

Canfor Corporation

NOTICE OF ANNUAL GENERAL MEETING OF COMMON SHAREHOLDERS

To: The Common Shareholders of Canfor Corporation

Notice is hereby given that the Annual General Meeting of the Common Shareholders of Canfor Corporation (the "Company") will be held in Le Pavillon Room, Four Seasons Hotel, 791 West Georgia Street, Vancouver, British Columbia, on Tuesday, April 29, 2003 at 11:30 a.m. for the following purposes:

1. To receive and consider the report of the Directors, the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended December 31, 2002 and the report of the auditors thereon.
2. To increase the number of Directors to 14.
3. To elect Directors for the ensuing year.
4. To appoint auditors for the ensuing year and to authorize the Directors to fix their remuneration.
5. To approve, by special resolution, the Long Term Incentive Plan of the Company.
6. To reconfirm the Shareholder Rights Plan approved by the Company's shareholders on April 28, 2000.
7. To transact such other business as may properly come before the meeting.

DATED at Vancouver, British Columbia this 20th day of March, 2003.

By Order of the Board of Directors

David M. Calabrigo
Corporate Secretary

Common Shareholders who are unable to be present personally at the meeting are requested to sign and return the accompanying form of proxy.

Canfor Corporation

INFORMATION CIRCULAR

DATED AS OF MARCH 20, 2003

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation by the management of Canfor Corporation (the "Company") of proxies to be used at the Annual General Meeting (the "Meeting") of the Common Shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of the Meeting accompanying this Information Circular.

The solicitation will be by mail. The cost of solicitation will be borne by the Company.

RECORD DATE

The Directors of the Company have fixed March 20, 2003 at the close of business as the record date for determining the names of Common Shareholders of the Company entitled to receive notice of the Meeting. Each person who is entered in the register of members of the Company at the close of business on March 20, 2003 as a holder of one or more Common Shares of the Company is entitled to attend and vote at the Meeting in person or by proxy and in the event of a poll to cast one vote for each Common Share held.

APPOINTMENT OF PROXYHOLDERS AND REVOCATION OF PROXIES

Each of the persons named in the enclosed form of proxy is a director and senior officer of the Company. **A shareholder has the right to appoint a person (who need not be a shareholder) as his nominee to attend and act for him and on his behalf at the Meeting other than the persons designated in the form of proxy accompanying this Information Circular. To exercise this right a shareholder may insert the name in full of his nominee in the blank space provided in the form of proxy and strike out the names of the persons now designated, or complete a similar form of proxy.** The proxy will not be valid unless the completed form of proxy is delivered to CIBC Mellon Trust Company, Suite 1600, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1, or the Corporate Secretary of the Company, not less than twenty-four (24) hours (excluding Saturdays and holidays) before the time of the Meeting. A shareholder who has given a proxy has the power to revoke it by a signed instrument in writing in the manner provided in the articles of the Company or in any other manner provided by law any time before it is exercised. The articles of the Company provide that the revocation must be executed by the shareholder or his/her attorney authorized in writing, or where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation and delivered to the registered office of the Company at any time up to and including the last business day preceding the Meeting or to the Chairman of the Meeting on the day of the Meeting.

VOTING OF SHARES AND EXERCISE OF DISCRETION BY PROXYHOLDER

The form of proxy accompanying this Information Circular confers discretionary authority upon the proxy nominee with respect to any amendments or variations to matters identified in the notice of the Meeting and any other matters which may properly come before the Meeting. At the date of this Information Circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the notice of the Meeting and routine matters incidental to the conduct of the Meeting. In the event that any further or other business is properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their judgment of such business. On any ballot or poll the Common Shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the shareholder as specified in the proxy with respect to any matter to be acted on. **If a choice is not so specified with respect to any such matter, the Common Shares represented by a proxy given to management are intended to be voted in favour of the resolutions referred to therein and for the nominees of management for Directors and auditors.**

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at March 20, 2003, the Company has outstanding and entitled to be voted at the Meeting 81,156,010 Common Shares, each Common Share carrying the right to one vote. To the knowledge of the Directors and senior officers of the Company no person or company owns beneficially, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attached to all Common Shares of the Company entitled to be voted at the Meeting except as set out below:

Title of Class	Name of Beneficial Holder	Number of Shares	Percentage of Class
Common Shares	Matthews-Cartier Holdings Limited ¹	21,824,984 ²	26.9
Common Shares	James A. Pattison ³	15,472,250	19.1

- 1 The Common Shares of Matthews-Cartier Holdings Limited are owned indirectly by trusts for the benefit of members of the Prentice and Bentley families of Vancouver. The late Mr. J. G. Prentice and the late Mr. L. L. G. Bentley were the founders of the Company. Mrs. M. E. Hurst and Mrs. E. R. Jarvis are the daughters of Mr. and Mrs. Prentice and Mr. P. J. G. Bentley is the son of Mr. and Mrs. Bentley. Under a Shareholders Agreement to which Matthews-Cartier Holdings Limited, various holding companies and the trustees of the trusts are parties, the Common Shares owned or controlled by Matthews-Cartier Holdings Limited will, at the Company's annual general meeting to be held on April 29, 2003, be voted for the election of one nominee of the Hurst and Jarvis families combined and two nominees of the Bentley family. Mrs. M. E. Hurst, Mr. P. J. G. Bentley and Ms. B. R. Hislop are the nominees and are trustees of the trusts. The Company understands that members of the families and their associates own, in addition, approximately 2.1% of the outstanding Common Shares of the Company.
- 2 Of these shares, Matthews-Cartier Holdings Limited beneficially owns 20,897,994 Common Shares and exercises control or direction over 926,990 Common Shares.
- 3 The Common Shares beneficially owned by James A. Pattison are held by Great Pacific Capital Corp. (based upon publicly available information).

CHANGE OF NUMBER OF DIRECTORS

The articles of the Company provide that the number of Directors may be changed from time to time by ordinary resolution. At the 2002 Annual General Meeting, 12 Directors were elected. The nominees for the Board of Directors of the Company proposed for election at the Meeting include two additional persons, Messrs. James A. Pattison and Michael J. Korenberg, as well as Ms. Barbara Hislop, who is replacing a retiring Director. As a result, management proposes that 14 Directors be elected at the Meeting. An ordinary resolution will therefore be proposed, increasing the number of Directors to 14. An ordinary resolution is a resolution passed by a simple majority of the votes cast by or on behalf of Common Shareholders of the Company entitled to vote at the Meeting.

ELECTION OF DIRECTORS

The persons named in the enclosed form of proxy intend, unless otherwise directed, to vote for the election of a Board of Directors composed of the 14 nominees in the list that follows. Other than Messrs. Pattison, Korenberg and Ms. Hislop, each nominee is currently a Director of the Company. If any of the nominees do not stand for election or is unable to serve, proxies may be voted for a smaller Board at the discretion of the person exercising the proxy vote.

Each Director will hold office until the next Annual General Meeting, unless his/her office is earlier vacated in accordance with the articles of the Company.

The advance notice of the Meeting inviting nominations for Directors as required by Section 111 of the *Company Act* (British Columbia) was printed in one issue of "The Vancouver Sun" newspaper and in one issue of "The Province" newspaper on February 28, 2003 and was filed on February 28, 2003 with the B.C. Securities Commission, Vancouver, British Columbia.

The following information concerning the respective nominees for Director has been furnished by each of them:

Name of nominee and country in which he/she is ordinarily resident	Present principal occupation	Director since	Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised	Deferred Units¹
Peter John Gerald Bentley, O.C. Canada	Chairman of the Company	1966	428,328 *	2,500
Ronald Laird Cliff, C.M., F.C.A. Canada	Chairman of Heathcliff Properties Ltd.	1983	74,582	2,500
Mark L. Cullen Canada	Corporate Director	2000	10,500	2,500
C. William Daniel, O.C. Canada	Corporate Director/Consultant	1985	5,520	2,500
David L. Emerson Canada	President and Chief Executive Officer of the Company	1998	12,500	Nil
Barbara Ruth Hislop Canada	Group Vice-President and Chief Technology Officer of the Company	Nominee	33,834	Nil
Marietta Ellen Hurst Canada	Educational Author	1987	149,556 **	2,500
Michael J. Korenberg Canada	Managing Director, Vice-Chairman of The Jim Pattison Group (diversified businesses)	Nominee	1,000	Nil
Peter Alfred Lusztig Canada	Dean Emeritus, University of British Columbia; Commissioner (Federal) B.C. Treaty Commission	1983	3,408	2,500
Eric Patrick Newell, O.C. Canada	Chairman and Chief Executive Officer of Syncrude Canada Ltd. (an energy company)	1999	5,500	2,500
James A. Pattison, O.C., O.B.C. Canada	President, Managing Director, Chief Executive Officer and Chairman of The Jim Pattison Group (diversified businesses)	Nominee	15,472,250 ***	Nil
Michael Everett Joseph Phelps, O.C. Canada	Chairman of Dornoch Capital Inc. (a private investment company)	1990	6,958	2,500
Ronald Thomas Riley Canada	Vice-President of L.B.G. Capital, a division of National Bank Financial (an investment dealer)	1987	6,004	2,500
Carole Taylor, O.C. Canada	Chair of Canadian Broadcasting Corporation and Corporate Director	2000	5,500	2,500

¹ Represents Deferred Units under the Deferred Unit Plan. See "Compensation of Directors/Attendance" herein.

* As an executor of an estate and pursuant to a power of attorney, Mr. P.J.G. Bentley exercises direction over an additional 707,962 Common Shares of the Company.

** As an executrix of an estate, Mrs. M.E. Hurst exercises direction over an additional 356,136 Common Shares of the Company.

*** These Common Shares are held by Great Pacific Capital Corp., a company affiliated with Mr. Pattison and The Jim Pattison Group.

The following is further information regarding each of the individuals who are proposed as nominees for election as Directors of the Company, including their other principal occupations, directorships and appointments and, where applicable, memberships on committees of the Board of Directors of the Company. A record of attendance at meetings of the Board and its committees during the twelve months ended December 31, 2002 is set out in the "Compensation of Directors/Attendance" section of this Information Circular.



Peter J. G. Bentley, O.C.

Mr. Bentley is Chairman of the Company and a director of the Company's principal subsidiary Canadian Forest Products Ltd., Co-chairman and a director of HSPP General Partner Ltd., the general partner of Howe Sound Pulp and Paper Limited Partnership, and a director of B.C. Chemicals Ltd.

After working in various positions throughout the Company, Mr. Bentley became Executive Vice-President in 1970, President in 1975, and Chairman and CEO in 1985, a position he held until April 24, 1995. Mr. Bentley was reappointed to the position of President and CEO of the Company on July 25, 1997 and relinquished the position of President and CEO of the Company on January 1, 1998, when David L. Emerson's appointment as a Director, President and CEO of the Company became effective.

Mr. Bentley is a director of Precious Minerals, Mining and Refining Corporation and a member of the Canadian Advisory Board of the Carlyle Group, a member of the Board of the Canadian Institute for Advanced Research, a member of the Advisory Board of BuildDirect.com, a Trustee and Past Chairman of the Vancouver General Hospital and UBC Hospital Foundation, and a Governor of The Banff Centre. He also served for many years as a director of The Bank of Montreal and Shell Canada Ltd.

Mr. Bentley is a member of the Company's Capital Projects Committee* and an ex-officio member of the Corporate Governance and Environmental, Health and Safety Committees.



Ronald L. Cliff, C.M., F.C.A.

Mr. Cliff is Chairman of Heathcliff Properties Ltd. He is also President of the Heathcliff Foundation. Mr. Cliff was Chairman and a director of BC Gas Inc. from 1972 to 2002.

Mr. Cliff received his Commerce Degree from the University of British Columbia and qualified as a Chartered Accountant in 1954. Mr. Cliff chairs the Company's Audit Committee and is a member of the Capital Projects*, Management Resources and Compensation and Corporate Governance Committees.



Mark L. Cullen

Mr. Cullen previously served as Vice-Chair of RBC Dominion Securities Inc. and is currently a corporate director. He is a director of BC Gas Inc., British Columbia Ferry Corporation, MacDonald Dettwiler & Associates, Wajax Limited and St. Paul's Hospital Foundation. Mr. Cullen received a B.Com degree from the University of Ottawa and a MBA from the University of Western Ontario.

Mr. Cullen is a member of the Company's Audit and Management Resources and Compensation Committees.



C. William Daniel, O.C.

Mr. Daniel's career has covered 38 years with Shell International Petroleum Company in the U.S.A., Europe, South America, the Caribbean and Canada. He was President and CEO of Shell Canada from 1974 until his retirement in 1985. He has served on numerous corporate and voluntary boards. He currently is a director of Andrés Wines Ltd. Mr. Daniel holds a Bachelor of Applied Science degree in Engineering and an Honourary Law degree, both from the University of Toronto.

Mr. Daniel chairs the Company's Environmental, Health and Safety Committee and is a member of the Management, Resources and Compensation Committee.



David L. Emerson

Mr. Emerson was appointed President and CEO of the Company effective January 1, 1998.

From 1992 to December 1997, Mr. Emerson was President and CEO of the Vancouver International Airport Authority when it assumed responsibility from the Government of Canada to develop, operate and improve the Vancouver International Airport's services and facilities and was made a Director in 1996 following the opening of the new International Terminal.

Mr. Emerson has a Doctorate in Economics from Queens University, and Masters and Bachelors Degrees in Economics from the University of Alberta.

In a career encompassing both the private and public sectors, Mr. Emerson has been Deputy Minister to the Premier of British Columbia; Secretary to the Executive Council for the Province of British Columbia; Deputy Minister of Finance for British Columbia; Chairman and CEO of Canadian Western Bank, and President of the British Columbia Trade Development Corporation.

Mr. Emerson's current directorships include: BC Gas Inc.; Royal & Sun Alliance Insurance Company of Canada; Vice-Chairman of the Canadian Council of Chief Executives; Chairman, British Columbia Ferry Corporation; and Chair of the B.C. Progress Board.

Mr. Emerson is a member of the Company's Capital Projects Committee*.



Barbara R. Hislop

Ms. Hislop is the Company's Group Vice-President and Chief Technology Officer (2002 to present). She has previously held the positions with the Company of Group Vice-President, Wood Products (November 1999 to February 2002) and Group Vice-President, Northern Wood Products (June 1998 to November 1999). Ms. Hislop is President and CEO of Genus Resource Management Technologies Inc., a wholly owned subsidiary of the Company. Ms. Hislop has been a Company employee for 26 years.

Ms. Hislop was previously a Director of the Company from April 27, 1987 to November 23, 1999.

Ms. Hislop is a director of the Bank of Canada, Forintek Canada Corp., Hudson's Bay Company and the Vancouver Board of Trade.



Marietta E. Hurst

Mrs. Hurst is an educational author. She received a B.A. from the University of British Columbia, a Graduate Certificate in Education from the University of London, U.K. and a Masters of Education from the University of British Columbia. She has been a teacher with the Vancouver School Board, an educational consultant and a Sessional Lecturer at the University of British Columbia.

Mrs. Hurst is a member of the Company's Corporate Governance and Environmental, Health and Safety Committees.



Michael J. Korenberg

Mr. Korenberg is Managing Director, Vice-Chairman and a director of The Jim Pattison Group. He was previously the Managing Director, Corporate Development of The Jim Pattison Group.

Mr. Korenberg is a director of Jim Pattison Group Inc. (and its affiliates), Sun-Rype Products Ltd. and Slocan Forest Products Ltd.**, a trustee of Westshore Terminals Income Fund and an adjunct professor, Faculty of Law, University of British Columbia.



Peter L. Lusztig

Mr. Lusztig is Dean Emeritus, Faculty of Commerce and Business Administration, the University of British Columbia. Mr. Lusztig is currently the federal commissioner for the B.C. Treaty Commission (Federal). He is also Chair and Trustee of the Health Benefit Trust (B.C.). Mr. Lusztig received his Commerce Degree from the University of British Columbia, his Masters of Business Administration from the University of Western Ontario and his Doctorate Degree from Stanford University.

Mr. Lusztig chairs the Company's Corporate Governance Committee and is a member of the Audit and Environmental, Health and Safety Committees.



Eric P. Newell, O.C.

Mr. Newell is the Chairman and CEO of Syncrude Canada Limited. He is also Chair of the Conference Board of Canada, Chair of CAREERS...The Next Generation Foundation and a director of Keyano College Foundation. Mr. Newell received a degree in Chemical Engineering from the University of British Columbia and a Masters in Management Studies from the University of Birmingham, U.K.

Mr. Newell is a member of the Company's Corporate Governance and Management Resources and Compensation Committees.



James A. Pattison, O.C., O.B.C.

For the past five years Mr. Pattison has been President, Managing Director, Chief Executive Officer and Chairman of The Jim Pattison Group.

Mr. Pattison is a director of Jim Pattison Group Inc. (and its affiliates) and Slocan Forest Products Ltd.**



Michael E. J. Phelps, O.C.

Mr. Phelps is Chairman of Dornoch Capital Inc. He is also a director of Duke Energy Corporation, the Canadian Imperial Bank of Commerce, Canadian Pacific Railway, Fairborne Energy Ltd., and Chairman of Altura Growth Fund. Mr. Phelps is Chairman of the Advisory Board, Duke Energy Gas Transmission Canada and a member of the Advisory Board of Aon Reed Stenhouse. Mr. Phelps was the Chairman (1992-2002) and CEO (1988-2002) of Westcoast Energy Inc. Mr. Phelps received his Law Degree from the University of Manitoba and his Masters of Law from the London School of Economics and Political Science.

Mr. Phelps chairs the Company's Management Resources and Compensation Committee and is a member of the Capital Projects* and Corporate Governance Committees.



Ronald T. Riley

Mr. Riley is Vice-President of L.B.G. Capital, a division of National Bank Financial, an investment dealer. He currently holds directorships with Argus Corporation Limited and Optimum General Inc. He received his Mechanical Engineering Degree from McGill and his Masters of Business Administration from the Wharton School at the University of Pennsylvania. He had a 25 year career at Canadian Pacific Ltd. ending as a senior corporate officer, followed by eight years as an entrepreneur in the insurance and mutual fund businesses.

Mr. Riley is a member of the Company's Corporate Governance and Environmental, Health and Safety Committees.



Carole Taylor, O.C.

Ms. Taylor is Chair of the Canadian Broadcasting Corporation, former Chair of the Vancouver Board of Trade, and the former Chair of Canada Ports Corporation. Ms. Taylor also holds directorships with Fairmont Hotels & Resorts Inc., HSBC USA, HSBC North America and HSBC Holdings plc.

Ms. Taylor is a member of the Company's Environmental, Health and Safety Committee.

* The Capital Projects Committee was formerly named the Executive Committee which, during 2002, was comprised of Mr. Bentley, Mr. Cliff, Mr. Emerson, Mr. Jarvis and Mr. Phelps. For a description of the current committees of the Board of Directors of the Company, see the further information regarding each of the proposed nominees for election as Directors set out above and the "Corporate Governance" section of this Information Circular.

** Mr. Pattison and Mr. Korenberg will not be standing for re-election as directors at the next annual general meeting of Slocan Forest Products Ltd.

EXECUTIVE COMPENSATION

COMPOSITION OF THE COMPENSATION COMMITTEE

The Board of Directors has final authority to approve the recommendations of its Management Resources and Compensation Committee (the "Compensation Committee"), regarding the compensation of the executives of the Company. The following unrelated Directors were members of the Compensation Committee during all or part of 2002: R. L. Cliff, M. L. Cullen, C. W. Daniel, E. P. Newell and M. E. J. Phelps.

REPORT ON EXECUTIVE COMPENSATION

The executive compensation policies of the Company are designed to attract and retain high calibre executives who will successfully lead the organization so as to ensure a satisfactory return to its shareholders, financial soundness, and competitiveness within its business sectors. The compensation package for executives includes base salary, short-term incentives, long-term incentives and options, all designed to target the market median. The incentive programs are designed to provide the potential for top quartile compensation when compared to similar positions in the Canadian forest products sector and to a broad industry comparison, when performance warrants.

Base Salaries

Base salaries and salary ranges are established using market-competitive information provided by an independent consulting firm retained by the Compensation Committee. Market information is updated annually and salaries are reviewed annually. The mid-point for salary ranges is set at the median of the market place. The Compensation Committee has sole responsibility for recommending for approval by the Board the compensation of the Chief Executive Officer. The Chief Executive Officer's compensation is compared to top executive positions in the Canadian forest products sector and to a broad industry group.

Short Term Incentive Plan

The Short Term Incentive Plan of the Company ("STIP") focuses primarily on return on capital employed (after tax) with a portion based on individual performance to help align corporate and personal objectives. Participation in the STIP includes executives and senior management. See "Summary Compensation Table" herein for STIP awards granted for 2002.

The STIP award opportunity is competitive with Canadian forest industry practice for like positions. STIP awards are based on the Company's return on capital employed (after tax) measured against the Company's after tax cost of capital. Award opportunity varies by level within the organization. Market competitive targets range from 30% to 60% of base salary. The highest maximum award can be earned by the Chief Executive Officer and is equal to 200% of base salary.

The individual performance component of the program is a designated percentage of the total award and is based on individual achievement against pre-determined goals. Effective January 1, 2003 the designated percentage for individual performance was adjusted from 25% of the award to 50% of the award for all officers except the CEO who remains at 25%. This change was implemented to ensure officers focus on the Cost Reduction/Margin Improvement Program initiated by the Company and to reinforce alignment of the officers' objectives and focus with the shareholders' interest. The STIP was also revised in January 2003 to provide that a portion of the payment of the individual performance component may consist of Common Shares of the Company. If Common Shares are provided as a portion of the STIP award, they will be purchased on behalf of the officer in the open market.

Long Term Incentive Plan

Effective January 1, 2003 the Company implemented, subject to shareholder approval as described below, a Long Term Incentive Plan (the "LTIP") for designated senior employees, including the CEO, that bases its awards on a three-year comparison of the Company's Total Shareholder Return ("TSR") to the TSR of the Toronto Stock Exchange Paper & Forest Products Index, excluding the Company. The LTIP provides that if the Company performs in the bottom quartile of the comparator group, then no LTIP award is earned. If the Company performs in the third quartile then 50% of a market competitive LTIP award is earned, if the Company performs in the second quartile then 100% of the market competitive award is earned and if the results are in the top quartile a maximum award of 150% of the market competitive award is earned. The award will be in the form of Common Shares purchased on the open market by a trustee appointed from time to time under the LTIP and held in an employee benefit trust for the three-year performance comparative period. Depending on the Company's performance, some or all of the Common Shares will be distributed at the end of the three-year period. No Common Shares will be issued from treasury under the LTIP.

At the Meeting, management will propose that, as required by the *Company Act* (British Columbia), the contribution of funds by the Company under the LTIP be approved by special resolution in the manner set out below. A special resolution requires the affirmative vote of not less than three-quarters of the votes cast in person or by proxy at the Meeting.

RESOLVED, as a special resolution, that the Company be authorized to provide financial assistance to eligible employees for the purchase of Common Shares of the Company pursuant to the Long Term Incentive Plan ("LTIP") described in the Information Circular in respect of the 2003 annual general meeting of shareholders of the Company.

Executive Ownership Guidelines

Effective January 1, 2003, the Company instituted share ownership guidelines for senior officers. The guidelines are 1.0 x base salary for Vice-Presidents, 1.5 x base salary for Group Vice-Presidents and 3.0 x base salary for the Chief Executive Officer, based on the market value of the Company's Common Shares. Officers are expected to meet their guideline over a five-year time frame. Any Common Shares received as a result of STIP or LTIP awards may be included in the ownership requirement calculation.

Stock Options

In connection with the appointment on November 6, 1997 of David L. Emerson as a Director, President and Chief Executive Officer of the Company, all effective January 1, 1998, the Board of Directors approved the grant on December 31, 1997 to Mr. Emerson of an option to purchase up to 100,000 Common Shares of the Company at a price of \$8.66 per share exercisable on or before December 31, 2006, such option to vest over a four year period.

In June 1998, following the recommendations of the Compensation Committee, the Board of Directors approved the establishment of the 1998 Performance Stock Option Plan (the "PSO Plan"), subject to approval by ordinary resolution of the members which was granted at the annual general meeting on April 20, 1999. Since adoption, the PSO Plan has been broadened and, with shareholder approval, the number of Common Shares which may be issued upon exercise of options under the PSO Plan has been increased to 5,800,000.

Under the PSO Plan, the Company may grant to employees of the Company or its subsidiaries or affiliates, options to purchase a specified number of Common Shares of the Company. The exercise price for options granted under the PSO Plan will be not less than the closing price of the Common Shares on the TSX on the day prior to the day on which the option is granted.

Stock Options Granted Pursuant to PSO Plan

Date Options Granted	No. of Individuals Granted Options	Aggregate No. of Common Shares	Exercise Price per Share \$	Option Expiry Date
June 10, 1998	15	2,435,000	9.25	June 10, 2003
February 5, 1999	2	120,000	7.30	February 5, 2004
February 8, 2000	37	1,245,000	15.80	June 10, 2003
April 13, 2000	17	155,000	18.75	June 10, 2003
January 29, 2001	56	896,750	8.30	January 29, 2011
May 18, 2001	2	11,500	11.80	January 29, 2011
February 5, 2002	54	714,500	9.80	February 5, 2012
April 29, 2002	3	11,000	10.10	April 29, 2012
July 24, 2002	1	7,000	7.57	July 24, 2012
November 29, 2002	1	5,000	9.95	October 7, 2012

For information regarding the vesting and terms and conditions of exercise of options granted under the PSO Plan, see the Notes to the table entitled "Aggregated Option/SAR Exercises During the Year Ended December 31, 2002 and Year-End Option/SAR Values" herein.

For the year-ended December 31, 2002, a total of 67,163 Common Shares have been issued pursuant to the exercise of options.

Employee Share Purchase Plan

On March 5, 1999, the Directors of the Company approved an employee share purchase plan (the "Employee Purchase Plan") for employees of the Company's wholly owned subsidiary, Canadian Forest Products Ltd. ("CFP"). CFP is the direct employer of virtually all of the Company's employees. The Employee Purchase Plan was approved by the shareholders of the Company by special resolution on April 20, 1999.

The Employee Purchase Plan is an employee profit sharing plan in accordance with section 144 of the Income Tax Act (Canada).

The purpose of the Employee Purchase Plan is to develop an interest by the employees of CFP in the growth and development of the Company by providing them with the opportunity to participate in the ownership of the Company through the purchase of its outstanding Common Shares. All regular employees of CFP are eligible to participate in the Employee Purchase Plan upon completion of a year of employment with CFP.

Enrollment in the Employee Purchase Plan is voluntary. Each participating employee is entitled to contribute as a basic contribution a minimum of 1% and a maximum of 5% of his or her basic wages or salary to the Employee Purchase Plan and may make a supplementary contribution of up to an additional 5% of such wages or salary. CFP will make a basic contribution each month in an amount equal to 30% of each participant's basic contribution and also pays the cost of brokerage and commissions.

All Common Shares purchased under the Employee Purchase Plan are outstanding shares purchased in the market or by private purchase by the trustee appointed from time to time for the Employee Purchase Plan (the "Trustee"). No Common Shares will be issued from treasury under the Employee Purchase Plan. All cash dividends received by the Trustee in respect of Common Shares held in the Employee Purchase Plan will be reinvested by the Trustee in additional Common Shares.

Change of Control Agreements

The Company has entered into Change of Control Agreements with its senior executives, including the Named Executive Officers as defined herein. The agreements provide that if during a period commencing on a Change in Control of the Company and ending eighteen (18) months later, the senior executive's employment is terminated or he or she is constructively dismissed, the senior executive may elect to accept either a salary continuation or a lump sum payment. In either case, the senior executive will be entitled to a severance payment equal to twenty-four (24) months salary, a percentage of annual base salary equal to the target bonus for that period and a prorated bonus for the year in which his or her employment ceased, and in the case of the salary continuation, certain continued benefits. The Chief Executive Officer is entitled to a payment based on thirty-six (36) months.

For the purposes of the agreement, a "Change in Control" is defined as an acquisition by a person or group of more than twenty (20%) percent of the Company's outstanding voting shares, a change in a majority of the Board of Directors (other than through solicitation by management of the Company), a business combination involving the Company or any of its subsidiaries where, as a consequence, the book value of the assets of the resulting entity is more than one hundred and fifty (150%) per cent of the book value of the assets of the Company on a consolidated basis before the business combination or any disposition of assets comprising more than fifty (50%) per cent in book value of the Company's

assets on a consolidated basis. The holding or acquisition of further Common Shares by Matthews-Cartier Holdings Limited does not constitute a change in control unless as a result of the acquisition of additional Common Shares, the Common Shares owned by Matthews-Cartier Holdings Limited constitute more than 50% of the outstanding Common Shares. See "Voting Shares and Principal Holders Thereof" for information on the current shareholdings of Matthews-Cartier Holdings Limited.

This report is made by the members of the Compensation Committee.

R. L. Cliff
M. L. Cullen
C. W. Daniel
E. P. Newell
M. E. J. Phelps, Chairman

Summary Compensation Table

The following Summary Compensation Table sets forth, for each of the Company's three most recently completed financial years, the compensation of the Chief Executive Officer and the four most highly compensated executive officers of the Company, other than the Chief Executive Officer (the Chief Executive Officer and such four executive officers are referred to collectively as the "Named Executive Officers"). For the year-ended December 31, 2002, the Company paid aggregate direct remuneration to its Directors and senior officers in the total amount of \$5,316,361.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary (\$)	Bonus ⁷ (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#) ¹	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	All Other Compensation (\$)
D. L. Emerson President and Chief Executive Officer	2002	624,000	88,371	—	125,000	—	—	—
	2001	612,000	91,800	—	123,000	—	—	—
	2000	600,788	417,290	—	—	—	—	—
C. T. Hazelwood Executive Vice-President, Operations ²	2002	375,000	43,140	—	57,000	—	—	5,623 ⁶
	2001	341,700	55,000	—	97,000	—	—	2,602 ⁶
	2000	335,000	197,880	—	300,000	—	—	4,710 ⁶
R. A. Luoma Group Vice-President, Pulp and Paper	2002	291,000	27,565	—	35,000	—	—	4,369 ⁶
	2001	285,600	34,000	923 ⁴	65,000	—	—	4,284 ⁶
	2000	280,909	137,120	1,095 ⁴	200,000	—	—	4,200 ⁶
B. R. Hislop Group Vice-President, and Chief Technology Officer ³	2002	291,000	28,180	—	35,000	—	—	—
	2001	285,600	34,000	—	35,000	—	—	—
	2000	279,999	132,320	—	—	—	—	—
C. W. Reid Group Vice-President, Finance and Chief Financial Officer	2002	254,000	35,025	52,900 ⁵	30,000	—	—	3,815 ⁶
	2001	235,000	32,965	750 ⁴	53,000	—	—	3,525 ⁶
	2000	215,028	99,760	1,250 ⁴	160,000	—	—	1,043 ⁶

¹ Stock options only. (See "Report on Executive Compensation - Options")

² Mr. Hazelwood retired from the Company on December 16, 2002.

³ B. R. Hislop was appointed Group Vice-President and Chief Technology Officer on February 6, 2002, prior to this appointment Ms. Hislop was Group Vice-President, Wood Products.

⁴ Imputed interest benefit on loans. (See "Indebtedness of Directors, Executive Officers & Senior Officers").

⁵ Exercise of Stock Option benefit and imputed interest benefit on loans.

⁶ Contributions to the Employee Share Purchase Plan. (See "Report on Executive Compensation Employee Share Purchase Plan").

⁷ See "Executive Compensation - Short Term Incentive Plan" herein.

OPTION/SAR GRANTS DURING THE YEAR ENDED DECEMBER 31, 2002

Name	Securities Under Options/SARs Granted¹	% of Total Granted to Options/SARs Employees during the Year-Ended December 31, 2002	Exercise or Base Price (\$ Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
D. L. Emerson	125,000	16.9%	\$9.80	\$9.80	February 5, 2012
C. T. Hazelwood	57,000	7.7%	\$9.80	\$9.80	July 1, 2006
R. A. Luoma	35,000	4.7%	\$9.80	\$9.80	February 5, 2012
B. R. Hislop	35,000	4.7%	\$9.80	\$9.80	February 5, 2012
C. W. Reid	30,000	4.1%	\$9.80	\$9.80	February 5, 2012

¹ Options granted pursuant to the PSO Plan, (See "Report on Executive Compensation - Options").

AGGREGATED OPTION/SAR EXERCISES DURING THE YEAR ENDED DECEMBER 31, 2002 AND YEAR-END OPTION/SAR VALUES

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at December 31, 2002 (#)^{1,3}	Value of Unexercised In-the-Money Options/SARs at December 31, 2002 (\$)³
D. L. Emerson	—	—	506,250	—
	—	—	168,750	109,687 ⁵
	—	—	100,000	31,000 ^{2,4}
	—	—	—	93,000 ^{2,5}
	—	—	41,000	—
C. T. Hazelwood	—	—	300,000	—
	—	—	32,333	—
B. R. Hislop	—	—	225,000	—
	—	—	75,000	49,750 ⁵
	—	—	11,666	—
R. A. Luoma	—	—	200,000	—
	—	—	21,666	—
C. W. Reid	—	—	160,000	—
	10,000	26,900	45,000	—
	10,000	25,500	7,666	—

¹ Based on options exercisable for Common Shares of the Company. No SAR's are currently outstanding.

² "In-the-money" means the excess of the market value of the Common Shares of the Company on December 31, 2002 (\$9.14) over the exercise price of the options (\$8.66) issued during 1997.

³ None of the options granted in 1998 and 1999 were capable of being exercised in the first year of their five year terms. One-third of these options may be exercised by holders in the second and following years of the option. A further one-third may be exercised in the third and following years and the final one-third may be exercised in either the fourth and fifth years of the options. No options granted in 1998 and 1999 otherwise available to be exercised can be exercised unless the market price of the Common Shares of the Company has exceeded \$14.99 after the date of grant, namely June 10, 1998. Twenty-five per cent (25%) of the options otherwise available to be exercised can be exercised if the share price has exceeded \$14.99 after the date of grant. A further 25% of the options otherwise available to be exercised can be exercised if the share price has exceeded \$19.99 after the date of grant. A further 25% of the options otherwise available to be exercised can be exercised if the share price has exceeded \$24.99 after the date of grant and the final 25% can be exercised if the share price has exceeded \$29.99 after the date of grant.

The options granted in 2000 may be exercised only as to 50% of the shares upon the market price having attained \$20 or greater and as to further options of 25% each upon the market price having attained \$25 and \$30.

The options granted in 2001 vest over a three year period. The January 29, 2001 options are exercisable upon the market price having attained a level of \$10 per share or greater. Two-thirds of the options have vested and all are exercisable. One-third of the May 2001 options have vested and are exercisable.

In the event of a "change of control," as defined in the stock option agreements held by the Named Executive Officers for options granted under the PSO Plan, all outstanding options will vest, 50% of the options will be exercisable immediately and the remaining options may be exercised depending on the compounded annual growth rate of the Common Shares since the dates on which the options were granted.

4 Non-exercisable.

5 Exercisable, subject to insider trading regulations.

PENSION PLANS

The Named Executive Officers of the Company are members of the Company's defined benefit pension plans, which provide retirement benefits determined primarily by (i) highest average earnings in a period of thirty-six consecutive months during the final ten years of employment and 50% of profit pay and bonus received over six consecutive years which produces the highest average in the final ten years of employment and (ii) years of service. The estimated annual benefits payable upon retirement under those plans are in accordance with the following Table.

PENSION PLAN TABLE

Remuneration (\$)	Years of Service (not limited to 35 years)				
	15	20	25	30	35
125,000	33,475	44,633	55,792	66,950	78,108
150,000	40,975	54,633	68,292	81,950	95,608
175,000	48,475	64,633	80,792	96,950	113,108
200,000	55,975	74,633	93,292	111,950	130,608
225,000	63,475	84,633	105,792	126,950	148,108
250,000	70,975	94,633	118,292	141,950	165,608
300,000	85,975	114,633	143,292	171,950	200,608
400,000	115,975	154,633	193,292	231,950	270,608
500,000	145,975	194,633	243,292	291,950	340,608
600,000	175,975	234,633	293,292	351,950	410,608
700,000	205,975	274,633	343,292	411,950	480,608
800,000	235,975	314,633	393,292	471,950	550,608
900,000	265,975	354,633	443,292	531,950	620,608
1,000,000	295,975	394,633	493,292	591,950	690,608
1,100,000	325,975	434,633	543,292	651,950	760,608
1,200,000	355,975	474,633	593,292	711,950	830,608
1,300,000	385,975	514,633	643,292	771,950	900,608
1,400,000	415,975	554,633	693,292	831,950	970,608
1,500,000	445,975	594,633	743,292	891,950	1,040,608

The earnings upon which benefits under the plans are based are those shown in the columns headed "Salary" and "Bonus" in the Summary Compensation Table. Benefits are computed on the basis of a straight life annuity, guaranteed for a minimum of five years, and are subject to deductions for personal income tax.

The estimated credited years of service for C. T. Hazelwood, B. R. Hislop, R. A. Luoma and C. W. Reid are approximately 17 years, 26 years, 5 years and 24 years respectively. The 26 years of service for B. R. Hislop entitle her to a pension of \$162,640 per year and the 24 years of service for C. W. Reid entitle him to a pension of \$123,263 per year. The annual pension benefit payable to C. T. Hazelwood, who retired on December 16, 2002, is \$150,469. The 5 years of service for R. A. Luoma entitle him to a pension of \$32,539 per year.

In addition, D. L. Emerson has a pension that provides for a benefit entitlement of 3% per full employment year based on the average of the last four years base salary and 50% of any cash bonuses paid prior to 2000 and 100% of bonuses paid commencing 2000. Mr. Emerson has completed five years of service with the Company. If these five years of service were used as the basis for determination of his pension benefits, he would be eligible for a pension of \$128,580 per year.

Employment Contract

D. L. Emerson has an employment contract with the Company wherein the Company reserves the right, prior to his reaching age 60, to terminate his employment without cause with the equivalent of 24 months notice. If the Company were to terminate Mr. Emerson's employment contract, the Company would be obligated to pay him an amount equal to 24 months base pay, 50% of previous average achieved bonus and such contributions to pension arrangements as would be made by continuing employment for the 24 month period. "Termination" includes any situations such as change of control or disposition of a substantial part of the Company's assets or otherwise, whereby, the content, scope or duties of his position would be substantially diminished.

Indebtedness of Directors, Executive Officers and Senior Officers

Loans are provided to officers and employees of the Company for re-location purposes. The aggregate indebtedness to the Company or any of its subsidiaries of all officers, directors, employees and former directors, officers and employees of the Company or any of its subsidiaries outstanding as at March 1, 2003 amounted to \$422,809.

TABLE OF INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

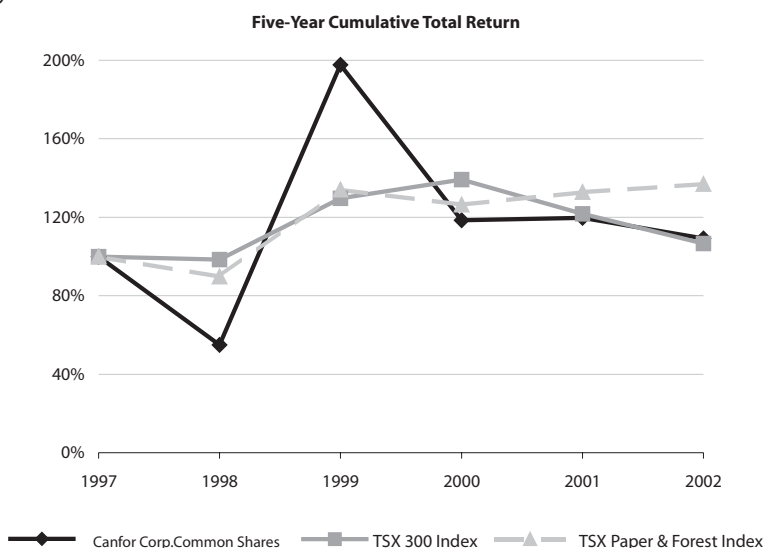
Name and Principal Position	Involvement of Company Subsidiary	Largest Amount Outstanding During Year Ended December 31, 2000 (\$)	Amount Outstanding as at March 1, 2002 (\$)
R. A. Luoma, Group Vice-President, Pulp and Paper	Lender	22,800 ¹	21,877
C. W. Reid, Group Vice-President, Finance and Chief Financial Officer	Lender	5,000 ²	5,000

¹ Interest-free loan. Repayable quarterly to 2007.

² Interest-free loan. Repayable at \$5,000 per year to 2003.

Performance Graph

The following graph compares the total cumulative shareholder return for \$100 invested in Common Shares of the Company on December 31, 1997 with the cumulative total shareholder return of the TSX 300 Stock Index and the TSX Paper and Forest Index for the five most recently completed financial years.



	1997	1998	1999	2000	2001	2002
Company Common Shares	100	55	198	118	120	109
TSX 300 Stock Index	100	98	130	139	122	107
TSX Paper & Forest Index	100	90	134	126	133	137

Note: Dividends declared on Common Shares of the Company are assumed to have been reinvested at the market price of the Company's shares on the payment date. The TSX 300 Stock Index and the TSX Paper and Forest Index are similarly based on the reinvestment of dividends.

Compensation of Directors/Attendance

For the fiscal year ended December 31, 2002, the Directors who are not officers of the Company were paid a retainer of \$20,000 and were also paid an attendance fee of \$1,000 for each day of a scheduled meeting and an attendance fee of \$2,000 for each day of a non-scheduled meeting of the Board or any Committee of the Board, except the Executive Committee. Those Directors who are not officers of the Company and serve on a Committee of the Board were also paid a retainer of \$3,000 for the most recently completed financial year. In addition, the Chairman of each Committee of the Board, except the Executive Committee, was paid a fee of \$3,000 for the most recently completed financial year. The Chairman of the Board was paid a quarterly fee of \$25,000 for serving as Chairman of the Board.

Effective January 1, 2002 the Company instituted a non-employee director deferred share unit plan (the "Deferred Unit Plan"). Each non-employee director of the Company receives 2,500 deferred units ("Deferred Units") annually in accordance with the Deferred Unit Plan. A Deferred Unit is a bookkeeping entry having the same value as one Common Share of the Company, but is not paid out until such time as the Director leaves the Board, thereby providing the financial equivalent of an ongoing equity stake in the Company throughout the Director's period of Board service. Payment of Deferred Units may be in cash or Common Shares of the Company purchased on the open market or both. As at December 31, 2002, the nominal accrual in respect of the Deferred Units currently outstanding to Board members was \$247,104 representing 27,500 Common Shares.

Effective January 1, 2003, the Board instituted shareholding expectations for each of its Directors. The guidelines provide that each Director is expected to own 10,000 Common Shares of the Company. The Directors have a period of 2 years in which to achieve the guidelines and Deferred Units are included in the ownership guideline.

Summary Of Board/Committee Meetings Held

For the 12-month period ended December 31, 2002

Board	4
Audit	5
Corporate Governance	4
Environmental, Health and Safety	4
Executive ¹	N/A
Management Resources and Compensation	5

¹ Approval of capital expenditures are by consent resolution in lieu of meetings.

Summary Of Attendance Of Directors

For the 12-month period ended December 31, 2002

Director	Board Meetings Attended	Committee Meetings Attended
Peter J. G. Bentley	4 of 4	8 of 8
Ronald L. Cliff	4 of 4	9 of 14
Mark L. Cullen	4 of 4	9 of 9
C. William Daniel	4 of 4	9 of 9
David L. Emerson	4 of 4	N/A ¹
Marietta E. Hurst	4 of 4	8 of 8
Joseph B. Jarvis	4 of 4	5 of 5
Peter A. Lusztyg	4 of 4	13 of 13
Eric P. Newell	4 of 4	7 of 9
Michael E. J. Phelps	2 of 4	7 of 9
Ronald T. Riley	4 of 4	8 of 8
Carole Taylor	3 of 4	2 of 4

¹ Other than the Executive Committee, Mr. Emerson as a related management director does not sit as a member on Board Committees but attends Committee meetings on behalf of management.

CORPORATE GOVERNANCE

General

Since 1995, the Toronto Stock Exchange ("TSX") has required listed companies to disclose annually their corporate governance practices with specific reference to 14 "Guidelines". These Guidelines deal with matters such as the constitution and independence of boards of directors, their mandates, roles and responsibilities, the effectiveness of corporate boards and their members and various items dealing with effective corporate governance. This disclosure describes the Company's corporate governance practices. In the judgment of the Company's Corporate Governance Committee, the Company is in full compliance with the TSX Guidelines on corporate governance.

The Toronto Stock Exchange Guidelines

The Company's Governance Procedures

1. The board should explicitly assume responsibility for stewardship of the Company and specifically for:	The Board has explicitly acknowledged its responsibility for the stewardship of the Company, including the supervision of the management of the affairs and business of the Company. The basic objective of the Board is to ensure that shareholder value is preserved and maximized over the longer term and that the highest ethical standards are maintained throughout the Company's operations. In pursuing this objective, consideration is given to the interests of other stakeholders and to balancing gain against risk in order to ensure the financial viability of the business of the Company.
(i) Adoption of a strategic planning process	The Board actively participates in the strategic planning process by reviewing and evaluating management's strategic plan. The Board sets aside at least one meeting per year to review and comment on management's strategic plan. This allows the Directors to gain a better appreciation of management's strategic planning priorities. Updates are provided to the Board throughout the year.
(ii) Identification of the principal risks of the Company's business and ensuring implementation of appropriate systems to manage those risks	The Company recently established the position of Director of Risk Management. This full-time position is directly responsible for the identification and management of principal risks of the Company's business and provides regular reports to the Audit Committee. In its deliberations, the Board considers the principal risks of the Company's business and satisfies itself that management has systems in place to manage those risks.

(iii) Succession planning, including appointing, training and monitoring senior management	The Board has dealt with succession issues and has explicitly assumed responsibility for appointing and monitoring senior management. The Company has a detailed succession plan in place, including personal development plans for senior management. The Compensation Committee is provided with regular updates on the succession and development programs.
(iv) Communication policy	The Board of Directors has approved a Corporate Disclosure Policy of the Company covering timely dissemination of material information. The policy establishes guidelines relating to how information is disclosed, responsibilities of officers, avoidance of selective disclosure and quiet periods. The Company also communicates through the dissemination of continuous disclosure materials such as annual and quarterly reports, news releases and its Annual Information Form. The Company maintains and regularly updates its website and conducts briefing sessions and group meetings.
(v) Integrity of internal control and management information systems	From time to time the Board directly and through its Audit Committee reviews and assesses the adequacy and integrity of the Company's internal controls and management and information systems. The Audit Committee regularly meets with the internal auditor, external auditor and management to discuss the effectiveness of such controls.
2. A majority of directors should be "unrelated".	All of the Directors standing for election on April 29, 2003 are "unrelated" Directors as defined under the Guidelines other than D.L. Emerson, P.J.G. Bentley and B.R. Hislop (see item 3 below). The Company does not have a "significant shareholder" as defined in the Guidelines.
3. The board has responsibility for applying the definition of "unrelated director" to each individual director and for disclosing annually the analysis of the application of the principles supporting this definition and whether the board has a majority of unrelated directors.	The Board is currently composed of twelve Directors, ten of whom are unrelated Directors as defined in the Guidelines. Only one of the present Directors, D. L. Emerson, is a member of senior management and therefore is to be considered by definition as a related, inside Director. Mr. P. J. G. Bentley, the Chairman of the Company, who had served as President and CEO of the Company in 1997, is considered by the Board to be a related Director. Mr. Bentley relinquished the position of President and CEO of the Company on January 1, 1998, when Mr. D. L. Emerson's appointment as a Director, President and CEO of the Company became effective. One of the new Directors proposed for election, Ms. Hislop, is a member of senior management and is therefore considered by the Board to be a related Director. Messrs. Pattison and Korenberg, the other new nominees proposed for election as Directors, will be unrelated Directors. The unrelated Directors have never worked for the Company except Mr. Jarvis, who worked for the Company until February 28, 1987. Mr. Jarvis is not standing for re-election at the Meeting. None of the unrelated Directors has ever entered into any contracts with the Company, or received remuneration from the Company in excess of Directors compensation.
4. The board should appoint a committee of directors composed exclusively of outside, i.e., non-management directors, a majority of whom are "unrelated" directors, with responsibility for proposing new nominees to the board and for assessing directors on an ongoing basis.	The Corporate Governance Committee canvasses Board members for their suggestions regarding potential appointees to the Board and identifies and recommends annually to the Board, for its consideration, a short list of proposed nominees for election to the Board. In considering the candidates on the list, the Committee considers individual backgrounds, skills and expertise and the requirements of the Board in terms of skills and mix. The Committee is composed of six unrelated directors.
5. The board should implement a process, to be carried out by an appropriate committee, for assessing the effectiveness of the board, its committees and the contribution of individual directors.	The Corporate Governance Committee annually undertakes assessments of the size and effectiveness of not only the Board's Committees, but also of the Board as a whole. It also reviews attendance by individual members at Committee and Board meetings. The Board evaluates its performance by asking each Director to complete a Questionnaire, the contents of which are summarized by an independent consultant, evaluated by the Corporate Governance Committee and then discussed at a meeting of the full Board. The Corporate Governance Committee consults with the Company's CEO regarding periodic assessments of the relationship between management and the Board and after such reviews advises the Board of its findings.
6. The board should provide an orientation and education program for new directors.	Programs for the orientation for new Directors and the ongoing education of existing Directors are the responsibility of the Chairman of the Board. New Directors are provided with a Directors Orientation Manual containing details of the Company's organizational structure, terms of reference for the Board and Committees, Annual Information Form and other relevant materials and are accompanied by the Chairman of the Board to visit various operation sites of the Company.
7. The board should examine its size with a view to determining the impact upon effectiveness and should undertake, where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.	At the Meeting, 14 Directors will stand for election, 3 of whom are new nominees. This is an increase of 2 Directors from last year. The Board is of the view that the increase is justifiable and reflects the addition of Mr. Pattison and Mr. Korenberg, each of whom add to the expertise and skill base of the current membership of the Board. The Corporate Governance Committee reviews the size of the Board annually.

<p>8. The board of directors should review the adequacy and form of compensation of directors in light of the risks and responsibilities involved in being an effective director.</p>	<p>The Compensation Committee annually reviews Directors' compensation, with the assistance of outside independent consultants, to amend compensation to reflect adequate compensation aligned with shareholder interests. The Board recently adopted share ownership guidelines for Directors and a Deferred Unit Plan. See "Compensation of Directors/Attendance" herein.</p>
<p>9. Committees of the board should generally be composed of outside directors, a majority of whom are unrelated.</p>	<p>All Board committees are composed of outside unrelated Directors. See "Board Committees" herein.</p>
<p>10. The board should assume responsibility for, or assign to a committee of directors responsibility for, developing the approach to corporate governance issues.</p>	<p>The Corporate Governance Committee monitors best practices for governance and annually reviews practices and terms of reference to ensure compliance with industry standards and applicable laws and regulatory rules and policies.</p>
<p>11. The board of directors, together with the chief executive officer, should develop position descriptions for the board and for the chief executive officer, involving the definition of the limits to management's responsibilities. The board should approve or develop the corporate objectives which the chief executive officer is responsible for meeting.</p>	<p>The Board has a mandate which defines its role, function and basic objectives as well as its duties and responsibilities. The Board has developed a mandate for the CEO of the Company and has defined the limits to management's responsibilities. The Board also reviews and approves the corporate objectives of the Company's CEO. The Board reviews with management whether it has in place an effective system of internal financial controls as well as other systems to ensure that the Company is in compliance with all legal requirements regarding financial reporting and environmental stewardship. The Board expects management to consider other aspects of corporate, social, legal and ethical responsibilities as well as safety and environmental issues.</p> <p>The Corporate Governance Committee has developed and reviews annually codes of conduct for senior officers of the Company and guidelines governing the identification and resolution of conflicts of interest.</p> <p>The CEO submits to the Compensation Committee annually his goals and objectives for the coming year and his STIP bonus is awarded on the basis of achievement of those goals and objectives.</p>
<p>12. The board should have in place appropriate structures and procedures to ensure that it can function independently of management. An appropriate structure would be to (i) appoint a chair of the board who is not a member of management with responsibility to ensure that the board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the board or to a director, sometimes referred to as the "lead director".</p> <p>Appropriate procedures may involve the board meeting on a regular basis without management present or may involve expressly assigning responsibility for administering the board's relationship to management to a committee of the board.</p>	<p>The Board has functioned and will continue to function independently of management. Mr. Bentley, the Chairman of the Board, is no longer a member of management. The Corporate Governance Committee continues to consider and make recommendations to the full Board regarding the Board's overall relationship with management.</p> <p>The Board, at each meeting, conducts in-camera sessions without the presence of management or management Directors. The Chairman of the Corporate Governance Committee meets annually with the CEO and Chairman of the Board to discuss the relationship between management and the Board and reports the results of these discussions to the Board.</p>

13. The audit committee should be composed only of outside directors. The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties. The audit committee should have direct communication channels with the internal and the external auditors to discuss and review specific issues as appropriate. The audit committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.
- The Audit Committee is composed of all outside unrelated Directors. See "Board Committees - Audit Committee" herein.
- The roles and responsibilities of the Audit Committee are set out specifically in its terms of reference. See "Board Committees - Audit Committee" herein.
- The Audit Committee has regular in-camera sessions with the internal auditor, external auditor and management to discuss issues as it deems appropriate.
- The Audit Committee requires management to implement and maintain appropriate internal controls and reviews these controls regularly at Committee meetings.
-
14. The board should implement a system to enable an individual director to engage an outside advisor at the Company's expense in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.
- The Board has provided a means whereby individual Directors may engage outside advisors at the expense of the Company in appropriate circumstances.

Board Committees

Set out below is a description of the five Committees of the Board, their mandates and their activities.

Audit Committee

The overall purpose of the Audit Committee is to oversee the Company's financial reporting process and to review with the Company's external auditors the Company's audited financial statements that are to be submitted to its annual general meeting. The Audit Committee also reviews with management and the external auditors of the Company the impact of significant risks, potential liabilities and uncertainties which may affect the Company, any financial statements that are to be included in a prospectus or take-over bid circular of the Company as required by securities law, as well as certain interim unaudited financial statements and all public disclosure documents containing audited or unaudited financial information before their release to the public, and reports the results of such reviews and any associated recommendations to the Company's Board. In addition, the Audit Committee makes recommendations to the Board regarding the appointment of independent auditors, reviews the nature and scope of the annual audit plan presented by the Company's external auditors, and reviews with management the risks inherent in the Company's business and the management of such risks. The Audit Committee also reviews with both external and internal auditors and with management of the Company the adequacy of the internal accounting procedures and systems established by the Company. The Audit Committee is composed of four outside, unrelated Directors.

Corporate Governance Committee (the "Governance Committee")

The principal role and function of the Governance Committee is to ensure that the Company through its Board sustains an effective approach to corporate governance. An additional function of the Governance Committee is to review the Board's overall relationship with management. The Governance Committee is also responsible for identifying and recommending proposed nominees for election to the Board, recommending the assignment of Directors to Committees of the Board and undertaking an annual assessment of the size and effectiveness of the Board and the Board Committees. The Governance Committee also develops and periodically reviews codes of conduct for senior officers of the Company, guidelines governing conflicts of interest and the resolution of potential or real conflicts of interest and also functions as a forum for concerns of individual Directors about matters that are not readily or easily discussed in a full meeting of the Board. The Governance Committee is composed of six unrelated, outside Directors and the Chairman of the Company as an ex-officio member.

Management Resources and Compensation Committee (the "Compensation Committee")

The overall purpose of the Compensation Committee is to oversee human resources and compensation policies approved by the Board of Directors of the Company and to make recommendations to the Board regarding human resources policies and executive compensation.

The Compensation Committee is responsible for ensuring that the Company has in place programs and policies to attract and retain high calibre executives and a process to provide for the orderly succession of management. The Compensation Committee annually assesses the performance of the CEO, recommends for approval by the Board that officer's compensation and benefits and approves the compensation for all other designated officers of the Company, its subsidiaries and affiliates. This is done after considering the recommendations of the CEO, all within the human resources and compensation policies, guidelines and pay and performance systems approved by the Board. The Compensation Committee also reviews from time-to-time, as and when required, the Company's broad policies and programs in relation to pension and other benefits. In addition, the Compensation Committee reviews from time-to-time with the CEO of the Company, broad policies on compensation for all employees. It also periodically reviews the adequacy and form of the compensation of the Directors and reports and makes recommendations to the Board accordingly. The Compensation Committee annually provides a report on executive compensation for inclusion in the Company's Information Circular. The Compensation Committee is composed of five unrelated, outside Directors.

Environmental, Health and Safety Committee (the “EH&S Committee”)

The overall purpose of the EH&S Committee is to develop, review and make recommendations as required on matters related to the Company's environmental, health and safety policies and practices and to monitor compliance with government regulations and with the Company's commitment to full compliance and excellence on these issues. The EH&S Committee is also responsible for reviewing and making recommendations to the Board concerning the Company's compliance with policy statements and implementation standards adopted from time to time by the Company on environmental, health and safety issues, the Company's environmental disaster response plan and degree of readiness for each of its operations and the Company's management programs and standards addressing the health of its employees and the public and the safety of the workplace. The EH&S Committee monitors the Company's development of policies and initiatives in the area of environment, health and safety. The EH&S Committee is composed of five unrelated, outside Directors and the Chairman of the Company as an ex-officio member.

Capital Projects Committee (formerly the Executive Committee)

The overall purpose and primary role of the Capital Projects Committee is to approve, during intervals between meetings of the Board, capital expenditures that are in excess of the management's limits of authority, but within the authority of the Capital Projects Committee, each of which are as set from time-to-time by the Board. Such approved expenditures are subsequently ratified by the Board.

The Capital Projects Committee is composed of five Directors, three of whom are outside and unrelated Directors, and two of whom are related Directors. In 2002 the Capital Projects Committee approved five capital expenditures which were subsequently ratified by the Board. In February 2003, the Executive Committee changed its name to the Capital Projects Committee.

Decisions Requiring Prior Board Approval

By law the Board must supervise the management of the affairs and business of the Company and has the authority to exercise all such powers of the Company as are not required by the *Company Act* (British Columbia) or by the articles of the Company to be exercised by the shareholders of the Company. In addition to those matters, which must by law or by the articles of the Company be approved by the Board, management is required to seek Board approval for major transactions such as significant corporate acquisitions or divestments and significant debt-financing arrangements. Decisions regarding the adequacy and form of the compensation paid to Directors, major capital expenditure proposals, the declaration of dividends and dividend policy generally, all require prior approval by the Board. The Board retains responsibility for all significant changes in the Company's affairs.

APPOINTMENT OF AUDITOR

The persons named in the enclosed form of proxy will, unless otherwise directed, vote for the re-appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company to hold office until the next Annual General Meeting, and to authorize the Directors of the Company to fix their remuneration. For the year-ended December 31, 2002, the Company paid a total of \$3,100,000 to its auditors of which \$1,860,000 was for audit, tax and financial services and \$1,240,000 was for consulting services relating to the Company's implementation of its Oracle software project.

SHAREHOLDER RIGHTS PLAN

The Board of the Company adopted a shareholder rights plan as of November 23, 1999 and approved amendments to the plan as of March 17, 2000, which amended plan was approved by the Company's shareholders at its annual general meeting held on April 28, 2000.

To continue in effect, the rights plan must be reconfirmed by shareholders at the Meeting. Shareholders are also being asked to approve a limited number of amendments to the plan (described below) to update certain of its terms to be consistent with both the terms of the current generation of rights plans adopted by Canadian public companies and applicable laws (the amended and restated rights plan is referred to as the “Rights Plan”).

If shareholders do not reconfirm the Rights Plan at the Meeting, the Rights Plan will terminate. The Board has determined that the Rights Plan is in the best interests of the Company and its shareholders and unanimously recommends that shareholders vote in favour of the reconfirmation of the Rights Plan.

Purpose of the Rights Plan

The Rights Plan is designed to give the Company's shareholders sufficient time to properly assess a take-over bid without undue pressure and to give the Company's Board of Directors time to explore and consider alternatives which would allow the Company's shareholders to receive full and fair value for their Common Shares. Additionally, the Rights Plan is designed to provide shareholders of the Company with equal treatment in a take-over bid. The desire to ensure that the Company is able to address unsolicited take-over bids for its Common Shares during the term of the Rights Plan stems from a concern that Canadian take-over bid rules provide too short a response time to companies that are subject to unsolicited take-over bids to ensure that shareholders are offered full and fair value for their shares.

Amendments Included in the Rights Plan

The Board, as part of its most recent review of the Rights Plan, considered, among other matters, developments in shareholder rights plans since the Rights Plan was approved by shareholders in 2000, the terms and conditions of current rights plans adopted by other Canadian public companies, recent experience involving rights plans in the context of take-over bids and the commentary of the investment community concerning developments in rights plans in general. Based on this review, the Board determined to propose the approval of the amendments included in the Rights Plan in order to ensure that the Rights Plan is consistent with both the current generation of rights plans in Canada and applicable laws.

The principal amendments incorporated in the Rights Plan are the following:

1. an increase in the minimum time period that a “Competing Permitted Bid” (as defined below) must be outstanding to 35 days from 21 days, to correspond to the minimum time period that a take-over bid must now be outstanding as a result of changes to securities legislation since the adoption of the plan;
2. an amendment to the definition of “Lock-Up Agreement” which will ensure that a bidder in a take-over bid may enter into a lock-up

agreement with a Company shareholder whereby such shareholder (the "Locked-Up Person") agrees to tender its shares to the bidder's bid (the "Lock-Up Bid") without triggering the Rights Plan, provided that the agreement:

- (a) is promptly made available to the public (including the Company);
- (b) permits the Locked-Up Person to terminate the agreement in the event of a superior bid or transaction;
- (c) if the Lock-Up Agreement provides a specified percentage by which the consideration or value in another bid or transaction must exceed the consideration or value in the Lock-Up Bid before such agreement is terminable by the Locked-Up Person, that such percentage cannot exceed 7% (although it may be less);
- (d) if a Lock-Up Agreement relates to a partial bid (that is, a bid for less than all of the Common Shares of the Company) and if the Lock-Up Agreement provides a specified percentage by which the number of shares offered to be purchased in another bid or transaction must exceed the number of shares offered to be purchased in the Lock-Up Bid before such agreement is terminable by the Locked-Up Person, that such percentage cannot exceed 7% (although it may be less);
- (e) does not provide for "break-up" fees, "top-up" fees, penalties, expenses or other amounts exceeding:
 - (i) the cash or equivalent of 2.5% of the price or value payable under the Lock-Up Bid to the Locked-Up Person; and
 - (ii) 50% of the amount by which the price or value payable under another take-over bid or transaction to the Locked-Up Person exceeds the price or value of the consideration that such Locked-Up Person would have received under the Lock-Up Bid, that would be payable by a Locked-Up Person pursuant to the agreement in the event a Locked-Up Person fails to deposit or tender its shares to the Lock-Up Bid or withdraws the shares previously tendered thereto in order to tender to another take-over bid or support another transaction; and
- (f) may contain a right-of-first refusal or require a period of delay (or other similar limitation) to give an offeror an opportunity to match higher price in another transaction as long as the Locked-Up Person can accept another bid or tender to another transaction.

In addition, the Board has approved a small number of additional non-material changes included in the Rights Plan.

Summary of the Rights Plan

The following is a summary of the principal terms of the Rights Plan which is qualified in its entirety by reference to the text of the Rights Plan. Copies of the Rights Plan are available to any shareholder (without charge) by contacting the Corporate Secretary of the Company.

Term

The Rights Plan will remain in effect until the close of business on the tenth anniversary of its initial adoption, being November 23, 2009, provided that its continuance is approved by shareholders at the Company's annual general meetings in 2003 and 2006.

Issue of Rights

To implement the plan, the Board of Directors authorized the issuance, as at 5:00 p.m. on November 23, 1999 (the "Record Time"), of one right (a "Right") in respect of each outstanding Common Share to holders of record at the Record Time and in respect of each Common Share issued thereafter during the term of the Rights Plan. The Rights Plan was established by a rights agreement dated as of November 23, 1999, as amended and restated as of March 17, 2000, with CIBC Mellon Trust Company, as rights agent, which provides for the exercise of the Rights, the issue of certificates evidencing the Rights and other related matters, including those described in this Information Circular (the "Rights Plan Agreement"). If approved by shareholders, the Rights Plan will be amended and restated as of April 29, 2003 as described herein.

Rights Exercise Privilege

The Rights will trigger (i.e. separate from the Company's Common Shares) and will become exercisable ten trading days after a person (an "Acquiring Person") has acquired 20% or more of, or commences or announces a take-over bid for, the Company's outstanding Common Shares (defined to include the Common Shares and any other shares that the Company may issue that carry voting rights relating to the election of Directors), other than by an acquisition pursuant to a Permitted Bid or a Competing Permitting Bid. The acquisition by an Acquiring Person of 20% or more of the Common Shares is referred to as a "Flip-in Event". When a Flip-in Event occurs, each Right becomes a right to purchase from the Company, upon exercise thereof in accordance with the terms of the Rights Plan, that number of the Company's Common Shares having an aggregate market price on the date of consummation or occurrence of such Flip-in Event equal to twice the exercise price of \$100 (the "Exercise Price") for an amount in cash equal to the Exercise Price (such right to be subject to adjustment in accordance with the Rights Plan Agreement). For example, if at that time the Exercise Price remained at \$100 and the Common Shares had a market price of \$20, the holder of each Right would be entitled to receive \$200 in market value of the Common Shares (10 Common Shares) for \$100, i.e., at a 50% discount.

Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. By making any take-over bid other than a Permitted Bid or a Competing Permitted Bid prohibitively expensive for an Acquiring Person, the Rights Plan is designed to require any person interested in acquiring more than 20% of the Company's Common Shares to do so by way of a Permitted Bid or a Competing Permitted Bid or to make a take-over bid which the Board of Directors considers to represent the full and fair value of the Company's Common Shares.

Prior to the Rights being triggered, they will have no value and will have no dilutive effect on the Company's Common Shares.

Permitted Bid Requirements

The Permitted Bid requirements include the following:

- (i) the take-over bid must be made by way of a take-over bid circular;
- (ii) the take-over bid must be made to all holders of Common Shares;
- (iii) the take-over bid must be outstanding for a minimum period of 60 days and Common Shares tendered pursuant to the take-over bid may not be taken up prior to the expiry of the 60 days period and only if at such time more than 50% of the Common Shares held by the shareholders, other than the bidder, its affiliates and persons acting jointly or in concert and certain other persons (the "Independent Shareholders"), have been tendered to the take-over bid and not withdrawn;

- (iv) the Common Shares deposited pursuant to the take-over bid may be withdrawn until taken up or paid for; and
- (v) if more than 50% of the Common Shares held by Independent Shareholders are tendered pursuant to the take-over bid within the 60 day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Common Shares for an additional 10 business days from the date of such public announcement.

Accordingly, the Rights Plan permits a partial bid to qualify as a Permitted Bid, provided that it satisfies the conditions set out above. The Rights Plan also allows for a competing Permitted Bid (a "Competing Permitted Bid") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements of a Permitted Bid except that it may expire on the same day as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 35 days.

Exemptions for Investment Advisors

Investment advisors (for fully managed accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds, administrators of registered pension plans, and crown agents acquiring greater than 20% of the Common Shares are exempt from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid.

Grandfathered Persons

As is customary in most shareholder rights plans adopted in Canada, the Rights Plan deems any person who is the beneficial owner (as defined in the Rights Plan) of more than 20% of the outstanding Common Shares at the Record Time (a "Grandfathered Person") not to be an Acquiring Person for the purposes of the plan. Such a person will cease to be a Grandfathered Person if such person (i) ceases to beneficially own more than 20% of the Common Shares; or (ii) increases its beneficial ownership of Common Shares by more than 1% of the Common Shares outstanding at the Record Time, subject to certain exceptions.

As at March 20, 2003, Matthews-Cartier Holdings Limited ("Matthews-Cartier") owned or exercised control or direction over 21,824,984 Common Shares, representing 26.9% of the outstanding Common Shares and, accordingly, is a "Grandfathered Person" under the Rights Plan. See "Voting Shares and Principal Holders Thereof".

Certificates and Transferability

Prior to separation, the Rights will be evidenced by a legend imprinted on the Common Share certificates of the Company and will not be transferable separately from the Common Shares. Your Common Share certificates do not need to be exchanged to entitle you to these Rights. The legend will be on all new certificates issued by the Company. From and after separation, the Rights will be evidenced by Rights certificates and will be transferable separately from the Company's Common Shares.

Waiver

The Board of Directors, acting in good faith, may prior to the occurrence of a Flip-in Event, waive the application of the Rights Plan to a particular Flip-in Event (an "Exempt Acquisition") where the take-over bid is made by a take-over bid circular to all shareholders. Where the Board exercises the waiver power for one take-over bid, the waiver will also apply to any other take-over bid for the Company made by a take-over bid circular to all shareholders prior to the expiry of any other take-over bid for which the Rights Plan has been waived.

Redemption

The Board of Directors, with the approval of the majority of votes cast by shareholders (or the holders of the Rights if separation has occurred), at a meeting duly called for that purpose, may prior to the occurrence of a Flip-in Event, redeem all of the then outstanding Rights at \$0.0001 per Right (as adjusted by the terms of the Rights Plan). The Rights will also be deemed to have been redeemed by the Board without such approval following completion of a Permitted Bid, Competing Permitted Bid or Exempt Acquisition.

Amendment

The Board of Directors may amend the Rights Plan with the approval of a majority of votes cast by shareholders (or the holders of the Rights if separation has occurred), at a meeting duly called for that purpose. The Board, without such approval, may correct clerical or typographical errors and, subject to the approval as noted above at the next meeting of the shareholders (or holders of Rights, as the case may be), may make amendments to the Rights Plan to maintain its validity due to changes in applicable legislation.

Shareholder Approval

In order to continue in effect, the Rights Plan must be reconfirmed by both more than 50% of the votes cast at the Meeting by shareholders present or voting by proxy. If the Rights Plan is not reconfirmed, it will terminate at the end of the Meeting.

OTHER INFORMATION

The Company's audited Financial Statements for the year ended December 31, 2002 and Management's Discussion and Analysis of Financial Condition and Results of Operations accompany this Information Circular. An additional copy of those documents, this Information Circular and any interim financial statements filed subsequent to the annual audited Financial Statements may be obtained from the Corporate Secretary of the Company.

The contents and the sending of this Information Circular have been approved by the Board of Directors of the Company.

By Order of the Board of Directors

**David M. Calabrigo
Corporate Secretary**

Vancouver, B.C.
March 20, 2003