

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 the Plaza Ballroom, Hyatt Regency Hotel, 655 Burrard Street, Vancouver, British Columbia, on Friday, April 30, 2004 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, 2003 and the report of the auditors thereon.
2. To elect Directors for the ensuing year.
3. To appoint auditors for the ensuing year and to authorize the Directors to fix their remuneration.
4. To transact such other business as may properly come before the meeting.

DATED at Vancouver, British Columbia this 2nd day of April 2004.

By Order of the Board of Directors

David M. Calabrigo
Corporate Secretary

An Information Circular and a copy of the Annual Report of the Company for the year ended December 31, 2003 accompany this Notice of Annual General Meeting. The Information Circular contains details of matters to be considered at the Meeting. The Annual Report includes consolidated financial statements of the Company for the year ended December 31, 2003 and the auditors report thereon.

A shareholder who is unable to attend the Meeting in person and who wishes to ensure that its shares will be voted at the Meeting is requested to complete, date and sign the enclosed form of proxy and to deliver the form of proxy in accordance with the instructions set out in the form of proxy and the Information Circular.

Canfor Corporation

INFORMATION CIRCULAR

DATED AS OF APRIL 1, 2004

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 April 2, 2004 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 April 2, 2004 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 delivered to the Chairman of the Meeting prior to 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 April 1, 2004, the Company has outstanding and entitled to be voted at the Meeting 131,267,375 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	James A. Pattison ¹	25,544,955	19.5
Common Shares	Matthews-Cartier Holdings Limited ²	21,324,984 ³	16.2
Common Shares	Jarislowsky, Fraser Limited	13,266,657 ⁴	10.1

- 1 *The Common Shares beneficially owned by James A. Pattison are held by subsidiaries wholly owned by Mr. Pattison.*
- 2 *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. 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 30, 2004, be voted for the election of one nominee of the Hurst and Jarvis families combined and one nominee of the Bentley family. Mrs. M. E. Hurst and Mr. P. J. G. Bentley are the nominees and are trustees of the trusts.*
- 3 *Of these shares, Matthews-Cartier Holdings Limited beneficially owns 20,897,994 Common Shares and exercises control or direction over 426,990 Common Shares.*
- 4 *Jarislowsky, Fraser Limited, an investment management firm with which Stephen A. Jarislowsky is associated.*

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 15 nominees in the list that follows. 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 which was required by Section 111 of the Company Act (British Columbia) then in force, was printed in one issue of "The Vancouver Sun" newspaper and in one issue of "The Province" newspaper on February 19, 2004 and was filed on March 8, 2004 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 J. G. Bentley, O.C., LL.D. Canada	Chairman of the Board	1966	428,328 ²	5,094
Ronald L. Cliff, C.M., F.C.A. Canada	Chairman of Heathcliff Properties Ltd.	1983	74,582	5,094
Mark L. Cullen Canada	Corporate Director	2000	10,500	5,094
C. William Daniel, O.C., LL.D. Canada	Corporate Director/Consultant	1985	5,520	5,094
Marietta E. Hurst Canada	Educational Author	1987	327,624	5,094
Stephen A. Jarislowsky, O.C., O.P.Q., LL.D. Canada	Chairman and Chief Executive Officer Jarislowsky, Fraser Limited (an investment counselling firm)	2004	Nil ⁴	Nil
Michael J. Korenberg Canada	Managing Director, Vice-Chairman of The Jim Pattison Group (diversified businesses)	2003	5,995	2,518
Brandt C. Louie, C.A., F.C.A. Canada	President and Chief Executive Officer of H. Y. Louie Co. Limited (diversified businesses)	2004	62,483	Nil
Peter A. Lusztiq, C.G.A. Canada	Dean Emeritus, University of British Columbia; Former Commissioner (Federal) B.C. Treaty Commission	1983	3,408	5,094
Eric P. Newell, O.C., LL.D. Canada	Corporate Director	1999	5,500	5,094
James A. Pattison, O.C., O.B.C. Canada	President, Managing Director, Chief Executive Officer and Chairman of The Jim Pattison Group (diversified businesses)	2003	25,544,955 ³	2,518
Michael E. J. Phelps, O.C. Canada	Chairman of Dornoch Capital Inc. (a private investment company)	1990	6,958	5,094
Ronald T. Riley Canada	Vice-President of L.B.G. Capital, a division of National Bank Financial (an investment dealer)	1987	6,004	5,094
Donald C. Selman, F.C.A. Canada	Partner, Wolrige Mahon (chartered accountants)	2004	8,129	Nil
James A. Shepherd, P.Eng. Canada	President of the Company	2004	8,957	Nil

Notes:

1. Represents Deferred Units under the Deferred Unit Plan. See "Compensation of Directors/Attendance" herein.
2. Pursuant to a power of attorney, Mr. P.J.G. Bentley exercises direction over an additional 351,826 Common Shares of the Company.
3. The Common Shares beneficially owned by Mr. J.A. Pattison are held by subsidiaries wholly owned by Mr. Pattison. See "Voting Shares and Principal Holders Thereof" herein.
4. Jarislowsky, Fraser Limited, an investment management firm with which Mr. Jarislowsky is associated, exercises control or direction over 13,266,657 Common Shares of the Company.

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, 2003 is set out in the "Compensation of Directors/Attendance" section of this Information Circular.



Peter J. G. Bentley,
O.C., LL.D.

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

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 President and a director of Sierra Mountain Minerals Inc. 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 and a Trustee and Past Chairman of the Vancouver General Hospital and UBC Hospital Foundation. He also served for many years as a director of the Bank of Montreal and Shell Canada Ltd. Mr. Bentley has been appointed Chancellor of the University of Northern British Columbia effective May 2004. Mr. Bentley holds an Honourary Law degree from the University of British Columbia.

Mr. Bentley chairs the Company's Capital Projects Committee, is a member of the Pension Committee and is an ex-officio member of the Corporate Governance, Management Resources and Compensation 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. (now Terasen Inc.) from 1972 to 2002. He is also a director of Lester B. Pearson College Foundation, Sauder School of Business, Faculty Advisory Board of the University of British Columbia, Vancouver Police Foundation, Vancouver Symphony Foundation and Vancouver General Hospital and UBC Hospital Foundation.

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 and Management Resources and Compensation Committees.



Mark L. Cullen

Mr. Cullen previously served as Vice-Chair of RBC Dominion Securities Inc. and is currently a corporate director. He is Chairman of Terasen Inc. and a director of Wajax Limited. Mr. Cullen received a Commerce Degree from the University of Ottawa and a Masters of Business Administration from the University of Western Ontario.

Mr. Cullen is a member of the Company's Audit and Pension Committees.



C. William Daniel, O.C., LL.D.

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 Ltd. 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. and Northgate Exploration. 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.



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.



Stephen A. Jarislowsky,
O.C., O.P.Q., LL.D.

Mr. Jarislowsky is Chairman and Chief Executive Officer of Jarislowsky, Fraser Limited. He is also Chairman of Good Fellow Inc., President of Growth Oil & Gas Investment Fund and Chairman of Quebec Learning Associates. Mr. Jarislowsky is also a director of Vela Inc., C.D. Howe Research Institute, McGill University Medical School and Queen's University Business School.

Mr. Jarislowsky received a B.Sc. from Cornell, a Masters of Business Administration from Harvard Graduate School of Business Administration, a M.A. from the University of Chicago and Honorary Law Degrees from Queen's University, University of Montreal and University of Alberta.

Mr. Jarislowsky is a member of the Company's Management, Resources and Compensation 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), a trustee of Westshore Terminals Income Fund and an adjunct professor, Faculty of Law, University of British Columbia.

Mr. Korenberg is a member of the Company's Audit and Corporate Governance Committees.



Brandt C. Louie, C.A., F.C.A.

Mr. Louie is President of H. Y. Louie Co. Limited and Chairman and Chief Executive Officer of London Drugs Ltd. He is a director of the Royal Bank of Canada.

Mr. Louie received a Commerce Degree from the University of British Columbia.

Mr. Louie chairs the Company's Pension Committee and is a member of the Corporate Governance Committee.



Peter A. Lusztiq, C.G.A.

Mr. Lusztiq is Dean Emeritus, Faculty of Commerce and Business Administration, the University of British Columbia. Mr. Lusztiq served as the federal commissioner for the B.C. Treaty Commission (Federal) (1995- 2003). He is also Chair and Trustee of the Health Benefit Trust (B.C.). Mr. Lusztiq received his Commerce Degree from the University of British Columbia and a Masters in Business Administration from the University of Western Ontario and his Doctorate Degree from Stanford University.

Mr. Lusztiq chairs the Company's Corporate Governance Committee and is a member of the Audit Committee.



Eric P. Newell, O.C., LL.D

Mr. Newell served as Chairman (1994-2003) and CEO (1989-2003) of Syncrude Canada Limited and is currently a corporate director. He is a director of Nexen Inc., 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. and Honorary Law degrees from the University of British Columbia, the University of Alberta and Athabasca University.

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.

Mr. Pattison serves as the 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).

Mr. Pattison is a member of the Company's Capital Projects and Management Resources and Compensation Committees.



Michael E. J. Phelps, O.C.

Mr. Phelps is Chairman of Dornoch Capital Inc. He is Chairman of "the Wise Persons' Committee" and is also a director of Duke Energy Corporation, 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 is a director of Optimum General Inc. He received his Mechanical Engineering Degree from McGill University 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 Environmental, Health and Safety and Pension Committees.



Donald C. Selman, F.C.A.

Mr. Selman is a senior partner with Wolrige Mahon. He is also a director of Sun-Rype Products Ltd.

Mr. Selman is a member of the Company's Audit and Pension Committees.



James A. Shepherd, P.Eng.

Mr. Shepherd is the President of the Company. Mr. Shepherd was President (from February 1999) and Chief Executive Officer (from July 2000) of Slocan Forest Products Ltd. ("Slocan"). From February 1999 to July 2000, Mr. Shepherd was the former President and Chief Operating Officer of Slocan and prior to this appointment he was the President and Chief Operating Officer of Crestbrook Forest Industries Ltd. and President of Finlay Forest Industries Limited. He has served on Slocan's board of directors since 1999.

Mr. Shepherd received his Mechanical Engineering degree from Queen's University.

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

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 2003: 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 and long-term incentives, 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 ("CEO"). The CEO'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 2003.

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 CEO 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 (CRMI) 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.

As a result of the combination of the Company with Slocan Forest Products Ltd. ("Slocan") the STIP will be reassessed in 2004 and may be revised to reflect the priorities and objectives of the combined company.

Long Term Incentive Plan

Effective January 1, 2003 the Company implemented, subject to shareholder approval, 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. Due to the transaction with Slocan, the Company has determined not to proceed with the LTIP and will be instituting a new long term incentive plan in 2004.

CRMI2 Special Incentive Bonus Plan

At the end of 2002 and as part of its CRMI, the Company targeted cost savings of \$175 million in 2003 to deliver a net benefit of \$150 million. Due to changes in market conditions beyond the control of the Company such as the improvement in the value of the Canadian dollar, the Company increased its original targeted cost savings by \$75 million to deliver the same targeted net benefit of \$150 million. These additional savings of \$75 million are referred to as CRMI2.

A special incentive bonus plan was developed to reward business segment performance for achieving their individual CRMI2 cost saving targets. The key features of the plan provide that the initial cost savings target of \$175 million for CRMI must be achieved before any award is made under the CRMI2 plan. A minimum threshold of 50% of the CRMI2 cost savings must be achieved before the bonus awards are paid and participants in the plan may receive a special one time bonus payment equal to 50-100% of salary depending on the amount of CRMI2 cost savings achieved. The plan will be self funding such that the CRMI2 cost saving target is net of all additional costs including the cost of the CRMI2 Bonus Plan.

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 CEO, 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.

Compensation of Chief Executive Officer

The Compensation Committee monitors and assesses the performance of the CEO and other senior executives and determines their pay levels. For the fiscal year ending December 31, 2003, the compensation of Mr. David L. Emerson, the CEO of the Company, consisted of base salary and short term incentive bonus. In 2003, the Company initiated its CRMI aimed at reducing costs in the Company. As a result of the CRMI, the CEO and other senior executives' salaries were frozen. Accordingly, Mr. Emerson's salary remained at \$624,000 for 2003.

In determining the 2003 Short Term Incentive bonus award for Mr. Emerson, the Compensation Committee considered the performance of the Company including return on capital employed (after tax) and the progress of CRMI. On an individual basis, the Committee considered Mr. Emerson's performance measured against specific objectives that were approved at the beginning of the year. See "Executive Compensation - Short Term Incentive Plan" herein for further information of the STIP program.

Stock Options

In connection with the appointment on November 6, 1997 of David L. Emerson as a Director, President and CEO 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 Toronto Stock Exchange ("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
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

Options granted under the PSO Plan prior to 2001 are no longer exercisable. For information regarding the vesting and terms and conditions of exercise of options granted in 2001 and 2002 under the PSO Plan, see the Notes to the table entitled "Aggregated Option/SAR Exercises During the Year Ended December 31, 2003 and Year-End Option/SAR Values" herein.

No stock options were granted in 2003.

For the year-ended December 31, 2003, a total of 111,271 Common Shares have been issued pursuant to the exercise of options.

The Company does not have a present intention to grant further stock 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 below. 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 CEO 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 persons of more than twenty (20%) percent of the Company's outstanding Common 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 fifty (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 CEO and the four most highly compensated executive officers of the Company, other than the CEO (the CEO and such four executive officers are referred to collectively as the "Named Executive Officers"). For the year-ended December 31, 2003, the Company paid aggregate direct remuneration to its Directors and senior officers in the total amount of \$3,922,633.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary (\$)	Other Annual Bonus ¹ (\$)	Securities Under Options/SARs Compensation (\$)	Awards		Payouts	
					Restricted Shares or Restricted Granted (#) ²	LTIP Share Units (\$)	All Other Payouts (\$)	Compensation ³ (\$)
D. L. Emerson	2003	624,000	532,821	-	-	-	-	-
Former President and Chief Executive Officer	2002	624,000	88,371	-	125,000	-	-	-
	2001	612,000	91,800	-	123,000	-	-	-
	R. A. Luoma	2003	291,000	172,711	-	-	-	-
Group Vice-President, Pulp and Paper	2002	291,000	27,565	-	35,000	-	-	4,369 ³
	2001	285,600	34,000	923 ⁴	65,000	-	-	4,284 ³
B. R. Hislop	2003	291,000	164,389	-	-	-	-	-
Group Vice-President, and Chief Technology Officer	2002	291,000	28,180	-	35,000	-	-	-
	2001	285,600	34,000	-	35,000	-	-	-
J. B. Engleson	2003	260,000	147,958	-	-	-	-	-
Group Vice-President, Wood Products	2002	251,170	24,400	-	30,000	-	-	-
	2001	190,270	69,310	-	20,500	-	-	-
C. W. Reid	2003	260,000	145,574	11,122 ⁵	-	-	-	3,900 ³
Group Vice-President, Finance and Chief Financial Officer	2002	254,000	35,025	11,697 ⁵	30,000	-	-	3,815 ³
	2001	235,000	32,965	12,169 ⁵	53,000	-	-	3,525 ³

1. Based on awards made under the Company's Short Term Incentive Plan.

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

3. Based on contributions made by the Company to its Employee Share Purchase Plan.

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

5. Imputed interest benefit on loans and mortgage assistance.

6. The Company provides a perquisite plan to its senior officers which consists of an automobile lease, parking, financial counselling and a club membership. The maximum annual amount allocated under the perquisite plan to the CEO is \$35,000, to Group Vice-Presidents is \$30,000 and to Vice-Presidents is \$25,000.

OPTION/SAR GRANTS DURING THE YEAR ENDED DECEMBER 31, 2003

Name	Securities Under Options/SARs Granted ¹	% of Total Granted to Options/SARs Employees during the Year-Ended December 31, 2003	Exercise or Base Price (\$ Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
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No options were granted in 2003

AGGREGATED OPTION/SAR EXERCISES DURING THE YEAR ENDED DECEMBER 31, 2003 AND YEAR-END OPTION/SAR VALUES

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at December 31, 2003 (#) ^{1,3}	Value of Unexercised In-the-Money Options/SARs at December 31, 2003 (\$) ³
D. L. Emerson	-	-	100,000 ⁵	261,000 ²
	-	-	41,000 ⁴	121,770 ²
	-	-	82,000 ⁵	243,540 ^{2,3}
	-	-	83,334 ⁴	122,501 ²
	-	-	41,666 ⁵	61,249 ^{2,3}
B. R. Hislop	-	-	11,667 ⁴	34,651 ²
	-	-	23,333 ⁵	69,299 ^{2,3}
	-	-	23,334 ⁴	34,302 ²
	-	-	11,666 ⁵	17,149 ^{2,3}
R. A. Luoma	-	-	21,667 ⁴	64,351 ²
	-	-	43,333 ⁵	128,699 ^{2,3}
	-	-	23,334 ⁴	34,301 ²
	-	-	11,666 ⁵	17,149 ^{2,3}
J. B. Engleson	-	-	6,834 ⁴	20,297 ²
	10,000	19,500	3,666 ⁵	10,888 ^{2,3}
	-	-	20,000 ⁴	29,400 ²
C. W. Reid	-	-	10,000 ⁵	14,700 ^{2,3}
	-	-	45,000 ^{4,6}	-
	-	-	17,667 ⁴	52,471 ²
	20,000	39,400	5,333 ⁵	15,839 ^{2,3}
-	-	20,000 ⁴	29,400 ²	
-	-	10,000 ⁵	14,700 ^{2,3}	

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, 2003 (\$11.27) over the exercise price of the options (\$8.66) granted during 1997 to the CEO; options (\$8.30) granted during 2001; options (\$9.80) granted during 2002.
3. The options granted by the Company under the PSO Plan in 2001 and 2002 vest over a three year period. The January 2001 options are exercisable upon the market price having attained a level of \$10 per share or greater. All of the options have vested and all are exercisable. Two-thirds of the May 2001 options have vested and are exercisable. One-third of the options granted in 2002 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 restrictions.
6. Not in-the-money

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 pensionable earnings which includes regular salary and 50% of any bonuses and lump sum performance awards in a period of three consecutive years during 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
200,000	55,895	74,526	93,158	111,789	130,421
225,000	63,395	84,526	105,658	126,789	147,921
250,000	70,895	94,526	118,158	141,789	165,421
300,000	85,895	114,526	143,158	171,789	200,421
400,000	115,895	154,526	193,158	231,789	270,421
500,000	145,895	194,526	243,158	291,789	340,421
600,000	175,895	234,526	293,158	351,789	410,421
700,000	205,895	274,526	343,158	411,789	480,421
800,000	235,895	314,526	393,158	471,789	550,421
900,000	265,895	354,526	443,158	531,789	620,421
1,000,000	295,895	394,526	493,158	591,789	690,421
1,100,000	325,895	434,526	543,158	651,789	760,421
1,200,000	355,895	474,526	593,158	711,789	830,421
1,300,000	385,895	514,526	643,158	771,789	900,421
1,400,000	415,895	554,526	693,158	831,789	970,421
1,500,000	445,895	594,526	743,158	891,789	1,040,421

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 B. R. Hislop, R. A. Luoma, J. B. Engleson and C. W. Reid are approximately 26 years, 7 years, 14 years and 25 years respectively. The 26 years of service for B. R. Hislop entitle her to a pension of \$169,168 per year and the 25 years of service for C. W. Reid entitle him to a pension of \$131,424 per year. The 7 years of service for R. A. Luoma entitle him to a pension of \$42,140 per year and the 14 years of service for J. B. Engleson entitle him to a pension of \$67,649 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 highest three consecutive years salary and 50% of any cash bonuses paid prior to 2000 and 100% of bonuses paid commencing 2000. Mr. Emerson has completed six years of service with the Company. If these six years of service were used as the basis for determination of his pension benefits, he would be eligible for a pension of \$167,875 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 April 1, 2004 amounted to \$343,177.

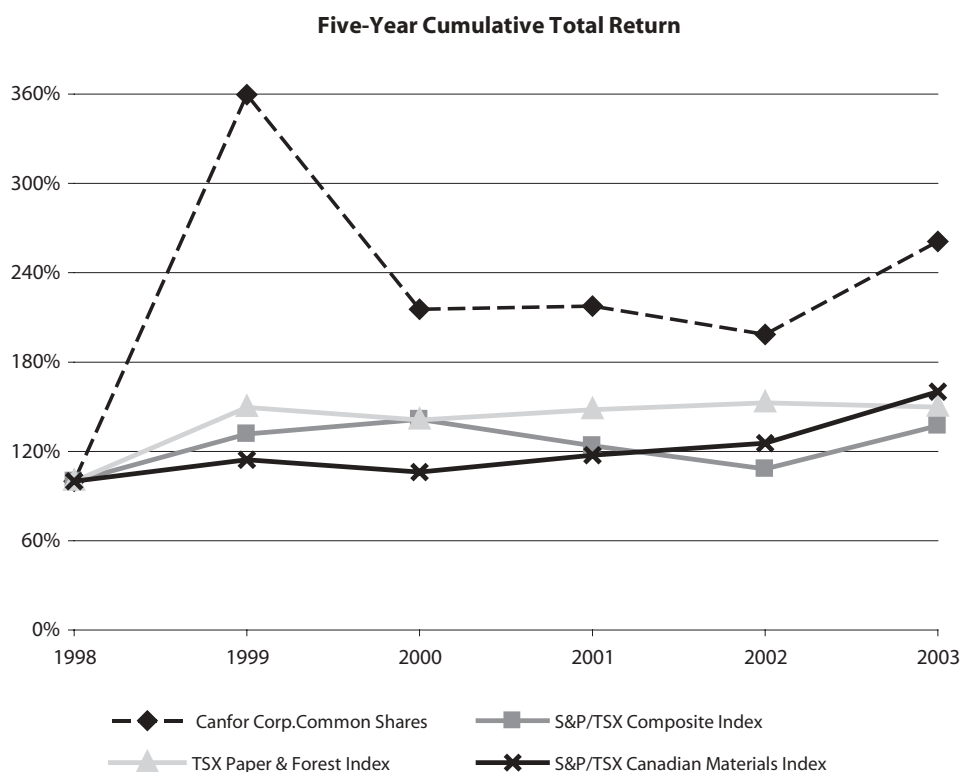
TABLE OF INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Name and Principal Position	Involvement of Company Subsidiary	Largest Amount Outstanding During Year Ended December 31, 2003 (\$)	Amount Outstanding as at April 1, 2004 (\$)
R. A. Luoma, Group Vice-President, Pulp and Paper	Lender	17,261 ¹	15,877

¹ Interest-free loan. Repayable quarterly to 2007.

PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return for \$100 invested in Common Shares of the Company on December 31, 1998 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.



	1998	1999	2000	2001	2002	2003
Company Common Shares	100	360	215	218	199	261
S&P/TSX Composite Index	100	132	141	124	108	137
TSX Paper & Forest Index	100	150	141	148	153	150
S&P/TSX Canadian Materials Index	100	114	106	117	126	160

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.

Interests of Insiders in Material Transactions

Great Pacific Industries Inc., a company owned by James A. Pattison, owned approximately 20% of the outstanding shares of Slocan prior to the combination of Slocan and the Company on April 1, 2004. Prior to the completion of this transaction, Great Pacific Industries Inc. entered into a support agreement with each of the Company and Slocan to support the proposed combination. Each of Mr. Pattison and Michael J. Korenberg, who is Managing Director, Vice-Chairman of the Jim Pattison Group of Companies, abstained from voting as directors of the Company to approve the combination in light of the conflict of interest they had, or may potentially have had, in respect of that transaction.

Compensation of Directors/Attendance

For the fiscal year ended December 31, 2003, 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. 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 Capital Projects 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, 2003, the accrual in respect of the Deferred Units currently outstanding to Board members was \$635,345 representing 55,978 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, 2003

Board	10
Audit	5
Corporate Governance	5
Environmental, Health and Safety	4
Capital Projects	1
Management Resources and Compensation	3

Summary of Attendance of Directors

For the 12-month period ended December 31, 2003

Director	Board Meetings Attended	Committee Meetings Attended
Peter J. G. Bentley	10 of 10	10 of 10
Ronald L. Cliff	10 of 10	12 of 12
Mark L. Cullen	10 of 10	8 of 8
C. William Daniel	10 of 10	7 of 7
David L. Emerson	10 of 10	1 of 1 ¹
Barbara R. Hislop ²	7 of 7	2 of 2
Marietta E. Hurst	9 of 10	9 of 9
Joseph B. Jarvis ³	4 of 4	2 of 2
Michael J. Korenberg ²	7 of 7	5 of 5
Peter A. Lusztiq	10 of 10	12 of 12
Eric P. Newell	9 of 10	8 of 8
James A. Pattison ²	6 of 7	1 of 1
Michael E. J. Phelps	9 of 10	8 of 9
Ronald T. Riley	10 of 10	9 of 9
Carole Taylor	9 of 10	3 of 4

¹ Other than the Capital Projects 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.

² Ms. Hislop and Messrs. Korenberg and Pattison were elected to the Board on April 29, 2003.

³ Mr. Jarvis retired from the Board on April 29, 2003.

CORPORATE GOVERNANCE

General

Since 1995, the 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:
 - (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. The Board did not hold a strategic planning session in 2003 due to the pending transaction with Slocan. The Board intends to resume the strategic planning session in 2004 after the completion of the Slocan transaction.
 - (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 the 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 including the CEO. 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 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 30, 2004 are "unrelated" Directors as defined under the Guidelines other than J. A. Shepherd (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 15 Directors, 14 of whom are unrelated Directors as defined in the Guidelines. One of the present Directors, J. A. Shepherd, is a member of senior management and therefore is to be considered by definition as a related, inside Director. Other than Peter Bentley, the Chairman of the Board, who served as President and CEO of the Company from July 1997 until December 31, 1997, 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. More information about each Director can be found under "Election of Directors" herein.

-
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 outside, 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 Corporate Governance Committee and the Chairman of the Board oversees the program. 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. Visits to various operation sites of the Company are organized for such members by the Chairman of the Board.
-
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, 15 Directors will stand for election. This is an increase of 1 Director from last year. The increase in Board membership is the result of the recent acquisition by the Company of Slocan and the representation of former Slocan directors on the Board of the Company. The Corporate Governance Committee reviews the size and effectiveness of the Board annually.
-
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.
- 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 has adopted share ownership guidelines for Directors and a Deferred Unit Plan. See “Compensation of Directors/Attendance” herein.
-
9. Committees of the board should generally be composed of outside directors, a majority of whom are unrelated.
- All Board committees, other than the Capital Projects Committee, are composed entirely of outside, unrelated Directors. See “Board Committees” herein.
-
10. The board should assume responsibility for, or assign to a committee of directors responsibility for, developing the approach to corporate governance issues.
- 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. The terms of reference of each Committee were reviewed in 2003 and updated. In addition, Board Governance Principles were adopted and a Code of Conduct was approved.
-
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.
- The Board has adopted Governance Principles which include duties and responsibilities and qualifications of Board members and defines its role, objectives and function. 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.
- The CEO submits to the Compensation Committee annually his goals and objectives for the coming year and his Short Term Incentive bonus is awarded on the basis of achievement of those goals and objectives.

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".

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.

The Board has functioned and will continue to function independently of management. The Chairman of the Board is not 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.

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.

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 entirely composed of outside 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. The Audit Committee has implemented controls to approve non-audit work performed by the external auditor.

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. In 2003, no advisors were engaged on behalf of individual Directors.

Board Committees

Set out below is a description of the six 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 and reviews the Company's annual financing plan and any proposed financings. The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The Audit Committee is composed of five 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 compliance with the Code of Conduct 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 has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The Governance Committee is composed of six unrelated, outside Directors and the Chairman of the Board 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 has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. 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 and the Chairman of the Board as an ex-officio member.

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 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. At least one meeting per year is held at one of the Company's operations. The EH&S Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The EH&S Committee is composed of four unrelated, outside Directors and the Chairman of the Board as an ex-officio member.

Capital Projects 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, and amounts to be approved by the Board each of which are as set from time-to-time by the Board. Such approved expenditures are subject to ratification by the Board.

The Capital Projects Committee is composed of five Directors, four of whom are outside and unrelated Directors, and one of whom is a related Director. In 2003 the Capital Projects Committee approved three capital expenditures which were subsequently ratified by the Board.

Pension Committee

The Board has determined that following the completion of the combination of the Company and Slocan, a Pension Committee of the Board should be established to oversee the management and operations of the Company's pension plans. The Governance Committee is in the process of preparing the terms of reference of the Pension Committee which is expected to be submitted to the Board by the end of the second quarter 2004. The members of the Pension Committee will be composed of four unrelated, outside Directors and the Chairman of the Board.

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 British Columbia corporate legislation 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 divestitures 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, 2003, the Company paid a total of \$1,838,623 to its auditors of which \$1,284,623 was for audit, tax and financial services and \$554,000 was for consulting services relating to the Company's acquisition of Daaquam Lumber in Quebec and the divestiture of its B.C. Chemicals Division.

OTHER INFORMATION

The Company's Annual Report which contains the audited Financial Statements for the year ended December 31, 2003 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. Additional information relating to the Company is on SEDAR at www.sedar.com.

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.

April 1, 2004

