A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities of each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities commission or similar authority in Canada has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell such securities. The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. See "Plan of Distribution".

PRELIMINARY SHORT FORM PROSPECTUS

New Issue **May 7, 2002**

NorskeCanada

NORSKE SKOG CANADA LIMITED

$200,200,000

28,600,000 Common Shares

This short form prospectus qualifies the distribution (the "Offering") of 28,600,000 Common Shares of Norske Skog Canada Limited (the "Company"). The outstanding Common Shares of the Company are listed on the Toronto Stock Exchange (the "TSX") under the symbol NS. On May 6, 2002, the last day of trading on the TSX prior to announcement of the Offering, the closing price of the Common Shares of the Company on the TSX was $7.33. The offering price for the Common Shares was determined by negotiation between the Company and CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., Merrill Lynch Canada Inc., UBS Bunting Warburg Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Raymond James Ltd., Scotia Capital Inc., HSBC Securities (Canada) Inc. and Salman Partners Inc. (collectively, the "Underwriters").

In the opinion of counsel, the Common Shares will not be precluded as investments under certain statutes. See "Eligibility for Investment".

Price: $7.00 per Common Share

	Price to the Public	Underwriters' Fee	Net proceeds to the Company[(1)]
Per Common Share	$7.00	$0.28	$6.72
Total[(2)]	$200,200,000	$8,008,000	$192,192,000

(1) Before deduction of the expenses of the Offering estimated at $500,000 which, together with the Underwriters' fee, are payable by the Company.

(2) The Company has granted to the Underwriters an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the date of the closing of this Offering, to purchase up to an additional 4,290,000 Common Shares at the price to the public solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, total Underwriters' fee and total proceeds to the Company before deducting other expenses of the Offering, will be $230,230,000, $9,209,200 and $221,020,800, respectively. This short form prospectus also qualifies the distribution of the Common Shares issuable on exercise of the Over-Allotment Option. See "Plan of Distribution".

Prospective investors should consider certain risk factors in connection with an investment in the Common Shares. See "Risk Factors".

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters, in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of the Company by Lawson Lundell and on behalf of the Underwriters by Borden Ladner Gervais LLP.

RBC Dominion Securities Inc., TD Securities Inc., Merrill Lynch Canada Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc. and HSBC Securities (Canada) Inc. are subsidiaries of financial institutions or Canadian chartered banks that are lenders under an existing credit facility to the Company. This credit facility will be reduced on the closing of the Offering with the net proceeds of the Offering. Consequently, the Company may be considered a connected issuer of these Underwriters under applicable Canadian securities legislation. See "Use of Proceeds" and "Plan of Distribution".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of the Offering will take place on or about May 28, 2002 or such later date as the Company and the Underwriters may agree, but in any event not later than June • , 2002.

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ELIGIBILITY FOR INVESTMENT

In the opinion of Lawson Lundell, counsel to the Company, and Borden Ladner Gervais LLP, counsel to the Underwriters, based on legislation in effect as of the date of this short form prospectus and subject to compliance with the prudent investment standards and general investment provisions of the statutes referred to below (and, where applicable, regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies or goals, the Common Shares on the date of issue will not be precluded as investments under the following statutes:

Insurance Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Trust and Loan Companies Act (Canada)
Financial Institutions Act (British Columbia)
Pension Benefits Standards Act (British Columbia)
Employment Pension Plans Act (Alberta)
Insurance Act (Alberta)
The Insurance Act (Manitoba)
The Pension Benefits Act (Manitoba)
Loan and Trust Corporations Act (Ontario)
Pension Benefits Act (Ontario)
an Act respecting insurance (Québec) (for an insurer, as defined therein, incorporated under the laws of the Province of Québec, other than a guarantee fund)
an Act respecting trust companies and savings companies (Québec) (for a trust company, as defined therein, which invests its own funds received as deposits and a savings company (as defined therein) investing its own funds)
Supplemental Pension Plans Act (Québec)
Pension Benefits Act (Nova Scotia)

In addition, in the opinion of such counsel the Common Shares, if issued on the date of this short form prospectus, would be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") and the regulations under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans and would not on the date of issue constitute "foreign property" for the purpose of the Tax Act.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This short form prospectus and the documents incorporated herein by reference contain forward-looking statements that reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements are identified by words such as "anticipate", "believe", "expect", "intend" and similar expressions and include statements relating to our expected synergies. These statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements, including those discussed under "Risk Factors". These factors should be considered carefully and prospective investors should not rely on any such forward-looking statements.

Although the forward-looking statements contained in this short form prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus or, in the case of statements contained in a document incorporated by reference, as of the date of such document, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

PROSPECTUS SUMMARY

This summary is qualified by, and should be read in conjunction with, the detailed information appearing elsewhere in this short form prospectus or incorporated by reference herein. Unless otherwise indicated, all $ amounts are in Canadian dollars and all volumes are in metric tonnes.

THE COMPANY

Norske Skog Canada Limited is the third largest newsprint and groundwood specialty papers manufacturer based in North America measured by production capacity. We are also the largest producer of newsprint, telephone directory paper, soft calendered papers and hi-brite papers, and the only producer of lightweight coated paper, on the west coast of North America. We also produce conventional northern bleached softwood kraft ("NBSK") pulp, lower-cost sawdust-based pulp and containerboard.

Our four integrated pulp and paper operations are located in British Columbia, at Crofton and Campbell River (Elk Falls) on the east coast of Vancouver Island, Port Alberni on the west coast of Vancouver Island, and Powell River on the west coast of the British Columbia mainland.

THE OFFERING

Offering:	28,600,000 Common Shares
Amount of Offering:	$200,200,000
Price per Common Share:	$7.00
Over-Allotment Option:	Up to an additional 4,290,000 Common Shares may be issued to the Underwriters at a price of $7.00 per Common Share if they exercise the Over-Allotment Option. The Over-Allotment Option is exercisable for a period of 30 days from the date of the closing of the Offering.
Use of Proceeds:	We will use the net proceeds of the Offering, together with $124.6 million of cash on hand and borrowings of $70.1 million under our existing revolving credit facility, to repay the secured term debt outstanding under our credit facility. After completion of the Offering and repayment of our secured term debt, approximately $70.1 million will be outstanding under our revolving credit facility, with $153.3 million available to be drawn on that facility.
New Credit Facility:	We have arranged a new committed revolving credit facility that will replace our existing credit facility shortly after completion of the Offering. See "Background and Recent Developments — New Credit Facility".
Risk Factors:	An investment in the Common Shares is subject to a number of risks that should be carefully considered by prospective investors. See "Risk Factors".

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar regulatory authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Company at Suite 900 - 700 West Georgia Street, Vancouver, British Columbia, V7Y 1J7, telephone number (604) 654 4000. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of the Company at the above-mentioned address and telephone number. These documents are also available on the SEDAR website maintained by the Canadian Securities Administrators at www.sedar.com.

The following documents of the Company, which have been filed with the various securities commissions or similar regulatory authorities in each of the provinces of Canada, are specifically incorporated by reference into this short form prospectus:

(a) annual information form dated March 15, 2002;

(b) management's discussion and analysis dated March 15, 2002 for the year ended December 31, 2001;

(c) audited consolidated balance sheets as at December 31, 2001 and 2000 and the consolidated statements of earnings, retained earnings and cash flows for the year ended December 31, 2001, the six months ended December 31, 2000 and the year ended June 30, 2000, together with the auditors' reports thereon;

(d) audited consolidated financial statements of Pacifica Papers Inc., a predecessor of the Company by amalgamation, for the year ended December 31, 2000, together with the auditors' report thereon;

(e) audited consolidated financial statements of Pacifica Papers Inc. for the year ended December 31, 1999 and the eight months ended December 31, 1998, together with the auditors' reports thereon;

(f) unaudited consolidated balance sheet of Pacifica Papers Inc. as at June 30, 2001 and the unaudited consolidated statements of earnings and retained earnings and cash flows for the six months ended June 30, 2001 and 2000;

(g) unaudited consolidated balance sheet at March 31, 2002 and the unaudited consolidated statements of earnings and retained earnings and cash flows for the three months ended March 31, 2002 and 2001;

(h) management's discussion and analysis for the three month period ended March 31, 2002; and

(i) management information circular dated March 15, 2002 in connection with the Company's May 3, 2002 Annual Meeting of Shareholders.

All documents of the type referred to in the preceding paragraph as well as any material change reports (excluding confidential material change reports) filed by the Company with a securities commission or any similar regulatory authority in any of the provinces of Canada after the date of this short form prospectus and prior to the termination of the distribution shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this short form prospectus shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained in this short form prospectus, or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this short form prospectus, modifies or supersedes that statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

THE COMPANY

Norske Skog Canada Limited was formed on September 1, 2001 by the amalgamation of Norske Skog Canada Limited and Pacifica Papers Inc. under the *Canada Business Corporations Act*. In this short form prospectus, Norske Skog Canada Limited is referred to as "we" or the "Company" (or, for periods prior to the acquisition of Pacifica Papers Inc., "Norske Skog Canada"). In this short form prospectus, "Pacifica" refers to Pacifica Papers Inc. prior to our acquiring it.

We are the third largest newsprint and groundwood specialty paper manufacturer based in North America measured by production capacity. We are also the largest producer of newsprint, telephone directory paper, soft calendered papers and hi-brite papers, and the only producer of lightweight coated paper on the west coast of North America. We also produce conventional northern bleached softwood kraft ("NBSK") pulp, lower-cost sawdust-based pulp and containerboard.

Our four integrated pulp and paper operations are located in British Columbia, at Crofton and Campbell River (Elk Falls) on the east coast of Vancouver Island, Port Alberni on the west coast of Vancouver Island, and Powell River on the west coast of the British Columbia mainland.

The authorized capital of the Company consists of an unlimited number of Common Shares and 100,000,000 Preferred Shares. As at April 30, 2002, 174,810,132 Common Shares and no Preferred Shares were issued and outstanding. The Company's registered and principal office is located at 900 - 700 West Georgia Street, Vancouver, British Columbia, V7Y 1J7.

BACKGROUND AND RECENT DEVELOPMENTS

During the past two years, a number of events have occurred which have had a significant impact on the Company's ownership, size and scale, competitive position and financial performance.

New Principal Shareholder

In July 2000, Norske Skogindustrier ASA ("NSI") acquired from Fletcher Challenge Limited of New Zealand 50.1% of the issued and outstanding shares of the Company, together with the other worldwide pulp and paper assets of Fletcher Challenge Limited. The name of the Company was subsequently changed to Norske Skog Canada Limited. As a consequence of the issuance of shares on the acquisition of Pacifica, NSI's percentage of the issued and outstanding shares of the Company changed to 36.06%. See "Principal Shareholder" for details of NSI's shareholding after completion of the Offering.

New Management Team

Also in 2000, substantial changes in our management team were made under the direction of Russell J. Horner, who was appointed as President and Chief Executive Officer in November 1999.

The new management team has successfully completed a number of important strategic and financial initiatives designed to enhance the competitive position of the Company, create value for shareholders, and position the Company for growth going forward. Those initiatives included the implementation of a major cost reduction program, the sale of the Company's Mackenzie pulp operations, the acquisition of Pacifica and the payment of a special distribution to shareholders.

Implementation of Cost Reduction Program

We have achieved significant operational and efficiency improvements over the past two years through a combination of productivity improvements, fibre mix optimization, improved supply chain management practices, and elimination of certain selling, general and administration costs.

From early 2000 to the acquisition of Pacifica in August 2001, we realized performance improvements totalling $105 per tonne at our paper operations, of which approximately $90 per tonne were attributable to cost savings at our paper operations. As a result of the acquisition of Pacifica, by March 31, 2002 we had captured cost-reduction synergies of approximately $43 per tonne, on an annualized run-rate basis based on operating at full capacity.

Sale of Mackenzie Pulp Operations

To support our focus on paper as our core business, we sold our Mackenzie pulp mill to Pope & Talbot Inc. in June 2001 for net cash proceeds of $103.8 million and 1.75 million shares of Pope & Talbot common stock. In March 2002, we sold all of our Pope & Talbot shares for net proceeds of $39.2 million. The Mackenzie sale, combined with the acquisition of Pacifica and the closure of our kraft pulp mill at Powell River, decreased our market pulp production capacity as a percentage of total production capacity from 43% to 17%, significantly reducing our exposure to volatile kraft pulp markets.

Acquisition of Pacifica

In August 2001, we acquired all of the shares of Pacifica for total consideration of $1,043 million, including the long term debt of Pacifica that we assumed. The acquisition approximately doubled the size of the Company's paper operations and the geographic proximity of both companies' operations offered a unique opportunity to achieve substantial operating synergies. The Pacifica acquisition also increased the proportion of value added papers in our product lines, with a much higher weighting of specialty grades including supercalendered and lightweight coated papers.

Following the completion of the acquisition, we have made significant progress in achieving our goal of smoothly integrating the operations and realizing the synergies. Our original target, based on the increased operating scale of four mills possessing complementary assets located within a 100-mile radius, was to increase annual EBITDA by $60 million by August 2003 on an annualized run-rate basis, which assumes operating at full capacity. By March 31, 2002, we had captured EBITDA-improving synergies of $78 million on an annualized run-rate basis. As a result, the Company has raised its synergy target to $100 million per annum by the end of 2002. This target includes approximately $9 million in non-EBITDA related savings (such as lower interest costs) and, again, assumes operating at full capacity. As the Company is not currently operating at full capacity, it is expected that the impact of our annualized synergies on our earnings in 2002 will be less than the value of the captured annualized synergies as measured on a full capacity basis.

The synergies are being realized primarily by enhancing manufacturing efficiency and supply chain management, optimizing the increased fibre supply, gains in sales and marketing effectiveness, and realizing administrative cost savings across the new Company through reorganization initiatives, including the establishment of a single corporate office.

Payment of Special Distribution

In conjunction with the acquisition of Pacifica, Norske Skog Canada paid a special distribution to its shareholders of $1,490.3 million ($12.00 per share) in August 2001. This payment consisted of a return of capital of $943.8 million ($7.60 per share) and a special dividend of $546.5 million ($4.40 per share).

Changes to Board of Directors

Following the Company's annual general meeting on May 3, 2002, Jan A. Oksum, senior vice president, corporate business development and deputy CEO of NSI, was appointed chairman of the Company. Mr. Oksum replaces Jan Reinas, the president and CEO of NSI, who stepped down voluntarily as chairman of the Company and did not seek re-election as director. At the annual meeting, shareholders re-elected the other incumbent directors and elected Jan Lars Kildal to fill the director's position vacated by Mr. Reinas. Mr. Kildal is the chief financial officer of NSI.

New Credit Facility

We have obtained a commitment letter under which a Canadian chartered bank has agreed to underwrite a new credit facility consisting of a revolving operating loan with a three year term. We expect that this new revolving operating loan, which will replace our existing $250 million revolving operating loan, will be available shortly after completion of the Offering. The commitment we have obtained is for a $250 million credit facility, subject to an increase to $300 million in the event of over-subscription. Our bank has also committed that, if any one or more banks provide their commitment to the Company to jointly underwrite the credit facility, the new credit facility will be for $300 million, subject to an increase to $350 million in the event of over-subscription. We will have the option, annually, of requesting one year extensions to the final maturity date, subject to the approval of each extension by lenders representing 66⅔% of the amount of the operating loan.

Availability of drawdowns of the revolving operating loan will be subject to a maximum borrowing base under the operating loan equal to a percentage of accounts receivable and inventories. The new credit facility will be secured by a first priority security interest, subject to specified permitted liens, over all our assets and revenues, together with a pledge in relation to all shares of our material wholly owned subsidiaries and a guarantee by us and all of our material wholly owned subsidiaries.

The new credit facility will contain customary covenants, including restrictions on material changes in the nature of our business, amalgamations with third parties, and sale and lease back transactions. The new credit facility will also require us to limit our funded debt to capitalization ratio to 60% at all times.

BUSINESS OF THE COMPANY

In recent years, we have completed a number of strategic initiatives focused on repositioning the Company as a leading groundwood paper company to better serve the needs of our customers while maximizing shareholder value. As a result of these initiatives, including the acquisition of Pacifica, we now operate four paper mills located within 100 miles of each other, which offer a broad range of groundwood papers. The number and geographic proximity of our paper machines allows us to optimize production while improving our operating costs and broadening our line of value-added papers.

Following the acquisition of Pacifica, we now manage three business segments: (i) specialty papers, (ii) newsprint and (iii) pulp and containerboard. The following table summarizes the major types of product and production capacities in each segment, and their common applications.

	Specialty Papers			**Newsprint**	**Pulp and Containerboard**	
Types	Directory Paper	Uncoated Groundwood Paper	LWC Paper	Newsprint	NBSK; sawdust-based pulp	White top linerboard
Applications	• Telephone directories • Specialty directories	• Newspaper inserts • Retail flyers	• Magazines • Catalogues	• Newspapers	• Tissue • Printing paper • Writing paper	• Product packaging
Capacity	373,000 tonnes	377,000 tonnes	209,000 tonnes	872,000 tonnes	410,000 tonnes	105,000 tonnes
Total	959,000 tonnes			872,000 tonnes	515,000 tonnes	

Specialty papers and newsprint comprise approximately 41% and 37%, respectively, of our total pulp and paper manufacturing capacity. For the year ended December 31, 2001, on a pro forma basis, specialty papers and newsprint accounted for approximately 81% of our consolidated net sales revenue.

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

USE OF PROCEEDS

The net proceeds of the Offering to be received by us, after deducting the estimated expenses of this Offering of $0.5 million and the Underwriters' fees of $8.0 million, are estimated to be $191.7 million. We will use the net proceeds of the Offering, together with $124.6 million of cash on hand and borrowings of $70.1 million under our existing revolving credit facility, to repay the indebtedness outstanding under our secured term debt facilities. After completion of the Offering and repayment of our secured term debt, approximately $70.1 million will be outstanding under our revolving credit facility and, assuming that our new credit facility is for $250 million, $153.3 million will be available to be drawn on that facility.

Repayment of our secured term debt will strengthen our balance sheet. We have arranged a new committed revolving credit facility that will replace our existing credit facility shortly after completion of the Offering. See

"Background and Recent Developments — New Credit Facility". The financial covenants in the new revolving credit facility will be less restrictive than those in our existing credit agreement for our existing term loans and revolving operating loan, which will give us added flexibility to take advantage of acquisition or investment opportunities that may arise.

CAPITALIZATION

There have been no material changes in the share and loan capital structure of the Company since December 31, 2001. The Company intends to use the net proceeds of the Offering together with cash on hand and borrowings under its existing revolving credit facility to repay its existing term credit facilities. See "Use of Proceeds".

The following table sets forth the actual capitalization of the Company as of December 31, 2001 and as at March 31, 2002 before and after giving effect to the Offering. This information is derived from our audited financial statements and our most recent interim financial statements incorporated by reference in this short form prospectus.

	As at December 31, 2001[1]	As at March 31, 2002 Before Giving Effect to the Offering	As at March 31, 2002 After Giving Effect to the Offering[6]
		(in millions of dollars)	
		(unaudited)	
Cash and cash equivalents	$ 104.8	$ 124.6	$ —
Revolving operating loan[2]	$ —	$ —	$ 70.1
Long-term debt, including current maturities			
US$250 million 8⅝% Senior Notes due 2011	398.2	398.4	398.4
US$200 million 10% Senior Notes due 2009	340.7	340.1	340.1
Term Loan due 2006[3]	72.2	70.1	—
US$ Term Loan due 2007[3]	316.9	316.3	—
Non-recourse joint venture debt[4]	46.6	45.1	45.1
Total long-term debt	1,174.6	1,170.0	783.6
Shareholders' equity			
Share capital	673.1	673.1	867.8
Retained earnings[1][5]	363.4	321.9	302.6
Total shareholders' equity	1,036.5	995.0	1,170.4
Total capitalization	$2,211.1	$2,165.0	$2,024.1

(1) Retained earnings and shareholders' equity have been restated to reflect a retroactive charge of $14.1 million following the Company's adoption of the CICA revised handbook, section 1650, Foreign Currency Translation, which became effective on January 1, 2002.

(2) Our unused available operating credit facility was $219.6 million at December 31, 2001 and $223.4 million at March 31, 2002.

(3) Our current credit facility consists of three tranches. Tranche one is a $250 million revolving operating loan with a three-year term. Tranche two is a $75 million term loan with a five-year term. Tranche three is a US$200 million term loan with a six-year term. The two term loans will be repaid in full shortly after completion of the Offering. Following the closing of the Offering, the current revolving operating loan will be repaid in full and replaced with a $250 million revolving operating loan. See "Background and Recent Developments — New Credit Facility".

(4) We have a 50.1% non-controlling economic interest in Powell River Energy Inc., a joint venture that owns two hydroelectric dams that supply electricity to the Power River mill. Powell River Energy has a non-recourse $70 million revolving credit facility maturing on August 1, 2002 and a non-recourse $35 million non-revolving term credit facility maturing on August 1, 2002. The credit facilities are secured by first-ranking mortgages over all of the assets of Powell River Energy and assignments of Powell River Energy's material contracts. The figures shown above for joint venture debt reflect a proportionate consolidation of our 50.1% non-controlling economic interest in Powell River Energy. Powell River Energy is currently seeking to refinance these credit facilities with $70 million in secured bonds and an aggregate of approximately $20 million in shareholders' contributions from us and the other party to the joint venture.

(5) After giving effect to the Offering, as at March 31, 2002, retained earnings would decrease by $19.3 million as a result of (i) the write-off of deferred financing costs pertaining to the existing credit facility, (ii) estimated fees associated with our new credit facility, and (iii) a translation loss arising on repayment of hedged term loan debt.

(6) Without giving effect to any exercise of the Over-Allotment Option.

After completion of the Offering, repayment of our term debt and completion of our new credit facility, and assuming that the new credit facility will be for $250 million, approximately $70.1 million will be owing under our revolving credit facility, with $153.3 million available to be drawn on that facility, after taking account of support for existing letters of credit of $26.6 million.

PRINCIPAL SHAREHOLDER

Norske Skogindustrier ASA ("NSI") indirectly owns 36.06% of the outstanding Common Shares of the Company. NSI has advised the Company that it does not intend to participate in the Offering. As a consequence, NSI will indirectly own, after giving effect to this Offering, but not to any exercise of the Over-Allotment Option, 30.99% of the outstanding Common Shares of the Company.

DESCRIPTION OF SECURITIES DISTRIBUTED

The Offering consists of 28,600,000 Common Shares at a price of $7.00 per share. Holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors and, unless otherwise provided by legislation, are entitled to one vote per share on all matters to be voted on at all meetings of shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of Common Shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities. The Common Shares are not subject to any future call or assessment and there are no pre-emptive, conversion or redemption rights attached to the Common Shares.

PLAN OF DISTRIBUTION

Under an agreement (the "Underwriting Agreement") dated May 7, 2002, among the Underwriters and the Company, the Company has agreed to sell 28,600,000 Common Shares to the Underwriters and the Underwriters have agreed to purchase on or about May 28, 2002, or on such other date as may be agreed upon and in any event, not later than June ● , 2002 (the "Closing Date"), subject to the terms and conditions contained therein, and the approval of certain legal matters, all but not less than all of the 28,600,000 Common Shares subject to this Offering for a total consideration of $200,200,000 payable in cash to the Company against delivery of such Common Shares. In consideration of their services under the Underwriting Agreement, the Company has agreed to pay to the Underwriters a fee in the aggregate amount of $8,008,000 ($0.28 per share).

Pursuant to the Underwriting Agreement, the Company has agreed to indemnify the Underwriters and their agents, advisors, shareholders, directors, officers and agents against certain liabilities. Under the terms of the Underwriting Agreement, the obligations of the Underwriters are several and not joint and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the 28,600,000 Common Shares if any are purchased under the Underwriting Agreement.

The Company has granted to the Underwriters an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the date of the closing of this Offering, to purchase up to an additional 4,290,000 Common Shares at a price of $7.00 per share, payable in cash against delivery of such additional shares, representing up to 15% of the Common Shares issued pursuant to the Offering. The Over-Allotment Option is exercisable in whole or in part solely to cover over-allotments, if any, made by the Underwriters in connection with this Offering and for market stabilization purposes. This short form prospectus qualifies the distribution of the Common Shares issuable on exercise of the Over-Allotment Option. The Underwriters will receive a fee of $0.28 per additional Common Share purchased pursuant to the Over-Allotment Option.

The Company has agreed with the Underwriters that, until 90 days after the Closing Date, and NSI has agreed with the Underwriters that, until the date that is 180 days after the earlier of the Closing Date and May 28, 2002, it will not, directly or indirectly, sell, agree or offer to sell, grant any option for the sale of or otherwise dispose of any Common Shares or securities convertible into or exchangeable or exercisable for Common Shares (except for issuances of securities under the Company's employee share option plan or employee share purchase plan) without the prior consent of CIBC World Markets Inc., which consent shall not be unreasonably withheld.

Seven of the Underwriters, RBC Dominion Securities Inc., TD Securities Inc., Merrill Lynch Canada Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc. and HSBC Securities (Canada) Inc., are subsidiaries of Canadian chartered banks or financial institutions (the "Banks") which are participants in the lending syndicate (the "Syndicate") to the Company in respect of its existing credit facility. The net proceeds of this Offering will be used to repay indebtedness owing under such facility. Consequently, the Company may be considered to be a connected issuer with each of RBC Dominion Securities Inc., TD Securities Inc., Merrill Lynch Canada Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc. and HSBC Securities (Canada) Inc. within the meaning of applicable securities legislation. The Company is not and has not been in default of its credit facility with the Syndicate. As at March 31, 2002, the aggregate indebtedness of the Company to the Syndicate was approximately $386.4 million. The Company is in compliance with the terms of the credit facility and there has been no material adverse change in the debt to equity ratio of the Company since the indebtedness to the Syndicate was incurred. The Syndicate holds a first charge security interest in most of the assets of the Company. The decision to distribute the Common Shares pursuant to the Offering, including the determination of the terms of the distribution, was made through negotiations between the Company and the Underwriters. The Banks did not have any involvement in such decision or determination; however, the Banks have been advised of the Offering and the terms thereof. As a consequence of the Offering, each of RBC Dominion Securities Inc., TD Securities Inc., Merrill Lynch Canada Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc. and HSBC Securities (Canada) Inc. will receive its share of the Underwriters' fee.

Pursuant to policy statements of the Commission des valeurs mobilières du Québec and the Ontario Securities Commission, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. Such exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing, pursuant to this Offering, the Underwriters may over-allot Common Shares or effect transactions intended to stabilize or maintain the market price of the Common Shares at a higher level than that which might otherwise prevail on the open market. Such transactions may be commenced or discontinued at any time during this Offering.

The Common Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption therefrom is available. The Underwriting Agreement enables the Underwriters to reoffer and resell the Common Shares that they have acquired pursuant to the Underwriting Agreement to certain qualified institutional buyers in the United States provided such offers and sales are made in accordance with Rule 144A under the U.S. Securities Act. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Common Shares outside the United States in accordance with Regulation S under the U.S. Securities Act.

This short form Canadian prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Common Shares in the United States. In addition, until 40 days after the commencement of the offering of the Common Shares, an offer or sale of the Common Shares within the United States by any dealer, whether or not participating in the offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

RISK FACTORS

You should carefully consider the following factors and other information in this short form prospectus before you decide to make an investment of the Common Shares.

Our Business is of a Cyclical Nature and Our Product Prices May Fluctuate Significantly

The pulp and paper industry is a commodity market in which producers compete primarily on the basis of price. Prices for our products have fluctuated significantly in the past and may fluctuate significantly in the future, principally as a result of market conditions of supply and demand, as well as changes in exchange rates. The markets for pulp and paper products, including our products, are highly variable and are characterized by periods of excess product supply due to many factors, including:

- additions to industry capacity;
- increased industry production;
- periods of insufficient demand due to weak general economic activity or other causes; and
- reduced inventory levels held by customers.

Demand for forest products is generally correlated with global economic conditions. In periods of economic weakness, reduced spending by consumers and businesses results in decreased demand for forest products. During the second, third and fourth quarters of 2001, paper production at our operations was curtailed by approximately 171,000 tonnes (including 134,000 tonnes of newsprint) and production of pulp by approximately 128,000 tonnes. In the first quarter of 2002, we took additional curtailment measures, including shutting down No. 3 paper machine at Port Alberni and No. 1 paper machine at Elk Falls for the first quarter of 2002 and shutting down No. 1 paper machine at Crofton for the month of January 2002. This resulted in paper curtailment in the quarter ended March 31, 2002 of approximately 113,000 tonnes of paper. We have also announced that we currently expect to take approximately 50,000 tonnes of paper curtailment for the second quarter of 2002. These curtailments are in response to weaker demand for our products. Unless market conditions improve, we intend to continue to curtail production as required to balance production with orders. These and any future curtailments may affect our ability to comply with our financial covenants or to make scheduled payments on our debt or meet our other obligations.

The Company's earnings are sensitive to price changes for its principal products, with the effect of price changes on newsprint and specialty grades being the greatest. Additionally, even though our costs may increase, our customers may not accept price increases for our products, or the prices for our products may decline. As our financial performance is principally dependent on the prices we receive for our products, prolonged periods of low prices or significant cost increases could have a material adverse effect on our business, financial condition, results of operations, cash flow and our ability to satisfy our obligations under our debt, including the exchange notes.

Our Debt May Impair Our Financial and Operating Flexibility

Our debt agreements contain various restrictive and financial covenants that could:

- limit our ability to obtain additional financing to fund our growth strategy, working capital, capital expenditures, debt service requirements or other purposes;
- limit our ability to use operating cash flow in other areas of our business, because we must use a portion of these funds to make principal and interest payments on our debt;
- limit our ability to compete with competitors who have more flexibility as to the use of their cash flow;
- limit our ability to make investments or take other actions; and
- limit our ability to react to changing market conditions, changes in our industry and economic downturns.

Our ability to pay interest on and to satisfy our debt obligations will depend upon our future operating performance and our ability to obtain additional debt or equity financing, when necessary. Prevailing economic conditions and financial, business and other factors beyond our control may affect our ability to make these payments. If we cannot generate sufficient cash from operations to make scheduled payments on our 8⅝% senior notes and 10% senior notes (the "notes") or meet our other obligations, we will need to renegotiate our debt agreements, refinance all or part of our notes, obtain additional financing or sell assets. We cannot assure you that our business will generate sufficient cash flow, or that we will be able to obtain the funds, necessary to make scheduled payments on our debt or meet our other obligations.

Similarly, if we breach or are unable to meet the restrictions or financial covenants in our debt agreements, including a maximum funded debt to capitalization ratio, we would have to cure the default, obtain a waiver of the default or enter into an appropriate amendment to the agreements governing our secured debt.

On January 30, 2002 we amended our credit facility to provide for lower interest coverage ratio requirements from January 1, 2002 through December 31, 2003 and to allow for a greater funded debt ratio from January 1, 2003 to June 30, 2003. We have subsequently arranged a new committed revolving credit facility that we expect to have in place shortly after completion of the Offering. See "Use of Proceeds" and "Background and Recent Developments — New Credit Facility".

Our existing credit facility and our new credit facility provide financing at floating interest rates. The interest rates charged from time to time on that debt depend, in part, upon our credit rating. Accordingly, a credit rating upgrade could reduce our borrowing costs and a downgrade in our credit rating could increase our borrowing costs. In January 2002, the credit rating agencies affirmed our existing credit rating, but changed our outlook from stable to negative. This in itself has not caused our borrowing costs to increase, however, a credit downgrade would lead to an increase. An increase in our borrowing costs could have a material adverse effect on our results of operations.

Increases in Our Capital Expenditures Could Have a Material Adverse Effect on Our Cash Flow and Our Ability to Satisfy Our Debt Obligations

Our business is capital intensive. Our annual capital expenditures may vary due to fluctuations in requirements for maintenance, business capital, expansion and as a result of changes to environmental regulations that require capital for compliance. In addition, our senior management and board of directors may approve projects in the future that will require significant capital expenditure. Increased capital expenditures could have a material adverse effect on our cash flow and our ability to satisfy our debt obligations. Further, while we regularly perform maintenance on our manufacturing equipment, key pieces of equipment in our various production processes may still need to be repaired or replaced. The costs of repairing or replacing such equipment and the associated down time could have a material adverse effect on our business, financial condition, results of operations and cash flow.

We Face Significant Global Competition

The markets for our products are highly competitive on a global basis. The pulp and paper industry is a commodity market in which producers compete primarily on the basis of price. In addition, a majority of our production is directed to export markets. For example, for the year ended December 31, 2001, approximately 88% of our paper sales, 92% of our pulp sales and 80% of our containerboard sales were directed to the export markets. Therefore, we compete on a worldwide basis against many producers of approximately the same or larger capacity.

In export markets, Canadian producers generally compete with American, European and Asian producers. Many of our competitors have greater financial resources than we do and some of the mills operated by our competitors are lower cost producers than the mills we operate.

Variations in the exchange rate between the Canadian dollar and the currency of the markets to which we export our products could adversely affect our competitive position relative to those of our overseas competitors. In addition, the following factors will also affect our ability to compete:

- the quality of our products and customer service;

- our ability to maintain high plant efficiencies and operating rates and thus lower manufacturing costs;
- the cost of energy; and
- the availability, quality and cost of fibre and labour.

Some of our competitors have lower energy, fibre and labour costs and fewer environmental and governmental regulations to comply with than we do. Others are larger in size, which allows them to achieve greater economies of scale on a global basis. If we are unable to successfully compete on a global basis, our financial condition could be harmed.

We Face Risks Related to Our International Sales

We have customers located outside Canada and the United States. As a result we face a number of risks and challenges, including:

- the effective marketing of our products in these global regions;
- tariffs and other trade barriers;
- political and economic instability in foreign markets; and
- fluctuations in foreign currencies, which may make our products less competitive in countries in which currencies decline in value relative to the dollar.

We Are Subject to the Risks of Exchange Rate Fluctuations

All of our sales are based upon prices that are set in U.S. dollars, while most of our costs and expenses are incurred in Canadian dollars and our results of operations and financial condition are reported in Canadian dollars. An increase in the value of the Canadian dollar relative to the U.S. dollar would reduce the amount of revenue in Canadian dollar terms realized by us from sales made in U.S. dollars. This would reduce our operating margin and the cash flow available to fund our operations and to service the portion of our debt that is denominated in Canadian dollars.

Fluctuations in foreign currencies affect our competitive position in world markets. Apart from the value of the Canadian dollar relative to the U.S. dollar, our competitiveness in world markets is also affected by the relative strength of the currencies of other producing countries.

In addition, we are exposed to currency exchange risk on debt denominated in U.S. dollars. Although we may enter into transactions to hedge the currency exchange rate risk with respect to our U.S. dollar denominated debt, we cannot assure you that we will engage in such transactions or, if we decide to engage in any such transactions, that we will be successful in eliminating currency exchange risks and that changes in currency exchange rates will not have a material adverse effect on our ability to make payments in respect of our indebtedness.

For the purposes of financial reporting, any change in the value of the Canadian dollar against the U.S. dollar during a given financial reporting period would result in a foreign currency loss or gain on the translation of any U.S. cash and cash equivalents or U.S. dollar denominated debt into Canadian currency. Consequently, our reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses.

We Are Exposed to Fluctuations in the Cost and Supply of Wood Fibre

We have no timber holdings and consequently our operations are dependent on the supply of wood fibre from third party suppliers. Any increase in the cost of wood fibre will adversely affect our profit margins if we cannot pass along such cost to our customers. We are subject to the following risks that are associated with the fluctuations in the cost and supply of wood fibre.

We are dependent on a small number of suppliers

We are dependent on a small number of suppliers to provide a significant portion of our fibre needs. As a result of the Pacifica acquisition, 51% of our fibre needs are provided by five suppliers. This includes Weyerhaeuser Company Limited, which supplies pulp logs and wood chips providing for 20% of our fibre needs. If we are unable to obtain wood fibre under our contracts with these major suppliers, in particular, Weyerhaeuser, we may not be able to find alternative sources of fibre at acceptable prices.

The quantity of fibre that we receive from our suppliers could be reduced as a result of events beyond our control, such as industrial disputes, material curtailments or shutdown of operations by our suppliers or ourselves for market or other reasons, government orders and legislation and natural disasters. If there is widespread curtailment in timber harvesting operations in coastal British Columbia, due to economic or other reasons, it could have a significant negative impact upon us. The price of wood chips and other fibre could increase materially and the volume of such fibre available could decrease significantly.

Export Duties and Tariffs may affect the supply of wood fibre

The recent impositions of countervail and anti-dumping duties on softwood lumber exports from Canada to the United States may affect the supply of wood fibre to our manufacturing facilities. Countervail duties are duties or taxes imposed by the United States government to counter the effect of alleged subsidies provided by foreign governments. If any of our major suppliers of fibre were to reduce its levels of harvesting softwood lumber, shut down for an extended period of time or cease operations this may decrease the quantity of fibre available to us and may result in higher prices for the fibre that is available. In such a situation our cost of fibre may increase and we may have to reduce our production levels, perhaps substantially.

Government regulations and aboriginal issues may lower the supply of wood fibre

Most of our suppliers harvest their timber from British Columbia. The Province of British Columbia owns approximately 95% of all timberlands in British Columbia. Therefore, it could reduce the supply of wood fibre by reducing forest tenures or increasing the charges that it levies on the harvest of Crown timber.

In addition, under the terms of an understanding reached on April 4, 2001 among industry and environmental participants, community and aboriginal groups and the provincial government with respect to forestry activities in British Columbia's central coast region (from which we obtain approximately 20% of our fibre supply), we expect there will be a reduction of the harvest. Furthermore, the Supreme Court of Canada has affirmed that aboriginal groups may continue to have title to lands that their ancestors exclusively occupied and controlled at the time of the assertion of British sovereignty. The grant or renewal of forest tenures held by our suppliers may be adversely affected by claims of aboriginal title.

Labour Disruptions Could Have a Material Adverse Effect on Our Business

Our operations and maintenance staff are unionized. All of our approximately 2,900 hourly employees at our pulp and paper mills are members of either the Communications, Energy & Paperworkers Union of Canada, or CEP, or the Pulp, Paper and Woodworkers of Canada, or PPWC. Our collective agreements with CEP and PPWC will expire in 2003. We may not be able to negotiate an acceptable contract with any of our unions upon expiration of an existing contract. This could result in a strike or work stoppage by the affected workers. Renewal of contracts could result in higher wages or benefits paid to union members. Therefore, we could experience a significant disruption of our operations or higher ongoing labour costs, which could have a material adverse effect on our business, financial condition, results of operations and cash flow.

We Are Subject to Significant Environmental Regulation

We are subject to extensive environmental laws and regulations, which impose stringent standards on us regarding, among other things:

- air emissions;
- water discharges;

- use and handling of hazardous materials;
- use, handling and disposal of waste; and
- remediation of environmental contamination.

We have incurred and will continue to incur substantial costs to comply with environmental laws. In 2001, capital expenditures relating to environmental projects were $32 million. We estimate that our capital expenditure relating to known environmental projects, will total approximately $10 million in 2002 and $8 million in 2003. However, we cannot assure you that actual expenditure will not exceed the estimated amounts. Enforcement of existing environmental laws and regulations has become increasingly strict. We may discover currently unknown environmental problems or conditions in relation to our past or present operations, or we may be faced with unforeseen environmental liability in the future. These may require site or other remediation costs to maintain compliance or correct violations of environmental laws and regulations or result in governmental or private claims for damage to person, property or the environment, which could have a material adverse effect on our financial condition and results of operations.

Current regulations require all pulp mills in British Columbia to eliminate the discharge of chlorinated organic compounds by December 31, 2002. We estimate that the cost of the technology required to eliminate chlorinated organic compounds at our two kraft pulp mills would require capital expenditures of between $75 million and $100 million at each mill, and result in increased production costs of approximately $20 per tonne. These costs are prohibitive, and it is not likely that we will incur these costs to upgrade our mills if the legislation is not amended. Additionally, we expect that substantially all of the kraft pulp mills in British Columbia, including ours, would close because kraft pulp could not be produced economically.

If our kraft pulp mills were closed, we would have to purchase pulp for our paper manufacturing facilities from producers located outside British Columbia who would not be subject to the proposed legislation. We expect that the price of pulp would increase as a result of the reduced supply, and there would be a corresponding reduction in the margins on sales of our paper products.

The British Columbia government, industry participants and other stakeholders are engaged in discussions to resolve these issues.

Increase in Costs Due to Certification Could Have a Material Adverse Effect on Our Earnings

Some customers have become sensitive to issues related to harvesting of old growth forests and require that we supply products that are not produced from old growth forests. A growing number of customers want to purchase products that originate from sustainably managed forests, as validated by certification schemes. In order to meet our customers' demands we may be required to establish chain-of-custody certification programs. This may increase our costs. If we cannot successfully establish such programs, demand for our products may be adversely affected.

Any Increase in Energy Costs could have a Material Adverse Effect on Our Earnings

We are a significant electrical power and fossil fuel consumer. Our electricity supply contracts are regulated by the Government of British Columbia and there have been no recent fluctuations in the price or terms of such contracts. The government of the Province of British Columbia recently established an Energy Task Force to review issues such as fostering independent power industries, shifting to market rates for British Columbia customers and restructuring B.C. Hydro, including possible privatization of part or all of this Crown corporation. We have actively participated in the consultation process, providing insight into how potential changes might impact our operations. There is no firm schedule for the Energy Task Force to complete its work or certainty that its recommendations will be accepted and implemented by the provincial government. Recent changes to the prices and terms of our other energy supply contracts have not had a material effect on our financial condition. However, in the future, changes in the prices and terms of our energy supply contracts could have a significant effect on our earnings.

Our Insurance is Limited and Subject to Exclusions

We have obtained insurance coverage that we believe would ordinarily be maintained by an operator of facilities similar to our facilities. The insurance policies are subject to limits and exclusions. Damage or destruction to our facilities could result in claims that are excluded by our insurance policies or exceed the limits of our policies.

Our Mills are Located in Seismically Active Areas

Since Vancouver and the south coast of British Columbia are located in a seismically active area, we are particularly susceptible to the risk of damage to, or total destruction of, our mills and the surrounding transportation infrastructure caused by earthquakes. Further, our mills are located directly adjacent to the ocean, and the south coast of British Columbia is an area that is susceptible to similar damage caused by tsunamis. We cannot assure you that we are adequately insured to cover the total amount of any losses caused by an earthquake or tsunami. In addition, we are not insured against any losses due to interruptions in our operations due to damage to, or destruction of, our mills caused by earthquakes or tsunamis or to major transportation infrastructure disruptions or other events that do not occur on our premises.

Our Synergy Estimates are Based on Operating at Full Capacity

Our synergy target with respect to the acquisition of Pacifica is based on operating our mills at full capacity. We have not been and are not currently operating at full capacity in the current economic downturn. Accordingly, the operating synergies that we have captured have been offset by the impact of curtailment and other factors and therefore will not increase our earnings to the same degree that they would have if we were operating at full capacity.

The Pacifica Acquisition was Subject to Regulatory Approvals That May be Challenged up to Three Years after the Acquisition

The completion of the Pacifica acquisition was conditional upon the expiration or earlier termination of the applicable statutory waiting periods, which began upon notice of the transaction to the Commissioner of Competition in Canada. We received notification from the Commissioner of Competition on August 14, 2001 that the acquisition of Pacifica would not be opposed by the Commissioner. However, an application to the Competition Tribunal alleging that the transaction will, or is likely to, lessen competition substantially, may be brought by the Commissioner of Competition at any time within three years after completion of the transaction. Although we do not believe that grounds exist for any such proceeding, we cannot assure you that a challenge to the Pacifica acquisition on competition grounds will not be made or that, if such a challenge is made, it would not be successful.

The completion of the transaction was also conditional upon a determination under the Investment Canada Act that the transaction was likely to be of net benefit to Canada. We received this determination on August 13, 2001. We were required to give certain undertakings in respect of the Pacifica acquisition to Investment Canada, and if we do not fulfill our undertakings following completion of the Pacifica acquisition, the Minister of Industry, who is responsible for the administration of the Investment Canada Act, may apply to the Court for an order directing compliance with the undertaking or for the divestiture of Pacifica.

SUBSIDIARIES

We own, directly or indirectly, all the issued and outstanding shares of the following principal subsidiaries (each of which is established under the laws of the jurisdiction noted):

Subsidiary	Jurisdiction of Incorporation
Elk Falls Pulp and Paper Limited	British Columbia
Norske Skog Canada Finance Limited	British Columbia
Norske Skog Canada (Japan) Ltd.	Japan
Norske Skog Canada Pulp Operations Limited	British Columbia
Norske Skog Canada Pulp Sales Inc.	British Columbia
Norske Skog Canada Sales Inc.	British Columbia
Norske Skog Canada (USA) Inc.	California
NSCL Holdings Inc.	Delaware
Pacifica Papers Sales Ltd.	British Columbia
Pacifica Papers Sales Inc.	Delaware
Pacifica Papers Kabushiki Kaisha	Japan
Pacifica Poplars Ltd.	British Columbia
Pacifica Poplars Inc	Delaware
Pacifica Papers US Inc	Delaware

We, along with our wholly owned subsidiary Norske Skog Canada Pulp Operations Limited, are partners of the general partnership NorskeCanada.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon on behalf of the Company by Lawson Lundell and on behalf of the Underwriters by Borden Ladner Gervais LLP. As at April 30, 2002, the partners and associates of these firms owned beneficially, directly or indirectly, less than 1% of the issued and outstanding Common Shares.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are KPMG LLP, Chartered Accountants, 777 Dunsmuir Street, Vancouver, British Columbia.

The transfer agent and registrar for the Common Shares is CIBC Mellon Trust Company at its principal offices in Vancouver, and Toronto and Montreal.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment to the prospectus. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages, where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

COMPILATION REPORT

The Board of Directors
Norske Skog Canada Limited

We have reviewed, as to compilation only, the accompanying unaudited pro forma combined statement of earnings of Norske Skog Canada Limited for the year ended December 31, 2001, which has been prepared for inclusion in this short form prospectus of Norske Skog Canada Limited. In our opinion, the unaudited pro forma combined statement of earnings has been properly compiled to give effect to the transactions and assumptions described in the accompanying notes thereto.

Vancouver, Canada
May ● , 2002

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Chartered Accountants

UNAUDITED PRO FORMA COMBINED STATEMENT OF EARNINGS
NORSKE SKOG CANADA LIMITED

The unaudited pro forma combined statement of earnings should be read in conjunction with the consolidated financial statements of Norske Skog Canada Limited ("Norske Skog Canada") and the consolidated financial statements of Pacifica Papers Inc. ("Pacifica") incorporated by reference in this short form prospectus.

The unaudited pro forma combined statement of earnings reflects the following transactions ("Transactions"):

- the sale of the Mackenzie pulp mill operations;
- a special distribution of $12.00 per share to Norske Skog Canada's shareholders;
- the obtaining of new credit facilities by Norske Skog Canada;
- the acquisition of Pacifica;
- the assumption of Pacifica's 10% Senior Notes due 2009;
- the issuance of the 8⅝% notes; and
- the payment of related financing, transaction and restructuring costs.

The acquisition of Pacifica by Norske Skog Canada has been accounted for using the purchase method of accounting, and includes the unaudited pro forma combined statement of earnings for the year ended December 31, 2001 prepared from the audited consolidated statement of earnings of Norske Skog Canada for the year ended December 31, 2001 and the unaudited consolidated statement of earnings of Pacifica for the eight months ended August 31, 2001 (the effective date of the acquisition of Pacifica for accounting purposes), and reflects the transactions as if they occurred on December 31, 2000.

The audited consolidated statement of earnings of Norske Skog Canada for the year ended December 31, 2001 and the unaudited consolidated statement of earnings of Pacifica for the eight months ended August 31, 2001 have been restated to reflect the adoption of Canadian Institute of Chartered Accountants revised handbook section 1650, Foreign Currency Translation. This revised standard, which has been applied retroactively, eliminates the deferral and amortization of foreign currency translation gains and losses on long-lived monetary items and requires such gains and losses to be included in earnings as incurred.

The unaudited pro forma combined statement of earnings may not necessarily be indicative of the results of operations that would have been achieved if the Transactions occurred on the date noted above. In the opinion of management, this unaudited pro forma combined statement of earnings includes all adjustments necessary for a fair presentation of the information presented.

NORSKE SKOG CANADA LIMITED

PRO FORMA COMBINED STATEMENT OF EARNINGS — UNAUDITED

For the year ended December 31, 2001
(in millions of Canadian dollars, except per share amounts)

	Norske Skog Canada (restated — note 1)	Pro forma adjustments (note 2)	Norske Skog Canada Adjusted	Pacifica Papers (restated — note 1)	Pro forma adjustments (note 3)	Combined
Net sales	$1,388.7	$(66.3)(b)	$1,322.4	$546.5	$ —	$1,868.9
Costs and expenses:						
Cost of sales	1,114.2	(63.3)(b)	1,050.9	432.5	—	1,483.4
Selling, general and administrative	63.6	(1.1)(b)	62.5	18.9	—	81.4
Depreciation and amortization	131.2	(4.7)(b)	126.5	48.5	8.6 (c)	183.6
	1,309.0	(69.1)	1,239.9	499.9	8.6	1,748.4
Operating earnings (loss)	79.7	2.8	82.5	46.6	(8.6)	120.5
Other income (expense)	(57.3)	31.9 (b)	(25.4)	(33.4)	—	(58.8)
Interest expense	(34.1)	(12.5)(a) (1.9)(a)	(48.5)	(33.0)	(8.1)(a) (0.9)(b)	(90.5)
Interest income	35.0	(34.3)(a)	0.7	—	—	0.7
Earnings (loss) before income taxes	23.3	(14.0)	9.3	(19.8)	(17.6)	(28.1)
Income tax expense (recovery)	(21.2)	(3.9)(c)	(25.1)	(23.0)	(6.3)(d)	(54.4)
Net earnings (loss)	$ 44.5	$(10.1)	$ 34.4	$ 3.2	$(11.3)	$ 26.3
Basic and diluted earnings per share	$ 0.32		$ 0.24			$ 0.15
Weighted average common shares (millions)	141.1		141.1		33.7	174.8

See accompanying notes to unaudited pro forma combined statement of earnings.

NORSKE SKOG CANADA LIMITED

NOTES TO PRO FORMA COMBINED STATEMENT OF EARNINGS — UNAUDITED

For the year ended December 31, 2001

1. BASIS OF PRESENTATION:

The unaudited pro forma combined statement of earnings is prepared in accordance with Canadian generally accepted accounting principles and is prepared from the audited consolidated statement of earnings of Norske Skog Canada for the year ended December 31, 2001 and the unaudited consolidated statement of earnings of Pacifica for the eight months ended August 31, 2001 (the effective date of the acquisition of Pacifica for accounting purposes), and reflects the Transactions as if they occurred on December 31, 2000.

The audited consolidated statement of earnings of Norske Skog Canada for the year ended December 31, 2001 and the unaudited consolidated statement of earnings of Pacifica for the eight months ended August 31, 2001 have been restated in the unaudited pro forma combined statement of earnings to reflect the adoption of Canadian Institute of Chartered Accountants revised handbook section 1650, Foreign Currency Translation. The revised standard, which has been applied retroactively, eliminates the deferral and amortization of foreign currency translation gains and losses on long-lived monetary items and requires them to be included in earnings as incurred.

This revised standard has resulted in an increase to amounts previous reported for the year ended December 31, 2001 for Norske Skog Canada in other expense of $17.1 million and income tax recovery of $3.0 million and a decrease in net earnings of $14.1 million and basic and diluted earnings per share of $0.10. For the eight months ended August 31, 2001, the revised standard has also resulted in an increase for Pacifica in other expense of $16.5 million and income tax recovery of $2.9 million and a decrease in net earnings of $13.6 million.

The unaudited pro forma combined statement of earnings should be read in conjunction with the consolidated financial statements of Norske Skog Canada and Pacifica. In the opinion of management, the unaudited pro forma combined statement of earnings includes all adjustments necessary for a fair presentation.

The unaudited pro forma combined statement of earnings may not necessarily be indicative of the results of operations that would have been achieved if the Transactions occurred on the date noted above. In preparing the unaudited pro forma combined statement of earnings, no adjustments have been made to reflect the additional costs or savings that may result from the acquisition of Pacifica.

This business combination has been accounted for as an acquisition of Pacifica by Norske Skog Canada and as such has been accounted for by the purchase method of accounting in accordance with Canadian generally accepted accounting principles. Accordingly, 100% of the results of operations of Pacifica have been included in the results of operations of Norske Skog Canada on a combined basis for the period subsequent to the acquisition date.

For the purposes of the unaudited pro forma combined statement of earnings, the excess purchase price, representing the excess of the consideration paid over the net book value of the net assets acquired, has been allocated to fixed assets after adjusting for certain identifiable fair value adjustments. The amount allocated to fixed assets has been depreciated over its estimated useful life of 20 years. The excess purchase price and allocation thereof to the identifiable assets and liabilities of Pacifica is based on a preliminary estimate of their fair value as at August 31, 2001 and are subject to revision.

2. DISTRIBUTION ARRANGEMENT, SALE OF MACKENZIE PULP MILL OPERATIONS AND PRO FORMA ADJUSTMENTS:

On March 25, 2001, Norske Skog Canada entered into an Arrangement Agreement with Pacifica (the "Arrangement Agreement"). The Arrangement Agreement contemplated a statutory arrangement with the

2. DISTRIBUTION ARRANGEMENT, SALE OF MACKENZIE PULP MILL OPERATIONS AND PRO FORMA ADJUSTMENTS: (Continued)

Class A Common Shareholders of Norske Skog Canada to pay a special distribution of $12 per Class A common share (the "Distribution Arrangement"). The Distribution Arrangement was approved by the holders of Class A common shares of Norske Skog Canada and by the British Columbia Supreme Court, as required. On August 24, 2001, Norske Skog Canada implemented the special distribution to shareholders with payment of $1,490.3 million on August 28, 2001.

On June 15, 2001, Norske Skog Canada completed the sale of its Mackenzie pulp mill operations to Pope & Talbot, Inc. for net cash proceeds of $103.8 million and 1.75 million shares of Pope & Talbot with a market value of $34.6 million as of June 15, 2001.

Pro forma adjustments relating to the Distribution Arrangement and sale of the Mackenzie pulp mill operations are as follows:

(a) The financing of the special distribution was as follows:

	($ millions)
Cash and short-term investments	$1,112.1
New credit facilities, net of financing fees	378.2
	$1,490.3

A reduction in interest income of $34.3 million for the year ended December 31, 2001 relating to the cash and short-term investments used to pay the special distribution.

Additional interest expense on new long-term debt, at an average interest rate of 7.8% per annum, of $12.5 million for the year ended December 31, 2001. The average interest rate is based on a LIBOR base rate of 4.0% plus the applicable premium for Norske Skog Canada for the new credit facilities and an interest rate of 8.625% for the senior notes.

Financing costs of approximately $12.5 million relating to the new credit facilities. Amortization on a straight-line basis of the deferred finance costs over the five-year average life of the new credit facilities for additional finance expense of $1.9 million for the year ended December 31, 2001.

(b) The unaudited pro forma combined statement of earnings for the year ended December 31, 2001 has been adjusted to reflect the sale of Mackenzie as if it occurred on December 31, 2000.

(c) Income tax recoveries of $3.9 million for the year ended December 31, 2001 relating to the additional interest expense and reduction of interest income at an income tax rate of 35.5% and adjustments to reflect the sale of the Mackenzie pulp operations at an income tax rate of 38.5%.

3. PACIFICA ARRANGEMENT AND PRO FORMA ADJUSTMENTS:

The Arrangement Agreement contemplated a statutory arrangement between Pacifica and its Common Shareholders pursuant to which Norske Skog Canada acquired all of the Common Shares of Pacifica (the "Pacifica Arrangement"). Under the Pacifica Arrangement, for each Pacifica share, shareholders of Pacifica could elect to receive either:

(i) 2.1 Norske Skog Canada common shares; or

(ii) 1.0 Norske Skog Canada common share and $7.50 cash.

3. PACIFICA ARRANGEMENT AND PRO FORMA ADJUSTMENTS: (Continued)

The Pacifica Arrangement was approved by the shareholders of Pacifica on June 11, 2001 and by the Supreme Court of British Columbia on July 20, 2001. The Pacifica Arrangement was completed on August 27, 2001.

The amount of consideration required to effect the purchase of all of the Pacifica shares was as follows:

	($ millions)
Cash consideration:	
Pacifica shares partially purchased for cash under the Pacifica Arrangement	$ 48.1
Transaction costs	26.0
Share consideration:	
Pacifica shares exchanged for Norske Skog Canada shares	354.3
Total consideration (excluding acquired debt)	$428.4

Norske Skog Canada issued 50,620,880 common shares and paid $48.1 million in cash in exchange for 100% of the outstanding Pacifica common shares and share options.

The Norske Skog Canada shares issued as consideration have been valued at $7.00 per share as approved by the Norske Skog Canada Board of Directors. This amount was determined by the Board of Directors based on a number of factors but primarily the weighted average trading price of the Norske Skog Canada common shares over the twenty days prior to the signing of the Pacifica Arrangement on March 25, 2001 and adjusted for the $12 special distribution (note 2).

Pro forma adjustments relating to the Pacifica Arrangement are as follows:

(a) The financing of the acquisition from additional long-term debt, determined as follows:

	($ millions)
Cash consideration for the Pacifica shares purchased	$ 48.1
Pacifica debt to be repaid immediately upon acquisition	237.4
Cash for working capital purposes	96.7
Total new long-term debt	$382.2

Interest expense on the new long-term debt at an average interest rate of 7.8% per annum less actual interest expense on the existing Pacifica debt repaid for total additional interest of $8.1 million for the year ended December 31, 2001. The average interest rate is based on a LIBOR base rate of 4.0% plus the applicable premium for Norske Skog Canada for the new credit facilities and an interest rate of 8⅝% for the senior notes.

(b) Financing costs of approximately $12.5 million related to the issuance of new long-term debt. Amortization on a straight line basis of the deferred finance costs over the 10-year average life of the new senior notes for additional finance costs of $0.9 million for the year ended December 31, 2001.

(c) Depreciation of excess purchase price allocated to fixed assets over an estimated useful life of 20 years on a straight line basis for additional amortization of $8.6 million for the year ended December 31, 2001.

3. PACIFICA ARRANGEMENT AND PRO FORMA ADJUSTMENTS: (Continued)

(d) Income tax recoveries of $6.3 million for the year ended December 31, 2001 relating to additional depreciation, interest expense and financing costs at an income tax rate of 35.5%.

4. BASIS OF CALCULATION FOR PRO FORMA BASIC AND DILUTED EARNINGS PER SHARE:

Pro forma basic and diluted earnings per share are calculated based upon the weighted average number of Norske Skog Canada common shares that would have been outstanding, assuming that shares issued under the Pacifica Arrangement were issued at the beginning of the year. There are no dilutive securities for the period presented. The weighted average number of common shares used in the calculation of basic pro forma and diluted earnings per share is 174,810,132 for the period presented.

5. SENSITIVITY OF RESULTS AND UNUSUAL ITEMS:

The unaudited pro forma financial statements have been prepared using certain assumptions that are sensitive to external factors. The estimated average interest rate used for new long-term debt in the pro forma financial statements is 7.8% per annum. A ½% variance in average interest rates on new long-term debt would affect interest expense by $1.0 million per annum and net income by $0.6 million per annum in the pro forma combined statement of earnings.

The pro forma combined statement of earnings for the year ended December 31, 2001 includes $24.6 million of Pacifica's costs including legal, accounting and advisory costs, executive severance and change of control expenses directly incurred due to the acquisition.

CERTIFICATE OF THE COMPANY

Dated May 7, 2002

This short form prospectus, together with the documents incorporated in this short form prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) RUSSELL J. HORNER
President and Chief Executive Officer

(Signed) RALPH LEVERTON
Vice-President, Finance and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) J. TREVOR JOHNSTONE
Director

(Signed) WILLIAM P. ROSENFELD
Director

CERTIFICATE OF THE UNDERWRITERS

Dated May 7, 2002

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated in this short form prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

CIBC WORLD MARKETS INC.

By: (Signed) ALAN C. WALLACE

RBC DOMINION SECURITIES INC.	TD SECURITIES INC.
By: (Signed) DANIEL L. NOCENTE	By: (Signed) BRUCE N. BLACK
MERRILL LYNCH CANADA INC.	UBS BUNTING WARBURG INC.
By: (Signed) RICHARD DUFRESNE	By: (Signed) DAVID J. HARRISON

BMO NESBITT BURNS INC.	NATIONAL BANK FINANCIAL INC.	RAYMOND JAMES LTD.	SCOTIA CAPITAL INC.
By: (Signed) BRADLEY J. HARDIE	By: (Signed) CHARLES J. ADDISON	By: (Signed) DONALD M. SHUMKA	By: (Signed) DAVID BUSTOS

HSBC SECURITIES (CANADA) INC.	SALMAN PARTNERS INC
By: (Signed) DEBORAH J. SIMKINS	By: (Signed) TERRANCE K. SALMAN

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