

# 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 Ballroom, Four Seasons Hotel, 791 West Georgia Street, Vancouver, British Columbia, on Friday, April 29, 2005 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, 2004 and the report of the auditors thereon.
2. To fix the number of Directors at 11.
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 adopt special resolutions in connection with the new British Columbia *Business Corporations Act* (the "Act") authorizing the Company to:
  - a) alter the Notice of Articles of the Company to remove the application of the Pre-existing Company Provisions under the Act;
  - b) replace the existing Articles of the Company with the form of Articles presented to the Meeting; and
  - c) alter the Notice of Articles of the Company by removing the maximum number of Common Shares and Preferred Shares that the Company can issue so that the Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares,all as described in the Information Circular which accompanies this Notice of Meeting.
6. To transact such other business as may properly come before the meeting.

DATED at Vancouver, British Columbia this 21st day of March, 2005.

**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, 2004 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, 2004 and the auditors report thereon and the Management's Discussion and Analysis of Financial Condition and Results of Operations 2004 of the Company.

**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 MARCH 21, 2005

**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 21, 2005 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 21, 2005 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, 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 election as Directors and appointment as auditors.**

**VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

As at March 21, 2005, the Company has outstanding and entitled to be voted at the Meeting 143,482,891 Common Shares, each Common Share carrying the right to one vote. The following table sets forth the shareholdings of persons or companies which, to the knowledge of the Directors and senior officers of the Company, own beneficially directly or indirectly, or exercise 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, as well as the shareholdings of Matthews-Cartier Holdings Limited, a company controlled by the founders of the Company.

Title of Class	Name of Beneficial Holder	Number of Shares	Percentage of Class
Common Shares	James A. Pattison <sup>1</sup>	28,600,000	19.93
Common Shares	Jarislowsky, Fraser Limited <sup>2</sup>	23,346,945	16.27
Common Shares	Matthews-Cartier Holdings Limited <sup>3</sup>	13,295,904 <sup>4</sup>	9.26

- 1 *The Common Shares beneficially owned by James A. Pattison are held by subsidiaries wholly owned by Mr. Pattison.*
- 2 *Jarislowsky, Fraser Limited, an investment management firm with which Stephen A. Jarislowsky is associated, exercises control or direction over 23,346,945 Common Shares of the Company.*
- 3 *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. 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, 2005, be voted for the election of one nominee of the Prentice and Bentley families. Mr. Peter J. G. Bentley, the son of the late Mr. L.L.G. Bentley, is the nominee and is a trustee of the trusts.*
- 4 *Of these shares, Matthews-Cartier Holdings Limited beneficially owns 13,295,904 Common Shares.*

#### **FIX NUMBER OF DIRECTORS**

The articles of the Company provide that the number of Directors may be changed from time to time by ordinary resolution. An ordinary resolution will be proposed to fix the number of Directors at 11. 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 11 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 proxy nominee.

The term of each Director currently in office will expire on April 29, 2005. Each Director proposed as a nominee below will hold office until the Company's next Annual General Meeting, unless his office is earlier vacated in accordance with the articles of the Company.

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 Units <sup>1</sup>
Peter J. G. Bentley, O.C., LL.D. British Columbia, Canada	Chairman of the Board	1966	428,328 <sup>2</sup>	7,594
Ronald L. Cliff, C.M., F.C.A. British Columbia, Canada	Chairman of Heathcliff Properties Ltd.	1983	74,582	7,594
Stephen A. Jarislowsky, O.C., C.P.Q., LL.D. Quebec, Canada	Chairman and Chief Executive Officer Jarislowsky, Fraser Limited (an investment counselling firm)	2004	20,000 <sup>3</sup>	2,500
Michael J. Korenberg British Columbia, Canada	Managing Director, Vice-Chairman of The Jim Pattison Group (diversified businesses)	2003	5,995	5,018
Brandt C. Louie, C.A., F.C.A. British Columbia, Canada	President and Chief Executive Officer of H. Y. Louie Co. Limited (diversified businesses) Chairman and Chief Executive Officer of London Drugs Ltd.	2004	62,482	2,500
Peter A. Lusztig, C.G.A. British Columbia, Canada	Dean Emeritus, University of British Columbia; Former Commissioner (Federal) B.C. Treaty Commission	1983	3,408	7,594
Eric P. Newell, O.C., LL.D. Alberta, Canada	Chancellor, University of Alberta/Corporate Director	1999	5,500	7,594
James A. Pattison, O.C., O.B.C. British Columbia, Canada	President, Managing Director, Chief Executive Officer and Chairman of The Jim Pattison Group (diversified businesses)	2003	28,600,000 <sup>4</sup>	5,018
Michael E. J. Phelps, O.C. British Columbia, Canada	Chairman of Dornoch Capital Inc. (a private investment company)	1990	6,958	7,594
Donald C. Selman, F.C.A. British Columbia, Canada	Senior Partner, Wolrige Mahon (chartered accountants)	2004	8,129	2,500
James A. Shepherd, P.Eng. British Columbia, Canada	President and Chief Executive Officer of the Company	2004	10,396	Nil

Notes:

1. Represents Deferred Units under the Deferred Unit Plan. See "Compensation of Directors/Attendance" herein.
2. Mr. Peter J.G. Bentley exercises direction over an additional 351,826 Common Shares of the Company.
3. Jarislowsky, Fraser Limited, an investment management firm with which Mr. Jarislowsky is associated, exercises control or direction over 23,346,945 Common Shares of the Company.
4. The Common Shares beneficially owned by Mr. James A. Pattison are held by subsidiaries wholly owned by Mr. Pattison. See "Voting Shares and Principal Holders Thereof" herein.

To the knowledge of the Company, no director nominee of the Company was within the last 10 years of the date of this Information Circular, a director or executive officer of a company that, while acting in that capacity, (i) was subject to a cease trade or similar order for a period of 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased in such capacity, in a cease trade or similar order for a period of 30 consecutive days; or (iii) within a year of ceasing to act in such capacity became bankrupt, made a proposal under legislation relating to bankruptcy or insolvency or was subject to any proceedings, arrangement or compromise with creditors or had a receiver or trustee appointed to hold its assets, other than Mr. James A. Pattison who, from May 1997 to September 1999, was a director of Livent Inc., which in November 1998 filed for protection from creditors under the *Companies' Creditors Arrangement Act* (Canada) and in September 1999 filed for protection from creditors under Chapter 11 of the *U.S. Bankruptcy Code in the United States*.

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, 2004 is set out in the "Compensation of Directors/Attendance" section of this Information Circular.

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

Mr. Bentley is Chairman of the Board of Directors of the Company and of the Company's principal subsidiary, Canadian Forest Products Ltd. ("CFP"), 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.

Mr. Bentley is President and a director of Sierra Mountain Minerals Inc. and 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 Chair Emeritus of the Vancouver General Hospital and University of British Columbia Hospital Foundation. He also served for many years as a director of Bank of Montreal and Shell Canada Ltd. Mr. Bentley is Chancellor of the University of Northern British Columbia. Mr. Bentley holds an Honorary Law degree from the University of British Columbia.

Mr. Bentley 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.

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**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 a director of the Vancouver Police Foundation, a Member of the Dean's Advisory Board to the Sauder School of Business at the University of British Columbia, a Trustee of Vancouver General Hospital and University of British Columbia Hospital Foundation and Chairman of the Vancouver Symphony 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 Management Resources and Compensation Committee.

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

Mr. Jarislowsky is Chairman and Chief Executive Officer, Jarislowsky, Fraser Limited. He is a Director of Canadian Coalition for Good Governance; Chairman and CEO of Goodfellow Inc., President of each of Growth Oil & Gas Investment Fund, C.D. Howe Research Institute and the Quebec Prostrate Cancer Foundation. 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, University of Alberta, McMaster University, Laval University, Concordia University and University of Windsor.

Mr. Jarislowsky is a member of the Company's Management, Resources and Compensation and Environmental, Health and Safety Committees.

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**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, a director of Westshore Terminals Ltd. 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 and Chief Executive Officer of the H.Y. Louie Co. Limited, Chairman and Chief Executive Officer of London Drugs Limited and Vice-Chairman and Director of IGA Canada Limited. He is a director of The Royal Bank of Canada, Duke University Medical Center and Duke University Heart Center. Mr. Louie is a Governor of the Food Marketing Institute, B.C. Business Council and the World Economic Forum - Food & Beverage Industry. He serves as Chairman of the Board of Governors, Simon Fraser University.

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.

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**Peter A. Lusztig, C.G.A.**

Mr. Lusztig is Dean Emeritus, Faculty of Commerce and Business Administration, the University of British Columbia. Mr. Lusztig served as the federal commissioner for the B.C. Treaty Commission (Federal) (1995- 2003). He is also a 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 Committee.

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

Mr. Newell is Chancellor, University of Alberta and a Corporate Director. Mr. Newell retired as Chairman and C.E.O. of Syncrude Canada Limited in December 2003. He is a director of Nexen Inc and Terasen Inc., Chair of CAREERS...The Next Generation Foundation and a director of the Alberta Energy Research Institute, the C.D. Howe Institute, the Alberta Heart Institute and the Learning Partnership 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. He holds 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.

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**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 Management Resources and Compensation Committee.

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**Michael E. J. Phelps, O.C.**

Mr. Phelps is Chairman of Dornoch Capital Inc. He was Chairman of "The Wise Persons' Committee" on securities regulation appointed by the Canadian federal government and is also a director of Duke Energy Corporation, Canadian Pacific Railway, and Fairborne Energy Ltd. 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 Corporate Governance Committee.



**Donald C. Selman, F.C.A.**

Mr. Selman is a senior partner with Wolrige Mahon, a firm of chartered accountants and is a chartered business valuator. He obtained his CA designation in 1958 and a Law Degree from the University of British Columbia in 1960. Mr. Selman is a director of Sun-Rype Products Ltd. and of Alpine Helicopters Ltd., a subsidiary of Intrawest Corporation.

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



**James A. Shepherd, P.Eng.**

Mr. Shepherd is the President and Chief Executive Officer of the Company. Mr. Shepherd was appointed President April 1, 2004, and CEO, April 30, 2004. From February 1999 to July 2000, Mr. Shepherd was the President and Chief Operating Officer of Slocan Forest Products Ltd. ("Slocan") and was appointed CEO of Slocan in July 2000. Prior to this appointment, he was the President and Chief Operating Officer of Crestbrook Forest Industries Ltd. and President of Finlay Forest Industries Limited. Mr. Shepherd received his Mechanical Engineering degree from Queen's University. Mr. Shepherd is a director of the BC Lumber Trade Council, the Council of Forest Industries, the Forest Products Association of Canada, the BC Progress Board, the BC Forest Safety Council, University of Northern British Columbia and Canadian Lumber Trade Alliance Incorporated.

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For additional information regarding the individuals who are proposed as nominees for election as Directors of the Company see the section of the Company's Annual Information Form dated March 21, 2005 entitled "Directors and Officers", which is incorporated by reference herein.

## 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 at December 31, 2004: R. L. Cliff, S. A. Jarislowky, E. P. Newell, J. A. Pattison and M. E. J. Phelps. Prior to the combination with Slocan on April 1, 2004, Messrs. C. W. Daniel and M. L. Cullen, former directors of the Company, were members of the Compensation Committee.

### 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. 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 for this purpose. 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.

#### Canfor Salaried Incentive Plan

The Company terminated the previous Short Term Incentive Plan ("STIP") and established a new short term incentive plan in 2004 known as the Canfor Salaried Incentive Plan ("CSIP"). The CSIP applies to all salaried employees of the Company (including the CEO) and has three components: corporate performance, business unit performance and individual performance. Corporate performance is measured by return on net assets (RONA). A minimum level of RONA must be achieved before a payout will occur. Target RONA performance levels are established annually taking into account the Company's cost of capital and actual historical RONA levels. For 2004, the minimum target RONA level required for CSIP rewards was 8%. Business unit performance relates to the performance of the employee's work unit as measured against specific financial, operational and organization goals (including in particular the integration of Slocan's operations with those of the Company and related transition issues) and, for the CEO, relates to the performance of the Company generally. Business unit levels or targets are established as part of the annual planning process. Individual performance is measured against agreed upon goals and objectives which are also established as a part of the annual planning process. These goals and objectives may relate to health and safety, training and development or individual performance goals. Award opportunity varies by level within the organization. For senior executives, performance is also measured in relation to the performance of competitors in the forest industry. Market competitive awards range from 10% to 55% of base salary. The highest maximum award can be earned by the CEO and is equal to 110% of base salary.

#### Long Term Incentive Plan ("LTIP")

The Company established a new long term incentive plan in 2004. The LTIP applies to designated senior executives including the CEO. The awards are based on a four year comparison of the Company's Total Shareholder Return ("TSR") to the TSR on the Toronto Stock Exchange Paper and Forest Index with respect to certain companies in the Index, RONA and the Company's performance relative to its peer group in the forest sector. LTIP payouts will be a combination of cash and market purchased shares. The shares will be subject to resale restrictions until the executive achieves the share ownership guidelines for senior officers set by the Company (see "Executive Ownership Guidelines" below). Annual target awards under the LTIP for executive officers (other than the CEO) range from 75% to 100% of base salary, with the CEO's maximum target award being 125%.

The Company did not make any LTIP awards in 2004. However, upon the termination of the previous long term incentive program which was in place before the combination with Slocan, the Company paid out the total amount of \$4,180,380 to the participants in the previous plan as consideration for any amount that may have been earned up to the date of cancellation. Reference is made to the Summary Compensation Table for the amounts paid to the Named Executive Officers on the cancellation of the previous plan.

#### CRMI2 Special Incentive Bonus Plan

At the end of 2002 and as part of its Cost Reduction Margin Improvement Program (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 rise 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 targeted savings of \$75 million are referred to as CRMI2.

A special incentive bonus plan was developed to reward business segment achievement of its CRMI2 cost saving targets. The plan provides that the initial cost savings target of \$175 million for CRMI must be achieved before any award is made under the CRMI2 plan. In addition, a minimum threshold of 50% of the CRMI2 cost savings must be achieved before awards are paid. Participants in the plan are entitled to receive a special one time bonus payment equal to 50% to 100% of salary depending on the amount of CRMI2 cost savings achieved. The plan was self funding in that the CRMI2 cost saving target is calculated net of all additional costs, including the cost of the CRMI2 bonus plan itself. For 2004, cost savings achieved by business segments ranged from 65% to 73% of the CRMI2 target. The amount of \$7,171,764 was paid pursuant to the CRMI2 bonus plan and the plan has now been terminated. Reference is made to the Summary Compensation Table for the amounts paid to the Named Executive Officers under this plan in 2004.

### 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 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. The executive ownership guidelines are presently under review by the Compensation Committee and may be adjusted in the future.

### 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, 2004, the compensation of Mr. James Shepherd, the CEO of the Company, consisted of base salary and short term incentive bonus under the CSIP. In setting the base salary of the CEO, the Compensation Committee considered market competitive information and compared similar positions in the Canadian and British Columbia forest products industry and a broader industry group provided by an independent consulting firm engaged for this purpose.

In determining the 2004 CSIP bonus award for Mr. Shepherd, in addition to the criteria regarding corporate performance and individual performance under the CSIP as described above, the Compensation Committee considered the progress of the integration of Slocan and the Company following the combination of the companies on April 1, 2004. In determining compensation in 2004 for the CEO and senior executives of the Company generally, the Compensation Committee considered that following the combination of Slocan and the Company, the senior executives including the CEO were required to focus on integration and transition issues as well as operational and business performance. The senior executive's, being former Slocan and Company officers, were now responsible for a new combined organization and would be assessed in part based on how they performed as a group to achieve integration and operational efficiencies and targets. The CEO was expected to lead the senior executives through the transition and integration process and set specific goals for the restructuring of the combined company, policy review and reform, operational improvements and growth strategy.

D. L. Emerson, the former CEO of the Company, had an employment contract with the Company under which the Company reserved 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 in connection with continuing employment for the 24 month period.

### Stock Options

In 1998, the Company established a Performance Stock Option Plan (the "PSO Plan"), subject to approval by ordinary resolution of the shareholders which was granted at the annual general meeting on April 20, 1999. The PSO Plan was subsequently broadened and, with shareholder approval, the number of Common Shares which may be issued upon exercise of options under the PSO Plan was increased to 5,800,000, which represents 4.04% of the Company's currently outstanding Common Shares.

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
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, 2004 and Year-End Option/SAR Values" herein. The maximum number of Common Shares issuable to all insiders under the PSO Plan is 10% of the Company's outstanding Common Shares, and to any one insider is a maximum of 5% of outstanding Common Shares. Entitlements under the PSO Plan cease on termination of an employee's employment as a result of the employee's death, disability or retirement (after three years), termination for cause (immediately) and for any other reason other than cause, normal retirement, death or disability (30 days). The rights of the employees under the PSO Plan are not assignable except to certain family members and personal representatives upon death.

No stock options were granted in 2004.

During the year-ended December 31, 2004, a total of 1,073,011 Common Shares were issued pursuant to the exercise of options. As at March 21, 2005, there are a total of 320,886 options outstanding, representing 0.23% of the Company's currently outstanding Common Shares.

The Company does not have a present intention to grant any further stock options and has not granted options since November 2002.

#### **Employee Share Purchase Plan**

The Company has established an employee share purchase plan (the "Employee Purchase Plan") for employees of the Company's wholly owned subsidiary, 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 one 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 certain senior executives, including some of 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 other than the CEO which is 36 months, a percentage of annual base salary equal to the target bonus for that period and a pro-rated bonus for the year in which his or her employment ceased, and in the case of the salary continuation, certain continued benefits.

For the purposes of these agreements, 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 Company's assets 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.

Prior to the combination with the Company, Slocan had entered into change of control agreements with certain of its senior executives, including the CEO of the Company, Mr. Shepherd, which agreements continue to be applicable to the benefit of those executives as a result of the acquisition of all of the issued shares of Slocan by the Company, and the amalgamation of Slocan with the Company's wholly owned subsidiary, Canadian Forest Products Ltd. on April 1, 2004. These change of control agreements provided for lump sum payments in lieu of any other severance entitlements in certain circumstances, including in the event of the termination of the executive's employment within three years of the occurrence of a change of control of Slocan. The combination of Slocan and the Company was a change of control as defined by these agreements. Under these agreements, the cash lump sum payable is equal to the aggregate of the executive's annual base salary for periods ranging from two to three years, plus an amount representing the cost of the then existing benefits provided to the executive by Slocan over that period, plus a bonus based on the average of the highest two years of bonus paid to the senior executive in the prior three years. In addition, the executive is entitled to receive a lump sum payment in respect of any accrued vacation pay and other unpaid incentives, to exercise outstanding options which had vested or would vest within the period from the date of termination for which salary is paid (of which none currently remain outstanding) and to have such period credited as service under Slocan's pension plans.

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

R. L. Cliff  
S.A. Jarislowsky  
E. P. Newell  
J.A. Pattison  
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 each CEO and chief financial officer ("CFO") and for the three most highly compensated executive officers of the Company, other than the CEO and CFO (the CEO, CFO and such three executive officers are referred to collectively as the "Named Executive Officers"). For the year-ended December 31, 2004, the Company paid aggregate direct remuneration to its Directors and senior officers in the total amount of \$16,299,884.

### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary <sup>1,2</sup> (\$)	Bonus <sup>3</sup> (\$)	Other Annual Compensation <sup>4</sup> (\$)	Awards		Payouts	
					Options/SARs Granted (#)	Units Subject to Resale Restrictions (\$)	LTIP Payouts <sup>5</sup> (\$)	All Other Compensation <sup>6</sup> (\$)
J.A. Shepherd President and Chief Executive Officer	2004	437,981	594,000	-	-	-	-	5,596
	2003	-	-	-	-	-	-	-
	2002	-	-	-	-	-	-	-
D. L. Emerson <sup>7</sup> Former President and Chief Executive Officer	2004	408,157	580,495	-	-	-	801,274	2,833,300
	2003	624,000	532,821	-	-	-	-	-
	2002	624,000	88,371	-	125,000	-	-	-
D. A. Wilkes <sup>8</sup> Former Vice President, Finance and Chief Financial Officer	2004	209,615	176,000	-	-	-	-	1,065,670
	2003	-	-	-	-	-	-	-
	2002	-	-	-	-	-	-	-
C. W. Reid <sup>9</sup> Former Group Vice-President, Finance and Chief Financial Officer	2004	260,000	-	-	-	-	-	794,000
	2003	260,000	145,574	-	-	-	-	3,900
	2002	254,000	35,025	-	30,000	-	-	3,815
R. A. Luoma <sup>10</sup> Former Vice-President, Pulp and Paper	2004	291,000	304,775	-	-	-	224,359	489,000
	2003	291,000	172,711	-	-	-	-	10,932
	2002	291,000	27,565	-	35,000	-	-	11,455
B. R. Hislop President and Chief Executive Officer of Genus RMT <sup>11</sup>	2004	291,000	399,110	-	-	-	224,359	3,231
	2003	291,000	164,389	-	-	-	-	5,758
	2002	291,000	28,180	-	35,000	-	-	5,710
J. B. Engleson Vice-President, Wood Products, East	2004	266,000	338,160	-	-	-	200,241	4,123
	2003	260,000	147,958	-	-	-	-	6,223
	2002	251,170	24,400	-	30,000	-	-	6,814
J. R. Williams Vice-President, Fibre Supply	2004	260,000	359,910	-	-	-	200,241	4,870
	2003	260,000	153,100	-	-	-	-	6,612
	2002	204,000	35,090	-	30,000	-	-	2,231

1. Slocan combined with the Company on April 1, 2004. Mr. Shepherd and Mr. Wilkes were appointed to their respective offices with the Company in April 2004. Accordingly, the amounts indicated for Mr. Shepherd and Mr. Wilkes in the table do not include any compensation paid by Slocan in the first quarter of 2004 or for 2003 and 2002.

2. The salaries indicated for Mr. Reid and Mr. Luoma are comprised of salary and salary continuance payments for 2004.

3. The bonus allocations for 2004 are based on awards under the CSIP. For Messrs. Luoma, Engleson, Williams and Ms. Hislop, this amount also includes CRMI2 bonus payments. For Mr. Emerson, this amount includes an award under the Company's former STIP program and a CRMI2 award. (See Executive Compensation "Canfor Salaried Incentive Plan" and "Cost Reduction Margin Improvement Plan" herein.)

4. The aggregate amount of compensation under this column paid to the Named Executive Officers does not exceed the lesser of \$50,000 and 10% of the total annual salary and bonus for the applicable financial year. The Company's perquisite plan for senior officers consists of an automobile lease, parking, financial counselling and a club membership. The maximum annual amount available under the perquisite plan to the CEO is \$35,000 and to Vice-Presidents \$30,000.

5. These amounts reflect the compensation paid to certain Named Executive Officers as a result of the termination of the Company's previous Long Term Incentive Plan (See Executive Compensation "Long Term Incentive Plan" herein).

6. For all Named Executive Officers these amounts may also include imputed benefit or loan and mortgage assistance, amounts contributed toward the Company's Employee Share Purchase Plan and flexible pension allocations. For Mr. Emerson and Mr. Wilkes, this amount also includes lump sum payments made in connection with the cessation of their employment with the Company. The lump sum payment includes payments made in accordance with termination or change of control agreements (See Executive Compensation "Change of Control Agreements" herein.) For Mr. Reid and Mr. Luoma, this amount includes an accrual made in accordance with termination agreements.

7. Mr. Emerson resigned as President of the Company on April 1, 2004 and as CEO on April 30, 2004.

8. Mr. Wilkes resigned as Vice-President Finance and Chief Financial Officer on December 31, 2004.

9. Mr. Reid resigned as Group Vice-President, Finance and Chief Financial Officer on April 2, 2004

10. Mr. Luoma ceased to be Vice-President, Pulp and Paper on November 2, 2004.

11. "Genus RMT" is Genus Resource Management Technologies Inc., a wholly owned subsidiary of CFP.

**AGGREGATED OPTION/SAR EXERCISES DURING THE YEAR ENDED DECEMBER 31, 2004  
AND YEAR-END OPTION/SAR VALUES**

<b>Name</b>	<b>Securities Acquired on Exercise (#)</b>	<b>Aggregate Value Realized (\$)</b>	<b>Unexercised Options/SARs at December 31, 2004 (#)<sup>1,2</sup></b>	<b>Value of Unexercised In-the-Money Options/SARs at December 31, 2004 (\$)<sup>2,3</sup></b>
D. L. Emerson	100,000	425,570	-	-
	123,000	590,400	-	-
	125,000	488,176	-	-
R. A. Luoma	65,000	427,297	-	-
	23,333	124,365	11,667 <sup>4</sup>	68,252 <sup>4</sup>
B. R. Hislop	35,000	234,500	-	-
	35,000	182,000	-	-
J. B. Engleson	10,500	64,575	-	-
	-	-	10,000 <sup>4</sup>	58,500 <sup>4</sup>
	10,000	46,500	10,000 <sup>5</sup>	58,500 <sup>4</sup>
J. R. Williams	25,000	129,750	-	-
	20,000	104,125	10,000 <sup>4</sup>	58,500 <sup>4</sup>
C. W. Reid	23,000	112,150	-	-
	20,000	100,000	10,000 <sup>4</sup>	58,500 <sup>4</sup>

1. Based on options exercisable for Common Shares of the Company. No SAR's are currently outstanding. No options of the Company were held by Messrs. Shepherd or Wilkes in 2004.
2. The options granted by the Company under the PSO Plan in 2001 and 2002 vest over a three year period. See "Executive Compensation - Report on Executive Compensation - Stock Options Granted Pursuant to PSO Plan". The options granted in January 2001 are exercisable upon the market price having attained a level of \$10 per share or greater. All of these options have vested and all are exercisable. Two-thirds of the options granted in May 2001 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.
3. "In-the-money" means the excess of the market value of the Common Shares of the Company on December 31, 2004 (\$15.65) over the exercise price of the options granted during 1997 to the CEO (\$8.66); options granted during 2001 (\$8.30) and options granted during 2002 (\$9.80).
4. Non-exercisable.
5. Exercisable.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS AS AT DECEMBER 31, 2004**

**Equity Compensation Plan Information**

<b>Plan Category</b>	<b>Number of Securities To Be Issued Upon Exercise Of Outstanding Options, Warranties and Rights (A)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)</b>	<b>Number of Securities Remaining Available or Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)</b>
Equity compensation plans approved by securityholders	502,887	\$9.38	5,297,113
Equity compensation plans not approved by securityholders	n/a	n/a	n/a
<b>Total</b>	502,887		5,297,113

## PENSION PLANS

The Named Executive Officers of the Company are members of the Company's defined benefit pension plans, or the former Slocan defined benefit pension plan, which provide retirement benefits determined primarily by: (i) highest average pensionable earnings which includes regular salary and 50% of any bonuses (for Messrs, Shepherd and Wilkes 100%) and lump sum performance awards in a highest period of three consecutive years during the final ten years of employment; (for Messrs, Shepherd, and Wilkes five consecutive years) 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
250,000	70,797	94,395	117,994	141,593	165,192
300,000	85,797	114,395	142,395	171,593	200,192
400,000	115,797	154,395	192,994	231,593	270,192
500,000	145,797	194,395	242,994	291,593	340,192
600,000	175,797	234,395	292,994	351,593	410,192
700,000	205,797	274,395	342,994	411,593	480,192
800,000	235,797	314,395	392,994	471,593	550,192
900,000	265,797	354,395	442,994	531,593	620,192
1,000,000	295,797	394,395	492,994	591,593	690,192
1,100,000	325,797	434,395	542,994	651,593	760,192
1,200,000	355,797	474,395	592,994	711,593	830,192
1,300,000	385,797	514,395	642,994	771,593	900,192
1,400,000	415,797	554,395	692,994	831,593	970,192
1,500,000	445,797	594,395	742,994	891,593	1,040,192

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. D.L. Emerson is entitled to a pension 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.

### Fiscal 2004 Pension Expense Related to Service and Compensation

Amounts reported in the table below represent the Company's 2004 pension expense related to each of the Named Executive Officers and the impact of differences between actual compensation paid in 2004 and the actuarial assumptions used for the year.

Name	Fiscal 2004 pension expense related to service and compensation
J. A. Shepherd	\$116,745 <sup>1</sup>
D. L. Emerson	\$364,000
D. A. Wilkes	\$46,526 <sup>1</sup>
C. W. Reid	\$45,000
R. A. Luoma	\$57,000
B. R. Hislop	\$67,000
J. B. Engleson	\$51,000
J. R. Williams	\$110,000

1. For the nine month period from April 1, 2004 to December 31, 2004.

### Fiscal 2004 Changes in Accrued Pension Liabilities

The Company's accrued pension liability is calculated following the method prescribed by the Canadian Institute of Chartered Accountants and is based on management's best estimate of future events that affect pension liabilities, including assumptions about future salary adjustments and bonuses. Changes in accrued pension liabilities for the Named Executive Officers are summarized in the following table. These changes include the fiscal 2004 expense attributed to service and compensation as reported in the previous table as well as the normal changes/increases<sup>1</sup> to pension liabilities arising

<b>Name</b>	<b>Accrued liability at December 31, 2003<sup>2,4</sup></b>	<b>Change in accrued liability for 2004<sup>2,3</sup></b>	<b>Accrued liability at December 31, 2004<sup>2,5</sup></b>	<b>Years of credited service at December 31, 2004</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a) + (b)</b>	
J. A. Shepherd	\$608,559 <sup>7</sup>	\$525,200	\$1,133,759	5.28
D. L. Emerson	\$2,348,000	\$1,349,000	\$3,697,000	9.33 <sup>6</sup>
D. A. Wilkes	\$109,116 <sup>7</sup>	\$71,537	\$180,653	2.73
C. W. Reid	\$1,122,000	\$321,000	\$1,443,000	28.5 <sup>6</sup>
R. A. Luoma	\$501,000	(\$32,000)	\$469,000	7.5
B. R. Hislop	\$1,735,000	(\$41,000)	\$1,694,000	26.9
J. B. Engleson	\$938,000	(\$13,000)	\$925,000	14.9
J. R. Williams	\$703,000	(\$76,000)	\$627,000	13.1

- The normal changes include interest on the beginning of year liability, employee contributions to the pension plan, changes in interest rate assumptions as the result of changes in long-term bond yields and changes in exchange rates.*
- The calculation of reported amounts uses actuarial assumptions and methods that are consistent with those used for calculating pension liabilities and annual expense as disclosed in the Company's 2003 and 2004 Consolidated Financial Statements. As the assumptions reflect the Company's best estimate of future events, the values shown in the above table may not be directly comparable to similar estimates of pension liabilities that may be disclosed by other corporations.*
- The change in accrued liability for 2004 excludes the impact of investment returns on the Company's pension plan assets.*
- The accrued liability at December 31, 2003 is based on the 2003 salary and 50% (100% for D. L. Emerson) of the bonus attributed to 2003 that was paid in 2004.*
- The accrued liability at December 31, 2004 is based on the 2004 salary and 50% (100% for D. L. Emerson) of the bonus attributed to 2004 that was paid in 2005.*
- Includes credited service arising from any lump sum or salary continuation payments.*
- As of April 1, 2004.*

Based on the years of credited service in the foregoing table the annual pension entitlements for the Named Executive Officers at the time of normal retirement are as follows:

<b>Name</b>	<b>Annual Pension Entitlement</b>
J. A. Shepherd	\$83,386
D. L. Emerson	\$371,000
D. A. Wilkes	\$21,341
C. W. Reid	\$160,000
R. A. Luoma	\$ 55,000
B. R. Hislop	\$202,000
J. B. Engleson	\$100,000
J. R. Williams	\$ 68,000

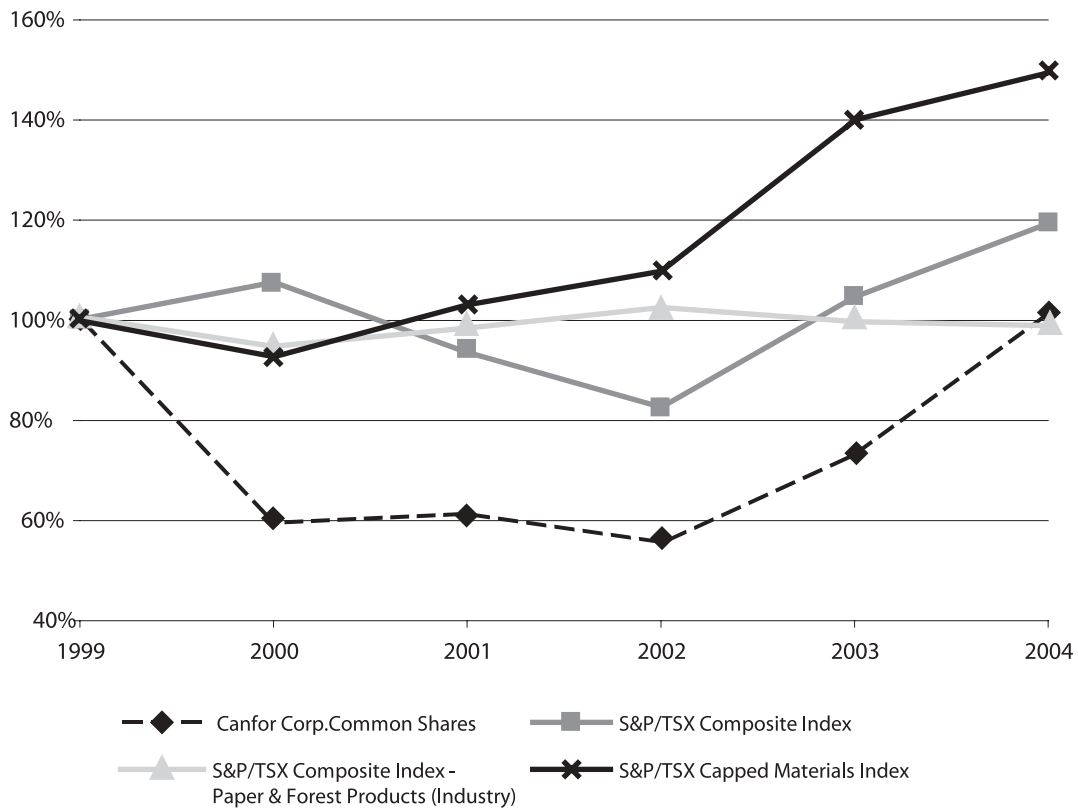
#### **Indebtedness of Directors, Executive Officers and Senior Officers**

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 21, 2005 amounted to \$1,052,848.

**PERFORMANCE GRAPH**

The following graph compares the total cumulative shareholder return for \$100 invested in Common Shares of the Company on December 31, 1999 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.

**Five-Year Cumulative Total Return**



	1999	2000	2001	2002	2003	2004
Company Common Shares	100	60	61	56	73	102
S&P/TSX Composite Index	100	107	94	82	104	119
TSX Paper & Forest Index	100	94	99	102	100	99
S&P/TSX Canadian Materials Index	100	93	103	140	140	149

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, 2004, 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 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, 2004, the accrual in respect of the Deferred Units currently outstanding to Board members was \$1,211,919, representing 78,289 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, 2004

Board	6
Audit	6
Corporate Governance	7
Environmental, Health and Safety	4
Capital Projects <sup>1</sup>	1
Management Resources and Compensation	7
Pension Committee <sup>2</sup>	4

<sup>1</sup> The Capital Project Committee was disbanded on July 22, 2004.

<sup>2</sup> The Pension Committee was formed on April 1, 2004.

### Summary of Attendance of Directors

For the 12-month period ended December 31, 2004

Director	Board Meetings Attended <sup>1</sup>	Committee Meetings Attended
Peter J. G. Bentley	6 of 6	29 of 29
Ronald L. Cliff	6 of 6	12 of 13
Mark L. Cullen <sup>2</sup>	3 of 3	4 of 6
C. William Daniel	6 of 6	6 of 6
David L. Emerson <sup>3,4</sup>	1 of 1	1 of 1
Barbara R. Hislop <sup>5</sup>	1 of 1	1 of 1
Marietta E. Hurst	6 of 6	10 of 11
Stephen A. Jarislowsky <sup>6</sup>	5 of 5	6 of 8
Michael J. Korenberg	6 of 6	13 of 13
Brandt C. Louie <sup>6</sup>	3 of 5	6 of 8
Peter A. Lusztig	6 of 6	13 of 13
Eric P. Newell	3 of 6	13 of 14
James A. Pattison	5 of 6	6 of 6
Michael E. J. Phelps	4 of 6	12 of 14
Ronald T. Riley	6 of 6	11 of 11
Donald C. Selman <sup>6</sup>	5 of 5	9 of 9
James A. Shepherd <sup>6,7</sup>	5 of 5	N/A
Carole Taylor <sup>8</sup>	1 of 1	1 of 1

<sup>1</sup> In 2004, there were 4 scheduled Board meetings and 2 unscheduled Board meetings.

<sup>2</sup> Mr. Cullen retired from the Board on July 22, 2004.

<sup>3</sup> Other than the Capital Projects Committee, Mr. Emerson, as a related director did not sit as a member on Board Committees but attended Committee meetings on behalf of management.

<sup>4</sup> Mr. Emerson retired from the Board on March 31, 2004.

<sup>5</sup> Ms. Hislop retired from the Board on March 31, 2004.

<sup>6</sup> Messrs. Jarislowsky, Louie, Selman and Shepherd were appointed to the Board on April 1, 2004.

<sup>7</sup> Mr. Shepherd, as a related director, does not sit as a member on Board Committees but attends Committee meetings on behalf of management.

<sup>8</sup> Ms. Taylor retired from the Board on March 31, 2004.

### 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

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## The Company's Governance Procedures

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|---|--|
| 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. The Board has adopted a set of Governance Principles for the Board of Directors and a Code of Conduct. The Governance Principles deal with issues such as the role of the Board and management, functions of the Board, qualifications of Directors, independence of Directors, ethics and conflicts of interest. The Code of Conduct defines the standards and values which the Company expects its employees to follow in their dealings with stakeholders and is consistent with the Company's corporate values of integrity, trust, openness and respect for people. The Board Governance Principles and Code of Conduct can be accessed on the Company's website at <a href="http://www.canfor.com">www.canfor.com</a> and a copy may be obtained from the Corporate Secretary 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. The Board did not hold a specific strategic planning session in 2004 due to the combination with Slocan. However, the Board did hold a full day strategic planning session in February 2005.   |
| (ii) Identification of the principal risks of the Company's business and ensuring implementation of appropriate systems to manage those risks   | Risk Management is the responsibility of the CFO and includes the identification and management of the principal risks of the Company's business. Regular reports on risk issues are made 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. Prior to the combination with Slocan, the Company had a succession plan in place, including personal development plans for senior management. The Company is currently working on revising the succession plan to take into account changes in personnel following the combination with Slocan. 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 29, 2005 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 14 Directors, 13 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 (or management) Director. Mr. Bentley, who was previously President and CEO of the Company, does not currently exercise management functions as Chairman of the Board and has not been a member of management of the Company since 1995 and is therefore considered to now be an unrelated director. No unrelated Director has entered into any contracts with the Company, received remuneration from the Company in excess of Directors compensation or worked for the Company in the last 5 years. Of the eleven individuals proposed as nominees for election as Directors at the Meeting, all are considered to be unrelated, outside directors other than Mr. Shepherd. More information about each Director can be found under "Election of Directors" herein.  |

<p>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.</p>	<p>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, geographic representation and the requirements of the Board in terms of skills and mix. The Committee is composed of six outside, unrelated directors.</p>
<p>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.</p>	<p>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. In addition, peer review questionnaires have been developed and peer reviews will be conducted commencing in 2005. Summarized results will be provided to the Directors. 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.</p>
<p>6. The board should provide an orientation and education program for new directors.</p>	<p>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, the Company’s Annual Information Form and other relevant materials. Visits to various operations sites of the Company are organized for such members by the Chairman of the Board.</p>
<p>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.</p>	<p>The Corporate Governance Committee reviews the size and effectiveness of the Board annually. At the Meeting, 11 Directors will stand for election. This is a decrease of 4 Directors from last year. The decrease in Board membership is the result of the Board’s determination that a smaller Board is more appropriate for the Company in the current stage of development of the Company. The Company has implemented a policy whereby if the CEO leaves the Company or if a director changes his/her principal occupation, they will offer their resignation as a Board member. The Board may accept or not accept the resignation.</p>
<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 as required 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.</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 entirely 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 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 and Board Governance Principles were adopted and a Code of Conduct was approved.</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 adopted Board 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 and has defined in it 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 objectives and 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 CSIP bonus is awarded on the basis of achievement of those goals and objectives.</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

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.

(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, 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. See "Appointment of Auditor" herein.

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 2004, no advisors were engaged on behalf of individual Directors.

## **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 earnings 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, any proposed financings and the method by which the Company measures financial results and performance. 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 four outside, unrelated Directors.

For further information regarding the Company's Audit Committee, see the Section of the Company's Annual Information Form dated March 21, 2005 entitled "Audit Committee Information," which is incorporated by reference herein.

### **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 Board Governance Principles and 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 five 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 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, 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.

## **Pension Committee**

The overall purpose of the Pension Committee is to oversee the administration, financial reporting and investment activities of the Company's pension plans. The Pension Committee is also responsible for reporting to the Board in respect of the actuarial soundness of the plans, the administration of the plans, investment policy, the performance of the investment funds and compliance with government legislation. Where contemplated by the Company's pension plan documents, the Pension Committee may appoint actuaries, auditors, trustees and investment counsel for each plan and seek to ensure that actuarial valuation studies are completed and contain such calculations, recommendations and information as required by applicable legislation or by the Company. The Pension Committee reviews and approves annually, a statement of investment beliefs and principles and the investment policies and procedures for each plan. The Pension Committee may, from time to time, recommend to the Board changes to the plans and their administration. The Pension 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 Pension Committee is composed of four unrelated, outside Directors.

## **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, 2004, the Company paid a total of \$1,837,000 to its auditors of which \$1,696,000 was for audit, tax and financial services and \$141,000 was for consulting services to the Company. The Audit Committee has the responsibility to approve any non-audit related services provided by the auditors of the Company exceeding \$100,000 and the Chairman of the Audit Committee has the authority to approve any such services exceeding \$50,000 but not in excess of \$100,000.

## **NORMAL COURSE ISSUER BID**

In 2004, the Board of Directors authorized the Company to conduct a normal course issuer bid (the "Issuer Bid"). The Issuer Bid commenced on October 15, 2004 and will terminate on the earliest of (a) the Company purchasing an aggregate of 6,578,868 Common Shares, which represents approximately 5% of the 131,577,364 Common Shares issued and outstanding as of October 1, 2004, or (b) October 14, 2005. The Board appointed a Bid Committee to oversee the purchase of Common Shares under the Issuer Bid and in accordance with the guidelines set by the Board. To March 21, 2005, the Company had purchased a total of 104,800 Common Shares, at an average price of \$14.6311 per share, all of which have been returned to the treasury of the Company for cancellation. Shareholders may obtain a copy of the normal course issuer bid notice filed by the Company with the TSX by contacting the Corporate Secretary of the Company.

## **PARTICULARS OF OTHER MATTERS TO BE ACTED UPON**

### **Alterations to Company's Charter Documents**

On March 29, 2004 the new British Columbia *Business Corporations Act* (the "New Act") came into force, replacing the former British Columbia *Company Act* (the "Old Act"). The New Act is a comprehensive modern corporate statute, that provides for additional flexibility for British Columbia companies, including the Company.

As a British Columbia company, the Company must, within two years after the coming into force of the New Act, make application to the Registrar of Companies for British Columbia ("Registrar") to carry out a "transition rollover," which will include a new Notice of Articles of the Company. The Notice of Articles will contain the information currently set out in the Company's existing Memorandum, namely, the name of the Company and its authorized share structure, as well as other information, including the addresses of its registered and records offices and the names and addresses of its directors. Upon the Notice of Articles coming into effect, the existing Memorandum will be replaced and will cease to have any force or effect.

The transition rollover of the Memorandum into the Notice of Articles can be authorized by the Directors of the Company, and it is anticipated that this will be applied for shortly after the mailing of this Information Circular and, in any event, before the Meeting. A copy of the proposed Notice of Articles is available for inspection at the registered office of the Company, at 1700 West 75th Avenue, Vancouver, B.C., during usual business hours.

### **Removal of Pre-existing Company Provisions**

Under the New Act, a British Columbia company incorporated under the Old Act (or its predecessor legislation) will be subject to the "Pre-Existing Company Provisions" as set out in Table 3 of the Business Corporations Regulation under the New Act (the "PCPs"), which continue certain provisions of the Old Act until the Company has taken steps under the New Act to make the PCPs inapplicable.

The PCPs relate to matters such as the maintenance of existing voting thresholds for special resolutions (three quarters of the votes cast), pre-emptive rights over the allotment and issue of shares (applicable only to non-public companies) and rateable purchases or redemptions of shares.

Because the Company is a public company, the PCPs are either not applicable to the Company under the terms of the New Act or are governed by securities legislation, except for the existing requirement that the threshold majority of votes required to pass a special resolution (and to pass other resolutions requiring a special majority) at a meeting of shareholders is three-quarters of the votes cast on the resolution. The same requirement applies to a special separate resolution of a class or series of shares. The New Act permits the required voting threshold for special resolutions to be between two-thirds and three-quarters of the votes cast.

A two-thirds majority requirement is an example of the increased flexibility in the New Act, and is consistent with the thresholds provided by other corporate statutes in Canada. Management is of the opinion that given that most of the PCPs are not applicable or are not of relevance to the Company as a public company, the PCPs should therefore be removed. Removal of the PCPs will permit the Company to establish the threshold majority for special and other resolutions at two-thirds, as discussed further below.

#### New Articles

The Company's existing Articles, which were prepared under the Old Act, do not reflect some of the terms of or the increased flexibility provided for in the New Act. New Articles have been prepared for the Company which are designed to reflect, and take advantage of, the provisions of the New Act, some of which are described below. The establishment of new Articles will include the replacement of the existing special rights and restrictions attached to the Preferred Shares of the Company, none of which are outstanding. Other than conforming the special rights and restrictions to the New Act, it is not intended that substantive changes to the special rights and restrictions be made at this time.

Copies of the existing Articles and of the proposed new Articles are available for inspection at the registered office of the Company, at 1700 West 75th Avenue, Vancouver, B.C., during usual business hours.

While many of the changes in the proposed new Articles are minor, there are some changes from the existing Articles which should be noted:

- (a) consistent with the discussion above, under the new Articles, the majority required for a special resolution to be passed at a shareholders' meeting will be two-thirds, instead of three-quarters, of the votes cast;
- (b) alterations to the Company's name, to the rights and restrictions applicable to shares and to the authorized share structure (called the "authorized capital" in the Old Act), and to the Articles can be done by ordinary resolution of the shareholders, rather than by special resolution;
- (c) the new Articles reflect the ability of the Company under the New Act to issue either share certificates or non-transferable written acknowledgements of a shareholder's right to obtain a share certificate;
- (d) the only restriction on the payment of dividends is that the Company not be insolvent;
- (e) alternate directors need no longer be directors themselves;
- (f) directors can be removed by ordinary resolution of the shareholders, instead of a special resolution;
- (g) directors who are convicted of an indictable offence or who cease to be qualified to act as directors can be removed by the directors and the directors can fill the vacancies;
- (h) requirements for disclosure and approval of interests of directors and officers in contracts and transactions will now be governed by extensive new provisions in the New Act;
- (i) the provisions relating to the indemnification of directors, officers and others have been changed to fit with the provisions of the New Act, one of which is that, in most cases, court orders are no longer required for the indemnification of directors and officers;
- (j) the directors' and officers' insurance provisions have been widened to fit with the New Act;
- (k) the new Articles permit notice to shareholders to be given by fax or email to the fax number or email address provided by the recipient, and also by any other method permitted by securities legislation, as well as by mail or delivery;
- (l) the number of directors can be changed by directors' resolution, rather than by an ordinary resolution of the shareholders (but the shareholders are still able to fill any vacancies so created);
- (m) the special rights and restrictions attached to the Preferred Shares (none of which are issued) have been changed to fit with the new terminology in the New Act (but are otherwise not substantively altered); and
- (n) directors can fix the remuneration of the auditor without the need of a shareholders' resolution specifically authorizing the directors to do this (as has always been the case in the past at annual general meetings).

**The Directors of the Company recommend that the shareholders vote in favour of the removal of the application of the PCPs to the Company, the deletion of the existing Articles and the substitution of the new Articles.**

Accordingly, shareholders will be asked to consider and, if thought fit, to pass, the special resolutions set forth below amending the Company's Notice of Articles to remove the application of the PCPs, to delete the existing Articles of the Company and to substitute a new set of Articles. These changes of the Notice of Articles and the Articles will take effect when separate Notices of Alteration of the Notice of Articles are filed with the Registrar.

The special resolutions to remove the application of the PCPs, to delete the existing Articles and to substitute the new set of Articles are as follows:

**RESOLVED, as a special resolution, that the Notice of Articles of the Company be altered to remove the application to the Company of the Pre-existing Company Provisions (being those provisions set out in Table 3 of the Business Corporations Regulation under the Business Corporations Act).**

**RESOLVED, as a special resolution, that the existing Articles of the Company, including Part 26 thereof containing the existing special rights and restrictions attached to the Preferred Shares of the Company, be deleted and cancelled, and that the form of Articles presented to the meeting, including Part 25 thereof containing the new special rights and restrictions which are hereby attached to the Preferred Shares of the Company, be created and adopted as the Articles of the Company in substitution for the existing Articles of the Company; such alterations to the Articles not to take effect until the Notice of Articles of the Company is altered to reflect such alteration to the Articles.**

Proxies received in favour of Management will be voted in favour of the special resolutions removing the application of the PCPs to the Company and deleting the existing Articles and substituting the New Articles and, unless otherwise directed, the persons named in the accompanying form of proxy intend to vote for the Special resolutions.

The necessary majority to pass the above special resolutions will be three-quarters of the votes cast on each of them at the Meeting.

#### Increase in Authorized Capital

The Company is currently authorized to issue 1,000,000,000 Common Shares without par value, of which 143,472,034 are currently issued and outstanding, and 10,000,000 Preferred Shares with a par value of \$25.00 each, of which none are currently issued and outstanding.

Under the New Act, a British Columbia company is permitted to have an unlimited number of shares which it is authorized to issue. This is consistent with other corporate legislation in Canada. Management is of the opinion that it would be beneficial to the Company to have an unlimited number of authorized shares, as this would enable the Company to respond quickly to business opportunities which might require the issue of shares of the Company, without the time and expense involved in calling an extraordinary general meeting of the shareholders to increase the number of shares the Company is authorized to issue, if that were necessary.

**The Directors of the Company recommend that the shareholders vote in favour of the resolution to remove the maximum numbers of shares the Company can issue.**

Accordingly, shareholders will be asked to consider and, if thought fit, to pass, the special resolution set forth below altering the authorized share structure of the Company to remove the maximum numbers of shares (both Common Shares and Preferred Shares) which the Company is authorized to issue. This amendment to the Notice of Articles will take effect when a Notice of Alteration of the Notice of Articles is filed with the Registrar.

The special resolution to remove the maximum number of shares the Company can issue is as follows:

**RESOLVED, as a special resolution, that the maximum numbers of Preferred Shares and of Common Shares of the Company that the Company is authorized to issue be eliminated, so that the Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares, and that the Notice of Articles of the Company be altered accordingly.**

Proxies received in favour of Management will be voted in favour of the special resolution removing the maximum numbers of shares the Company can issue and, unless otherwise directed, the persons named in the accompanying form of proxy intend to vote for the special resolution.

The necessary majority to pass the above special resolution will be three-quarters of the votes cast on it in person or by proxy at the Meeting.

#### OTHER INFORMATION

**These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.**

**By choosing to send these materials to you directly, the issuer (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.**

**The Company's Annual Report which contains the audited Financial Statements for the year ended December 31, 2004 and Management's Discussion and Analysis of Financial Condition and Results of Operations, which contain financial information relating to the Company, 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](http://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.  
March 21, 2005

