



Fortress Paper Ltd.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING AND MANAGEMENT INFORMATION CIRCULAR

Time: May 3, 2013, at 3:00 p.m. (Vancouver Time)

Place: **1000 - 925 West Georgia Street
Vancouver, British Columbia
Canada**

FORTRESS PAPER LTD.

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 3, 2013**

TO: The Shareholders of Fortress Paper Ltd.

NOTICE IS HEREBY GIVEN that the annual general and special meeting of shareholders of Fortress Paper Ltd. (the "**Corporation**") will be held at 1000 - 925 West Georgia Street, Vancouver, British Columbia, Canada, on Friday, May 3, 2013, at 3:00 p.m. (Vancouver time) (the "**Meeting**"), for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2012, together with the report of the auditors thereon;
2. to set the number of directors of the Corporation to be elected at a maximum of five;
3. to elect directors of the Corporation for the ensuing year;
4. to appoint the auditors of the Corporation for the ensuing year and to authorize the directors to fix their remuneration;
5. to consider and approve an ordinary resolution authorizing and approving all unallocated options issuable pursuant to the Corporation's Amended and Restated Stock Option Plan;
6. to consider and approve an ordinary resolution ratifying, confirming and approving the adoption of a shareholder rights plan, as more fully described in the accompanying Management Information Circular; and
7. to transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

Accompanying this Notice of Meeting is the Management Information Circular, a form of proxy and a financial statement request form.

Registered shareholders who are unable to attend the Meeting are requested to complete, sign, date and return the enclosed form of proxy in accordance with the instructions set out therein and in the Management Information Circular accompanying this Notice of Meeting. A proxy will not be valid unless it is received by Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s) thereof. The chairman of the Meeting has the discretion to accept proxies received after that time.

DATED at Vancouver, British Columbia, this 5th day of April, 2013.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Chadwick Wasilenkoff

Chadwick Wasilenkoff

Chairman, Chief Executive Officer, President and Director

If you are a non-registered shareholder of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the Meeting.

MANAGEMENT INFORMATION CIRCULAR

UNLESS OTHERWISE NOTED, INFORMATION IS PROVIDED AS AT APRIL 5, 2013 FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 3, 2013 (THE "MEETING").

This management information circular (the "Information Circular") is furnished in connection with the solicitation of proxies by management of Fortress Paper Ltd. (the "Corporation") for use at the Meeting and at any adjournment(s) or postponement(s) thereof, at the time and place and for the purposes set forth in the accompanying notice of meeting dated April 5, 2013 (the "Notice of Meeting").

It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by officers of the Corporation at nominal cost. The cost of this solicitation will be borne by the Corporation. The Notice of Meeting, form of proxy (the "**Proxy**") together with a financial statement request form and this Information Circular will be mailed to beneficial owners of Class A common shares of the Corporation ("**Common Shares**") commencing on or about April 9, 2013. In this Information Circular, except where otherwise indicated, all dollar amounts are expressed in Canadian currency.

RECORD DATE

The board of directors of the Corporation (the "**Board**") has set the close of business on April 3, 2013, as the record date (the "**Record Date**") for determining which shareholders of the Corporation shall be entitled to receive notice of and to vote at the Meeting. Only shareholders of record as of the Record Date are entitled to receive notice of and to vote at the Meeting, unless after the Record Date a shareholder of record transfers his, her or its Common Shares and the transferee (the "**Transferee**"), upon establishing that the Transferee owns such Common Shares, requests in writing, at least ten days prior to the Meeting or at any adjournment(s) or postponement(s) thereof, that the Transferee may have his, her or its name included on the list of shareholders entitled to vote at the Meeting. In such case, the Transferee, upon fulfilling the necessary requirements, will be entitled to vote such shares at the Meeting. Such written request by the Transferee shall be filed with the Corporate Secretary of the Corporation at 2nd Floor, 157 Chadwick Court, North Vancouver, British Columbia, Canada V7M 3K2.

APPOINTMENT OF PROXYHOLDERS

The persons named in the accompanying Proxy as proxyholders are management's representatives. A shareholder of the Corporation wishing to appoint some other person or company (that need not be a shareholder of the Corporation) to represent him, her or it at the Meeting may do so either by striking out the printed names and inserting the desired person or company's name in the blank space provided in the Proxy or by completing another Proxy and, in either case, delivering the completed Proxy to the office of Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s), thereof. The chairman of the Meeting has the discretion to accept proxies received after that time.

VOTING OF PROXIES

If the Proxy is completed, signed and delivered to the Corporation, the person(s) named as proxyholders therein shall vote or withhold from voting the Common Shares in respect of which they are appointed as proxyholders at the Meeting in accordance with the instructions of the shareholder of the Corporation appointing them, on any show of hands and/or on any ballot that may be called for, and if the shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the person(s) appointed as proxyholder shall vote accordingly. The Proxy confers discretionary authority upon the person(s) named therein with respect to: (a) each matter or group of matters identified therein for which a choice is not specified; (b) any amendment to or variation of any

matter identified therein; and (c) to transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. As of the date of this Information Circular, the Board knows of no such amendments, variations or other matters to come before the Meeting, other than matters referred to in the Notice of Meeting. However, if other matters should properly come before the Meeting, the Proxy will be voted on such matters in accordance with the best judgment of the person(s) voting the Proxy.

If no choice is specified by a shareholder of the Corporation with respect to any matter identified in the Proxy or any amendment or variation to such matter, it is intended that the persons designated by management in the Proxy will vote the shares represented thereby in favour of such matter.

NON-REGISTERED HOLDERS

Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Corporation are "non-registered shareholders" because the shares they own are not registered in their name but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased their shares. More particularly, a person is not a registered shareholder in respect of shares which are held on behalf of that person (the "**Non-Registered Holder**") but which are registered either: (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a depository (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of applicable securities laws, the Corporation has distributed copies of the Notice of Meeting, this Information Circular and the Proxy together with a financial statement request form (collectively, the "**Meeting Materials**") to the depositories and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a Proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the Proxy, this Proxy is not required to be signed by the Non-Registered Holder when submitting the Proxy. In this case, the Non-Registered Holder who wishes to submit the Proxy should otherwise properly complete the Proxy and deliver it to the offices of the Corporation; or
- (b) more typically, be given a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a proxy authorization form) which the Intermediary must follow.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders and insert the Non-Registered Holder's name in the blank space provided, or in the case of a proxy authorization form, follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the Proxy or proxy authorization form is to be delivered.**

REVOCABILITY OF PROXY

Any shareholder of the Corporation returning the enclosed Proxy may revoke the same at any time insofar as it has not been exercised. In addition to revocation in any other manner permitted by law, a Proxy may be revoked by instrument in writing duly executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and delivered either to Computershare Investor Services Inc. or to the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment(s) or postponement(s) thereof, or with the chairperson of the Meeting prior to the commencement of the Meeting. A revocation of a Proxy will not affect a matter on which a vote is taken before the revocation.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation's authorized capital consists of an unlimited number of Common Shares without par value and an unlimited number of Class B preferred shares with a par value of \$1,000 having the preferences, rights, conditions, restrictions, limitations and prohibitions set forth in the articles of the Corporation (the "**Articles**"). As at the date hereof, there were a total of 14,509,586 Common Shares of the Corporation outstanding. Each Common Share entitles the holder thereof to one vote.

The following table lists, to the knowledge of management of the Corporation, those persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation as at the date hereof.

Name	Number of Common Shares	Percentage of Common Shares
Chadwick Wasilenkoff ⁽¹⁾	2,428,139	16.74%

⁽¹⁾ As at the date hereof, Mr. Wasilenkoff also has options to purchase 504,675 Common Shares, 99,372 restricted share units representing one Common Share per unit and 114,285 deferred share units representing one Common Share per unit.

ELECTION OF DIRECTORS

At the Meeting, the shareholders will be asked to consider and, if thought advisable, approve an ordinary resolution setting the number of directors to be elected at a maximum of five.

The Board is recommending five persons (the "**Nominees**") for election at the Meeting. Each of the Nominees whose name appears below is proposed by the Board to be nominated for election as a director of the Corporation to serve until the next annual general meeting of the shareholders or until the director sooner ceases to hold office. With the exception of Mr. Anil Wirasekara, all of the Nominees are current directors of the Corporation. Messrs. John Coleman and Roland Tornare, who are currently directors of the Corporation, have advised the Corporation that they intend to retire from the Board at the Meeting and not stand for re-election. Messrs. Coleman and Tornare have served as directors of the Corporation since 2009.

The following table states the names of each Nominee, all offices of the Corporation now held by him, his present principal occupation, the period of time for which he has been a director of the Corporation and the number of Common Shares of the Corporation beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the date hereof.

Name, province and country of residence	Present principal occupation	Current position(s) with the Corporation	Director since	Number of securities held
Chadwick Wasilenkoff ⁽¹⁾⁽²⁾ Paget, Bermuda	President and Chief Executive Officer of the Corporation	Chairman, Chief Executive Officer, President and Director	August 1, 2006	Common Shares: 2,428,139 Options: 504,675 Restricted Share Units: 99,372 Deferred Share Units: 114,285
Richard O'C. Whittall ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾ British Columbia, Canada	President of Watershed Capital Partners Inc.	Director	April 23, 2007	Deferred Share Units: 12,291
Per Gundersby ⁽¹⁾⁽⁵⁾ Hango, Finland	Business consultant	Director	October 14, 2006	Deferred Share Units: 9,781
Joe Nemeth ⁽¹⁾⁽³⁾⁽⁴⁾ British Columbia, Canada	Businessman. Previously, Mr. Nemeth held the position of President and Chief Executive Officer of Canfor Pulp Holding Inc., the general partner of Canfor Pulp Limited Partnership	Lead Director ⁽⁶⁾	October 17, 2012	Common Shares: 20,400 Deferred Share Units: 3,533
Anil Wirasekara British Columbia, Canada	Chief Financial Officer and Executive Vice President of Macdonald Dettwiler & Associates Ltd.	Proposed Director	N/A	Nil

⁽¹⁾ A member of the Capital Projects Steering Committee.

⁽²⁾ A member of the Landqart Steering Committee.

⁽³⁾ A member of the Compensation Committee.

⁽⁴⁾ A member of the Corporate Governance Committee.

⁽⁵⁾ A member of the Audit Committee.

⁽⁶⁾ Appointed Lead Director effective April 1, 2013.

STATEMENT OF EXECUTIVE COMPENSATION

Pursuant to applicable securities legislation, the Corporation is required to provide a summary of all annual and long-term compensation for services in all capacities to the Corporation and its subsidiaries for the most recently completed financial year in respect of the individuals comprised of the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the other three most highly compensated executive officers of the Corporation whose individual total compensation for the most recently completed financial year exceeds \$150,000, and any individual who would have satisfied these criteria but for the fact that the individual was not serving as an officer at the end of the most recently completed financial year (the "Named Executive Officers" or "NEOs").

Compensation Discussion and Analysis

The goal of the Corporation's executive compensation philosophy is to attract, motivate, retain and reward an energetic, goal driven, highly qualified and experienced management team and to encourage them to meet and exceed performance expectations within a calculated risk framework.

The compensation program is designed to reward each executive based on individual, business and corporate performance and is also designed to incent such executives to drive the annual and long-term business goals of the organization to enhance the sustainable profitability and growth of the Corporation.

The following key principles guide the Corporation's overall compensation philosophy:

- Compensation is designed to align executives to the critical business issues facing the Corporation;

- Compensation is fair and reasonable to shareholders and is set with reference to the local market and similar positions in comparable companies, and benchmarked against an international peer group;
- The compensation design supports and rewards executives for entrepreneurial and innovative efforts and results;
- A substantial portion of total compensation is at-risk and linked to individual efforts, as well as business and corporate performance. This ensures the link between executive pay and business performance;
- An appropriate portion of total compensation is equity-based, aligning the interests of executives with shareholders; and
- Compensation is transparent to the Board, executives and shareholders.

In achieving these principles, the Corporation strives to be flexible and progressive in its business strategies and must meet the challenges of growth, technology, competition and general economic conditions. Therefore, the Corporation's compensation programs aim to:

- Provide for an ongoing review and assessment of compensation practices to ensure that they align with the business strategy and performance;
- Maintain management focus, knowledge, stability and experience needed to execute business strategies in an intensely competitive environment; and
- Encourage capital allocation decisions involving major long-term capital investments and acquisitions which shape and determine future growth and profitability.

Elements of Executive Compensation

The elements of compensation earned by the NEOs for the financial year ended December 31, 2012 include annual compensation in the form of base salary, annual cash bonus, perquisites and benefits package, as well as long-term compensation in the form of stock options ("**Options**") and restricted share units ("**RSUs**"). This reflects a package consisting of a mix of compensation elements designed to provide executives with a significant "at risk" component of total compensation that reflects their ability to influence business outcomes and performance, and fixed elements that provide security and enable the Corporation to attract and retain key employees.

The following tables outline how each element of compensation aligns with the Corporation's compensation philosophy.

Short-term Compensation

Element of compensation	Summary and purpose of element
Base Salary	<p>Base salary is the foundation of the compensation program and is intended to compensate competitively relative to the Corporation's peer group. Base salary is a fixed component of the compensation program and is used as the base to determine elements of incentive compensation and benefits. Base salary is positioned at, or slightly below, median against the Corporation's peer group.</p> <p>The desire is for base salary to be high enough to secure talented personnel which, when coupled with performance based compensation, provides for a direct correlation between individual accomplishment and the success of the Corporation as a whole.</p>

Element of compensation	Summary and purpose of element
Annual Bonus	<p>Annual bonuses are variable components of compensation, designed to reward executives for corporate, business and individual achievements. It is expressed in terms of a percentage of base salary and paid out at the end of the fiscal year based on individual and business performance results. Annual bonuses are discretionary and are designed to reflect the Corporation's annual achievement of the business strategy as well as the individual's achievements.</p> <p>Annual bonus opportunities are positioned at or above median against the peer group, to reflect the Corporation's commitment to pay for performance.</p>
Other Compensation <i>(Perquisites, Benefits and Pension Plan)</i>	<p>The Corporation's executive benefits program includes supplementary life, medical, dental and disability insurance.</p> <p>The Corporation's Switzerland-based executives participate in a defined benefit pension plan based on earnings and length of service. Other executives may be eligible to participate in a defined contribution pension plan maintained at the Fortress Specialty Cellulose Inc. ("FSC") mill.</p> <p>Perquisites are provided to executives in certain instances, based on individual circumstances.</p> <p>Benefits and perquisites are set at comparable levels to the Corporation's peer group.</p>

Long-term Compensation

Element of compensation	Summary and purpose of element
RSUs	<p>The Corporation believes that RSUs promote ownership in the Corporation and serve to align the interests of executives with shareholders. They also help the Corporation motivate and retain the executive team, while providing a full share value unit in the business.</p> <p>Each RSU represents one notional Common Share that can be exchanged for Common Shares issued from treasury once certain performance and/or vesting criteria have been met. RSUs typically vest over three to five years. Some RSUs contain performance-based vesting conditions which are determined based upon the strategic objectives for the growth and business goals of the Corporation and may include the operating performance of the Corporation and other organizational indicators and individual achievements that demonstrate a contribution by the executive to the Corporation.</p>
Options	<p>The Corporation believes that this long-term incentive vehicle aligns executives with shareholders by driving growth in the share price and increasing long-term value of the Corporation.</p> <p>Options are intended to help the Corporation attract, motivate and retain an energetic, goal driven management team, and to build long-term employee loyalty and retention.</p> <p>The Corporation issues Options to encourage executives to have equity participation through the acquisition of Common Shares. Options granted generally vest over one to five year periods and generally have a term of ten years.</p>

Compensation Risk Management

The Corporation has taken steps to ensure its executive compensation program does not incent risk outside the Corporation's risk appetite. Some of the risk management initiatives currently employed by the Corporation are as follows:

- Appointing a Compensation Committee comprised of a majority of independent directors to oversee the executive compensation program;
- Retaining independent compensation advisors to provide advice on the level of compensation for executives;
- Setting performance hurdles and milestones for granting and payout of RSUs and special bonuses;
- The use of deferred equity compensation to encourage a focus on long-term corporate performance versus short-term results;

- Paying out performance related RSUs only when performance results are known;
- Setting caps on incentive programs; and
- Use of discretion in adjusting bonus payments up or down as the Compensation Committee deems appropriate and recommends.

Annual Compensation Review Process

Each year, the Compensation Committee reviews and recommends to the Board for approval the compensation of the Chairman, CEO and President. The Compensation Committee also reviews and recommends to the Board the compensation of other executives, which includes the Named Executive Officers.

The Compensation Committee follows a process for establishing compensation for its executive team. In making its compensation recommendations, the Compensation Committee considers data from custom compensation surveys conducted by Global Governance Advisors ("GGA") based on the Corporation's peer group and the size and scope of the executive roles. Additional analysis and assessment is provided by GGA to ensure the compensation program is fair and competitive. Board input is also solicited and taken into consideration in the Compensation Committee's decision making.

Executive compensation for the Named Executive Officers in 2012 was based on market data and an assessment of corporate and individual performance, with additional support from GGA, as third party independent advisor, who prepared compensation review reports in respect of the Chairman, CEO and President and the President of FSC. These factors support compensation levels with the aim to ensure the Corporation remains competitive and continues to attract, retain and motivate high caliber leaders.

The Compensation Committee may also rely on other information and considerations in formulating its recommendations to the Board.

Peer Group

The Corporation is an international company, unique in the products and services it offers. Executives are benchmarked to a global peer group of companies from the dissolving pulp, specialty wallpaper base and security papers/banknotes sectors as well as companies of similar size from other related industries such as commercial services and supplies, containers and packaging and real estate investment trusts. This approach reflects the global aspect of the Corporation's operations, and the need to attract executives from a global talent pool. It also recognizes that executives can come from multiple industries. Peer group companies include Rayonier Inc., Mondi PLC, Sappi Ltd., Deluxe Corp., Canfor Pulp L.P., De La Rue plc, Buckeye Technologies Inc., Clearwater Paper Corp., Boise Inc., Cascades Inc., Consolidated Graphics, Inc., P.H. Glatfelter Co., Wausau Paper Corp., Tembec Inc., Mercer International Inc. and Verso Paper Corp.

Role of the Compensation Committee and 2012 Work Plan

The role of the Compensation Committee is to discharge the Board's duties related to executive compensation. In 2012, the Compensation Committee met six times. The Compensation Committee meets both independently of management of the Corporation and with management present. In 2012, the Compensation Committee reviewed reports prepared by GGA in respect of compensation for the Chairman, CEO and President and the President of FSC positions and, considering certain achievements of the Corporation in 2012, including but not limited to the successful acquisition of the Fortress Global Cellulose Mill and the expanded roles of the executive in connection therewith and the planned conversion project thereat, recommended, and the Board approved: (i) the annual discretionary bonus of the Chairman, CEO and President, comprised of a cash payment amount and Options; and (ii) a new employment agreement with the President of FSC. See "2012 Compensation Decisions – Chairman, Chief Executive Officer and President Compensation" and "2012 Compensation Decisions – President of Fortress Specialty Cellulose Compensation".

Role of the Executive Officers

The Chairman, CEO and President completed a review of the performance of each of the other NEOs and made recommendations to the Compensation Committee in respect of 2012 bonuses and RSU and Option grants for each of the other NEOs, which was taken into consideration by the Compensation Committee in completing its review and making recommendations to the Board.

2012 Compensation Decisions

The Corporation's business strategy is to enhance its market position as a leading niche manufacturer of specialty products, to evaluate and execute strategic transactions and to improve operating results and margins.

Overall, 2012 was a challenging year for the Corporation. Significant accomplishments included:

- The acquisition of Fortress Global Cellulose Mill including the non-operating 30 megawatt cogeneration facility;
- Concurrent with the completion of the acquisition of the Fortress Global Cellulose Mill, securing a \$132.4 million project financing loan with Investissement Québec and completing a \$25 million convertible debenture financing with Fonds de Solidarité QFL;
- The completion of a bought deal offering of 7.0% convertible unsecured subordinated debentures by way of a short form prospectus, including the exercise in full of the underwriters' over-allotment option, resulting in aggregate gross proceeds of \$69 million (the "**2012 Debenture Financing**");
- Continued strength in margins at the Dresden Mill and the successful completion of the 2012 capital expenditure program increasing manufacturing capacity of non-woven wallpaper base to 60,000 tonnes per annum;
- The sale by the Landqart Mill of the first Durasafe® banknote now in circulation and the first order of substrate that included optical thin film material produced at the Fortress Optical Features Ltd. facility;
- Continued improvement of the Fortress Specialty Cellulose Mill's dissolving pulp operations. Production rates and costs per tonne have improved significantly over the year;
- The re-instatement of the Landqart Mill's most substantial contract which is expected to contribute to the optimization of the mill's operational efficiency over the next year; and
- The completion of a sale of the hydropower assets and associated real estate by Landqart AG ("**Landqart**") to a Swiss utility company for proceeds of CHF18 million (approximately \$19.4 million).

The Corporation considers EBITDA (defined as net income before interest, income taxes, depreciation, amortization, non-operating income and expenses and stock based compensation) as an indicative measure of operating performance and a good metric to evaluate profitability, provided that an appropriate capital budget responsibility is held within a conservative variance. EBITDA loss for the Corporation was \$5.3 million for the year ended December 31, 2012, compared to EBITDA of \$3.3 million for the year ended December 31, 2011.

Chairman, Chief Executive Officer and President Compensation

The Compensation Committee recommended, and the Board approved, a discretionary bonus pursuant to the Chairman, CEO and President's employment agreement, comprised of a cash payment of \$500,000 and 200,000 Options. This bonus was awarded in the context of the Chairman, CEO and President's achievements in 2012,

which included the successful acquisition of the Fortress Global Cellulose Mill for a nominal cash purchase price, the completion of related project financing arrangements, the successful completion of the 2012 Debenture Financing, collectively totaling financing of over \$200 million, and the sale of the hydropower assets and associated real estate at the Landqart Mill.

President of Fortress Specialty Cellulose Compensation

The Compensation Committee recommended, and the Board approved, a new employment agreement between FSC and the President of FSC that was entered into in September 2012 to reflect the expanded role of the President of FSC in the context of the planned conversion project at the Fortress Global Cellulose Mill. The new agreement provided for a base salary of \$450,000, a discretionary annual bonus and the immediate vesting of 50,000 previously issued RSUs. The President of FSC also received a retention package consisting of 100,000 Options, which were to vest in equal amounts over a five year term. Mr. Vinall was subsequently replaced as President of FSC in February 2013 by Yvon Pelletier.

Determination of Base Salary

The Compensation Committee determines each executive's base salary with reference to relevant industry norms, experience, past performance and level of responsibility. In doing so, the Compensation Committee considers the recommendations made by the Chairman, CEO and President for base salary increases. Salary levels are reviewed periodically and the Compensation Committee may recommend adjustments, if warranted, as a result of salary trends in the marketplace, competitive positioning or an increase in responsibilities assumed by an executive.

Determination of Annual Bonus

The NEOs are eligible for annual cash bonuses and potentially supplemental bonuses in cash or through stock-based compensation, taking into consideration financial performance and attainment of corporate, business and individual objectives. Extraordinary corporate events are also considered. All awards are at the discretion of the Board.

From time to time, the Board may declare an additional cash bonus in favour of one or more executive officers in circumstances where it is determined that the executive in question has made an exceptional contribution to the performance of the Corporation in a particular year.

In 2012, certain of the NEOs received an annual bonus in recognition of the achievement by such NEO of significant milestones in the year, in particular the acquisition of the Fortress Global Cellulose Mill.

Determination of Long Term Incentive Plan Award

The Compensation Committee also considers making awards under the 2009 Long Term Incentive Plan, as amended (the "**LTIP**"), and grants of Options under the Corporation's Amended and Restated Stock Option Plan (the "**SOP**") to be important components of executive compensation. The objective of making grants under the LTIP and SOP is to encourage executive officers to acquire an ownership interest in the Corporation over a period of time, thus better aligning the interests of executive officers with the interests of shareholders, and to retain key executives. When determining possible future LTIP grants and Option grants, the Compensation Committee considers past grants. The Black-Scholes model is used to determine the fair value at grant date of the Options. Option pricing models require the input of subjective assumptions, particularly as to the expected volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models may not provide a single reliable measure of the fair value of the Corporation's Option grants. The Corporation uses an option-pricing model because there is no market for which Options may be freely traded. Readers are cautioned not to assume that the value derived from the model is the value that a holder of Options might receive if the Options were freely-traded, nor to assume that these

amounts are the same as those reported by the executive as income received for tax purposes. For financial statement purposes, the fair value of Options is contributed surplus over the vesting period, whereas for the purpose of this Information Circular the fair value is shown in totality on the date of grant. Please see the Corporation's audited financial statements for the year ended December 31, 2012, available on SEDAR at www.sedar.com, for a description of the key assumptions and estimates used in the pricing model.

Compensation Governance

The Corporation has a Compensation Committee, currently entirely comprised of independent directors, which is responsible for the development, implementation and monitoring of the Corporation's compensation policy for executive officers and members of the Board. The Compensation Committee is currently comprised of Joe Nemeth (Chair), Richard O'C. Whittall and John Coleman. Mr. Nemeth joined the Compensation Committee in October 2012 and replaced Pierre Monahan as the Chair of the Compensation Committee subsequent to Mr. Monahan's retirement from the Board on December 31, 2012. The Compensation Committee is able to retain consultants to assist them in the determination of executive compensation decisions if they deem necessary.

The members of the Compensation Committee have direct experience relevant to executive compensation from their broad business experience and are well-versed in executive compensation matters. The Chair of the Compensation Committee has direct experience, as a former executive, of recommending executive compensation structures and individual pay decisions. The members similarly bring a wide range of skills and experience that helps them make decisions in respect of the Corporation's compensation policies and practices and assess performance on both an individual and an organizational level. These skills and experiences include, but are not limited to:

- Industry knowledge;
- Operational and human resources experience;
- Financial knowledge; and
- International business experience.

The Compensation Committee is responsible for making recommendations to the Board on the following items:

- Directors' compensation, including the adequacy and form of compensation and models used so that director compensation appropriately reflects the responsibilities and risks of being a director and/or member of a committee;
- Executive compensation policy, including the relative balance of fixed and variable elements of compensation for executive officers and other terms and conditions of employment of executive officers;
- Supplemental or deferred compensation and direct incentive compensation arrangements for executive officers; and
- Value awards made to an executive officer under a performance-based plan, allowing adjustment for actual performance.

The Compensation Committee has the authority and access to the resources that are necessary to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants. If such fees and expenses exceed or are expected to exceed \$100,000, the Compensation Committee must obtain the approval of the full Board.

In 2012, the Compensation Committee retained GGA to provide independent compensation advice to the Compensation Committee and to the Board. GGA is an internationally recognized, independent advisory firm that provides counsel to boards of directors on matters relating to executive compensation and governance.

GGA's services in 2012 included:

- A pay for performance analysis for the Chairman, CEO and President in respect of the fiscal year ended December 31, 2011 and business developments during the first half of 2012; and
- A competitive compensation review of the Chairman, CEO and President and the President of FSC against approved peer groups.

Fees for GGA's services are set forth in the table below.

Year	Executive compensation related fees (\$)	All other fees (\$)
2012	40,000	27,000 ⁽¹⁾
2011	59,500	45,000

⁽¹⁾ Represents fees related to the review by GGA of the Information Circular and formulation of the compensation discussion and analysis contained herein.

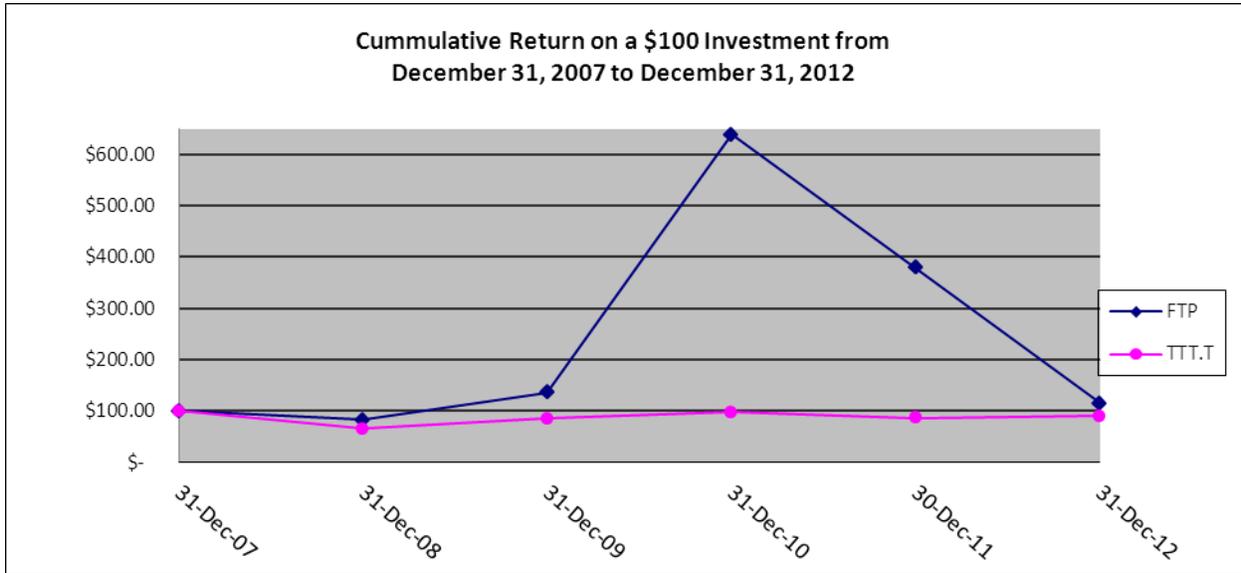
The Compensation Committee reviews all fees and the terms of consulting services provided by its compensation consultant.

The foregoing report is submitted by:

Joe Nemeth (Chair)
Richard O'C. Whittall
John Coleman

Performance Graph

The Common Shares commenced trading on the Toronto Stock Exchange (the "TSX") under the symbol "FTP" on June 28, 2007. The following graph compares the Corporation's cumulative total shareholder return on its Common Shares with the cumulative total return on the S&P/TSX Composite Index for the period from December 31, 2007 to December 31, 2012. The graph illustrates the cumulative return on a \$100 investment in the Corporation's Common Shares made on December 31, 2007 as compared with the cumulative return on a \$100 investment in the S&P/TSX Composite Total Return Index (assuming the reinvestment of dividends). The performance of the Common Shares as set out in the graph below does not necessarily indicate future price performance. Executive compensation has generally followed the trend in shareholder returns, although market conditions in the 2008 financial year resulted in a short term disconnect between financial performance and share performance.



Comparison of Cumulative Total Return

As at December 31,	2007	2008	2009	2010	2011	2012
FTP	\$100	\$82	\$136	\$639	\$380	\$115
S&P/TSX COMPOSITE INDEX	\$100	\$65	\$85	\$97	\$86	\$90

Summary Compensation Table for Named Executive Officers

The following table (and notes thereto) states the name of each NEO, his annual compensation, consisting of salary, bonus and other annual compensation, and long term compensation, for example Options and LTIP awards granted, for the most recently completed financial year of the Corporation.

Name and principal position	Year	Salary (\$)	Share-based awards (\$) ⁽¹⁾	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation	Total compensation (\$)
					Annual incentive plans ⁽³⁾	Long-term incentive plans			
Chadwick Wasilenkoff ⁽⁴⁾ Chairman, Chief Executive Officer and President	2012	1,000,000	Nil	1,414,631 ⁽⁵⁾	500,000 ⁽⁵⁾	Nil	N/A	N/A	2,914,631
	2011	1,000,000	Nil	Nil	Nil	Nil	N/A	N/A	1,000,000
	2010	1,000,000	9,999,938	Nil	5,000,000	Nil	N/A	N/A	15,999,938
Kurt Loewen Chief Financial Officer	2012	200,000	324,971 ⁽⁶⁾	Nil	25,000	Nil	N/A	N/A	549,971
	2011	180,000	49,997	Nil	67,500	Nil	N/A	N/A	297,497
	2010	165,000	356,247	Nil	91,250	Nil	N/A	N/A	612,497
Peter Vinall ⁽⁷⁾ Former President, FSC	2012	381,769	Nil	626,208 ⁽⁸⁾	Nil	Nil	20,843	N/A	1,028,820
	2011	350,000	Nil	Nil	Nil	Nil	15,615	N/A	365,165
	2010	228,846	1,817,25	Nil	101,164	Nil	16,019	N/A	2,163,279
Alfonso Ciotola ⁽⁹⁾ Chief Executive Officer, Landqart and Managing Director, Dresden Papier GmbH	2012	417,538	Nil	Nil	Nil	Nil	15,027	N/A	432,555
	2011	440,129	Nil	Nil	Nil	Nil	15,767	N/A	455,896
	2010	444,881	Nil	Nil	111,562	Nil	13,707	N/A	570,150
Danial Buckle Finance Director & Corporate Secretary	2012	180,000	167,964 ⁽¹⁰⁾	Nil	18,000	Nil	N/A	N/A	365,964
	2011	165,000	49,997	Nil	49,500	Nil	N/A	N/A	264,497
	2010	150,000	268,747	Nil	80,000	Nil	N/A	N/A	498,747

⁽¹⁾ The closing price of the Common Shares on the date of grant was used to determine fair value.

⁽²⁾ The Black Scholes valuation methodology was used to determine fair value on the date of grant. See "Compensation Discussion and Analysis – Determination of Long Term Incentive Plan Award" and Note 15 of the Corporation's audited financial statements for the year ended December 31, 2012, available at SEDAR at www.sedar.com, for a description of the key assumptions and estimates used in the pricing model.

⁽³⁾ Amounts represent cash bonus awarded to the NEO in respect of the financial year.

⁽⁴⁾ As a management director of the Corporation, Mr. Wasilenkoff does not collect any director fees relating to his role as a director of the Corporation.

⁽⁵⁾ Mr. Wasilenkoff was awarded a discretionary bonus in respect of his achievements in the 2012 financial year, comprised of 200,000 Options with a term of 10 years and a cash payment of \$500,000. See "Compensation Discussion and Analysis – 2012 Compensation Decisions – Chairman, Chief Executive Officer and President Compensation" for further information relating to such bonus.

⁽⁶⁾ Mr. Loewen was granted a total of 12,547 RSUs in respect of the 2012 financial year of which 1,589 were valued at \$31.46 and vest one third on each of the first, second and third anniversary of the grant date, 7,946 were valued at \$31.46 and vest on March 7, 2015 and 3,012 were valued at \$8.30 and vest on December 31, 2013.

⁽⁷⁾ Mr. Vinall was hired as President of FSC on June 3, 2010 and was replaced in February 2013.

⁽⁸⁾ Mr. Vinall was granted 100,000 Options in respect of the 2012 financial year, which vest in equal amounts over a period of five years and have a term of 10 years.

⁽⁹⁾ Mr. Ciotola received his salary in Euros. The amount reported represents the approximate Canadian dollar equivalent, converted at the average exchange rate for the year ended December 31, 2012, being \$1.285 to each Euro based on rates provided by the Bank of Canada.

⁽¹⁰⁾ Mr. Buckle was granted a total of 6,935 RSUs in respect of the 2012 financial year of which 1,589 were valued at \$31.46 and vest one third on each of the first, second and third anniversary of the grant date, 3,178 were valued at \$31.46 and vest on March 7, 2015 and 2,168 were valued at \$8.30 and vest on December 31, 2013.

Outstanding Share-based Awards and Option-based Awards for Named Executive Officers

Name and principal position	Option-based awards				Share-based awards		
	Number of securities underlying unexercised Options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Chadwick Wasilenkoff Chairman, Chief Executive Officer and President	117,350	8.00	April 4, 2017	15,234	213,657	1,719,939	N/A
	87,325	8.00	May 1, 2017				
	100,000	8.00	October 31, 2017				
	200,000	15.41	August 30, 2022				
Kurt Loewen Chief Financial Officer	16,250	8.00	May 1, 2017	813	18,427	148,337	N/A
Peter Vinall Former President, FSC	100,000	15.41	August 30, 2022	Nil	Nil	N/A	N/A
Alfonso Ciotola Chief Executive Officer, Landqart and Managing Director, Dresden Papier GmbH	59,800	8.00	October 31, 2017	2,990	Nil	N/A	N/A
Danial Buckle Finance Director & Corporate Secretary	10,000	8.00	June 22, 2019	500	11,659	93,855	N/A

The table above states, as at December 31, 2012, the number of Options available for exercise, the Option exercise price, the expiration date for each Option, the number of LTIP units that were outstanding and unvested and the market value thereof, for each NEO named therein. As at December 31, 2012, the value of in-the-money unexercised and outstanding Options held by the Named Executive Officers was \$19,537 and the value of unvested and outstanding LTIP units was \$1,962,131.

Incentive Plan Awards - Value Vested or Earned During the Year for Named Executive Officers

Name and principal position	Option-based awards – value vested during the year (\$) ⁽¹⁾	Share-based awards – value vested during the year (\$) ⁽²⁾	Non-equity incentive plan compensation – value earned during the year (\$) ⁽³⁾
Chadwick Wasilenkoff Chairman, Chief Executive Officer and President	Nil	342,286	500,000
Kurt Loewen Chief Financial Officer	Nil	130,275	25,000
Peter Vinall Former President, FSC	Nil	926,500	Nil
Alfonso Ciotola Chief Executive Officer, Landqart and Managing Director, Dresden Papier GmbH	Nil	263,521	Nil
Danial Buckle Finance Director & Corporate Secretary	Nil	114,465	18,000

(1) The amount represents the aggregate dollar value that would have been realized if the Options had been exercised on the vesting date, based on the difference between the closing price of the Common Shares on the TSX and the exercise price on such vesting date.

(2) The amount represents the aggregate dollar value of LTIP units that vested throughout the year.

(3) The amount represents cash bonus received by the NEO for the 2012 year.

During the most recently completed financial year, the Named Executive Officers exercised Options to purchase 58,000 Common Shares of the Corporation under the SOP.

During the most recently completed financial year there were 60,869 RSUs awarded to key employees under the LTIP, described below under the heading "Securities Authorized for Issuance under Equity Compensation Plans – Long Term Incentive Plan". As at December 31, 2012, there were 201,202 RSUs outstanding under the LTIP. The fair value of RSU awards is determined based upon the number of Common Shares underlying such units and the closing price of the Common Shares as quoted on the TSX on the date of grant. RSUs generally vest over three to five years, however the fair value of each tranche is measured at the date of grant.

Pension Plan Benefits - Defined Benefit Plan for Named Executive Officers

The Corporation maintains a defined benefit pension plan in Switzerland providing pension benefits based on earnings and length of service. The amounts reported in the table below represent the approximate Canadian Dollar equivalent translated at the average exchange rate for the 2012 financial year, as reported by the Bank of Canada, being \$1.0662 to each Swiss Franc.

Name and principal position	Number of years credited service (#)	Annual benefits payable (\$)		Opening present value of defined benefit obligation (\$)	Compensatory change (\$) ⁽¹⁾	Non-compensatory change (\$)	Closing present value of defined benefit (\$)
		At 2012 year end	At age 65				
Alfonso Ciotola Chief Executive Officer, Landqart and Managing Director, Dresden Papier GmbH	5.8	11,764	15,473	145,662	15,027	16,484	177,173

⁽¹⁾ Please refer to Note 13 of the Corporation's audited financial statements for the year ended December 31, 2012, available on SEDAR at www.sedar.com, for valuation methods and actuarial assumptions.

Pension Plan Benefits - Defined Contribution Plan for Named Executive Officers

The Corporation maintains a defined contribution plan at the Fortress Specialty Cellulose Mill providing pension benefits based on earnings and length of service. The plan provides that an employee may contribute up to 8% of his or her salary and the employer will contribute 50% of the employee's contribution plus 3% to a maximum of 7% of the employee's salary.

Name and principal position	Accumulated value at start of 2012 fiscal year (\$)	Compensatory (\$)	Accumulated value at 2012 fiscal year end (\$)
Peter Vinall Former President, FSC	73,695	20,843	118,358

Termination and Change of Control Benefits and Employment Contracts

Chadwick Wasilenkoff

Mr. Wasilenkoff, the Chairman, CEO and President of the Corporation, has entered into an employment agreement with the Corporation dated January 21, 2011, pursuant to which Mr. Wasilenkoff will receive: (i) an annual base salary of \$1,000,000; (ii) an annual discretionary bonus; and (iii) certain perquisites. The term of the agreement is six years. If Mr. Wasilenkoff's employment is terminated for any reason other than for cause or he resigns for good reason, his employment is terminated as a result of a change of control or within 18 months after a change of control or a new employment agreement is not entered into before the end of the term, he will be entitled to a severance payment equal to two times the sum of his base salary plus two times the highest annual bonus received from the Corporation during the term of the employment agreement prior to such termination. In addition, all unvested rights in any Options and any other equity awards will vest in full and become immediately exercisable. Assuming a discontinuance of Mr. Wasilenkoff's services if a change of

control took place on December 31, 2012, Mr. Wasilenkoff would have received a cash payment of \$5.0 million and Common Shares valued at an aggregate of \$1,735,173, assuming the vesting of all LTIP units and the exercise of all Options on such date, applying the closing price of the Common Shares on the TSX on such date.

Kurt Loewen

Mr. Loewen, the CFO of the Corporation, has entered into an amended employment agreement with the Corporation dated January 1, 2013, replacing Mr. Loewen's prior amended employment agreement dated January 1, 2010, pursuant to which Mr. Loewen will receive: (i) an annual base salary of \$235,000 in 2013, \$260,000 in 2014 and \$285,000 in 2015, subject to an annual review; (ii) an annual discretionary bonus of up to 40% of his base salary; (iii) equity compensation of \$100,000 per year payable in LTIP units or in cash, subject to an annual review; and (iv) certain perquisites. If Mr. Loewen's employment is terminated upon a change in control, other than for cause, in contemplation of, at the time of, or within 18 months after a change of control, Mr. Loewen will be entitled to a lump sum cash payment immediately following such termination equal to his then current annual base salary, equity compensation and previous year's annual bonus. If Mr. Loewen's employment is terminated for any reason other than for cause or in connection with a change of control, or as a result of significant modifications of Mr. Loewen's duties and responsibilities, he will be entitled to nine months compensation calculated on the basis of his pro-rated base salary, pro-rated equity compensation and last awarded annual bonus. In addition, all unvested rights in any stock options and any other equity awards will vest in full and become immediately exercisable. Mr. Loewen received an annual base salary of \$200,000 in 2012 pursuant to his prior employment agreement. Assuming a discontinuance of Mr. Loewen's services if a change of control took place on December 31, 2012, Mr. Loewen would have received a cash payment of \$317,500 and Common Shares valued at an aggregate of \$149,150, assuming the vesting of all LTIP units and the exercise of all Options on such date, applying the closing price of the Common Shares on the TSX on such date.

Dr. Alfonso Ciotola

Dr. Ciotola entered into an amended employment agreement with Landqart dated September 25, 2009, pursuant to which Dr. Ciotola agreed to serve as the Chief Executive Officer of the Landqart Mill, Managing Director of Dresden Papier GmbH ("**Dresden**") and Chief Operating Officer of the Corporation. In August 2009, Dr. Ciotola was appointed President of the Corporation and subsequently resigned as Chief Operating Officer. In March 2012, Dr. Ciotola resigned as President of the Corporation. The agreement provides for a net annual salary of €261,747, subject to an annual review. The employment agreement provides that on each anniversary date of the agreement, Dr. Ciotola's base annual salary shall increase by 4%. Dr. Ciotola's net salary for 2012 was €294,430. Dr. Ciotola is also entitled to receive an annual discretionary bonus. Assuming a discontinuance of Dr. Ciotola's services if a change of control took place on December 31, 2012, Dr. Ciotola would have received Common Shares valued at an aggregate of \$2,990, assuming the vesting and the exercise of all Options on such date, applying the closing price of the Common Shares on the TSX on such date.

Danial Buckle

Mr. Buckle, the Finance Director and Corporate Secretary of the Corporation, has entered into an amended employment agreement with the Corporation dated January 1, 2013, replacing Mr. Buckle's prior amended employment agreement dated January 1, 2010, pursuant to which Mr. Buckle will receive: (i) an annual base salary of \$200,000 in 2013, \$220,000 in 2014 and \$242,000 in 2015, subject to an annual review; (ii) an annual discretionary bonus of up to 25% of his base salary; (iii) equity compensation of \$100,000 per year payable in LTIP units or in cash, subject to an annual review; and (iv) certain perquisites. If Mr. Buckle's employment is terminated upon a change in control, other than for cause, in contemplation of, at the time of, or within 18 months after a change of control, Mr. Buckle will be entitled to a lump sum cash payment immediately following such termination equal to his then current annual base salary, equity compensation and last year's annual bonus. If Mr. Buckle's employment is terminated for any reason other than for cause or in connection with a change of control, or as a result of significant modifications of Mr. Buckle's duties and responsibilities, he will be entitled to nine months compensation calculated on the basis of his pro-rated base salary, pro-rated

equity compensation and last awarded annual bonus. In addition, all unvested rights in any stock options and any other equity awards will vest in full and become immediately exercisable. Mr. Buckle received an annual base salary of \$180,000 in 2012 pursuant to his prior employment agreement. Assuming a discontinuance of Mr. Buckle's services if a change of control took place on December 31, 2012, Mr. Buckle would have received a cash payment of \$279,500 and Common Shares valued at an aggregate of \$94,355 assuming the vesting of all LTIP units and the exercise of all Options on such date, applying the closing price of the Common Shares on the TSX on such date.

Compensation of Directors

Pursuant to the Corporation's Amended Directors' Compensation Policy, the Corporation's non-executive directors are paid a quarterly retainer of \$6,500. In addition, non-executive directors are paid the sum of \$4,500 for each two-day scheduled Board meeting attended in person and \$1,500 for each unscheduled Board meeting attended or Board meetings attended by conference call.

The Audit Committee chair receives a retainer of \$10,000 per year. The Compensation Committee chair and the Corporate Governance Committee chair each receive retainers of \$5,000 per year. The Capital Projects Steering Committee chair receives a retainer of \$20,000 each quarter in lieu of an annual retainer. Members of the Compensation Committee, Audit Committee and Corporate Governance Committee receive a \$2,000 annual retainer for each committee he or she sits on. Non-executive directors are also paid the sum of \$1,000 for each Compensation Committee, Audit Committee and Corporate Governance Committee meeting attended. Members of the Landqart Steering Committee and Capital Projects Steering Committee each receive a \$4,000 annual retainer, \$1,500 per day for each formal meeting and \$250 per telephone conference call in lieu of a formal meeting. Non-executive directors of the Capital Projects Steering Committee who travel internationally for more than 10 hours to attend a committee meeting in person will also be entitled to receive an allowance of \$1,000 for travel in each direction to and from the meeting.

Non-executive directors receive grants of deferred share units ("**DSUs**") pursuant to the LTIP in an amount equal to \$16,000 per calendar year, subject to availability under the LTIP, failing which non-executive directors will be paid an additional quarterly retainer of \$4,000.

Deferred Share Units

Under the Corporation's LTIP, a DSU is a right granted to a director to receive one Common Share, from treasury, on a deferred basis. See "Securities Authorized for Issuance under Equity Compensation Plans – Long Term Incentive Plan".

Pursuant to the provisions of the LTIP, directors may elect to receive DSU's in lieu of fees. The number of DSUs is calculated by dividing the amount of fees by the immediately preceding five-day weighted average closing price of the Common Shares on the grant date which shall be the 10th business day following each financial quarter end.

The DSUs may only be redeemed upon a director ceasing to act as a director of the Corporation. DSUs may be redeemed in cash or Common Shares or a combination of both. The value of DSUs redeemed for cash is equal to the market price (as defined in the LTIP) of the Common Shares on the TSX on the trading day immediately following the redemption date.

The following table states the name of each non-management director and the fees earned for the most recently completed financial year.

Name	Cash payments (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Richard O'C. Whittall	50,576	41,939	N/A	N/A	N/A	N/A	92,515
Per Gundersby	61,375	15,995	N/A	N/A	N/A	N/A	77,370
John Coleman	61,568	28,967	N/A	N/A	N/A	N/A	90,535
Roland Tornare	65,568	28,967	N/A	N/A	N/A	N/A	94,535
Joe Nemeth	Nil	39,994	N/A	N/A	N/A	N/A	39,994
Pierre Monahan	50,576	35,442	N/A	N/A	N/A	N/A	86,018

Under the Corporation's Amended Travel and Entertainment Policy, both management and non-management directors are entitled to reimbursement of reasonable travel and other expenses incurred in the conduct of the Corporation's business.

Outstanding Share-Based Awards and Option-Based Awards for Directors

Currently, non-management directors hold no Option-based awards.

The table below states the name of each director, the number of share-based awards and the value of the awards if the directors were to have retired on December 31, 2012.

Name	Share-based awards	
	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Richard O'C. Whittall	12,291	98,943
Per Gundersby	9,781	78,737
John Coleman	8,701	70,043
Roland Tornare	8,621	69,399
Joe Nemeth	3,533	28,441
Pierre Monahan	4,204	33,842

In respect of the most recently completed financial year, there were 15,070 DSUs awarded to non-management directors. As at December 31, 2012, there were a total of 149,670 DSUs outstanding.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan Information

The following table sets out information relating to the SOP and LTIP as at December 31, 2012.

Equity compensation plans approved by securityholders	Number of securities to be issued upon exercise of outstanding Options, warrants and rights (a)	Weighted-average exercise price of outstanding Options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Amended and Restated Stock Option Plan	390,725 300,000	\$8.00 \$15.41	349,050
2009 Amended Long Term Incentive Plan	350,872	N/A	
Total	1,041,597		349,050

Long Term Incentive Plan

On March 3, 2009, the Board adopted the LTIP, which was subsequently approved by the shareholders of the Corporation on April 30, 2009. The LTIP was amended in June 2012. The purpose of the LTIP is to align the interests of Eligible Persons (as defined below) with those of the Corporation and its shareholders and to assist in attracting, retaining and motivating key employees of the Corporation by making a significant portion of the incentive compensation of participating employees directly dependent upon the achievement of key strategic, financial and operational objectives that are critical to ongoing growth and increasing the long-term value of the Corporation.

The LTIP is available to directors and certain officers and employees, as determined by the Board (the "**Eligible Persons**"). The aggregate number of Common Shares issuable under the LTIP, together with Common Shares reserved for issuance under all of the Corporation's other security-based compensation arrangements, shall not exceed ten percent of the issued and outstanding Common Shares. The total number of Common Shares issuable to any participant under the LTIP, at any time, together with any other security-based compensation arrangements of the Corporation, shall not exceed five percent of the issued and outstanding Common Shares. The total number of Common Shares issued to insiders within any one-year period and issuable at any given time under the LTIP, together with any other security-based compensation arrangement of the Corporation, shall not exceed ten percent of the issued and outstanding Common Shares. The total number of Common Shares issuable to non-executive directors under the LTIP shall not exceed one percent of the issued and outstanding Common Shares. Except as otherwise determined by the Board, neither awards nor any rights under any such awards shall be assignable or transferable other than pursuant to a will or by the laws of descent and distribution.

The Board may at any time, in its sole discretion and without the approval of shareholders, amend, suspend, terminate or discontinue the LTIP and may amend the terms and conditions of any grants thereunder, subject to (a) any required approval of any applicable regulatory authority or the TSX, and (b) approval of shareholders of the Corporation, provided that shareholder approval shall not be required for the following amendments and the Board may make changes which may include but are not limited to: (i) amendments of a 'housekeeping nature'; (ii) any amendment for the purpose of curing any ambiguity, error or omission in the LTIP or to correct or supplement any provision of the LTIP that is inconsistent with any other provision of the LTIP; (iii) any amendments which are necessary to comply with applicable law or stock exchange requirements; (iv) amendments respecting administration and eligibility for participation under the LTIP; (v) changes to terms and conditions on which awards may be or have been granted pursuant to the LTIP, including changes to the vesting provisions and terms of any awards; (vi) amendments which alter, extend or accelerate the terms of vesting applicable to any award; and (vii) changes to the termination provisions of an award or the LTIP which do not entail an extension beyond the original fixed term. If the LTIP is terminated, prior awards shall remain

outstanding and in effect in accordance with their applicable terms and conditions. The Board may waive any conditions or rights under, or amend any terms of, any awards, provided that no such amendment or alteration shall be made which would impair the rights of any participant, without such participant's consent, unless the Board determines that such amendment or alteration either: (a) is required or advisable in order to conform to any law, regulation or accounting standard; or (b) is not reasonably likely to diminish the benefits provided under such award.

The following types of awards are available under the LTIP. Such awards may be granted alone or in addition to, in tandem with, or in substitution for any other award or any award granted under any other security-based compensation agreement of the Corporation.

Restricted Share Units

RSUs are rights awarded to participants to receive a payment in Common Shares, and are subject to such restrictions that the Board may establish in the applicable award agreement. Each RSU shall represent one Common Share, and the RSUs shall generally vest and become payable by the issuance of Common Shares on the third anniversary of their grant date at the end of the restriction period if all applicable restrictions have lapsed, subject to the discretion of the Board.

As soon as practicable after each vesting date of an award of RSUs, the Corporation shall issue from the treasury to the participant or, if applicable, the participant's estate, a number of Common Shares equal to the number of RSUs credited to the participant's account that become payable on the vesting date. As of the vesting date, the RSUs in respect of which such shares are issued shall be cancelled.

The LTIP provides that, in the event of a change of control, all restrictions upon any RSUs shall lapse immediately, and all such RSUs shall become fully vested in a participant. Upon the death of a participant, any RSUs granted to the participant, which, prior to the participant's death have not yet vested, will immediately vest in the participant's estate.

The LTIP provides that, in the event of a participant's termination by the Corporation or a subsidiary thereof for cause or without cause, or in the event of a participant's voluntary termination by the participant, any RSUs granted to the participant under the LTIP will immediately terminate without payment as of the termination date of such units. In the event of a participant's termination due to retirement or in connection with a disability, all RSUs will continue to vest in accordance with the terms of such RSUs and the applicable restriction period. Likewise, in the case of directors, if a participant ceases to be a director for any reason, any RSUs granted to the participant under the LTIP that have not yet vested will continue to vest in accordance with the terms of such RSUs and the applicable restriction period. Upon termination of a participant's employment, the participant's eligibility to receive further grants of awards of RSUs under the LTIP shall cease as of the termination date of such units.

Performance Share Units

Performance share units ("**PSUs**") are rights awarded to participants to receive a payment in Common Shares. Each PSU shall represent one Common Share, and shall vest and become payable to the extent that all performance criteria established by the Board, which may include criteria based on the participant's personal performance and/or financial performance of the Corporation and its subsidiaries, set forth in the award agreement are satisfied for the performance cycle, normally a three-year period as specified in the award agreement, the determination of which satisfaction shall be made by the Board on the determination date. An award agreement may provide the Board with the right to revise such performance criteria and the award amounts if unforeseen events occur that will make the application of the performance criteria unfair unless a revision is made.

After the determination date for the applicable award, and within ninety-five days after the last day of such award's performance cycle, the Corporation shall issue from the treasury to the participant or, if applicable, the participant's estate, a number of Common Shares equal to the number of PSUs that have vested. As of the vesting date, the PSUs in respect of which such shares are issued shall be cancelled.

The LTIP provides that, in the event of a change of control or upon the death of a participant, all PSUs granted to a participant shall become fully vested in such participant or, if applicable, the participant's estate, without regard to the attainment of any performance criteria.

The LTIP provides that, in the event of a participant's termination by the Corporation or a subsidiary for cause or without cause, all PSUs granted to the participant under the LTIP will immediately terminate without payment. In the event of a participant's termination due to retirement or in connection with a disability, the Board shall determine, in its sole discretion, the number of the participant's PSUs that will vest will be based on the extent to which the applicable performance criteria have been satisfied in that portion of the performance cycle that has lapsed. Upon termination of a participant's employment, the participant's eligibility to receive further grants of awards of PSUs under the LTIP shall cease as of the termination date.

Deferred Share Units

DSUs are rights available to directors in lieu of fees, to receive on a deferred basis a payment in either Common Shares or cash. After the effective date the participant ceases to be a director, the participant shall be entitled to receive either that number of Common Shares equal to the number of DSUs credited to the participant's account, such Common Shares to be issued from treasury, or a cash payment in an amount equal to the number of DSUs credited to the participant's account multiplied by the volume weighted average trading price of the Common Shares for the preceding five days to the date upon which the participant ceases to be a director, net of applicable withholdings. If no such shares traded in this period, the average of the closing bid and ask prices during this period shall be used instead of the closing price. Further, in the event that this value would be determined with reference to a period commencing at a fiscal quarter end of the Corporation and ending prior to the public disclosure of interim financial statements for the quarter (or annual financial statements in the case of the fourth quarter), the cash payment of the value of the DSUs will be made to the participant with reference to the five trading days immediately following the public disclosure of the interim financial statements for that quarter (or annual financial statements in the case of the fourth quarter).

Each director may elect to receive any or all of his or her cash fees in DSUs. The number of such DSUs to be credited to the participant's account shall be calculated by dividing the amount of fees selected by a director by the volume weighted average trading price of a Common Share for the preceding five trading days to the grant date, provided that, if no such shares traded in this period, the average of the closing bid and ask prices during this period shall be used instead of the closing price. Further, in the event that this value would be determined with reference to a period commencing at a fiscal quarter end of the Corporation and ending prior to the public disclosure of interim financial statements for the quarter (or annual financial statements in the case of the fourth quarter), the cash payment of the value of the DSUs will be made to the participant with reference to the five trading days immediately following the public disclosure of the interim financial statements for that quarter (or annual financial statements in the case of the fourth quarter). The grant date shall be the 10th business day following each financial quarter end. If, as a result of the foregoing calculation, a participant shall become entitled to a fractional DSU, the participant shall only be credited with a full number of DSUs (rounded down) and no payment or other adjustment will be made with respect to the fractional DSU.

Upon the death of a participant, the participant's estate shall be entitled to receive, within 120 days after the participant's death and at the sole discretion of the Board, a cash payment or Common Shares, net of applicable withholdings, that would have otherwise been payable to the participant upon such participant ceasing to be director.

As of at the date hereof, there are 430,945 issued and outstanding units under the LTIP, representing approximately 2.97% of the total issued and outstanding Common Shares.

Stock Option Plan

The Board has adopted the SOP for the Corporation's directors, officers, employees, insiders and service providers. The SOP provides that Options may be granted to eligible persons on terms determined within the limitations set out in the SOP. The maximum number of Common Shares to be reserved for issuance at any one time under the SOP and any other employee incentive plan is ten percent of the issued and outstanding Common Shares. As at the date hereof, there are 650,725 issued and outstanding Options, representing approximately 4.48% of the total issued and outstanding Common Shares. Under the terms of the SOP, the maximum number of Common Shares which, together with any other Common Shares subject to a security-based compensation arrangement with a participant may be: (i) reserved for issuance to participants who are insiders shall not exceed ten percent of the number of Common Shares then outstanding; (ii) issued to participants who are insiders within a one-year period shall not exceed 10% of the number of Common Shares then outstanding; (iii) issued to any one participant who is an insider and the associates of such participant within a one-year period shall not exceed five percent of the number of Common Shares then outstanding; and (iv) reserved for issuance to any one participant shall not exceed five percent of the number of Common Shares then outstanding. The exercise price for an Option granted under the SOP may not be less than the closing price of the shares on the TSX on the trading day immediately preceding the date of grant. Options granted may be subject to vesting requirements.

The SOP allows Option holders to exchange their Options (the "**Exchanged Options**") for a right (the "**Substituted Right**") to acquire Common Shares, from time to time, at any time, and permits the Corporation to require the Option holder to exchange its Options for a Substituted Right under certain circumstances. The Substituted Right will entitle the holder to acquire Common Shares on exercise in accordance with the following formula:

$$\text{Number of Common Shares} = \text{Number of Common Shares under the Exchanged Options} \times \frac{(\text{Current Price} - \text{Exercise Price})}{\text{Current Price}}$$

"Current Price" means the closing price of the Common Shares immediately prior to exercise or exchange of the Options and "Exercise Price" means the exercise price of the Exchanged Options.

Options will be granted for a period which may not exceed ten years from the date of grant but will expire within 90 days of a participant ceasing to be a director, officer, employee, insider or service provider of the Corporation, unless that participant ceases to be a director, officer, employee, insider or service provider of the Corporation for cause, in which case no Option held by such participant shall be exercisable. No rights under the SOP and no Option awarded pursuant to the provisions of the SOP are assignable or transferable by any participant other than pursuant to a will or by the laws of descent and distribution. The Board may from time to time in its absolute discretion amend, modify and change the provisions of an Option or the SOP without obtaining approval of shareholders to: (i) make amendments of a "housekeeping" nature; (ii) change vesting provisions of an Option or the SOP; (iii) change the termination provisions of an Option or the SOP which does not entail an extension beyond the original expiry date of the Option or the SOP; (iv) change the termination provisions of an Option or the SOP which does entail an extension beyond the original expiry date of the Option or the SOP for a participant who is not an insider; (v) reduce the exercise price of an Option for a participant who is not an insider; (vi) remove or change any restriction or condition attached to a Common Share; (vii) implement a cashless exercise feature, payable in cash or securities, provided that such feature provides for a full deduction of the number of Common Shares from the number of Common Shares reserved under the SOP; and (viii) make any other amendments of a non-material nature which are approved by the TSX.

All other amendments, modifications or changes shall only be effective upon such amendment, modification or change being approved by the shareholders of the Corporation. Any amendment, modification or change of any provision of the SOP shall be subject to approval, if required, by any regulatory body having jurisdiction.

The SOP is administered by the Corporation's Compensation Committee. The SOP is subject to the rules and policies of the TSX, including the requirement for shareholder approval of all unallocated Options every three years following institution. See "Particulars of Matters to be Acted Upon – Unallocated Options Resolution".

Automatic Share Disposition Plan

In December 2010, the Corporation adopted an automatic share disposition plan (the "**ASDP**") to allow its directors and senior executive officers the opportunity to satisfy their tax liabilities resulting from the receipt of equity compensation or to diversify their investments and meet investment planning goals by selling, on an automatic basis through an independent third party securities broker (the "**Broker**"), certain of their Common Shares, including Common Shares issuable upon the vesting of units under the LTIP and the exercise of Options. Sales of Common Shares under the ASDP are made in the open market through the facilities of the TSX by the Broker in accordance with a pre-determined quarterly sales schedule, and could include circumstances when participants would ordinarily not be permitted to sell their Common Shares due to restrictions under Canadian securities laws or trading blackouts imposed under the Corporation's insider trading policy. Participants are subject to meaningful restrictions on their ability to modify or terminate their participation in the ASDP.

Participation in the ASDP by executive officers is limited to instances where they meet the minimum share ownership requirement of three times their base salary or, in the case of the Chairman and CEO of the Corporation or any of its subsidiaries, five times his or her base salary.

Employee Share Purchase Plan

In August 2011, the Corporation adopted an employee share purchase plan (the "**ESPP**") to encourage share ownership and provide its employees with financial assistance to purchase Common Shares through earnings, contributions by the Corporation, and dividend reinvestment. Any employee who has completed six full months of employment with the Corporation or any of its subsidiaries is eligible to participate in the ESPP. This may include an employee who is on leave of absence, but, unless authorized by the Board, does not include officers or directors of the Corporation, contract or probationary employees, part-time employees, temporary full-time employees, or temporary part-time employees.

A participant will make personal contributions to the ESPP of not more than ten percent, in whole percentages, of his or her Earnings (as such term is defined in the ESPP) up to a maximum aggregate personal contribution per calendar year of \$10,000 or the equivalent in local currency for non-Canadian resident participants, as may be determined by the Board from time to time. Accordingly, the Corporation will contribute to the ESPP an amount equal to \$0.15 for every \$1.00 contributed by a participant for any pay period (to a maximum of \$1,500 annually). A participant may make four withdrawals from his or her account in any calendar year.

An administrative agent will use all funds received by it from contributions to purchase the Common Shares and will make such purchases from time to time at its discretion. The administrative agent will purchase such Common Shares on the open market through the facilities of the TSX. The Corporation may amend or suspend at any time, and from time to time, all or any of the provisions of the ESPP at its sole and complete discretion, except that no such amendment shall, in the opinion of the Corporation, operate so as to deprive a participant of any Common Shares credited to a participant's account(s) prior to the date hereof.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Information Circular, no individual who is or was a director, executive officer or employee of the Corporation or any of its subsidiaries, any proposed nominee for election as a director of the Corporation or any associate of such director or officer, is or was, at the end of the most recently completed financial year, indebted to the Corporation or any of its subsidiaries since the beginning of the most recently completed

financial year of the Corporation, or is or has been indebted to another entity that is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries during that period.

MANAGEMENT CONTRACTS

To the best of the knowledge of the directors and officers of the Corporation, management functions of the Corporation are not, to any substantial degree, performed by a person other than the directors and executive officers of the Corporation.

AUDIT COMMITTEE

For information regarding the Corporation's Audit Committee, please refer to the Corporation's Annual Information Form for the year ended December 31, 2012 under the heading "Directors and Executive Officers – Audit Committee", available on SEDAR at www.sedar.com.

CORPORATE GOVERNANCE

Board of Directors

The directors are responsible for managing and supervising the management of the business and affairs of the Corporation. Each year, the Board must review the relationship that each director has with the Corporation in order to satisfy themselves that the relevant independence criteria have been met.

Other than interests arising from shareholdings in the Corporation, Messrs. Gundersby, Whittall, Tornare, Coleman and Nemeth are independent directors within the meaning set out in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") in that they are free from any interest which could reasonably interfere with their exercise of independent judgment as directors of the Corporation. Mr. Monahan was not considered to be an independent director as a result of remuneration received in 2010 for services performed by Gestion Pierre Monahan Inc., a company of which Mr. Monahan is the principal, prior to his appointment to the Board. Mr. Monahan resigned from the Board on December 31, 2012. Messrs. Tornare and Coleman have advised the Corporation that they shall retire from the Board at the Meeting. If Mr. Wirasekara is elected as a director of the Corporation, he would be considered an independent director. Mr. Wasilenkoff is an employee and executive officer of the Corporation and therefore not independent. In the 2012 fiscal year, currently and if Mr. Wirasekara is elected as a director of the Corporation, the Corporation had, has and will have a Board comprised of a majority of independent directors.

In order to facilitate its exercise of independent judgment in carrying out its responsibilities, the Board may establish informal committees on an as needed basis consisting solely of independent directors to consider certain matters to be considered by the Board. The Board, or any committee, may also seek advice from outside advisors. The Board also follows a practice whereby any director who has an interest in a matter the Board is considering will either abstain from voting on the matter or exit the Board meeting.

The following directors of the Corporation hold or, in 2012, held, directorships in other reporting issuers or the equivalent in other jurisdictions as set out below:

Name of director	Name of other reporting issuer
Richard O'C. Whittall	Canadian General Investment Ltd. Canadian World Fund Ltd. GVIC Communications Corp. Newstrike Capital Inc. Calyx Bio-Ventures Inc.
Per Gundersby	Fondita Oy, Finland
Pierre Monahan	Valener Inc. Gaz Métro Inc. Uniboard Inc.

The independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, in order to facilitate open and candid discussion among independent directors, communication among the independent directors also occurs on an informal and ongoing basis as such need arises.

The Board does not have a Chairman independent of management. Mr. Wasilenkoff, the Chairman of the Board, is also the Corporation's CEO and President. The Board believes that this structure best reflects the entrepreneurial leadership of the Corporation. The Board is satisfied that the autonomy of the Board and its ability to function independently of management are protected through measures such as the Audit Committee, the Compensation Committee and the Corporate Governance Committee being composed of all or a majority of independent directors. In order to provide leadership for its independent directors, an independent Lead Director has been appointed. In addition, the independent members of the Board meet separately from the non-independent members and the Board encourages its independent members to seek the advice of financial, legal or other consultants when necessary.

Board committees assist in the effective functioning of the Board. All Board committees are currently comprised of either all or a majority of independent directors, which ensures that the views of independent directors are effectively represented. The Board currently has five committees: the Compensation Committee, the Corporate Governance Committee, the Capital Projects Steering Committee, the Landqart Steering Committee and the Audit Committee. Special committees may be formed time to time as required to review particular matters or transactions.

The Compensation Committee is responsible for the development, implementation and monitoring of the Corporation's compensation policy for executive officers and members of the Board.

The following are the current members of the Compensation Committee:

Joe Nemeth (Chair)
Richard O'C. Whittall
John Coleman

Mr. Coleman shall retire from the Board and the Compensation Committee at the Meeting. If Mr. Wirasekara is elected as a director of the Corporation, it is intended that he shall be appointed to serve on the Compensation Committee.

The Corporate Governance Committee's overall responsibility is for ensuring that the Corporation meets applicable legal, regulatory and self-regulatory business principles and 'codes of best practice' of corporate behavior and conduct.

The following are the current members of the Corporate Governance Committee:

Joe Nemeth (Chair)
Richard O'C. Whittall
Roland Tornare

Mr. Tornare shall retire from the Board and the Corporate Governance Committee at the Meeting. If Mr. Wirasekara is elected as a director of the Corporation, it is intended that he shall be appointed to serve on the Corporate Governance Committee.

The Capital Projects Steering Committee was formed in August 2012. The Capital Projects Steering Committee was formed to discharge the Board's responsibilities relating to overseeing, reviewing, evaluating, monitoring and assessing the execution of capital projects, each involving a capital investment of at least \$1 million, relating to the Corporation's dissolving pulp operations, including but not limited to the conversion of the pulp mill and re-start of the cogeneration facility at the Fortress Global Cellulose Mill.

The following are the current members of the Capital Projects Steering Committee:

Joe Nemeth (Chair)
Richard O'C. Whittall
Per Gundersby
Chadwick Wasilenkoff

The Landqart Steering Committee was formed in February 2012. The Landqart Steering Committee was formed to discharge the Board's responsibility for overseeing the review, evaluation, assessment and formulation of a plan for improvement of the current business and operations of Landqart. The Landqart Steering Committee is responsible for identifying any significant issues that may have an impact on the financial or operating performance of the Landqart Mill, considering and developing plans for improving the operational efficiency of the mill and to recommend to the Board an improvement proposal together with a budget and timeline.

The following are the current members of the Landqart Steering Committee:

Roland Tornare
John Coleman
Chadwick Wasilenkoff

The Audit Committee is responsible for monitoring: (1) the integrity of the financial statements of the Corporation; (2) the compliance by the Corporation with the legal and regulatory requirements; and (3) the independent performance of the Corporation's external auditors, which external auditors shall report directly to the Audit Committee.

The following are the current members of the Audit Committee:

Richard O'C. Whittall (Chair)
Roland Tornare
Per Gundersby

Mr. Tornare shall retire from the Board and the Audit Committee at the Meeting. If Mr. Wirasekara is elected as a director of the Corporation, it is intended that he shall be appointed to serve on the Audit Committee. The Board has determined that Mr. Wirasekara is "financially literate" and "independent" within the meaning of NI 52-110.

The following table sets forth the number of Board and committee meetings held and attendance by directors for the most recently completed financial year.

Director	Scheduled Board meetings	Compensation Committee meetings	Corporate Governance Committee meetings	Capital Projects Steering Committee meetings	Scheduled Landqart Steering Committee meetings	Audit Committee meetings
Chadwick Wasilenkoff	4/4			2/5	7/7	
Per Gundersby	4/4			5/5		4/4
Richard O'C. Whittall	4/4	6/6	4/4	3/5		4/4
John Coleman	4/4	6/6			7/7	
Roland Tornare	4/4		4/4		7/7	4/4
Joe Nemeth ⁽¹⁾	1/1	0/1	0/1	5/5		
Pierre Monahan	4/4	6/6	4/4	3/5		

⁽¹⁾ Mr. Nemeth joined the Board on October 17, 2012. Mr. Nemeth was appointed Chair of the Capital Projects Steering Committee effective October 17, 2012, replacing Mr. Gundersby, and Chair of the Compensation Committee and Corporate Governance Committee subsequent to the retirement of Mr. Monahan from the Board on December 31, 2012.

The table below summarizes the number of Board and committee meetings held during 2012 (includes scheduled and unscheduled meetings, including meetings held by telephone conference call).

Meeting type	Totals
Board of Directors	7
Compensation Committee	6
Corporate Governance Committee	4
Capital Projects Steering Committee	5
Landqart Steering Committee	36
Audit Committee	4
Total number of meetings held	62

The Corporation's current Board mandate, which is reviewed on an annual basis, is attached hereto as Schedule "A". The Board has not developed written descriptions for the CEO or the chairs of each committee of the Board. The CEO's responsibilities are described in his employment agreement. The chairs of each committee of the Board follow the charter for the respective committee.

Orientation and Continuing Education

The Corporation does not have a formal process of orientation and education for new members of the Board. The current directors are experienced in boardroom procedure and corporate governance and generally have a good understanding of the business. As necessary, new members of the Board are provided with information about the Corporation, the role of the Board, the Board's committees, the Board's directors and the Corporation's industry. In addition, the Corporation provides continuing education for its directors as such need arises.

Ethical Business Conduct

The Corporation adopted a Code of Business Conduct and Ethics (the "**Code**") in May 2007, which is available under the Corporation's profile at www.sedar.com. The Code sets out the principles that should guide the behavior of the Corporation's directors, officers and employees. The Code addresses issues such as the following:

- (a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;
- (b) protection and proper use of corporate assets and opportunities;
- (c) fair dealing with the Corporation's security holders, customers, suppliers, competitors and employees;
- (d) compliance with laws, rules and regulations; and
- (e) reporting of any illegal or unethical behavior.

The Board is responsible for monitoring compliance with the Code. One tool used for monitoring compliance is the Corporation's Whistleblower Policy. Any person can report complaints or concerns, which may be on an anonymous basis, through the procedures of the Whistleblower Policy.

To ensure directors of the Corporation exercise independent judgment in considering transactions, agreements or decisions in respect of which a director or executive officer has declared a material personal interest (in accordance with relevant corporate law requirements), the Board follows a practice whereby any such Board member must be absent during any Board discussion pertaining thereto and not cast a vote on any such matter. Significant contracts that may be deemed to be in conflict are also reviewed and approved by the Audit Committee.

In addition, the Board must comply with conflict of interest provisions in Canadian corporate law and relevant securities regulatory instruments in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

Nomination of Directors

Although the Corporation does not have a nominating committee to propose new Board nominees, the Corporate Governance Committee is responsible for advising the Board with respect to the filling of vacancies on the Board and making recommendations as to nominees for the Board and uses an informal consultative process.

The Corporate Governance Committee analyzes the needs of the Board when vacancies arise and identifies and proposes new nominees who have the necessary competencies and characteristics to meet such needs. New candidates are introduced to the Board by members of the Corporate Governance Committee.

In order to foster an objective nomination process, the independent members of the Board are encouraged to recommend nominees for the Board.

Compensation

The Compensation Committee is appointed by the Board to, among other things, discharge the Board's responsibilities relating to compensation of the Corporation's directors and officers. The Compensation Committee periodically reviews the adequacy and form of compensation to ensure it realistically reflects the responsibilities and risks involved in being an effective director or officer and that the compensation allows the Corporation to attract qualified candidates. Such review includes an examination of publicly available data as well as independent compensation surveys.

The Compensation Committee annually reviews and approves corporate goals and objectives relevant to the compensation of the CEO, evaluates the CEO's performance in light of those goals and objectives and sets the

CEO's compensation level based on this evaluation. The Compensation Committee meets without the presence of other executive officers when approving the CEO's compensation.

The Compensation Committee is comprised of a majority of independent directors. In order to ensure an objective process for determining compensation, the Compensation Committee reviews independent materials such as pay survey data and industry reports. The Compensation Committee benchmarks against other companies using peer group studies compiled for the Compensation Committee. In addition, the Compensation Committee may consult with outside independent compensation advisory firms if it deems advisable.

Assessments

The Board is responsible for keeping management informed of its evaluation of the performance of the Corporation and its senior officers in achieving and carrying out the Board's established goals and policies, and is also responsible for advising management of any remedial action or changes which it may consider necessary. Additionally, directors are expected to devote the time and attention to the Corporation's business and affairs as necessary to discharge their duties as directors effectively.

The Corporate Governance Committee administers evaluations of performance, effectiveness and composition of the Board's committees and also of the Board as a whole. The Board and the Board's committees evaluate performance by asking each director to complete questionnaires. The results of the questionnaires are collated and evaluated by the Corporate Governance Committee and then discussed at a meeting of the full Board. In addition to the assessments, the Board considers the following in order to gauge performance:

- (a) input from directors, where appropriate;
- (b) attendance of directors at meetings of the Board and any committee;
- (c) the charter of each committee; and
- (d) the competencies and skills each individual director is expected to bring to the Board and each committee.

APPOINTMENT OF AUDITORS

Management of the Corporation will recommend at the Meeting that shareholders appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation until the next annual meeting of shareholders and to authorize the directors to fix their remuneration. PricewaterhouseCoopers LLP were first appointed as auditors of the Corporation on October 24, 2006.

PARTICULARS OF MATTERS TO BE ACTED UPON

Unallocated Options Resolution

Pursuant to the policies of the TSX, all unallocated options, rights, or other entitlements under a security based compensation arrangement, which does not have a fixed maximum number of securities issuable, must be approved by the listed issuer's security holders every three years after the institution of the arrangement.

In the case of the SOP, unallocated Options were last approved by shareholders at the meeting held in June 2010. A description of the SOP is provided under the heading "Securities Authorized for Issuance under Equity Compensation Plans – Stock Option Plan". As the three-year term prescribed by the TSX expires on June 11, 2013, an ordinary resolution will be placed before the shareholders to approve the unallocated Options (the "**Options Resolution**"). This approval will be effective for three years from the date of the Meeting. If approval is not obtained at the Meeting, Options which have not been allocated as of June 11, 2013, and

Common Shares underlying Options which are outstanding as of June 11, 2013 and are subsequently exercised, surrendered, expired or terminated, will not be available for new grants of Options. Previously allocated Options will be unaffected by the approval or disapproval of the Options Resolution.

As at the date of this Information Circular, Options to purchase a total of 650,725 Common Shares are outstanding, representing approximately 4.48% of the issued and outstanding Common Shares. Additionally, there are 430,945 securities outstanding under other security-based compensation arrangements representing approximately 2.97% of the issued and outstanding Common Shares. Accordingly, there are 369,289 unallocated Options available under the SOP.

The following is the text of Unallocated Options Resolution to be considered at the Meeting:

"BE IT RESOLVED THAT:

1. All unallocated Options under the SOP, as amended from time to time, are hereby approved and authorized and the Corporation is authorized to continue granting Options under the SOP until May 3, 2016, which is the date that is three years from the date when shareholder approval is being sought; and
2. Any director or officer of the Corporation be, and is hereby, authorized to take such further actions and to execute and deliver all such further instruments and documents, in the name of and on behalf of the Corporation, as may be necessary proper or advisable in order to carry out and give effect to the foregoing."

The Board has determined that passing the Options Resolution is in the best interest of the Corporation and its shareholders and recommends that the shareholders vote **IN FAVOUR** of the Options Resolution. In order to be approved, the Options Resolution must be passed by a majority of the votes cast by shareholders at the Meeting. **In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed Proxy intend to vote FOR the Options Resolution.**

Approval of Shareholder Rights Plan

At the Meeting, shareholders will be asked to consider and, if thought advisable, approve an ordinary resolution ratifying, confirming and approving the adoption of a shareholder rights plan (the "**Rights Plan Resolution**"). The Board has determined that the Rights Plan (as hereinafter defined) is in the best interest of the Corporation and unanimously recommends that the shareholders vote for the approval of the Rights Plan Resolution.

Background and Summary of the Rights Plan

The Corporation and Computershare Investor Services Inc. (the "**Rights Agent**") entered into a shareholder rights plan agreement (the "**Rights Plan**") dated as of December 6, 2012. A summary of the key features of the Rights Plan follows. This summary is qualified in its entirety by reference to the text of the Rights Plan, as it may be amended from time to time in accordance with its terms, which is available on SEDAR at www.sedar.com. Capitalized terms used in this summary without express definition have the meanings ascribed thereto in the Rights Plan.

Issue of Rights

The Corporation issued one right (a "**Right**") in respect of each Common Share outstanding at the close of business on December 6, 2012 (the "**Record Time**"). The Corporation will issue Rights on the same basis for each Common Share issued after the Record Time but prior to the earlier of the Separation Time (as defined below) and the Expiration Time (as defined below).

Rights Certificates and Transferability

Before the Separation Time, the Rights will be evidenced by the registered ownership of the Common Shares (whether or not evidenced by a certificate representing such Common Shares) and the Rights will not be transferable separate from the Common Shares. From and after the Separation Time, the Rights will be evidenced by separate Rights Certificates which will be transferable separate from and independent of the Common Shares.

Exercise of Rights

Rights are not exercisable before the Separation Time. After the Separation Time and before the Expiration Time, each Right entitles the holder (other than holders described below) to acquire that number of Common Shares having an aggregate Market Price on the date of the occurrence of the Flip-in Event (as defined below) equal to twice the Exercise Price for an amount in cash equal to the Exercise Price of five times the Market Price per Common Shares determined as of the Separation Time (subject to certain anti-dilution adjustments). Effectively, this means that a shareholder of the Corporation, other than an Acquiring Person (as defined below) and certain persons related to such Acquiring Person as further described in the Rights Plan, can acquire additional Common Shares from treasury at half their Market Price after the Separation Time.

Definition of "Acquiring Person"

Subject to certain exceptions, an Acquiring Person is a person who is the Beneficial Owner (as defined below) of 20% or more of the outstanding Common Shares.

Definition of "Beneficial Ownership"

Under the Rights Plan, a person shall be deemed the "Beneficial Owner" of, and to have "Beneficial Ownership" of, and to "Beneficially Own":

1. any securities of which such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person is the owner in law or equity; and
2. any securities as to which such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person has the right to acquire upon the exercise of any Convertible Securities or pursuant to any agreement, arrangement or understanding, subject to certain exceptions, in each case if such right is exercisable immediately or within a period of 60 days thereafter.

However, a person is not deemed the "Beneficial Owner" of, or to have "Beneficial Ownership" of, or to "Beneficially Own" securities under the Rights Plan where:

1. such securities have been deposited or tendered pursuant to a Take-over Bid made by such person or any of such person's Affiliates or Associates pursuant to a Permitted Lock-up Agreement (as defined below), unless those securities have been taken up or paid for;
2. by reason of the holders of such securities having agreed to deposit or tender such securities to a Take-over Bid pursuant to a Permitted Lock-up Agreement;
3. such person is an investment fund or mutual fund manager, a trust company, a statutory body established to manage funds of public bodies, an agent of the crown for the management of public assets, a pension fund or a pension fund administrator or trustee, as long as such person is not making a Take-over Bid or acting jointly or in concert with a person who is making a Take-over Bid, the whole as more fully described in the Rights Plan and subject to certain exceptions set forth therein; or

4. such person is a registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

Definition of "Separation Time"

The Separation Time occurs on the tenth trading day after the earlier of the following dates, or such later date as may be determined by the Board:

1. the first date of public announcement of facts indicating that a person has become an Acquiring Person;
2. the date of the commencement or announcement of the intent of a person to commence a Take-over Bid (other than a Permitted Bid (as defined below)); and
3. the date on which a Permitted Bid ceases to qualify as such.

However, if any such Take-over Bid expires, is cancelled, is terminated, or is otherwise withdrawn prior to the Separation Time, then the Take-over Bid shall be deemed never to have been made for purposes of determining the Separation Time.

Definition of "Expiration Time"

The Expiration Time occurs on the date being the earlier of:

1. the time at which the right to exercise Rights is terminated under the terms of the Rights Plan; and
2. if the Corporation does not request that its shareholders confirm the Rights Plan in accordance with the terms of the Rights Plan or if a majority of votes cast by Independent Shareholders who vote in respect of the resolution to approve the Rights Plan are voted against the Rights Plan, immediately upon the confirmation by the chairman of such shareholders' meeting of the result of the vote on such resolution.

Definition of a "Flip-in Event"

A Flip-in Event occurs when a person becomes an Acquiring Person. Upon the occurrence of a Flip-in Event, any Rights that are beneficially owned by an Acquiring Person or by certain persons related to the Acquiring Person or by persons to whom the Acquiring Person has transferred its Rights, will become null and void. As a result, the Acquiring Person's investment in the Corporation would be greatly diluted if a substantial portion of the Rights are exercised after a Flip-in Event occurs.

Definition of "Permitted Bid"

A Permitted Bid is a Take-over Bid made by an Offeror by way of a Take-over Bid circular that complies with the following conditions:

1. the Take-over Bid is made to all registered holders of Common Shares (other than Common Shares held by the Offeror);
2. the Offeror agrees that no Common Shares will be taken up or paid for under the bid for 60 days following the commencement of the bid and that no Common Shares will be taken up or paid for unless more than 50% of the outstanding Common Shares held by Independent Shareholders have been deposited pursuant to the bid and not withdrawn;

3. the Offeror agrees that the Common Shares may be deposited to the Take-over Bid at any time before its expiry, unless the Take-over Bid is withdrawn, and Common Shares deposited to the Take-over Bid may be withdrawn at any time until taken up or paid for; and

4. if the condition in paragraph 2 above is satisfied, the bid shall remain open for an additional period of at least 10 business days to permit the remaining shareholders to tender their Common Shares.

A Permitted Bid also includes a Competing Permitted Bid (as defined below).

Definition of "Competing Permitted Bid"

A Competing Permitted Bid is a Take-over Bid that:

1. is made while another Permitted Bid is in existence; and
2. satisfies all the requirements of a Permitted Bid except that the Common Shares under a Competing Bid may be taken up on a date that is no earlier than the date which is the later of 35 days after the Competing Bid was made and 60 days after the earliest date on which any other Permitted Bid or Competing Bid that was then in existence was made, and only if at that date more than 50% of the outstanding Common Shares held by Independent Shareholders have been deposited pursuant to the bid and not withdrawn.

Definition of "Permitted Lock-up Agreement"

A Permitted Lock-up Agreement is an agreement between a person making a Take-over Bid (the "**Lock-up Bid**") and one or more holders (each, a "**Locked-up Person**") of Common Shares pursuant to which such Locked-up Persons agree to deposit or tender Common Shares to Lock-up Bid and where the agreement:

1. permits the Locked-up Person to withdraw Common Shares in order to tender or deposit such Common Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Common Share that exceeds, or provides a value for each Common Share that is greater than, the offering price or value represented by or proposed to be represented by the Lock-up Bid ; or
2. (i) permits the Locked-up Person to withdraw Common Shares in order to tender or deposit such Common Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Common Share that exceeds, or provides a value for each Common Share that is greater than, the offering price or value represented by or proposed to be represented by, the Lock-up Bid by as much or more than a specified amount not greater than 7% of the offering price or value that is represented by the Lock-up Bid; or (ii) permits the Locked-up Person to withdraw Common Shares in order to tender or deposit such Common Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) if the number of Common Shares to be purchased under such other Take-over Bid or transaction exceeds the number of Common Shares offered to be purchased under the Lock-up Bid by as much or more than a specified number of Common Shares not greater than 7% of the number of Common Shares offered to be purchased under the Lock-up Bid, at an offering price for each Common Share that is not less, or provides a value for each Common Share that is not less than, the offering price or value represented by or proposed to be represented by the Lock-up Bid; and
3. provides for no "break-up" fees, "top-up" fees, penalties, payments, expenses or other amounts that exceed in the aggregate the greater of: (i) the cash equivalent of 2.5% of the price or value payable under the Lock-up Bid to the Locked-up Person, and (ii) 50% of the amount by which the price or value payable under another Take-over Bid or another transaction to a Locked-up Person exceeds the price or value of the consideration that such Locked-up Person would have received under the Lock-up Bid, to be payable, directly or indirectly, by such Locked-up Person pursuant to the agreement if any Locked-up Person fails to tender

Common Shares pursuant thereto or withdraws Common Shares previously tendered thereto in order to tender such Common Shares to another Take-over Bid or support another transaction.

Fiduciary Duties of Directors

The Rights Plan will not detract from or lessen duties of the Board, including the duty to act honestly and in good faith with a view to the best interests of the Corporation and its shareholders. The Board will continue to have the duty and power to take such actions and make such recommendations to the Corporation's shareholders as are considered appropriate.

Redemption of Rights

The Rights may be redeemed by the Board at its option with the prior approval of the shareholders at any time prior to the later of the Stock Acquisition Date and the Separation Time at a redemption price of \$0.00001 per Right. In addition, the Rights will be redeemed automatically in the event of a successful Permitted Bid, Competing Permitted Bid or a bid for which the Board has waived, in accordance with the provisions of the Rights Plan, the operation of the Rights Plan.

Waiver

Before a Flip-in Event occurs, the Board may waive the application of the Flip-in provisions of the Rights Plan to any prospective Flip-in Event which would occur by reason of a Take-over Bid made by a Take-over Bid circular to all registered holders of Common Shares. However, if the Board waives the Rights Plan with respect to a particular bid, it will be deemed to have waived the Rights Plan with respect to any other Take-over Bid made by Take-over Bid circular to all registered holders of Common Shares before the expiry of that first bid.

The Board may also waive the "Flip-in" provisions of the Rights Plan in respect of any Flip-in Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and on the condition that such Acquiring Person reduces its ownership to such a level that it is no longer an Acquiring Person.

Finally, the Board may waive the "Flip-in" provisions of the Rights Plan in respect of any Flip-in Event provided that the Acquiring Person has reduced its ownership or has entered into a contractual arrangement with the Corporation or other acceptable undertaking to do so such that at the time the waiver becomes effective such person is no longer an Acquiring Person.

Other waivers of the "Flip-in" provisions of the Rights Plan will require prior approval of the shareholders of the Corporation.

Term of the Rights Plan

If the Rights Plan is ratified by shareholders at the Meeting, the Rights Plan will expire at the termination of the Corporation's annual general meeting of shareholders to be held in 2016, unless earlier terminated or unless extended upon reconfirmation by the shareholders at such meeting. Subsequently, the Rights Plan must be reconfirmed by the shareholders every three years thereafter.

Amending Power

Except for minor amendments to correct clerical or typographical errors and amendments to maintain the validity of the Rights Plan as a result of a change in any applicable legislation, regulations or rules, consent of shareholders is required for amendments to the Rights Plan before the Separation Time. Consent of the holders of Rights is required for amendments to the Rights Plan after the Separation Time and before the Expiration Time.

Rights Agent

Computershare Investor Services Inc.

Holder of Rights not Shareholders

Until a Right is exercised, the holder thereof as such will have no rights as a shareholder of the Corporation.

Objectives of the Rights Plan

The Rights Plan is not being proposed by management in anticipation of any pending or threatened take-over bid, nor to deter take-over bids generally. The primary objectives of the Rights Plan are to seek to ensure that, in the context of a bid for control of the Corporation through an acquisition of Common Shares, all shareholders have an equal opportunity to participate in the bid and are given adequate time to access the bid. The Rights Plan in no way prohibits a change of control of the Corporation in a transaction that is procedurally fair to shareholders. The rights of shareholders to seek a change in the Board or to influence or promote action of the Board in a particular manner will not be affected by the Rights Plan. The approval of the Rights Plan by the shareholders will not alter, diminish or reduce the fiduciary duties of the directors of the Corporation when faced with a potential change of control transaction or restrict the potential actions that might be taken by the directors in such circumstances.

In adopting the Rights Plan, the Board considered a number of factors, including the following concerns arising from the existing securities law framework that applies to take-over bids in Canada:

1. Unequal Treatment

While existing Canadian securities legislation has established a number of procedural requirements for the conduct of take-over bids, which generally require that a take-over bid be made to all shareholders and that a bidder offer identical consideration to all shareholders, the take-over bid regime includes exemptions to the formal bid requirements that could operate to allow control of an issuer to be acquired without the making of a formal take-over bid to all shareholders. Specifically, Canadian securities legislation allows a small group of securityholders to dispose of their securities pursuant to a private agreement at a premium to market price, which premium is not shared with other securityholders. In addition, a person may slowly accumulate securities through stock exchange acquisitions which may result, over time, in an acquisition of control without payment of fair value for control or a fair sharing of a control premium among all securityholders. It may also be possible to engage in transactions outside of Canada without regard to these protections. The Rights Plan addresses these concerns by applying to all acquisitions that would result in a person owning 20% or more of the Common Shares (subject to certain limited exceptions), thereby generally precluding a person from acquiring a control interest in the Corporation without making a Permitted Bid to all shareholders.

2. Time

Current legislation permits a take-over bid to expire in 35 days. The Board is of the view that this generally is not sufficient time to permit shareholders to consider a take-over bid and to make a reasoned and considered decision. The Rights Plan provides a mechanism for "Permitted Bids" whereby the minimum expiry period for a take-over bid must be 60 days after the date of the bid and the bid must remain open for a further period of ten Business Days after an offeror publicly announces that the Common Shares deposited or tendered and not withdrawn constitute more than 50% of the Common Shares outstanding held by Independent Shareholders. The Rights Plan is intended to provide shareholders with adequate time to properly evaluate any offer, and also to provide the Board with additional time to assess any offer and, if appropriate, to explore and develop alternatives for maximizing shareholder value. Those alternatives could include, among other things, identifying

other potential bidders, conducting an orderly auction, or developing a restructuring or other alternative that could enhance shareholder value.

3. Pressure to Tender

A shareholder may feel pressured to tender to a bid that the shareholder considers to be inadequate out of a concern that failing to tender may result in the shareholder being left with illiquid or minority discounted securities in the Corporation. This is particularly so in the case of a partial bid for less than all securities of a class, where the bidder wishes to obtain a control position but does not wish to acquire all of the Common Shares. The Rights Plan provides a mechanism in the Permitted Bid provision that is intended to address this concern by requiring that a take-over bid remain open for acceptance for a further 10 Business Days following public announcement that more than 50% of the Common Shares held by Independent Shareholders have been deposited and not withdrawn. This mechanism is intended to lessen any undue pressure to tender that may be encountered by a shareholder, as the shareholder will have the ability to tender during a subsequent offering period after learning that a majority of the other shareholders of the Corporation have tendered to the offer.

General Impact of the Rights Plan

It is not the intention of the Board, in approving the Rights Plan, to secure the continuance of existing directors or management in office, nor to avoid a bid for control of the Corporation in a transaction that is procedurally fair. For example, through the Permitted Bid mechanism, shareholders may tender to a bid that meets the Permitted Bid criteria without triggering the exercise of Rights under the Rights Plan, regardless of the value of the consideration being offered under the bid. The Rights Plan should not preclude any shareholder from utilizing the proxy mechanism under the *Business Corporations Act* (British Columbia) ("**BCBCA**") and securities laws to promote a change in the management or direction of the Corporation, or the Board, and is designed to have no effect on the rights of holders of outstanding Common Shares to requisition a meeting in accordance with the provisions of the BCBCA, or to enter into agreements with respect to voting their Common Shares. The definitions of "Acquiring Person" and "Beneficial Ownership" have been developed to minimize concerns that the Rights Plan may be inadvertently triggered or triggered as a result of an overly broad aggregation of holdings of institutional shareholders and their clients. Persons who beneficially own, within the meaning of the Rights Plan, as of the Record Time, more than 20% of the Common Shares are known as "Grandfathered Persons" under the Rights Plan. Such ownership will not trigger the exercise of rights under the Rights Plan unless such persons increase their beneficial ownership of Common Shares by more than two percent, subject to certain exceptions under the Rights Plan. As of the Record Time, Mr. Wasilenkoff would be considered a "Grandfathered Person". The Rights Plan is not expected to interfere with the day-to-day operations of the Corporation. The issuance of the Rights does not in any way alter the financial condition of the Corporation, impede its business plans or alter its financial statements. In summary, the Board believes that the dominant effect of the Rights Plan will be to ensure equal treatment of all shareholders in the context of an acquisition of control.

Approval

At the Meeting, shareholders will be asked to consider and, if thought advisable, ratify, confirm and approve the adoption of the Rights Plan. The following is the text of the Rights Plan Resolution to be considered at the Meeting:

"BE IT RESOLVED THAT:

1. The Rights Plan, as set forth in the Shareholder Rights Plan Agreement between the Corporation and Computershare Investor Services Inc. dated as of December 6, 2012, and the issuance of all rights issued pursuant to such Rights Plan, be, and is hereby, ratified, confirmed and approved; and

2. Any director or officer of the Corporation be, and is hereby, authorized to take such further actions and to execute and deliver all such further instruments and documents, in the name of and on behalf of the Corporation, as may be necessary proper or advisable in order to carry out and give effect to the foregoing."

The Board has determined that passing the Rights Plan Resolution is in the best interest of the Corporation and its shareholders and recommends that the shareholders vote **IN FAVOUR** of the Rights Plan Resolution. In accordance with the terms of the TSX Company Manual, in order to be approved, the Rights Plan Resolution must be passed by not less than: (i) a majority of the votes cast at the Meeting; and (ii) a majority of votes cast by shareholders, without giving effect to any votes cast (a) by any shareholder that would be considered a "Grandfathered Person" under the Rights Plan; and (b) by the associates, affiliates and insiders of any person referred to in (a) above. Accordingly, as Mr. Wasilenkoff is considered a "Grandfathered Person" pursuant to the terms of the Rights Plan, at the Meeting, the Corporation will ask the shareholders to approve the Rights Plan Resolution by a vote that excludes the Common Shares beneficially owned, or under control or direction, by Mr. Wasilenkoff, as well as a vote that does not exclude such Common Shares. **In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed Proxy intend to vote FOR the Rights Plan Resolution.**

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as otherwise disclosed herein, no director, executive officer or proposed nominee for election as a director of the Corporation, or any of their associates or affiliates, has any material interest, direct or indirect, by way of beneficial ownership of Common Shares or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors or the appointment of auditors of the Corporation, other than in respect of their participation in the SOP.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, no insider of the Corporation, nor the proposed nominees for election as directors of the Corporation, nor any associate or affiliate of such insider or proposed nominees, has any material interest, direct or indirect, in any transaction since the beginning of the last financial year of the Corporation, or in any proposed transaction which has materially affected or will materially affect the Corporation or any of its subsidiaries.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent of the Corporation is Computershare Investor Services Inc., 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9.

OTHER BUSINESS

Management of the Corporation knows of no other matters to come before the Meeting other than as referred to in the Notice of Meeting. However, if any other matter(s) which are not known to management of the Corporation shall properly come before the Meeting, the Proxy given pursuant to the solicitation by management of the Corporation will be voted on such matter(s) in accordance with the best judgment of the person(s) voting the Proxy.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Shareholders may contact the Corporation to request copies of the Corporation's financial statements and management's discussion and analysis ("MD&A") by sending a written request to 2nd Floor, 157 Chadwick Court, North Vancouver, British Columbia, Canada V7M 3K2, Attention: Corporate Secretary. Financial information is

provided in the Corporation's comparative financial statements and MD&A for its fiscal year ended December 31, 2012, which are also available on SEDAR.

APPROVAL OF INFORMATION CIRCULAR

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by the directors of the Corporation.

DATED at Vancouver, British Columbia, Canada, this 5th day of April, 2013.

**BY ORDER OF THE BOARD OF DIRECTORS OF
FORTRESS PAPER LTD.**

/s/ Chadwick Wasilenkoff

Chadwick Wasilenkoff

Chairman, Chief Executive Officer, President and Director

SCHEDULE "A"

FORTRESS PAPER LTD.

BOARD OF DIRECTORS' MANDATE

1. PURPOSE

- 1.1 The Board of Directors (the "Board") of Fortress Paper Ltd. (the "Company") wishes to formalize the guidelines pursuant to which the Board governs the business of the Company. The guidelines are intended to be flexible and are intended to provide parameters and direction to the Board in conjunction with its obligations and mandate to oversee and direct the affairs of the Company.
- 1.2 The Board is responsible for the overall stewardship of the Company and for managing and supervising the management of the Company. The Board does not conduct day-to-day management of the Company; that is the responsibility of the Officers. The Board shall at all times act in the best interests of the Company.

2. RESPONSIBILITIES

- 2.1 In discharging its responsibility, among other things, the Board should:
- (i) require management to develop and maintain a strategic planning process which takes into account, among other things, the opportunities and risks of the Company's business and to bring its strategic and operating plans to the Board for review and approval on an annual basis or such other basis as may be required by the Board;
 - (ii) approve all capital plans and establish priorities in the allocation of funds for major capital projects on an annual basis or such other basis as may be required by the Board;
 - (iii) identify the principal risks of the Company's business and require management to implement appropriate procedures and systems to manage such risks;
 - (iv) plan for senior management succession, including the appointment of and monitoring of senior management's performance;
 - (v) require senior management to develop and maintain a strategy to communicate effectively with its security holders, investment analysts and the public generally and to accommodate and address feedback from security holders;
 - (vi) require management to maintain internal control and management information systems and, through Board committees or otherwise, to monitor these systems as it considers fit;
 - (vii) require senior management to implement systems to ensure the Company operates within applicable laws and regulations;
 - (viii) review actual results achieved by the Company against the objectives contained in the Company's plans and implement or cause to be implemented corrective action where indicated;
 - (ix) arrange for the operating results of the Company to be presented by management to the Board on a regular basis;

- (x) require that the Board be kept reasonably informed of the Company's activities and performance and take appropriate action to correct inadequate performance;
- (xi) authorize the issuance of equity and debt securities of the Company;
- (xii) approve all public disclosure by the Company including press releases, financial results, management's discussion and analysis, material change reports, registration statements, prospectuses and other public continuous disclosure documents, other than: (a) press releases and public disclosure in the ordinary course of the Company's operations which do not include any earnings announcements, which may be approved by the Company's Chief Executive Officer, President and Chief Financial Officer, in consultation with the Company's legal counsel; and (b) press releases resulting from emergency or urgent situations which may be approved by the Company's Chief Executive Officer, President and Chief Financial Officer, in consultation with the Company's legal counsel;
- (xiii) review and consider all reports and recommendations of the Compensation and Corporate Governance Committee and approve all compensation of Officers (including the Chief Executive Officer) and Directors;
- (xiv) require that proper procedures are established for the protection of shareholder value;
- (xv) ensure policies and procedures are in place to ensure the Company's compliance with applicable law, including timely disclosure of relevant corporate information and regulatory reporting; and
- (xvii) to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the Company.

2.2 The Board will give direction and guidance to management and will also keep management informed of its evaluation of the performance of the Company and of its senior Officers in achieving and carrying out the Board's established goals and policies, and in advising management of any remedial action or changes which it may consider to be necessary.

3. ORGANIZATION OF THE BOARD

3.1 The composition of the Board shall comply with applicable corporate and securities laws.

3.2 Each year the Board shall review the relationship that each member of the Board has with the Company in order to satisfy itself that the relevant independence criteria have been met.

3.3 The Board members are expected to devote the time and attention to the Company's business and affairs necessary to discharge their duties as members of the Board effectively, which includes, but is not limited to, attendance at Board meetings and the review of any materials prepared in connection with such meetings. Subject to this requirement, the Board members shall not be subject to any restrictions with respect to their activities outside of their relationship with the Company, including their services as directors of other corporations or charitable organizations so long as such is in accordance with all of the Company's other policies and charters.

3.4 The Board may:

- (i) appoint one or more committees of the Board, however designated, and delegate to any such committee any of the powers of the Board except those which pertain to items which, under the

Business Corporations Act (British Columbia) (the "Act"), a committee of the Board has no authority to exercise;

- (ii) appoint a Chairman of the Board and prescribe his or her powers and duties;
- (iii) appoint a Lead Director of the Board and prescribe his or her powers and duties;
- (iv) appoint a Chief Executive Officer and prescribe his or her powers and duties;
- (v) appoint a President and prescribe his or her powers and duties; and
- (vi) in conjunction with the Chief Executive Officer, appoint the Officers of the Company and prescribe their powers and duties.

3.5 The Board may appoint a day or days in any month or months for regular meetings of the Board at a place and hour to be named. A copy of any resolution of the Board fixing the place and time of such regular meetings shall be sent to each member of the Board forthwith after being passed, but no other notice shall be required for any such regular meetings except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

3.6 In the event of a change of the status or credentials underlying a Board member's appointment to the Board, the member so affected should, on his or her own initiative, discuss the change with the Chairman so that there is an opportunity for the Board to review the continued appropriateness of Board membership under his or her new circumstances. Each case will be dealt with on its own merits, but as a rule, a member of the Board is expected to tender his or her resignation if there is a change in his or her credentials and circumstances.

3.7 Unless specified otherwise, the following procedural rules apply to committees of the Board:

- (i) The Board may appoint one or more committees of the Board, however designated, and delegate to any such committee any of the powers of the Board except those which pertain to items which, under the Act, a committee of the Board has no authority to exercise;
- (ii) The powers of a committee of the Board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of any such committee may be held at any place in or outside Canada;
- (iii) The Board may from time to time appoint such advisory bodies as it may deem advisable; and
- (iv) Each committee and advisory body shall have the power to fix its quorum at not less than a majority of its members, to elect its chairman, and to regulate its procedure.

3.8 The Board currently consists of six directors. The Board shall have a minimum of three (3) and a maximum of twenty (20) directors, the number of directors within that range to be fixed by resolution of the Board from time to time. The size of the Board should enable its members to effectively and responsibly discharge their responsibilities to the Company.

3.9 Except as set out in the Articles of the Company, Board members shall be elected at the annual meeting of shareholders of the Company each year and shall serve until their successors are duly elected.

4. RESOURCES, MEETING AND REPORTS

The Board shall have adequate resources to discharge its responsibilities. The Chairman shall be empowered to engage advisors as may be appropriate from time to time to advise the Chairman on the Board with respect to duties and responsibilities.

The Board shall meet not less than four times per year.

The meetings of the Board shall ordinarily include the Chief Executive Officer (if not a Director) and shall periodically include other senior officers as may be appropriate and as may be desirable to enable the Board to become familiar with the Company's management team and affairs.

The Chairman shall act as, or appoint a Secretary, who shall keep minutes of its meetings in which shall be recorded all actions taken by the Board. Such minutes shall be made available to the Directors and shall be approved by the Board for entry in the records of the Company.

Each Director is expected to be diligent in preparing for and attending meetings of the Board and any Committee of which he or she is a member. A Director who is unable to attend a Board or Committee meeting may participate by teleconference.

Members of the Board shall have the right, for the purposes of discharging their respective powers and responsibilities, to inspect the relevant records of the Company and its subsidiaries.

Members of the Board, subject to approval of the Chairs of the Governance and Compensation Committees, may retain separate counsel to deal with issues relating to their responsibilities as members of the Board.