



Second Quarter 2008 Earnings Presentation

Presented by:

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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, capital expenditures, 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 Q2 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



- Q2 Overview
- Outlook and Near-Term Focus
- Q2 Financial Summary

Financial Overview

	2007		2008		LTM
	Q3	Q4	Q1	Q2	
<i>(\$millions, except per share amounts)</i>					
Sales	\$ 413.7	\$ 381.0	\$ 399.5	\$ 452.9	\$ 1,647.1
EBITDA	\$ (0.3)	\$ 15.1	\$ 12.1	\$ 29.5	\$ 56.4
Restructuring and change-of-control costs	24.4	2.0	14.6	1.2	42.2
Impact of USW strike	13.3	11.7	—	—	25.0
EBITDA before specific items	\$ 37.4	\$ 28.8	\$ 26.7	\$ 30.7	\$ 123.6
<i>EBITDA margin before specific items</i>	8.5%	6.6%	6.7%	6.8%	7.5%
Net earnings (loss)	\$ (18.6)	\$ 12.4	\$ (37.4)	\$ (124.3)	\$ (167.9)
Net loss before specific items	\$ (16.9)	\$ (20.9)	\$ (21.8)	\$ (22.7)	\$ (82.3)
<i>Net loss per share before specific items</i>	\$ (0.08)	\$ (0.10)	\$ (0.10)	\$ (0.06)	\$ (0.33)

Q2 2008 Overview

- Positive pricing momentum in paper products continued in Q2 but ongoing fibre shortages impacted production.
- Q2, 2008 EBITDA before specific items of \$30.7 million improved \$4.0 million compared to \$26.7 million in Q1, 2008.
- After-tax impairment charge of \$101.0 million recorded relating to the Elk Falls pulp and white top linerboard operation, which is to be closed permanently in November 2008.
- Net loss before specific items of \$22.7 million in Q2, 2008 compared to \$21.8 million in Q1, 2008.
- Completed acquisition of Snowflake, Arizona recycled newsprint mill:
 - Cash consideration of \$169.5 million, including working capital adjustments and transaction costs.
 - Financed through a combination of \$125 million rights offering and a draw on the Company's revolving credit facility.
 - Snowflake had negligible impact on EBITDA in Q2 due to extensive production downtime for capital upgrade and maintenance work.

Q2 2008 Overview ... continued

- Announced the indefinite curtailment of Elk Falls paper machine #1 due to fibre shortage and higher costs:
 - Manning reduction of approximately 145 employees, majority through layoffs
 - Removes approximately 38,500 tonnes of newsprint production per quarter (machine has been idled since September 2007)
- Announced manning reductions of 82 employees at Crofton to improve cost structure.
- Restart of Port Alberni paper machine #4 in May contributed approximately 16,200 tonnes of newsprint production in Q2 (134,000 tonnes on an annualized run rate basis).
- Subsequent to Q2, announced the permanent closure of the sawdust pulp and white top linerboard operations at Elk Falls mill effective November 30, 2008.
 - Will remove 200,000 tonnes of annual sawdust pulp and 131,000 tonnes of annual containerboard capacity.
 - Approximately 440 employees will be impacted with severance costs to not exceed \$21 million.

EBITDA Reconciliation

Q2 2008 vs. Q1 2008

(\$millions)

	EBITDA
Q1 2008 EBITDA	\$ 12.1
Restructuring	14.6
Q1 2008 EBITDA before specific items	\$ 26.7
Paper prices	11.7
Pulp prices	2.5
Impact of CDN\$ on sales, net of hedging	(7.7)
Production volume and mix (including Snowflake)	14.9
Fibre mix and costs	0.9
Labour costs	3.4
Maintenance	(4.6)
Other fixed costs (including Snowflake)	(14.4)
Other, net	(2.7)
Q2 2008 EBITDA before specific items	\$ 30.7
Restructuring costs	(1.2)
Q2 2008 EBITDA	\$ 29.5

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 US\$20/20/20/mt	November 1, 2007 Jan/Feb/March 2008 Apr/May/June 2008 July/Aug/Sept 2008	Increases implemented as announced to date. July increase in process.
Directory <i>352,000 tonnes/Catalyst</i>	Nominal US\$60/st	January 1, 2008 July 1, 2008	Contracted volume in 2008. Prices flat to up slightly in 2008 vs. 2007. July increase on spot sales only.
Coated Mechanical <i>231,000 tonnes/Ecote</i>	US\$60/60/60/st US\$60/st US\$60/st	Jul/Oct/Dec 2007 April 1, 2008 July 1, 2008	\$180/st in place in January, 2008. April increase largely implemented during Q2. July increase in process.
SC (Uncoated Mechanical) <i>310,000 tonnes/Eprime, Ecal, Esoft</i>	US\$60/st US\$60/st US\$60/st	Dec 1, 2007 April 1, 2008 July 1, 2008	December increase largely implemented. April increase largely implemented, subject to contracts. July increase in process.
Super-brights (Uncoated Mechanical) <i>80,000 tonnes/Estar</i>	US\$60/st	April 1, 2008	Increase partially implemented.
Standard High Brights (Uncoated Mechanical) <i>150,000 tonnes/Ebrite</i>	US\$60/st US\$60/st US\$60/st	January 1, 2008 April 1, 2008 July 1, 2008	January increase partially implemented. April increase partially implemented. July 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 US\$20/mt in Western Europe	Nov 07/Dec 07 Dec 07 Dec 07 April 2008	April increase implemented
White Top Linerboard <i>131,000 tonnes</i>	US\$55/st	July 1, 2008	July increase in process.

Outlook and Near-Term Focus

- Further price increases announced for most paper products effective for July 1.
- Despite potentially challenging demand conditions, tight market supply expected to support Q3 price increases.
- Improved EBITDA contribution expected from Snowflake operations for the balance of the year.
- Currency, general cost inflation, and ongoing fibre shortages continue as challenges.
- Expected fibre shortage impact for the balance of the year:
 - Elk Falls pulp mill expected to curtail approximately 68,000 tonnes of pulp and white top linerboard production in Q3 and Q4.
 - Crofton pulp operation expected to curtail approximately 20,000 tonnes in Q4.
 - E1 newsprint machine at Elk Falls to remain curtailed.

Outlook and Near-Term Focus

Labour Negotiation

- Collective agreements with the CEP and PPWC unions expired in April 2008 and ongoing discussions are taking place at the local level.
- At this time, the Company is not anticipating a work stoppage will result from 2008 labour negotiations.

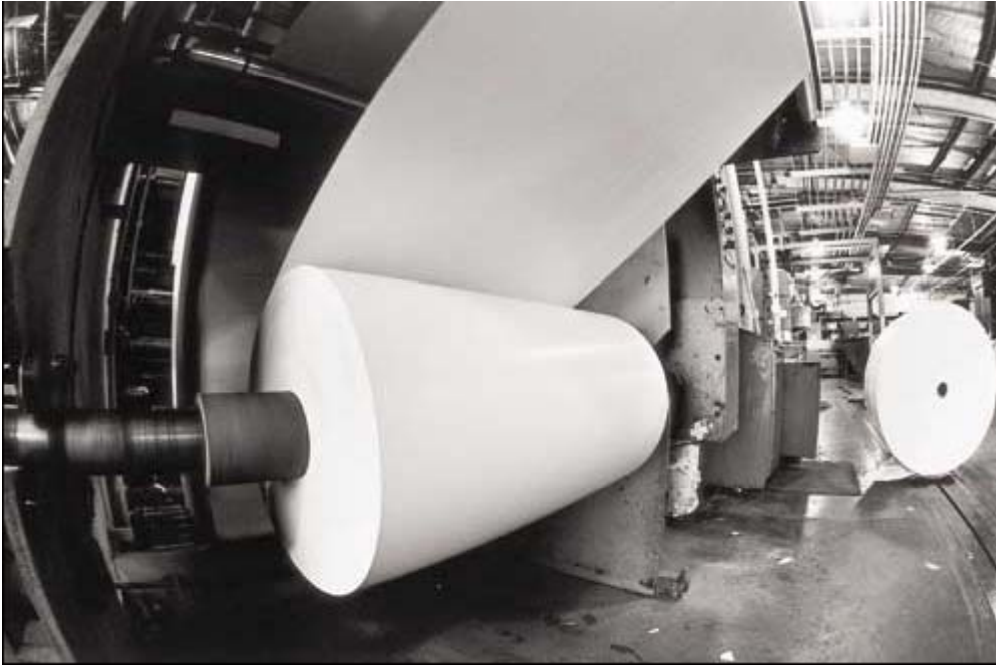
Capital Spending

- 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	Decrease	Flat	Contract prices in place for upcoming year.
Coated Mechanical 231,000 tonnes	Decrease	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	Flat	Steady demand in China is expected to be offset by weaker demand from markets in the U.S. and Europe.
White Top Linerboard 131,000 tonnes	Stable	Increase	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
	Q3	Q4	Q1	Q2	
Sales	\$ 413.7	\$ 381.0	\$ 399.5	\$ 452.9	\$ 1,647.1
Cost of sales and SG&A	376.3	352.2	372.8	422.2	1,523.5
EBITDA before specific items	37.4	28.8	26.7	30.7	123.6
Specific items:					
Restructuring costs	24.1	1.4	14.6	1.2	41.3
Change-of-control costs	0.3	0.6	–	–	0.9
USW strike impact	13.3	11.7	–	–	25.0
	37.7	13.7	14.6	1.2	67.2
EBITDA	\$ (0.3)	\$ 15.1	\$ 12.1	\$ 29.5	\$ 56.4
Average F/X spot rate (USD/CAD)	0.957	1.019	0.996	0.990	0.990

Summary of Segmented Financial Information

(\$millions, except where otherwise stated)

	2007		2008		LTM
	Q3	Q4	Q1	Q2	
Sales (000 MT)					
Specialty printing papers	261.1	279.3	268.5	267.4	1,076.3
Newsprint	119.8	70.7	81.8	170.8	443.1
Pulp	151.8	136.1	145.4	130.0	563.3
	<u>532.7</u>	<u>486.1</u>	<u>495.7</u>	<u>568.2</u>	<u>2,082.7</u>
Sales					
Specialty printing papers	\$ 222.1	\$ 234.3	\$ 235.0	\$ 235.3	\$ 926.7
Newsprint	77.8	44.2	53.7	118.3	294.0
Pulp	113.8	102.5	110.8	99.3	426.4
	<u>\$ 413.7</u>	<u>\$ 381.0</u>	<u>\$ 399.5</u>	<u>\$ 452.9</u>	<u>\$ 1,647.1</u>
EBITDA					
Specialty printing papers	\$ 0.0	\$ 12.5	\$ 14.5	\$ 25.6	\$ 52.6
Newsprint	(8.1)	(8.3)	(4.8)	3.0	(18.2)
Pulp	7.8	10.9	2.4	0.9	22.0
	<u>\$ (0.3)</u>	<u>\$ 15.1</u>	<u>\$ 12.1</u>	<u>\$ 29.5</u>	<u>\$ 56.4</u>
EBITDA before specific items					
Specialty printing papers	\$ 17.6	\$ 16.1	\$ 25.5	\$ 26.1	\$ 85.3
Newsprint	(0.4)	(4.4)	(1.2)	3.5	(2.5)
Pulp	20.2	17.1	2.4	1.1	40.8
	<u>\$ 37.4</u>	<u>\$ 28.8</u>	<u>\$ 26.7</u>	<u>\$ 30.7</u>	<u>\$ 123.6</u>
Operating Earnings (Loss)					
Specialty printing papers	\$ (26.3)	\$ (13.5)	\$ (10.0)	\$ (0.2)	\$ (50.0)
Newsprint	(15.6)	(14.5)	(12.0)	(6.9)	(49.0)
Pulp	(2.4)	0.3	(7.6)	(146.2)	(155.9)
	<u>\$ (44.3)</u>	<u>\$ (27.7)</u>	<u>\$ (29.6)</u>	<u>\$ (153.3)</u>	<u>\$ (254.9)</u>

Impact of Specific Items on Net Earnings (Loss)

(\$millions, except per share amounts)

	2007		2008		LTM
	Q3	Q4	Q1	Q2	
Net earnings (loss) as reported	\$ (18.6)	\$ 12.4	\$ (37.4)	\$ (124.3)	\$ (167.9)
Specific items (after taxes):					
Foreign exchange loss (gain) on long-term debt	(28.1)	(7.4)	14.1	1.0	(20.4)
Impairment and loss on disposal	4.9	—	—	101.0	105.9
Restructuring and change-of-control	16.1	1.4	10.1	0.8	28.4
USW strike impact	8.8	7.7	—	—	16.5
Termination fee on closure of corrugating machine	—	—	—	(1.2)	(1.2)
Income tax adjustments	—	(35.0)	(8.6)	—	(43.6)
Net earnings (loss) before specific items	(16.9)	(20.9)	(21.8)	(22.7)	(82.3)
Net earnings (loss) per share before specific items	\$ (0.08)	\$ (0.10)	\$ (0.10)	\$ (0.06)	\$ (0.33)

Capitalization

(\$millions, except where otherwise stated)

	2007 Dec 31	2008 June 30
Total debt		
Senior Notes ⁽¹⁾	\$ 389	\$ 402
Senior Notes ⁽²⁾	247	255
Revolving operating facility	47	93
Capital lease obligation	9	13
Other non-recourse (PREI)	94	94
Total	\$ 786	\$ 857
Shareholders' equity	989	935
Total capitalization	\$ 1,775	\$ 1,792
Cash	\$ —	\$ —
Funded debt ratio	44%	48%
Net debt ratio ⁽³⁾	44%	48%

⁽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
	Q3	Q4	Q1	Q2	
Summarized cash flow					
EBITDA before specific items	\$ 37.4	\$ 28.8	\$ 26.7	\$ 30.7	\$ 123.6
Specific items	(37.7)	(13.7)	(14.6)	(1.2)	(67.2)
EBITDA	(0.3)	15.1	12.1	29.5	56.4
Interest expense	(17.9)	(15.1)	(17.4)	(17.1)	(67.5)
Capital spending	(25.0)	(17.5)	(5.5)	(10.8)	(58.8)
Cash taxes paid, net	0.2	0.1	(0.8)	0.3	(0.2)
	(43.0)	(17.4)	(11.6)	1.9	(70.1)
Changes in non-cash working capital	(15.8)	30.4	(24.5)	25.1	15.2
Acquisition of Snowflake	–	–	–	(169.5)	(169.5)
Issuance of shares	–	–	–	121.1	121.1
Investing/financing activities and other	1.1	6.6	14.7	(2.7)	19.7
Cash flow before debt	\$ (57.7)	\$ 19.6	\$ (21.4)	\$ (24.1)	\$ (83.6)

Revolver Operating Facility

(\$millions)	2007		2008	
	Q3	Q4	Q1	Q2
Borrowing base	\$ 326.9	\$ 309.0	\$ 311.3	\$ 319.0
Letters of credit	20.7	20.7	20.6	24.1
Net amount drawn	67.1	47.5	69.4	93.5
Available to be drawn	\$ 239.1	\$ 240.8	\$ 221.3	\$ 201.4

- Decrease of \$19.9 million in available liquidity in Q2, 2008
 - Increase in drawings on the revolver primarily a result of partial financing of the Snowflake acquisition, offset by positive cash flow from operations.

EBITDA Sensitivities

(\$millions)	EBITDA	
Impact of US\$10/t change ^{(1), (3)}		
Specialty printing papers	\$	12
Newsprint		10
Pulp		6
		6
	\$	28
Impact of \$0.01 change in US\$ ⁽²⁾	\$	11
Impact of 5% change in price of: ⁽⁴⁾		
Natural Gas and Oil – direct purchases	\$	3
Electricity – direct purchases	\$	7
Coal	\$	1
Impact of US\$5/unit change ^{(1), (4)}		
Wood chips and sawdust (Bdt)	\$	12
ONP (ST)	\$	3

⁽¹⁾ Based on f/x rate of US\$1.00 to CAD\$1.00

⁽²⁾ Based on movement from US\$1.00 to US\$1.01 and excludes impact of hedging program

⁽³⁾ Based on full 2008 capacities.

⁽⁴⁾ Based on LTM to June 30, 2008 consumption levels.