C

People Make the Difference

2003 Annual Review

Riverside Forest Products Limited

RIVERSIDE FOREST PRODUCTS LIMITED

About the Company

Riverside Forest Products Limited produces high quality products for customers in North America, Japan and Europe. We are Canada's leading producer of softwood plywood and veneer, and a major manufacturer of stud and random length lumber and chips. Riverside also produces finger joint lumber and a range of value-added products including treated railway ties, plywood shipping containers and electrical power.

Riverside's manufacturing and forestry operations are located within the province of British Columbia, primarily in the Okanagan and Cariboo regions. With an Allowable Annual Cut of 2.4 million cubic metres, we are the province's seventh largest timber tenure licensee.

Contents

C

ANNUAL

INFORMATION

FORM

2003

December 3, 2003

RIVERSIDE FOREST PRODUCTS LIMITED

Annual Information Form

TABLE OF CONTENTS

INTRODUCTION

Riverside Forest Products Limited ("the Company" or "Riverside") is engaged in the business of harvesting timber and producing lumber, plywood, veneer and wood chips. The Company has a broad market for its products, which are sold in Canada, the United States, Japan and numerous countries in the European Economic Community. Solid wood products and wood chips are produced at Riverside's three stud lumber sawmills, one dimension lumber sawmill, two plywood plants, one salvage lumber recovery sawmill and one veneer plant. In addition, the Company operates a remanufacturing facility, whole log chipping facilities, a tie treating and processing facility and a seedling nursery and seed orchard.

GLOSSARY OF TERMS

In this Annual Information Form, a reference to the "Company" or to "Riverside" means Riverside Forest Products Limited and its predecessors and subsidiaries.

Certain terms used herein are defined as follows:

"AAC" refers to allowable annual cut - the volume of timber which the holder of a licence from the Crown in right of British Columbia may harvest under the licence in any given year.

"bdu" means bone dry unit and "mbdu" means thousand bone dry units.

"Capital employed" means total assets less non-interest bearing current liabilities.

"EBITDA" means earnings before interest, taxes, depreciation, amortization and unrealized foreign exchange gains or losses on debt revaluation. Management believes that EBITDA is a good measure of the operating units' contribution to overall financial results as well as a useful indicator of a company's ability to meet debt service and capital expenditure requirements. As there is no generally accepted method of calculating EBITDA, the measure as calculated by the Company might not be comparable to similarly-titled measures reported by other companies. EBITDA should not be interpreted as a substitute for either net income or cash flows in evaluating the Company's performance.

"fbm" means foot board measure (one square foot of lumber, one inch thick).

"mmfbm" means million foot board measure and "mfbm" means thousand foot board measure.

"mmsf" means million square foot measure on a 3/8 inch thick basis and "msf" means thousand square foot measure on a 3/8 inch thick basis.

"ROCE" means net earnings (loss) plus after-tax interest expense divided by year-end capital employed.

"SPF" means the species of wood assigned the common commercial designation S-P-F or spruce-pine-balsam-fir in accordance with the National Lumber Grading Association standard grading rules for Canadian lumber.

"TSA" means timber supply area.

Annual Information Form

Information in this Annual Information Form
is as of December 3, 2003 unless otherwise indicated.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Selected Financial Information

The following table shows selected consolidated financial information of the Company for the last five fiscal years.

	Fiscal Years Ended September 30				
	2003	2002(1)	2001(1)	2000(1)	1999(1)
	($000's except per share amounts)				
Sales	$ 430,950	$ 469,314	$ 461,395	$ 515,495	$ 546,826
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$ 17,341	$ 54,705	$ 55,079	$ 42,492	$ 105,771
Depreciation and amortization	$ 25,371	$ 25,116	$ 24,065	$ 25,750	$ 24,726
Interest on long-term debt	$ 5,930	$ 8,963	$ 11,357	$ 10,444	$ 14,781
Net earnings (loss)	$ (1,338)	$ 12,487	$ 7,014	$ 1,807	$ 45,343
Net earnings (loss) per common share	$ (0.15)	$ 1.42	$ 0.80	$ 0.20	$ 4.93
Cash flow from operations before changes in non-cash operating working capital	$ 13,351	$ 37,409	$ 32,424	$ 27,602	$ 69,614
Cash flow from operations	$ 19,236	$ 39,707	$ 51,665	$ (21,190)	$ 95,828
Cash flow from operations per common share	$ 2.18	$ 4.51	$ 5.87	$ (2.36)	$ 10.42
Weighted average shares outstanding	8,803,993	8,803,993	8,804,968	8,987,618	9,199,493
Shares outstanding at year end	8,803,993	8,803,993	8,803,993	8,807,893	9,199,493
Cash dividends declared per common share	$ 0.09	$ 0.12	$ 0.12	$ 0.24	$ 0.06
Working Capital	$ 43,340	$ 50,518	$ 47,113	$ 102,384	$ 112,493
Total assets	$ 348,753	$ 388,588	$ 415,672	$ 365,189	$ 413,574
Long term debt - before deducting current portion	$ 64,530	$ 93,169	$ 123,886	$ 121,360	$ 120,253
Shareholders' equity	$ 171,724	$ 173,854	$ 162,423	$ 156,535	$ 164,591
Capital employed	$ 291,109	$ 323,981	$ 343,262	$ 310,161	$ 314,656
Ratio and Investment Information					
EBITDA as a percentage of sales	4.0%	11.7%	11.9%	8.2%	19.3%
Interest coverage (EBIDTA / interest)	2.9	6.1	4.8	4.1	7.2
Long-term debt, including current portion, as a percentage of invested capital	27.3%	34.9%	43.3%	43.7%	42.2%
Return on average shareholders' equity	(0.8)%	7.4%	4.4%	1.1%	31.9%
Return on capital employed	0.9%	5.6%	4.2%	2.8%	17.4%
Equity per share	$ 19.51	$ 19.75	$ 18.45	$ 17.77	$ 17.89
Capital expenditures	$ 3,873	$ 14,835	$ 41,749	$ 25,935	$ 10,248

(1) Restated to agree with accounting policies adopted in 2003.

Selected financial information for the last eight quarters is as follows:

Quarter Ending	Net Sales ($000)	EBITDA[1]	Net Earnings (loss) ($000)	Net Earnings (loss) per Common Share
December 31, 2001	$ 101,945	$ 1,695	$ (5,548)	$ (0.63)
March 31, 2002	114,841	13,304	2,896	0.33
June 30, 2002	123,087	32,596	18,593	2.11
September 30, 2002	129,441	7,110	(3,454)	(0.39)
	$ 469,314	$ 54,705	$ 12,487	$ 1.42
December 31, 2002	$ 107,604	$ (346)	$ (5,247)	$ (0.60)
March 31, 2003	101,500	(999)	(1,684)	(0.19)
June 30, 2003	89,410	(3,915)	(3,523)	(0.40)
September 30, 2003	132,436	22,601	9,116	1.04
	$ 430,950	$ 17,341	$ (1,338)	$ (0.15)

(1) See note 1(l) to consolidated financial statements

Comparison of 2003 and 2002 Operating Results

Canada-US Softwood Lumber Agreement, Countervail and Anti-dumping Duties

The largest impact on the results of the Company for the 2003 year related to the as yet unresolved dispute between Canada and the US with respect to Canadian access to the US softwood lumber market. The Canadian Government entered into the previous Canada-US Softwood Lumber Agreement in April 1996 to avoid costly countervailing duty actions that had been threatened by the United States. Under that agreement, 14.7 billion board feet of lumber from the Provinces of British Columbia, Alberta, Ontario and Quebec could enter the United States annually with no export tax. That represented a reduction in shipments of approximately 9% from 1995 levels. Exports in excess of that level, or in excess of a quarterly maximum of 28.75% of the annual quota, incurred a US $53.94 per mfbm export tax (Lower Fee Base), after which shipments attracted a US $107.88 per mfbm export tax (Upper Fee Base). That agreement expired March 31, 2001.

On August 17, 2001 the US Department of Commerce (USDOC) imposed a preliminary duty of 19.31% on softwood lumber imports to the US after August 17, 2001. The USDOC also made a preliminary determination that critical circumstances exist with respect to products included in the investigation. As a result, the USDOC directed US Customs to impose the same 19.31% rate on shipments of softwood lumber into the US for the period from May 19, 2001 to August 16, 2001. The Company commenced posting bonds on September 10, 2001 to cover the duty amounts. No cash payments have been or will be made relative to these preliminary duties.

On November 6, 2001, the USDOC published its preliminary affirmative determination in the anti-dumping investigation of certain softwood lumber products from Canada. The USDOC "preliminarily found that producers/exporters of softwood lumber from Canada have sold their product below fair value." Preliminary anti-dumping margins ranged from 5.94% to 19.25% for the six companies investigated. The preliminary rate applicable to "All Other Producers/Exporters" was 12.58%. For merchandise covered by both the countervailing duty and anti-dumping duty investigations, the preliminary anti-dumping rate was added to the existing estimated countervailing duty rate of 19.31%.

On March 21, 2002 and further adjusted on April 25, 2002, the USDOC issued its final determination in the countervailing and anti-dumping investigations. The USDOC's final determination in the countervailing investigation resulted in a duty rate of 18.79% to be posted by cash deposits from the effective date of a Final Order (May 22, 2002 as discussed below). The USDOC's final determination in the anti-dumping investigation resulted in company-specific duty rates ranging from 2.18% to 12.44% on the six companies investigated and a rate of 8.43% for all other companies, including Riverside.

On May 16, 2002, the United States International Trade Commission (USITC) published its final written determination on injury and stated that Canadian softwood lumber threatens material injury to the US industry. As a result, cash deposits were required for shipments at the rates determined by the USDOC effective from a Final Order date of May 22,

2002. All prior bonds or cash deposits posted prior to May 22, 2002 have been refunded. The Company has charged against sales $54.8 million for the period from May 22, 2002 to September 30, 2003 representing the combined final countervailing and anti-dumping duties of 27.22%. Of this accrual, $42.9 million relates to the 2002 fiscal year and $11.9 million relates to the 2002 fiscal year.

The Company previously accrued a total of $17.3 million on countervailing and anti-dumping duties: $8.3 million for the period from August 17, 2001 to December 15, 2001, representing the final USDOC countervailing duty rate of 19.31%; and $9.0 million for the period from November 6, 2001 to May 6, 2002, representing the final USDOC anti-dumping duty rate of 9.67%. During the three months ended March 31, 2002, the Company reversed $0.2 million of the accrual representing a reduction in the anti-dumping rate. During the three months ended June 30, 2002, the Company reversed $17.1 million representing the balance of the combined accrual. The reversal relating to fiscal 2001 was credited to other income, while the reversal relating to fiscal 2002 was credited to sales. Of the reversal in the third quarter, $4.8 million related to fiscal 2001 sales, $5.8 million to the first quarter ended December 31, 2001 and $5.4 million to the second quarter ended March 31, 2002 sales. Any further adjustments resulting from a change in the countervailing and anti-dumping duty rates will be made prospectively.

The final amount and effective date of countervailing and anti-dumping duties that may be assessed on Canadian softwood lumber exports to the US cannot be determined at this time and will depend on appeals of the final determinations to any reviewing courts, North American Free Trade Agreement (NAFTA) or World Trade Organization (WTO) panels.

The Company and other Canadian forest product companies, the Federal Government and Canadian provincial governments (Canadian Interests) categorically deny the US allegations and strongly disagree with the final countervailing and dumping determinations made by the USITC and USDOC. Canadian Interests continue to aggressively defend the Canadian industry in this US trade dispute. Canadian Interests may appeal the decision of these administrative agencies to the appropriate courts, NAFTA panels and the WTO. Notwithstanding the final rates established in the investigations, the final liability for the assessment of countervailing and anti-dumping duties will not be determined until each annual administrative review process is complete.

Comparison of the year ended September 30, 2003 to the year ended September 30, 2002

The variances between the net earnings for the year ended September 30, 2003 and 2002 can be classified as follows:

(In millions of dollars)	Sept 30 2002	Effect of changes in Price	Effect of changes in Volume	Sept 30 2003
Sales, before duty	$ 481.2	$ (36.6)	$ 29.2	$ 473.8
Duty	(11.9)	(29.0)	(2.0)	(42.9)
Sales, net of duty	469.3	(65.6)	27.2	430.9
Cost of products sold	(405.6)	27.9	(22.1)	(399.8)
Selling and administration	(18.4)	0.9	-	(17.5)
Other income (expense)	4.6	(0.9)	-	3.7
Reversal of contingent duty payable re 2001	4.8	(4.8)	-	-
EBITDA	$ 54.7	$ (42.5)	$ 5.1	$ 17.3
Depreciation and amortization	(25.1)	(0.2)	-	(25.3)
Debt revaluation	0.1	8.0	-	8.1
Interest	(9.0)	3.1	-	(5.9)
Earnings before taxes	20.7	(31.6)	5.1	(5.8)
Income taxes	(8.2)	12.7	-	4.5
Net earnings	$ 12.5	$ (18.9)	$ 5.1	$ (1.3)

Overall EBITDA was $37.4 million lower for the year ended September 2003 versus the year ended September 2002 - with the impact of lower sales prices and a $35.8 million increase in US duties being the largest factors.

Sales prices before the duty on lumber, for the year ended September 30, 2003, were lower for lumber and panels than those realized for the year ended September 30, 2002 by 12% and 1% respectively, while chip realizations were up 1% compared to those of a year ago. Including duty, sales prices were $65.6 million lower than those of a year ago.

Sales volumes were lower for panel products and wood chips, by 5% and 3% respectively, and 15% higher for lumber products. Overall, including the volume effect on the cost of products, this resulted in a $5.1 million increase in EBITDA.

Fibre unit costs were $22.9 million lower due to reduced stumpage and increased recovery rates, while conversion unit costs were $5.0 million lower due to the continued focus on efficiencies in the manufacturing operations. Selling and administration costs were $0.9 million lower predominately as a result of cost reduction efforts, as well as reduced administrative costs associated with the softwood lumber dispute.

The Canadian dollar was at the following levels as at the past four year-ends:

	Canadian Dollar to US Dollar	Canadian Dollar Appreciation
September 30, 2000	1.4800	
September 30, 2001	1.5775	(6.6) %
September 30, 2002	1.5872	(0.6) %
September 30, 2003	1.3499	15.0 %

As a result of the 15% appreciation in the Canadian dollar over the September 30, 2002 yearend rate, the unrealized foreign exchange gain on debt revaluation increased by $8.1 million. This is a non-cash gain. Sales prices in Canadian dollar terms for our US dollar denominated products were also dramatically impacted by this appreciation.

Interest expense was $3.1 million lower than in 2002 as a result of the net repayment of debt throughout the year, reducing the total principal amounts outstanding from $93.2 million at September 30, 2002 to $64.5 million at September 30, 2003.

As a result of all of the above, the Company's net loss for the year was $1.3 million or $0.15 per share compared to earnings of $12.5 million or $1.42 per share one year ago.

Production volumes

The production volumes of the Company's operations for the last two years were as follows:

	Fiscal Year Ended September 30	
	2003	**2002**
Stud and dimension lumber (mmfbm)	709	663
Plywood and veneer (mmsf)	463	496
Chips (mbdu)	514	524
Logs utilized (thousand m^3)	3,409	3,419

Sales dollars, volumes and realizations

Riverside's sales to third party customers for the past two years from the various product lines were as follows:

	Fiscal Year Ended September 30			
	2003		2002	
	($000)	%	($000)	%
Stud and dimension lumber	$ 262,409	55.4	$ 258,867	53.8
Plywood and veneer	150,491	31.8	160,890	33.4
Wood chips and fibre	35,002	7.4	35,632	7.4
Reman value added	7,506	1.6	8,474	1.8
Ties and treating	15,337	3.2	16,345	3.4
Power	3,084	0.6	998	0.2
	473,829	100.0%	481,206	100.0%
Countervailing duty accrued on lumber sales	(42,879)		(11,892)	
	$ 430,950		$ 469,314	

For the years ended September 30, 2003 and 2002, the Company's sales volumes and realizations on a unit basis were as follows:

	2003		2002	
	Volumes	$	Volumes	$
Stud and dimension lumber, before duty	727 mmfbm	361	630 mmfbm	411
Duty effect		(59)		(19)
Stud and dimension lumber, after duty	727 mmfbm	302	630 mmfbm	392
Plywood and veneer	466 mmsf	323	492 mmsf	327
Wood chips	514 mbdu	68	530 mbdu	67

The world-wide geographical sales distribution by volume for the past three years for the Company's principal products of lumber and plywood has been as follows:

	2003		2002		2001	
Lumber sales distribution	Volume	%	Volume	%	Volume	%
Canada	154,287	21	166,290	26	135,775	22
United States	519,681	71	412,870	66	423,879	69
Japan	49,747	7	48,273	8	51,893	8
Other	3,166	1	2,462	-	1,378	1
Plywood and veneer sales distribution						
Canada	213,783	46	215,723	44	206,161	43
United States	204,621	44	224,689	46	209,606	43
Japan	45,402	10	50,308	10	61,219	13
Other	2,222	-	1,506	-	5,260	1

Comparative sales volumes increased or decreased over 2002 on a percentage basis as follows:

	% increase (decrease)	Sales Volume 2003	2002	2001
Stud and dimension lumber (mfbm)	15%	726,881	629,895	612,925
Plywood and veneer (msf)	(5)%	466,028	492,226	482,246
Wood chips (bdu)	(3)%	514,404	530,367	556,017

Percentage increases or decreases in net mill sales realizations were as follows:

	% increase (decrease)	$ / Unit 2003	2002	2001
Stud and dimension lumber (mfbm) (before duty)	(12)%	361	411	391
Stud and dimension lumber (mfbm) (after duty)	(23)%	302	392	383
Plywood and veneer (msf)	(1)%	323	327	309
Wood chips (bdu)	1%	68	67	102

Labour

The Armstrong, Kelowna, Lumby, Soda Creek, Winfield and Williams Lake manufacturing operations of the Company have a unionized workforce, the employees of which are members of the International Woodworkers of America - Canada (I.W.A). The IWA contract for the major manufacturing facilities expired on June 30, 2003. Based on the previous contract, wages increased by 2% on each of July 1, 2000, 2001 and 2002. Soda Creek and Williams Lake operations ratified a six year agreement, which contemplates a total wage increase of 11%. The increases will be paid on July 1 of each year as follows:

2003	nil
2004 through 2007	2%
2007	3%

Kelowna, Armstrong and Lumby mills have a tentative agreement, which is pending ratification.

On January 1, 1998 the Company introduced a defined contribution (DC) pension plan. At that time, salaried employees were given the option to convert from the Company's defined benefit plan to the new plan. 58% of eligible employees converted to the DC plan. Salaried employees who join the Company subsequently will be entitled to participate in the DC plan only.

The Company reviews salaried staff remuneration twice annually. Performance increments averaging 1.2% of total salary costs were awarded effective October 1, 2002. Consistent with the industry and the IWA contract, general salary increases were not given this year.

Capital Expenditure Program

The Company's objective is to position itself to realize quickly on market opportunities, while maintaining its manufacturing facilities in a technologically efficient state. The Company's goal is to maintain its competitive edge as an efficient, low-cost producer of solid wood products, while acting responsibly with respect to the forest resource. To achieve this goal, capital expenditure projects are analyzed for their ability to improve recoveries, reduce costs and add value. Those that are expected to produce paybacks in less than two years are given priority. Environmental projects are analyzed on a proactive basis and given priority, where appropriate.

Due to the economic conditions of this past year, capital expenditures were kept to a minimum. For the six years ended September 30, 2003, Riverside spent $109.4 million on various value-added, environmental and maintenance of business projects. As at September 30, 2003, the Company has commitments on further capital expenditures of $0.3 million. The following table summarizes capital expenditures during the periods indicated.

	Year Ended September 30 (millions of dollars)						
	2003	2002	2001	2000	1999	1998	Total
Adding value	$ 0.8	$ 7.5	$ 7.4	$ 9.2	$ 7.1	$ 5.6	$ 37.6
Environmental	1.6	4.5	32.9	8.4	0.6	2.4	50.4
Maintenance of business	1.2	2.8	1.5	8.3	2.5	5.1	21.4
Total	$ 3.6	$ 14.8	$ 41.8	$ 25.9	$ 10.2	$ 13.1	$109.4

The expenditures related to the Armstrong cogeneration plant are included in the environmental category. The most significant benefits of the capital program are that fewer logs per unit of product are being utilized in the production process while product volumes are increasing and conversion costs, on a unit basis, are decreasing.

Normal Course Issuer Bid

The Company filed with the Toronto Stock Exchange, in October 2003, a notice of intention to make a normal course issuer bid for certain of its common shares. Under the notice, the Company was entitled to purchase, through the facilities of the Toronto Stock Exchange, up to 440,199 common shares, approximately 5% of the Company's outstanding common shares on the date of the notice, during the one-year period commencing October 26, 2002 and expiring on October 25, 2003. No shares were purchased under the bid.

Financial Position and Liquidity

Shareholders' equity decreased by $2.1 million during the fiscal 2003 year as a result of the $1.3 million loss for the year and the payment of $0.8 million in dividends to common shareholders. Shareholders' equity amounts to $171.7 million or $19.51 per share as at September 30, 2003, compared to $173.9 million or $19.75 per share one year earlier, as restated.

Long-term debt payable to senior note-holders was reduced by US $18.2 million to US $34.2 million as a result of scheduled repayments in November 2002, May 2003 and July 2003. For the 2004 fiscal year, scheduled repayments on this debt total US $17.6 million. The Company was advanced CAD $10 million in long-term bank financing related to the Armstrong cogeneration plant. This loan totaled CAD $18.3 million at yearend, CAD $4 million of which is repayable in the next fiscal year. During the past year, the Company generated $13.4 million cash from operations (before changes to non-cash operating working capital), incurred long-term debt of $10 million and repaid $30.5 million, spent $3.9 million on capital assets, paid $0.8 million on dividends and generated cash through the changes in other balance sheet accounts by $9.4 million. The net change in pre-cash working capital of $5.9 million during the year was predominately as a result of lower log and finished good inventories at September 30, 2003 than that of the prior yearend.

As a result of the above, cash on hand at the end of September 2003 was $34.5 million compared to $36.8 million at the end of September 2002. The Company also had an unutilized operating line of credit of US $15 million at September 30, 2003. A further US $10 million is available between January and June 2004.

Working capital of $43.3 million as at September 2003 is $7.2 million lower than that of a year earlier. The percentage of long-term debt to long-term debt plus equity is 17.7% at September 30, 2003 compared to 26.7% at September 30, 2002. The next principal payment on the debt of US $1.3 million is due in November 30, 2003. As the Company has done in the past, it expects to fund the 2004 cash requirements for loan repayments, capital expenditures and normal operating requirements for loan repayments, capital expenditures and normal operating requirements out of working capital including the operating lines of credit and with cash generated from operations.

Earnings Sensitivities

Revenues from the sale of the Company's products are subject to supply and demand and are therefore subject to price changes, which affect earnings. With the exception of stumpage fees payable to the provincial government, the costs of producing the Company's products are not as susceptible to significant changes.

The Company's export sales of lumber are principally denominated in United States dollars and, accordingly, a significant change in the exchange rate for the Canadian dollar against the United States dollar has a significant effect on the Canadian dollar amounts realized.

The effect on the Company's net income and earnings per common share of changes in the price of lumber, plywood, veneer and wood chips, changes in log costs, and changes in United States currency exchange rates is illustrated in the following table, based on the anticipated level of sales volumes in 2004 and a 40% income tax rate:

		Anticipated Annual Effect on 2004		
	Unit Change	EBITDA ($000)	Net Income ($000)	Earnings per share
Lumber (mbm)	$10	8,030	4,818	$0.55
Plywood (msf)	$10	4,310	2,586	$0.29
Veneer (msf)	$10	908	545	$0.06
Chips (bdu)	$10	5,518	3,311	$0.38
Log Costs (m^3)	$2	7,345	4,407	$0.50
Exchange rate (based on $0.68 for fiscal 2003)	$0.01	2,524	1,514	$0.17
Interest rate	1%	163	98	$0.01

Other Considerations and Uncertainties Affecting the Company

Forest Tenures

Under the terms attached to tree farm licences and forest licences, the Ministry of Forests periodically assesses the amount of AAC available to the forest industry in British Columbia. Such assessments may result in a reduction of the Company's total AAC without certainty as to the likelihood or amount of compensation.

In March 2003, the Government of British Columbia ("Crown") introduced the Forestry Revitalization Plan (the "Plan") that provides for significant changes to Crown forest policy and to the existing allocation of Crown timber tenures to licensees. The changes prescribed in the Plan include: the elimination of minimum cut control regulations, the elimination of existing timber processing regulations, and the elimination of restrictions limiting the transfer and subdivision of existing licences. As well, through legislation, licensees, including the Company, will be required to return 20% of their replaceable tenure volume to the Crown. The Plan states that approximately half of this volume will be redistributed to open up opportunities for woodlots, community forests and First Nations and the other half will be available for public auction. The Crown has acknowledged that licensees will be fairly compensated for the return of tenure and related costs such as those incurred in the construction of roads and bridges.

The timber take-back is expected to result in a reduction of approximately 383,982 m^3 of the Company's existing annual allowable cut on their replaceable tenures. The effect of the Plan on the Company's financial position and results of operations cannot be determined at this time. The Company will record the effects of the Plan at the time the amounts to be recorded are determined.

Environmental Matters

As a result of public concern about timber harvesting practices, claims for competing land use and preservation of mature and old growth forests, laws and regulations have been enacted that may affect future forest management decisions, including the British Columbia *Forest Practices Code*. Special interest groups have taken action in a number of areas in British Columbia to prevent logging by forestry companies and are lobbying to have lands withdrawn from timber production. Some special interest groups have also attempted to deter European and United States purchasers from buying British Columbia forest products. In addition, growing public concern over emissions and discharges by industrial production facilities has given rise to increasingly stringent regulatory requirements, resulting in increased compliance and administrative costs.

Aboriginal Land Claims

Aboriginal groups in British Columbia have claimed substantial portions of the Province where treaties have not yet been concluded, including public lands on which the Company's logging operations are conducted, as land which they own or in which they have an interest and in respect of which they are seeking treaty rights and compensation. In some instances, aboriginal groups have sought to restrict the Province from issuing or renewing forest tenures or granting permits for logging and road development on lands they claim as their traditional territories. Some aboriginal groups have commenced logging on provincial Crown land without provincial permits to do so. The December, 1997 Delgamuukw decision of the Supreme Court of Canada has confirmed that aboriginal peoples may possess rights at law in respect of land used or occupied by their ancestors in the portions of British Columbia not covered by treaties and that these rights may vary from limited rights of use to a right of aboriginal title. Aboriginal title is an interest in land and resources that is a burden on the underlying title of the Crown. The court also confirmed that aboriginal title and rights are not absolute and may be infringed by the Crown subject to meeting a justification test. That test requires that any infringement be in furtherance of a compelling and substantial legislative objective, including forestry, and must be consistent with the special fiduciary relationship between the Crown and aboriginal peoples. The Delgamuukw decision has created uncertainty regarding competing property rights in lands and resources claimed by aboriginal peoples. The governments of Canada and British Columbia have entered into treaty negotiations with some British Columbia aboriginal groups respecting their aboriginal title and rights. Under evolving jurisprudence, Canadian governments have a duty, and Riverside could have a duty as a licensee under provincial timber tenures, to consult with aboriginal groups where rights of aboriginal peoples have been asserted and may be affected. The outcome of treaty negotiations and aboriginal consultations is uncertain and there is no assurance that any treaties, or judicial decisions in respect of aboriginal claims, will not adversely affect Riverside's operations or liabilities or that Riverside would receive adequate compensation for any such adverse effects.

Forward-Looking Statements

The statements contained in this report that are not historical facts are forward-looking statements that involve risks and uncertainties. The Company's actual results may vary materially from those anticipated, projected or implied by such forward-looking statements. Factors that may result in such variance include: changes in interest rates, commodity prices and other economic conditions; actions by competitors; changing weather conditions and other natural phenomena; actions by government authorities; technological developments; future decisions by management in response to changing conditions; and misjudgments in the course of preparing forward-looking statements.

Outlook

The uncertainty created by the US softwood lumber dispute and the appreciation of the Canadian dollar against the US dollar has caused the North American lumber market to under perform in spite of high demand for solid wood products. Forest health issues, including mountain pine beetle infestations and wildfires affected our harvesting activities in the current year and will continue to impact our operations going forward.

We remain optimistic of a resolution of the softwood lumber dispute and a return to a more traditional lumber market. We anticipate a strong demand for plywood products throughout 2004. Riverside remains confident in its resources and people in responding to the current challenges of the industry.

We continue to explore all opportunities that maintain our position as a low cost producer and anticipate a positive start to our 2004 fiscal year.

CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY
FOR THE YEAR ENDED SEPTEMBER 30, 2003

Responsibility of Management

The management of Riverside Forest Products Limited is responsible for the preparation, as well as the integrity, of the accompanying consolidated financial statements and all related financial data contained in the Annual Statutory Information for 2003. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, and necessarily include amounts that represent the best estimates and judgments of management. The Company has developed a system of internal accounting control over the financial reporting process designed to provide reasonable assurance that relevant and reliable financial information is produced.

The consolidated financial statements have been examined by the Company's auditors, KPMG LLP, and they have issued their report thereon.

The Board of Directors is responsible for overseeing management in the performance of its responsibilities for financial reporting. The Board exercises its responsibilities through the Audit Committee, which is composed of six Directors, four of whom are not officers or employees of the Company. The Committee meets from time to time with management and the Company's auditors to review the financial statements and matters relating to the audit. The Company's auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders.

G.W. STEELE
President and Chief Executive Officer

M.E. MOORE
Chief Financial Officer

Kelowna, B.C.
October 16, 2003

AUDITORS' REPORT

To the Shareholders of

RIVERSIDE FOREST PRODUCTS LIMITED

We have audited the consolidated balance sheets of Riverside Forest Products Limited as at September 30, 2003 and 2002 and the consolidated statements of earnings and retained earnings and cash flows for each of the years in the two-year period ended September 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the two year period ended September 30, 2003 in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia) we report that, in our opinion, these principles have been applied, after giving retroactive effect to the changes in the method of accounting for foreign currency translation and asset retirement obligations as explained on note 1(k) to the consolidated financial statements, on a consistent basis.

KPMG LLP

Kelowna, Canada
October 16, 2003

KPMG LLP
Chartered Accountants

RIVERSIDE FOREST PRODUCTS LIMITED

Consolidated Balance Sheets

September 30, 2003 and 2002 (in thousands of dollars)

		2003		2002 Restated (note 1k(i))
Assets				
Current assets:				
Cash (note 2)	$	34,485	$	36,841
Accounts receivable (note 3)		38,694		35,987
Inventories (note 4)		52,138		68,394
Prepaid expenses		3,365		3,588
		128,682		144,810
Investments and advances		4,649		6,406
Capital assets (note 5)		214,942		236,511
Deferred financing costs		480		861
	$	348,753	$	388,588
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	57,644	$	64,607
Current portion of long-term debt		27,698		29,685
		85,342		94,292
Reforestation obligation (note 6)		11,056		10,839
Long-term debt (note 7)		36,832		63,484
Other long-term liabilities		7,618		6,279
Future income taxes (note 8)		36,181		39,840
Shareholders' equity:				
Share capital (note 9)		77,805		77,805
Retained earnings		93,919		96,049
		171,724		173,854
	$	348,753	$	388,588

Contingencies (note 10)

Approved by the Board:

Gordon W. Steele
Director

Gerald E. Raboch
Director

See accompanying notes to consolidated financial statements.

RIVERSIDE FOREST PRODUCTS LIMITED

Consolidated Statements of Earnings and Retained Earnings

Years ended September 30, 2003 and 2002 (in thousands of dollars)

		2003		2002 Restated (note 1k(i))
Sales (note 11)	$	430,950	$	469,314
Cost of sales		399,800		405,597
Administrative expenses		10,987		11,633
Selling expenses		6,565		6,784
Interest expense (income)		7		(583)
Foreign exchange gain		(3,704)		(2,670)
Miscellaneous income		(46)		(1,352)
Reversal of contingent duty payable		-		(4,800)
		413,609		414,609
Earnings before interest, taxes, depreciation and amortization		17,341		54,705
Depreciation and amortization		25,371		25,116
Unrealized foreign exchange gain on debt revaluation		(8,121)		(69)
Interest on long-term debt		5,930		8,963
		23,180		34,010
Earnings (loss) before income taxes		(5,839)		20,695
Income taxes (note 8):				
Current		(842)		8,766
Future		(3,659)		(558)
		(4,501)		8,208
Net earnings (loss)		(1,338)		12,487
Retained earnings, beginning of year:				
As previously stated		98,689		89,422
Accounting standards change (note 1k(i))		(2,640)		(4,804)
As restated		96,049		84,618
Dividends		(792)		(1,056)
Retained earnings, end of year	$	93,919	$	96,049
Weighted average number of shares outstanding		8,803,993		8,803,993
Earnings (loss) per share, basic and diluted	$	(0.15)	$	1.42

See accompanying notes to consolidated financial statements.

RIVERSIDE FOREST PRODUCTS LIMITED

Consolidated Statements of Cash Flows

Years ended September 30, 2003 and 2002 (in thousands of dollars)

	2003	2002 Restated (note 1k(i))
Cash provided by (used in):		
Operations:		
Net earnings (loss)	$ (1,338)	$ 12,487
Items not involving cash:		
Depreciation and amortization	25,371	25,116
Unrealized foreign exchange gain on debt revaluation	(8,121)	(69)
Gain on disposal of capital assets	(43)	(50)
Future income taxes	(3,659)	(558)
Change in reforestation obligation	1,141	483
	13,351	37,409
Change in non-cash operating working capital	5,885	2,298
	19,236	39,707
Financing:		
Proceeds from issuance of long-term debt	10,000	10,000
Repayment of long-term debt	(30,518)	(41,613)
Change in other long-term liabilities	1,339	563
Dividends paid	(792)	(1,056)
	(19,971)	(32,106)
Investing:		
Change in investments and advances	1,757	864
Proceeds on disposal of capital assets	495	50
Purchase of capital assets	(3,873)	(14,835)
	(1,621)	(13,921)
Change in cash	(2,356)	(6,320)
Cash, beginning of year	36,841	43,161
Cash, end of year	$ 34,485	$ 36,841

Supplementary Information:

	2003	2002
Interest paid	$ 7,124	$ 9,963
Income tax paid (recovered)	$ (1,931)	$ 12,273

See accompanying notes to consolidated financial statements.

Riverside Forest Products Limited ("the Company") is incorporated under the laws of British Columbia and its principal business activities include the production and sale of lumber, plywood, veneer, and wood chips.

1. Significant accounting policies

a) Basis of presentation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, RFP Timber Ltd. and RFP Power Ltd.

b) Inventories:

Inventories, other than parts, are valued at the lower of average cost and estimated net realizable value. Parts inventories are valued at the lower of cost and replacement cost.

c) Investments and advances:

Investments are recorded at the lower of cost and net realizable value.

d) Capital assets:

Land, buildings and equipment are recorded at cost. Depreciation is provided on the straight-line basis at annual rates based on the estimated useful lives of the assets as follows:

Asset	Rate
Buildings	5% and 7%
Machinery and equipment	4% to 20%
Automotive equipment	20%
Logging equipment	5% to 20%

Timber, timber cutting rights, and timber tenures are recorded at cost and are amortized on the straight-line basis over a period of 40 years commencing in the year of acquisition.

Costs relating to roads which will provide economic benefits in future years are capitalized. Road amortization is calculated based on the amount of timber harvested from the date the Company commences using the road.

e) Acquisition and deferred financing costs:

Costs relating to acquisitions and related financing are treated as follows:

(i) Costs relating to acquisitions are included in the cost of the acquired assets;
(ii) Costs relating to equity financing are netted against share proceeds; and
(iii) Costs relating to debt financing are amortized over the term of the debt.

f) Reforestation obligation:

The British Columbia Forest Act requires the industry to assume the costs of reforestation on certain harvest licences. Accordingly, the Company records the estimated present value of the cost of reforestation as the timber is cut. The costs are included in inventory and cost of sales.

g) Revenue recognition:

The Company's primary revenues are derived from solid wood sales including panel, veneer and lumber. Revenue is also recorded from the sales of wood chips, ties, remanufactured products and electricity. Revenue is recognized when the significant risks and rewards of ownership are transferred, which is generally when the product is shipped. Lumber sales are reported net of countervailing and anti-dumping duties. Product sales are net of shipping costs.

1. Significant accounting policies - (continued)

h) Foreign currency translation:

Accounts receivable in US dollars covered by forward contracts are translated to Canadian dollars at the related contract rates. Other monetary assets or liabilities including long-term debt, are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Any gains or losses relating to the debt are included in income. All other revenue and expense items are translated at the exchange rate in effect at the transaction date.

i) Share-based compensation plans:

The Company has a share option plan as described in note 9. No compensation expense is recognized for the plan at the date of grant to employees. Any consideration paid by employees on the exercise of share options will be credited to share capital.

The Company has a share appreciation rights (SARs) plan as described in note 9. The Company accounts for the SARs using variable accounting. Under variable accounting, compensation cost must be recorded based on the intrinsic value of the award, which is computed as the difference between the exercise price and the fair value of the Company's common stock on the date of issuance of the SAR. Thereafter, an additional compensation cost must be recorded or reversed based on the difference between the value of the SAR at the beginning and end of the accounting period. The reversal of compensation cost cannot be larger than accumulated compensation expense incurred.

j) Income taxes:

The Company follows the asset and liability method of accounting for income taxes whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

k) Accounting standards changes:

i) Foreign Currency Translation

In December 2001, the Accounting Standards Board of the Canadian Institute of Chartered Accounts (CICA) amended section 1650 - Foreign Currency Translation of the CICA handbook. The amendments eliminate the deferral and amortization of unrealized translation gains and losses on foreign currency denominated monetary items that have a fixed or ascertainable life extending beyond the end of the fiscal year following the current reporting period. Under the amendments, foreign denominated long-term debt will be determined based on the exchange rate in effect at the measurement date and any resulting gain or loss since the last measurement date will be recognized in earnings in the reporting period. The amendments are effective for fiscal years beginning on or after January 1, 2002, with retroactive application required. The Company adopted the new recommendations retroactively to October 1, 2001 by restating the fiscal 2002 financial statements. The effect of adopting the new recommendation on the financial statements was as follows:

		2002
Statement of earnings		
Decrease in effect of unrealized foreign exchange loss	$	2,592
Decrease in future income taxes		(428)
Increase in net earnings	$	2,164
Balance sheet		
Decrease in deferred unrealized foreign exchange loss	$	3,163
Increase in future income taxes		523
Decrease in retained earnings	$	2,640

1. Significant accounting policies - (continued)

ii) Asset retirement obligations:
The Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued Section 3110 of the CICA Handbook, Asset Retirement Obligations ("Section 3110"). Effective October 1, 2002, the Company retroactively adopted Section 3110. The new standard requires that the estimated future cash outflows underlying the Company's reforestation obligation be discounted to present value. In conjunction with the adoption of the new standard, the Company also changed its reforestation accounting policy by modifying its methodology for accounting for legislative changes affecting future reforestation costs. The retroactive adoption of these new accounting policies did not result in any change to previously recorded results.

l) EBITDA:
EBITDA represents earnings before interest, taxes, depreciation, amortization and unrealized foreign exchange gains or losses on debt revaluation. The Company considers EBITDA as a key indicator of the Company's performance. As EBITDA is a non-GAAP measure, it may not be comparable to EBITDA calculated by others. In addition, as EBITDA is not a substitute for net earnings, readers should consider net earnings in evaluating the Company's performance.

m) Measurement uncertainty:
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) which require management to make assumptions and estimates that affect the reported amounts and other disclosures. Actual results may differ from these estimates.

The Company's reforestation obligation and the amortization rates of timber and timber cutting rights, timber tenures and road costs are based on various management estimates. Management reviews these estimates on an annual basis and, where necessary, makes adjustments prospectively.

2. Operating line of credit

The Company has an available operating line of credit totalling US $15,000,000, which was unused at September 30, 2003 and 2002. The line of credit bears interest at prime. A further US $10,000,000 has been negotiated and is available between January and June 2004. This loan bears interest at prime plus 0.25%. The lines are secured by a general Security Agreement over all assets and by charges over specific land and buildings.

3. Accounts receivable

		2003		2002
Trade accounts receivable	$	35,018	$	31,445
Other		2,949		2,780
Income taxes recoverable		727		1,762
	$	38,694	$	35,987

4. Inventories

		2003		2002
Veneer	$	1,277	$	1,337
Plywood		4,057		5,452
Finished lumber		6,546		14,096
Rough lumber		4,724		7,501
Logs		15,443		27,681
Ties		9,379		2,003
Parts, supplies, bins, ties and chips		10,712		10,324
	$	52,138	$	68,394

5. Capital assets

	2003		
	Cost	Accumulated amortization	Net
Land, buildings and equipment:			
Land	$ 2,679	$ -	$ 2,679
Buildings	32,388	16,384	16,004
Machinery and equipment	279,062	178,377	100,685
Automotive equipment	20,017	17,487	2,530
Logging equipment	3,719	3,666	53
	337,865	215,914	121,951
Timber and timber cutting rights, timber tenures	121,926	30,458	91,468
Roads	2,915	1,392	1,523
Total	$ 462,706	$ 247,764	$ 214,942

	2002		
	Cost	Accumulated amortization	Net
Land, buildings and equipment:			
Land	$ 2,428	$ -	$ 2,428
Buildings	32,339	14,654	17,685
Machinery and equipment	276,713	160,149	116,564
Automotive equipment	19,586	15,816	3,770
Logging equipment	3,719	3,531	188
	334,785	194,150	140,635
Timber and timber cutting rights, timber tenures	121,926	27,573	94,353
Roads	2,915	1,392	1,523
Total	$ 459,626	$ 223,115	$ 236,511

6. Reforestation obligation

	2003	2002
Reforestation obligation, beginning of year	$ 17,650	$ 17,167
Expense for the year	12,343	13,556
	29,993	30,723
Paid during the year	(11,202)	(13,073)
Reforestation obligation, end of year	$ 18,791	$ 17,650
Current, included in accounts payable and accrued liabilities	$ 7,735	$ 6,811
Long-term	11,056	10,839
	$ 18,791	$ 17,650

7. Long-term debt

	2003	2002
Senior notes payable	$ 46,197	$ 83,169
HSBC capital loan	18,333	10,000
	$ 64,530	$ 93,169
Current	$ 27,698	$ 29,685
Long-term	36,832	63,484
	$ 64,530	$ 93,169

The Senior Notes are denominated in US dollars and have varying maturities and interest rates as follows:

Series	Maturity Date	Interest rate %	US $
B	May 30, 2004	8.64	2,000
C	May 30, 2004	8.86	10,000
D	July 17, 2007	8.80	22,222
			$ 34,222

Long-term debt agreements contain covenants requiring the maintenance of certain financial ratios and place limitations on incurring additional debt and on the application of any proceeds from the disposition of assets. Long-term debt is secured by a General Security Agreement over all assets and by charges over specific land and buildings.

The senior note agreement allows for release of security and the lowering of interest rates if certain financial performance is achieved.

The capital loan due to HSBC bears interest at prime plus 0.5%.

Scheduled annual repayments over the remaining term of the long-term debt are as follows. Senior notes payable as stated are based upon the exchange rate at September 30, 2003.

Year	Senior notes payable	HSBC capital loan payable	Total
2004	$ 23,698	$ 4,000	$ 27,698
2005	7,499	4,000	11,499
2006	7,500	4,000	11,500
2007	7,500	4,000	11,500
2008	-	2,333	2,333
	$ 46,197	$ 18,333	$ 64,530

8. Income taxes

Income tax expense, including both the current and future portions, varies from the amounts that would be computed by applying the basic federal and provincial income tax rates to income before taxes, as shown in the following table:

	2003	2002
Basic rate	38.1%	40.9%
Increase (decrease) in tax rate resulting from:		
Foreign exchange gain on long-term debt	51.2	2.7
Large corporation tax and capital taxes	(8.2)	2.9
Manufacturing and processing deduction	(2.5)	(4.5)
Other	(1.5)	1.0
Effective tax rate	77.1%	43.0%

The tax effects of temporary differences that give rise to significant portions of the future income tax liability are presented below:

	2003	2002
Future income tax asset:		
Non-deductible reserves	$ 3,508	$ 3,012
Future income tax liability:		
Capital Assets	39,689	42,852
	$ 36,181	$ 39,840

9. Share capital

		Number	Amount
Authorized:	25,000,000 common shares without par value		
Issued:	September 30, 2003, 2002 and 2001	8,803,993	$ 77,805

Share Option Plan

The Plan provides that the Directors of the Company may grant options to purchase Common shares at issue prices not less than the closing market price of the Common shares on any stock exchange on which they may be listed, on the trading day on which the option is granted. An option will be exercisable for a period of 10 years from the date of granting and have no vesting period, except as determined by the directors at the date of grant. The aggregate number of Common shares reserved for issue under the Plan, plus the number of Common shares reserved for issue under other options granted by the Company must not exceed 10% of the then outstanding Common shares of the Company. No options have been granted under the Plan.

Share Appreciation Rights Plan

The Company has a Share Appreciation Rights plan (SAR) which enables the Directors of the Company to grant SAR's to Management and Directors of the Company. The issue price of the SAR's is equivalent to the market value of the Company's common shares at the date of grant. The rights have an exercise period of ten years and a vesting period of two years from the date of grant. The Company has accrued an amount of $0.5 million in accounts payable and accrued liabilities, based upon the Company's quoted stock price of $12.75 as at September 30, 2003. If management and directors were to exercise these SAR's at a stock price that is equal to the $19.50 book value of the stock, the projected cost of exercise would be $1.9 million.

10. Contingencies

Income Tax

Canada Customs and Revenue Agency is in the process of reassessing the Company for its 1998 and 1999 taxation years. The potential additional current taxes payable are approximately $2,800,000, which would be offset by a future tax reduction of approximately $2,800,000. The Company intends to file Notices of Objection in respect of these reassessments, once received. The Company has not recorded any charge to the current year's provision for income taxes with respect to the proposed reassessments. If the Company is not successful in its appeal, any adjustments will be reflected in the period in which they become determinable.

Countervail and Anti-dumping Duties

On March 21, 2002 and further adjusted on April 25, 2002, the US Department of Commerce (USDOC) issued its final determination in the countervailing and anti-dumping investigations. The USDOC's final determination in the countervailing investigation resulted in a duty rate of 18.79% to be posted by cash deposits from the effective date of a Final Order (May 22, 2002 as discussed below). The USDOC's final determination in the anti-dumping investigation resulted in company specific duty rates ranging from 2.18% to 12.44% on the six companies investigated and a rate of 8.43% for all other companies including this Company.

On May 16, 2002, the USITC published its final written determination on injury and stated that Canadian softwood lumber threatens material injury to the US industry. As a result, cash deposits were required for shipments at the rates determined by the USDOC effective from a Final Order date of May 22, 2002. All prior bonds or cash deposits posted prior to May 22, 2002 have been refunded. The Company has accrued $54.8 million based on sales for the period from May 22, 2002 to September 30, 2003 representing the combined final countervailing and anti-dumping duties of 27.22%.

The Company previously accrued a total of $17.3 million on countervailing and anti-dumping duties - $8.3 million for the period from August 17, 2001 to December 15, 2001 representing the final USDOC countervailing duty rate of 19.31%, and $9.0 million for the period from November 6, 2001 to May 6, 2002, representing the final USDOC anti-dumping duty rate of 9.67%. During the three months ended March 31, 2002, the Company reversed $0.2 million of the accrual representing a reduction in the anti-dumping rate. During the three months ended June 30, 2002, the Company reversed $17.1 million representing the balance of the combined accrual. The reversal relating to fiscal 2001 has been credited to other income, while the reversal relating to fiscal 2002 has been credited to sales. Of the reversal in the third quarter of 2002, $4.8 million related to fiscal 2001 sales, $5.8 million to the first quarter ended December 31, 2001 and $5.4 million to the second quarter ended March 31, 2002 sales. Any further adjustments resulting from a change in the countervailing and anti-dumping duty rates will be made prospectively.

The final amount and effective date of countervailing and anti-dumping duties that may be assessed on Canadian softwood lumber exports to the US, cannot be determined at this time and will depend on appeals of the final determinations to any reviewing courts, NAFTA or WTO panels.

The Company and other Canadian forest product companies, the Federal Government and Canadian provincial governments (Canadian Interests) categorically deny the US allegations and strongly disagree with the final countervailing and dumping determinations made by the USITC and USDOC. Canadian Interests continue to aggressively defend the Canadian industry in this US Trade dispute. Canadian Interests may appeal the decision of these administrative agencies to the appropriate courts, NAFTA panels and the WTO. Notwithstanding the final rates established in the investigations, the final liability for the assessment of countervailing and anti-dumping duties will not be determined until each annual administrative review process is complete.

The Forestry Revitalization Plan

In March 2003, the Government of B.C. ("Crown") introduced the Forestry Revitalization Plan (the "Plan") that provides for significant changes to Crown forest policy and to the existing allocation of Crown timber tenures to licensees. The changes prescribed in the Plan include: the elimination of minimum cut control regulations; the elimination of existing timber processing regulations; and the elimination of restrictions limiting the transfer and subdivision of existing licenses. As well, through legislation, licensees, including the Company, will be required to return approximately 20% of their replaceable tenure to the Crown. The Plan states that approximately half of this volume will be redistributed to open up opportunities for woodlots, community forests and First Nations and the other half will be available for public auction. The Crown has acknowledged that licensees will be fairly compensated for the return of tenure and related costs such as roads and bridges.

The effect of the timber take-back has resulted in a reduction of 383,982 m^3 of the company's existing annual allowable cut on their replaceable tenures. The effect of the Plan on the Company's financial position and results of operations cannot be determined at this time. The Company will record the effects of the Plan at the time the amounts to be recorded are determined.

11. Segmented information

The Company manages its business as a single operating segment: solid wood. The Company harvests logs which are sorted by species, size and quality and then manufactured into solid wood products at the Company's facilities. All operations are located in British Columbia, Canada.

The Company sells to both foreign and domestic markets as follows:

	2003	2002
Canada	$ 174,542	$ 184,556
United States	216,064	241,604
Japan	36,287	39,782
Europe	640	340
Other	3,417	3,032
	$ 430,950	$ 469,314

Sales by product line are as follows:

	2003	2002
Stud and dimension lumber	$ 262,409	$ 258,867
Plywood and veneer	150,491	160,890
Wood chips	35,002	35,632
Ties	15,337	16,345
Remanufactured and other	7,506	8,474
Power	3,084	998
	473,829	481,206
Countervailing and anti-dumping duties on lumber sales (note 10)	(42,879)	(11,892)
	$ 430,950	$ 469,314

12. **Employee Future Benefits**

a) The Company contributes to an industry-wide pension plan on behalf of its unionized employees. The amount contributed is based upon a negotiated rate for each hour worked. During the year ended September 30, 2003, the Company made total contributions to this plan of $ 6,836,341 (2002 - $ 6,774,576).

b) The Company also contributes on behalf of its salaried employees to a defined contribution plan. The amounts contributed are based upon employee earnings and are credited to specific employee accounts. The obligation for these contributions is extinguished upon payment. During the year ended September 30, 2003, the Company paid $862,000 (2002 - $820,000) on behalf of this plan.

c) The Company contributes to defined benefit pension plans for its salaried and certain non-union hourly wage employees. The plans establish a liability based upon length of service and final average earnings. Details of the Company's plans are as follows:

		2003		2002
Accrued benefit obligation:				
Beginning of year	$	32,297	$	29,150
Service cost		701		806
Interest cost		2,067		2,066
Benefits payments		(966)		(887)
Actuarial (gain)/loss		(62)		1,162
	$	34,037	$	32,297
Plan assets, at fair value:				
Beginning of year	$	18,967	$	21,004
Actual return on plan assets		1,259		(1,237)
Contributions		1,819		87
Benefit payments		(966)		(887)
	$	21,079	$	18,967
Unfunded liability	$	12,958	$	13,330
Add: Unrecognized past service costs		563		681
Less: Unrecognized actuarial loss		8,402		9,234
Employee future benefits liability	$	5,119	$	4,777
Net future benefits expense:				
Employer service cost	$	1,593	$	1,535
Interest cost		2,143		2,067
Expected return on assets		(1,634)		(1,454)
Amortization of unrecognized loss		925		965
Amortization of past service costs		(118)		(118)
	$	2,909	$	2,995
Assumptions for defined benefit plans:				
Discount rate		6.25%		6.50%
Expected return on plan assets		7.50%		7.50%
Compensation increase		3.50%		3.50%

The Company sponsors three defined benefit retirement programs. Details of these plans are as follows:

2003				**Total**
Accrued benefit obligation	$ 25,979	$ 1,192	$ 6,866	$ 34,037
Plan assets	20,064	1,015	-	21,079
Unfunded liability	$ 5,915	$ 177	$ 6,866	$ 12,958

2002				**Total**
Accrued benefit obligation	$ 24,126	$ 1,128	$ 7,043	$ 32,297
Plan assets	17,981	986	-	18,967
Unfunded liability	$ 6,145	$ 142	$ 7,043	$ 13,330

13. Financial instruments

a) Fair Value and Credit Risk

The carrying values of cash, accounts receivable, investments and advances, accounts payable and accrued liabilities, long-term debt and other long-term liabilities approximate their fair value. As at September 30, 2003 and 2002 the maximum credit risk exposure for all financial instruments is the carrying amount of each instrument.

b) Currency Risk

From time to time, the Company enters into hedge arrangements to minimize the effect of currency fluctuations on US dollar denominated receivables. At September 30, 2003, the Company had hedge contracts outstanding of US $18 million (2002 - nil).

The Company is exposed to currency risk on its US dollar denominated debt but considers its US dollar denominated revenues to be a natural hedge against this exposure. For accounting purposes, the Company does not treat this as a hedge.

BUSINESS OF THE COMPANY

THE COMPANY

Riverside Forest Products Limited is a corporation formed under the *Company Act* of British Columbia. The Company's head office is located at 820 Guy Street, Kelowna, British Columbia, V1Y 7R5 and its registered and records offices are located at 3000 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 3R3.

The Company has two wholly-owned subsidiaries, RFP Timber Ltd. and RFP Power Ltd., both of which are British Columbia companies.

Riverside is engaged in the business of harvesting timber and producing lumber, plywood, veneer and wood chips. The Company has a broad market for its products, which are sold in Canada, the United States, Japan and numerous countries in the European Economic Community. Riverside is B.C.'s seventh largest provincial tenure holder with an annual allowable cut of 2.4 million cubic metres, as well as its seventh largest lumber producer. The Company is the largest plywood and veneer producer in Canada and has been steadily increasing its production of value-added plywood products in response to changing customer needs. Solid wood products and wood chips are produced at Riverside's three stud lumber sawmills, one dimension lumber sawmill, two plywood plants, one salvage recovery lumber sawmill and one veneer plant. In addition, the Company operates a remanufacturing facility, whole log chipping facilities, a tie treating and processing facility and a seedling nursery and seed orchard.

HISTORY

Prior to its initial public offering, the Company operated for over 45 years as a privately-owned forest products company with its head office and main base of operations located in Lumby, British Columbia.

From a base of 4 mmfbm of annual lumber capacity in 1962, the Company has acquired and consolidated more than 19 operations and now has an annual capacity of 796 mmfbm of lumber, 431 mmsf of plywood, 565 mbdu of wood chips and 171 mmsf of veneer.

The Company completed its initial public offering of securities on December 30, 1992. Its common shares are listed on the Toronto Stock Exchange.

The Company's principal mill acquisitions since 1992 are as follows:

		Capital Assets	Working Capital (thousands of dollars)	Total $	Original AAC (m^3)
November 1992 Crown Forest Industries Limited (CFI)	Armstrong and Kelowna plywood plants and stud mills	$ 62,905	$ 5,524	$ 68,429	951,544
April 1994 Jacobson Bros. Forest Products Ltd. (JBFPL)	Williams Lake dimension lumber mill	$ 67,500	$ 15,699	$ 83,199	492,700
June 1997 TimberWest Forest Limited (TFL)	Soda Creek stud mill and Ashcroft tie treating plant	$ 58,560	$ 14,976	$ 73,536	589,934
		$188,965	$ 36,199	$225,164	2,034,178

These acquisitions were originally financed as follows:

	Debt	Issuance of Equity	Assumption of Silviculture Obligation (thousands of dollars)	Cash	Total
CFI	$ 32,000	$ 32,103	$ 7,702	$ (3,376)	$ 68,429
JBFPL	41,542	25,587	4,500	11,570	83,199
TFL	33,422	23,606	8,444	8,064	73,536
	$ 106,964	$ 81,296	$ 20,646	$ 16,258	$ 225,164

TIMBER RESOURCES

Forest Tenures

Approximately 95% of all timberlands in British Columbia are owned by the Province of British Columbia and administered by the Ministry of Forests of British Columbia (the "Ministry of Forests"). The *Forest Act* of British Columbia empowers the Ministry of Forests to grant timber tenures, including tree farm licences, forest licences, timber licences and timber sale licences, authorizing timber harvesting on government-owned timberlands.

Tree Farm Licence (TFL)

A tree farm licence is an area-based tenure. It is granted to a licensee who undertakes to manage an area of timberland to yield an annual harvest on a sustained yield basis. The licence is for a term of 25 years and is replaceable every five to ten years.

Forest Licence (FL)

A forest licence is a volume-based tenure. It grants the right to harvest a specific volume of timber on public lands in a forest area managed by the Ministry of Forests called a timber supply area ("TSA"). A renewable forest licence is replaceable every five to ten years for a further 15-year term. Replacement of forest licences and tree farm licences is subject to satisfactory performance by the licensee and to agreement on terms between the licensee and the Ministry of Forests.

Timber Sale Licence (TSL)

A timber sale licence is a licence to harvest a specified volume of timber within a TSA managed by the Ministry of Forests. Timber sale licences have a term of 10 or fewer years and may or may not be replaceable, depending upon the terms of the licence.

Timber Licence (TL)

A timber licence grants the licensee the right to harvest all merchantable timber from a prescribed area over a specified term, usually from 40 to 60 years.

Riverside Timber Tenures

The Company holds one tree farm licence, seven renewable forest licences, two non-renewable forest licences, two renewable timber sale licences, and two timber licences. The Company also has management agreements to harvest timber from a third party tenure.

The following table details the timber tenures and the associated harvest levels or AAC of the Company:

Tenure Type	Harvest level or AAC (cubic metres)	Timber Supply Area
Tree Farm Licence		
TFL 49	343,095	n/a
Forest Licences		
FL A18667	767,413	Okanagan
FL A18697	19,340	Merritt
FL A18689	34,133	Kamloops
FL A20191	47,589	Arrow
FL A20015	378,571	Williams Lake
FL A20016	114,129	Williams Lake
FL A55904(1)	50,000	Williams Lake
FL A20019	407,621	Williams Lake
FL A54417(2)	180,000	Williams Lake
Timber Sale Licence (Renewable)		
A 20170	7,609	Boundary
A 19993	2,313	Quesnel
Tenures of Third Parties (3)	33,718	
Timber Licences(4)		
TL 816	10,000	Okanagan
TL 451 and 461	5,000	Revelstoke
TOTAL	**2,400,531**	

(1) Non-renewable forest licence (expires February 28, 2004).
(2) Non-renewable forest licence (expires December 31, 2003).
(3) One tenure is a renewable forest licence representing 33,718 cubic metres per year.
(4) Estimated annual harvest levels.

AAC Determination

The AAC under a tree farm licence, timber sale licence and forest licence is determined by the Ministry of Forests. In all cases, the AAC of a tree farm licence or the TSA in which forest licences and timber sales licences are issued must be approved by the Chief Forester of the Province of British Columbia. For forest licences and tree farm licences, the actual harvest by the licensee may differ from the prescribed AAC, at the licensee's option, by up to 50% on an annual basis. However, the average harvest must be within 10% of the AAC over each five-year cut control period. Within the recent five-year cut control periods, the Company's harvest on its Crown timber tenures averaged 100% of the AAC. In November, 2003 the minimum cut control requirements in the Forest Act were substantially eliminated.

The AAC available to the holders of forest licences and timber sale licences within a TSA is periodically assessed by the Province's Chief Forester. As a result of data presented in these reviews, the Chief Forester may set a new AAC for each TSA.

The AAC on the Company's tree farm licence (TFL 49) is reviewed by the Chief Forester every five years, when the Company submits its Management Plan for this licence. The Company's latest Management Plan for TFL 49 has been approved by the Ministry of Forests for the period from July 1, 2001 to June 30, 2005. This management plan allocates to the Company an AAC of 343,095 cubic metres.

Stumpage

The British Columbia government periodically establishes the fees to be paid for the right to harvest timber. Assessments for harvesting public timber, called "stumpage", are based on the amount of timber harvested by the operator and the stumpage rate then in effect. The current stumpage system was introduced in October 1987 and is designed to generate a specific average or target stumpage rate. Stumpage rates charged for specific stands of timber are adjusted from the average stumpage rate on the basis of the quality of timber, the estimated operating costs, and the market value of the logs harvested. Stumpage rates are assigned on a non-competitive basis for all forest licences, tree farm licences and timber licences. A new market-based timber pricing system is one of the forest policy reforms that has been announced by the Provincial government, but it is not known when that change will be implemented or how it will effect the stumpage paid by the Company.

Forest Management

Forest land in each TSA and TFL is managed on a sustained yield basis incorporating integrated resource management concerns of the Ministry of Forests. Licensees are required to carry out certain forest management activities in conjunction with their harvesting activities. These include management plans, forest development plans, engineering and road layout, timber cruising for appraisal purposes, silviculture prescription obligations and basic silviculture. Prior to harvesting, cutting permits are required from the Ministry of Forests. Under the *Forest Practices Code of British Columbia Act,* reforestation and associated costs for areas on provincial land logged after October 1, 1987 are the responsibility of the licensee. After harvesting, the licensee must assess any logging residue and regenerate all areas harvested. The Company's existing silviculture program regenerates all lands harvested, within the time period established by the Ministry of Forests, through a mixture of tree-planting and natural regeneration to satisfy standards set by the Ministry of Forests and the Forest Practices Code.

Seedling Nursery and Seed Orchard

The Company owns a seedling nursery and seed orchard located in Armstrong. This facility consists of a nursery, which produces seedlings in containers, glass greenhouses, an outdoor growing compound and three seed orchards. The purpose of the nursery and seed orchard facility is to supply improved seeds and seedlings for reforesting the Company's harvested areas. The nursery currently produces 4.7 million seedlings per year. The controlled environment in the greenhouses gives this facility the flexibility to produce a variety of species and stock types.

The seedling nursery satisfies 40% of the planting requirements of the Company, the balance of which are satisfied by special stock purchased from other nurseries. Seedlings may also be grown and sold under contract to the Ministry of Forests and to other local forest companies.

Logging Operations

The logging operations of the Company are located in the Southern Interior and Cariboo regions of British Columbia. Logging of provincial timber allocated to the Company under its timber tenures is all conducted by independent contractors, with many of whom the Company has been associated for many years.

The logging operations conducted by the Company's contractors include all phases of timber harvesting, including falling, bucking, skidding or yarding of logs and hauling to the relevant timber processing facility. All of these operations are very tightly controlled by the Company and the Ministry of Forests. Experimentation with alternative logging methods, where appropriate, to reduce clear cutting and lessen the impact of logging on forest soils is part of the Company's ongoing commitment to responsible use of the forest resource.

Purchased Wood

The Company's harvesting rights provide about 65% of its mill requirements. Approximately 1,000,000 cubic metres of additional logs required are purchased from private landowners and from small businesses pursuant to the Ministry of Forests' Small Business Forest Enterprise Program. The Company has historically been able to obtain all logs required for its facilities. Where logs from the Company's tenures are unsuitable for the Company's operations, such as cedar, white pine, yellow pine and hardwood logs, they are either traded for suitable species or sold on the open market.

The following table shows the Company's log production by timber source and its log usage for the past three years.

	Year Ended September 30		
	2003	2002	2001
Log Production (m^3)			
Timber Tenures	2,174,419	2,308,994	2,646,846
Purchased Wood	1,078,180	848,278	1,133,403
Total (m^3)	3,252,599	3,157,272	3,780,249
Log Usage (m^3)	3,409,094	3,418,821	3,357,523

MANUFACTURING FACILITIES

The Company operates 10 manufacturing facilities at seven separate locations: a studmill and plywood plant at Armstrong, a studmill and plywood plant at Kelowna, a remanufacturing facility at Winfield, a recovery lumber mill and veneer plant at Lumby, a dimension lumber mill and studmill at Williams Lake (the Williams Lake Facility and Soda Creek) and a tie treating and processing plant at Ashcroft. The production capacities and production over the past five years are as follows:

		Production				
	Capacity	2003	2002	2001	2000	1999[1]
STUDMILLS (mmfbm)						
Armstrong	160	157	145	142	140	140
Kelowna	160	147	145	152	153	149
Lumby (including recovery products)	6	5	5	6	60	64
Soda Creek [2]	200	137	124	118	112	112
Total	526	446	419	418	465	465
DIMENSION LUMBER MILL (mmfbm)						
Williams Lake	270	263	244	208	218	211
VENEER PLANT (mmsf)						
Lumby	171	151	162	159	167	169
(Less veneer utilized internally)	(75)	(74)	(76)	(67)	(77)	(72)
Total	96	77	86	92	90	97
PLYWOOD PLANTS (mmsf)						
Armstrong	265	235	250	243	246	252
Kelowna	166	151	160	148	150	149
Total	431	386	410	391	396	401
WOOD CHIPS [3] (mbdu)						
Armstrong	145	137	129	151	157	164
Kelowna	130	128	132	154	157	150
Lumby	25	22	24	23	65	67
Soda Creek	105	78	83	95	95	109
Williams Lake	160	149	156	139	145	135
Total	565	514	524	562	619	625

(1) Includes production from Soda Creek old studmill which ceased operation December 18, 1998
(2) Capacity for Soda Creek studmill based on a single line, 4 shifts for 356 days
(3) Includes capacity related to whole-log chippers in Armstrong and Soda Creek

Armstrong
The Armstrong facility, built in 1971, is located on a 71-hectare site 16 kilometers north of Vernon, British Columbia. The facility consists of a plywood plant, studmill and a 20 megawatt cogeneration operation.

The plywood plant consists of two lathes to produce veneer, four veneer dryers, a flexible value-added lay-up system, two presses, finishing end saws, patch line and a six-head sander. All plywood produced is solid core, with interior veneer sheets processed through three composers. This plant is the largest plywood plant in Canada, producing approximately six million panels annually, and runs 95% to custom orders and custom sanded products.

The Armstrong sawmill's primary breakdown system, the overhead end-dogging carriage system, went through a major upgrade to its scanning optimization and control system during the spring of 2002. Since the startup of the new system productivity has increased to 730 mbm per day.

A whole log chipper on site allows for high volume processing of pulp logs to chips when chip markets are strong.

A 20 megawatt cogeneration plant consumes all the waste material generated on site and assists with waste disposal for other mills in the North Okanagan. In addition to providing all the steam required for mill operational needs, the plant produces surplus electricity for sale to third parties.

The site consumes one million cubic meters of logs annually.

Ashcroft
The Ashcroft facility is currently one of two operating tie-treating plants in British Columbia, treating 600,000 railroad ties and 1.9 mmfbm of bridge timbers and switch ties annually under contracts with the three major railroad companies in Western Canada.

Kelowna
The Kelowna facility is located on an 11-hectare site in Kelowna, British Columbia. The facility consists of a studmill, a plywood plant and a cogeneration operation.

The centralized log processing operation at the Kelowna facility provides eight-foot debarked logs to both the plywood plant and the studmill.

The plywood plant consists of one lathe, three veneer dryers, a flexible value-added lay-up system, two presses, a sizing saw line, two patch lines and a six-head sander. All plywood produced in this facility is manufactured with solid core inner ply veneer from three composers.

The studmill has two primary breakdown lines, both with optimization systems. All lumber is dried in one of four steam-heated dry kilns and then dressed through a high-speed planer. Value-added products, such as J-grade, are extracted from the flow and processed over a precision end-trimmed (PET) system.

The wood waste fueled cogeneration facility at Kelowna produces 100% of the electricity consumed at the mill and supplies process steam for dry kilns, veneer dryers and plywood hot presses.

The Kelowna woodlands department supplies 830,000 m^3 of fibre annually.

Lumby

The Lumby facility consists of a modern green veneer plant and a recovery sawmill. The division is located on a 36-hectare site 18 kilometers east of Vernon, British Columbia. The plant processes in excess of 300,000 cubic metres annually.

The veneer plant, which was constructed in 1974, has been continually upgraded as new technology and equipment has been developed. At present, this veneer mill has one of the most sophisticated and fastest peeling systems in North America. The Lumby plant produces and sells veneer to plywood plants in Canada and the United States, as well as providing veneer for internal consumption at our Armstrong and Kelowna facilities. The sawmill focuses on recovering value-added, railroad ties and stud material from oversized logs, which cannot be processed at our other Okanagan facilities. It currently operates on a one-shift basis.

Soda Creek

The Soda Creek facility is located in Williams Lake, British Columbia on approximately 56 hectares of land. The facility includes a studmill, a planermill, a finger-jointing plant, dry kilns, a whole log chipping facility, supporting forestry operations and Slater Mountain, a value-added plant. The studmill produces lumber for North American markets. The annual production capacity of the studmill is 200 mmfbm of lumber (of which approximately 8 mmfbm is used in the finger-jointing plant) and 105 mbdu of wood chips. The annual production capacity of the whole-log chipping facility is 30 mbdu of wood chips.

The finger-jointing plant recovers short lengths of lumber from the studmill and converts them into higher-value structural lumber products. The finger-jointing plant has a potential capacity of 25 mmfbm when additional volumes of lumber are obtained from external sources.

The Soda Creek facility has undergone an $11 million modernization project which involved building a modern, single-line mill using the existing inactive dimension mill infrastructure. This mill became operational in the fall of 1996.

The Soda Creek operation includes a whole-log chipping facility, which was constructed in 1990 and expanded in 1992 and 1994. This facility chips pulp logs for sale to affiliates of NorskeCanada under fibre supply contracts. Arrangements are also made with other operations in the area to custom chip logs and yard debris.

The Slater Mountain plant runs primarily one inch products, while taking advantage of any opportunity where it can add extra value.

Williams Lake

The Williams Lake facility is located in Williams Lake, British Columbia on approximately 25 hectares of land. The operation consists of a three-line sawmill, a single-line planer mill, four dry kilns, a mobile equipment repair shop, a fabricating shop and storage yards for rough and dressed lumber. The site is served by the British Columbia Railway. More than $56 million in capital improvements during the last eight years have upgraded the plant to a modern, efficient, high-tech operation that is a top-quartile performer in the industry.

The sawmill produces 270 mmfbm of dimension lumber and 160 mbdu of woodchips annually, with a species mix of approximately 85% SPF and 15% Douglas Fir. Cutting programs are typically 2x3 through 2x10 in lengths from six feet to 20 feet with capability for 2x12 dimension and up to 24 feet in length, as well as 2-1/2" for the Belgian market and 45 or 48-millimeter thicknesses in metric widths and lengths for the Japanese market. Specialty grades in SPF include Riverside Prime, Royal Blue Prime and MSR, for both North American and offshore markets. Douglas Fir specialty grades include Lamstock and J-Grade for Japan and MSR for North American markets. Approximately 50% of sales are in the United States, 42% in Canada and 8% offshore.

Winfield

The Winfield facility, built in 1995, is a 36,000 square foot value-added manufacturing facility located in Winfield, British Columbia. Situated on seven acres, the facility manufactures high-grade plywood fruit harvesting bins for fruit growers in the Okanagan Valley and commercial shipping containers for shipment of dry or liquid goods for customers throughout North America.

This facility is also adding value to plywood panels and lumber products from the Company's Kelowna and Armstrong plants by recutting them to customer specified sizes before shipment to customers in Canada, the United States and Japan.

SALES AND MARKETING

The markets in which the Company sells its three major products, stud lumber, dimension lumber and plywood, are highly competitive. Customers have many choices of suppliers and determine their purchases based on product quality, price and service. The prices of both lumber and plywood are dependent upon supply and demand and are subject to factors specific to each commodity.

The Company has a complete in-house sales and support staff to sell its products. North American lumber and plywood sales are usually not contracted beyond five weeks, although yearly volume commitments are common.

North American sales are primarily to wholesalers and stocking distributors on a cash basis with payment within 10 to 15 days of shipment. Sales to continental Europe are through independent sales agents, while sales to the United Kingdom are to stocking distributors. Japanese sales are made directly to trading houses, wholesalers and housing companies from the Company's Kelowna sales office. Offshore sales can extend three to four months but most often fall into a two-month period. Letters of credit and cash against documents are the usual form of payment for these sales. The Company has not experienced any significant bad debts.

All of Riverside's panel products are certified by the Canadian Plywood Association to CSA Standards. They also meet the Japanese Agricultural Standards (JAS) certification and the specific grading requirements of many European countries. Shipments to the United States market are under PS1 Certification, which meets the requirements of the three US Building Codes.

The Company's lumber products are graded under the National Lumber Graders Authority (NLGA) Standard Grading Rules for Canadian Lumber and approved by the Canadian Lumber Standards Association. Monitoring is provided by the Council of Forest Industries (COFI). All mills are also certified to meet Japanese Agricultural Standards.

WOOD CHIPS AND FIBRE SALES

The Company has a chip supply agreement with NorskeCanada pursuant to which the Company supplies NorskeCanada's pulp mills with a certain volume of wood chips from the Armstrong and Kelowna operations over an indefinite term at southern interior region market prices. The balance of the Company's chip production is sold pursuant to existing agreements between the Company and other consumers of chips.

The majority of the wood chips produced at Lumby are sold to a single purchaser.

Wood chips produced by Soda Creek are sold under contract to NorskeCanada under an indefinite-term supply agreement. Sometimes whole log chips are sold either to NorskeCanada through a "first rights" agreement or on the open market. Chips from the Williams Lake Division are sold to three customers under long-term contract.

The Company owns approximately 28.7% of Fibreco Export Inc., a consortium of interior-based forest companies operating a wood chip terminal in Vancouver.

HUMAN RESOURCES

The Company's employment base is relatively stable, with only slight variations due to seasonal demands. The following table sets out the number of active hourly and salaried employees as at September 30, 2003.

	Hourly	Salaried	Total
Armstrong	606	74	680
Ashcroft	11	7	18
Kelowna	475	114	589
Lumby	112	34	146
Soda Creek	172	64	236
Williams Lake	201	32	233
Winfield	25	7	32
	1602	332	1934

All of the hourly employees, except for those at Ashcroft, are members of I.W.A. - Canada. Independent contractors, who do most of the logging, site preparation and tree planting, employ an additional 1,000 people.

ENVIRONMENT

Riverside mills and forestry operations are regulated by federal and provincial environmental legislation, including the *Waste Management Act* (British Columbia), the *Forest Practices Code of British Columbia Act* (British Columbia), the *Fisheries Act* (Canada) and the *Canadian Environmental Protection Act* (Canada). Management believes that Riverside has all major environmental permits necessary to conduct its operations and that its operations are in substantial compliance with all environmental legislation.

Riverside's forestry and logging operations activities are in compliance with the *Forest Practices Code* of British Columbia and are certified under ISO 14001, and audited annually by third parties.

Riverside meets or exceeds all environmental protection requirements as part of its business strategy. Costs associated with specific environmental compliance are not segregated but rather treated as part of normal and continued operations. Capital for environmental projects spent during the 2003 fiscal year totaled $1.6 million.

DIRECTORS AND OFFICERS

The names and municipalities of residence, offices held with the Company and principal occupations of the directors and officers of the Company are as follows:

Name, Municipality of Residence, Period During Which Director Served as a Director and Office Held	Principal Occupation[3]
HAMISH C. CAMERON [1] [2] Vancouver, B.C. Director from April 17, 2003 to present	Retired Lawyer
MORRIS J. DOUGLAS Kelowna, B.C. Vice-President, Sales and Marketing	Vice-President, Sales and Marketing of the Company
JOHN F. ELLETT [1] [2] Vernon, B.C. Director from November 20, 1992 to present	Retired Businessman
WILLIAM G. McINTOSH [1] [2] Vancouver, B.C. Director from February 1, 1993 to present	Retired Bank Executive
GEORGE L. MALPASS [1] [2] Vancouver, B.C. Director from January 27, 1997 to Present	Consultant to International Forest Products Limited
MICHAEL E. MOORE Vernon, B.C. Secretary Treasurer and Chief Financial Officer	Chief Financial Officer of the Company
GERALD E. RABOCH [1] Vernon, B.C. Director from June 1, 1978 to present Chief Operating Officer	Chief Operating Officer of the Company
GORDON W. STEELE [1] Vernon, B.C. Director from June 1, 1978 to present President and Chief Executive Officer	Chairman, President and Chief Executive Officer of the Company

(1) Denotes members of the Audit Committee
(2) Denotes members of the Compensation Committee.
(3) All of the directors and officers have been engaged in the principal occupations listed throughout the five preceding years, excepting Hamish C. Cameron, who was a Senior Partner at Bull, Housser & Tupper until December 31, 2002.

All directors have a term of office of one year, which expires at the next annual meeting. Directors may be re-elected to successive terms. As of November 14, 2003 all of the directors and officers of the Company as a group owned 2,056,475 Common Shares representing 23.4% of all of the issued and outstanding shares of the Company. Included in this number of shares are the 2,016,000 Common shares owned by W.H. Steele Lumber Co. Ltd., the shares of which are owned beneficially directly and indirectly as to approximately 66.7% by Gordon Steele and his family, and as to approximately 33.3% by Gerald Raboch and his family.

DIVIDENDS

In fiscal 2002 and 2003 and subsequently, the Company paid dividends on the outstanding Common Shares as of the date of record as follows:

Date of Record	Date of Payment	Dividend per Common Share
October 31, 2001	November 9, 2001	$0.03
February 5, 2002	February 15, 2002	$0.03
April 30, 2002	May 10, 2002	$0.03
August 1, 2002	August 13, 2002	$0.03
October 30, 2002	November 12, 2002	$0.03
February 4, 2003	February 13, 2003	$0.03
April 29, 2003	May 9, 2003	$0.03
November 3, 2003	November 14, 2003	$0.03

The declaration and payment of dividends is at the discretion of the Company's directors. The Company's dividend policy is to pay a quarterly dividend at a rate that is sustainable over a range of economic conditions. If circumstances warrant, stock dividends may be paid in lieu of cash dividends. The loan agreements in respect of the Company's long-term and operating debt also restrict corporate distributions if certain criteria are not met.

SHARE CAPITAL AND MARKETS FOR SECURITIES

The authorized capital of the Company consists of 25,000,000 common shares, each of which entitles the holder to vote at general meetings of the Company and ranks equally with the others with respect to the payment of dividends and the distribution of assets on the dissolution, liquidation or winding-up of the Company.

The Company's Common shares are listed and posted for trading on the Toronto Stock Exchange under the symbol RFP.

ADDITIONAL INFORMATION

Additional information, including director's and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, and a report on corporate governance practices is contained in the Company's Information Circular dated December 3, 2003, which relates to the annual general meeting of shareholders to be held January 19, 2004.

The Company will provide to any person, on request to the Secretary Treasurer of the Company:

(a) when the Company's securities are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,

 (i) one copy of this Annual Statutory Information for 2003, together with one copy of any document, or the pertinent pages of any document, incorporated by reference herein;

 (ii) one copy of the comparative financial statements of the Company for its most recently completed financial year, together with the accompanying report of the auditor and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year;

(iii) one copy of the Information Circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors, and

(iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not described under (i) to (iii) above, or

(b) at any other time, one copy of any of the documents referred to in (a)(i), (ii) and (iii) above, for which the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

For copies of documents, please contact Mr. Michael E. Moore, Secretary Treasurer, at 820 Guy Street, Kelowna, British Columbia, V1Y 7R5, telephone (250) 762-3411, telecopier (250) 861-6991, email - investorrelations@riverside.bc.ca, website: www.riverside.bc.ca.

2003 Highlights

For the year ended September 30, 2003 (in thousands of dollars, except per share amounts)

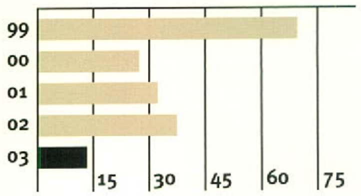
Sales and Income	
Sales	$430,950
Cash flow from operations before changes in non-cash operating working capital	$ 13,351
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$ 17,341
Earnings (loss) before income taxes	$ (5,839)
Net earnings (loss)	$ (1,338)

Common Share Data	
Common shares outstanding at year-end	8,803,993
Net earnings per share	$ (0.15)
Shareholders' equity per share	$ 19.51

Financial Position	
Working capital	$ 43,340
Total assets	$348,753
Long-term debt, net of current portion of $27,698	$ 36,832
Shareholders' equity	$171,724
Invested capital	$236,254
Capital expenditures	$ 3,873

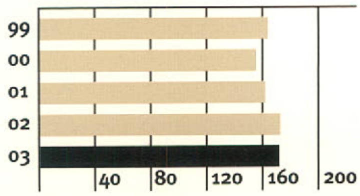
Other Data	
EBITDA/Sales	4.0%
EBITDA/Interest	2.9X
Percentage of long-term debt to invested capital	27.3%

Cash Flow*
in millions of dollars

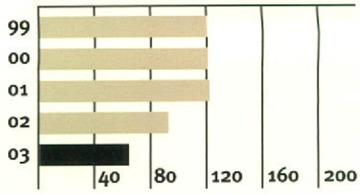


* before changes in non-cash operating working capital

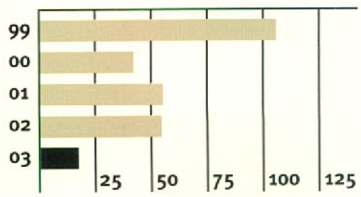
Shareholders' Equity
in millions of dollars



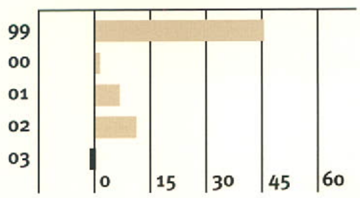
Long-term Debt
in millions of dollars before current portion



EBITDA
in millions of dollars

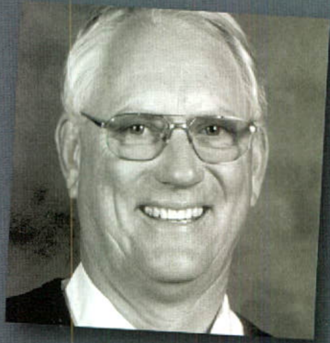


Earnings (loss)
in millions of dollars



President's Report to Shareholders

Two thousand and three was a year of many challenges. The unresolved Softwood Lumber Dispute with the United States continued as we battled the beetle in the forests and found ourselves impacted by the threat of wildfires. The effects of a global oversupply of lumber and a rising Canadian dollar contributed to the extreme uncertainty and volatility of today's



For the year ended September 30, 2003, Riverside reported a net loss of $1.3 million on sales of $430.9 million compared to net earnings of $12.5 million on sales of $469.3 million the previous year.

The expiry of the Softwood Lumber Agreement between Canada and the U.S. and the resultant imposition of countervailing and antidumping duties has had a significant impact on our business. From May 22, 2002, when the duties were first imposed, through to our year-end of September 30, 2003, Riverside paid $53 million in cash deposits to cover duties on these shipments. Riverside supports the industry and provincial and federal governments as they continue to work diligently towards a long-term viable solution to this dispute.

OPERATING STRATEGY

Our operating strategy was to maintain the strength of our balance sheet. We focused on products and markets not affected by the trade actions and further refined the cost structure of existing operations. We maintained our state-of-the art operations without increased spending. And we reduced our debt by $20.5 million.

During the first half of our fiscal year, soft market conditions, softwood lumber duties and deteriorating product prices caused our inventories to grow to unacceptable levels. We were forced to curtail operations company-wide by 20% in our third quarter in order to adjust production and sales to achieve the best results for the Company. Our employees worked diligently to improve our efficiencies and reduce costs during that time.

PEOPLE MAKE THE DIFFERENCE

The remarkable contribution of Riverside's people comes to the forefront year after year. In a commodity business where many things are beyond our control, our strategy is to focus on the controllables — like efficiency, cost control and product value. That strategy requires the innovation and dedication of our people, and once again, they have made the difference.

In 2000 we launched a program of change that embraced virtually every job in the company. By 2002, our FAST (For A Stronger

forest products industry. Despite the uncertainty, Riverside continued to exhibit its strength over the past year.

"Riverside is well positioned for the future. The Company has a strong balance sheet, state of the art physical assets and talented, motivated people to provide our customers with cost-effective quality products." —**Gordon Steele**

Tomorrow) program was rolled out to all of our employees. The results continue to amaze us. Employee teams have delivered improvements in operations and at the same time reduced costs and improved margins.

In the July quarter, two regional initiatives saw employees throughout the company work together on projects to conserve our cash and improve margins. The targets were aggressive and the results were outstanding! We saw commitment and involvement, ideas and actions, patience and understanding and tremendous results. Some of those achievements are highlighted throughout this report.

We would like to welcome Hamish Cameron of Vancouver, B.C. to the Board of Directors. Mr. Cameron recently retired from Bull, Housser & Tupper, and brings to Riverside over 40 years of insight and experience gained as one of Vancouver's leading commercial lawyers with significant experience in the forest products industry.

We would also like to acknowledge the contribution of Bill McIntosh who has been a member of the Board of Directors since 1993. Mr. McIntosh has announced his upcoming retirement from the Board in the new year. We appreciate the input and involvement of Mr. McIntosh over the years.

Two senior executive members also retired in 2003: John Marritt, Vice President Woodlands and Spence Brigden, Regional Manufacturing Manager. We thank them both for their leadership and contribution to Riverside's success. As a testimony to the strength of our team, we have been able to refine their roles and replace them from within the organization.

We thank our employees for their outstanding contribution over the past year. They have made a difference. As we move forward into 2004, we are confident that their commitment will keep us well positioned for the future despite the ongoing challenges we currently face.

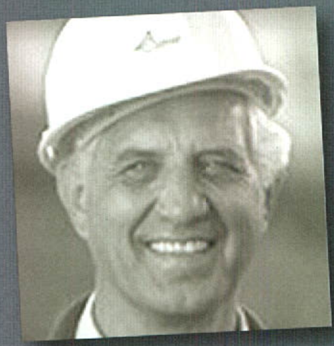
To our directors, shareholders, customers, contractors and suppliers, we thank you for your continued support.

G W Steele

Gordon W. Steele
President and
Chief Executive Officer

Operations Review

We've always encouraged our employees to get involved in driving positive change. Three years ago when we launched the FAST program, we created opportunities for people to think, to talk and to work together on initiatives. As a result, we are continuing to see significant improvements in performance and achievements in spite of negative influences.



PRESERVING THE ASSETS

Our proactive maintenance programs allow us to preserve our assets and keep our state-of-the art facilities and equipment operating efficiently. In many of our Divisions, teams have developed more formal structures to improve maintenance efficiencies.

Woodlands Review

Each day, the people in Riverside's Woodlands operations continue to make a difference in responsible management of the forest resource entrusted to us. We meet the challenge of delivering the logs required by our manufacturing divisions while providing for the long-term sustainable supply of the resource.

We manage 2.1 million hectares of forestlands in B.C. providing approximately 2.4 million cubic metres of timber, or about 65% of our raw fibre supply. The remaining 35% is secured through the open log market. Riverside's Forestry and Logging operations are certified under ISO 14001.

Riverside's Eagle Rock Nursery produces approximately 4.7 million seedlings per year meeting 40% of the planting requirements of the Company. Located in Armstrong, B.C., the nursery and seed orchard supplies improved seeds and a variety of seedlings for reforesting the Company's harvested areas.

WILDFIRES AND BURNED WOOD

Record drought, high temperatures and wind whipped up severe wildfires across much of British Columbia this summer. Throughout Riverside's Woodlands operations, people and equipment responded quickly where needed.

SAFETY

Throughout our operations, we continue to see improvements in safety. Many of our operating departments have achieved injury free months. We are refining in-house strategies and with the commitment and engagement of our employees, we are on the road to achieving world-class health and safety results at Riverside.

We believe there are two traits that set us apart from the competition: our diverse product line and our people-driven approaches to constant improvement. That's what has prepared us to withstand the challenges and come out better prepared for tomorrow.

Gerald E. Raboch
Chief Operating Officer

The extreme fire hazard rating in the forests restricted access to the fibre supply for more than two months in the Okanagan. In order to keep the Okanagan mills running during that time, our people in the Cariboo region shipped logs to the Okanagan.

THE FORESTRY REVITALIZATION PLAN

In March, the BC Government introduced the Forestry Revitalization Plan that will impact significantly on forest policy and the existing allocation of timber tenures to licensees. We expect to see a reduction of approximately 384 thousand cubic metres from our allowable annual cut. Further effects of this legislation on the Company's financial position and results of operations will be evident next year when negotiations conclude.

FOREST HEALTH

In the mid and northern regions of the province, the mountain pine beetle infestation is at epidemic proportions. In addition, severe drought conditions this year hampered efforts to identify exactly where the beetles are going. We are in the midst of a forest health epidemic that is following its natural course in mature pine stands. Fortunately, our Cariboo Region is impacted to a lesser degree than the northern region of the province.

THE RIGHT LOG TO THE RIGHT LINE

In our Woodlands operations, we have always focused on getting the right log to the right line. Woodlands employees are continually tightening up that focus by looking for new ways to get the job done. In the Cariboo, a team assessed the needs of each line at the mills and targeted preferred log sizes for them. In both the Okanagan and Cariboo Regions, with a cut-to-length process in the forests, we are able to deliver logs that can be processed at the mills with minimum waste.

CARIBOO WOODLANDS RESTRUCTURING

Our Cariboo Woodlands Division made some personnel changes in the spring that has allowed them to deliver the same level of service more efficiently at a reduced cost. Basing their decisions on solid business criteria, the focus changed to one of truly running the business of supplying logs to manufacturing while effectively managing the forest resource.

LOGGING OPERATIONS AND PRACTICES

Many of Riverside's independent logging contractors have been working with the company for many years. They handle all phases of timber harvesting, including falling, bucking, skidding and hauling to the relevant timber processing facility. Continually looking for new ways to do business, our Woodlands people work with our logging contractors to identify alternative logging methods that meet economic and environmental challenges.

Product Sales and Marketing

Meeting our Customer's Needs

At Riverside, our sales team works hard to match our customer's needs with our line of high quality products, to deliver on time, every time, at the right price. Our success depends on that.

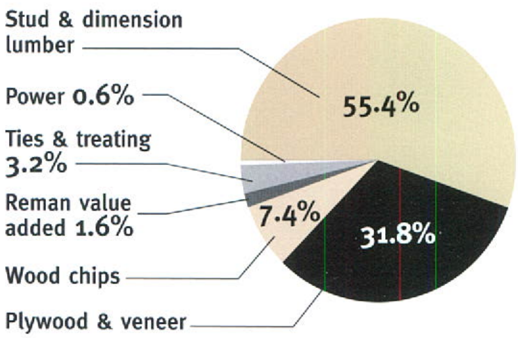
LUMBER PRODUCT LINES

Riverside is well known as a manufacturer of consistently high-quality lumber. In fiscal 2003, our lumber products accounted for $262.4 million or 55.4% of our revenues before the application of duties.

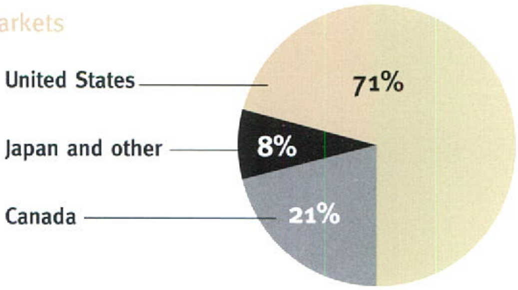
Over the past year, market conditions were volatile. The uncertainty in the marketplace because of the Canada/U.S. Softwood Lumber Dispute impacted the value of our products. In the April quarter, as prices declined, the strength of our balance sheet allowed us to increase inventories and sell later in the year when prices were more favourable.

Throughout North America, the demand for wood products was

Sales by Product Line



Lumber Markets



good, but the supply more than met the demands of the market, which resulted in an oversupply and poor selling prices for most of the year.

In Japan, the demand for lumber increased in the summer months as the 2'x 4' house construction market segment improved. Our Export Department is positioned to take advantage of this improved market. The strengthening of the Euro allowed us to be more competitive against European producers in Japan.

LUMBER OPERATIONS HIGHLIGHTS

The Company's goal is to maintain its competitive edge as an efficient, low-cost producer of solid wood products, while acting responsibly with respect to the forest resource.

During the April quarter of our fiscal year, we were forced to curtail operations by 20% in order to adjust production and sales to achieve the best results for the Company. Despite that, we still experienced huge productivity gains in our plants to offset the negatives. While operating in a curtailed mode, we were able to reduce our conversion costs. How did we do that? Our FAST program was ongoing, but we needed something more than that to turn the year around. It was the people at Riverside that made it happen.

The two major initiatives launched in the summer quarter pulled everyone together through all of the adversity we were facing. Together Riverside employees committed to finding additional ways to improve our margin at a time when operations were curtailed.

In the Cariboo:

- Manufacturing and woodlands operations combined to produce an improved rate of fibre recovery and at the same time decreased conversion costs per unit by 11.6% over the previous year.
- At our Williams Lake Division, a new strip machine was installed and downtime in the sorter was cut by about 75%.
- Employees at the Soda Creek Division made some operational changes and found a way to improve the extraction of upper grade lumber from the line by 8.4%.

In the Okanagan:

- Conversion costs were maintained over last year in spite of operating in a curtailed mode.
- With technology changes, Kelowna lumber employees were able to increase average daily planer production by 5% and improve safety records at the same time.
- At the Armstrong Division, employees were able to improve average daily production by 11% through hydraulic equipment improvements and software changes.
- The Lumby Division employees reduced conversion costs per unit by 5.6% and improved the grade outturn.

Industry Leader in Plywood

PLYWOOD AND VENEER PRODUCT LINES

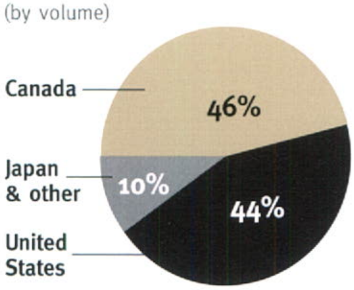
Our technologically-advanced plywood mills at Armstrong and Kelowna produce a full selection of CSP/SPF and Douglas-fir softwood plywood with the assistance of our state-of-the-art veneer plant at Lumby. Along with a full range of standard sizes and grades, we offer custom sizes, thicknesses and finishes to suit the special needs of industrial manufacturers. Our plywood features 100% composed core—for a consistent edge profile every time. All of Riverside's panel products are certified by the Canadian Plywood Association to CSA Standards. They also meet the Japanese JAS certification and the specific grading requirements of many European countries. Shipments to the United States market are under PS1 Certification, which meets the requirements of the three US Building Codes.

In fiscal 2003, these products contributed $ 150.5 million to our revenues, representing 31.8% of our total sales.

PLYWOOD AND VENEER MARKETS

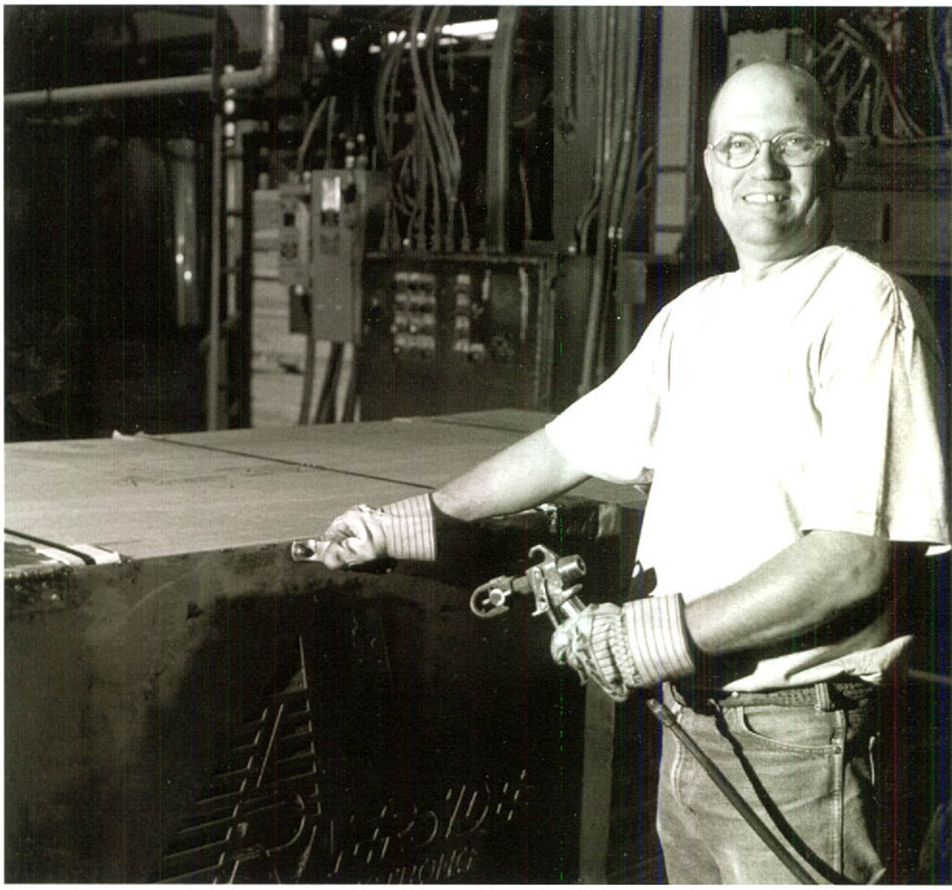
The year started off slowly in Canada and the U.S., our primary markets for panel products. As the year progressed, the demand for panels in residential construction and home renovations was at record levels. As a result of the increased demand throughout North America, the supply/demand curve tilted. We saw a significant price increase in panel products by the summer months. Building our inventories in the spring quarter allowed us to take advantage of higher prices in the July quarter and adjust our inventories. Our plywood products continue to enjoy a strong acceptance and recognition in Japan.

Plywood and Veneer Geographic Distribution
(by volume)



WOOD CHIPS

Wood residue remaining from our log preparation and lumber and plywood manufacturing is converted to wood chips and sold to pulp and paper producers. The sale of wood chips added $35 million to our sales in 2003, representing 7.4% of our total revenues.



Remanufactured and Value Added Products

Adding value to our products remains an important strategy. The closer we can align our products and services with specific customer needs, the more we can reduce the impact of commodity market swings.

Our remanufacturing operations help us maximize the value from our raw timber resources. During fiscal 2003, these products contributed $25.9 million to our sales, representing 5.4% of our total revenues.

REMANUFACTURED PLYWOOD

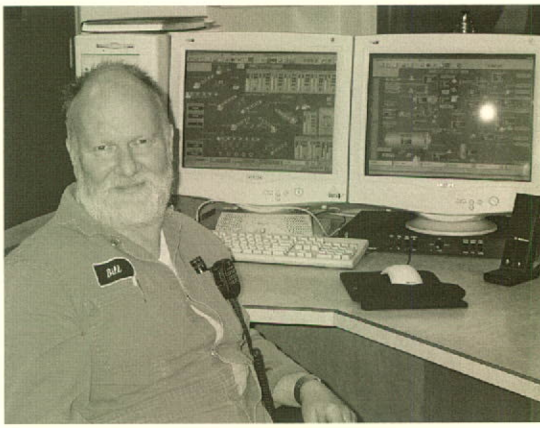
At our Winfield Division, people add value to plywood products from our Armstrong and Kelowna Divisions by recutting them to specified sizes before shipment to customers in Canada, the United States and Japan. The sales and marketing of Riverside ULAY®, our high-value floor underlayment product, also occurs at Winfield as does the remanufacture of plywood into fruit harvesting bins and shipping containers.

TREATED RAILWAY PRODUCTS

The people at our Ashcroft facility have garnered an excellent reputation over the years for quality service and value of our products. Our Ashcroft facility is currently one of two operating tie-treating plants in British Columbia, treating 600,000 railroad ties and 1.9 mmfbm of bridge timbers and switch ties annually under contracts with the three major railroad companies in Western Canada. Here we produce treated railway ties, bridge timbers and railway crossing planks. This adds to our diversity by providing access to a stable market and a different customer base.

POWER GENERATION

Also contributing to our performance over the past year was our cogeneration facility at Armstrong. Using wood residue as fuel, the cogeneration facility provides a cost-efficient supply of steam for mill operational needs and produces electricity for sale to BC Hydro. The electrical generation qualifies as "Green Energy" which is a specific type of clean energy that results in an environmental improvement when compared with other fuel sources. In Kelowna, the wood waste fueled cogeneration facility produces 100% of the electricity consumed at the mill and supplies process steam for dry kilns, veneer dryers and plywood hot presses.



Environment

Riverside takes a proactive approach to environmental management. We meet or exceed all environmental protection requirements as part of our business strategy.

Our mills and forestry operations are regulated by federal and provincial environmental legislation, including the *Waste Management Act* (British Columbia), the *Forest Practices Code of British Columbia Act* (British Columbia), the *Fisheries Act* (Canada) and the *Canadian Environmental Protection Act* (Canada). All major environmental permits necessary to conduct operations are in place and operations are in substantial compliance with all environmental legislation.

Riverside's forestry and logging operations are in compliance with the *Forest Practices Code* of British Columbia and are certified under ISO 14001, and audited annually by third parties.

Consolidated Balance Sheets

September 30, 2003 and 2002 (in thousands of dollars) (unaudited)

	2003	2002 Restated
Assets		
Current assets:		
Cash	$ 34,485	$ 36,841
Accounts receivable	38,694	35,987
Inventories	52,138	68,394
Prepaid expenses	3,365	3,588
	128,682	144,810
Investments and advances	4,649	6,406
Capital assets	214,942	236,511
Deferred financing costs	480	861
	$ 348,753	$ 388,588
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 57,644	$ 64,607
Current portion of long-term debt	27,698	29,685
	85,342	94,292
Reforestation obligation	11,056	10,839
Long-term debt	36,832	63,484
Other long-term liabilities	7,618	6,279
Future income taxes	36,181	39,840
Shareholders' equity:		
Share capital	77,805	77,805
Retained earnings	93,919	96,049
	171,724	173,854
	$ 348,753	$ 388,588

Consolidated Statements of Earnings and Retained Earnings

Years ended September 30, 2003 and 2002 (in thousands of dollars) (unaudited)

	2003	2002 Restated
Sales	$ 430,950	$ 469,314
Cost of sales	399,800	405,597
Administrative expenses	10,987	11,633
Selling expenses	6,565	6,784
Interest expense (income)	7	(583)
Foreign exchange gain	(3,704)	(2,670)
Miscellaneous income	(46)	(1,352)
Reversal of contingent duty payable	—	(4,800)
	413,609	414,609
Earnings before interest, taxes, depreciation and amortization	17,341	54,705
Depreciation and amortization	25,371	25,116
Unrealized foreign exchange gain on debt revaluation	(8,121)	(69)
Interest on long-term debt	5,930	8,963
	23,180	34,010
Earnings (loss) before income taxes	(5,839)	20,695
Income taxes		
Current	(842)	8,766
Future	(3,659)	(558)
	(4,501)	8,208
Net earnings (loss)	(1,338)	12,487
Retained earnings, beginning of year:		
As previously stated	98,689	89,422
Accounting standards change	(2,640)	(4,804)
As restated	96,049	84,618
Dividends	(792)	(1,056)
Retained earnings, end of year	$ 93,919	$ 96,049
Weighted average number of shares outstanding	8,803,993	8,803,993
Earnings (loss) per share, basic and diluted	$ (0.15)	$ 1.42

Consolidated Statements of Cash Flows

Years ended September 30, 2003 and 2002 (in thousands of dollars) (unaudited)

	2003	2002 Restated
Cash provided by (used in):		
Operations:		
Net earnings (loss)	$ (1,338)	$ 12,487
Items not involving cash:		
Depreciation and amortization	25,371	25,116
Unrealized foreign exchange gain on debt revaluation	(8,121)	(69)
Gain on disposal of capital assets	(43)	(50)
Future income taxes	(3,659)	(558)
Change in reforestation obligation	1,141	483
	13,351	37,409
Change in non-cash operating working capital	5,885	2,298
	19,236	39,707
Financing:		
Proceeds from issuance of long-term debt	10,000	10,000
Repayment of long-term debt	(30,518)	(41,613)
Change in other long-term liabilities	1,339	563
Dividends paid	(792)	(1,056)
	(19,971)	(32,106)
Investing:		
Change in investments and advances	1,757	864
Proceeds on disposal of capital assets	495	50
Purchase of capital assets	(3,873)	(14,835)
	(1,621)	(13,921)
Change in cash	(2,356)	(6,320)
Cash, beginning of year	36,841	43,161
Cash, end of year	$ 34,485	$ 36,841
Supplementary Information:		
Interest paid	$ 7,124	$ 9,963
Income tax paid (recovered)	$ (1,931)	$ 12,273

Corporate Information

OFFICERS & SENIOR MANAGEMENT

Gordon W. Steele
Chairman, President and Chief Executive Officer

Gerald E. Raboch
Chief Operating Officer

Morris J. Douglas
Vice-President, Sales and Marketing

Michael E. Moore
Secretary Treasurer and Chief Financial Officer

BOARD OF DIRECTORS

Gordon W. Steele
Chairman, President and Chief Executive Officer
Riverside Forest Products Limited

Gerald E. Raboch
Chief Operating Officer
Riverside Forest Products Limited

Hamish C. Cameron
Retired Lawyer

John F. Ellett
Retired Businessman

William G. McIntosh
Retired Bank Executive

George L. Malpass
Consultant to International Forest Products Limited

REGIONAL & DIVISIONAL MANAGERS

Darrell Embley
Operations Manager

Greg Maralia
Kelowna Operations

Mark Tamas
Lumby Operations & Woodlands

Gary Zecchel
Armstrong Operations

Richard Crowell
Soda Creek and Williams Lake Operations

Scott Holness
Ashcroft

Don Couch
Director of Forestry Policy

Marty Steele
Okanagan Woodlands

Phil Carruthers
Kelowna Woodlands

Murray Wilson
Armstrong Woodlands

Blair Barr
Cariboo Woodlands

Rob Anderson
Cariboo Woodlands
Highlands Division

David Schwarz
Cariboo Woodlands
Chilcotin Division

Rick Kampf
Lumber Sales

John McComb
Plywood Sales

Gary Pearson
Finance

OFFICE LOCATIONS

Head Office, Sales and Kelowna Division
820 Guy Street
Kelowna, B.C.
V1Y 7R5
Telephone (250) 762-3411
Fax (250) 762-6888

Armstrong Division
R.R.#3
44 Otter Lake X Road
Armstrong, B.C.
V0E 1B0

Eagle Rock Nursery
Highway 97 North
Armstrong, B.C.
V0E 1B0

Lumby Division
4280 Highway 6
Lumby, B.C.
V0E 2G7

Winfield Division
400 Beaver Lake Road
Kelowna, B.C.
V4V 1S5

Williams Lake Division
110 Hodgson Road
Williams Lake, B.C.
V2G 3P6

Soda Creek Division
R.R.#3
5000 Soda Creek Road
Williams Lake, B.C.
V2G 3P6

Ashcroft Division
P.O. Box 1510
Ashcroft, B.C.
V0K 1A0

OTHER

Transfer Agent

Computershare Trust Company of Canada
410 - 510 Burrard Street
Vancouver, B.C.
V6C 3B9

Auditors

KPMG LLP
300 - 1674 Bertram Street
Kelowna, B.C.
V1Y 9G4

Solicitors

Bull, Housser & Tupper
1055 West Georgia Street
Vancouver, B.C.
V6E 3R3

Stock Exchange Listings

Common shares are listed for trading on the Toronto Stock Exchange under the symbol - RFP

Investor Relations Contact

Michael E. Moore
Secretary Treasurer and Chief Financial Officer
(250) 762-3411

Annual General Meeting

The Annual General Meeting of the Company will be held at Riverside Forest Products Limited's Armstrong Division, Otter Lake Cross Road, Armstrong, B.C. on January 19, 2004

RIVERSIDE
FOREST PRODUCTS LIMITED

Environmental Report

The 2003 environmental report may be viewed on Riverside's website at www.riverside.bc.ca

Printed in Canada