Catalyst

First Quarter 2010
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 overall economic conditions, market conditions and demand for the Company's products, production volumes and pricing, capital expenditures, our ability to successfully obtain cost reductions, anticipated curtailments of operations, the impact of labour disruptions affecting suppliers, severance obligations, fluctuations in foreign exchange rates, future cash flows and liquidity, currency rates, covenant compliance, the negative impact on EBITDA of a decline in directory volumes and prices in 2010, availability of fibre supplies, fluctuations in availability and cost of raw materials and energy, and levels of advertising and circulation. 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, including the following:

- the impact of general economic conditions in the United States and Canada and in other countries in which the Company does business;
- market conditions and demand for the Company's products and the outlook for inventories, production and pricing;
- declines in advertising and circulation;
- expected cash flows, capital expenditures and completion of capital projects;
- the Company's ability and that of its agents to sell its products in export markets;
- the implementation of trade restrictions and sanctions in jurisdictions where the Company markets its products;
- business strategies and measures to implement strategies;
- the Company's history of losses;
- the cyclical nature of the Company's business;
- the effects of intense competition;
- competitive strengths, goals, expansion and growth of the Company's business and operations;
- shifts in industry capacity
- fluctuations in foreign exchange or interest rates;
- the Company's ability to successfully obtain cost savings from its cost reduction initiatives;
- labour unrest;
- fluctuations in the availability and cost of raw materials, including fibre and energy;
- implementation of environmental legislation requiring capital for operational change;
- the availability of qualified personnel or management;
- the outcome of certain ligation or disputes;
- conditions in the capital markets and the Company's ability to obtain financing and refinance existing debt; and
- other factors, many of which are beyond the Company's control.

The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Investors are cautioned not to place undue reliance on these forward-looking statements. No forwarding looking statement is a guarantee of future results.

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Non-GAAP Measures

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

“EBITDA” is a non-GAAP measure, calculated as operating earnings (loss) plus depreciation and amortization and impairment. 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) attributable to the Company before specific items” and “net earnings (loss) per share attributable to the Company’s common shareholders 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).

“Free cash flow” is a non-GAAP measure, calculated as EBITDA after capital expenditures, interest and taxes paid, and adjustments to reflect employee future benefit payments. The closest GAAP measure is cash provided by operating activities less cash used by investing activities. The Company reports free cash flow as it believes it is useful for investors and other users to be aware of this measure so they can better assess the Company’s operating performance.

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Changes in Accounting Policies

Effective January 1, 2010, the Company changed its policy on the classification of foreign exchange gains and losses on the ineffective portion of its U.S dollar revenue risk management instruments, on the portion that is excluded from the assessment of hedge effectiveness, and on translation of working capital balances denominated in foreign currencies. The respective foreign exchange gains and losses previously recognized in "Sales" are now recognized in "Other expense, net". The Company is continuing to classify the effective portion of gains or losses on its currently designated U.S. dollar revenue risk management instruments in the same income statement line items as the hedged item in "Sales". In addition, the Company also changed its policy on the classification of changes in the fair value of all commodity swap agreements not designated as hedges for accounting purposes that were previously recognized in "Sales" and "Cost of sales, excluding depreciation and amortization". The changes in the fair value related to these instruments are now recognized in "Other expense, net".

The new policies adopted are considered preferable as they increase the transparency of the economic hedging activity.

Prior period comparative information contained in this presentation has been restated to reflect these changes in accounting policies.

Outline of Presentation

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

Financial Overview

($millions, except per share amounts)	2009 Q2	2009 Q3	2009 Q4	**2010 Q1**	**LTM**
Sales	$ 300.7	$ 266.9	$ 295.0	**$ 273.3**	**$1,135.9**
EBITDA	$ 14.3	$ 25.9	$ 14.1	**$ (16.2)**	**$ 38.1**
Restructuring costs	12.3	–	1.4	**14.1**	**27.8**
EBITDA before specific items	$ 26.6	$ 25.9	$ 15.5	**$ (2.1)**	**$ 65.9**
EBITDA margin before specific items	*8.8%*	*9.7%*	*5.3%*	***(0.8)%***	***5.8%***
Net earnings (loss) attributable to the Company	$ (1.9)	$ 13.2	$ (35.8)	**$ (44.1)**	**$ (68.6)**
Net earnings (loss) attributable to the Company before specific items	$ (25.6)	$ (19.8)	$ (21.8)	**$ (37.6)**	**$ (104.8)**
Net earnings (loss) per share attributable to the Company's common shareholders before specific items	$ (0.06)	$ (0.05)	$ (0.06)	**$ (0.10)**	**$ (0.27)**

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Q1 2010 Overview

- Paper demand in Q1, 2010 (“Q1”), while improved over the same period last year, showed no signs of returning to pre-recession levels.
- The Company only partially implemented the announced U.S. newsprint price increases relating to Q1 and expects to realize more of the announced Q1 price increases for the U.S. in the second quarter (“Q2”) of 2010.
- Pulp prices continued to improve, as operating rates remained strong and inventories were at relatively low levels; supply disruptions during the quarter supported operating rates.
- The announced pulp price increases of US$20 per tonne in January 2010 and US$30 per tonne in each of the months of February and March 2010 were largely implemented, and the remainder will be realized in Q2.
- High levels of production curtailment and declining specialty printing paper prices negatively affected the Company results and liquidity compared to the fourth quarter of 2009 (“Q4”); Q1 was also negatively affected by higher prices for purchased pulp and old newspaper (“ONP”), additional maintenance costs related to the planned restart of the second pulp production line in Q2, and higher restructuring costs.

Q1 2010 Overview … continued

- Q1 EBITDA before specific items of negative $2.1 million was $17.6 million lower than EBITDA before specific items of $15.5 million in Q4 and net loss attributable to the Company before specific items of $37.6 million in Q1 compared to net loss attributable to the Company before specific items of $21.8 million in Q4.
- On January 21, 2010, the Company announced the indefinite production curtailment of its Crofton No. 1 paper machine ("C1"), and its paper recycling facility. This removed 140,000 tonnes of newsprint and 175,000 air-dried tonnes of de-inked pulp capacity on an annualized basis.
- In light of rapidly increasing pulp prices, the Company announced that it will restart its second line of pulp production at Crofton in Q2 and incurred maintenance costs of $2.3 million in Q1 related to the planned restart of this line.
- During Q1, the Company incurred $14.1 million in restructuring costs related to approximately 290 employees, of which 200 were related to the extended curtailment of Elk Falls Paper, 50 were related to employees on lay-off at other operations, and 40 were related to employees at the paper recycling facility, all of whom elected to receive severance during the quarter.

Q1 2010 Overview … continued

- The Company took market related curtailment of approximately 52% of the Company's newsprint capacity, 14% of its specialty printing papers capacity and 36% of its market pulp capacity in Q4, representing 32% of total market capacity.

- The following table summarizes market pulp and paper production curtailment in Q1:

Q1, 2010 Production Curtailment (000 tonnes)	Specialty printing papers	Newsprint	Market pulp	Total
Crofton[1]	1.1	36.9	30.7	68.7
Elk Falls [2]	37.6	92.0	–	129.6
Total	38.7	128.9	30.7	198.3

(1) Curtailment consists of market curtailment and includes 34,500 tonnes related to C1 which was curtailed on December 23, 2009, and indefinitely curtailed on January 21, 2010 and 30,700 tonnes of market pulp related to the second pulp production line at Crofton which was indefinitely curtailed on March 8, 2009.

(2) Curtailment includes market curtailment related to E1 (curtailed since September 2007), E2 and E5 (curtailed since February 2009), all of which are indefinitely curtailed.

- During Q1, the Company completed the exchange of US$318.7 million of its 8.625% senior notes due June 2011 for US$280.4 million of new 11.0% senior secured notes due December 2016. As of March 31, 2010, US$35.5 million of the 8.625% senior notes remained outstanding. The Company incurred $10.5 million in costs associated with the exchange, of which the remaining $8.3 million was recorded in Q1.

- In January 2010, the Company announced the resignation of Richard Garneau, President and Chief Executive Officer, who will be leaving the Company at the end of May, 2010. A search for his successor continues.

Update on 2010 Key Priorities

- **Focus on cash flows and liquidity:**
  - free cash flow was negative $36.6 million in Q1 and liquidity decreased by $37.9 million compared to Q4. Liquidity decreased largely due to $8.3 million in costs associated with the bond exchange, a $7.0 million advanced interest payment and $14.1 million in severance costs, offset in part by proceeds on the sale of property of $6.8 million;
  - capital expenditures in Q1 were $3.2 million and are expected to be approximately $20 million in 2010, compared to $11.5 million in 2009 and $41.9 million in 2008;
  - refined the scope and benefits of two projects identified for utilization of Green Transformation Program credits; and
  - completed the exchange of its US$318.7 million of 8.625% senior notes.
- **Maintain the Company's focus on matching production to customer orders and keep paper inventories at appropriate levels:**
  - paper production curtailment of 167,600 tonnes in Q1 represented approximately 32% of paper capacity and paper finished goods inventory levels as at March 31, 2010 of 46,500 tonnes compared to an average quarter-end paper inventory level of 54,100 tonnes in 2009 and 49,900 tonnes at the end of the prior period.
- **Develop higher-value recycled-content grades at the Snowflake mill, particularly hi-brite and directory grades and continue to develop the grade mix at the B.C. mills:**
  - successfully produced recycled high-bright grades at Snowflake.

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Update on 2010 Key Priorities … continued

- **Focus on implementing initiatives to reduce fixed costs:**
  - implemented changes to salaried employee and retiree post-retirement plans, extended health and other benefit plans, and to vacation entitlements; with changes expected to result in annualized savings of approximately $8 million;
  - entered into an agreement in principle with the City of Powell River to reduce the Company's annual municipal property taxes to $2.3 million, and to enter into a 20-year service agreement valued at $0.8 million per year to the Company resulting in a net cost of $1.5 million;
  - the Company intends to seek leave to appeal to the Supreme Court of Canada in response to the B.C. Court of Appeal's dismissal of the North Cowichan property tax petition on April 22, 2010; the Company has paid $15 million in outstanding 2009 taxes, penalties and interest; and
  - mill fixed costs were $78.0 million in Q1, a decrease of $3.0 million compared to the prior quarter, primarily due to lower salary and labour costs, offset in part by higher maintenance costs incurred in the current quarter related to the restart of the second line of Crofton pulp.
- **Continue to implement plans to reduce labour costs to $80 per tonne at all mills and develop more flexible and efficient work practices:**
  - in light of preliminary indications from the District of Campbell River with respect to municipal tax levies, resubmitted a proposal to the Elk Falls union that could allow for the restart of the Elk Falls paper mill at an all-in annual average labour cost of $82,000 per hourly employee; the proposal includes changes to wages and benefits that are comparable to those already implemented with management and staff employees; and
  - continues to seek additional labour cost reductions through discussions with the local and national unions representing employees at each of the operating sites and to identify and implement manning structures and work practices at the mills to achieve the $80 per tonne labour target.

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Update on 2010 Key Priorities … continued

- **Improve the safety performance at all mills, with a target lost time incident ("LTI") ratio of 1.0 and medical incident rate ("MIR") of 3.0:**
    - As of March 31, 2010, the Company's LTI rate was 0.9 and its medical MIR was 5.5, owing to a higher than usual number of medical incidents at Crofton and Powell River.

EBITDA Reconciliation – Q1 2010 vs. Q4 2009

($millions)	**EBITDA** [1]
Q4, 2009 EBITDA [1]	**$ 14.1**
Restructuring costs	1.4
Q4, 2009 EBITDA before specific items [1]	**$ 15.5**
Paper prices	(10.0)
Pulp prices	2.8
Impact of CDN$ on sales, inclusive of hedging [2]	(0.7)
Production volume and mix [3]	(11.0)
Furnish mix and costs	(1.7)
Chemical costs	(0.7)
Energy costs	(1.9)
Labour costs	2.0
Selling, general & administrative costs	0.7
Lower of cost or market impact on inventory, net of inventory change	4.3
Other, net	(1.4)
Q1, 2010 EBITDA before specific items [1]	**$ (2.1)**
Restructuring costs	(14.1)
Q1, 2010 EBITDA [1]	**$ (16.2)**

1 EBITDA and EBITDA before specific items are non-GAAP measures.
2 Estimated total impact on EBITDA of average foreign exchange effective rate movement period-to-period is nil..
3 Driven primarily by quarter-over-quarter reduced directory production and sales volumes as a result of seasonal factors and lower contract volumes.

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Outlook and Near-Term Focus

- North American print advertising demand is expected to increase slowly in 2010, resulting in minimal improvements in year-over-year demand.
- Coated and uncoated mechanical paper demand is expected to improve modestly in the latter half of 2010.
- Improved operating rates and rising input costs led the Company to announce a price increase of US$30 per short ton for both coated paper grades and SC paper grades effective April 1, 2010, an increase of US$50 per short ton for its Electrastar and Electrastar Max superbrite grades effective May 15, 2010, and an increase of US$40 per short ton for Electrabrite grades effective June 1, 2010.
- For directory paper, demand is expected to contract further in 2010.
- Newsprint prices are expected to improve modestly supported by improved shipments to export markets in 2010; however, prices will not improve significantly unless operating rates are sustained at higher levels.
- The Company has announced newsprint price increases of US$25 per tonne in each of the months of May and June 2010.
- Pulp prices are expected to continue to strengthen in Q2, 2010, but price increases beyond that are uncertain given that a significant amount of previously idled NBSK pulp production capacity is expected to be restarted during 2010.
- Given temporary supply interruptions, as well as rising fibre and energy costs facing producers, the Company announced a pulp price increase in China of US$90 per tonne for April 2010.

Outlook and Near-Term Focus … continued

- The Company expects to curtail 51% of its newsprint capacity, 14% of its specialty printing papers capacity, and 12% of its market pulp capacity in Q2, representing 29% of total capacity. Expected curtailment in Q2, 2010:

Q2, 2010 Production Curtailment (000 tonnes)	Specialty printing papers	Newsprint	Market pulp	Total
Crofton [1]	–	34.9	10.2	45.1
Elk Falls [1]	37.6	92.0	–	129.6
Total	37.6	126.9	10.2	174.7

(1) Curtailment includes market curtailment related to C1, E1, E2, and E5 which are indefinitely curtailed and one line of Crofton pulp production which the Company plans to restart in Q2.

- Decisions on more or less curtailment in Q2 and beyond will be made as required based on market conditions at the time, as well as availability of fibre.
- Increasing ONP prices will negatively affect manufacturing costs at the Snowflake mill, and could result in future production curtailment at that mill.

Financial Summary

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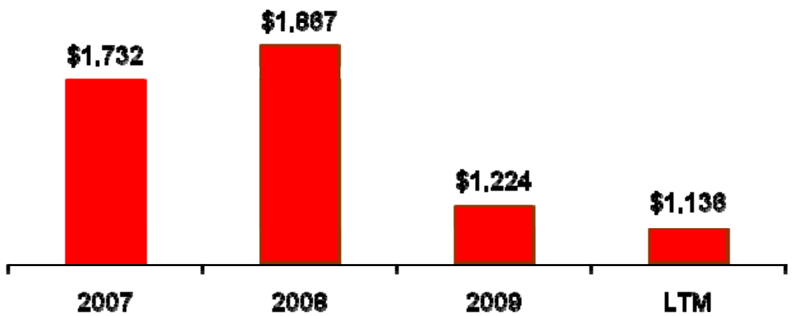
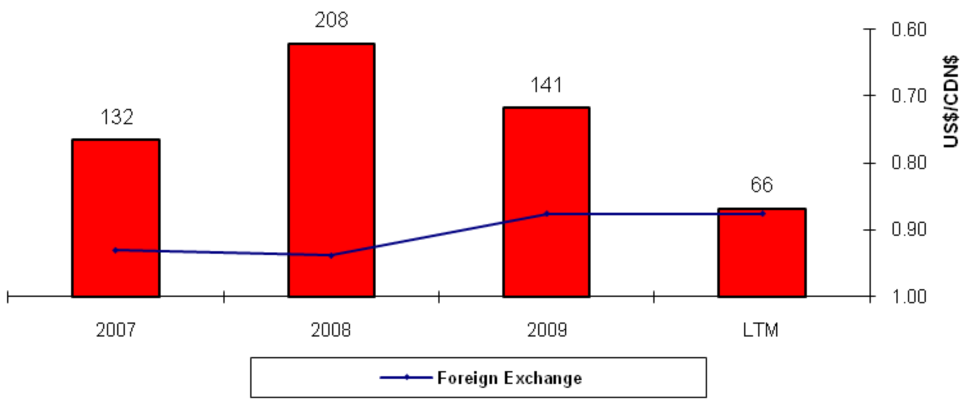
Summary of Historical Financials
($millions)

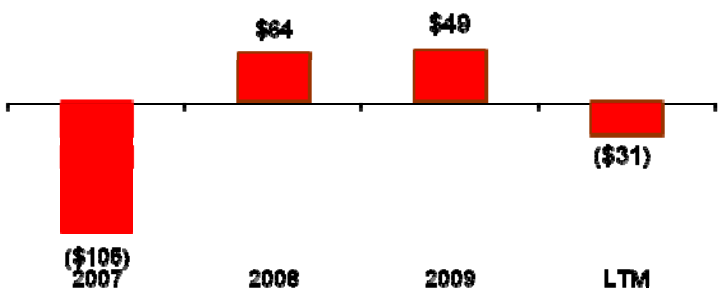
Sales



EBITDA before specific items



Free cash flow



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Summary of Financial Results

($millions, except per share amounts)	2009 Q2	2009 Q3	2009 Q4	**2010 Q1**	**LTM**
Sales	$ 300.7	$ 266.9	$ 295.0	**$ 273.3**	**$ 1,135.9**
Cost of sales and SG&A	274.1	241.0	279.5	**275.4**	**1,070.0**
EBITDA before specific items	$ 26.6	$ 25.9	$ 15.5	**$ (2.1)**	**$ 65.9**
Specific items:					
Restructuring costs	$ 12.3	$ –	$ 1.4	**$ 14.1**	**$ 27.8**
EBITDA	$ 14.3	$ 25.9	$ 14.1	**$ (16.2)**	**$ 38.1**
Average F/X spot rate (USD/CAD)	0.857	0.911	0.947	**0.961**	**0.919**

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Summary of Segmented Financial Information

($millions, except where otherwise stated)	2009 Q2	2009 Q3	2009 Q4	**2010 Q1**	**LTM**
Sales (000 MT)					
Specialty printing papers	215.6	232.9	239.0	**206.2**	**893.7**
Newsprint	131.0	113.5	118.3	**123.1**	**485.9**
Pulp	12.3	–	38.4	**54.9**	**105.6**
	358.9	346.4	395.7	**384.2**	**1,485.2**
Sales					
Specialty printing papers	$ 206.7	$ 205.3	$ 202.7	**$ 164.1**	**$ 778.8**
Newsprint	86.8	61.6	66.5	**69.5**	**284.4**
Pulp	7.2	–	25.8	**39.7**	**72.7**
	$ 300.7	$ 266.9	$ 295.0	**$ 273.3**	**$ 1,135.9**
EBITDA					
Specialty printing papers	$ 25.6	$ 36.3	$ 22.0	**$ 1.0**	**$ 84.9**
Newsprint	(10.5)	(8.3)	(9.6)	**(18.2)**	**(46.6)**
Pulp	(0.8)	(2.1)	1.7	**1.0**	**(0.2)**
	$ 14.3	$ 25.9	$ 14.1	**$ (16.2)**	**$ 38.1**
EBITDA before specific items					
Specialty printing papers	$ 35.4	$ 35.8	$ 22.4	**$ 5.8**	**$ 99.4**
Newsprint	(8.6)	(8.1)	(9.4)	**(9.7)**	**(35.8)**
Pulp	(0.2)	(1.8)	2.5	**1.8**	**2.3**
	$ 26.6	$ 25.9	$ 15.5	**$ (2.1)**	**$ 65.9**
Operating earnings (loss)					
Specialty printing papers	$ 2.8	$ 11.9	$ (1.4)	**$ (20.3)**	**$ (7.0)**
Newsprint	(22.4)	(18.3)	(38.2)	**(26.3)**	**(105.2)**
Pulp	(1.9)	(3.6)	(1.5)	**(2.3)**	**(9.3)**
	$ (21.5)	$ (10.0)	$ (41.1)	**$ (48.9)**	**$ (121.5)**

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Impact of Specific Items on Net Earnings (Loss) Attributable to the Company

($millions, except per share amounts)	2009 Q2	2009 Q3	2009 Q4	**2010 Q1**	**LTM**
Net earnings (loss) attributable to the Company as reported	$ (1.9)	$ 13.2	$ (35.8)	**$ (44.1)**	**$ (68.6)**
Specific items (after taxes):					
Foreign exchange loss (gain) on long-term debt	(32.2)	(33.0)	(9.5)	**(11.7)**	**(86.4)**
Impairment and loss on disposal	–	–	13.1	**–**	**13.1**
Restructuring costs	8.5	–	1.0	**10.1**	**19.6**
Notes exchange costs	–	–	1.5	**5.9**	**7.4**
Income tax adjustments	–	–	7.9	**2.2**	**10.1**
Net earnings (loss) attributable to the Company before specific items	(25.6)	(19.8)	(21.8)	**(37.6)**	**(104.8)**
Net earnings (loss) per share attributable to the Company's common shareholders before specific items	$ (0.06)	$ (0.05)	$ (0.06)	**$ (0.10)**	**$ (0.27)**

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Capitalization

($millions, except where otherwise stated)

Total debt	2009 Dec 31	**2010 Mar 31**
8.625% senior notes, due June 2011 (1)	$ 372	**$ 36**
7.375% senior notes, due March 2014 (2)	265	**257**
11.0% senior notes, due December 2016 (3)	–	**285**
Modification – difference in carrying value of 8.625% and 11.0% senior notes on exchange (4)	–	**40**
Revolving asset based loan	15	**25**
Capital lease obligation	11	**11**
Other non-recourse (PREI)	113	**114**
Total	$ 776	**$ 768**
Shareholders' equity attributable to the Company	814	**787**
Total capitalization attributable to the Company	$ 1,590	**$ 1,555**
Cash	$ 83	**$ 59**
Net debt ratio (5)	46%	**47%**

(1) US$36 million; 2009 - US$354 million

(2) US$250 million

(3) US$280 million; 2009 - $nil

(4) US$38 million; 2009 - $nil

(5) Net debt ratio equals net debt (i.e., total debt less cash), divided by net capitalization (i.e., shareholders' equity attributable to the Company less cash)

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Free Cash Flow

($millions)	2009 Q2	2009 Q3	2009 Q4	**2010 Q1**	**LTM**
Summarized cash flow					
EBITDA before specific items	$ 26.6	$ 25.9	$ 15.5	**$ (2.1)**	**$ 65.9**
Specific items	(12.3)	–	(1.4)	**(14.1)**	**(27.8)**
EBITDA	14.3	25.9	14.1	**(16.2)**	**38.1**
Cash interest paid, net	(15.5)	(15.9)	(15.9)	**(16.5)**	**(63.8)**
Capital expenditures	(2.2)	(1.0)	(4.7)	**(3.2)**	**(11.1)**
Cash taxes paid, net	(0.3)	0.3	(0.1)	**0.1**	**–**
Employee future benefits, net of funding	5.5	–	0.8	**(0.8)**	**5.5**
Free cash flow	$ 1.8	$ 9.3	$ (5.8)	**$ (36.6)**	**$ (31.3)**

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Liquidity

($millions)	2009			2010
	Q2	Q3	Q4	**Q1**
Borrowing base	$ 159.4	$ 151.5	$ 147.9	**$ 144.8**
Letters of credit	(24.8)	(24.2)	(24.1)	**(24.0)**
Net amount drawn	–	(25.0)	(14.5)	**(25.0)**
Minimum excess availability	(35.0)	(35.0)	(35.0)	**(35.0)**
Available to be drawn [(1), (2)]	$ 99.6	$ 67.3	$ 74.3	**$ 60.8**
Cash on hand	41.6	90.6	83.1	**58.7**
Total liquidity	$ 141.2	$ 157.9	$ 157.4	**$ 119.5**

(1) The Company's ABL Facility is subject to certain financial covenants as disclosed in the Company's interim consolidated financial statements for the three months ended March 31, 2010, in note 10, "Long-term debt."

(2) Under the terms of the ABL Facility, various reserves may be deducted from the borrowing base. The borrowing base at March 31, 2010 includes a reserve of $14.9 million for unpaid property taxes and associated penalties. A reserve in respect of vacation pay obligations, which as at March 31, 2010 amounted to $22.1 million, may only be imposed if Excess Availability, as defined in the ABL Facility, is below a threshold of $75 million. Excess Availability under this definition was $80.8 million at March 31, 2010, as disclosed in the Company's interim consolidated financial statements for the three months ended March 31, 2010, in note 10, "Long-term debt".

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EBITDA Sensitivities

($millions)	EBITDA
Impact of US$10/t change [1], [2]	
Specialty printing papers	$ 9
Newsprint	5
Pulp	2
	$ 16
Impact of $0.01 change in US$ [3]	$ 5
Impact of 5% change in price of: [1], [4]	
Natural gas and oil – direct purchases	$ 1
Electricity – direct purchases	5
Coal	1
Impact of US$5/unit change [1], [4]	
Wood chips (Bdt)	$ 7
ONP (ST)	2

(1) Based on a foreign exchange rate of US$0.96.
(2) Based on sales of Q1 2010 annualized production.
(3) Based on Q1 2010 annualized net cash flows and a foreign exchange movement to US$0.97 from US$0.96 and excluding the Company's hedging program and the impact of the Company's translation of US. dollar denominated debt.
(4) Based on annualized Q1 2010 consumption levels.

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