

Weldwood

Weldwood
of Canada Limited
1989 Annual Report



Our Forests, Our Future.

Weldwood

Weldwood of Canada Limited is a major Canadian manufacturer of forest products with logging and manufacturing operations in British Columbia, Alberta and Ontario.

In British Columbia the company owns and operates seven sawmills and three plywood plants and is part owner of the Babine Forest Products Company and Houston Forest Products Company sawmills and of the Cariboo Pulp & Paper Company pulp mill. In Alberta, Weldwood owns and operates a pulp mill and a studmill in Hinton and manufactures oriented strand board (OSB) in Slave Lake. In Ontario the company manufactures waferboard and hardwood plywood in Longlac. In addition, Weldwood owns 50% of Canfor-Weldwood Distribution Ltd., a Canada-wide building materials distribution business.

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The Twenty-sixth Annual General Meeting of the Company will be held in the Port of Vancouver Room, New World Harbourside Hotel, 1133 West Hastings Street, Vancouver, B.C. on Thursday, April 26, 1990 at 11:00 a.m.

Cover photograph:
Darla Teskey, summer student employed as planter at Weldwood's Hinton, Alberta Division.

Weldwood of Canada Limited Environmental Policy

Weldwood is committed to responsible stewardship of forest resources and the environment in which we live and work. In the conduct of our business, we will be governed by the following principles:

Weldwood will practise integrated resource management on the forest lands under its jurisdiction to enhance the long term sustainable fibre supply.

Weldwood will comply with all environmental regulations employing sound management practices and practicable technologies.

Weldwood will promote and develop environmental awareness and responsibility among its employees and maintain communications with its employees, the public and regulatory agencies.

Weldwood will regularly audit the environmental performance of its operations and report the results of such audits to its Board of Directors.



	1989	1988
Sales and Income		
Net sales	\$767,631	\$894,561
Income before income taxes and minority interest	110,947	116,320
Income taxes	45,099	47,351
Income before extraordinary item	65,390	68,414
Net income	65,390	62,050
Per Share		
Earnings before extraordinary item	\$ 1.79	\$ 1.95
Net earnings	1.79	1.78
Dividends40	.40
Shareholders' equity	11.94	10.55
Financial position		
Working capital	\$122,504	\$114,724
Total assets	912,380	706,967
Long-term debt	208,821	83,972
Shareholders' equity	435,762	384,839
Analytical information		
Ratio of current assets to current liabilities	2.0:1	1.8:1
Net debt as percentage of total capitalization ⁽¹⁾	28.4%	14.0%
Return on average capital employed ⁽²⁾	16.5%	17.5%
Return on shareholders' equity ⁽³⁾	17.0%	20.8%
Capital expenditures	\$202,543	\$211,158

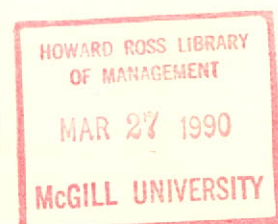
NOTES: (1) Net debt is defined as all interest-bearing debt less cash and temporary investments. Total capitalization is defined as the sum of net debt, deferred income taxes and shareholders' equity.

(2) Return on average capital employed is defined as income before extraordinary item and before interest expense, divided by average total capitalization, adjusted for major incomplete capital projects.

(3) Return on shareholders' equity is defined as income before extraordinary item less dividends paid on Preference Shares, divided by Common shareholders' equity at the beginning of the year.

Financial Highlights

(dollars in thousands,
except per share)



Directors' Report to the Shareholders

In last year's Annual Report, our closing comments were about people and the plans we had made for our company's 25th Anniversary. Now reviewing the year from both financial and philosophical viewpoints, it is obvious that the past twelve months have been a very important time for Weldwood.

From the financial aspect, 1989 was a satisfactory year for the company. Net income for the year was \$65.4 million, or \$1.79 per share. In comparison, 1988 net income before extraordinary loss was \$68.4 million or \$1.95 per share



and final net income after extraordinary loss was \$62.0 million or \$1.78 per share. Net sales for 1989 were \$767.6 million compared to \$894.6 million the previous year. The merger of the Weldwood and Canfor Corporation distribution businesses early in the year predictably impacted our sales figures. Since that time, the company's consolidated sales have not

included the value of purchased products previously resold by Weldwood's building materials division.

In this report we offer a change of style from past years. The Management's Discussion and Analysis and Financial Statements following this message present the details of our year. However, in these next few paragraphs, we would like to give you an insight into a number of other areas in which the company has been actively involved for a number of years.

The environment: Weldwood's proactive concern

One of the most important issues in our industry today, and indeed around the world, is the environment. In our company, an internal task force was created to review, analyze and report back on the whole issue of environmental protection where it concerned our various operations. This report highlighted both the positive and negative practices and conditions within our organization, and prompted the creation of an effective committee network. A plan emerged and Weldwood's Environmental Policy was developed and is featured in this Annual Report. It sets out both our company's responsibilities and our commitment to the future.

Another element in our environmental plan has been education. Our company has spent time talking to our people and to the general public about critical environmental issues in our industry.

Weldwood feels very strongly about its educational role and one of the subjects that has frequently been addressed is harvesting techniques. The clearcut logging method, for example, has been criticized for damaging the environment. The immediate impact of this harvesting method is not aesthetically pleasing, but it is essential that the public be made aware of the principles involved in clearcutting. Normally, only a portion of an area is cut initially. The remaining area is left untouched until the clearcut has been regenerated and "greened-up." In fact, in many cases, clearcutting is the only technique available to us if we wish to regenerate our forests to their former state. There are many examples of thriving young forests in this country that are a result of earlier clearcutting. Other methods of logging can create a hazardous work environment, but where practical we do conduct selective logging.

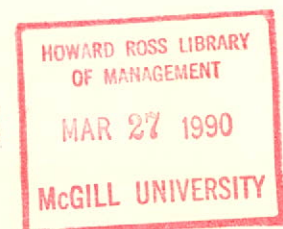
If we wish to enjoy a continuation of our industry and the contribution it makes to our well-being in Canada, it is obvious that those of us involved must remain dedicated to forest renewal. In particular, we must concentrate on informing the public of the realities of forest management.

Communications... the two-way link

Two years ago, as part of a strategic exercise, we decided to find out what our employees thought about their work experience at Weldwood. We wanted some answers from all levels of our operations. A questionnaire was developed and distributed to employees. The response revealed to us much about how our people felt, what they expected for themselves, how they regarded the company. We learned from this experience, launched a number of initiatives, and through them we have grown considerably. Today, we try to communicate more often on a wide range of subjects pertaining to our business. We know that our efforts are working. We're hearing the results from our employees, from the communities in which we operate, and from our customers.

Our strength – our employees

Weldwood is a good company to work for. We've been told that time and time again. The fact that many of our people have 20 years and more with us, speaks for itself. Employees have had opportunities to grow throughout our company. Through the employee questionnaire our people told us they wanted more participation. We will therefore develop additional training programs and provide assistance for those employees who wish to increase their skills and expand their role within the organization. In addition, this year we plan to increase the



company's expertise in the area of organizational change. We are committed to ensuring that our people have the opportunity to better themselves to reach their real capacity and participate more effectively throughout the organization.

Planning our tomorrow... the essential discipline

Product development and business planning are integral parts of our daily life. We need to identify opportunities, counter negative trends, maintain corporate flexibility. We must constantly identify the types of products our customers want, not just now, but five years from now. We need to know what our customers think of us and how we can serve them better. These priorities are continually addressed throughout our organization and the issues they raise require some very innovative answers. Answers which will help us create a stronger future for our company. The industry is changing dramatically and we must ensure that Weldwood continues to stay ahead of these changes.

25 years...and growing

Our corporate style has changed, but not our emphasis on people. This past year, Weldwood's 25th Anniversary prompted many activities within the communities in which we operate. We supported a number of projects and donated to worthy causes. The

University of British Columbia and Simon Fraser University, along with Science World in Vancouver, are just three of the more visible beneficiaries. In Quesnel, we donated funds for a new arena expansion and for the past two years we have sponsored major cross-country skiing events in Burns Lake and 100 Mile House. We realize how important community life is to our people and will continue to take our responsibilities at this level very seriously. These initiatives are the products of our all-important long-term planning and people priorities.

Completion of Pulp Expansion Projects

Our expansion plans are now coming to fruition. Cariboo Pulp & Paper, our joint-venture operation in Quesnel, B.C., completed its expansion program mid-year. The major undertaking at our Hinton Pulp Division in Alberta will be completed this spring, and its start-up will be a major milestone in Weldwood's history.

Outlook

Environmental issues pose challenges not only for Weldwood, but also for the industry as a whole. We believe we can meet the challenge with our emphasis on people supported by a large capital expenditure program. In this way Weldwood will continue to be the preferred company to work for and invest in.

On behalf of the Directors



THOMAS A. BUELL

*Chairman of the Board,
President and Chief Executive Officer*

Management's Discussion and Analysis

Logging and Forestry

In 1989, 5.0 million cubic metres of wood were harvested by Weldwood and its affiliated companies from an area of 17,500 hectares. Of this total, our operations in British Columbia accounted for 4.1 million cubic metres (which approximated last year's volume), with the balance mostly in Alberta.

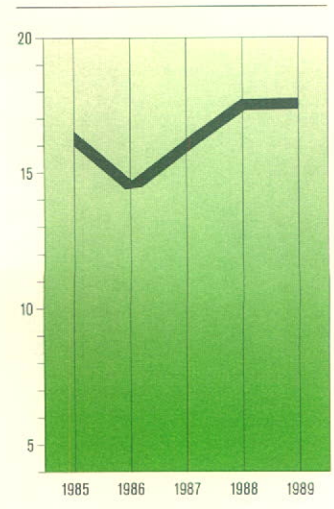
The beetle infestation of the mid-80's which destroyed thousands of hectares of forest in the Interior of British Columbia is now virtually eliminated.

During 1989, forest fires claimed 123 hectares and 7,200 cubic metres of timber in B.C. and Alberta but were not a major factor in our operations.

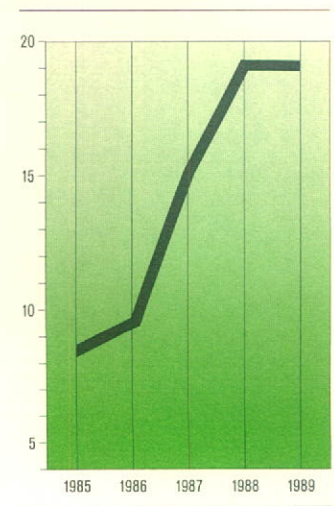
In 1989 Weldwood's reforestation plan included planting 18.9 million seedlings on 14,440 hectares. During the year three million seedlings were grown in our Hinton Division greenhouse.

As part of our company's ongoing silviculture program in 1989, Weldwood and four joint-venture partners opened the Vernon Seed Orchard Company Limited. Following extensive research, this operation was established for the purpose of providing genetically improved seeds. The seedlings produced will have superior wood quality and growth characteristics. Tree improvement is a vital component of forestry in the province of B.C. With lower timber supply forecasts and the

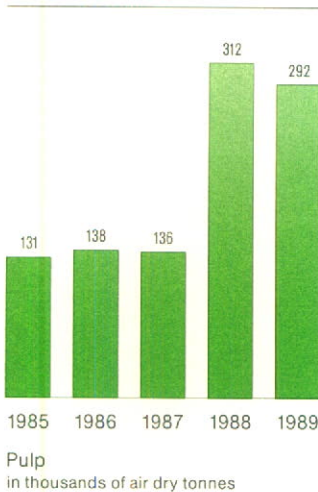
Areas Logged
in thousands of hectares



Trees Planted
in millions



Production Summary



continued alienation of forest land to other uses, more timber must be grown on a diminishing land base. This orchard will satisfy our total seed requirements for the Interior of B.C.

Although harvesting is still the prime objective of the forest management agreements between our company and the respective provincial governments, Weldwood's planning and practices take into consideration the impact of logging on recreation, wildlife, fisheries, watershed and aesthetics.

Pulp

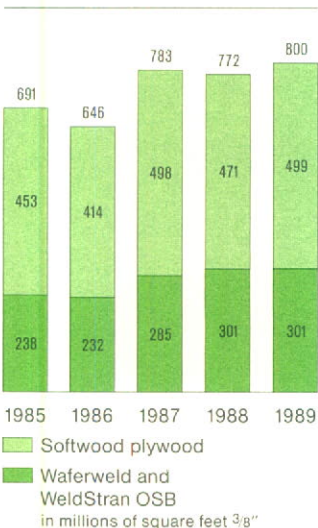
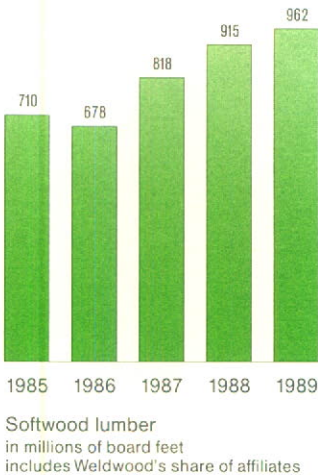
Market Update

Four years of continuous growth in pulp market demand slowed in the first half of 1989 leading to a modest increase in producers' inventories of all grades of bleached kraft pulp. Paper manufacturing capacity grew in all major markets during the year and favourable economic conditions supported satisfactory operating rates. This provided good market support for the premium northern softwood kraft pulp which we manufacture. The pressure of slowing growth began to affect the price levels of southern U.S. softwood and hardwood kraft

pulp by the fourth quarter. This condition was accentuated by a market pulp inventory reduction program in Japan. Consequently, during the first quarter of 1990, prices for various market pulps, other than northern softwood, had eroded substantially from 1989 levels. The result of weakness in this sector will be increasing pressure for lower northern softwood prices. However, we are hopeful that with satisfactory world paper markets and stable currencies, markets for our pulp will be reasonably strong throughout the year.

Pulp Operations

The expansion at Cariboo Pulp & Paper in Quesnel was completed in June 1989, raising the mill's annual production capacity to 330,000 tonnes. Production for the year was 247,000 tonnes compared to 274,000 tonnes in 1988 reflecting downtime necessary to implement the expansion project. The Cariboo mill is targeting to achieve capacity production by the end of 1990. This year the mill will commence installation of a \$35 million oxygen delignification system which will help achieve new environmental standards related to chlorinated organic compounds.



In Alberta, the Hinton Division pulp mill expansion project is entering its start-up phase, and will be ramping up to its 385,000 tonnes annual capacity over the next 12 months. The expanded mill incorporates all of the latest process technology to minimize the impact on the environment. In 1989 Hinton produced 168,000 tonnes of bleached softwood kraft pulp, 25,000 tonnes less than in 1988. This reflects the impact of the ongoing project work, where periodically up to 1,800 construction workers were on the site of the existing mill operation.

The additional volume from our Hinton operation, combined with that of the Cariboo mill, will boost Weldwood's position as a world-class cost competitive supplier to all of the world's major pulp markets.

Lumber

Market Update

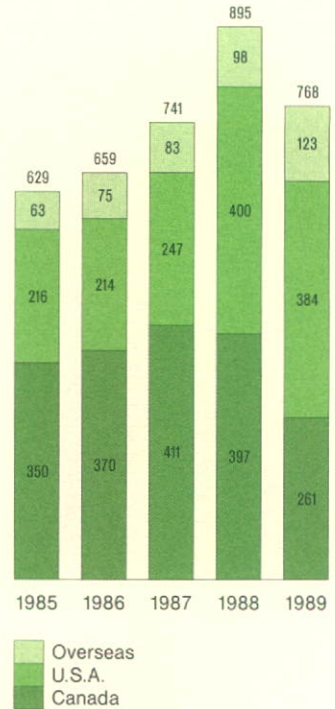
The supply/demand balance during 1989 resulted in our products trading in a very narrow price range. The only exception to this scenario was during

the second and third quarters, when the supply of Douglas Fir from the U.S. Pacific North West was under environmental pressures and prices increased dramatically on that specific product.

There continues to be a growing trend in all wood markets to maintain a "just-in-time" inventory. We are responding where possible to enable us to be in the right place at the right time with the specific product required. Our customers are becoming more demanding as they struggle to remain competitive in their particular geographic area of the world. We in turn are actively fine-tuning our customer service because we anticipate that business will become even more competitive as we progress through the 90's.

We continued to focus on our customers' needs during 1989 and were successful in increasing our sales volume to the retail and industrial sectors. This focus will continue for 1990 with plans to increase the emphasis on supplying a wider range

Net Sales by Market
in millions of dollars



Net Sales by Market (in millions)

Softwood plywood	\$124.7	\$103.1	\$ —	\$ 21.6
Waferweld and Weldstran O.S.B.	43.2	25.7	16.4	1.1
Hardwood plywood	30.8	11.4	19.4	—
Softwood lumber	267.4	62.5	178.4	26.5
Logs	51.2	50.1	—	1.1
Pulp	243.1	1.3	169.6	72.2
Other products	7.2	6.7	.5	—
	<u>\$767.6</u>	<u>\$260.8</u>	<u>\$384.3</u>	<u>\$122.5</u>
%1989	100.0	34.0	50.1	15.9
%1988	100.0	44.4	44.7	10.9

	1989			
	Total	Canada	U.S.	
Softwood plywood	\$124.7	\$103.1	\$ —	\$ 21.6
Waferweld and Weldstran O.S.B.	43.2	25.7	16.4	1.1
Hardwood plywood	30.8	11.4	19.4	—
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%1989	100.0	34.0	50.1	15.9
%1988	100.0	44.4	44.7	10.9

of products to our customer base.

Consumption in the U.S. market has been declining since the record high of over 50 billion FBM in 1987.

The U.S. North East was particularly difficult. Customers were extremely defensive as product prices and inventory values eroded during most of the year. Competition in the region was fierce as our customers positioned themselves for the limited business available. In addition, the U.S. exchange rate worked against us during the year – especially in the fourth quarter. We ended the year with the Canadian dollar 3% stronger than at the start of the year.

The Western Red Cedar market experienced a difficult year. Prices weakened during most of the year as producers forced their products onto the market. The poor performance in cedar markets was reflected directly in the results of our mill in Port Moody, British Columbia. Douglas Fir, on the other hand, was in short supply. Coupled with the strong demand from Western Canada, Western U.S.A., and offshore markets, this resulted in record prices during the middle of the year. However, prices weakened as we approached year end where supply and demand were more balanced.

Offshore markets were stable during the year as most products were delicately balanced. The exceptions to this were Western Red Cedar upper grades and Douglas Fir timbers. We were able to increase our volumes to both Australia and Japan during the year.

Panelboards

Market Update

The increase in panelboard production together with a reasonably buoyant market allowed us to achieve record shipments for our interior sheathing mills, Longlac hardwood plywood and Alberta WeldStran OSB. Softwood plywood prices were on average 10% higher than 1988 levels and were particularly strong from May through October. They fell dramatically at year end. Waferboard prices were also 10% higher than 1988 as compared to OSB where the gain was close to 25%. Similar to softwood plywood, prices for waferboard and OSB were under downward pressure in November and December. Hardwood plywood prices increased slightly over 1988 and we shipped a larger volume into the Canadian market. The sales realization for U.S. shipments of hardwood plywood, waferboard and OSB was

reduced by the strength of the Canadian dollar.

During 1989 our offshore volume of panelboards through our agent, Seaboard Lumber Sales Company Limited, was increased by close to 15% with favourable returns despite aggressive competition. Market preference for COFI Canadian plywood continues to be a positive factor.

The outlook for the coming year is uncertain considering the increased interest rates, a let-up in new housing activity, particularly in eastern Canada, and overall economic conditions.

Lumber and Panelboard Operations

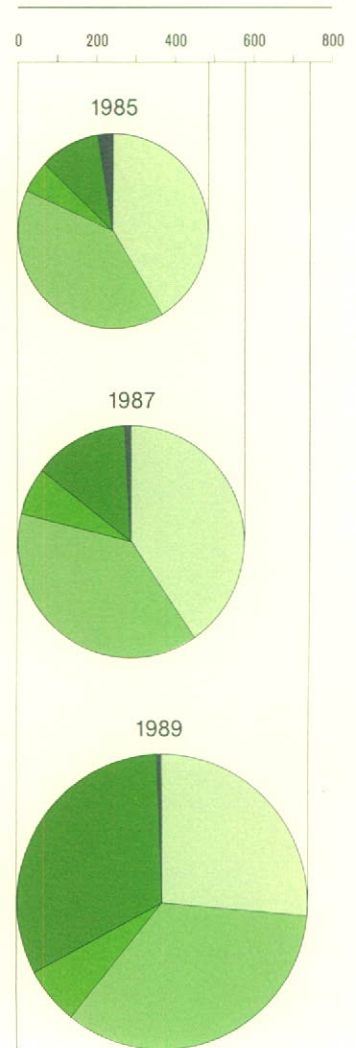
On the lumber side, of the eight sawmills that we manage, six achieved record production this year. In panelboards, production records were attained by four of the five plants.

A contributing factor to attaining the 1989 production levels has been the preventive maintenance program which has been introduced in many of our operations.

In the company's B.C. Interior operations, significant initiatives were developed to improve sales returns by creating additional product lines.

Products produced by Weldwood

Sales in millions of dollars



Net Sales by Product

(in millions)

Products produced by Weldwood:

	1989	1988	1987	1986	1985
Softwood plywood	*\$124.4	\$129.4	\$144.4	\$137.9	\$125.2
Waferweld and Weldstran O.S.B.	*43.2	44.1	46.1	42.1	39.5
Hardwood plywood	*29.7	37.5	44.4	33.9	36.2
Softwood lumber	255.7	247.0	221.7	178.8	197.4
Logs	45.7	45.3	37.0	30.1	25.1
Pulp	243.1	235.8	84.0	72.3	51.5
Other Products	1.1	1.0	1.5	1.2	11.1
	742.9	740.1	579.1	496.3	486.0
Products purchased and resold	24.7	154.5	161.9	162.6	142.8
	\$767.6	\$894.6	\$741.0	\$658.9	\$628.8

*Prior to February 1, 1989 creation of CanWel, most of these sales were at the wholesale distribution level, subsequently all sales are at the manufacturing level.

Capital expenditures of over \$12 million were directed to solid wood operations in 1989.

The sawmill proposed to be built in the Hinton area is not yet underway. This is due to uncertain economic factors, which may impact its long term viability.

Building Materials Distribution

Canfor-Weldwood Distribution Ltd. (CanWel) was formed February 1, 1989 by the merger of the wholesale building materials distribution divisions of Canfor Corporation and Weldwood of Canada Limited.

The new company is owned equally by Canfor and Weldwood.

CanWel incurred significant start-up costs relating to the consolidation of branches, and staff reduction. Its performance in 1990 will be heavily dependent on new housing construction and renovation markets. New housing is being adversely impacted by high interest rates and economic uncertainties. Renovation markets are expected to increase this year.

Financial Review

Income before extraordinary item was slightly below the company's 1988 results, but it was another successful year from a financial viewpoint.

Return after tax on average capital in use (excluding the Hinton expansion) was 16.5% and return on shareholders' equity 17%.

The decrease in net sales from 1988 to 1989 was related to sales of purchased products made by our building materials division, which became part of the business of CanWel.

The significant increase in working capital (\$68.7 million) shown in the Statement of Changes in Cash Position is due to a combination of unrelated events. Subsequent to the sale of net working capital of \$35.7 million to CanWel (included in Investment Activities section of the statement) Weldwood extended to CanWel current trade credits and temporary

Capital Expenditures

(in thousands)

	1989	1988	1987	1986	1985
Wood Products.....	\$ 12,068	\$ 18,723	\$ 42,601	\$ 20,891	\$ 5,309
Pulp	189,051	191,708	3,098	1,768	2,319
Other.....	1,424	727	2,755	1,444	674
	<u>\$202,543</u>	<u>\$211,158</u>	<u>\$ 48,454</u>	<u>\$ 24,103</u>	<u>\$ 8,302</u>

advances, which at year end amounted to \$7.6 million and \$10 million respectively.

Trade accounts payable declined by \$24.7 million because of reduced purchasing activity on capital projects at year end. Finally, income tax receivable of \$8.4 million was recorded based on the high level of expenditures at Hinton, and general inventory levels increased by \$15.5 million.

During the year the company's common shares traded in a range between \$14½ and \$21½ and closed at \$16. The high of \$21½ was reached on only a small volume of shares just prior to the Weldwood and Canfor distribution merger and caused us to halt trading until the merger announcement was made.

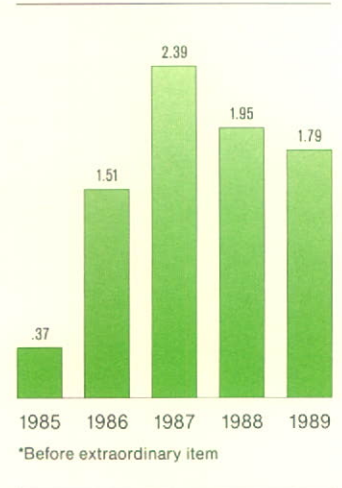
Capital spending in 1989 was again concentrated on pulp mill expansion projects. The Cariboo Pulp & Paper Company expansion was completed with our share of the cost being \$35.6 million. At Hinton, where the

project will be completed in the first quarter of 1990, we spent \$188 million including deferred expenditures. In addition, a major upgrade of our computer operations was made in 1989 to accommodate on-line systems at all locations, and provide service to CanWel warehouses across the country.

To finance these major capital expenditures, long term debt was increased by \$125 million. However, net debt as a percentage of total capitalization at year end only increased to 28.4%. Loans were drawn in U.S. dollars with interest averaging 9.5%, an excellent rate when compared to much higher Canadian borrowing costs. Any gains or losses on the translation of the U.S. dollar debt are being deferred and will be recognized when repayments are made.

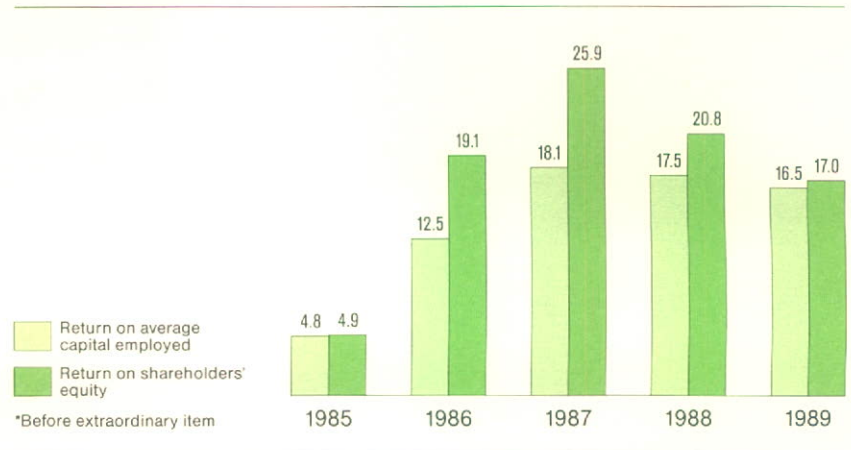
Earnings Per Share*

in dollars



Returns*

per cent



Net interest costs for the year, of approximately \$13 million, were deferred because they were attributable to the major capital projects. Upon completion of the Hinton project, interest costs will again be charged against income.

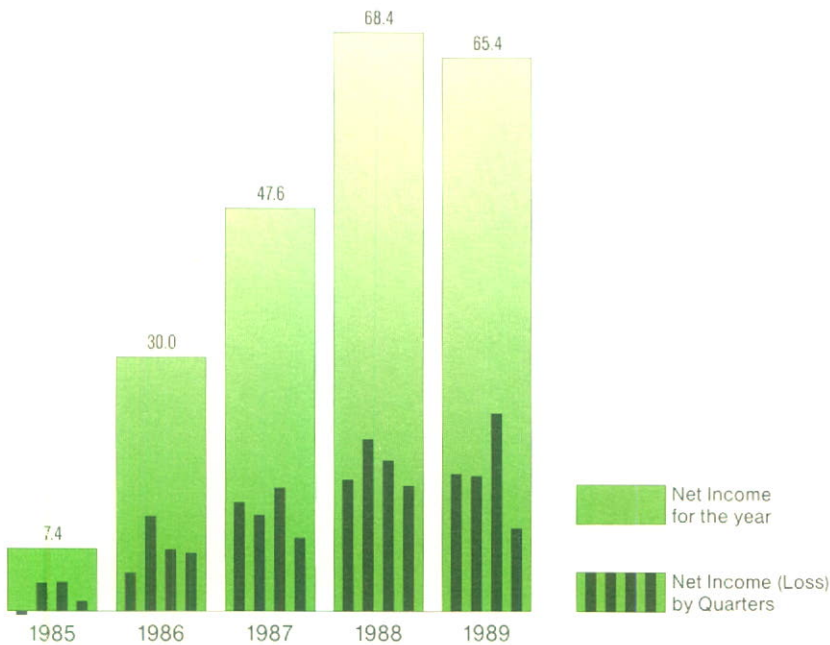
The strengthening Canadian dollar once again had a major impact on earnings. The average exchange rate for the year increased from 81 cents (U.S.) to 84 cents and each one cent gain reduced revenue by about \$5 million.

The company's ability to finance its future needs is assured by unutilized long-term lines of credit of more than \$145 million. In addition, Weldwood has unused current lines of credit of approximately \$63 million.

As well as being one of Canada's premier building materials companies, Canfor-Weldwood Distribution Ltd. brought significant financial benefits to the company. Weldwood has ongoing trade receivables with CanWel but working capital and other assets have been reduced by a net \$23 million. Proceeds from sales of warehouses will yield in excess of \$15 million over 1989 and 1990. Some of these properties will be leased back by CanWel.

The company has an agreement in principle to sell the Kent Avenue plywood mill to Westcoast Plywood Company Ltd., a company formed by mill employees. The expected proceeds should substantially cover the book value of both the assets to be sold and the accumulated deferred costs of disposition.

Net Income (Loss)* by Quarters
in millions of dollars



(0.5)	4.5	12.9	15.5	16.2	1st quarter
3.3	11.3	11.4	20.3	16.0	2nd quarter
3.4	7.3	14.6	17.8	23.4	3rd quarter
1.2	6.9	8.7	14.8	9.8	4th quarter

*Before Extraordinary Item

	1989	1988
Net sales	\$767,631	\$894,561
Costs and expenses		
Cost of sales	616,070	721,107
Selling, shipping and warehouse	11,707	23,626
General and administrative	38,571	40,286
Operating income	101,283	109,542
Interest (Note 13).....	—	—
Gain on disposal of property and equipment	4,880	1,384
Other income (Note 14).....	4,784	5,394
Income before income taxes and minority interest	110,947	116,320
Income taxes (Note 15)	45,099	47,351
Minority interest.....	458	555
Income before extraordinary item	65,390	68,414
Extraordinary item (Note 16)	—	6,364
Net income	65,390	62,050
Retained earnings—beginning of year	219,057	168,523
Acquisition of subsidiary.....	—	3,084
Dividends (Note 11)	(14,604)	(14,600)
Retained earnings—end of year	\$269,843	\$219,057
Earnings per share before extraordinary item	\$ 1.79	\$ 1.95
Earnings per share	\$ 1.79	\$ 1.78

Consolidated Income and Retained Earnings

For the Years Ended
December 31
(in thousands,
except per share)

Consolidated Balance Sheet

at December 31
(in thousands)

ASSETS	1989	1988
Current		
Cash and temporary investments.....	\$ 1,288	\$ 13,799
Accounts receivable (Note 2)		
Trade.....	60,350	63,878
Parent company	12,729	21,678
Other	20,067	10,270
Inventories (Note 3)	114,910	121,081
Income taxes recoverable	8,419	—
Prepaid expenses	12,402	13,961
Company's share of current assets of joint ventures.....	18,996	15,785
	<u>249,161</u>	<u>260,452</u>
Investments and other assets (Note 2).....	6,845	3,572
Timber and roads (Note 4).....	11,421	9,914
Property and equipment (Note 5).....	579,825	411,599
Deferred charges (Note 6).....	65,128	21,430
	<u>\$912,380</u>	<u>\$706,967</u>

LIABILITIES	1989	1988
Current		
Bank indebtedness	\$ 20,380	\$ 7,739
Accounts payable and accruals	85,682	118,130
Income taxes	—	679
Company's share of current liabilities of joint ventures	20,503	19,180
Current portion of long-term debt (Note 7)	92	—
	<u>126,657</u>	<u>145,728</u>
Long-term debt (Note 7)	208,821	83,972
Deferred income taxes	139,135	90,142
Minority interest	2,005	2,286
Shareholders' equity		
Share capital (Note 10)	156,746	156,609
Contributed surplus	9,173	9,173
Retained earnings	269,843	219,057
	<u>435,762</u>	<u>384,839</u>
	<u>\$912,380</u>	<u>\$706,967</u>

Approved by the Directors



THOMAS A. BUELL



COLIN B. WARNER

Consolidated Changes in Cash Position

For the Years Ended
December 31
(in thousands)

	1989	1988
CASH GENERATED BY (REQUIRED FOR)		
Operating Activities		
Income before extraordinary item	\$ 65,390	\$ 68,414
Items not affecting cash:		
Depreciation and amortization (Note 12)	32,331	29,318
Deferred income taxes	47,919	33,783
Other	(1,059)	(829)
Decrease (increase) in operating working capital	(68,729)	21,277
	<u>75,852</u>	<u>151,963</u>
Investing Activities		
Capital Expenditures:		
Property and equipment	(199,738)	(208,391)
Timber and roads	(2,805)	(2,767)
Proceeds from sale of property and equipment	5,904	2,825
Increase in deferred charges	(44,923)	(13,078)
Acquisition of subsidiary	—	(98,858)
Sale of wholesale building materials business (Note 17)	40,831	—
Increase in investments and other assets	(10,010)	(3,170)
	<u>(210,741)</u>	<u>(323,439)</u>
Financing Activities		
Issue of Common Shares on acquisition of subsidiary	—	112,589
Issue of Common Shares for cash	137	60
Dividends to:		
Shareholders	(14,604)	(14,600)
Minority shareholder of a subsidiary	(738)	(631)
Long-term debt — retirement	—	(19,493)
— increase	124,942	83,972
	<u>109,737</u>	<u>161,897</u>
NET CASH (LOAN) POSITION*		
Increase (decrease) during the year	(25,152)	(9,579)
Balance at beginning of year	6,060	15,639
Balance at end of year	<u>\$ (19,092)</u>	<u>\$ 6,060</u>

*Net cash position is comprised of cash and temporary investments less bank indebtedness.

I. Summary of Significant Accounting Policies

A. CONSOLIDATION

The consolidated financial statements, which are prepared in accordance with generally accepted accounting principles in Canada, include all subsidiary companies (Note 19).

B. JOINT VENTURES

The investments in joint ventures (Note 19) are presented in the consolidated financial statements on a proportionate consolidation basis. Under this method, the Company's share of assets and liabilities of joint ventures is included in each major balance sheet classification.

The principals in the ventures are committed to pay their share of the production costs and to receive their share of the production. The revenue from the sale of the Company's share of the production is included in net sales and its share of costs is included in costs and expenses.

C. EQUITY INVESTMENT

Investment in Canfor-Weldwood Distribution Ltd. (Note 17) is recorded by the equity method of accounting. The Company's share of net income or loss is included in other income.

D. INVENTORIES

Inventories are stated at the lower of average cost and net realizable value.

E. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost net of accumulated depreciation and unamortized investment tax credits. Government assistance relating to property and equipment expenditures is recorded as a reduction of the cost of the related asset.

F. DEPRECIATION

Except for major units of logging equipment, depreciation is calculated using the straight-line method at the following rates applied to the original cost less estimated salvage value:

Buildings and land improvements	2.5 to 20.0%
Machinery and equipment, other than logging	4.2 to 33.3%
Logging equipment, other than major units	10.0 to 33.3%
Automotive equipment and aircraft	10.0 to 33.3%

Major units of logging equipment are depreciated on a usage basis.

G. DEPLETION

Timber holdings are depleted on a production basis over the volume of timber to be harvested.

Notes to Consolidated Financial Statements

Note 1

H. ROAD AMORTIZATION

Capitalized logging roads are amortized on a production basis, at rates based on the volume of timber developed.

I. DEFERRED CHARGES

Significant preproduction and start-up costs incurred on major capital projects are deferred until conclusion of the start-up period and then amortized over a period not to exceed five years. Interest and financing costs directly attributable to major capital projects are deferred and amortized over the estimated life of the underlying assets.

J. INCOME TAXES

Income taxes are accounted for by the deferred tax allocation method. Under this method, the provision for taxes is made in the year transactions affect net income as opposed to when such items are recognized for tax purposes. Differences between the provision for taxes and taxes currently payable are reflected as deferred income taxes. Investment tax credits relating to property and equipment additions during the year are accounted for using the cost reduction method. This method requires investment tax credits to be deducted from the cost of asset additions and has the effect of bringing the credit into income over the life of the asset rather than in the year in which it was earned.

K. EARNINGS PER SHARE

Earnings per share are calculated using the weighted average number of Common Shares outstanding during the year. For the purpose of this computation, net income is reduced by dividends paid on the 5¼% Cumulative Redeemable Preference Shares, Series A.

L. FOREIGN EXCHANGE

Purchases and sales in foreign currencies are translated into Canadian dollars at rates of exchange prevailing at transaction dates. Asset and liability accounts in foreign currencies are translated at the rates of exchange in effect at balance sheet dates. The effect of any fluctuations in exchange rates between balance sheet dates and the dates of transactions and of settlements is reflected in other income. Long-term debt payable in U.S. funds is hedged by future U.S. dollar revenue streams, accordingly any gains and losses are deferred and recognized when repayments are made.

Note 2

2. Transactions with Related Companies

- A. Sales of bleached kraft pulp to the parent company, Champion International Corporation (Champion) (Note 10) totalled \$136,113,000 in 1989 (\$86,990,000 in 1988). Sales to Champion are made on essentially the same terms which apply to the Company's other customers. During the year, the Company paid Champion \$2,361,000 (\$1,941,000 in 1988) in commission and fees on pulp sales and \$2,251,000 (\$2,999,000 in 1988) for engineering and technical services.
- B. Sales of panelboard and lumber to Canfor-Weldwood Distribution Ltd. (CanWel) totalled \$104,893,000 in 1989 (Note 17). Sales to CanWel are made on essentially the same terms which apply to the Company's other customers. At December 31, 1989, trade accounts receivable include \$7,561,000, other accounts receivable include \$10,910,000 and other assets include \$5,000,000 receivable from CanWel. In addition, the Company charged CanWel rent, computer services and interest totalling \$4,091,000 in 1989.

3. Inventories <i>(in thousands)</i>	1989	1988
Logs	\$ 64,255	\$ 62,839
Panelboard	6,767	17,461
Lumber	19,709	18,950
Pulp	3,302	3,038
Supplies and other	20,877	18,793
	<u>\$114,910</u>	<u>\$121,081</u>

Note 3

4. Timber and Roads <i>(in thousands)</i>	1989	1988
Timber holdings		
Cost	\$ 10,216	\$ 10,577
Accumulated depletion	9,201	9,093
	<u>1,015</u>	<u>1,484</u>
Logging roads		
Cost	50,419	43,510
Accumulated amortization	42,130	36,855
	<u>8,289</u>	<u>6,655</u>
Company's share of roads of joint ventures		
Cost	4,625	3,949
Accumulated amortization	2,508	2,174
	<u>2,117</u>	<u>1,775</u>
	<u>\$ 11,421</u>	<u>\$ 9,914</u>

Note 4

5. Property and Equipment <i>(in thousands)</i>	1989			1988
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 4,822	\$ —	\$ 4,822	\$ 4,948
Buildings	72,245	45,153	27,092	30,034
Machinery and equipment	267,394	150,484	116,910	130,628
Logging equipment	30,201	19,994	10,207	8,666
Construction in progress	357,355	—	357,355	190,072
Company's share of property and equipment of joint ventures	136,297	60,824	75,473	60,015
Investment tax credits	(14,506)	(2,472)	(12,034)	(12,764)
	<u>\$853,808</u>	<u>\$273,983</u>	<u>\$579,825</u>	<u>\$411,599</u>

Note 5

6. Deferred Charges <i>(in thousands)</i>	1989			1988
	Cost	Accumulated Amortization	Net	Net
Interest and financing costs	\$ 22,714	\$ 4,263	\$ 18,451	\$ 5,508
Unrealized foreign exchange gain on long-term debt	(5,067)	—	(5,067)	(946)
Preproduction and start-up costs ..	43,315	2,925	40,390	12,931
Other	11,354	—	11,354	3,937
	<u>\$ 72,316</u>	<u>\$ 7,188</u>	<u>\$ 65,128</u>	<u>\$ 21,430</u>

Note 6

Note 7

	1989	1988
<i>(in thousands)</i>		
Bank Loan – US \$150 million (US \$70 million in 1988)	\$173,712	\$ 83,513
Bank Credit Agreement – US \$30 million ..	34,742	–
Other	459	459
	<u>208,913</u>	<u>83,972</u>
Less: Amounts due within one year	(92)	–
	<u>\$208,821</u>	<u>\$ 83,972</u>

The bank loan (US \$150 million) is repayable in installments from 1992 to 1995. Under the bank credit agreement (\$100 million or US equivalent) the Company has borrowed US \$30 million by way of bank-guaranteed promissory notes, repayable from 1992 to 1996. The Company's debts under these obligations are unsecured and are guaranteed as to principal and interest by the Province of Alberta. Interest is at prevailing market rates related to London interbank offered rate (LIBOR) and averaged 9.5% in 1989 and 8.6% in 1988.

Principal payments required on long-term debt in each of the next five years are:

1990—\$ 92,000	1993—\$26,149,000
1991—\$ 92,000	1994—\$86,949,000
1992—\$17,463,000	

The Company has available an additional unused term bank line of credit of \$80 million repayable over 7 years.

At December 31, 1989, the Company had unused short-term bank lines of credit of approximately \$63 million.

Note 8**8. Retirement Plans**

Retirement plans cover substantially all salaried and certain hourly employees. Pension costs are based on management's best estimates of the pension plans' expected investment returns, salary escalation and ages when employees will retire. These include the Company's share of Joint Ventures' pension plans.

Pension plan benefit obligations and assets as of the latest valuation date:

<i>December 31</i> <i>(in thousands)</i>	1989	1988
Present value of accrued pension benefit obligations	\$ 71,366	\$ 63,179
Pension fund assets	\$ 82,511	\$ 77,946

Certain of the above obligations are unfunded and are secured by letters of credit in the amount of \$8,600,000.

Changes subsequent to the date of the latest valuation:

(a) improvements in benefits under certain pension plans have increased the present value of benefit obligations by approximately \$2,700,000.

(b) the creation of Canfor-Weldwood Distribution Ltd. on February 1, 1989 (Note 17) reduced benefit obligations and pension fund assets by approximately \$7,700,000 and \$9,400,000 respectively.

Note 9**9. Commitments****A. LONG-TERM LEASE**

The Company is committed to pay an aggregate amount of \$15,034,000 under long-term, non-cancellable operating leases having a term exceeding one year. The maximum lease term is 30 years and the latest expiry date is 2011.

Lease payments required in each of the next five years are:

1990—\$2,241,000	1993—\$1,565,000
1991—\$2,376,000	1994—\$1,599,000
1992—\$2,016,000	

9. Commitments (continued)

Note 9

The Company's share of lease commitments of joint ventures is \$1,164,000 in aggregate and as follows in the next five years:

1990—\$408,000	1993—\$77,000
1991—\$397,000	1994—\$ 6,000
1992—\$276,000	

B. AGREEMENT TO SELL MILL ASSETS

The Company has an agreement in principle to sell the Kent Avenue plywood mill to Westcoast Plywood Company Ltd., a company formed by mill employees. The expected proceeds should substantially cover the book value of the assets to be sold and the accumulated deferred costs of disposition.

10. Share Capital

Note 10

A. AUTHORIZED AND OUTSTANDING
(dollars in thousands)

	Authorized No. of Shares	Outstanding December 31, 1989		Outstanding December 31, 1988	
		No. of Shares	Amount	No. of Shares	Amount
5¼% Cumulative Redeemable Preference Shares, Series A with a par value of \$20 each (Note 11)	275,000	25,000	\$ 500	25,000	\$ 500
Series B Preference Shares with a par value of \$20 each	225,000	—	—	—	—
Common Shares without nominal or par value	50,000,000	36,445,382	156,246	36,435,482	156,109
Ordinary Shares without nominal or par value	8,000,000	—	—	—	—
Outstanding at end of year			<u>\$156,746</u>		<u>\$156,609</u>

At December 31, 1989, Champion International Corporation held 30,808,836 (84.5%) of the outstanding Common Shares.

B. SPECIAL PROVISIONS FOR 5¼% CUMULATIVE REDEEMABLE PREFERENCE SHARES, SERIES A

The redemption price is \$20 per share and unpaid dividends accumulated to the date of redemption plus a premium of 1.25%.

C. OPTIONS TO PURCHASE COMMON SHARES

The Company has set aside 285,935 Common Shares for which options may be granted to officers and employees in the future. At December 31, 1989, options on 118,880 Common Shares were eligible to be exercised.

11. Dividends

Note 11

	1989		1988	
	Amount Per Share	Amount (in thousands)	Amount Per Share	Amount (in thousands)
Preference Shares	\$ 1.05	\$ 26	\$ 1.05	\$ 26
Common Shares40	14,578	.40	14,574
		<u>\$ 14,604</u>		<u>\$ 14,600</u>

Note 12**12. Depreciation, Depletion and Amortization**

The following amounts are included in costs and expenses.

<i>(in thousands)</i>	1989	1988
Depreciation	\$ 28,802	\$ 25,984
Depletion	172	134
Amortization of logging roads	2,500	2,643
Amortization of deferred interest costs	381	381
Amortization of other deferred charges	1,587	1,232
Amortization of investment tax credits	(1,111)	(1,056)
	<u>\$ 32,331</u>	<u>\$ 29,318</u>

Note 13**13. Interest**

(in thousands)

	1989	1988
Interest expense – long-term debt	\$ 15,496	\$ 3,355
– current borrowings	774	626
Interest income	(2,957)	(1,264)
Interest costs deferred – attributable to major capital projects	(13,313)	(2,717)
	<u>\$ —</u>	<u>\$ —</u>

Note 14**14. Other Income**

Other income includes the net income or loss on equity investments, sales commissions, management fees, coal royalties and the gains or losses arising from fluctuations in the exchange rates for foreign currencies between balance sheet dates and the dates of transactions and settlements.

Note 15**15. Income Taxes**

	1989	1988
Combined basic Canadian federal and provincial income tax rate	43.2%	46.7%
Increase (decrease) in the income tax rate resulting from:		
Manufacturing and processing profits deduction	(3.5)	(5.7)
Capital gains	(1.2)	(0.3)
Losses on equity investment	1.2	—
Large corporations capital tax	0.7	—
Other	0.2	(0.1)
Effective Income Tax rate	<u>40.6%</u>	<u>40.6%</u>

Note 16**16. Extraordinary Item**

(in thousands)

	1989	1988
Write-down of assets, principally those used in the panelboard business, to net realizable value	\$ —	\$ 10,908
Applicable income taxes	—	(4,544)
	<u>\$ —</u>	<u>\$ 6,364</u>

17. Sale of Wholesale Building Materials Business

Note 17

Effective February 1, 1989, the Company and Canfor Corporation (Canfor) merged their wholesale building materials businesses into a newly formed company named Canfor-Weldwood Distribution Ltd. (CanWel). The Company and Canfor each contributed the net assets of their respective distribution businesses, excluding real estate, in return for cash, debt and shares of CanWel. The Company owns 50 percent of CanWel and accounts for its investment on an equity basis. Details of the transactions are as follows:

(in thousands)

Assets sold at net book value:

Working capital	\$ 35,705
Fixed assets	680
	<u>36,385</u>
Assets of sales partnerships	4,446
	<u>\$ 40,831</u>

Consideration received:

2.5 million common shares of CanWel .	\$ 2,500
Long-term note (non-interest bearing) . .	5,000
Cash and short-term receivable	<u>33,331</u>
	<u>\$ 40,831</u>

To facilitate the sale, the Company bought the partners' interests in the sales partnerships and then sold the combined net assets to CanWel.

18. Segmented Information

Note 18

A. INDUSTRY SEGMENTATION

The Company has substantially all of its operations in the forest products industry and is vertically integrated therein. Its revenue is generated from the sale of lumber, plywood, pulp, logs and other wood products manufactured by the Company.

B. GEOGRAPHIC SEGMENTATION

All of the Company's operations, employees, and substantially all of its assets are located in Canada.

C. EXPORT SALES

A significant portion of the Company's net sales are to customers in foreign countries:

Sales by Country <i>(in thousands)</i>	1989		1988	
United States of America	\$384,293	50.1%	\$399,541	44.7%
Other foreign countries	<u>122,509</u>	<u>15.9%</u>	<u>97,798</u>	<u>10.9%</u>
Total export sales	506,802	66.0%	497,339	55.6%
Canada	<u>260,829</u>	<u>34.0%</u>	<u>397,222</u>	<u>44.4%</u>
Net sales	<u>\$767,631</u>	<u>100.0%</u>	<u>\$894,561</u>	<u>100.0%</u>

Note 19

19. Subsidiary and Affiliated Companies

- A. (i) SUBSIDIARY COMPANIES—ACTIVE
- Annplyco Properties, Limited
 - Babine Forest Products Limited (84.6%)
 - Weldwood of Canada Sales Limited
 - Weldwood Transportation Limited
- (ii) SUBSIDIARY COMPANIES—INACTIVE
- Canadian Collieries Timber Air Services Ltd.
 - Champion Forest Products (Alberta) Ltd. (in voluntary liquidation)
 - Houston Forest Products Ltd. (in voluntary liquidation)
 - Kirk Coal (Victoria) Co. Ltd.
 - Ladysmith Development Limited
 - M & W Logging Co. Ltd.
 - Parkhome Developments Limited
 - St. Regis Paper Company (Canada) Ltd. (in voluntary liquidation)
 - W & W Holdings Limited
 - Weldwood Lumber Sales Limited
 - Western Fuel Corporation of Canada Limited
- B. PARTLY-OWNED COMPANIES
- Babine Forest Products (Trustee) Limited (68.4% by Babine Forest Products Limited)
 - Canfor-Weldwood Distribution Ltd. (50%)
 - Cariboo Pulp & Paper Company Limited (50%)—inactive
- C. JOINT VENTURES
- Babine Forest Products Company (68.4% by Babine Forest Products Limited)
 - Cariboo Pulp & Paper Company (50%)
 - Houston Forest Products Company (50%)

To the shareholders of Weldwood of Canada Limited:

We have examined the consolidated balance sheets of WELDWOOD OF CANADA LIMITED (a British Columbia company) as at December 31, 1989 and 1988 and the related consolidated statements of income and retained earnings and changes in cash position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1989 and 1988 and the results of its operations and the changes in its cash position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Vancouver, British Columbia
January 11, 1990

Arthur Andersen & Co.
Chartered Accountants

Auditors' Report

Ten Year Review

(Years Ended December 31)

		1989	1988
Earnings	(\$ Millions)		
	Net sales	767.6	894.6
	Cost of sales	616.0	721.1
	Selling, shipping and administrative expenses	50.3	63.9
	Interest	—	—
	Other	(9.2)	(6.2)
	Income taxes (recovery)	45.1	47.4
	Extraordinary item	—	6.4
	Net income (loss)	65.4	62.0
Per Common and Ordinary Share*	Net earnings (loss)		
	— before extraordinary item	1.79	1.95
	— after extraordinary item	1.79	1.78
	Dividends— common	.40	.40
	— ordinary	—	—
	Shareholders' equity	11.94	10.55
	Common share price range (\$/share)		
	High	21½	18¾
	Low	14½	14¾
Financial Position	(\$ Millions)		
	Current assets	249.2	260.4
	Current liabilities	126.7	145.7
	Working capital	122.5	114.7
	Investments and other assets	6.8	3.6
	Timber and roads	11.4	9.9
	Property and equipment, net	579.8	411.6
	Deferred charges	65.1	21.4
		785.6	561.2
	Long-term debt	208.8	84.0
	Deferred income taxes	139.1	90.1
	Minority interest	2.0	2.3
	Share capital and surplus	165.9	165.8
	Retained earnings	269.8	219.0
		785.6	561.2
Other Statistics	Ratio of current assets to current liabilities	2.0	1.8
	Net debt to total capital (%)	28.4	14.0
	Return on average capital (%)	16.5	17.5
	Return on shareholders' equity (%)	17.0	20.8
	Employees at year end	4,505	4,675
Production Statistics	Softwood plywood, Waferweld and WeldStran OSB (Millions sq. ft. ¾")	800	772
	Hardwood and specialty plywood (Millions sq. ft. ¾")	65	62
	Softwood lumber (Millions Fbm) Company	690	659
	Share of affiliates	272	256
	Pulp (Thousands metric air dry tons)	292	312

*Restated to reflect stock splits (2 for 1 May, 1984; 2 for 1 May, 1987) and stock dividends (December, 1985).

1987	1986	1985	1984	1983	1982	1981	1980
741.0	658.9	628.8	572.3	586.2	415.2	481.1	467.9
605.5	548.7	557.1	523.9	519.4	389.9	417.7	401.6
56.7	53.1	54.1	53.0	49.9	48.9	51.5	44.2
1.0	6.2	10.4	11.6	9.2	13.5	14.2	7.5
(7.5)	(5.0)	(4.4)	(3.7)	(5.6)	(3.7)	(4.1)	(9.0)
37.7	25.9	4.2	(8.7)	3.7	(17.5)	(3.0)	6.8
—	—	—	1.5	—	—	—	—
47.6	30.0	7.4	(5.3)	9.6	(15.9)	4.8	16.8
2.39	1.51	.37	(.19)	.48	(.81)	.24	.84
2.39	1.51	.37	(.27)	.48	(.81)	.24	.84
.35	.188	.125	.245	.125	.063	.245	.245
—	.063	.125	.245	.125	.063	.245	.245
11.25	9.21	7.90	7.53	8.04	7.69	8.55	8.56
19 $\frac{7}{8}$	13 $\frac{1}{4}$	11	9 $\frac{5}{8}$	9 $\frac{1}{8}$	6 $\frac{5}{8}$	8 $\frac{1}{8}$	6 $\frac{5}{8}$
11 $\frac{7}{8}$	9 $\frac{1}{2}$	6 $\frac{1}{4}$	6 $\frac{1}{8}$	6 $\frac{5}{8}$	4 $\frac{1}{4}$	4 $\frac{3}{4}$	4 $\frac{1}{2}$
239.6	178.8	173.5	168.7	187.3	163.8	168.9	163.9
126.8	80.6	82.3	98.5	76.1	58.9	88.4	107.2
112.8	98.2	91.2	70.2	111.2	104.9	80.5	56.7
3.9	5.8	7.1	4.3	8.4	9.4	9.1	17.9
10.0	11.5	13.0	15.7	17.1	18.5	20.2	22.4
158.3	131.0	127.3	140.4	126.7	128.9	140.7	131.1
5.0	9.3	11.1	13.0	11.2	12.4	13.4	9.3
290.0	255.8	249.7	243.6	274.6	274.1	263.9	237.4
19.5	31.7	67.5	68.3	82.5	93.0	49.1	21.8
44.5	39.2	23.6	24.1	31.7	27.7	44.4	45.0
1.3	1.0	.9	.9	—	—	—	—
56.2	56.0	56.0	53.5	53.5	53.5	53.4	53.4
168.5	127.9	101.7	96.8	106.9	99.9	117.0	117.2
290.0	255.8	249.7	243.6	274.6	274.1	263.9	237.4
1.9	2.2	2.1	1.7	2.5	2.8	1.9	1.5
1.4	16.4	30.9	39.1	32.3	35.8	31.7	27.6
18.1	12.5	4.8	.9	5.3	(3.0)	3.9	7.3
25.9	19.1	4.9	(2.4)	6.2	(9.4)	2.8	10.6
4,250	3,950	4,000	4,400	4,700	4,200	4,900	5,600
783	646	691	665	728	510	603	594
96	66	72	62	59	51	55	52
602	480	500	445	496	374	355	388
216	198	210	193	172	147	127	148
136	138	131	99	128	121	107	120

Board of Directors

Gerald J. Beiser
Senior Vice-President,
Champion International
Corporation,
Stamford, Connecticut

***John Bruk**
Deputy Chairman of the Board,
Trilon Bancorp Inc.,
Vancouver

Thomas A. Buell
Chairman of the Board,
President and
Chief Executive Officer,
Weldwood of Canada Limited,
Vancouver

***Paul Gourdeau**
Consultant,
Quebec City

***John O. McCutcheon**
Consultant,
Vancouver

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Vice-Chairman of the Board,
Champion International
Corporation,
Stamford, Connecticut

Richard E. Olson
Executive Vice-President,
Champion International
Corporation,
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Investments Ltd.,
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Vancouver

***H. Richard Whittall**
Vice-Chairman of the Board,
Placer Dome Inc.,
Vancouver

*Audit Committee Members

Officers

Thomas A. Buell
Chairman of the Board, President
and Chief Executive Officer

Graham I. Bender
Senior Vice-President, Pulp, and
President, Cariboo Pulp & Paper
Company

George R. Richards
Senior Vice-President, Wood
Products Operations B.C.

W. Dick Sainsbury
Senior Vice-President

Colin B. Warner
Senior Vice-President,
Finance and Distribution

John W. Darker
Vice-President,
Transportation and Purchasing

Richard Franko
Vice-President, Lumber Sales

David W. Milligan
Vice-President,
Human Resources

Leon R. Pond
Vice-President, Wood Products
Operations Alberta and Ontario

Carl C. Rathburn
Vice-President, B.C. Coastal
Operations

C. Robert Solloway
Vice-President, General Counsel
and Secretary

Ronald W. Staple
Vice-President,
Pulp Operations, Hinton Division

Kent T. Williamson
Vice-President and Controller

Thomas Sitar
Treasurer

Executive Offices
1055 West Hastings Street,
Vancouver, B.C.

Postal Address
P.O. Box 2179, Vancouver, B.C.
V6B 3V8

Share Transfer Agents
The Royal Trust Company,
Vancouver, Calgary, Regina,
Winnipeg, Toronto, Montreal

**Products,
Operations,
Effective
Capacities and
Production**

	Effective Capacity	1989 Production
Million Square Feet 3/8" Basis		
Softwood Plywood		
Quesnel, B.C.	185	194
Williams Lake, B.C.	185	189
Kent Avenue, ⁽¹⁾ Vancouver, B.C.	190	116
Waferboard and OSB		
Longlac, Ont.	130	133
Slave Lake, Alta.	170	168
Specialty Plywood		
Longlac, Ont.	70	65
Million Board Feet		
Lumber		
Squamish Lumber, Squamish, B.C.	170	165
Flavelle Cedar, Port Moody, B.C.	85	77
100 Mile House, B.C.	155	155
Hinton, Alberta	75	82
Quesnel, B.C.	95	105
Williams Lake, B.C.	100	106
Babine Forest Products, Burns Lake, B.C. ⁽²⁾	225	223
Houston Forest Products, Houston, B.C. ⁽²⁾	240	238
Thousands Metric Air Dry Tons		
Pulp		
Hinton, Alberta	195*	168
Cariboo Pulp & Paper, Quesnel, B.C. ⁽²⁾	330	247

(1) Due to be sold early 1990

(2) Partly owned

* In 1990 expanded plant capacity 385

CanWel

Wholesale Building
Materials Distribution
(Canfor-Weldwood Distribution Ltd.
- 50% owned)

Dartmouth
Sydney
St. John's
Deer Lake
Saint John
Moncton
Quebec
Montreal
Ottawa
Toronto
Peterborough
London
Sudbury
North Bay
Thunder Bay
Winnipeg
Saskatoon
Calgary
Edmonton
Grande Prairie
Kelowna
Prince George
Vancouver
Nanaimo

**Seaboard Lumber Sales
Company Limited**

Vancouver
Agents for waterborne sales of
lumber and panelboard.

