Catalyst

Fourth 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 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, fluctuations in foreign exchange rates, liquidity, availability of fibre supplies, fluctuations in availability and cost of raw materials and energy, declines in advertising and circulation, refinancing of Powell River Energy Inc.'s non-recourse debt, 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 2008 Annual Report, including our management discussion and analysis.

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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 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) 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).

"Free cash flow" is a non-GAAP measure, calculated as cash available from operations after capital expenditures, interest and income tax payments, but before acquisitions, proceeds from rights offering and divested assets, and changes in working capital items. 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.

Outline of Presentation

- Q4 Overview
- Outlook and Near-Term Focus
- Q4 Financial Summary

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Financial Overview

($millions, except per share amounts)	2007 Total	2008 Q1	2008 Q2	2008 Q3	**2008 Q4**	**2008 Total**
Sales	$ 1,714.6	$ 399.5	$ 452.9	$ 504.8	**$ 492.2**	**$1,849.4**
EBITDA	$ 27.0	$ 12.1	$ 29.5	$ 53.1	**$ 64.7**	**$ 159.4**
Restructuring and change-of-control costs	64.7	14.6	1.2	13.1	**1.2**	**30.1**
Impact of USW strike	25.0	–	–	–	**–**	**–**
EBITDA before specific items	$ 116.7	$ 26.7	$ 30.7	$ 66.2	**$ 65.9**	**$ 189.5**
EBITDA margin before specific items	*6.5%*	*6.7%*	*6.8%*	*13.1%*	***13.4%***	***10.2%***
Net earnings (loss)	$ (31.6)	$ (37.4)	$ (124.3)	$ (10.9)	**$ (48.5)**	**$ (221.1)**
Net earnings (loss) before specific items	$ (89.3)	$ (21.8)	$ (22.7)	$ 7.2	**$ 9.3**	**$ (28.0)**
Net earnings (loss) per share before specific items	$ (0.42)	$ (0.10)	$ (0.06)	$ 0.02	**$ 0.02**	**$ (0.08)**

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Q4 2008 Overview

- Global economic environment rapidly deteriorated in Q4, 2008 affecting many of the Company's key performance drivers.
- Weaker demand led to significantly increased production curtailment, lower pulp prices, and stalled momentum on paper prices.
- Drop in pulp prices was significant. The Company was required to write down pulp-related inventories by a further $9.9 million in Q4 to reflect net realizable value.
- Only significant offset in Q4 to these negative factors was the rapid weakening of the Canadian dollar, which benefited the Company's revenue.
- Lumber markets impacted by very weak U.S. housing market resulting in significantly reduced sawmill activity. This led to the closure of the Elk Falls sawdust pulp and white top linerboard operation in November 2008, due to unavailability of sawdust fibre.
- Q4, 2008 EBITDA before specific items of $65.9 million was in line with $66.2 million in Q3, 2008.
- Net earnings before specific items of $9.3 million in Q4, 2008 compared to net earnings before specific items of $7.2 million in Q3, 2008.

Q4 2008 Overview … continued

- The following table summarizes pulp and paper production curtailment in Q4, 2008:

2008 – Q4 Production Curtailment (tonnes)	Paper		Pulp	Total
	Newsprint	Specialty printing papers	Pulp and white top linerboard	
Snowflake	15.4	-	-	15.4
Port Alberni	-	9.3	-	9.3
Crofton	9.3	3.6	8.0	20.9
Powell River	5.9	12.5	-	18.4
Elk Falls	42.1 [1]	2.1	62.5 [2]	106.7
Total	72.7	27.5	70.5	170.7

1 Curtailment includes 38,250 tonnes related to E1 which is indefinitely curtailed due to the decline in market demand for newsprint.
2 Includes impact on production due to the closure of the Elk Falls sawdust pulp mill and white top linerboard operation in November 2008 (39,200 tonnes in Q4 from date of permanent closure to year-end).

Q4, 2008 production curtailment of 170,700 tonnes increased compared to curtailment of 70,200 tonnes in Q3, 2008 and enabled the Company to manage its paper inventory to an appropriate level.

- Reached an agreement on the renewal of the collective agreements with union locals at Crofton, Elk Falls and Powell River. Agreements have a four-year term to 2012 and include a commitment to complete plans that will assist in reaching a target of an $80 per tonne labour-cost structure at each mill.

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EBITDA Reconciliation
Q4 2008 vs. Q3 2008

Q3 2008 EBITDA	**$**	**53.1**
Restructuring costs		13.1
Q3 2008 EBITDA before specific items	**$**	**66.2**
Paper prices		2.4
Pulp prices		(11.6)
Impact of CDN$ on sales, inclusive of hedging [2]		47.0
Production volume and mix		(26.2)
Distribution costs		(3.5)
Maintenance		(3.9)
Lower of cost or market write-down in inventories		(9.9)
Other, net		5.4
Q4 2008 EBITDA before specific items	**$**	65.9
Restructuring costs		(1.2)
Q4 2008 EBITDA	**$**	**64.7**

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 positive $28 million.

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EBITDA Reconciliation
2008 vs. 2007

($millions)	EBITDA [1]	EBITDA Before Specific Items [1,3]
2007 EBITDA	**$ 27.0**	**$ 116.7**
Paper prices	126.7	126.7
Pulp prices	18.6	18.6
Impact of CDN$ on sales, inclusive of hedging [2]	(55.4)	(55.4)
Production volume and mix (including Snowflake)	10.2	(21.1)
Distribution costs	(14.2)	(14.2)
Fibre mix and costs	(7.6)	(9.9)
Chemical costs	(6.2)	(6.2)
Fuel mix and costs	(13.4)	(16.4)
Labour costs	49.2	56.1
Maintenance	20.0	22.4
Other fixed costs (including Snowflake)	(32.2)	(29.7)
Lower of cost or market write-down of inventories	(5.9)	(5.9)
Restructuring costs	34.6	-
Other, net	8.0	7.8
2008 EBITDA	**$ 159.4**	**$ 189.5**

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 negative $39 million.
3 Specific items in 2007 included the impact of the USW strike of $25.0 million. This impact has been attributed to the relevant line items in the reconciliation above.

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Outlook and Near-Term Focus

- North American and global economic recession is expected to negatively affect business conditions.
- Demand for the Company's products expected to be down in 2009 due to lower print advertising and lower newspaper circulation.
- Fibre supply is expected to remain under pressure, which along with weak market demand could lead to further pulp and paper production curtailment during the year beyond that already announced for Q1, 2009.
- On January 20, 2009, the Company announced it will indefinitely curtail the No. 1 paper machine at Crofton effective February 1, 2009 until market conditions improve.
- Weak demand is expected to lead to significant downward pressure on product prices.
- Weaker Canadian dollar and lower energy costs are expected to be positive factors but may not completely offset the challenges of volume and price in 2009.

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Outlook and Near-Term Focus

- Expected curtailment in Q1, 2009:

2009 – Q1 Production Curtailment (tonnes)	Newsprint[(1)]	Pulp	Total
Snowflake (Jan/Feb/Mar)	20.0	–	20.0
Crofton (Jan/Feb/Mar)	22.0	38.0	60.0
Elk Falls (Jan/Feb/Mar)	51.0	–	51.0
Total	93.0	38.0	131.0

(1) Curtailment includes market curtailment related to E1 and C1 which are indefinitely curtailed (61,600 tonnes in Q1).

- In addition to the above announced curtailment, a further 30,000-35,000 tonnes may be required in Q1 to maintain inventory at an appropriate level.
- Decisions on additional production curtailment for subsequent periods will be taken as required based on management's view of the market at the time.
- Capital spending is expected to remain at basic maintenance levels of approximately $45 million in 2009.

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Outlook on Liquidity, Maturities and Covenants

Liquidity

- The Company believes its liquidity as at December 31, 2008 is sufficient to meet its requirements in 2009.
- Significant sources or uses of cash in 2009 are not anticipated other than the results of the Company’s operations, working capital fluctuations, any restructuring costs incurred to implement cost reduction opportunities, and interest and capital expenditures which are expected to be comparable to 2008.
- Cash contribution for defined benefit plans in each of 2009 and 2010 will be approximately $7 million lower than 2008.

Maturities

- The earliest maturity on the Company’s recourse debt is in 2011. The Company’s ABL Facility has a term to August 2013.
- Non-recouse debt of $74.9 million maturing in July 2009 is expected to be refinanced. This debt relates to the Company’s 50% interest in Powell River Energy Inc. (“PREI”) and to the extent that PREI is not able to refinance prior to maturity, the Company would likely contribute its 50% share of the debt repayment ($37.5 million).

Covenants

- Principal financial covenants on the Company’s ABL are (a) maintaining minimum shareholder’s equity of $639 million as at December 31, 2008, (b) maintaining minimum availability of $35 million, and (c) restricting capital expenditures to 120% of the annual operating budget. The Company anticipates being able to meet these financial covenants during 2009 and does not have any significant maintenance covenants attached to its other long-term debt.

Key Priorities in 2009

- The Company is focused on improving its cost base and market position and on the ability to emerge from the current market downturn in a strong competitive position in the industry. Key priorities in 2009 are:

  ⇒ focus on cash flows and liquidity through the prudent use of capital, including limiting capital expenditures to basic maintenance of business levels and refinancing the 2009 debt maturity of PREI;

  ⇒ maintain the Company's focus on matching production to customer orders and keep inventories at appropriate levels;

  ⇒ identify further opportunities to reduce "fixed" costs during periods of production curtailment to minimize the financial impact of operating at reduced volumes;

  ⇒ finalize and implement plans to reduce labour costs to $80 per tonne at Crofton, Elk Falls and Powell River mills; and

  ⇒ reduce municipal property taxes in the four municipalities in B.C. that the Company operates in from the current combined level of $23 million.

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Financial Summary

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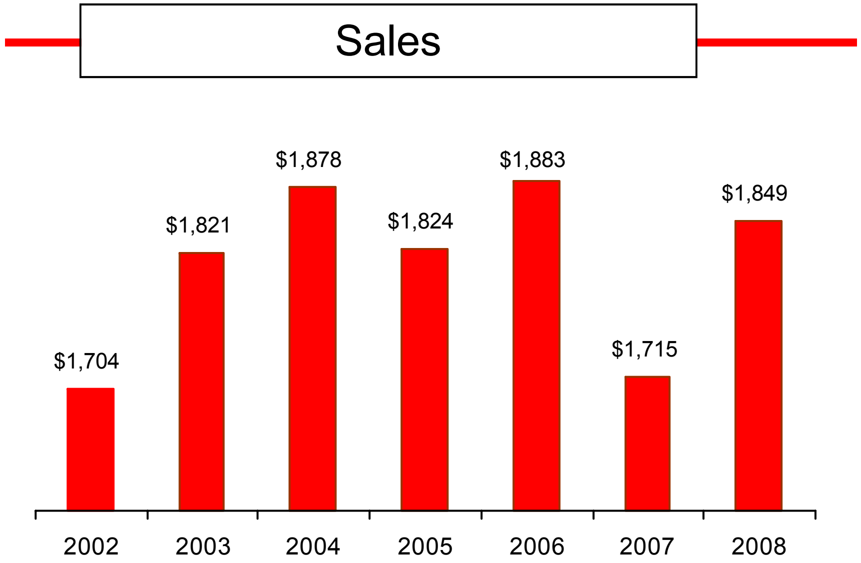
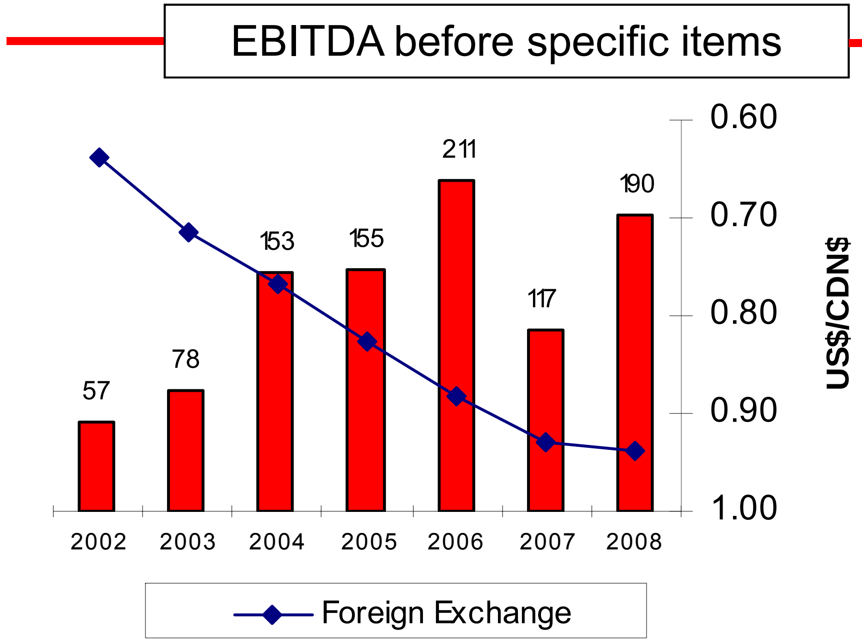
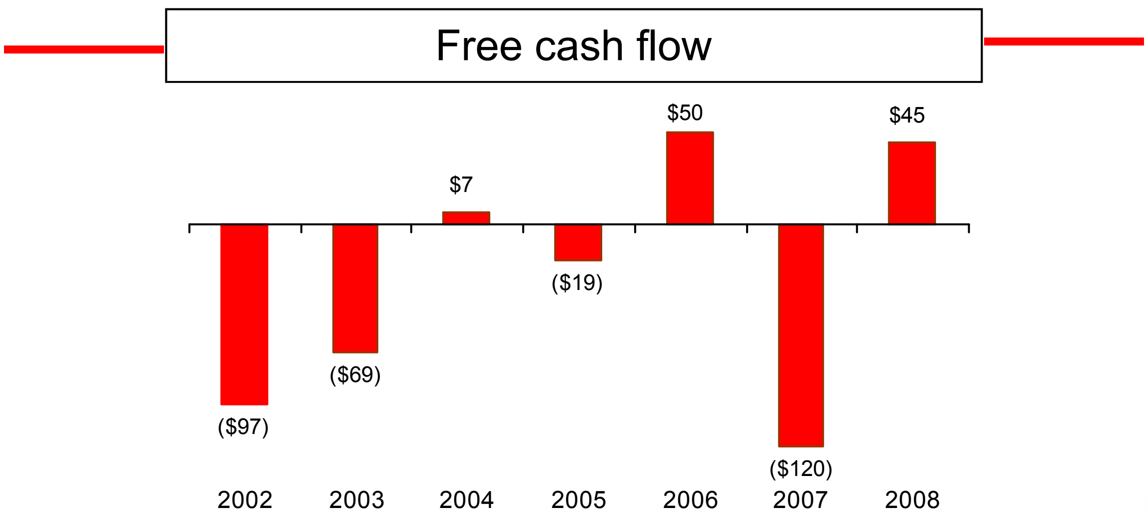
Summary of Historical Financials
($millions)







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Summary of Financial Results

($millions, except F/X rates)	2007 Total	2008 Q1	2008 Q2	2008 Q3	2008 **Q4**	**2008 Total**
Sales	$ 1,714.6	$ 399.5	$ 452.9	$ 504.8	**$ 492.2**	**$ 1,849.4**
Cost of sales and SG&A	1,597.9	372.8	422.2	438.6	**426.3**	**1,659.9**
EBITDA before specific items	116.7	26.7	30.7	66.2	**65.9**	**189.5**
Specific items:						
Restructuring costs	55.3	14.6	1.2	13.1	**1.2**	**30.1**
Change-of-control costs	9.4	–	–	–	**–**	**–**
USW strike impact	25.0	–	–	–	**–**	**–**
	89.7	14.6	1.2	13.1	**1.2**	**30.1**
EBITDA	$ 27.0	$ 12.1	$ 29.5	$ 53.1	**$ 64.7**	**$ 159.4**
Average F/X spot rate (USD/CAD)	0.930	0.996	0.990	0.961	**0.825**	**0.938**

Summary of Segmented Financial Information

($millions, except where otherwise stated)	2007 Total	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2008 Total
Sales (000 MT)						
Specialty printing papers	1,054.8	268.5	267.4	268.7	**276.2**	**1,080.8**
Newsprint	496.3	81.8	170.8	189.0	**160.2**	**601.8**
Pulp	603.2	145.4	130.0	138.0	**93.5**	**506.9**
	2,154.3	495.7	568.2	595.7	**529.9**	**2,189.5**
Sales						
Specialty printing papers	$ 919.6	$ 235.0	$ 235.3	$ 248.7	**$ 281.9**	**$ 1,000.9**
Newsprint	338.0	53.7	118.3	148.9	**143.0**	**463.9**
Pulp	457.0	110.8	99.3	107.2	**67.3**	**384.6**
	$ 1,714.6	$ 399.5	$ 452.9	$ 504.8	**$ 492.2**	**$ 1,849.4**
EBITDA						
Specialty printing papers	$ 26.2	$ 14.5	$ 25.6	$ 40.5	**$ 58.9**	**$ 139.5**
Newsprint	(23.7)	(4.8)	3.0	21.5	**23.6**	**43.3**
Pulp	24.5	2.4	0.9	(8.9)	**(17.8)**	**(23.4)**
	$ 27.0	$ 12.1	$ 29.5	$ 53.1	**$ 64.7**	**$ 159.4**
EBITDA before specific items						
Specialty printing papers	$ 73.4	$ 25.5	$ 26.1	$ 40.6	**$ 57.9**	**$ 150.1**
Newsprint	(4.4)	(1.2)	3.5	21.6	**23.5**	**47.4**
Pulp	47.7	2.4	1.1	4.0	**(15.5)**	**(8.0)**
	$ 116.7	$ 26.7	$ 30.7	$ 66.2	**$ 65.9**	**$ 189.5**
Operating earnings (loss)						
Specialty printing papers	$ (75.1)	$ (10.0)	$ (0.2)	$ 14.6	**$ 22.6**	**$ 27.0**
Newsprint	(56.9)	(12.0)	(6.9)	11.9	**10.6**	**3.6**
Pulp	(17.4)	(7.6)	(146.2)	(12.5)	**(21.7)**	**(188.0)**
	$ (149.4)	$ (29.6)	$ (153.3)	$ 14.0	**$ 11.5**	**$ (157.4)**

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Impact of Specific Items on Net Earnings (Loss)

($millions, except per share amounts)	2007 Total	2008 Q1	2008 Q2	2008 Q3	**2008 Q4**	**2008 Total**
Net earnings (loss) as reported	$ (31.6)	$ (37.4)	$ (124.3)	$ (10.9)	**$ (48.5)**	**$ (221.1)**
Specific items (after taxes):						
Foreign exchange loss (gain) on long-term debt	(86.2)	14.1	1.0	9.1	**45.2**	**69.4**
Impairment and loss on disposal	4.9	–	101.0	–	**10.0**	**111.0**
Restructuring and change-of-control costs	42.7	10.1	0.8	9.0	**0.9**	**20.8**
USW strike impact	16.5	–	–	–	**–**	**–**
Financing related fees	0.8	–	–	–	**–**	**–**
Termination fee on closure of corrugating machine	–	–	(1.2)	–	**–**	**(1.2)**
Income tax adjustments	(36.4)	(8.6)	–	–	**1.7**	**(6.9)**
Net earnings (loss) before specific items	(89.3)	(21.8)	(22.7)	7.2	**9.3**	**(28.0)**
Net earnings (loss) per share before specific items	$ (0.42)	$ (0.10)	$ (0.06)	$ 0.02	**$ 0.02**	**$ (0.08)**

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Capitalization

($millions, except where otherwise stated)

Total debt	2007 Dec 31	2008 Dec 31
Senior Notes [1]	$ 389	**$ 485**
Senior Notes [2]	247	**307**
Revolving Operating Facility [3]	47	**–**
Revolving Asset Based Loan [3]	–	**60**
Capital lease obligation	9	**12**
Other non-recourse (PREI)	94	**95**
Total	$ 786	**$ 959**
Shareholders' equity	989	**870**
Total capitalization	$ 1,775	**$ 1,829**
Cash	$ –	**$ 5**
Net debt ratio [4]	44%	**52%**

(1) 8.625% notes, due June 2011 (US$400 million)
(2) 7.375% notes, due March 2014 (US$250 million)
(3) Company's previous revolving operating facility replaced by asset based loan facility during Q3, 2008.
(4) Net debt ratio equals net debt (i.e. total debt less cash), divided by net capitalization

Free Cash Flow

($millions)	2007 Total	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2008 Total
Summarized cash flow						
EBITDA before specific items	$ 116.7	$ 26.7	$ 30.7	$ 66.2	**$ 65.9**	**$ 189.5**
Specific items	(89.7)	(14.6)	(1.2)	(13.1)	**(1.2)**	**(30.1)**
EBITDA	27.0	12.1	29.5	53.1	**64.7**	**159.4**
Cash interest paid, net	(67.8)	(17.4)	(17.1)	(18.8)	**(21.1)**	**(74.4)**
Capital spending	(85.8)	(5.5)	(10.8)	(12.1)	**(13.5)**	**(41.9)**
Cash taxes paid, net	(0.5)	(0.8)	0.3	0.4	**(0.7)**	**(0.8)**
Employee future benefits, net of funding	6.7	6.8	(0.7)	–	**(3.2)**	**2.9**
Free cash flow	$ (120.4)	$ (4.8)	$ 1.2	$ 22.6	**$ 26.2**	**$ 45.2**

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Liquidity

($millions)	2007	2008			
	Q4	Q1	Q2	Q3	**Q4**
Borrowing base	$ 309.0	$ 311.3	$ 319.0	$ 304.1	**$ 263.3**
Letters of credit	(20.7)	(20.6)	(24.1)	(24.5)	**(27.9)**
Net amount drawn	(47.5)	(69.4)	(93.5)	(113.5)	**(60.1)**
Available to be drawn [(1), (2)]	$ 240.8	$ 221.3	$ 201.4	$ 166.1	**$ 175.3**
Cash on hand	–	–	–	6.2	**5.0**
Total liquidity	$ 240.8	$ 221.3	$ 201.4	$ 172.3	**$ 180.3**

(1) Availability effective Q3, 2008 relates to the Company's $330 million ABL Facility and availability for prior quarters relates to the previous $350 million revolving operating facility.

(2) For details related to financial covenants and covenant compliance, refer to note 18 of the Company's Consolidated Financial Statements for the year ended December 31, 2008.

- Increase of $8.0 million in available liquidity in Q4, 2008
  - Increase primarily reflects positive cash flow from operations of $57.6 million in Q4, 2008 offset by a lower borrowing base as a result of higher curtailment in Q4, 2008.

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EBITDA Sensitivities

($millions)	EBITDA
Impact of US$10/t change [(1), (3)]	
Specialty printing papers	$ 14
Newsprint	12
Pulp	4
	$ 30
Impact of $0.01 change in US$ [(2)]	$ 13
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 (Bdt)	$ 10
ONP (ST)	$ 3

(1) *Based on f/x rate of US$0.82*
(2) *Based on movement from US$0.82 to US$0.83 and excludes impact of hedging program*
(3) *Based on full 2009 capacities.*
(4) *Based on 2008 consumption levels.*

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