



DAISHOWA-MARUBENI INTERNATIONAL LTD.

INFORMATION CIRCULAR

LWC Paper Mill Project on Hold

May 7, 1998

To DMI Employees and Peace River Community Leaders

I am writing to inform you that the Lightweight Coated (LWC) Paper Mill Project is on hold for an indefinite length of time. We very much want to follow through with the project, but the timing right now makes it financially unrealistic.

I want to explain to you the reasons behind this very difficult decision. The major reasons for not taking the project forward at this time is due to a combination of two factors. The prolonged and depressed state of the pulp and paper business coupled with the economic turmoil that has hit Asian over the past eight months has seriously impacted our business in a real way, as noted by our cost reduction programs and the curtailment of community sponsorships and donations.

Poor economic conditions in Asia have also impacted our Japanese shareholders. It would be irresponsible on our part and would place an unreasonable burden on you, our employees, governments and local contractors should we have gone forward with the project that is not financially or economically viable.

Realistically, the near recession in Japan is unlikely to improve significantly in the foreseeable future. We must therefore focus our attention on improving our competitiveness throughout this difficult period. Discussions are currently underway with the government of Alberta on options and alternatives that will continue to ensure the long-term viability of our present operations. As you can appreciate this is a complex and time-consuming process. I would like to be able to speak to you in person once all the information and the options have been agreed upon.

Tom Hamaoka
Executive Vice President
Daishowa-Marubeni International Ltd.