

**ANNUAL
INFORMATION
FORM**

March 1, 2001

Norske Skog Canada Limited

The following pages 16 to 32 are taken from

Norske Skog Canada Limited

**Statutory Reports for the Six-Month
Fiscal Year Ended December 31, 2000**

The Statutory Reports have been filed separately

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GLOSSARY OF TERMS

AOX – adsorbable organic halides, a measurement of total chlorinated organic compounds.

Capacity – the number of units which can be produced in a year based on operating with the normal number of shifts and maintenance interruptions.

Coated paper – paper which is coated with clay and treated to impart a smooth glossy surface.

Containerboard – any type of single and multi-ply, solid and corrugated boards used to make boxes and other containers for shipping materials, and the type of paperboard used to make them up.

Effluent – outflowing waste discharge from a pulp and paper mill.

Furans – toxic contaminants associated with the formation of dioxin in the bleaching of pulps with chlorine compounds.

Furnish – a blend of different types of pulps and additives which are provided to the paper machine for making paper.

Groundwood specialty grades – a printing paper, with mechanical pulp as its major component, which differs from newsprint in brightness, surface characteristics and end uses.

Linerboard – a type of kraft paperboard, generally unbleached, used to line or face corrugated core board (on both sides) to form shipping boxes and various types of containers.

Newsprint – a printing paper whose major use is in newspapers. It is made largely from groundwood or mechanical pulp reinforced to varying degrees with chemical pulp.

Printability – the ease with which paper can be printed to high quality standards with the least amount of spoilage.

Printing papers – a general term used to describe those grades of paper used by the printing trades, including job, book, magazine, and newspaper printers.

Pulp – the generic term describing the fibres derived from wood. Pulp can result from a variety of pulping processes including cooking, refining and grinding. Pulp can be either in a wet or dry state. Types of pulp include:

Bleached pulp – pulp that has been purified or whitened by chemical treatment to alter colouring matter and has taken on a higher brightness characteristic.

Chemical pulp – obtained by cooking wood in solutions of various chemicals. The principal chemical processes are sulphite and sulphate (kraft).

Deinked pulp – obtained by removing inks, clays and coatings, bindings and other additives from waste papers (primarily old newspapers) so that it can be reused as a source of papermaking furnish.

Kraft pulp – chemical pulp produced by an alkaline cooking process using sodium sulphate.

Market pulp – pulp sold on the open market between companies.

Northern bleached softwood kraft (NBSK) pulp – kraft pulp produced from slow-growing coniferous trees indigenous to the forests of Canada, the northern United States, and Scandinavian countries. NBSK pulp is noted for its strength and length of fibre.

Refiner mechanical pulp – pulp made by processing untreated wood chips in mechanical atmospheric refiners.

Thermomechanical pulp – pulp produced from wood chips using heated mechanical processes to break the bonds between the wood fibres.

Pulpwood – logs which are used for making pulp as opposed to those used for making lumber and panel products.

Soft calender – a machine which improves the smoothness and gloss of paper by running it through a combination of steel rolls and proprietary synthetic rolls during the on-machine papermaking process.

Twin-wire – refers to a paper machine with forming wires on both sides of the paper surface which provide a more uniform quality of sheet for both printing surfaces. Older machines typically only have a forming wire on the lower surface.

Woodfree – paper grades manufactured almost entirely with kraft pulp, and containing less than 10 per cent groundwood or mechanical pulp.

Measurements

gsm – grams per square metre.

kg/ADBt – kilograms per air-dried bleached tonne of production.

tonne – metric ton – 1,000 kilograms or 2,204 pounds (1.1023 tons).

ANNUAL INFORMATION FORM
(with respect to the six-month fiscal year ended December 31, 2000)
AS OF MARCH 1, 2001

INCORPORATION

Norske Skog Canada Limited is a company formed by the amalgamation under the laws of the Province of British Columbia on December 30, 1971 of the principal predecessor company, British Columbia Forest Products Limited, and 24 of its wholly owned subsidiary companies. The principal predecessor company was incorporated by certificate of incorporation, with memorandum and articles, under the laws of the Province of British Columbia on January 31, 1946. On September 2, 1988, British Columbia Forest Products Limited changed its name to Fletcher Challenge Canada Limited. On December 15, 2000, Fletcher Challenge Canada Limited changed its name to Norske Skog Canada Limited.

The registered and principal office of Norske Skog Canada Limited is located at 900 - 700 West Georgia Street, Vancouver, British Columbia, V7Y 1J7. In the remainder of this form, unless the context otherwise dictates, a reference to the Company refers to Norske Skog Canada Limited and its subsidiaries.

The Company owns all of the shares of: Norske Skog Canada Sales Inc., a subsidiary incorporated in the province of British Columbia; Norske Skog Paper Company, a subsidiary incorporated in the state of California; Norske Skog Canada Mackenzie Pulp Limited, a subsidiary incorporated in the province of British Columbia; and Norske Skog Canada Pulp Operations Limited, a subsidiary incorporated under the laws of Canada.

CORPORATE PROFILE

Norske Skog Canada Limited ("the Company") is a major North American manufacturer of groundwood printing papers and market pulp. The Company has the capacity to produce some 1.8 million tonnes annually of newsprint, groundwood specialty papers, market pulp and containerboard at three mills.

The Company's three pulp and paper operations are located in British Columbia, including two pulp and paper mills, Crofton and Elk Falls, on Vancouver Island, and a kraft pulp mill in the province's northern Interior at Mackenzie.

The capacities, in thousands of metric tonnes, of the Company's pulp and paper facilities as at December 31, 2000 are:

Mill	Location	Capacity by Product (m tonnes)				Total
		Newsprint	Groundwood Specialties	Market Pulp	Container Board	
Crofton	Crofton, B.C.	280	150	340		770
Elk Falls	Campbell River, B.C.	365	145	210	105	825
Mackenzie	Mackenzie, B.C.			230		230
		645	295	780	105	1,825

The Company's principal business is groundwood printing papers, including newsprint and groundwood specialty papers. Printing papers comprise approximately 51 per cent of the Company's pulp and paper manufacturing capacity. For the six-month fiscal year ended December 31, 2000, groundwood printing papers contributed approximately 55 per cent of the Company's sales revenues.

The principal markets for the Company's products are located in North America and the North Pacific Rim. Some Company products are also marketed in Europe and other overseas locations.

Norske Skogindustrier ASA ("Norske Skog"), a Norway-based international paper group which is one of the world's leading suppliers of publication papers (including newsprint, directory and other uncoated groundwood specialties), owns approximately 51 per cent of the Company's outstanding Class A Common Shares.

DEVELOPMENT OF THE BUSINESS

Since 1993, the Company has been focusing its business on groundwood printing papers and the markets of western North America and the North Pacific Rim. During this time, the Company has made significant progress in narrowing its business focus and creating an enterprise dedicated to delivering superior value for shareholders. In support of this strategy, the following key corporate developments have taken place over the past five years:

- exiting the solid wood products business through the creation and subsequent sale of TimberWest Forest Limited, narrowing the Company's business focus;
- sale of Minnesota-based lightweight coated paper subsidiary, Blandin Paper Company, to narrow the Company's geographic and business focus;
- creating separate management structures for the Company's B.C. paper and pulp operations, further focusing the Company organizationally;
- differentiating the product line for added value;
- maintaining a disciplined capital spending philosophy;
- achieving a competitive long term labour agreement to improve productivity and operational efficiency; and
- building a strategic balance sheet to support further value initiatives.

Solid Wood Products Exit

TimberWest Forest Limited was created in 1993 to provide a separate organization for the Company's coastal and Williams Lake B.C. wood products operations. At that time, TimberWest purchased three lumber manufacturing facilities, forestry and logging operations, and 210,000 hectares of private timberlands from the Company. Partial funding for the purchase was provided by an initial public offering of a 49 per cent interest in TimberWest. The creation of TimberWest as a separate, publicly-traded company exposed the value of those operations directly to equity markets and the Company to focus more closely on managing its pulp and paper operations.

In early 1996, TimberWest acquired the Company's remaining wholly owned wood products operations, located in the northern B.C. Interior at Mackenzie, further narrowing the Company's business focus. The Mackenzie facilities included two lumbermills and related forestry and logging operations.

Following a search for prospective purchasers of TimberWest that began in late 1996, the Company's 52 per cent interest in TimberWest was sold in June 1997. With the sale of TimberWest, the Company has now exited its remaining position in the solid wood products business. Long term contractual commitments provide the Company with a secure supply of fibre from its divested wood products operations.

Blandin Sale

In June 1997, the Company announced it was considering strategic alternatives for Blandin Paper Company. Blandin's lightweight coated paper business in the mid-western United States had a market and customer base distinct from the Company's western North American newsprint and groundwood specialty paper business. In October 1997, the Company completed the sale of Blandin to UPM-Kymmene Corporation. While a full range of options was considered for Blandin, it was concluded the sale provided excellent value for the Company, while allowing the Company to further focus its energy and resources on the newsprint and groundwood specialty paper business in western North America and the Pacific Rim.

Paper/Pulp Organizational Separation

To further focus the Company organizationally, the Company restructured its Canadian operations in 1996 to create separate management structures and distinct strategies for its pulp and paper businesses in preparation for the potential divestment of the Company's pulp business.

The Company has now decided to continue to own and manage its coastal pulp operations and is therefore re-integrating its pulp and paper business organizations. However, valuable lessons were learned during the period in which the Company operated with separate management structures and the Company will be applying these learnings to its operational structure and strategies as it re-integrates.

Product Line Differentiation

The Company has introduced a number of specialty and differentiated products to diversify its product line away from pure commodity grades of pulp and paper. Since 1993, the following product lines have been developed or expanded by the Company:

- highly runnable, lightweight newsprint grades;
- higher brightness soft calendered groundwood specialty papers;
- directory paper;
- sawdust-based pulp; and
- whitetop linerboard.

These product lines compete in more attractive market segments and offer enhanced margins over standard commodity grade pulp and paper products. The Company is concentrating on differentiating its products where it can deliver unique customer advantages for added value.

Capital Spending Discipline

The Company maintains a value-based discipline for reinvesting in its business, focusing on modest capital, high payback projects that enhance the Company's product lines, improve productivity, rationalize fibre supply and usage, and reduce costs. Specific projects completed over the past five years include:

- Projects at Elk Falls and Mackenzie to convert 95,000 tonnes of conventional long-fibre pulp capacity to 110,000 tonnes of low-cost sawdust-based pulp. These projects were completed in late 1996 at a capital cost of \$76 million.
- An upgrade of Crofton's No. 3 paper machine to increase production by 23,000 tonnes annually and enhance the Company's position as a leading manufacturer of highly runnable, lighter basis weight newsprint. This \$27 million project was completed in January 1997.
- An upgrade of the No. 5 paper machine at Elk Falls to further enhance the Company's leadership position in manufacturing highly runnable, lightweight newsprint grades. This \$30 million project was completed in January 1999.
- Modifications to the No. 2 paper machine at Crofton to enable the Company to deliver an innovative, ultra-lightweight directory paper product that will run on high-speed printing presses with fewer paper breaks. This \$16 million project was completed in May 1999.
- Improvements to Crofton's thermomechanical pulp refining and screening systems and No. 3 paper machine to further improve consistency in quality and lower production costs. This \$14 million project was completed in August 1999.

Long Term Labour Agreements

The Company and unions representing hourly employees reached new six-year collective agreements on April 18, 1998. The Company and unions agreed to a settlement that contains flexible work practices, 365-day operations and a long term contract, key to a competitive agreement. These collective agreements put the Company on an equal footing with labour practices in place at mills in Eastern Canada and provide long term stability for the Company's customers and employees. The unions have also agreed that the Company will not be chosen as the target company in negotiations in 2003.

Strategic Balance Sheet

During the past five years the Company has eliminated debt and significantly strengthened its balance sheet. At December 31, 1995 the Company had net debt of \$215 million and a 9 per cent ratio of debt to capitalization. The Company closed the six-month fiscal year ended December 31, 2000 with a cash and short term investments position of \$930 million and no debt. The Company's significant sources and uses of cash over the five-year period include:

- generating cash flow from continuing operations of \$591 million;
- realizing proceeds of approximately \$1.36 billion from the divestment of non-core assets;
- reinvesting \$388 million in capital improvements at its current facilities; and

- distributing \$373 million to Company shareholders through dividends.

Change in 50.8 Per Cent Shareholding

On July 28, 2000, international pulp and paper producer Norske Skogindustrier ASA (“Norske Skog”) completed the acquisition of the Paper Division of the Company’s former 50.8 per cent shareholder, Fletcher Challenge Limited. The acquisition of the Paper Division by Norske Skog includes the 50.8 per cent shareholding in Fletcher Challenge Canada Limited held by Fletcher Challenge Limited. On December 15, 2000, Fletcher Challenge Canada Limited changed its name to Norske Skog Canada Limited.

Today, Norske Skog Canada Limited is a company with focused strategies for both its paper and pulp businesses and has a balance sheet capable of supporting future value initiatives.

BUSINESS SEGMENTS

Norske Skog Canada Limited has two business segments: newsprint and specialties and pulp and containerboard. Financial information for each of the Company’s business segments is contained in note 15 of the consolidated financial statements, as included in the Company’s Annual Report for the six-month fiscal year ended December 31, 2000.

NEWSPRINT AND SPECIALTIES

Newsprint and Specialties Operations

The Company manufactures newsprint and groundwood specialty papers on six paper production lines at its Crofton and Elk Falls, B.C. pulp and paper mills, located on the east coast of Vancouver Island.

<i>(m tonnes)</i>	<i>Mill</i>	<i>Annual Capacity⁽¹⁾</i>	<i>6 Months to</i>	<i>Year Ended</i>
			<i>December 31, 2000 Production</i>	<i>June 30, 2000 Production</i>
Newsprint & Groundwood Specialties	Crofton	430	211	393
	Elk Falls	510	240	482

Note:

(1) As at December 31, 2000.

The Crofton paper mill, which produces newsprint and lightweight directory paper, has three paper machines that were put in operation during 1964, 1968 and 1982. All machines were installed with, or converted to, twin-wire sheet formation, which provides a more uniform quality of sheet for both printing surfaces. Pulp furnish for the paper mill comes from a three-line thermomechanical pulp mill, a two-line refiner mechanical pulp mill and the kraft pulp mill. In addition, the Company purchases approximately 62,000 tonnes of recycled deinked pulp annually from an outside supplier under a long term contract. Reduced fibre requirements, made possible by the move to lighter weight paper production at the mill, allowed the closure of a four-line stone groundwood mill in September 1999.

Crofton’s No. 2 paper machine produces up to 110,000 tonnes annually of lightweight directory paper grades used in telephone and other directories, as well as other lightweight printing papers. The No. 2 paper machine remains capable of producing newsprint grades as market conditions warrant. To further the Company’s lightweight runnability strategy for directory paper, \$16 million in modifications to Crofton’s No. 2 paper machine were completed in May 1999. These modifications enable the Company to produce an innovative directory paper at basis weights as low as 29.3 gsm, with improved consistency, runnability and printability. Crofton’s directory paper production can be supplemented by “swing” volume from its No. 1 paper machine.

A \$27 million upgrade of Crofton’s No. 3 paper machine, completed in January 1997, increased production capacity by approximately 23,000 tonnes annually, on a 45 gram equivalent basis and has resulted in significant improvements in machine trim, sheet profiles and roll quality. To further enhance the Company’s position in the marketing of lighter basis weight paper, improvements totalling \$14 million to Crofton’s thermomechanical pulp refining and screening systems and to

No. 3 paper machine were completed in August 1999. These improvements have resulted in improved consistency in quality and lower production costs.

Crofton's capacity for the year ended December 31, 2001 is expected to be approximately 430,000 tonnes of newsprint and directory paper. Crofton's annual capacity on a 48.8 gram equivalent basis is approximately 525,000 tonnes.

The Elk Falls paper mill, which produces standard newsprint and soft calendered high brightness specialty grades, has three paper machines that were put in operation during 1952, 1957 and 1982. All machines were installed with, or converted to, twin-wire sheet formation. Pulp furnish for the newsprint mill is supplied primarily from the mill's seven-line thermomechanical pulp mill and its semi-bleached kraft pulping facilities.

Elk Falls has continually broadened its range of groundwood specialty grades to meet the needs of commercial printers. Demand for better quality has been met through equipment upgrades to produce a cleaner, more refined pulp furnish. Smoothness and printability have been improved to meet the exacting standards of large commercial printers, and high brightness offset grades have been developed in a variety of basis weights. The mill's No. 2 paper machine has a soft roll calendering system designed to produce up to 145,000 tonnes annually of groundwood specialty grades. Soft calendered specialty grades, marketed under the *advance* label, are used mainly by the growing commercial print market for advertising flyers and newspaper supplements. The Company is a leading West Coast supplier of soft calendered grades.

Elk Falls increased the capacity of its thermomechanical pulp peroxide bleach plant and improved filler systems in fiscal 1996, enabling increased production of higher brightness specialty paper grades. The expanded bleach plant has been run up to its design capacity of 600 tonnes per day enabling Elk Falls to produce up to 70 brightness on both the No. 1 and No. 2 paper machines.

To further the Company's lightweight runnability strategy for newsprint, \$30 million in capital expenditures were completed at Elk Falls in January 1999. Replacement of the headbox on No. 5 paper machine and thermomechanical pulp improvements enable the production of lighter weight newsprint with enhanced runnability. Costs and efficiency are also improved as a result of the upgrade, with an increase of approximately 9,000 tonnes, on a 45 gram equivalent basis.

Elk Falls' capacity for the year ended December 31, 2001 is expected to be approximately 510,000 tonnes of newsprint and high brightness specialty grades of paper. On a 48.8 gram equivalent basis, the annual capacity of the Elk Falls paper operations is approximately 530,000 tonnes.

Newsprint and Specialties Marketing

(for the six-month fiscal year ended December 31, 2000 with comparative statistics for the year ended June 30, 2000)

<i>Revenues by Market</i>	<i>Canada</i>	<i>United States</i>	<i>Pacific Rim</i>	<i>Other Offshore</i>	<i>Total \$ Millions</i>
Newsprint & Groundwood Specialties					
6 Months to December 31, 2000	17%	53%	17%	13%	401
Year Ended June 30, 2000	15%	52%	19%	14%	641

Historically, changes in newsprint consumption have followed movements in economic growth. The volume of overall advertising expenditure has the greatest effect on the demand for newsprint and is related to advertising demand determinants such as real disposable personal income, employment levels; and to factors influencing advertisers, such as those in the automobile, real estate and retail industries. The other major determinant of sales of newsprint is the level of newspaper circulation. Groundwood specialty paper markets generally tend to follow newsprint market trends, with these grades typically selling at a price premium to standard newsprint.

The Company believes its newsprint and groundwood specialties are regarded by publishers and commercial printers as high quality products with excellent running and printing characteristics on printing presses.

The principal customers for the Company's newsprint and groundwood specialty papers are newspaper publishers and commercial printers located primarily in western North America and the North Pacific Rim. Newsprint and groundwood specialty customers are served primarily by Company sales and marketing personnel in North America and distributors and agents in other geographic markets.

The Crofton and Elk Falls pulp and paper mills are located on tidewater and have deep sea vessel loading facilities. Newsprint and groundwood specialties are shipped primarily by deep sea vessel, and for inland destinations by combination

of ship, barge, rail and truck. The Company uses the services of independent warehouses in western North America and Europe for distribution to its customers.

Normally, more than 50 per cent of the Company's newsprint and groundwood specialties sales revenue is derived from the United States. The United States is the world's largest consumer of newsprint, with consumption of approximately 12.0 million tonnes in 2000, representing about 30 per cent of total world consumption. Global demand for newsprint increased by 4.3 per cent in 2000, following a 4.2 per cent increase in 1999. Newsprint consumption by daily newspapers in the United States increased by 0.8 per cent, following a 2.1 per cent increase in 1999. The continued strength of the U.S. economy and consumer optimism resulted in an increase of approximately 1.2 per cent in newsprint consumption in the United States in 2000. Classified advertising lineage was up 2.2 per cent. Retail advertising lineage declined by 1.1 per cent, following a 0.5 per cent increase in 1999. Newspaper circulation declined by 0.3 per cent in 2000.

For the six-month fiscal year ended December 31, 2000, newsprint and groundwood specialty grades accounted for 55 per cent of Norske Skog Canada Limited's consolidated net sales. This compares with 51 per cent for the year ended June 30, 2000. No single customer accounts for more than 10 per cent of the Company's consolidated net sales, nor is a material part of the business dependent on a small group of customers. Newsprint and groundwood specialties markets are not subject to significant seasonal fluctuations.

PULP AND CONTAINERBOARD

Pulp and Containerboard Operations

The Company manufactures market pulp on four kraft pulp lines at its Crofton and Elk Falls pulp and paper mills, located in British Columbia on the east coast of Vancouver Island, and at the Mackenzie pulp mill in the province's northern Interior. The Elk Falls pulp and paper mill also manufactures containerboard specialties.

<i>(m tonnes)</i>	<i>Mill</i>	<i>Annual Capacity⁽¹⁾</i>	<i>6 Months to</i>	<i>Year Ended</i>
			<i>December 31, 2000 Production</i>	<i>June 30, 2000 Production</i>
Pulp	Crofton	340 ⁽²⁾	156	305
	Elk Falls	210 ⁽²⁾	91	194
	Mackenzie	230	104	216
Containerboard	Elk Falls	105	52	107

Notes:

(1) As at December 31, 2000.

(2) Excludes approximately 55,000 tonnes of pulp at Crofton and 45,000 tonnes of pulp at Elk Falls provided to the Company's paper operations.

The Crofton kraft pulp mill is a two-line mill, with the first line starting up in 1957 and the second in 1965. It is equipped with two continuous digesters and eight batch digesters, which provide the flexibility to cook different species of chips independently and to blend them into a wide variety of pulp grades that can be tailored to individual customer needs. Crofton's batch digesters utilize a rapid displacement heating ("RDH") cooking system. The RDH system allows for rapid turnaround in the batch cooking process, as the cooking liquor is rapidly extracted and replaced in the cooking vessel for each batch without a significant loss in temperature. This technology improves the overall quality of Crofton pulps and provides a stronger and more uniform pulp than conventional cooking.

The Crofton kraft pulp mill produces a range of high quality NBSK pulp grades, predominantly for customers that require high strength pulp in applications such as printing and writing papers. A number of specialty pulp grades are also produced at Crofton, including a high fir pulp for the manufacture of ceremonial wrapping papers (washi paper) in Japan, and a high cedar pulp for the U.S. medical garment industry.

The Elk Falls kraft pulp mill is equipped with five batch digesters and three continuous digesters with a total annual market pulp capacity of 210,000 tonnes. The mill manufactures two main types of kraft pulp for sale on world markets: a sawdust-based pulp branded "Elk Prime", with a capacity of 168,000 tonnes per year, and conventional NBSK semi-bleached pulp with a capacity of 42,000 tonnes per year.

Elk Prime is a fully bleached sawdust-based pulp that is manufactured from a combination of low-cost sawdust, wood shavings and chip screenings. Blending of these residuals produces a pulp with an average fibre length between that of conventional softwood and hardwood pulps, giving Elk Prime the special properties of both wood types including ease of refining, high strength and dimensional stability. Manufacturers of products such as specialty papers, tissue, paper towelling, printing and writing and other paper products can substitute Elk Prime for portions of their conventional NBSK pulp feedstock, realizing cost savings and, in many cases, improved quality. Sawdust-based pulps have an added environmental advantage in that they are made from fibre that would otherwise have been a waste product. Elk Falls uses some sawdust-based pulp in producing its specialty brands of high quality linerboard, sold to customers who manufacture corrugated containers for a wide range of products.

The Elk Falls kraft pulp mill was initially commissioned in 1956, with its sawdust-based pulp production beginning in 1964. The mill has been extensively modernized over recent years to meet or exceed current environmental standards and to improve operating efficiency and costs. In late 1996, a project to increase sawdust-based pulp capacity was completed at a cost of \$21 million. This project included a new 325 tonne per day digester to replace a smaller existing system, plus related equipment and machine upgrades. As a result of this project, Elk Prime production capacity was increased by 32,000 tonnes to 168,000 tonnes per year with a corresponding reduction in NBSK pulp production.

The Mackenzie kraft pulp mill, initially commissioned in 1972, is equipped with two continuous digesters which feed a single bleaching and drying line.

The long-fibre NBSK pulp produced at Mackenzie is sold under the brand name "MK-90". The long, flexible fibres of the northern Interior species (principally spruce, pine and fir), used to make MK-90, produce one of the highest strength pulps in the world. The main markets for MK-90 are specialty applications requiring high strength including tape stock, twisting grades, release papers, lightweight and ultra-lightweight papers and thin papers.

Building on its sawdust-based pulping expertise at Elk Falls, the Company commenced production of sawdust-based pulp at Mackenzie in October 1996 following the installation of a sawdust digester and related equipment at a cost of \$55 million. The addition of 77,000 tonnes per year of sawdust-based pulp capacity was largely offset by a reduction in capacity of 62,000 tonnes per year in long-fibre pulp production, increasing the total mill capacity from 205,000 tonnes per year to 220,000 tonnes per year. Since the initial installation of the sawdust-based pulp capacity, continuing optimization of the sawdust digester and brownstock washing and screening systems has resulted in sawdust-based pulp capacity increasing to 105,000 tonnes per year, with long-fibre pulp capacity decreasing to 125,000 tonnes per year. The increase in mill capacity to 230,000 tonnes is attributed to a recovery boiler tertiary air upgrade and operational and reliability improvements across the mill. Branded "*MackPrime*", the sawdust-based pulp produced at Mackenzie has similar properties to that produced at Elk Falls.

All three of the Company's kraft pulp operations are equipped with chlorine dioxide bleaching systems and secondary effluent treatment facilities and are presently operating in substantial compliance with applicable environmental laws and regulations.

The Elk Falls mill also has a containerboard specialties machine which was originally installed in 1966. The machine produces primarily specialty whitetop linerboard grades for sale to the packaging industry in western North America. Annual production capacity of containerboard is approximately 105,000 tonnes.

Whitetop linerboard is a premium product that combines a layer of unbleached kraft pulp with a layer of bleached kraft pulp. The two layers are not glued together but are formed on the paper machine by uniting bleached and unbleached stock into what is known as a duplex stock. This specialty product is white on the top and brown on the reverse side and is used in packaging, where bright, high quality graphics are important. Elk Falls' competitive advantage in producing this product stems from its ability to produce a lightweight, high-performance sheet. The inclusion of sawdust-based pulp in the furnish also results in a smoother, more consistent surface which performs better in customers' conversion facilities.

Production of whitetop linerboard grades totalled approximately 48,000 tonnes, or 93 per cent, of production from the Elk Falls containerboard machine in the six-month fiscal year ended December 31, 2000. This product is marketed under the brand name, "*SilverLiner*".

The furnish for the containerboard specialties produced at Elk Falls is comprised of long-fibre pulp and alternative fibre sources such as sawdust-based pulp and rejects from the Elk Falls kraft pulp mill as well as clippings received from converting plants and post-consumer waste.

Pulp and Containerboard Marketing

(for the six-month fiscal year ended December 31, 2000 with comparative statistics for the year ended June 30, 2000)

<i>Revenues by Market</i>	<i>Canada</i>	<i>United States</i>	<i>Pacific Rim</i>	<i>Other Offshore</i>	<i>Total \$ Millions</i>
Pulp					
6 Months Ended December 31, 2000	7%	17%	35%	41%	284
Year Ended June 30, 2000	7%	12%	45%	36%	527
Containerboard					
6 Months Ended December 31, 2000	28%	67%	4%	1%	44
Year Ended June 30, 2000	36%	61%	2%	1%	86

Market pulp is an international commodity used primarily in the manufacture of paper, paperboard and packaging, and tissue and sanitary products, with most major producers selling to the world market. In 2000, approximately 38 million tonnes of market pulp were consumed worldwide. Major market pulp producing regions include North America, Scandinavia, South America, Asia and Western Europe. Major market pulp consuming regions include Western Europe, Northern Asia and the United States. Historically, demand for market pulp has been determined primarily by the prevailing level of economic growth and has been closely tied to overall business activity and personal income in the marketplaces.

The Company's primary pulp customers include manufacturers of coated paper, woodfree printing and writing papers, tissue, towelling and sanitary products, and a wide variety of unique and specialized products. The ability of the Company's operations to produce specialty pulps – customized pulp blends at Crofton, sawdust-based pulp at both Elk Falls and Mackenzie, and high strength and brightness long-fibre pulp at Mackenzie – provides marketing advantages and allows the Company to increase its market share in target segments that have a long-term need for the Company's products. The Company markets its pulp throughout North America, Asia and Europe.

Access to high quality softwood species and unique processing capabilities have enabled the Company to develop a range of specialty blended pulps such as a high fir pulp for washi paper in Japan and a high cedar pulp for the medical garment industry in the United States. These pulps are marketed as unique grades and achieve a pricing premium over standard NBSK grades of up to US\$85 per tonne.

The Company's marketing strategy for pulp is to further develop worldwide markets for the expansion of sawdust-based pulp and to optimize the margins for premium NBSK and specialty pulps. This strategy is designed to provide customers with softwood-based pulps that add value to their papermaking activities and produce higher overall margins for the Company.

Pulp customers are served by Company sales and marketing staff in Canada and Japan and a network of agents in locations throughout the world.

The Crofton and Elk Falls pulp and paper mills are located on tidewater and have deep sea vessel loading facilities. Pulp is shipped to offshore locations by deep sea vessels and to inland North American destinations by a combination of ship, barge, rail, and truck. Pulp from the Mackenzie mill is shipped by rail to tidewater for offshore destinations and by rail and truck to inland North American destinations.

Containerboard produced by Elk Falls is sold primarily to corrugated box plants located in Western Canada and the western United States. In recent years, the marketing strategy for containerboard has been to increase the sales volume of specialty whitetop linerboard grades which have provided higher prices and greater price stability than unbleached linerboard and corrugated medium grades.

Containerboard customers are served by Company sales and marketing staff.

For the six-month fiscal year ended December 31, 2000, pulp and containerboard accounted for 45 per cent of consolidated net sales. This compares with 49 per cent for the year ended June 30, 2000. There is no single customer who accounts for more than 10 per cent of consolidated net sales, nor is a material part of the business dependent upon a small group of customers.

PULP AND PAPER FIBRE SUPPLY

Norske Skog Canada Limited's operations in British Columbia consume wood fibre which is purchased as either wood chips, sawdust or pulp logs. Fibre is acquired from independent suppliers, primarily under secure long term contracts.

Sawmill wood chips presently comprise approximately 64 per cent of the fibre supply for the Company's three pulp and paper operations in British Columbia. The remainder is composed of: pulpwood, 12 per cent; sawdust, 22 per cent; and recycled deinked pulp, 2 per cent.

Fibre for the Company's coastal mills, Crofton and Elk Falls, is acquired from approximately 50 independent mills, primarily as residual wood chips and sawdust from lumber operations located on the Coast and in the southern Interior of the province. The Mackenzie pulp mill is supplied with fibre from independent suppliers within the local region.

Five wood chip and sawdust suppliers provide approximately 47 per cent of the Company's fibre supply. The supply contracts with these companies were negotiated by the Company for indefinite terms ("evergreen") when certain of the Company's timber and processing assets were sold. In addition, the Company, through evergreen contracts with a coastal log producer, is able to secure additional coastal wood chip supply through sawlog sales made by it to coastal sawmills. These contracts provide an additional 14 per cent of the Company's fibre supply. Together, fibre purchased from these suppliers comprises approximately 61 per cent of the Company's fibre supply.

The remainder of the fibre requirements for the Company's three pulp and paper operations in British Columbia is sourced from independent suppliers, mainly under long term contracts. Fibre is purchased from suppliers at market prices or at prices determined under market-based formulas.

The Company's sawdust-based pulp capacity has been expanded with the installation of new sawdust digesters at Elk Falls and Mackenzie. These projects, which were commissioned in October and November 1996, respectively, increased the Company's annual sawdust consumption from 1.0 million cubic metres to 1.6 million cubic metres, with a reduction in annual wood chip consumption of 0.5 million cubic metres.

CAPITAL EXPENDITURES

Over the past five years the Company's capital expenditures on continuing operations have totalled \$388 million. In the six-month fiscal year ended December 31, 2000, \$58 million was spent on various environmental, and maintenance of business and discretionary projects. The following table summarizes capital expenditures on continuing operations by business segment over the past five years and the six-month fiscal year ended December 31, 2000:

\$ Millions	6 Months to December 31, 2000	Year Ended December 31					Total
		2000	1999	1998	1997	1996	
Newsprint & Specialties	17	27	63	34	38	42	204
Pulp & Containerboard	41	64	25	13	9	73	184
Continuing Operations	58	91	88	47	47	115	388

HUMAN RESOURCES

At December 31, 2000, the Company and its subsidiaries employed approximately 2,100 employees.

In November 1999, a partnership was formed between the Company and ABB Canada to perform all maintenance functions for the Company's pulp and containerboard operations. In January 2000, approximately 310 hourly and 75 salaried maintenance employees were transferred from the Company to the new company, AllWin Technical Services Inc. ("AllWin"). Under a five-year, performance-based agreement, AllWin is focused on delivering first quartile maintenance cost and equipment availability to the Company's pulp and containerboard operations.

All of the approximately 1,550 hourly employees at the Company's pulp and paper mills in British Columbia are members of either the Communications, Energy & Paperworkers Union of Canada ("CEP"), or the Pulp, Paper and Woodworkers of Canada ("PPWC"). All of the approximately 310 AllWin hourly employees performing maintenance functions at the Company's pulp and containerboard operations are members of either the CEP or PPWC.

Collective agreements with the CEP and PPWC expired on April 30, 1997 for the Company's pulp and paper mills in British Columbia. The Company was selected by the two unions representing its hourly pulp and paper employees in British Columbia to lead the process of individual mill bargaining in the province. The Company's B.C. pulp and paper mills were idled on July 14, 1997 as a result of strike action following a breakdown in negotiations with the unions. The strike ended on April 18, 1998 following ratification of new six-year collective agreements which expire in April 2003. The agreements provide improvements in the area of workplace flexibility and an increase in the number of annual operating days from 362 to 365. The agreements provide wage increases of 2 per cent per year in the last five years, a \$2,750 signing bonus, payments for flexible work practices of \$0.95 per hour for maintenance employees and \$0.40 per hour for operations employees, and increased employer pension contributions commencing January 1, 1999.

The unions have agreed, as part of the collective agreements, that the Company will not be selected to lead the process of individual mill bargaining in British Columbia at the expiry of the contract in 2003.

ENVIRONMENT

The operations of the Company are subject to a wide range of general and industry-specific environmental laws and regulations related to waste management. There has been significant upgrading of Company facilities to comply with solid and special waste, effluent and air regulations. Environmental performance is monitored regularly by the Company. The Company believes that its facilities are operating in substantial compliance with applicable environmental laws and regulations.

In addition to regular monitoring of emission points and reporting to regulatory authorities, the Company manages its environmental performance through an environmental management system which is currently registered to the ISO 14001 standard. The system utilizes annual internal surveillance audits and bi-annual external compliance audits to ensure that the Company's manufacturing facilities are compliant with all applicable legislation. The audit findings are communicated to management and a committee of the Board, so that appropriate action plans can be developed to address any deficiencies. The bi-annual audits completed during 1998 and 1999 have indicated that the Company's facilities are operating substantially in compliance with applicable environmental laws and regulations.

Solid Waste

One of the most significant environmental issues faced by large manufacturing operations is the disposal of solid waste. The Company is working to reduce volumes sent to landfill by increasing recycling efforts and investigating alternative uses for effluent sludge and boiler ash.

The Company is investigating a number of non-pulp and paper-related end uses for solid wastes including recaust wastes, power boiler ashes and primary and secondary sludges.

The Company is the world's leading producer of sawdust-based market pulp, a product made from sawdust and wood shavings. With the completion of projects at Elk Falls and Mackenzie in late 1996, the Company's annual production capacity of sawdust-based pulp has increased to about 273,000 tonnes which has reduced the consumption of wood chips and production of long-fibre pulp. This product helps to reduce air pollution and solid waste because sawdust and wood shavings would otherwise be burned or landfilled if they were not used to make sawdust-based pulp.

Effluent

The British Columbia provincial government's current pulp mill effluent regulations limit AOX discharges to 1.5 kilograms per tonne of pulp produced. The Company's facilities are operating within these limits. The B.C. provincial government has further mandated the elimination of AOX in mill effluent by December 31, 2002. Although technology is available to eliminate all AOX discharge at kraft pulp mills in British Columbia, capital and operating costs associated therewith are presently prohibitive. In early 1997, the provincial government indicated that it may re-examine the appropriateness of this regulation. In November 1997, the United States Environmental Protection Agency ("EPA") established AOX discharge limits for United States-based bleach kraft pulp mills at 0.623 kg/ADBT. Presently, all Company mills are in substantial compliance with the new United States EPA limits.

In April 2000, the Mackenzie mill was ordered by Environment Canada to take steps to stop the release of effluent containing furans into Williston Lake and to carry out dredging of the dump pond and second aeration basin on the mill premises in order to prevent the release of furans. The mill no longer generates effluent containing furans. However, furans contained in the historical accumulation at the bottom of the pond and basin have occasionally been released. The mill developed an action plan in consultation with both the federal and provincial regulatory authorities to carry out the required dredging to permanently eliminate the source of the released furans. The dredging was completed by October 10, 2000. In order to carry out the dredging and maintain effluent parameters within permitted levels, some curtailment in production was necessary.

In 1989, the Canadian federal government imposed commercial shellfish closures in the vicinity of coastal pulp mills including Crofton and Elk Falls because of dioxin contamination. Changes in bleach plant operations, which were initiated at Company operations to prevent the formation of dioxins, have resulted in a decline in contamination levels. The government has removed the restrictions in some specific areas following improved test results. The Company expects the reopening process will continue at both of its coastal pulp mills over the next few years.

The Crofton, Elk Falls and Mackenzie pulp mills have completed participation in the second phase of Environment Canada's "Environmental Effects Monitoring" program with the submission of reports on the results of extensive testing and sampling of marine and aquatic life in the area of the mill discharge. The program was implemented by Environment Canada in 1992 to determine the effects of mill effluent on the environment. All pulp and paper mills in Canada are participating in the program which provides a baseline of information to track changes over time.

During fiscal 1996, the Mackenzie mill extended its effluent diffuser two kilometres into Williston Lake to reduce environmental impact by more effectively dispersing effluent. This action was taken as a preventative measure in the event that B.C. Hydro is required to lower the lake level during years of low snowfall. Williston Lake serves as a reservoir for hydro-electric generation.

Air Emissions

All three of the Company's pulp and paper mills in British Columbia are making improvements to their air emissions. At Crofton, the first phase of an odour collection system was completed in January 2001. The final phase of the odour collection system is expected to be completed by December 31, 2001, further reducing air emissions. At Elk Falls, a precipitator is being installed on the No. 5 power boiler to minimize particulate emissions and haze in the community. At Mackenzie, improvements to the power boiler operating procedures have resulted in improved particulate compliance. The Company continues to work closely with the Ministry of the Environment to ensure appropriate solutions are implemented at the mills. Further improvements are expected to require some additional capital expenditures, but the Company should not be disadvantaged competitively with other producers in those regions in which it operates.

Past studies conducted at coastal pulp mills using salt laden hog fuel identified dioxin and furan concentrations in emissions above proposed guidelines set by the Canadian Council of Ministers of the Environment. A subsequent health risk assessment commissioned by Environment Canada determined that there was no substantial risk to the local population. The Company is actively working with The Pulp and Paper Research Institute of Canada and Environment Canada to develop technologies to eliminate the formation of dioxins and furans in coastal hog boilers.

Contaminated Sites

Provincial legislation governing contaminated sites was passed into law in British Columbia in 1996 and came into effect on April 1, 1997. If a particular site exceeds prescribed levels of certain classes of substances, the site is determined to be a "contaminated site" under the legislation. The legislation specifies the circumstances in which a "site

profile” must be prepared in respect of any property that has been used for certain industrial or commercial purposes. If a site is determined to be contaminated, remediation will normally be required under government supervision. As current and past owners of mill sites, all forest products companies in British Columbia may face remediation costs. The Company does not expect any material effect on its operations in complying with this legislation.

More detailed environmental reporting is provided in the Company’s Annual Report for the six-month fiscal year ended December 31, 2000.

RESEARCH AND DEVELOPMENT

The Company contributes to industry supported research organizations such as the Pulp and Paper Research Institute of Canada. In addition, research required to meet specific needs of the Company is conducted at private laboratories under the direction of the Company’s technical experts and at the mill laboratories.

Business unit technical staff provide scientific and technological expertise in support of the Company’s pulp and paper operations and product development efforts.

The Company’s research and development expenditures totalled approximately \$1 million in the six-month fiscal year ended December 31, 2000 and \$2 million in the year ended June 30, 2000.

FOREIGN OPERATIONS

The Company has no foreign manufacturing operations.

DIVIDENDS

The following dividends (per share) were paid in the six-month fiscal year ended December 31, 2000 and in the year ended June 30, 2000:

	6 Months to December 31, 2000	Year Ended June 30, 2000
Class A Common Shares	\$0.30	\$0.60

STOCK EXCHANGE LISTINGS

The Company’s Class A Common Shares are listed for trading on The Toronto Stock Exchange under the symbol NS.A.

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company; Vancouver, Toronto and Montreal.

ADDITIONAL INFORMATION

Reference is made to the section of the Company’s Annual Report for the six-month fiscal year ended December 31, 2000 entitled “Management’s Discussion and Analysis” and to the section of the accompanying Information Circular entitled “Election of Directors”, both of which are incorporated by reference herein.

Additional information, including principal holders of the Company’s securities, executive compensation and loans to directors, executive officers and senior officers is contained in the accompanying Information Circular for the Company’s 2001 Annual General Meeting. Additional financial information is provided in the Company’s comparative financial statements and management’s discussion and analysis for its most recently completed fiscal year, which are contained in the Company’s Annual Report for the six-month year-ended December 31, 2000.

In addition, the Company will provide to any person, upon request to the Secretary:

- (a) when the securities of the Company 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 the Annual Information Form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form,
 - (ii) one copy of the comparative financial statements of the Company for its most recently completed fiscal 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 the Company's most recently completed fiscal 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 required to be provided under (i) to (iii) above; or
- (b) at any other time, one copy of any other documents referred to in (a) (i), (ii) and (iii) above, provided 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.

OFFICERS

As at March 1, 2001, the name and municipality of residence of each of the officers of the Company, the office held by each and the principal occupation of each during the past five years are as follows:

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>
Jan A. Reinås Baerum, Norway	Chairman. President and Chief Executive Officer, Norske Skogindustrier ASA.
Russell J. Horner Vancouver, British Columbia	President and Chief Executive Officer. Previously, President and Chief Operating Officer; Chief Operating Officer, Australasia, Fletcher Challenge Paper Division, Fletcher Challenge Limited; Managing Director, Australian Newsprint Mills, Fletcher Challenge Limited.
Dennis J. Day Fort Langley, British Columbia	President, Pulp Operations. Previously, Senior Vice-President, Paper Manufacturing; Senior Vice-President, Newsprint; Senior Vice-President, Human Resources.
James E. Armitage Vancouver, British Columbia	Senior Vice-President, Sales and Marketing. Previously, Senior Vice-President, Newsprint, Vice-President, Worldwide Newsprint Sales; Consultant.
W.R. (Ron) Buchhorn West Vancouver, British Columbia	Senior Vice-President, Human Resources. Previously, Vice-President Compensation and Rehabilitation Services, Workers' Compensation Board of British Columbia.
Svein K. Aurstad Vancouver, British Columbia	Vice-President, Planning and Business Performance. Previously, Mill Manager, Norske Skog Skogn, Norske Skogindustrier ASA.
Jesse M. Beaman Surrey, British Columbia	Vice-President, Crofton Pulp and Paper. Previously, Manager, Crofton Paper; Vice-President, Eastern Operations, Building Materials, MacMillan Bloedel Limited; Vice-President, Business Transformation, Printing Papers, MacMillan Bloedel Limited; General Manager, Alberni Specialties, MacMillan Bloedel Limited.
Stuart H. Clugston Vancouver, British Columbia	Vice-President, Corporate Affairs. Previously, Director, Communication Management.
Ralph Leverton Surrey, British Columbia	Vice-President, Finance, Chief Financial Officer and Secretary. Previously, Chief Financial Officer, Secretary and Treasurer; Consultant; President and Chief Operating Officer, Harmac Pacific Inc.; Vice-President, Finance, Chief Financial Officer and Secretary, Harmac Pacific Inc.
Robert H. Lindstrom Burnaby, British Columbia	Vice-President, Strategy. Previously, Vice-President, Supply and Utilities, Pulp Operations; Director, Strategic Planning, Pulp Operations; Director, Business Development.
R. Scott McLean West Vancouver, British Columbia	Vice-President, Supply Chain and Information Technology. Previously, Vice-President, Supply Chain; Principal Consultant, PricewaterhouseCoopers.
James M. Miller West Vancouver, British Columbia	Vice-President, Sales and Marketing, Pulp Operations. Previously, Vice-President, Pulp Marketing.
Peter M. Staiger Vancouver, British Columbia	Controller Treasurer. Previously, Corporate Controller; Manager, Corporate Reporting.

SUMMARY OF FINANCIAL INFORMATION

Annual Information

	<i>6 Months Ended December 31</i>	<i>Year Ended June 30</i>			
	<i>2000</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
		<i>(millions of dollars)</i>			
Net Sales	\$729	\$1,267	\$1,047	\$ 284	\$ 950
Operating Earnings (Loss)	112	108	(36)	(170)	12
Net Earnings	83	99	36	299	120
Total Assets	2,721	2,599	2,551	2,531	2,649
Long Term Debt (Net of Current Portion)	–	–	–	–	–
		<i>(dollars per weighted average common share)</i>			
Net Earnings	0.66	0.80	0.29	2.40	0.96
Dividends Declared	0.30	0.60	0.60	0.60	0.60
Dividends Paid	0.30	0.60	0.60	0.60	0.60

Quarterly Information

<i>Six-Month Fiscal Year Ended December 31, 2000</i>					
		<i>Q1</i>	<i>Q2</i>		
		<i>(millions of dollars)</i>			
Net Sales		\$351	\$378		
Net Earnings		39	44		
		<i>(dollars per weighted average common share)</i>			
Net Earnings		0.31	0.35		
Dividends Declared		0.15	0.15		
		<i>(dollars)</i>			
Price Range Per Share	High	18.50	17.00		
(The Toronto Stock Exchange)	Low	14.55	14.35		

<i>Year Ended June 30, 2000</i>					
		<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4</i>
		<i>(millions of dollars)</i>			
Net Sales		\$275	\$299	\$331	\$348
Net Earnings		10	9	23	57
		<i>(dollars per weighted average common share)</i>			
Net Earnings		0.08	0.07	0.19	0.46
Dividends Declared		0.15	0.15	0.15	0.15
		<i>(dollars)</i>			
Price Range Per Share	High	18.50	17.75	18.90	17.80
(The Toronto Stock Exchange)	Low	13.60	14.00	14.80	14.75

Further discussion on Norske Skog Canada Limited's financial results is contained within the Management's Discussion and Analysis section of the Annual Report for the six-month fiscal year ended December 31, 2000.

