Riverside Forest Products Limited 2002 Annual Review

S T R E N G T H & S T A B I L I T Y

Riverside Forest Products Limited

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. We also produce finger-joint lumber and a range of value-added products including treated railway ties, and plywood bins and pallets.

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 2.5 million cubic metres, we are the province's seventh largest timber tenure licensee.

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RIVERSIDE FOREST PRODUCTS LIMITED

ANNUAL

INFORMATION

FORM

2002

December 4, 2002

RIVERSIDE FOREST PRODUCTS LIMITED

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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.

"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.

"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 4, 2002 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				
	2002	2001	2000	1999	1998
	($000's except per share amounts)				
Sales	$ 469,314	$ 461,395	$ 515,495	$ 546,826	$ 450,942
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$ 54,705	$ 55,079	$ 42,492	$ 105,771	$ 29,416
Depreciation and amortization	$ 27,639	$ 30,215	$ 27,348	$ 24,366	$ 26,806
Interest on long-term debt	$ 8,963	$ 11,357	$ 10,444	$ 14,781	$ 11,625
Net earnings (loss)	$ 10,323	$ 7,959	$ 1,397	$ 38,558	$ (7,845)
Net earnings (loss) per common share	$ 1.17	$ 0.90	$ .16	$ 4.19	$ (0.85)
Cash flow from operations before changes in non-cash operating working capital	$ 37,409	$ 32,424	$ 27,602	$ 69,614	$ 14,783
Cash flow from operations	$ 39,707	$ 51,665	$ (21,190)	$ 95,828	$ 35,161
Cash flow from operations per common share	$ 4.51	$ 5.87	$ (2.36)	$ 10.42	$ 3.82
Weighted average shares outstanding	8,803,993	8,804,968	8,987,618	9,199,493	9,199,493
Shares outstanding at year end	8,803,993	8,803,993	8,807,893	9,199,493	9,199,493
Cash dividends declared per common share	$ 0.12	$ 0.12	$ 0.24	$ 0.06	$ 0.04
Working Capital	$ 50,518	$ 47,113	$ 102,384	$ 112,493	$ 82,919
Total assets	$ 391,751	$ 421,427	$ 369,812	$ 418,688	$ 371,272
Long term debt - before deducting current portion	$ 93,169	$ 123,886	$ 121,360	$ 120,253	$ 156,182
Shareholders' equity	$ 176,494	$ 167,227	$ 160,394	$ 168,860	$ 130,854
Invested capital	$ 269,663	$ 291,113	$ 281,754	$ 289,113	$ 287,036
Ratio and Investment Information					
EBITDA as a percentage of sales	11.7%	11.9%	8.2%	19.3%	6.5%
Interest coverage (EBIDTA / interest)	6.1	4.8	4.1	7.2	2.5
Long-term debt, before current portion, as a percentage of invested capital	34.6%	42.6%	43.1%	41.6%	54.4%
Return on average shareholders' equity	6.0%	4.9%	.8%	25.7%	(5.8)%
Return on average invested capital	3.7%	2.8%	.5%	13.4%	(2.8)%
Equity per share	$ 20.05	$ 18.99	$ 18.21	$ 18.36	$ 14.22
Capital expenditures	$ 14,835	$ 41,749	$ 25,935	$ 10,248	$ 13,144

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

Quarter Ending	Net Sales ($000)	EBITDA	Net Earnings (loss) ($000)	Net Earnings (loss) per Common Share
December 31, 2000	$ 109,954	$ 6,077	$ (2,826)	$ (0.32)
March 31, 2001	104,681	11,843	924	0.10
June 30, 2001	124,448	21,511	6,635	0.75
September 30, 2001	122,312	15,648	3,226	0.37
	$ 461,395	$ 55,079	$ 7,959	$ 0.90
December 31, 2001	$ 101,945	$ 1,695	$ (5,249)	$ (0.60)
March 31, 2002	114,841	13,304	2,171	.25
June 30, 2002	123,087	32,596	14,555	1.65
September 30, 2002	129,441	7,110	(1,154)	(0.13)
	$ 469,314	$ 54,705	$ 10,323	$ 1.17

Comparison of 2002 and 2001 Operating Results

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

The largest impact on the results of the Company for the 2002 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 has "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 is 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 will be 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 will be refunded. The Company has accrued

$13.0 million for the period from May 22, 2002 to September 30, 2002 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 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, 2002 to the year ended September 30, 2001

The variances between the net earnings for the year ended September 30, 2002 and 2001 can be classified as follows:

(In millions of dollars)	Sept 30 2001	Effect of changes in Price	Volume	Duty	Sept 30 2002
Sales	$ 461.4	$ 2.5	$ 13.6	$ (8.2)	$ 469.3
Cost of products sold	(401.0)	8.5	(13.1)		(405.6)
Selling and administration	(17.9)	(0.5)			(18.4)
Other income (expense)	12.6	(8.0)			4.6
Reversal of contingent duty payable re 2001				4.8	4.8
EBITDA	$ 55.1	$ 2.5	$ 0.5	$ (3.4)	$ 54.7
Depreciation and amortization	(30.2)	2.6			(27.6)
Interest	(11.4)	2.4			(9.0)
Earnings before taxes	13.5	7.5	0.5	(3.4)	18.1
Income taxes	(5.5)	(2.3)			(7.8)
Net earnings	$ 8.0	$ 5.2	$ 0.5	$ (3.4)	$ 10.3

Despite the impact of the countervailing and anti-dumping duties on lumber on the 2002 results, EBITDA at $54.7 million ended only $0.4 million lower than the 2001 year.

During Riverside's fiscal 2002 year housing starts remained high throughout North America and interest rates remained low, contributing to a robust marketplace. Sales realizations before duties for both our lumber and panel products were 6% higher than 2001, resulting in an overall increase in sales pricing of $20.7 million. Unfortunately, this was offset by a $34 per unit reduction in wood chip pricing, reducing sales pricing by $18.2 million, and by the imposition of cash deposits for duties on lumber sales, resulting in a further $8.2 million reduction in sales. Product volumes were 3% and 2% higher respectively for lumber and panel products and 5% lower for wood chips. This volume change resulted in a $0.5 million increase in EBITDA.

Stumpage costs were $3.85 per cubic metre or $12.6 million higher than 2001. This cost increase was completely offset by cost efficiencies for the year of $10.8 million in the manufacturing operations and $6.7 million in the woodland operations, and by a $3.6 million improvement in product recovery. Overall, the cost of products sold were $8.5 million lower than in 2001 as a result of variances in unit costs.

Although selling and administration costs rose by $0.5 million, cost efficiencies offset increased legal and consulting fees of approximately $1 million related to the softwood lumber dispute and Riverside's internal improvement program "For a Stronger Tomorrow".

Other income was $8 million lower due to lower short-term interest rates on investments and lower cash balances in 2002 that resulted in lower interest income, a more stable year-over-year exchange rate during 2002 resulting in lower foreign exchange gains than in 2001, and the fact that the 2001 year included a $6.8 million rebate from the Workers' Compensation Board.

As a result of the US International Trade Commission determination, referred to above, a previously reported provision for countervailing and anti-dumping duties on lumber sales that was included in the September 30, 2001, December 31, 2001 and March 31, 2002 quarterly earnings in the total amount of $16 million pre-tax ($10.2 million after tax or $1.15 per share) was reversed in the June 30, 2002 quarter. Of this amount, $11.2 million pre-tax ($7.4 million after tax or $0.83 per share) related to the first two quarters of fiscal 2002, while $4.8 million pretax ($2.8 million after tax or $0.32 per share) related to the 2001 fiscal year. The net effect of the reversal on the September 30, 2002 year is to include $4.8 million pre-tax ($2.8 million after-tax or $0.32 per share) related to the provision that was recorded against sales in fiscal 2001.

Depreciation and amortization were lower than a year ago due to a much lower amortization of the deferred unrealized foreign exchange loss. The Canadian dollar was at the following levels as at the past three year-ends:

	Canadian Dollar to US Dollar	Depreciation
September 30, 2000	1.4800	
September 30, 2001	1.5775	(6.6)%
September 30, 2002	1.5872	(0.6)%

Interest expense was $2.4 million lower than in 2001 as a result of the net repayment of debt throughout the year, reducing the total principal amounts outstanding from $123.9 million at September 30, 2001 to $93.2 million at September 30, 2002.

As a result of all of the above, net earnings for the year were $10.3 million or $1.17 per share compared to $8 million or $0.90 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	
	2002	2001
Stud and dimension lumber (mmfbm)	663	626
Plywood and veneer (mmsf)	496	483
Chips (mbdu)	524	562
Logs utilized (thousand m^3)	3,419	3,358

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			
	2002		2001	
	($000)	%	($000)	%
Stud and dimension lumber	$ 260,017	53.9	$ 239,628	51.4
Plywood and veneer	160,890	33.4	148,818	31.9
Wood chips and fibre	35,632	7.4	56,470	12.1
Bins and pallets	8,474	1.8	5,284	1.1
Ties and treating	16,345	3.4	15,995	3.5
Power	998	0.1	-	-
	482,356	100.0%	466,195	100.0%
Countervailing duty accrued on lumber sales	(13,042)		(4,800)	
	$ 469,314		$ 461,395	

For the years ended September 30, 2002 and 2001, the Company's sales volumes and realizations on a unit basis were as follows:

	2002		2001	
	Volumes	$	Volumes	$
Stud and dimension lumber, pre duty	629,895 mfbm	413	612,925 mfbm	391
Duty effect		(21)		(8)
Stud and dimension lumber, post duty	629,895 mfbm	392	612,925 mfbm	383
Plywood and veneer	492,226 msf	327	482,246 msf	309
Wood chips	530,367 bdu	67	556,017 bdu	102

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:

	2002		2001		2000	
Lumber sales distribution	Volume	%	Volume	%	Volume	%
Canada	166,290	26	135,775	22	159,824	24
United States	412,870	66	423,879	69	430,268	65
Japan	48,273	8	51,893	8	59,747	9
Other	2,462	-	1,378	1	7,898	2
Plywood and veneer sales distribution						
Canada	215,723	44	201,056	52	245,010	63
United States	224,689	46	121,142	31	67,980	17
Japan	50,308	10	61,219	16	69,563	18
Other	1,506	-	5,260	1	9,169	2

Comparative sales volumes increased or decreased over 2000 on a percentage basis as follows:

	% increase (decrease)	Sales Volume 2002	2001	2000
Stud and dimension lumber (mfbm)	3%	629,895	612,925	657,737
Plywood and veneer (msf)	2%	492,226	482,246	479,408
Wood chips (bdu)	(5)%	530,367	556,017	616,675

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

	% increase (decrease)	$ / Unit 2002	2001	2000
Stud and dimension lumber (mfbm) (pre-duty)	6%	413	391	396
Stud and dimension lumber (mfbm) (duty-in)	2%	392	383	408
Plywood and veneer (msf)	6%	327	309	356
Wood chips (bdu)	(34)%	67	102	108

Labour

The Armstrong, Kelowna, Lumby, Soda Creek 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 existing I.W.A. contract will expire on June 30, 2003. Based on the contract, wages increased by 2% on July 1, 2000, 2% on July 1, 2001 and 2% on July 1, 2002. The contract is up for renewal on June 30, 2003 and there is no reason to believe that it will not be renewed in a satisfactory manner.

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 existing defined benefit plan to the new plan. 58% of eligible employees converted to the DC plan. All future salaried employees will be entitled to participate in the DC plan only.

Wages of salaried employees were increased by an average of 2% as of May 1, 2002.

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.

For the six years ended September 30, 2002, Riverside spent $138.8 million on various value-added, environmental and maintenance of business projects. As at September 30, 2002, the Company has commitments on further capital expenditures of $1.2 million. The following table summarizes capital expenditures during the periods indicated.

	Year Ended September 30 (millions of dollars)						
	2002	**2001**	**2000**	**1999**	**1998**	**1997**	**Total**
Adding value	$ 7.5	$ 7.4	$ 9.2	$ 7.1	$ 5.6	$ 26.9	$ 63.7
Environmental	4.5	32.9	8.4	.6	2.4	2.8	51.6
Maintenance of business	2.8	1.5	8.3	2.5	5.1	3.3	23.5
Total	**$ 14.8**	**$ 41.8**	**$ 25.9**	**$ 10.2**	**$ 13.1**	**$ 33.0**	**$138.8**

The 2001 and 2002 expenditures related to the Armstrong co-generation plant are included in the environmental category. The most significant benefits of the capital program are that when compared to 1996, 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 believes that from time to time, the repurchase of its shares at prevailing market prices may be a worthwhile investment and in the best interests of the Company and its shareholders.

Accordingly, the Company filed with the Toronto Stock Exchange 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, 2001 and expiring on October 25, 2002. No shares were purchased under the bid.

The Company has since filed with the Toronto Stock Exchange a further notice of intention to make a normal course issuer bid, pursuant to which the Company is entitled to purchase up to 440,199 common shares during the one-year period commencing October 26, 2002 and expiring on October 25, 2003.

Financial Position and Liquidity

Shareholders' equity increased by $9.3 million during the fiscal 2002 year as a result of the $10.3 million in earnings for the year and the payment of $1.1 million in dividends to common shareholders. Shareholders' equity amounts to $176.5 million or $20.05 per share as at September 30, 2002, compared to $167.2 million or $18.99 per share one year earlier.

Long-term debt payable to senior note-holders was reduced by US $26.1 million to US $52.4 million as a result of scheduled repayments in November 2001 and May 2002. For the 2003 fiscal year, scheduled repayments on this debt total US $18.2 million. In addition, the Company was advanced CAD $10 million in long-term bank financing related to the Armstrong cogeneration plant, $833,333 of which is repayable in the next fiscal year.

During the past year the Company generated $37.4 million cash from operations (before changes to non-cash operating working capital), incurred long-term debt of $10 million and repaid $41.6 million, spent $14.8 million on capital assets, paid $1.1 million on dividends and generated cash through the increase of other balance sheet accounts by $3.8 million. The change in pre cash working capital was minimal during the year as a result of keeping current on the accounts and focusing on maintaining current assets and liabilities at the most effective operational levels.

As a result of the above, cash on hand at the end of September 2002 was $36.8 million compared to $43.2 million at the end of September 2001. The Company also had unutilized operating lines of credit of US $25 million and CAD $2 million at September 30, 2002.

Working capital of $50.5 million as at September 30, 2002 is $3.4 million higher than that of a year earlier. The percentage of long-term debt to long-term debt plus equity is 26% at September 30, 2002 compared to 33% at September 30, 2001. The next principal payment on the debt of US $9.6 million is due in November 30, 2002.

As the Company has done in the past, it expects to fund the 2003 cash requirements for loan repayments, capital expenditures and normal operating requirements 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 will have a significant effect on the Canadian dollar amounts realized.

The effect on the Company's net income and earnings per common share from changes in the price of lumber, plywood, veneer and wood chips, from changes in log costs, and from changes in United States currency exchange rates is illustrated in the following table based on the anticipated level of sales volumes in 2003 and a 40% income tax rate:

		Anticipated Annual Effect on 2003		
	Unit Change	EBITDA ($000)	Net Income ($000)	Earnings per share
Lumber (mbm)	$10	7,053	4,227	$0.48
Plywood (msf)	$10	4,277	2,566	$0.29
Veneer (msf)	$10	1,102	661	$0.08
Chips (bdu)	$10	5,526	3,316	$0.37
Log Costs (m^3)	$2	7,151	4,291	$0.49
Exchange rate (based on $0.63 for fiscal 2002)	$0.01	2,336	1,402	$0.16
Interest rate	1%	840	504	$0.06

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.

The timber supply assessments completed to date by the Ministry of Forests have not resulted in any significant change to the Company's AAC. The Province of British Columbia has commenced a policy review of the provincial timber tenure system, the results of which could affect the tenures held by the Company.

Environmental Matters

As a result of changing 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 industry 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 lumber markets are in a state of disarray as a result of the softwood lumber dispute. Riverside supports the actions of the British Columbian and Canadian governments to resolve this dispute. It is our opinion that certainty in the marketplace will not occur until the dispute is resolved. We also believe that it is imperative that the playing field be levelled in order to resolve the inequity in countervailing duty and anti-dumping duty rates between lumber companies within Canada.

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.

CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY
FOR THE YEAR ENDED SEPTEMBER 30, 2002

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 information form. 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 five Directors, three 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 21, 2002

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, 2002 and 2001 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, 2002. 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, 2002 and 2001 and the results of its operations and its cash flows for each of the years in the two year period ended September 30, 2002 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 on a consistent basis.

Vernon, Canada
October 17, 2002

KPMG LLP *(Signed)*
Chartered Accountants

RIVERSIDE FOREST PRODUCTS LIMITED

Consolidated Balance Sheets

September 30, 2002 and 2001 (in thousands of dollars)

	2002	2001
Assets		
Current assets:		
Cash (note 2)	$ 36,841	$ 43,161
Accounts receivable (note 3)	35,987	37,302
Inventories (note 4)	68,394	77,810
Prepaid expenses	3,588	2,475
	144,810	160,748
Investments and advances	6,406	7,270
Capital assets (note 5)	236,511	246,417
Deferred financing costs	861	1,237
Deferred unrealized foreign exchange loss	3,163	5,755
	$ 391,751	$ 421,427
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 64,607	$ 72,410
Current portion of long-term debt	29,685	41,225
	94,292	113,635
Reforestation obligation (note 6)	10,839	10,839
Long-term debt (note 7)	63,484	82,661
Other long-term liabilities	6,279	5,716
Future income taxes (note 8)	40,363	41,349
Shareholders' equity:		
Share capital (note 9)	77,805	77,805
Retained earnings	98,689	89,422
	176,494	167,227
	$ 391,751	$ 421,427

Contingencies (note 10)

Approved by the Board:

Gordon W. Steele
Director

Gerald E. Raboch
Director

See accompanying notes to financial statements.

RIVERSIDE FOREST PRODUCTS LIMITED

Consolidated Statements of Earnings and Retained Earnings

Years ended September 30, 2002 and 2001 (in thousands of dollars)

	2002	2001
Sales (note 11)	$ 469,314	$ 461,395
Cost of sales	405,597	401,063
Administrative expenses	11,633	12,022
Selling expenses	6,784	5,858
Interest income	(583)	(2,053)
Foreign exchange gain	(2,670)	(3,850)
Miscellaneous income	(1,352)	(6,724)
Reversal of contingent duty payable	(4,800)	-
	414,609	406,316
Earnings before interest, taxes, depreciation and amortization	54,705	55,079
Depreciation and amortization	25,116	24,065
Amortization of deferred unrealized foreign exchange loss	2,523	6,150
Interest on long-term debt	8,963	11,357
	36,602	41,572
Earnings before income taxes	18,103	13,507
Income taxes (note 8):		
Current	8,766	11,512
Future	(986)	(5,964)
	7,780	5,548
Net earnings	10,323	7,959
Retained earnings, beginning of year	89,422	82,555
Dividends	(1,056)	(1,056)
Shares repurchased (note 9)	-	(36)
Retained earnings, end of year	$ 98,689	$ 89,422
Weighted average number of shares outstanding	8,803,993	8,804,968
Earnings per share	$ 1.17	$ 0.90

See accompanying notes to financial statements.

RIVERSIDE FOREST PRODUCTS LIMITED

Consolidated Statements of Cash Flows

Years ended September 30, 2002 and 2001 (in thousands of dollars)

		2002		2001
Cash provided by (used in):				
Operations:				
Net Earnings	$	10,323	$	7,959
Items not involving cash:				
Depreciation and amortization		27,639		30,215
		37,962		38,174
Loss (gain) on disposal of capital assets		(50)		41
Future income taxes		(986)		(5,964)
Change in reforestation obligation		483		173
		37,409		32,424
Change in non-cash operating working capital		2,298		19,241
		39,707		51,665
Financing:				
Proceeds from issuance of long-term debt		10,000		-
Repayment of long-term debt		(41,613)		(4,757)
Increase in other long-term liabilities		563		1,109
Dividends paid		(1,056)		(1,056)
Repurchase of shares		-		(70)
		(32,106)		(4,774)
Investing:				
Change in investments and advances		864		(4,823)
Proceeds on disposal of capital assets		50		76
Purchase of capital assets		(14,835)		(41,749)
Increase in deferred financing costs		-		(158)
		(13,921)		(46,654)
Change in cash		(6,320)		237
Cash beginning of year		43,161		42,924
Cash end of year	$	36,841	$	43,161

Supplementary Information:

Interest paid	$	9,963	$	10,811
Income tax paid (recovered)	$	12,273	$	(1,037)

See accompanying notes to financial statements.

Riverside Forest Products Limited ("the Company") is amalgamated 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

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.

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.

Investments and advances:

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

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.

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.

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 cost of reforestation as the timber is cut. The costs are included in inventory and cost of sales.

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 and long term debt with a fixed life, 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 amortized over the life of the debt. All other revenue and expense items are translated at the exchange rate in effect at the transaction date.

1. Significant accounting policies - (continued)

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.

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.

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.

Accounting standards change:

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 the reporting period. The amendments are effective for fiscal years beginning on or after January 1, 2002, with retroactive application required. The Company will adopt the new recommendations retroactively to October 1, 2001 by restating the prior years' financial statements. The effect of adopting the new recommendation on the prior periods' financial statements will be as follows:

2001 and prior years (posted to returned earnings)	$ 4,804
2002 Year ended September 30, 2002	(2,164)
Total restatement	$ 2,640

2. Operating line of credit

The Company has an available operating line of credit totalling US $25,000,000, which was unused at September 30, 2002 and 2001. The line of credit bears interest at prime and is secured by a general Security Agreement over all assets and by charges over specific land and buildings. RFP Power Ltd. also negotiated an operating line of credit during 2002 totaling CAD $2,000,000 which was unused at September 30, 2002.

3. Accounts receivable

		2002		2001
Trade accounts receivable	$	31,445	$	29,254
Other		2,780		8,048
Income taxes recoverable		1,762		-
	$	35,987	$	37,302

4. Inventories

		2002		2001
Veneer	$	1,337	$	990
Plywood		5,452		7,987
Finished lumber		14,096		8,917
Rough lumber		7,501		5,291
Logs		27,681		42,331
Parts, supplies, bins, ties and chips		12,327		12,294
	$	68,394	$	77,810

5. Capital assets

	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

5. Capital assets - Cont'd

		2001	
	Cost	Accumulated amortization	Net
Land, buildings and equipment:			
Land	$ 2,421	$ -	$ 2,421
Buildings	28,501	12,904	15,597
Machinery and equipment	266,096	142,477	123,619
Automotive equipment	19,384	13,718	5,666
Logging equipment	3,719	3,363	356
	320,121	172,462	147,659
Timber and timber cutting rights, timber tenures	121,926	24,690	97,236
Roads	2,915	1,393	1,522
Total	$ 444,962	$ 198,545	$ 246,417

6. Reforestation obligation

	2002	2001
Reforestation obligation, beginning of year	$ 17,167	$ 16,994
Expense for the year	13,556	13,631
	30,723	30,625
Paid during the year	(13,073)	(13,458)
Reforestation obligation, end of year	$ 17,650	$ 17,167
Current, included in accounts payable and accrued liabilities	$ 6,811	$ 6,328
Long term	10,839	10,839
	$ 17,650	$ 17,167

7. Long-term debt

	2002	2001
Senior notes payable at exchange rate on date of issue	$ 71,893	$ 107,748
Unrealized foreign exchange loss	11,276	16,138
Senior notes payable at exchange rate at year end	83,169	123,886
RFP Power capital loan, bearing interest at prime plus 0.5%	10,000	-
	$ 93,169	$ 123,886
Current	$ 29,685	$ 41,225
Long-term	63,484	82,661
	$ 93,169	$ 123,886

The Senior Notes have varying maturities and interest rates as follows:

Series	Maturity Date	Interest rate %	US $
A	May 30, 2003	8.51	$ 11,400
B	May 30, 2004	8.64	6,000
C	May 30, 2004	8.86	10,000
D	July 17, 2007	8.80	25,000
			$ 52,400

The note agreement contains covenants requiring the maintenance of certain financial ratios and places 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 note agreement allows for release of security and the lowering of interest rates if certain financial performance is achieved.

Scheduled annual repayments over the remaining term of the long-term debt are as follows:

a) Senior notes payable

Year	Based on exchange rate at date of issue	Unrealized Foreign Exchange Loss	Based on exchange rate at September 30, 2002
2003	$ 24,940	$ 3,912	$ 28,852
2004	24,087	3,776	27,863
2005	7,622	1,196	8,818
2006	7,622	1,196	8,818
2007	7,622	1,196	8,818
	$ 71,893	$ 11,276	$ 83,169

7. Long-term debt - cont'd

b) RFP Power Ltd. capital loan, payable on demand but subject to the following estimated repayment terms:

Year		
2003	$	833
2004		2,000
2005		2,000
2006		2,000
2007		2,000
2008		1,167
	$	10,000
	$	93,169

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:

	2002	2001
Basic rate	40.9%	45.6%
Increase (decrease) in tax rate resulting from:		
Large corporation tax and capital taxes	2.9	7.8
Manufacturing and processing deduction	(4.5)	(7.0)
Other	3.7	(5.3)
Effective tax rate	43.0%	41.1%

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

	2002	2001
Future income tax asset		
Non-deductible reserves	$ 2,489	$ 4,633
Future income tax liability		
Capital Assets	(42,852)	(45,982)
	$ (40,363)	$ (41,349)

9. Share capital

Authorized: 25,000,000 common shares without par value

Issued:

	Common Shares	
	Number	Amount
Balance, September 30, 2000	8,807,893	$ 77,839
Shares repurchased and cancelled under Normal Course Issuer Bid 2001	(3,900)	(34)
Balance, September 30, 2001 and 2002	8,803,993	$ 77,805

The shares cancelled during 2001 resulted in a charge to retained earnings of $36,000 being the difference between the purchase price and the average issue price of the cancelled shares and a reduction in share capital of $34,000, being the average issue price of the cancelled shares.

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 $0.3 million in other long-term liabilities, based upon the Company's quoted stock price of $11.00 as at September 30, 2002. If management and directors were to exercise these SAR's at a stock price that is equal to the $20.05 book value of the stock, the projected cost of exercise would be $2.0 million.

10. Contingencies

Income Tax

During 1998, the Company received reassessments that increased the Company's income for tax purposes for the 1993 to 1996 taxation years. Appeals to the Tax Court of Canada have been filed in respect of these reassessments. During 1998, the Company recorded $450,000 as a charge to the provision for income taxes. The potential additional charge to income taxes is approximately $2,150,000 which is composed of current taxes and interest of $4,750,000 and a future tax reduction of $2,600,000. 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 will be 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 will be refunded. The Company has accrued $13.0 million for the period from May 22, 2002 to September 30, 2002 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 $.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, $4.8 million related to fiscal 2001 sales, $5.8 million to the first quarter ended

10. Contingencies (continued)

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.

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:

		2002		2001
Canada	$	184,556	$	179,235
United States		241,604		233,586
Japan		39,782		45,736
Europe		340		1,500
Other		3,032		1,338
	$	469,314	$	461,395

Sales by product line are as follows:

		2002		2001
Stud and dimension lumber	$	260,017	$	239,628
Plywood and veneer		160,890		148,818
Wood chips		35,632		56,470
Ties		16,345		15,995
Remanufactured and other		8,474		5,284
Power		998		-
		482,356		466,195
Countervailing and anti-dumping duties on lumber sales (note 10)		(13,042)		(4,800)
	$	469,314	$	461,395

12. Pension plan

In addition to required contributions to a Multi-Employer Pension Plan and a Defined Contribution Plan, the Company contributes to defined benefit pension plans for its salaried and certain non-union hourly wage employees. These plans provide pensions based on length of service and final average earnings. The value of the pension assets as at September 30, 2002 was \$18,967,000 (September 30, 2001 - \$21,004,000). The estimated actuarial liability of pension benefits, as at September 30, 2002 was \$32,297,000 (September 30, 2001 - \$29,150,000). The Company has accrued an amount of \$4,777,000 (September 30, 2001 - \$3,288,000) in other long-term liabilities.

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, 2002 and 2001 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, 2002 and 2001, the Company does not have significant hedge contracts outstanding.

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.

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 700 mmfbm of lumber, 410 mmsf of plywood, 630 mbdu of wood chips and 175 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	Total $	Original AAC (m^3)
		(thousands of dollars)			
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 for a further 25 years, every five 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 replaceable forest licence has an initial term of 20 years and is replaceable every five 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, two timber licences and a tenured forest licence. 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.

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 and Royalties

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.

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, which must approve the Company's silviculture prescription and logging plan for the site. 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, with glass greenhouses and 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 70% 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 for the past three years.

	Year Ended September 30		
	2002	2001	2000
Timber Tenures (m^3)	2,308,994	2,646,846	2,429,945
Purchased Wood (m^3)	848,278	1,133,403	1,138,828
Total (m^3)	3,157,272	3,780,249	3,568,773
Log Usage (m^3)	3,418,821	3,357,523	3,702,898

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 sawmill 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	2002	2001	2000	1999[1]	1998
STUDMILLS (mmfbm)						
Armstrong	160	145	142	140	140	118
Kelowna	160	145	152	153	149	141
Lumby	6	5	6	60	64	58
Soda Creek	124	124	118	112	112	126
Total	450	419	418	465	465	443
DIMENSION LUMBER MILL (mmfbm)						
Williams Lake	250	244	208	218	211	173
VENEER PLANT (mmsf)						
Lumby	175	162	159	167	169	144
(Less veneer utilized internally)	(75)	(76)	(67)	(77)	(72)	(53)
Total	100	86	92	90	97	91
PLYWOOD PLANTS (mmsf)						
Armstrong	250	250	243	246	252	198
Kelowna	160	160	148	150	149	124
Total	410	410	391	396	401	322
WOOD CHIPS [2] (mbdu)						
Armstrong	180	129	151	157	164	129
Kelowna	165	132	154	157	150	121
Lumby	25	24	23	65	67	58
Soda Creek	100	83	95	95	109	124
Williams Lake	160	156	139	145	135	116
Total	630	524	562	619	625	548

(1) Includes production from Soda Creek old studmill which ceased operation December 18, 1998
(2) Includes capacity related to whole-log chippers in Armstrong, Kelowna 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 and studmill.

The plywood plant consists of two lathes to manufacture 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 went through a major upgrade to the controls and flow of the large block end-dogger line in the spring of 2002, increasing mill productivity by 10% to the equivalent of 31 million eight-foot studs annually. The second line, for smaller blocks, was upgraded in 1997, and each block is scanned for optimal value recovery, rotated, and then rescanned for canter offset. The planer has recently been upgraded to four lines for maximum extraction of high-grade products. This new equipment makes the Armstrong studmill one of the most efficient sawmills in Canada.

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

A 20-megawatt co-generation plant, which has just been completed on site at a cost of $43.3 million, 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 in the Okanagan region, managing large timber tenures to high environmental standards in compliance with ISO 14001.

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 co-generation operation.

The plywood plant has 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.

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

The wood waste fueled co-generation 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.

Lumby

The Lumby facility consists of a modern green veneer plant, sawmill and woodlands group. 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 and the woodlands groups is responsible for the harvesting of 400,000 cubic metres of wood annually and reforestation responsibilities related to these areas. Logs unsuitable for processing at Lumby are transferred to the other Okanagan facilities.

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 by the Armstrong and Kelowna facilities.
The sawmill, which was downsized in 2000, 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 utilizing the original headrig.

The woodlands group manages a variety of crown forest tenures. These operations are fully certified under the ISO 14001 management system. In addition, a purchasing group secures additional volume required to operate the veneer plant.

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 124 mmfbm of lumber (of which approximately 8 mmfbm is used in the finger-jointing plant) and 73 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 operations include 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 Norske Canada 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 1-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 between Williams Creek and the Williams Lake Golf and Country Club. The operations include a log storage yard, a three-line sawmill, a single-line planer mill, four dry kilns, a mobile equipment repair shop, a fabricating shop, storage yards for rough and dressed lumber and an office complex. The site is served by the British Columbia Railway with a capacity of eight railcars on the lumber siding and 18 railcars on the woodchip siding. 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 250 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 and repair parts of existing bins for growers in the Okanagan Valley. Commercial shipping containers are manufactured from plywood and lumber 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 a stocking distributor and sales agent. 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 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 Standard Grading Rules for Canadian Lumber and approved by the Canadian Lumber Standards Association. The lumber produced at the Armstrong, Kelowna and Lumby mills is graded under the Interior Lumber Manufacturers' Association (ILMA) grading agency. These mills are also certified to meet Japanese Agricultural Standards (JAS). Production at Williams Lake and Soda Creek is graded under the Cariboo Lumber Manufacturers' Association (CLMA) grading agency and is also certified to meet Japanese Agricultural Standards (JAS).

WOOD CHIPS AND FIBRE SALES

The Company has a chip supply agreement with Norske Canada pursuant to which the Company supplies Norske Canada's pulp mills with a certain volume of wood chips from the Armstrong and Kelowna operations over an indefinite term at south interior region market prices. The balance of the Company's chip production from these facilities will continue to be sold pursuant to existing agreements between the Company and other users 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 at long-term market prices to affiliates of Norske Canada under an indefinite term supply agreement. Sometimes whole log chips are sold on the open market. Chips from the Williams Lake Division are shipped to three customers under long-term contract.

The Company owns approximately 28.7% of Fibreco Export Inc., a company owned by a group of sawmill companies based in the Interior region of British Columbia, which operates a wood chip terminal in Vancouver harbour.

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, 2002.

	Hourly	Salaried	Total
Armstrong	636	69	705
Ashcroft	13	8	21
Kelowna	461	116	577
Lumby	107	31	138
Soda Creek	181	79	260
Williams Lake	214	31	245
Winfield	34	3	37
	1,646	337	1,983

All of the hourly employees 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's mill 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 woodlands 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 2002 fiscal year totaled $4.5 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**
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	Vice-Chairman of International Forest Products Limited
JOHN S. MARRITT Kelowna, B.C. Vice-President, Woodlands	Vice-President, Woodlands of the Company
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.

All directors have a term of office of one year, but may be re-elected to successive terms. As of November 15, 2002 all of the directors and officers of the Company as a group owned 2,055,000 Common Shares representing 23.3% 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

Up to November 15, 2002 and during the fiscal years ended September 30, 2002 and September 30, 2001 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
November 1, 2000	November 8, 2000	$0.03
February 6, 2001	February 13, 2001	$0.03
May 3, 2001	May 10, 2001	$0.03
August 1, 2001	August 10, 2001	$0.03
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

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 4, 2002, which relates to the annual general meeting of shareholders to be held January 20, 2003.

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 Information Form, 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.

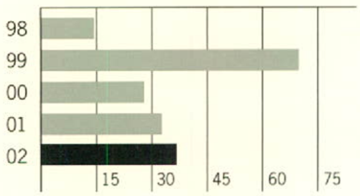
For copies of documents, please contact Mr. Michael E. Moore, Secretary Treasurer, at 820 Guy Street, Kelowna, British Columbia, V1Y 7R5, telephone (250) 762-3411, telecopier (250) 861-6991, email - investorrelations@riverside.bc.ca, website: www.riverside.bc.ca.

2002 HIGHLIGHTS

For the year ended September 30, 2002 (in thousands of dollars, except per share amounts)

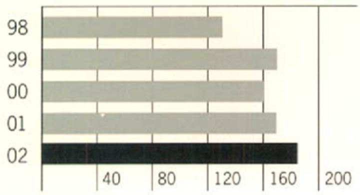
Sales and Income	
Sales	$ 469,314
Cash flow from operations before changes in non-cash operating working capital	$ 37,409
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$ 54,705
Earnings before income taxes	$ 18,103
Net earnings	$ 10,323
Common Share Data	
Common shares outstanding at year-end	8,803,993
Net earnings per share	$ 1.17
Shareholders' equity per share	$ 20.05
Financial Position	
Working capital	$ 50,518
Total assets	$ 391,751
Long-term debt, net of current portion of $ 29,685	$ 63,484
Shareholders' equity	$ 176,494
Invested capital	$ 269,663
Capital expenditures	
Armstrong cogeneration plant	$ 4,452
Other	$ 10,383
Other Data	
EBITDA/Sales	11.7%
EBITDA/Interest	6.1X
Percentage of long-term debt to invested capital	34.6%

Cash Flow*
in millions of dollars

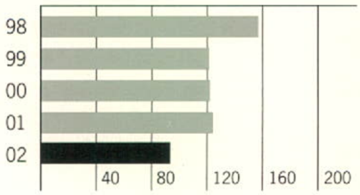


* before changes in non-cash operating working capital

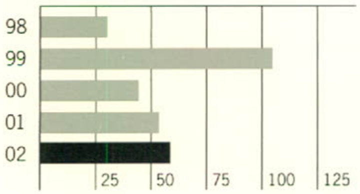
Shareholders' Equity
in millions of dollars



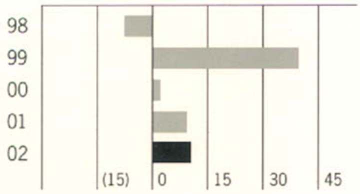
Long-term Debt
in millions of dollars before current portion



EBITDA
in millions of dollars



Earnings (loss)
in millions of dollars



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PRESIDENT'S REPORT TO SHAREHOLDERS

Operating in the aftermath of September 11th and in one of the most difficult and unpredictable business environments in modern history, Riverside continued to exhibit its strength and stability last year.

For the year ended September 30, 2002, we increased net earnings to $10.3 million from $8.0 million in 2001, and increased our sales to $469.3 million from $461.4 million the previous year.

Our plywood products, along with our value-added bin and pallet and treated railway products, were strong contributors to the year's results. These products provided us with the critical diversification needed to offset the challenges we faced in our lumber business.

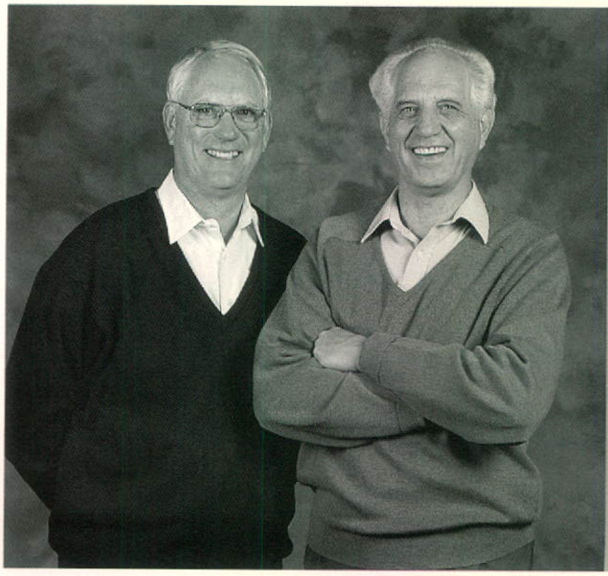
Our lumber operations were hit hard by punitive softwood lumber duties imposed by the United States. A combination of countervail and anti-dumping duties resulted in a 27.22% tariff on our U.S.-bound lumber shipments. From May 22, 2002, when the duties were first imposed, through to our year-end on September 30, 2002, Riverside paid $13 million in cash deposits to cover duties on these shipments. Duties of this magnitude are having a profoundly negative impact on lumber trade and product prices in North America. We continue to support our provincial and federal governments in opposing this costly and unfair tariff regime.

Operating Strategy

In response to the year's challenging conditions, our operating strategy was to complete major capital projects, manage our cash prudently, and to focus our energy on our highly successful employee education and enrollment program called "FAST" (For A Stronger Tomorrow). During 2002, we completed the roll out of FAST to all of our employees.

Our goal has been to position Riverside to withstand the ongoing industry challenges and to prepare the company to take advantage of the growth opportunities that typically arise out of such conditions. We are meeting this goal. Our balance sheet is strong and grew stronger in 2002 with a net debt reduction of $30 million. Our operations are cost efficient, running well, and getting better all the time.

Much of the credit goes to our employees, who continue to amaze us with the business improvements they are achieving through the FAST Program. During 2002, our employee teams delivered improvements and new records in every one of our operations, and in every measurable aspect of these operations. They have set their sights even higher for 2003.



Safety Achievements

An achievement we are particularly pleased to report on is our progress with safety. It is our intention to achieve world class health and safety results at Riverside, and with the commitment and engagement of our employees, we are making it happen.

In our Okanagan operations, we reduced injuries and accidents in several of our operating units by up to 60% last year. We also launched a new safety charter team in our Cariboo operations which is determining the best safety practices for every work activity in the region. The team is committed to reducing lost-time injuries by 50% over the next year.

We thank our employees for their significant contribution to making Riverside a strong, stable and safe B.C. forest products company. As we proceed into 2003, we are confident that their efforts will continue to help us perform well despite the difficult conditions we continue to face.

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

Gordon W. Steele
President and
Chief Executive Officer

Gerald E. Raboch
Chief Operating Officer

OPERATING REVIEW

Strength and stability.

These are two of the traits that set plywood apart from all other structural panel products and convince customers that the high-quality plywood products we make really can do the job better.

Strength and stability are also key traits of Riverside Forest Products. We are a company with a knack for succeeding in conditions that others find daunting. Supported by an innovative spirit, diverse product line-up, and people-driven approaches to constant improvement, Riverside has emerged as a company that can withstand the challenges of today's forest industry – and come out even better prepared for tomorrow.

PLYWOOD AND VENEER

How important are plywood and veneer to Riverside? In fiscal 2002, these products contributed $160.9 million to our revenues, representing 33.4% of our total sales. That's a sizeable piece of business, and one that is even more important in terms of its strategic contribution.

- Plywood & veneer give Riverside access to growing and diversified markets.
- Plywood & veneer are traded freely throughout North America.
- Because the veneer for plywood is made from logs measuring about 10 inches in diameter, plywood lets us add value to the smaller and second-growth logs in our wood basket.

Plywood and Veneer Geographic Distribution
(by volume)

Canada	44%
United States	46%
Japan and other	10%

Superior strength and stability, combined with its light weight, versatility and consistent quality, make Riverside plywood the preferred panel for both builders and industrial users.

It adds up to a product that greatly enhances Riverside's strength and stability by making excellent use of our fibre and by giving us access to strong, diverse and open markets.

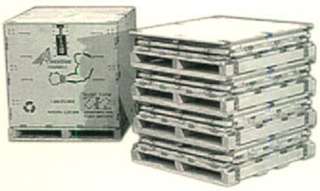
Riverside, in return, has done good things for plywood. As Canada's leading producer of softwood plywood and veneer, we work closely with the industry to help raise the quality and profile of Canadian plywood at home and in export markets.

- We have made the Riverside logo synonymous with quality. All Riverside plywood is made with 100% composed core – meaning there are no overlaps or gaps in the veneered layers. This makes our plywood well suited to industrial applications.
- We are a leader in custom and value-added softwood plywood panels. We manufacture a wide range of custom thicknesses and finishes to customer specification, along with value-added products like *U*LAY® floor underlayment and EASY T&G roof and floor panels. A significant proportion of our plywood production is made up of these customized or higher-value products.

Our product quality has helped expand awareness and acceptance of Riverside plywood in export markets like Japan and the United States. Last year, for example, we increased our sales volume of plywood and veneer to the U.S. We also attracted some high-profile exposure when Bob Vila, television's well-known home renovation expert, used Riverside plywood in a home construction project featured on his show, "Home Again."

Plywood & Veneer Markets

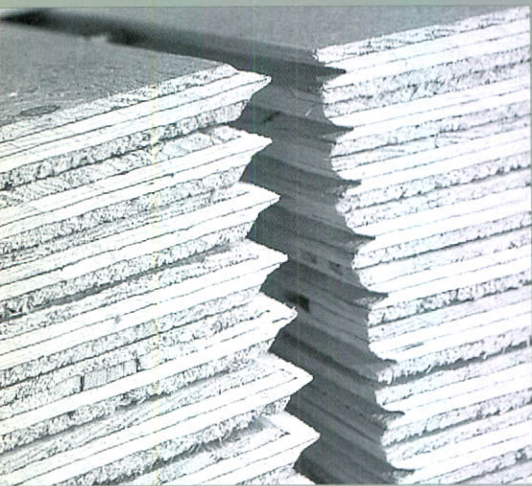
The market for structural panels remained strong in 2002, buoyed by record housing starts in North America. Within the segment, Canadian plywood performed well, with demand continuing to grow compared to 2001. Riverside increased sales during the year through a combination of increased production and improved prices.



Our innovative new StrongBoxx® shipping container folds down to 1/4 of its size for return shipping.

Riverside *U*LAY® provides superior performance as a floor underlayment material.

PLYWOOD STRENGTH



Plywood's Enduring Appeal

In the more than 50 years that it has been commercially available, plywood has remained the preferred structural panel of home buyers, contractors, architects and engineers. Today, demand for plywood continues to grow – even though people now have access to less expensive substitute products. What drives plywood's enduring popularity? It boils down to distinctive product features and attributes that few other structural panels can match.

Plywood's Unique Traits

Strength:
Plywood is stronger than substitute structural panels in the four important engineering strength properties of bending, tension, compression and planar shear. Not only is plywood stronger, it's lighter too – weighing up to 40% less than substitute wood-based panels of equivalent thickness.

Stability:
Plywood is a highly stable panel. When exposed to moisture or high humidity, it is up to seven times more resistant to thickness swell than substitute wood-based panels. Plywood also returns to its original dimensions when it dries.

Impact Resistance:
Plywood is highly impact-resistant and continues to perform well even when wet.

Easy to Use: Plywood is easily sanded, sawn, drilled and finished, and its light weight makes it easy to work with.

A Diverse Range of End Uses

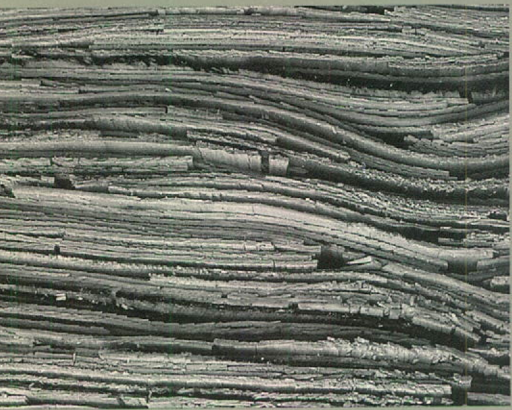
Plywood's unique features make it a versatile product, well suited to a wide range of end uses:

Residential Construction:
Plywood sheathing is used for the walls, floors and roofs of many houses, condominiums and apartment buildings.

Commercial Construction:
Plywood concrete forms are used in the construction of high-rise office and apartment towers.

Renovation:
Plywood is a favourite panel of home renovators and do-it-yourselfers who appreciate plywood's easy handling, high performance and attractive appearance.

AND STABILITY



Manufacturing and Industrial:
Large volumes of plywood are used to make products such as furniture, recreational vehicles, truck liners, bus floors, and packaging – all applications in which plywood's superior strength-to-weight ratio are important.

Agriculture:
Plywood is also used in harvest bins, barns, granaries, and animal feeders.

A Sustainable Product

Environmentally Responsible:
In the Interior of B.C., plywood is manufactured from logs averaging 25cm (10 inches) in diameter. This means it can be produced from smaller trees and from second-growth trees from managed forests. Plywood manufacturing also generates very little waste – almost the entire log is utilized for veneer, or for by-products such as lumber, chips for pulp and paper, or hog fuel for power generation.

Socially Responsible:
Plywood manufacturing continues to be a significant employer within the forest sector.

The Preferred Panel

Practical, versatile, responsible and sustainable, it's little wonder that demand for plywood – the world's favourite structural panel – continues to grow.

Operating Highlights

The gains in our plywood results were supported by improvements at our two plywood plants in Kelowna and Armstrong, and our veneer plant in Lumby.

- We increased plywood and veneer production by 2% while reducing conversion costs by 5.6%. These achievements were primarily the result of employee-led continuous improvement programs carried out as part of our FAST program.
- We upgraded computer controls on the lathe in Armstrong to achieve faster peeling of veneer logs with greater precision. This helped us achieve improved recovery, uptime and consistency.
- We reduced pressing times with the use of new glue additives that speed up the curing process.

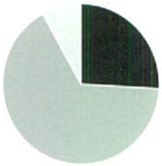
LUMBER

Riverside produces a diverse range of lumber products including SPF stud, dimension, and specialty lumbers. These products are made at our two studmills and our recovery lumber operation in the Okanagan region, and at our studmill, dimension mill and specialty lumber operation in the Cariboo region of B.C.

Together, our lumber products accounted for $260 million or 53.9% of our revenues in fiscal 2002, before the application of duties.

Lumber Geographic Distribution
(by volume)

Canada	26%
United States	66%
Japan	8%

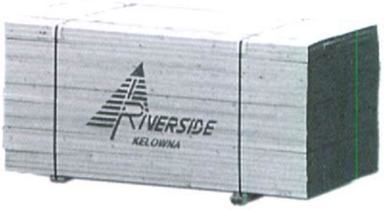


Lumber Markets

Our lumber business faced two sizeable challenges in 2002. The first came as a result of a 27.22% tariff imposed on the Canadian softwood lumber we export to the U.S. The second challenge was increasing competition from international lumber producers. The combination of these factors caused lumber prices to deteriorate through 2002, despite record demand across North America.

In response, Riverside:

- Continued to improve the efficiency and cost structure of our lumber mills to ensure we remain a competitive producer.
- Capitalized on our ability to produce the products and services that our customers value.
- Focused on new opportunities with customers in Canada and abroad to reduce our dependence on the U.S. market.



Riverside produces a full selection of stud and dimension lumber products.

Operating Highlights

Throughout our lumber operations, employee-led FAST program initiatives, combined with technological upgrades, contributed to lower operating costs and increased recovery of higher grade lumber products in all of our lumber mills. One of the key contributors to the year's achievements was the cooperation of our woodlands teams, who worked closely with manufacturing to deliver precisely sorted and prepared logs to the mills.

In our Cariboo operations, our teams:

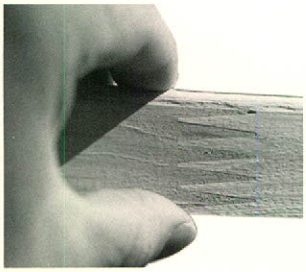
- Broke their own remarkable 2001 records, increasing production by 12.8%, while reducing conversion costs by nearly 12.5%.
- Added $2.8 million to margins through better grade recovery.
- Continued to provide a diversified, value-added product to our customers with the nine-foot specialty studs produced at Soda Creek and the cut-to-length dimension lumber we produce at Williams Lake.

In the Okanagan, our teams:

- Reduced lumber conversion costs by 4%, despite first quarter production curtailments which decreased production volumes.
- Added $1.9 million to margins through better grade recovery.
- Installed state-of-the-art end dogger scanning technology which provides more sophisticated scanning and analysis of logs coming into our Armstrong mill. By picking up and scanning the log from different angles, the new system determines the highest value combination of lumber that can be made from each log. This is currently the highest recovery end dogger system available.

Additional technological upgrades at our mills in both regions included:

- Installation of new electronic grading technology at the Kelowna and Williams Lake mills. The new systems use cameras and scanners to accurately grade lumber passing through the planer mill. The end result is consistent detection and extraction of higher-value lumber like J-grade and the custom grades we produce for specific customers.
- Installation of new "wain up" systems at our four mills to improve lumber quality and planer productivity.



Finger-jointed studs are a value-added product certified for strength and straightness.

Delivering sorted and prepared logs to the right mill reduces operating costs and increases *product value.*

VALUE-ADDED PRODUCTS

Adding to Riverside's strength and diversification are a number of products and business units that help us generate more value from our raw timber resources. During fiscal 2002, these operations contributed $61.5 million to our sales, representing 12.7% of our total revenues.

Re-manufactured Plywood

Our Winfield division focuses on adding value to our plywood products. Here we remanufacture plywood from our Kelowna and Armstrong facilities into fruit harvesting bins, industrial storage and shipping containers, and re-size plywood to specific customer requirements. Winfield is also responsible for the sales and marketing of Riverside *U*LAY®, our high-value floor underlayment product.

Our Winfield business helps us:

- Increase the margins we realize on our plywood.
- Gain access to a broader customer base.
- Add value to our products.

Fiscal 2002 was a strong year at Winfield, with sales tripling from 2001. Driving this growth was an excellent fruit harvesting season which boosted demand for our harvest bins. We also increased sales of *U*LAY® and added new distributors during the year.

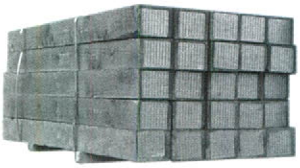
One of the highlights of the year was the soft launch of our new patented product, the Riverside StrongBoxx® – a lockable, re-useable plywood box designed to safely transport a wide range of dry and non-dry goods. A key feature of the StrongBoxx® is its collapsible design which provides for practical and cost-efficient return shipping. Initial market response was enthusiastic and the StrongBoxx® quickly attracted some of North America's largest food and packaged goods manufacturers as customers. We plan to roll out this promising new product with greater sales and marketing support in 2003.

Treated Railway Products

Riverside is a leading producer of treated hardwood railway ties, bridge timbers and railway crossing planks which we produce at a creosote treating facility in Ashcroft, B.C.

This business enhances Riverside's stability and diversity by giving us access to:

- The stable market for high-margin bridge ties and timbers.
- A distinctly different customer base.



Riverside is a leading producer of treated railroad ties, bridge timbers and pilings for North American railways.

Our manufacturing operations recover woodchips for sale to the pulp and paper industry.

- Growth opportunities as Ashcroft's Canadian railway customers consolidate US railways.

During fiscal 2002, we sustained the strong sales and production activity achieved in the past three years, adding 2% to sales. Driving the year's results was continued strong demand for railway ties as North American railways continue to upgrade their lines to handle double-stacked cars and heavier loads. It was also an excellent year for bridge timbers, particularly in the United States, where several lines are upgrading their bridges.

In the year ahead, we anticipate demand for these products will continue to increase, creating pressure to source adequate supplies of hardwood ties. Our Ashcroft division has already begun shopping world markets to secure additional raw materials in preparation for another strong year in 2003.

While growing sales of treated railway products, the Ashcroft division has also continued to build its reputation for providing excellent value and service. In a recent survey administered by CP Rail of all of its product suppliers, Riverside's Ashcroft division received the highest ratings for service.

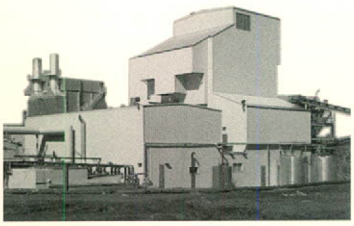
Wood Chips

Riverside converts wood material left over from our log preparation, lumber and plywood activities into woodchips for use by pulp and paper producers. The sale of woodchips is an important part of our business – one that represented $35.6 million, or 7.4% of our sales in 2002, despite depressed chip markets.

Woodchip prices are closely linked to pulp and paper demand, and in 2002, demand for pulp and paper was low, resulting in a significant drop in woodchip prices. Going forward, we anticipate a modest improvement in chip prices, and a corresponding increase in the contribution of this product to our 2003 results.

Cogeneration

At Riverside, we work hard to convert every part of our logs into something of value – including bark and other material that used to be considered wood waste. As part of this strategy, we own and operate two cogeneration facilities to convert this material into steam and electricity. Combined, these facilities can now generate up to 27 megawatts per hour of electricity – enough power to supply the needs of a community of 27,000 households.



Riverside's two cogeneration facilities convert wood waste material into electricity and steam.

Located in Kelowna and Armstrong, our cogeneration facilities help us:

- Divert wood waste away from burners and landfills.
- Provide a cost-efficient supply of steam and power to our Armstrong and Kelowna operations.
- Create surplus power that can be sold when electricity prices make it economic to do so.

During fiscal 2002, we completed the construction of the Armstrong cogeneration plant.

WOODLANDS

Riverside's continued strength and stability depends on our ability to wisely manage the forest resource entrusted to us. The 4.1 million hectares of forest-lands we manage in B.C. provides approximately 2.5 million cubic metres of timber, or about 70% of our raw fibre supply. The remaining 30% is secured through the open log market.

We protect our access to the timber supply and maximize its value by:

- Maintaining healthy and sustainable forests and ecosystems.
- Increasing efficiency and minimizing waste throughout our operations.
- Ensuring that each log we harvest is put to the best end use– even if that means diverting it to another manufacturer.
- Maintaining a close liaison with our manufacturing and marketing operations so we can provide log delivery that maximizes efficiency throughout the company.
- Establishing and maintaining logging flexibility to react to the ever-changing needs of the marketplace.

Maintaining Forest Health and Diversity

One of the ways Riverside creates healthy forests is by planting strong, healthy seedlings grown at our own Eagle Rock Nursery and Seed Orchard. Riverside is one of the few forest companies in B.C. that grows its own seedlings.

- In fiscal 2002, the nursery produced over 4 million seedlings for our Okanagan and Cariboo woodlands operations.

Riverside manages 4.1 million hectares of B.C. forest.

– The Eagle Rock team also completed work on a new lodgepole pine orchard which will enhance our supply of high-quality lodgepole pine seedlings long into the future.

In our woodlands operations, fiscal 2002 brought continued progress on a new results-based ecological forest model. Developed by Riverside, this innovative, experimental program is designed to apply and assess new models of ecosystem management, particularly in the areas of fish stream management and forest regeneration. The program is in the final stages of approval with B.C.'s Ministry of Forests, and is expected to get underway in our Okanagan Tree Farm License in 2003.

Log Preparation

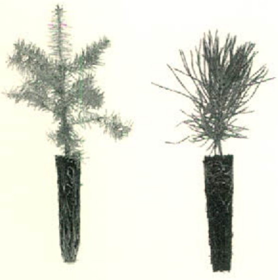
To enhance the value we generate from our fibre supply, our harvesting and sorting teams continued to work closely with our manufacturing and marketing teams to ensure the right logs end up at the right mills.

Our harvesting crews now assess which trees are best suited to which mills in advance of "bucking" or cutting them into logs. This ensures that each mill receives logs of exactly the right size and species.

While it is a practice that requires extra time and effort on the harvest site, it more than pays for itself in higher recovery and value extraction during manufacturing. Programs like this contributed to the significant productivity and cost reductions achieved in our manufacturing operations during the year.

In our log sorts, we continued to identify logs that can generate a higher value in applications such as log houses, utility poles and even musical instruments than they can in our own plywood or lumber operations. During fiscal 2002, we extracted and re-directed more than 200,000 cubic metres of this specialty wood, making a significant contribution to our bottom line.

It is all part of the belief that every realized opportunity to add value to our timber supply, or to make a greater contribution to our bottom line, is an opportunity to increase our strength and stability, and to ensure Riverside continues to succeed year after year.



Our Eagle Rock Nursery produces 4 million seedlings each year.

Riverside's woodlands operations harvested 2.5 million m3 of timber in fiscal 2002.

CONSOLIDATED BALANCE SHEETS

September 30, 2002 and 2001 (in thousands of dollars) (unaudited)

	2002	2001
Assets		
Current assets:		
Cash	$ 36,841	$ 43,161
Accounts receivable	35,987	37,302
Inventories	68,394	77,810
Prepaid expenses	3,588	2,475
	144,810	160,748
Investments and advances	6,406	7,270
Capital assets	236,511	246,417
Deferred financing costs	861	1,237
Deferred unrealized foreign exchange loss	3,163	5,755
	$ 391,751	$ 421,427
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 64,607	$ 72,410
Current portion of long-term debt	29,685	41,225
	94,292	113,635
Reforestation obligation	10,839	10,839
Long-term debt	63,484	82,661
Other long-term liabilities	6,279	5,716
Future income taxes	40,363	41,349
Shareholders' equity:		
Share capital	77,805	77,805
Retained earnings	98,689	89,422
	176,494	167,227
	$ 391,751	$ 421,427

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended September 30, 2002 and 2001 (in thousands of dollars) (unaudited)

	2002	2001
Sales	$ 469,314	$ 461,395
Cost of sales	405,597	401,063
Administrative expenses	11,633	12,022
Selling expenses	6,784	5,858
Interest income	(583)	(2,053)
Foreign exchange gain	(2,670)	(3,850)
Miscellaneous income	(1,352)	(6,724)
Reversal of contingent duty payable	(4,800)	–
	414,609	406,316
Earnings before interest, taxes, depreciation and amortization	54,705	55,079
Depreciation and amortization	25,116	24,065
Amortization of deferred unrealized foreign exchange loss	2,523	6,150
Interest on long-term debt	8,963	11,357
	36,602	41,572
Earnings before income taxes	18,103	13,507
Income taxes:		
Current	8,766	11,512
Future	(986)	(5,964)
	7,780	5,548
Net earnings	10,323	7,959
Retained earnings, beginning of year	89,422	82,555
Dividends	(1,056)	(1,056)
Shares repurchased	–	(36)
Retained earnings, end of year	$ 98,689	$ 89,422
Weighted average number of shares outstanding	8,803,993	8,804,968
Earnings per share	$ 1.17	$ 0.90

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30, 2002 and 2001 (in thousands of dollars) (unaudited)

	2002	2001
Cash provided by (used in):		
Operations:		
Net Earnings	$ 10,323	$ 7,959
Items not involving cash:		
Depreciation and amortization	27,639	30,215
	37,962	38,174
Loss (gain) on disposal of capital assets	(50)	41
Future income taxes	(986)	(5,964)
Change in reforestation obligation	483	173
	37,409	32,424
Change in non-cash operating working capital	2,298	19,241
	39,707	51,665
Financing:		
Proceeds from issuance of long-term debt	10,000	–
Repayment of long-term debt	(41,613)	(4,757)
Increase in other long-term liabilities	563	1,109
Dividends paid	(1,056)	(1,056)
Repurchase of shares	–	(70)
	(32,106)	(4,774)
Investing:		
Change in investments and advances	864	(4,823)
Proceeds on disposal of capital assets	50	76
Purchase of capital assets	(14,835)	(41,749)
Increase in deferred financing costs	–	(158)
	(13,921)	(46,654)
Change in cash	(6,320)	237
Cash beginning of year	43,161	42,924
Cash end of year	$ 36,841	$ 43,161
Supplementary Information:		
Interest paid	$ 9,963	$ 10,811
Income tax paid (recovered)	$ 12,273	$ (1,037)

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

John S. Marritt
Vice-President, Woodlands

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

John F. Ellett
Retired Businessman

William G. McIntosh
Retired Bank Executive

George L. Malpass
Vice Chairman, International Forest Products Limited

REGIONAL & DIVISIONAL MANAGERS

Darrell Embley
Regional Manager Manufacturing, Okanagan

Greg Maralia
Kelowna Operations

Gary Zecchel
Armstrong Operations

Mark Tamas
Lumby Operations & Woodlands

Spence Brigden
Regional Manager Manufacturing, Cariboo

Richard Crowell
Cariboo Operations

Don Couch
Director of Woodlands Operations, Okanagan

Murray Wilson
Kelowna Woodlands

Blair Barr
Cariboo Regional Woodlands

John Stace-Smith
Williams Lake Woodlands

Rob Anderson
Horsefly Woodlands

David Schwarz
Chilcotin Woodlands

Rick Kampf
Lumber Sales

John McComb
Plywood Sales

Don Adamski
Ashcroft

Ian Fillinger
Winfield

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Williams Lake Division
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Ashcroft Division
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AUDITORS

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Vernon, B.C
V1T 9A2

SOLICITORS

Bull, Housser & Tupper
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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 &
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 20, 2003

RIVERSIDE FOREST PRODUCTS LIMITED

ENVIRONMENTAL REPORT

The 2002 environmental report may be viewed on Riverside's website at www.riverside.bc.ca

RIVERSIDE FOREST PRODUCTS LIMITED

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