment	**(3,570)**	(2,352)	(1,446)
Contingent purchase price payments	**(511)**	—	—
Proceeds from sale of interest rate swap	—	—	211
Change in investments and other assets	**351**	(1,355)	(13)
Notes receivable payments	**126**	26	17
NET CASH USED IN INVESTING ACTIVITIES	**(3,653)**	(4,941)	(4,110)
FINANCING ACTIVITIES:			
Proceeds from long-term debt	**22,981**	3,278	329
Repayment of long-term debt	**(22,070)**	(373)	(211)
Notes payable	**(700)**	(1,381)	2,825
Dividends paid	**(3,249)**	(2,697)	(2,427)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(3,038)**	(1,173)	516
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,423**	839	(1,468)
CASH AND CASH EQUIVALENTS:			
Beginning of year	**2,752**	1,913	3,381
End of year	**$ 6,175**	$ 2,752	$ 1,913
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	**$ 1,236**	$ 1,435	$ 1,069
Income taxes	**$ 235**	$ 140	$ 292

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:
In 2001 SpecPro, a wholly-owned subsidiary, purchased all of the capital stock of Vista Technologies, Inc.
In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	$ 5,257
Cash paid	(800)
Note payable issued	(600)
Liabilities assumed	$ 3,857

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2002, 2001 and 2000

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: The operations of Bristol Bay Native Corporation (the Corporation) include the following:

- Subsurface and other natural resource management
- Marketable security portfolio management through use of outside investment managers
- Commercial sale of petroleum products
- Outsourcing of services, primarily skilled labor, in the following fields:
  - ➢ Oilfield and environmental cleanup
  - ➢ Nondestructive corrosion testing
  - ➢ Surveying, architectural and engineering
  - ➢ Environmental remediation
  - ➢ Information technology

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, Bristol Resources, Inc.; Bristol Bay Corporate Services; BBkp, Inc. (BBkp); CCI, Inc. (CCI); SpecPro, Inc. (SpecPro); Bristol Environmental & Engineering Services Corporation (BEESC); Vista International Operations; three currently inactive subsidiaries (Bristol IT Services Inc., Bristol Construction Services Inc. and Bristol, Inc.); its 84% owned subsidiary PetroCard Systems, Inc. (PCS); and its 67% owned subsidiary Kakivik Asset Management LLC (Kakivik). All significant inter-company accounts and transactions have been eliminated in consolidation.

Fair Value: The estimated fair value of financial instruments has been determined by the Corporation using market information and appropriate valuation methodologies. The estimates, however, are not necessarily indicative of the amounts that the Corporation could realize in a current market exchange.

The carrying amounts of cash and cash equivalents, investment securities, accounts receivable, notes payable, accounts payable, and long-term debt are considered a reasonable estimate of their fair value. Interest rates that are currently available to the Corporation for the issuance of debt with similar terms and remaining maturities were used to estimate the fair value of long-term debt.

Cash and Cash Equivalents: Cash and cash equivalents include cash and investments with initial maturities of three months or less.

Inventories: Inventories, which consist primarily of petroleum products, are stated at the lower of cost (principally first-in, first-out) or market.

Marketable Securities: Marketable securities are held for investment to provide funds for operations and support the financing of new business ventures. The marketable securities comprised approximately 61% and 63% of the Corporation's total assets at March 31, 2002, and 2001, respectively. Marketable securities are classified as trading under the Statement of Financial Accounting Standards No. 115 (SFAS 115), *Accounting for Certain Investments in Debt and Equity Securities*. The Corporation includes net unrealized gains and losses as a part of investment income. Realized gains or losses resulting from the sale of securities are also included in investment income. Cost of securities is determined using the first-in, first-out method.

Investments in Unconsolidated Affiliates: Investments in unconsolidated affiliates in which the Corporation exerts significant influence, generally when the percentage ownership is greater than 20% but less than 50%, are accounted for on the equity method of accounting. The Corporation's pro rata shares of the earnings or losses are reflected in the consolidated statements of earnings.

Minority interest in results of operations of consolidated subsidiaries represents the minority shareholders' share of the income or loss of various consolidated subsidiaries. The equity of minority stockholders in consolidated subsidiaries in the consolidated balance sheets reflect the original investment by these minority shareholders in these consolidated subsidiaries, along with their proportional share of the earnings or losses of these subsidiaries.

Property, Plant and Equipment: Depreciation of property, plant and equipment is provided based on the estimated useful lives of respective assets (from 3 to 30 years) using the straight-line method.

Goodwill: Goodwill represents the excess of the purchase price over the fair value of the net assets acquired at the date of acquisition. SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*, were adopted by the Company during 2002. SFAS No. 142 specifies that goodwill will no longer be amortized but will be subject to periodic impairment testing. The Company determined no impairment existed at March 31, 2002.

Impairment of Long-Lived Assets: Long-lived assets and intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell.

Natural Resource Revenues: Natural resource revenues distributable to the Corporation from other Alaska regional Native corporations, under Section 7(i) of the Alaska Native Claims Settlement Act, are recorded when received or when the amount is determined and receipt is assured.

Revenue and Cost Recognition: Revenue on contracts in progress is recognized by the percentage of completion method based on the proportion of costs incurred to date on management's best estimate of total contract costs. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling and general and administrative costs are charged to expenses as incurred. Revisions in cost and profit estimates are made during the course of work and are reflected when facts that require revision become known. Provision for losses on uncompleted contracts is made in the period in which such losses are identified. Petroleum revenues and the cost of petroleum operations are recorded gross of state and federal fuel taxes payable to suppliers. Revenue from petroleum sales is recognized when the related goods are sold and all significant obligations of the Corporation have been satisfied.

Interest Rate Swap: From time to time the Corporation enters into interest rate swaps as a means to take advantage of interest rates that are more advantageous than the rates in effect on the Corporation's long-term debt. In June 1998, the Financial Accounting Standard Board issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Among other provisions, it required that all interest rate swaps be recognized as either assets or liabilities in the consolidated balance sheet and measured at fair value. Gains and losses resulting from changes in the fair value would be accounted for depending on the use of the swap and whether it qualifies for hedge accounting. The change in the fair value of swaps that do not qualify as a hedge must be included as part of earnings. The Corporation elected to early adopt SFAS No. 133 effective March 31, 1999. The fair values of interest rate swaps are included as part of other assets with the effect on earnings included as part of interest expense. Footnote 7 on Long-term Debt contains an explanation of any current interest rate swaps.

Income Taxes: The Corporation and its subsidiaries file consolidated federal and state income tax returns. The Corporation accounts for income taxes on the liability method. Income tax expense includes income taxes currently payable and those deferred because of differences between financial statement and tax bases of assets and liabilities. The Corporation records a valuation allowance to reduce the amount of the gross deferred tax assets to the amount and use that is more likely than not to be realized. Factors considered in determining the amount of the valuation allowance include historical levels of taxable income, projected levels of taxable income in future years and expected future trends in results from existing operations. Deferred tax liabilities are recorded as they arise.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affected the amounts reported in the financial statements. These estimates are based on management's current judgment, and may differ from actual results.

Reclassification: Certain 2001 and 2000 balances have been reclassified to conform to the 2002 presentation.

NOTE B: ALASKA NATIVE CLAIMS SETTLEMENT ACT

The Corporation is a regional corporation organized pursuant to the Alaska Native Claims Settlement Act of 1971 (ANCSA).

ANCSA provided for a monetary entitlement to be disbursed through the Alaska Native Fund to the regional and village corporations created under ANCSA and to certain regional corporation shareholders. The Corporation received $32,694,953 as its total proportionate share of the monetary entitlement.

The Corporation is also entitled under ANCSA to select and receive approximately three million acres of land, primarily subsurface estate. Stockholders' equity includes net cash receipts from the U.S. Government and the state of Alaska under ANCSA. Land and subsurface rights conveyed under ANCSA are not recorded because it is not reasonably possible to determine the value of the assets conveyed at this time. The Corporation has received interim conveyance to 2,728,000 acres of subsurface estate and has received patent to 1,661,000 acres of this total. The Corporation has also received interim conveyance to 75,000 acres of surface and subsurface estate and patent to 62,000 acres of surface and subsurface estate.

The Corporation's Articles of Incorporation, in accordance with the requirements of ANCSA, provide for the issuance of 100 shares of common stock to each Alaska Native enrolled in the Bristol Bay region as follows:

Class A shares to Alaska Natives enrolled in the Bristol Bay region who are also enrolled in one of the village corporations in the region.

Class B shares to Alaska Natives enrolled in the Bristol Bay region who are not enrolled in one of the village corporations in the region.

The stockholders of Class B stock are referred to as "at-large" shareholders.

This stock, stock dividends or distributions and any other stock rights may not be sold, pledged, assigned, subjected to a lien or judgment execution, treated as an asset in a bankruptcy proceeding or otherwise alienated except in limited circumstances by court decree, by gift to certain relatives and by death.

During the period that restrictions on stock alienation are in effect, the stock carries voting rights only if the holder is an Alaskan Native or a descendant of a Native, as defined in the amended ANCSA. As of March 31, 2002, there were 6,153 holders of Class A stock and 676 holders of Class B stock. Among these stockholders, 6,082 and 636, respectively, hold voting stock.

The outstanding stock of the Corporation will remain subject to restrictions on alienability unless a decision is made by shareholders pursuant to ANCSA to terminate the restrictions.

Under Section 7(i) of ANCSA, the Corporation is required to distribute annually 70% of the net resource revenues received from the Corporation's timber and subsurface estate to all 12 Alaska Native regional corporations organized pursuant to ANCSA. Under Section 7(i) of ANCSA, the Corporation also redistributes 50% of revenues received under Section 7(i) of ANCSA to the Corporation's village corporations and at-large shareholders.

In June 1982 an agreement was reached among the Native regional corporations settling several years of litigation concerning the meaning and application of Section 7(i). The settlement agreement sets past liabilities and establishes rules for the future by which distributable revenues will be determined. These consolidated financial statements comply with the settlement agreement.

NOTE C: ACQUISITIONS

In October 2001 the Corporation acquired an additional 33% interest in Kakivik Asset Management LLC from one of the founding partners for $25,000. Since the Corporation now owns 67% of Kakivik, its operations are included in the Consolidated Financial Statements beginning in 2002.

On January 11, 2001 (effective January 1, 2001), SpecPro acquired all of the outstanding common stock of Vista Technologies, Inc. (Vista) for $1,400,000 plus future payments based upon earnings from Vista's business operations. Upon purchase, Vista was merged into SpecPro. Vista provides engineering, environmental, information technology and logistical support services to the United States Government in Washington, D.C., Virginia, Florida, Alabama, Mississippi, Ohio, Illinois, Texas, New Mexico, Colorado and California. The excess of the purchase price (based upon the initial payments) over the fair value of the assets and liabilities acquired of approximately $662,000 and $511,000 in contingent payments have been included in goodwill.

During 2001 the Corporation purchased the remaining 20% interests in the minority operations of CCI and SpecPro for $214,000. Upon acquisition of these minority shares, CCI and SpecPro become wholly owned subsidiaries of the Corporation.

On February 29, 2000, PetroCard purchased mobile fleet fueling equipment, the customer list, and entered into a five year covenant not to compete from City Transfer Heating and Oil, Inc. for $200,000 in cash and a five year non-interest bearing note with a face value of $400,000. The approximate $82,000 assigned to the covenant (part of other assets) is amortized over its life while the excess of the purchase price over the fair value of the assets and liabilities acquired of approximately $247,000 is amortized over 15 years.

The acquisitions set forth above have been accounted for under the purchase method of accounting. The consolidated financial statements include the operating results of each business from the date of acquisition.

NOTE D: MARKETABLE SECURITIES

The cost and fair value of the marketable securities portfolio at March 31 follows:

	2002 (In Thousands)			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Money market mutual fund	**$ 5,534**	**$ —**	**$ —**	**$ 5,534**
Bonds and short-term investments	**5,138**	**92**	**(32)**	**5,198**
Preferred stocks	**585**	**280**	**—**	**865**
Common stocks	**70,277**	**14,722**	**(4,008)**	**80,991**
	$ 81,534	**$ 15,094**	**$ (4,040)**	**$ 92,588**

	2001 (In Thousands)			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Money market mutual fund	$ 2,508	$ —	$ —	$ 2,508
Bonds and short-term investments	1,797	56	(18)	1,835
Preferred stocks	1,576	496	(38)	2,034
Convertible securities	826	—	(534)	292
Common stocks	77,392	15,103	(7,226)	85,269
	$ 84,099	$ 15,655	$ (7,816)	$ 91,938

Investment earnings (loss) consists of the following:

	Year Ended March 31,		
	2002	2001	2000
	(In Thousands)		
Dividends	**$ 2,532**	$ 2,519	$ 2,403
Interest	**322**	515	712
Gain (loss) on sale of marketable securities, net	**(875)**	3,141	7,124
Unrealized appreciation (depreciation) of marketable securities	**3,216**	(9,710)	5,959
	$ 5,195	$ (3,535)	$ 16,198

NOTE E: INVESTMENTS IN UNCONSOLIDATED AFFILIATES

During October 1999 the Company acquired a minority interest in Northwest Retail Ventures, LLC (NRV) for $2,350,000. NRV was formed to purchase and operate six of the stores Safeway Stores was required to divest as part of their acquisitions of Carrs Inc. Associated Grocers, Inc. owns 49% of NRV with 17 others owning the rest of the company. NRV began operating the stores on October 15, 1999. The stores never achieved profitability and losses accelerated during 2001. During 2001 NRV shut down the six stores and began arbitration with Safeway Stores. NRV believes Safeway Stores did not live up to its agreements made as part of the purchase. The Corporation recorded its share of operating losses in 2001 and 2000 which resulted in an investment balance of zero at March 31, 2001.

NOTE F: NOTES PAYABLE

Notes payable consist of the following:

	March 31,	
	2002	2001
	(In Thousands)	
$3,000,000 bank line of credit, interest based upon the bank's prime rate (4.75% at March 31, 2002), secured by PCS's accounts receivable and guaranteed by BBNC, renewed annually.	**$ 2,100**	$ 900
$2,500,000 bank line of credit, interest based upon the bank's prime rate, secured by accounts receivable and guaranteed by BBNC.	**—**	1,900
	$ 2,100	$ 2,800

NOTE G: LONG-TERM DEBT

Long-term debt consists of the following:

	March 31,	
	2002	2001
	(In Thousands)	
$30,000,000 revolving note payable to bank, interest based upon the London Interbank Offering Rate (LIBOR) in effect as draws are made plus 0.5% (2.4% at March 31, 2002), collateralized by $42,900,000 of marketable securities, commitments expire July 1, 2005.	**$ 21,249**	$ 20,325
$328,000 unsecured note payable to former owner of fleet fueling assets acquired in fiscal year 2000, non-interest bearing, interest imputed at 8%, payable in monthly payments of $6,667 through February 2005.	**207**	268
$600,000 note payable to former owner of Vista Technologies, Inc., interest at 8%, payable in quarterly payments of $50,000 plus interest through December 2003.	**350**	600
$1,305,000 note payable to CH2MHill, the minority investor in Kakivik, interest at prime rate (4.75% at March 31, 2002), payable in monthly payments of $15,400 plus interest through April 2005.	**759**	—
Other	—	58
	22,565	21,251
Less current maturities	**(456)**	(271)
	$ 22,109	$ 20,980

Significant covenants contained in the revolving note agreement include maintaining a total debt to stockholders' equity ratio of no higher than 0.7 to 1.0 and keeping at least $15,000,000 of marketable securities free of all encumbrances.

On April 9, 2001, through an interest rate swap agreement, the Corporation changed the interest rate on $12,000,000 of debt to a fixed rate. Through May 1, 2003, the $12,000,000 portion of the loan bears a fixed interest rate of 5.25%. The agreement increased interest expense by approximately $146,000 during 2002.

The Corporation did not designate the swap as a hedge under SFAS No. 133. Therefore, the fair value of the estimated liability to terminate the swap of approximately $247,000 at March 31, 2002, is included in other accrued liabilities in the consolidated balance sheet.

NOTE H: PENSION AND HEALTH AND WELFARE PLANS

The Corporation maintains a noncontributory defined contribution plan for all eligible employees. The Corporation annually contributes 5% of covered wages. In addition, the Corporation maintains a 401(k) savings plan in which employee contributions were matched up to 5% of the employees' salaries for 2002, 2001 and 2000, respectively. The matching contributions are made at the annual discretion of the Corporation's Board of Directors. Kakivik maintains a contributory 401(k) savings plan for its employees. Amounts expensed for the years ended March 31, 2002, 2001 and 2000 for the plans were $1,541,000, $455,000 and $302,000, respectively.

NOTE I: OTHER EXPENSE

Other expense consists of the following:

	Year Ended March 31,		
	2002	2001	2000
	(In Thousands)		
Contribution to Bristol Bay Native Corporation Education Foundation	**$ 250**	$ 268	$ 53
Rock quarry development costs	**124**	20	54
Contribution to King Salmon Vocational Training Center	**80**	—	50
Board of Directors' Past Service Plan	**50**	—	—
	$ 504	$ 288	$ 157

NOTE J: INCOME TAXES

Income tax expense (benefit) consists of the following:

	Year Ended March 31,		
	2002	2001	2000
	(In Thousands)		
Currently payable federal and state alternative minimum taxes	**$ 20**	$ 115	$ 215
Deferred tax (benefit) provision	**1,205**	(5,035)	2,885
	$ 1,225	$(4,920)	$ 3,100

Net deferred tax assets are comprised of the following:

	March 31,	
	2002	2001
	(In Thousands)	
Deferred tax assets:		
Net operating loss carryforward	**$ 31,128**	$ 32,953
Alternative minimum tax credit carryforward	**1,343**	1,343
ANCSA gravel and subsurface tax base	**503**	503
Other	**848**	551
	33,822	35,350
Less valuation allowance	**(20,020)**	(21,861)
	13,802	13,489
Deferred tax liabilities:		
Depreciation	**(616)**	(595)
Tax effect from unrealized gain in marketable securities	**(4,444)**	(3,151)
Other	**(42)**	(43)
	(5,102)	(3,789)
	$ 8,700	$ 9,700

It is not practicable to determine the tax basis of most of the Corporation's ANCSA lands and it is not likely that they will provide future tax benefits. Therefore, no tax value has been assigned to them.

During 1997 the Corporation sold the oil and gas rights to 35,000 acres for $1,000 and recognized approximately $112,000,000 loss for tax purposes. A valuation allowance has been established to recognize uncertainties regarding possible future use of the net operating losses. Remaining net operating losses expire as follows:

2004	$13,000,000
2012	$63,000,000

The difference between the federal statutory rate of 34% and the Corporation's rate primarily arises from the change in the deferred tax asset valuation allowance; the identified basis difference as a result of the oil and gas rights sold; the 70% dividend exclusion; amortization of goodwill resulting from the acquisitions of PCS, CCI, SpecPro and Vista; and depletion taken on the sale of ANCSA gravel and subsurface estate.

NOTE K: LEASES

PetroCard Systems, Inc. leases most of its fueling sites and administrative office space under noncancelable operating leases which expire at various times through 2013. Bristol Environmental & Engineering Services Corporation leases office space under a lease that expires in 2005. CCI, Inc. leases a warehouse under a sub-lease to Kakivik that expires in 2005. SpecPro leases office space and apartments under leases that expire at various times through 2005. Some of the PCS leases also require a contingent rent based upon gallons of fuel sold. Total rental expense charged to operations in 2002, 2001 and 2000 was $2,018,000, $1,499,000 and $1,332,000, respectively. At March 31, 2002, the minimum rental commitments under noncancelable operating leases payable over the remaining lives of the leases are:

	Minimum Rentals
	(In Thousands)
2003	$ 2,008
2004	2,151
2005	1,350
2006	973
2007	920
Thereafter through 2013	4,085
	$ 11,487

NOTE L: CONTINGENCIES

In the normal course of business, the Corporation may be a participant in legal proceedings related to the conduct of its businesses that will result in contingent liabilities or contingent assets that are not reflected in the accompanying financial statements. In the opinion of management, the financial position or results of operations of the Corporation will not be materially affected by any current legal proceedings.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Bristol Bay Native Corporation
Anchorage, Alaska:

We have audited the accompanying consolidated balance sheet of Bristol Bay Native Corporation and subsidiaries (Corporation) as of March 31, 2002, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the year ended March 31, 2002. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Bristol Bay Native Corporation and subsidiaries as of March 31, 2001, and 2000 were audited by other auditors whose report dated May 18, 2001, expressed a qualified opinion on those statements.

The report of the other auditors was qualified because on April 1, 1997, the Corporation transferred its marketable securities from the available-for-sale category into the trading category and began recognizing changes in unrealized gains and losses as a component of investment income and earnings. In the opinion of the other auditors, accounting principles generally accepted in the United States of America define trading securities as those which are bought and sold frequently with the objective of generating profits on short-term price differences and that the securities of the Corporation should have continued to be classified as available for sale.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bristol Bay Native Corporation and subsidiaries as of March 31, 2002, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, the consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

As discussed in Note 1 to the consolidated financial statements, effective April 1, 2001, the Corporation adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*, and the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*.

May 10, 2002

KPMG LLP

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the fairness, integrity and objectivity of the Company's financial statements including all related information included in this Annual Report. The statements and related information are prepared in accordance with generally accepted accounting principles, except as discussed in the Independent Auditors' Report — the Company's financial statements include some amounts that are based upon management's best estimates and judgements.

We believe that fostering an environment conducive to good internal control is a basic responsibility. Management maintains a system of internal accounting controls that provide reasonable assurance that assets are safeguarded and transactions are properly executed and recorded in accordance with the Company's policy for conducting its business. This system includes policies that require adherence to ethical business standards and compliance with laws to which the Company is subject. The internal control process is monitored by direct management review as well as independent review.

The Board of Directors, through the Audit Committee, is responsible for determining that management fulfills its responsibility with respect to the Company's financial statements and the system of internal accounting controls (see the Audit Committee's report on this page).

Management acknowledges its responsibility to provide financial information that is reliable, representative of the Company's operations and relevant for a meaningful appraisal of the Company. We believe that our control process meets this responsibility.

Hjalmar E. Olson
Chairman, President &
Chief Executive Officer

Tom Hawkins
Senior Vice President &
Chief Operating Officer

Stephen P. Tolton
Chief Financial Officer

AUDIT COMMITTEE REPORT *May 31, 2002*

Bristol Bay Native Corporation Shareholders:

The BBNC Audit Committee, consisting of four directors, is pleased to issue this report to you. The primary responsibilities of the Audit Committee are to ensure that the Company's accounts are properly maintained and adequately verified by the Company's public accountants, to review and approve major changes in BBNC's accounting policies and to report to the full Board of Directors upon the foregoing.

To fulfill our duties, we met jointly and separately on each of three occasions during the 2002 fiscal year with the public accountants and the chief financial officer of BBNC.

Among other matters discussed and reviewed at these meetings was the scope of the audit to be performed by the public accountants, the adequacy and rotation of the public accountants' staff, the public accountants' management letters and management's replies thereto, the adequacy of BBNC's system of internal controls and internal auditing, the appropriateness of the Company's accounting policies and the quality and depth of the staff of the accounting and financial departments.

We believe that the committee has been informed fully by management and the public accountants of the accounting and financial aspects of the Company. Nothing of any material nature has come to our attention.

We thank all those involved for their assistance and cooperation in our efforts to fulfill our responsibilities.

Robert J. Clark
Committee Chairman

Directors

Jeffrey Anderson

Joseph L. Chythlook

Robert J. Clark

Andrew Golia

Anthony G. Gregorio

Dorothy M. Larson

Donald F. Nielsen

Daniel J. O'Hara

Hjalmar E. Olson

Freeman A. Roberts

Agnes Rychnovsky

Harold H. Samuelsen Sr.

Management

Hjalmar E. Olson
Chairman, President
& Chief Executive Officer

Tom Hawkins
Senior Vice President
& Chief Operating Officer

Stephen P. Tolton
Chief Financial Officer

April S. Ferguson
Vice President,
General Counsel & Corporate Secretary

Trefon Angasan
Vice President
Shareholder & Corporate Relations

Paul C. Roehl
Vice President
Land & Resources

Annual Meeting

The Annual Meeting of Bristol Bay Native Corporation Shareholders will be held at 10:00 a.m., Alaska time, on Saturday, October 5, 2002, in Dillingham, Alaska.

Corporate Profile

Bristol Bay Native Corporation has approximately 6,765 shareholders who are Eskimo, Indian and Aleut. The Bristol Bay region is located 150 miles southwest of Anchorage and is 40,000 square miles in size. Currently, BBNC is a diversified holding company. Investments include a stock portfolio, a corporate services subsidiary, an environmental remediation firm, a design firm, a cardlock fueling company, a company that provides personnel for oil field and environmental cleanup, an asbestos abatement company and an engineering, environmental, information technology and logistical support services company. BBNC also provides Native allotment surveys under P.L. 93-638 for tribes and rectangular net and 14(c) surveys for the village corporations in the Bristol Bay region.

Caribou description
The Distribution Movement Patterns of Caribou in Alaska
by James E. Hemming
Alaska Department of Fish and Game/
Wildlife Technical Bulletin #1

The Loon Story
Tanaina Tales from Alaska
by Bill Vaudrin
Desert Hawk Publications, Inc.

Design and production:
The Nerland Agency

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Gail West

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©Chris Arend Photography

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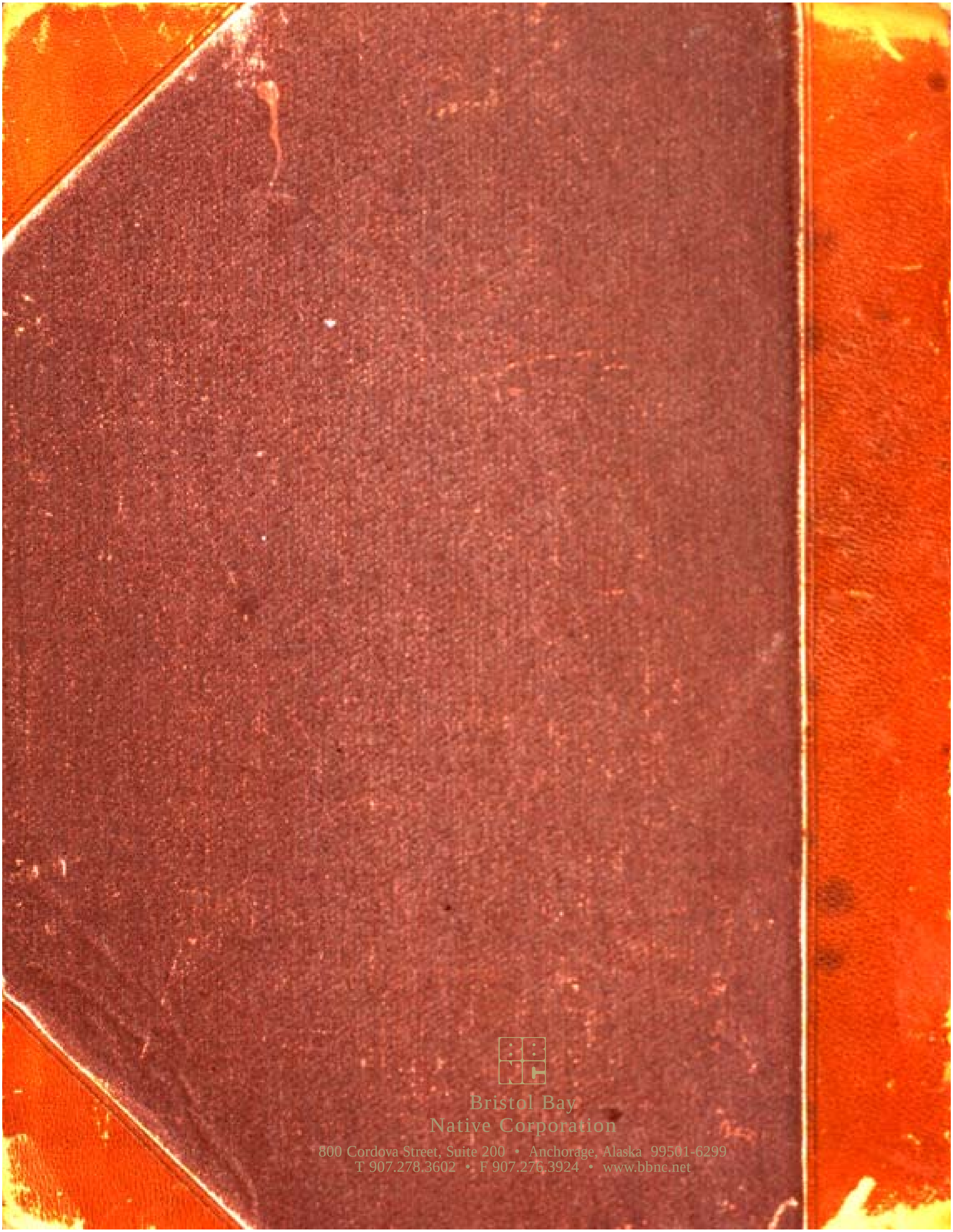
♻ Printed on Hemp paper using vegetable based inks



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