



First Quarter 2008 Earnings Presentation

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Forward-looking Statements

The presentation and answers to questions today contain forward-looking statements that are based on management's assumptions, including assumptions relating to market conditions and demand for the Company's products, production and pricing, our ability to successfully obtain performance improvements, synergies and cost savings, fluctuations in foreign exchange rates, fluctuations in availability and cost of raw materials or energy and other factors beyond the Company's control. These statements are subject to risks and uncertainties and no assurance can be given that any of the events anticipated by the Company may occur or what benefits the Company may derive from them. A number of factors could cause actual results to differ materially from those expressed or implied in these statements.

For further details on these factors and our assumptions and applicable risks and uncertainties, please refer to Catalyst Paper's Q1 report, including our management discussion and analysis.

Non-GAAP Measures

Except where otherwise indicated, the financial information in this presentation is determined on the basis of Canadian GAAP.

“EBITDA” is a non-GAAP measure, calculated as operating earnings (loss) plus amortization. The Company focuses on EBITDA as the Company believes this measure enables comparison of the Company’s results between periods without regard to debt service, income taxes and capital expenditure requirements.

“EBITDA before specific items”, “net earnings (loss) before specific items” and “net earnings (loss) per share before specific items” are non-GAAP measures. The Company uses measures excluding specific items in evaluating its results between periods without regard to specific items that adversely or positively affect its EBITDA and net earnings (loss).

Outline of Presentation



- Q1 Overview
- Outlook and Near-Term Focus
- Q1 Financial Summary

Financial Overview

	2007			2008	LTM
	Q2	Q3	Q4	Q1	
<i>(\$millions, except per share amounts)</i>					
Sales	\$ 441.8	\$ 413.7	\$ 381.0	\$ 399.5	\$ 1,636.0
EBITDA	\$ (1.9)	\$ (0.3)	\$ 15.1	\$ 12.1	\$ 25.0
Restructuring and change-of-control costs	19.3	24.4	2.0	14.6	60.3
Impact of USW strike	–	13.3	11.7	–	25.0
EBITDA before specific items	\$ 17.4	\$ 37.4	\$ 28.8	\$ 26.7	\$ 110.3
<i>EBITDA margin before specific items</i>	3.9%	8.5%	6.6%	6.7%	6.7%
Net earnings (loss)	\$ 0.2	\$ (18.6)	\$ 12.4	\$ (37.4)	\$ (43.4)
Net loss before specific items	\$ (31.8)	\$ (16.9)	\$ (20.9)	\$ (21.8)	\$ (91.4)
<i>Net loss per share before specific items</i>	\$ (0.15)	\$ (0.08)	\$ (0.10)	\$ (0.10)	\$ (0.43)

Q1 2008 Overview

- Price increases in paper products continued to gain momentum in Q1.
- Continued production curtailments in Q1 due to ongoing fibre shortages offset positive price momentum.
- Q1, 2008 EBITDA before specific items of \$26.7 million declined \$2.1 million compared to \$28.8 million in Q4, 2007.
- Net loss before specific items of \$21.8 million in Q1, 2008 compared to a net loss before specific items of \$20.9 million in Q4, 2007.
- Curtailments taken during the quarter due to fibre supply shortage:
 - Elk Falls paper (primarily E1 newsprint machine) - production down approximately 42,500 tonnes in the quarter
 - Elk Falls pulp mill for 25 days and E4 white top linerboard machine for 22 days - production down approximately 22,200 tonnes

Q1 2008 Overview, continued

- Announced new labour agreement at Port Alberni. Will lead to restart of A4 in May and a \$12 million capital upgrade on the thermo-mechanical pulp facility (“TMP”) which will allow replacement of recycled pulp by lower cost TMP.
- Announced acquisition of Snowflake, Arizona recycled newsprint mill for cash consideration of US\$161 million, before working capital adjustments. The transaction closed on April 10, 2008.
- The acquisition financed through a combination of \$125 million rights offering and a draw on the Company’s revolving credit facility.
- Available liquidity was \$221 million at the end of Q1, 2008 compared to \$241 million at the end of 2007.

EBITDA Reconciliation

Q1 2008 vs Q4 2007

(\$millions)

	EBITDA
Q4 2007 EBITDA	\$ 15.1
Restructuring and change-of-control costs	2.0
Impact of the USW strike	11.7
Q4 2007 EBITDA before specific items	\$ 28.8
Paper prices	11.6
Pulp prices	1.0
Impact of CDN\$ on sales, net of hedging	1.2
Production volume and mix	(14.1)
Distribution costs	(2.5)
Fibre mix and costs	(4.7)
Steam costs	(2.7)
Other, net	8.1
Q1 2008 EBITDA before specific items	\$ 26.7
Restructuring costs	(14.6)
Q1 2008 EBITDA	\$ 12.1

Snowflake Investment Highlights

- ✓ One of the lowest cost newsprint mills in North America
- ✓ Produces 100% recycled newsprint
- ✓ Has capacity of 375,000 tonnes
- ✓ Provides geographic, fibre and currency diversification
- ✓ Access to key markets with no other newsprint mill within a ~1,600 km radius
- ✓ Energy self-sufficient with the potential to sell excess electricity onto the power grid
- ✓ Potential for US\$10 million in annual synergies



Price Momentum—Paper

Product <i>Catalyst Capacity/Brand</i>	Recent Price Increase	Announced Effective Date	Implementation
Newsprint <i>981,000 tonnes/Marathon</i>	US\$25/mt US\$20/\$20/20/mt US\$20/20/20/mt	November 1, 2007 Jan/Feb/March 2008 Apr/May/June 2008	Implemented Nov, Jan, Feb and March increases. April increase in process.
Directory <i>352,000 tonnes/Catalyst</i>	Nominal	January 1, 2008	Contracted volume in 2008. Prices flat to up slightly in 2008 vs. 2007.
Coated Mechanical <i>231,000 tonnes/Ecote</i>	US\$60/60/60/st US\$60/st	Jul/Oct/Dec 2007 April 1, 2008	\$180/st in place in January, 2008. April increase in process (some contracts deferred to July).
SC (Uncoated Mechanical) <i>310,000 tonnes/Eprime, Ecal, Esoft</i>	US\$60/st US\$60/st	Dec 1, 2007 April 1, 2008	December increase largely implemented. Expect April increase to be partially implemented in Q2 2008 (some 6 month contracts delayed until July 1, 2008)
Super-brights (Uncoated Mechanical) <i>80,000 tonnes/Estar</i>	US\$60/st	April 1, 2008	Increase in process.
Standard High Brights (Uncoated Mechanical) <i>150,000 tonnes/Ebrite</i>	US\$60/st US\$60/st	January 1, 2008 April 1, 2008	Q1 increase partially implemented. April increase in process.

Price Momentum—Pulp

Product <i>Catalyst Capacity/Brand</i>	Recent Price Increase	Announced Effective Date	Implementation
NBSK <i>343,000 tonnes/Crofton</i> <i>200,000 tonnes/Elk Falls</i>	US\$20/\$30 per mt in Eur. US\$30 per mt in US US\$10 per mt in Asia	Nov 07/Dec 07 Dec 07 Dec 07	Increases implemented in November and December, 2007. Spot prices in Europe and China down slightly.
White Top Linerboard <i>131,000 tonnes</i>	US\$50/40 per st (West/East)	August 31, 2007	\$50/st announced increase effective March 1, 2008 has not yet been implemented

Outlook and Near-Term Focus

- Continued momentum in paper pricing in the second quarter.
- Demand in North America may be affected by the U.S. economic slowdown.
- Despite potentially challenging demand conditions, tight market supply is expected to continue, due in part to ongoing fibre shortages.
- Expected fibre shortage impact on Catalyst for the balance of the year:
 - E1 newsprint paper machine curtailed indefinitely, leading to elimination of 39,000 tonnes per quarter of newsprint.
 - Approximately 150,000 tonnes of curtailed pulp and white top linerboard production anticipated for balance of the year, primarily in the second half.

Outlook and Near-Term Focus, continued

- Restart of the A4 paper machine in May, will result in production of approximately 95,000 tonnes of newsprint for the balance of 2008.
- Snowflake mill results consolidated effective April 10, 2008. Ten days of production downtime in Q2 for capital upgrade and maintenance work.
- Announced manning reduction of 145 employees at Elk Falls, linked to indefinite closure of E1, and 82 employees at Crofton linked to ongoing cost initiatives.

Outlook and Near-Term Focus

Labour Negotiation

- Collective agreements with the CEP and PPWC unions expire in April 2008. The CEP Local 592 maintenance workers and Local 686 paperworkers in the Company's Port Alberni mill have voted to accept a new 5-year agreement.
- At this time, the Company is not anticipating a work stoppage will result from 2008 labour negotiations with other locals.

Capital Spending

- Capital spending is expected to be approximately \$45 million in 2008, including spending related to the recently acquired Snowflake mill.

Outlook and Near-Term Focus - Markets

Product <i>Catalyst Capacity</i>	Expected Demand	Expected 2008 Price Movement	Reason for Expected Price Movement
Newsprint 981,000 tonnes	Decrease	Increase	Tight supply due to significant capacity closures and fibre shortages.
Directory 352,000 tonnes	Stable	Flat	Contract prices in place for upcoming year.
Coated Mechanical 231,000 tonnes	Stable	Increase	Recent capacity closures in North America and Western Europe as well as lower net imports to North America.
SC (Uncoated Mechanical) 310,000 tonnes	Stable	Increase	Grade switching from Coated, lower imports from Europe, steady North American demand, and reduced capacity in North America.
High/Super-brights (Uncoated Mechanical) 230,000 tonnes	Stable	Increase	Reduced capacity. High-brights impacted by higher newsprint pricing.
NBSK 343,000 tonnes/Crofton 200,000 tonnes/Elk Falls	Stable	Moderate increase with potential decrease in second half	Higher consumption by China is expected to be offset by weaker demand from markets in the U.S. and Europe.
White Top Linerboard 131,000 tonnes	Stable	Flat	Export markets are expected to offset weaker markets in North America.

Financial Summary



Summary of Financial Results

(\$millions, except F/X rates)

	2007			2008	LTM
	Q2	Q3	Q4	Q1	
Sales	\$ 441.8	\$ 413.7	\$ 381.0	\$ 399.5	\$ 1,636.0
Cost of sales and SG&A	424.4	376.3	352.2	372.8	1,525.7
EBITDA before specific items	17.4	37.4	28.8	26.7	110.3
Specific items:					
Restructuring costs	19.0	24.1	1.4	14.6	59.1
Change-of-control costs	0.3	0.3	0.6	–	1.2
USW strike impact	–	13.3	11.7	–	25.0
	19.3	37.7	13.7	14.6	85.3
EBITDA	\$ (1.9)	\$ (0.3)	\$ 15.1	\$ 12.1	\$ 25.0
Average F/X spot rate (USD/CAD)	0.911	0.957	1.019	0.996	0.971

Summary of Segmented Financial Information

(\$millions, except where otherwise stated)

	2007			2008	LTM
	Q2	Q3	Q4	Q1	
Sales (000 MT)					
Specialty printing papers	259.2	261.1	279.3	268.5	1,068.1
Newsprint	157.1	119.8	70.7	81.8	429.4
Pulp	147.4	151.8	136.1	145.4	580.7
	\$ 563.7	\$ 532.7	\$ 486.1	\$ 495.7	\$ 2,078.2
Sales					
Specialty printing papers	\$ 225.1	\$ 222.1	\$ 234.3	\$ 235.0	\$ 916.5
Newsprint	106.7	77.8	44.2	53.7	282.4
Pulp	110.0	113.8	102.5	110.8	437.1
	\$ 441.8	\$ 413.7	\$ 381.0	\$ 399.5	\$ 1,636.0
EBITDA					
Specialty printing papers	\$ 4.1	\$ 0.0	\$ 12.5	\$ 14.5	\$ 31.1
Newsprint	(4.2)	(8.1)	(8.3)	(4.8)	(25.4)
Pulp	(1.8)	7.8	10.9	2.4	19.3
	\$ (1.9)	\$ (0.3)	\$ 15.1	\$ 12.1	\$ 25.0
EBITDA before specific items					
Specialty printing papers	\$ 17.0	\$ 17.6	\$ 16.1	\$ 25.5	\$ 76.2
Newsprint	(0.2)	(0.4)	(4.4)	(1.2)	(6.2)
Pulp	0.6	20.2	17.1	2.4	40.3
	\$ 17.4	\$ 37.4	\$ 28.8	\$ 26.7	\$ 110.3
Operating Earnings (Loss)					
Specialty printing papers	\$ (21.1)	\$ (26.3)	\$ (13.5)	\$ (10.0)	\$ (70.9)
Newsprint	(13.5)	(15.6)	(14.5)	(12.0)	(55.6)
Pulp	(12.1)	(2.4)	0.3	(7.6)	(21.8)
	\$ (46.7)	\$ (44.3)	\$ (27.7)	\$ (29.6)	\$ (148.3)

Impact of Specific Items on Net Earnings (Loss)

(\$millions, except per share amounts)

	2007			2008	LTM
	Q2	Q3	Q4	Q1	
Net earnings (loss) as reported	\$ 0.2	\$ (18.6)	\$ 12.4	\$ (37.4)	\$ (43.4)
Specific items (after taxes):					
Foreign exchange loss (gain) on long-term debt	(44.1)	(28.1)	(7.4)	14.1	(65.5)
Impairment and loss on disposal	—	4.9	—	—	4.9
Restructuring and change-of-control	12.7	16.1	1.4	10.1	40.3
USW strike impact	—	8.8	7.7	—	16.5
Financing related fees	0.8	—	—	—	0.8
Income tax adjustments	(1.4)	—	(35.0)	(8.6)	(45.0)
Net earnings (loss) before specific items	(31.8)	(16.9)	(20.9)	(21.8)	(91.4)
Net earnings (loss) per share before specific items	\$ (0.15)	\$ (0.08)	\$ (0.10)	\$ (0.10)	\$ (0.43)

Capitalization

(\$millions, except where otherwise stated)

	2007 Dec 31	2008 Mar 31
Total debt		
Senior Notes ⁽¹⁾	\$ 389	\$ 405
Senior Notes ⁽²⁾	247	259
Revolving operating facility	47	69
Capital lease obligation	9	12
Other non-recourse (PREI)	94	94
Total	\$ 786	\$ 839
Shareholders' equity	989	942
Total capitalization	\$ 1,775	\$ 1,781
Cash	\$ —	\$ —
Funded debt ratio	44%	47%
Net debt ratio ⁽³⁾	44%	47%

⁽¹⁾ 8.625% notes, due June 2011 (US\$400 million)

⁽²⁾ 7.375% notes, due March 2014 (US\$250 million)

⁽³⁾ Net funded debt ratio equals net debt (i.e. total debt less cash), divided by net capitalization

Summarized Cash Flow

(\$millions)

	2007			2008	LTM
	Q2	Q3	Q4	Q1	
Summarized cash flow					
EBITDA before specific items	\$ 17.4	\$ 37.4	\$ 28.8	\$ 26.7	\$ 110.3
Specific items	(19.3)	(37.7)	(13.7)	(14.6)	(85.3)
EBITDA	(1.9)	(0.3)	15.1	12.1	25.0
Interest expense	(17.3)	(17.9)	(15.1)	(17.4)	(67.7)
Capital spending	(23.0)	(25.0)	(17.5)	(5.5)	(71.0)
Cash taxes paid, net	(0.2)	0.2	0.1	(0.8)	(0.7)
	(42.4)	(43.0)	(17.4)	(11.6)	(114.4)
Changes in non-cash working capital	25.9	(15.8)	30.4	(24.5)	16.0
Investing/financing activities and other	(8.9)	1.1	6.6	14.7	13.5
Cash flow before debt	\$ (25.4)	\$ (57.7)	\$ 19.6	\$ (21.4)	\$ (84.9)

Revolver Operating Facility

(\$millions)	2007			2008
	Q2	Q3	Q4	Q1
Borrowing base	\$ 350.0	\$ 326.9	\$ 309.0	\$ 311.3
Letters of credit	20.7	20.7	20.7	20.6
Net amount drawn	9.4	67.1	47.5	69.4
Available to be drawn	<u>\$ 319.9</u>	<u>\$ 239.1</u>	<u>\$ 240.8</u>	<u>\$ 221.3</u>

- Decrease of \$19.5 million in available liquidity in Q1, 2008
 - Increase in drawings on the revolver primarily a result of higher working capital caused by lower accounts payable.