



Fortress Paper Ltd.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING AND MANAGEMENT INFORMATION CIRCULAR

Time: April 21, 2016, 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 APRIL 21, 2016**

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 Thursday, April 21, 2016, 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, 2015, together with the report of the auditors thereon;
2. to elect directors of the Corporation for the ensuing year;
3. to appoint the auditors of the Corporation for the ensuing year and to authorize the directors to fix their remuneration;
4. to consider and, if thought advisable, to approve, by ordinary resolution, the adoption of a long term incentive plan of the Corporation;
5. to consider and, if thought advisable, to approve, by ordinary resolution, certain amendments to the Corporation's Amended and Restated Stock Option Plan (the "**SOP**");
6. to consider and approve an ordinary resolution authorizing and approving all unallocated options issuable pursuant to the SOP; 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., 8th 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 21st day of March, 2016.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Yvon Pelletier

Yvon Pelletier

Chief Executive Officer and President

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 MARCH 21, 2016 FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 21, 2016 (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 March 21, 2016 (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 March 24, 2016. 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 March 17, 2016, 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., 8th 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 proxyholder therein shall vote or withhold from voting the Common Shares in respect of which they are appointed as proxyholder 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, TFSAs 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 Record Date, there were a total of 14,805,795 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⁾	2,432,787	16.43%

⁽¹⁾ As at the date hereof, Mr. Wasilenkoff also has options to purchase 504,675 Common Shares, and 126,785 deferred share units representing one Common Share per unit.

ELECTION OF DIRECTORS

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.

In accordance with the rules of the Toronto Stock Exchange (the "**TSX**"), the Board has unanimously adopted a majority voting policy (the "**Majority Voting Policy**") whereby, at uncontested shareholder meetings, any nominee for director who has more votes withheld than are voted in favour of him or her shall submit his or her resignation to the Board for consideration following the meeting. The Corporate Governance Committee shall consider the offer of resignation and shall recommend to the Board whether or not to accept it. The Board shall review and act on the Corporate Governance Committee's recommendation within 90 days following the applicable meeting and shall promptly disclose, via press release, its decisions whether to accept the director's resignation offer. If the Board declines to accept the resignation, it will include in the applicable press release the reasons for its decision. The Board will be expected to accept the resignation except in situations where exceptional circumstances would warrant the director to continue to serve on the Board. If a resignation is accepted, the Board may, in accordance with the *Business Corporations Act* (British Columbia) and the Articles and previously-passed shareholders' resolutions, appoint a new director to fill any vacancy created by the resignation or reduce the size of the Board. In the event that any director who received a majority withheld vote does not tender his or her resignation in accordance with the Majority Voting Policy, he or she will not be re-nominated by the Board.

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 and former position(s) with the Corporation (if applicable)	Director since	Number of securities held
Chadwick Wasilenkoff California, USA	Executive Chairman of the Corporation	Executive Chairman Former President and Chief Executive Officer ⁽⁴⁾	August 1, 2006	Common Shares: 2,432,787 Options: 504,675 Deferred Share Units: 126,785
Joe Nemeth ⁽¹⁾⁽²⁾ British Columbia, Canada	President and Chief Executive Officer of Catalyst Papers.	Lead Director	October 17, 2012	Common Shares: 20,400 Deferred Share Units: 58,656
Anil Wirasekara ⁽¹⁾⁽²⁾⁽³⁾ British Columbia, Canada	Chief Financial Officer and Executive Vice President of Macdonald Dettwiler & Associates Ltd.	Director	May 3, 2013	Common Shares: 25,000 Deferred Share Units: 34,278
Terrence P. Kavanagh ⁽²⁾⁽³⁾ Ontario, Canada	Business consultant. Previously, Mr. Kavanagh held the position of President of Tembec SAS, a subsidiary of Tembec Inc.	Director	June 13, 2014	Deferred Share Units: 10,199
Gerald Gaetz ⁽¹⁾⁽³⁾ Ontario, Canada	President and Chief Executive Officer of Canadian Payments Association (CPA)	Director	January 4, 2016	Common Shares: 8,000

⁽¹⁾ A member of the Compensation Committee.

⁽²⁾ A member of the Corporate Governance Committee.

⁽³⁾ A member of the Audit Committee.

⁽⁴⁾ Mr. Wasilenkoff was Chief Executive Officer and President of the Corporation until September 30, 2015.

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 executive 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 incentivize 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 local and international markets 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, competition, foreign currency fluctuations 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;
- Encourage capital allocation decisions involving major long-term capital investments and acquisitions which shape and determine future growth and profitability; and
- Reward exceptional contributions to the performance of the Corporation based on achievements that are within management's control.

Elements of Executive Compensation

The elements of compensation earned by the NEOs for the financial year ended December 31, 2015 included annual compensation in the form of base salary, annual cash bonus, special one-time bonus incentives, perquisites and a benefits package, as well as long-term compensation in the form of restricted share units ("RSUs"). Prior to the Corporation's annual general and special meeting of its shareholders on June 30, 2015 (the "2015 AGM"), RSUs and, in prior years, performance share units ("PSUs") and deferred share units ("DSUs") were granted to certain NEOs and directors under the 2009 Amended Long-Term Incentive Plan (the "Prior LTIP"). 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. However, at the 2015 AGM, the Prior LTIP was not re-approved by shareholders and no grants were made thereunder since the effective expiry of such plan on June 7, 2015. Previous grants of units made under the Prior LTIP were not affected and remain outstanding.

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.</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>
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 or business segment'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 (Perquisites, Benefits and Pension Plan)	<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. The President of the Fortress Specialty Cellulose Inc. ("FSC") mill and the CEO of the Landqart mill may be eligible to participate in a defined contribution pension plan maintained at their respective mills.</p> <p>The CFO and Finance Director of the Corporation are not eligible to participate in any pension plans.</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 believed that the RSUs, under the Prior LTIP, promoted ownership in the Corporation and served to align the interests of executives with shareholders. They also helped 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 one to three years from the date of the grant. RSUs may have contained performance-based vesting conditions which were determined based upon the strategic objectives for the growth and business goals of the Corporation and sometimes included the operating performance of the Corporation and other organizational indicators and individual achievements that demonstrated a contribution by the executive to the Corporation. RSUs could be decreased or forfeited altogether, if performance targets are not met. RSUs were granted to NEOs in respect of the 2015 financial year under the Prior LTIP prior June 7, 2015.</p>

NEOs are not restricted from purchasing financial instruments (including, without limitation, prepaid variable forward contracts, equity swaps, collars or units of exchange funds) designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by the NEO.

Special One-time Bonus Incentive

Special one-time bonus incentive payments are designed to reward extraordinary performance beyond the normal scope of duties in the normal course of business and reflect the Corporation's commitment to pay for performance. See "*2015 Compensation Decisions – Special Bonus Award to Certain NEOs of the Corporation*" below.

Compensation Risk Management

The Corporation has taken steps to ensure its executive compensation program does not incentivize risk outside the Corporation's acceptable risk management threshold. Some of the risk management initiatives employed by the Corporation in respect of the 2015 financial year are as follows:

- Appointing a Compensation Committee comprised of independent directors to oversee the executive compensation program and ensure certain initiatives are undertaken by management to monitor its risk profile;
- Retaining advisors, as necessary, to provide advice on compensation structure for executives;
- Setting performance hurdles and milestones for granting and payout of RSUs and special one-time bonuses;
- The use of deferred equity compensation to encourage a focus on long-term corporate performance versus short-term results;
- Paying out performance related equity compensation only when performance results or milestones are achieved;
- 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 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 competitive market data based on the Corporation's peer group and the size and scope of the executive roles. The Compensation Committee has, from time to time, retained independent executive compensation and governance advisory firms to provide additional analysis and assessment 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 NEOs in 2015 was based on market data and an assessment of corporate and individual performance. 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 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., Western Forest Products Inc., Catalyst Paper Corporation, West Fraser Timber Co. Ltd., Resolute Forest Products Inc. and Domtar Corporation.

Role of the Compensation Committee and 2015 Work Plan

The role of the Compensation Committee is to discharge the Board's duties related to executive compensation. In 2015, the Compensation Committee met five times. The Compensation Committee meets both independently of management of the Corporation and with management present. In 2015, the Compensation Committee completed the following:

- Negotiated and settled the Transition Agreement with the former President and CEO and current Executive Chairman (see "*2015 Compensation Decisions – Executive Chairman Compensation*");
- Negotiated the Executive Chairman's Services Agreement (see "*2015 Compensation Decisions – Executive Chairman Compensation*");
- Negotiated the employment agreement with the newly appointed CEO and President (see "*Termination and Change of Control Benefits and Employment Contracts*"); and
- Negotiated the amended employment agreement with the CEO of the Landqart mill (see "*Termination and Change of Control Benefits and Employment Contracts*").

Role of the Executive Officers

The Executive Chairman and the CEO and President completed a review of the individual performance of each of the other NEOs and made recommendations to the Compensation Committee in respect of 2015 bonuses and equity compensation 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. Each NEO is provided with annual performance milestones specific to such individual's role with the Corporation, against which the review is conducted and recommendations made. Corporate performance may also impact compensation decisions, with negative EBITDA results potentially limiting variable compensation to up to 50% of the target amount. See "*2015 Compensation Decisions*".

2015 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, 2015 was a challenging year for the Corporation while showing substantial improvements relative to 2014. Significant accomplishments included:

- Continued improvement of the Landqart mill's security papers operations where sales, volumes and revenues have improved significantly over the year;

- Confirmation of Durasafe® banknote paper developed by the Landqart mill being announced as the substrate of the ninth series of the Swiss franc by the Swiss National Bank;
- Continued improvement in the financial performance of the Dissolving Pulp Segment (\$30.1 million EBITDA improvement in fiscal 2015 compared to 2014);
- Incremental power generation at the FSC cogeneration facility; and
- Optimization of dissolving pulp inventory management and logistics.

The Corporation considers Operating 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. The Corporation initiated a Compensation Philosophy in March 2014 whereby, subject to existing contractual agreements, annual bonuses shall be limited to 50% of target for all NEOs, specifically the Executive Chairman, CEO and CFO of the Corporation, if the Corporation fails to achieve positive EBITDA in such year, unless the Board approves otherwise. The CEO of Landqart AG ("**Landqart**") is eligible for an annual bonus in accordance with the terms of his employment agreement based on the performance of the Landqart mill and the overall company. Operating EBITDA, including discontinued operations, for the Corporation was \$10.4 million for the year ended December 31, 2015, compared to Operating EBITDA loss of \$22.5 million for the year ended December 31, 2014.

Certain previously granted awards containing performance conditions relating the Corporation's financial results for the year are reviewed and assessed.

Executive Chairman Compensation

In accordance with the terms of a services agreement dated July 20, 2015 (the "**Services Agreement**"), Mr. Wasilenkoff, the Executive Chairman of the Corporation, is entitled to receive an annual salary of \$750,000 from October 1, 2015 to September 30, 2016 and an annualized amount of \$350,000, thereafter until September 30, 2020, for providing certain consulting services to the Corporation. The Board also has the discretion to determine, in respect of each financial year or portion thereof, the amount, if any, of variable compensation to be awarded to Mr. Wasilenkoff, whether in cash, securities, long-term incentive plan awards, if available, or any combination thereof. In respect of the 2015 fiscal year, the Board did not award Mr. Wasilenkoff any incentive compensation under the Services Agreement.

Additionally, pursuant to the terms of an employment agreement between Mr. Wasilenkoff and FTP Capital LLC ("**FTP Capital**") dated July 20, 2015 (the "**FTP Employment Agreement**"), Mr. Wasilenkoff is employed as FTP Capital's Chairman, President and Chief Executive Officer and is entitled to receive an annual salary of US\$100,000. Such expense is payable by FTP Ventures Limited Partnership (the "**Partnership**"), a newly formed limited partnership owned 51% by the Corporation and 49% by Mr. Wasilenkoff, for services performed by Mr. Wasilenkoff on FTP Capital's behalf pursuant to a management services agreement. The Partnership intends to pursue opportunities outside of the Corporation's existing business segments that would diversify the asset base. As incentive compensation under the FTP Employment Agreement, Mr. Wasilenkoff is entitled to receive US\$50,000 for every US\$2,500,000 of cumulative after tax free cash flow generated by the Partnership prior to September 30, 2019, subject to a maximum cumulative payment of US\$1,000,000, and provided that (i) the management services agreement between FTP Capital and the Partnership remains in full force and effect and (ii) FTP Capital has actually received such funds from the Partnership. As the Partnership did not generate the required cash flow, Mr. Wasilenkoff did not receive any incentive compensation under the FTP Employment Agreement in respect of the 2015 fiscal year.

On September 30, 2015, Mr. Wasilenkoff received the First Tranche (defined below) of the FTP Obligation (defined below) pursuant to the terms of a transition agreement dated July 20, 2015 between Mr. Wasilenkoff

and the Corporation (the "**Transition Agreement**"). The Transition Agreement was entered into as a result of the termination of Mr. Wasilenkoff's previous employment agreement, and was designed to defer 80% of the \$5 million amount that would otherwise have been due to Mr. Wasilenkoff upon a change in title, pursuant to his previous employment agreement. See "*Termination and Change of Control Benefits and Employment Contracts*".

Special Bonus Award to Certain NEOs of the Corporation

The former President and CEO, CFO and Finance Director each received a special one-time cash bonus in 2013 in respect of the successful sale of the Dresden mill in 2013. The first tranche of the bonus award, comprised of 50% of the total bonus amount, was paid in 2013. The remaining 50% of the bonus award was awarded in a second tranche in October 2015, upon the achievement by the Corporation of two consecutive Operating EBITDA positive quarters as published in the consolidated financial statements of the Corporation for such periods. The amount of the second tranche was previously accrued and recorded in prior period consolidated financial statements of the Corporation.

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 Executive Chairman and the CEO and President for base salary increases. Salary levels are reviewed yearly 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.

Determination of Long-Term Incentive Plan Award

The Compensation Committee also considers making awards under the Corporation's long-term incentive plan, if available, and grants of stock options ("**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 a long-term incentive plan, if available, or the SOP is to encourage employees to acquire an ownership interest in the Corporation over a period of time, thus better aligning the interests of employees with the interests of shareholders, and to retain key employees. When determining possible future grants under a long-term incentive plan, if available, and the SOP, 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. Expected volatility is based on historical stock performance of the Corporation. 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.

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), Anil Wirasekara and Gerald Gaetz. Mr. Gaetz joined the Compensation Committee on January 4, 2016, replacing Mr. Richard O'C. Whittall subsequent to his retirement from the Board. 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 practicing 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.

In 2015, the Compensation Committee retained independent employment and tax law advisors to provide advice to the Compensation Committee and to the Board in respect of the Transition Agreement and other related matters.

Fees paid for assisting in determining compensation during the 2015 fiscal year and during the 2014 fiscal year are set forth in the table below.

Year	Executive compensation related fees (\$)	All other fees (\$)
2015	N/A	N/A
2014	N/A	4,112

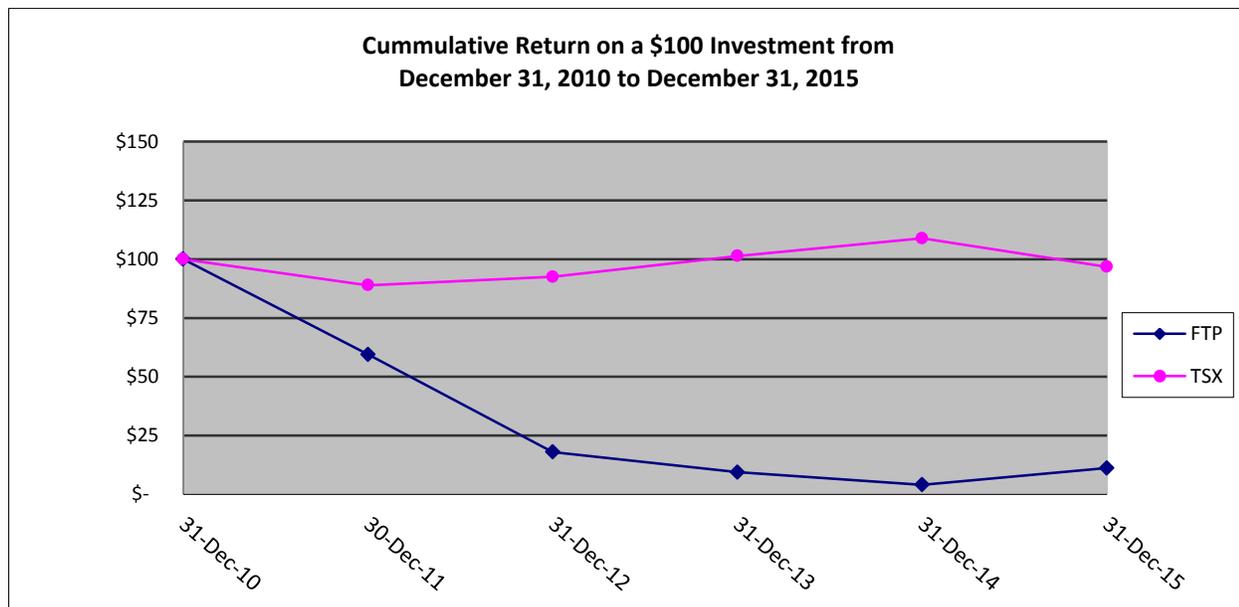
The Compensation Committee reviews all fees and the terms of consulting services provided by its compensation consultants and other advisors.

The foregoing report is submitted by:

Joe Nemeth (Chair)
Anil Wirasekara
Gerald Gaetz

Performance Graph

The Common Shares commenced trading on 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, 2010 to December 31, 2015. The graph illustrates the cumulative return on a \$100 investment in the Corporation's Common Shares made on December 31, 2010 as compared with the cumulative return on a \$100 investment in the S&P/TSX Composite 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. The NEOs' compensation is determined in accordance with the principles set forth above and is not specifically based on the performance of the Common Shares on the TSX, since the price of the Common Shares is affected by external factors beyond the Corporation's and the NEOs' control. Consequently, the Corporation cannot establish a direct relation between executive compensation and the price of the Common Shares over the period covered by the performance graph. During such period, NEOs' salaries reflect their respective scope of responsibilities, skills, experience and contribution to the Corporation's performance.



Comparison of Cumulative Total Return

As at December 31,	2010	2011	2012	2013	2014	2015
FTP	\$100	\$59	\$18	\$9	\$4	\$11
S&P/TSX COMPOSITE INDEX	\$100	\$89	\$92	\$101	\$109	\$97

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			
Yvon Pelletier ⁽⁴⁾ Chief Executive Officer and President	2015	386,596	Nil	Nil	Nil	Nil	15,652	N/A	402,248
	2014	389,423	83,325	Nil	15,000	Nil	15,652	N/A	503,400
	2013	320,398	237,498	Nil	Nil	Nil	7,810	N/A	565,706
Kurt Loewen Chief Financial Officer	2015	285,000	99,998 ⁽⁵⁾	Nil	157,000 ⁽⁶⁾⁽⁷⁾	Nil	N/A	N/A	541,998
	2014	260,000	118,522	Nil	66,200	Nil	N/A	N/A	444,722
	2013	235,000	99,997	Nil	100,000	Nil	N/A	N/A	434,997
Chadwick Wasilenkoff ⁽⁸⁾⁽⁹⁾ Executive Chairman, former Chief Executive Officer and President	2015	970,885 ⁽¹⁰⁾⁽¹¹⁾	Nil	Nil	1,000,000 ⁽⁶⁾	Nil	N/A	1,000,000 ⁽¹²⁾	2,970,885
	2014	1,000,000	30,875	Nil	25,000	Nil	N/A	N/A	1,055,875
	2013	1,000,000	Nil	Nil	1,000,000	Nil	N/A	N/A	2,000,000
Axel Wappler Chief Executive Officer, Landqart	2015	478,296 ⁽¹³⁾	Nil	Nil	189,405 ⁽¹³⁾⁽¹⁴⁾	Nil	38,370 ⁽¹³⁾	49,424 ⁽¹³⁾⁽¹⁵⁾	755,495
	2014	434,808	28,435 ⁽¹⁶⁾	Nil	121,746	Nil	27,639	N/A	612,628
	2013	204,912	Nil	Nil	81,965	Nil	12,044	N/A	298,921
Danial Buckle Finance Director and Corporate Secretary	2015	242,000	99,998 ⁽¹⁷⁾	Nil	61,700 ⁽⁶⁾⁽¹⁸⁾	Nil	N/A	N/A	403,698
	2014	220,000	107,407	Nil	32,750	Nil	N/A	N/A	360,157
	2013	200,000	99,997	Nil	37,500	Nil	N/A	N/A	337,497

(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" 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) Mr. Pelletier was appointed as Chief Executive Officer and President of the Corporation on October 1, 2015.

(5) Mr. Loewen was granted a total of 54,644 RSUs under the Prior LTIP in respect of the 2015 financial year which were each valued at \$1.83 and vest one third on each of the first, second and third anniversary of the grant date.

(6) The NEO received a special one-time cash bonus in 2013 in respect of the successful sale of the Dresden mill. The first tranche of the bonus award, comprised of 50% of the total bonus amount, was paid in 2013. The remaining 50% of the bonus award was awarded, in a second tranche, in October 2015, upon the achievement by the Corporation of two consecutive Operating EBITDA positive quarters as published in consolidated financial statements of the Corporation for such periods. See "Compensation Discussion and Analysis – 2015 Compensation Decisions" for further information relating to such bonus.

(7) Mr. Loewen was granted an annual bonus in the amount of \$57,000 for the 2015 financial year.

(8) Mr. Wasilenkoff was Chief Executive Officer and President of the Corporation until September 30, 2015.

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

(10) Mr. Wasilenkoff received certain fees related the Services Agreement. See "Compensation Discussion and Analysis – 2015 Compensation Decisions - Executive Chairman Compensation".

(11) Amount indicated includes compensation received under the terms of the FTP Employment Agreement. The amount reported represents the approximate Canadian dollar equivalent, converted at the average daily noon exchange rate for the period October 1, 2015 to December 31, 2015 being \$1.3354 to each United States dollar based on rates provided by the Bank of Canada. See "Compensation Discussion and Analysis – 2015 Compensation Decisions - Executive Chairman Compensation".

(12) Under the terms of the Transition Agreement (defined below), Mr. Wasilenkoff received the First Tranche (defined below) of the FTP Obligation (defined below) owed to such NEO by the Corporation as a result of his transition from Chairman, CEO and President to Executive Chairman. See "Termination and Change of Control Benefits and Employment Contracts".

(13) Mr. Wappler received his salary, annual bonus and perquisites from Landqart in Swiss francs. The amount reported represents the approximate Canadian dollar equivalent, converted at the average daily noon exchange rate for the period January 1, 2015 to December 31, 2015 being \$1.3286 to each Swiss franc based on rates provided by the Bank of Canada.

(14) Mr. Wappler was granted an annual bonus in the amount of \$189,405 for the 2015 financial year of which 83.33% was paid immediately in cash, 5.56% is to be paid on June 10, 2016 and 11.11% is to be paid on March 10, 2019.

- (15) Mr. Wappler receives a car allowance and expense allowance as per the terms of his employment agreement. The amounts indicated include \$23,915 in car allowance and \$25,509 in an expense allowance that Mr. Wappler received for the 2015 financial year.
- (16) Mr. Wappler was granted a total of 12,100 RSUs under the Prior LTIP in respect of the 2014 financial year which were each valued at \$2.35 and vest one third on September 30, 2015 and two thirds on June 30, 2018.
- (17) Mr. Buckle was granted a total of 54,644 RSUs under the Prior LTIP in respect of the 2015 financial year which were each valued at \$1.83 and vest one third on each of the first, second and third anniversary of the grant date.
- (18) Mr. Buckle was granted an annual bonus in the amount of \$24,200 for the 2015 financial year.

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 (\$)
Yvon Pelletier Chief Executive Officer and President	Nil	N/A	N/A	N/A	Nil	N/A	N/A
Kurt Loewen Chief Financial Officer	16,250	8.00	May 1, 2017	Nil	74,584	372,920	N/A
Chadwick Wasilenkoff Executive Chairman, former Chief Executive Officer and President	117,350 87,325 100,000 200,000	8.00 8.00 8.00 15.41	April 4, 2017 May 1, 2017 October 31, 2017 August 30, 2022	Nil	126,785	633,925	N/A
Axel Wappler Chief Executive Officer, Landqart	Nil	N/A	N/A	N/A	8,067	40,335	N/A
Daniel Buckle Finance Director & Corporate Secretary	10,000	8.00	June 22, 2019	Nil	74,584	372,920	N/A

The table above states, as at December 31, 2015, the number of Options available for exercise, the Option exercise price, the expiration date for each Option, the number of units under the Prior LTIP that were outstanding and unvested and the market value thereof, for each NEO named therein. As at December 31, 2015, the value of in-the-money unexercised and outstanding Options held by the Named Executive Officers was nil and the value of unvested and outstanding units under the Prior LTIP was \$1,420,100.

Incentive Plan Awards - Value Vested or Earned for the Financial 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⁾
Yvon Pelletier Chief Executive Officer and President	N/A	36,750	Nil
Kurt Loewen Chief Financial Officer	Nil	77,005	157,000
Chadwick Wasilenkoff Executive Chairman, former Chief Executive Officer and President	Nil	11,481	1,000,000
Axel Wappler Chief Executive Officer, Landqart	N/A	18,552	189,405 ⁽⁴⁾
Danial Buckle Finance Director & Corporate Secretary	Nil	44,704	61,700

⁽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 units under the Prior LTIP that vested during the 2015 financial year.

⁽³⁾ The amount represents the annual bonus received by the NEOs and a special one-time cash bonus received by certain NEOs in respect of the 2015 fiscal year.

⁽⁴⁾ The amount reported represents the approximate Canadian dollar equivalent, converted at the average daily noon exchange rate for the period January 1, 2015 to December 31, 2015 being \$1.3286 to each Swiss Franc based on rates provided by the Bank of Canada.

During the most recently completed financial year, the Named Executive Officers did not exercise Options to purchase Common Shares of the Corporation under the SOP.

During the most recently completed financial year there were 152,603 RSUs awarded to key employees under the Prior LTIP. The Prior LTIP expired on June 7, 2015 and no grants were made thereunder since such time. As at December 31, 2015, there were 223,295 RSUs and nil PSUs outstanding under the Prior 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 immediately prior to 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 2015 financial year, as reported by the Bank of Canada, being \$1.3286 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 obligation (\$)
		At 2014 year end	At age 65				
Axel Wappler Chief Executive Officer, Landqart	2.5	6,192	27,808	53,806	20,548	21,490	95,844

⁽¹⁾ Please refer "Employee Future Benefits" in the Corporation's audited financial statements for the year ended December 31, 2015, 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 FSC mill and for certain employees of the Landqart mill providing pension benefits based on earnings and length of service. The plan at the FSC mill 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. The plan at the Landqart mill provides that the employee and employer each contribute 2.5% of pensionable earnings as well as a risk contribution calculated based on an individual basis for each employee based on age, level of benefit covered and other factors.

Name and principal position	Accumulated value at start of year (\$)	Compensatory (\$ ⁽¹⁾)	Accumulated value at year end (\$)
Yvon Pelletier Chief Executive Officer and President	48,153	15,652	72,884
Axel Wappler Chief Executive Officer, Landqart	36,084	17,822	60,170

Termination and Change of Control Benefits and Employment Contracts

Yvon Pelletier

Mr. Yvon Pelletier entered into an employment agreement with the Corporation dated July 20, 2015 and assumed the position of President and CEO of the Corporation on October 1, 2015. Pursuant to his employment agreement Mr. Pelletier will receive: (i) an annual base salary of \$420,000, subject to an annual review; (ii) an annual discretionary bonus of up to 60% of his base salary (in the event that the Corporation's Operating EBITDA for the applicable year is less than zero, after paying any bonuses, the maximum discretionary annual bonus payout shall be 50% of Mr. Pelletier's target discretionary annual bonus); (iii) an annual retention bonus (the "**Retention Bonus**") of \$75,000, payable on each of September 30, 2016, 2017 and 2018; (iv) an annual performance based award of up to \$200,000, (the "**Performance Bonus**") to be paid in PSUs or cash, which shall be earned in accordance with the achievement of three year performance targets based upon the achievement of Corporation's Operating EBITDA targets and appreciation in the closing price of the Common Shares over the three year period ending September 30, 2018, 2019 and 2020, respectively, as determined by the Board in its absolute discretion; and (v) certain perquisites. The Performance Bonus shall be paid and vest at the time of release of the Corporation's annual audited financial statements for the financial years ended December 31, 2018, 2019 and 2020, as applicable.

If Mr. Pelletier's employment is terminated in contemplation of, at the time of, or within 12 months after the consummation or completion of an event constituting a change of control, Mr. Pelletier shall be entitled to: (A) a lump sum cash payment immediately following such termination equal to two times his then current base salary plus two times his target annual bonus (based on a target annual bonus level of 60% of his base salary); (B) any accrued benefits; and (C) a *pro rata* Retention Bonus based on time elapsed and *pro rata* Performance Bonus based on performance targets achieved. In addition, in the event of a change of control, immediately effective as of the date of such change of control, Mr. Pelletier shall be fully and immediately vested in any unvested Options, PSUs or other equity awards granted by the Corporation to Mr. Pelletier that are unvested as of such date such that all such Options and/or equity awards are fully and immediately exercisable by him.

If Mr. Pelletier's employment is terminated other than for just cause or in connection with a change control, Mr. Pelletier shall be entitled to: (A) a severance amount equal to the sum of two times his then current base salary plus two times his target annual bonus (based on a target annual bonus level of 60% of his base salary), which severance shall be payable in substantially equal instalments over 12 months in accordance with the Corporation's standard payroll practice; (B) any accrued benefits; and (C) a *pro rata* Retention Bonus based on time elapsed and *pro rata* Performance Bonus based on performance targets achieved. Furthermore, effective as of the date of termination, Mr. Pelletier shall be immediately vested in any unvested RSUs, which would have vested one year from such date of termination, and any unvested Options so that all such RSUs and Options are fully and immediately exercisable by him.

Assuming a discontinuance of Mr. Pelletier's services if a change of control took place on December 31, 2015, Mr. Pelletier would have received a cash payment of \$1,379,417.

Kurt Loewen

Mr. Loewen, the CFO of the Corporation, has entered into an amended employment agreement with the Corporation dated January 1, 2013, 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 long-term incentive plan units or the cash equivalent if such units are unavailable, 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 annual discretionary bonus equal to the respective amounts last awarded to Mr. Loewen. In addition, in the event of a change in control, immediately effective as of the date of such change of control, Mr. Loewen shall be fully and immediately vested in any unvested Options other equity awards granted by the Corporation to Mr. Loewen that are unvested as of such date so that all such Options and/or equity awards are fully and immediately exercisable by him.

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. If the Corporation terminates Mr. Loewen's employment by giving him the required notice or payment in lieu thereof: (i) Mr. Loewen's entitlement to vesting of any Options and other equity awards will continue during the applicable 9 month notice period; and (ii) on the day following the expiration of such notice period, Mr. Loewen shall be fully and immediately vested in any unvested Options and other equity awards so that any such Options and other equity awards shall be fully and immediately exercisable by him. In the event of significant modification of the duties and responsibilities of Mr. Loewen by the Corporation, Mr. Loewen may at his sole discretion consider such event termination by notice.

Assuming a discontinuance of Mr. Loewen's services if a change of control took place on December 31, 2015, Mr. Loewen would have received a cash payment of \$419,725 and Common Shares valued at an aggregate of \$372,920 assuming the vesting of all units under the Prior LTIP and the exercise of all Options on such date, applying the closing price of the Common Shares on the TSX on such date.

Chadwick Wasilenkoff

Mr. Wasilenkoff transitioned from his role as Chairman, Chief Executive Officer and President of the Corporation to Executive Chairman of the Corporation, effective September 30, 2015, in accordance with the terms of the Transition Agreement. Pursuant to such agreement, the Corporation provided Mr. Wasilenkoff with \$1,000,000 (the "**First Tranche**") on September 30, 2015 as a result of his termination as Chairman, Chief Executive Officer and President of the Corporation. Also as a result of such termination, the Corporation will pay Mr. Wasilenkoff \$1,000,000 (the "**Second Tranche**") on September 30, 2016, and \$3,000,000 (the "**Third Tranche**") and, collectively with the First Tranche and the Second Tranche, the "**FTP Obligation**") after September 30, 2016, but on the earlier of (i) the Corporation achieving reported cumulative EBITDA of \$20,000,000 in any four fiscal quarters subsequent to September 30, 2016 and (ii) September 30, 2020. The Corporation's obligations to Mr. Wasilenkoff as a result of his termination as Chairman, Chief Executive Officer and President of the Corporation provided for in the Transition Agreement replace the Corporation's obligations to Mr. Wasilenkoff that would have arisen under the employment agreement between the Corporation and Mr. Wasilenkoff dated January 21, 2011.

In the event that Mr. Wasilenkoff is removed as a director of the Corporation in connection with a change of control, or is not re-elected as a director of the Corporation following a change of control, and, in either case, the

Corporation terminates the Services Agreement, any outstanding balance of the FTP Obligation shall become immediately due and payable. Upon the death or disability of Mr. Wasilenkoff, any outstanding balance of the FTP Obligation shall become due and payable within 30 days of the date of such termination of the Services Agreement. Upon termination of the Services Agreement for cause, the FTP Obligation will become due and payable, within 30 days of the date of such termination of the Services Agreement, as follows: (i) if the Services Agreement is terminated for cause prior to September 30, 2016, the Second Tranche will be payable on such date and (ii) the Third Tranche will be paid as follows: (A) if the Services Agreement is terminated for cause prior to September 30, 2018, \$1,800,000 as full and final settlement of the Third Tranche, (B) if the Services Agreement is terminated for cause after September 30, 2018 but prior to September 30, 2019, \$2,550,000 as full and final settlement for the Third Tranche or (C) if the Services Agreement is terminated for cause after September 30, 2019, the full \$3,000,000 comprising the Third Tranche. Pursuant to the Service Agreement, Mr. Wasilenkoff is to receive a salary of \$750,000 from October 1, 2015 to September 30, 2016, and an annualized amount of \$350,000, thereafter up to September 30, 2020. The Corporation may terminate the Services Agreement by providing Mr. Wasilenkoff with 30 days' written notice, or paying the applicable fees in lieu of such notice, as well as paying any outstanding balance of the FTP Obligation.

Mr. Wasilenkoff is also employed by FTP Capital as its Chairman, President and Chief Executive Officer. Pursuant to the terms of the FTP Employment Agreement, Mr. Wasilenkoff receives an annual base salary of US\$100,000. FTP Capital may terminate such agreement upon giving 12 months' written notice or paying Mr. Wasilenkoff's base salary in lieu thereof as well as paying any outstanding balance of the FTP Obligation. In the event of significant modifications by FTP Capital to Mr. Wasilenkoff's duties and responsibilities, Mr. Wasilenkoff may, in his sole discretion, terminate the FTP Employment Agreement and shall be entitled to receive his base salary until the earlier of September 30, 2019 or the date Mr. Wasilenkoff secures new employment or engagement as a consultant or contractor in the alternate. Mr. Wasilenkoff will also be entitled to any outstanding balance of the FTP Obligation.

In the event of a change of control, immediately effective as of the date of such change of control, Mr. Wasilenkoff shall be fully and immediately vested in any unvested Options, and any other options or other equity awards (including long-term incentive plan awards) granted by the Corporation to Mr. Wasilenkoff that are unvested as of such date so that all such Options and other options and equity awards are fully and immediately exercisable by him.

Assuming a discontinuance of Mr. Wasilenkoff's services on December 31, 2015, Mr. Wasilenkoff would have received a cash payment of \$4,200,900 and Common Shares valued at an aggregate of \$633,925 assuming the vesting of all LTIP units under the Prior LTIP and the exercise of all Options on such date, applying the closing price of the Common Shares on the TSX on such date.

Axel Wappler

Mr. Wappler entered into an amended employment agreement with Landqart effective July 1, 2015, pursuant to which he serves as the Chief Executive Officer of the Landqart mill. The agreement provides for an annual base salary of CHF 360,000 subject to an annual review. Mr. Wappler is also entitled to receive an discretionary annual bonus of up to 50% of his base salary, on quantitative (50%) and qualitative (50%) performance criteria, payable in 70% cash and 30%, at the Corporation's option, in either: (i) RSUs, of which 1/3 will vest in three months following the issue date and 2/3 will vest in 36 months following the issue date; or (ii) cash, of which 1/3 of such cash amount will vest in three months following the bonus determination date and 2/3 of such cash amount will vest in 36 months following the bonus determination date. Upon termination of his employment by the Corporation without cause, if he does not receive six months' notice of such termination, Mr. Wappler will receive his base salary, car allowance and expense allowance for a period of six months, as well as compensation for any untaken vacation entitlements. Additionally, upon termination of his employment, Mr. Wappler is entitled to his annual discretionary bonus on a pro-rated basis. Upon a termination of Mr. Wappler's employment, he would receive \$384,231 assuming the maximum annual discretionary bonus.

Assuming a discontinuance of Mr. Wappler's services if a change of control took place on December 31, 2015, Mr. Wappler would have received Common Shares valued at an aggregate of \$40,335 assuming the vesting of all units under the Prior LTIP, 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, 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 long term incentive plan units or the cash equivalent if such units are not available, 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 annual discretionary bonus equal to the respective amounts last awarded to Mr. Buckle. In addition, in the event of a change of control, immediately effective as of the date of such change of control, Mr. Buckle shall be fully and immediately vested in any unvested Options or other equity awards granted by the Corporation to Mr. Buckle that are unvested as of such date so that all such Options and/or equity awards are fully and immediately exercisable by him.

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. If the Corporation terminates Mr. Buckle's employment by giving him the required notice or payment in lieu thereof: (i) Mr. Buckle's entitlement to vesting of any Options and other equity awards will continue during the applicable 9 month notice period; and (ii) on the day following the expiration of such notice period, Mr. Buckle shall be fully and immediately vested in 50% of any unvested Options and other equity awards so that any such Options and other equity awards shall be fully and immediately exercisable by him. In the event of significant modification of the duties and responsibilities of Mr. Buckle by the Corporation, Mr. Buckle may at his sole discretion consider such event termination by notice.

Assuming a discontinuance of Mr. Buckle's services if a change of control took place on December 31, 2015, Mr. Buckle would have received a cash payment of \$357,160 and Common Shares valued at an aggregate of \$372,920 assuming the vesting of all LTIP units under the Prior LTIP 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 dated October 1, 2013, the Corporation's non-executive directors are paid an annual retainer of \$26,000. The Corporation's Lead Director is paid an annual retainer of \$50,000. In addition, non-executive directors are paid the sum of \$2,250 for each one-day scheduled Board meeting attended in person, \$250 for each Board meeting lasting in excess of thirty minutes and less than two hours attended by telephone conference call, and \$1,500 for each unscheduled Board meeting attended or Board meetings attended by conference call in excess of two hours.

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. Non-executive members of the Compensation Committee, Audit Committee and Corporate Governance Committee receive a \$2,000 annual retainer for each committee that 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. The Capital Projects Steering Committee chair received a retainer of \$4,000 per year. Non-executive members of the Capital Projects Steering Committee received a \$2,000 annual retainer for sitting on the committee as well as

\$1,500 per day for each formal meeting exceeding two hours and \$250 per telephone conference call in excess of 30 minutes and less than two hours in lieu of a formal meeting. Non-executive directors of the Capital Projects Steering Committee who travelled internationally for more than 10 hours to attend a committee meeting in person were also entitled to receive an allowance of \$1,000 for travel in each direction to and from the meeting. The Capital Projects Steering Committee was dissolved in March 2015.

Non-executive directors receive grants of DSUs pursuant to any long-term incentive plan of the Corporation in effect in an amount equal to \$16,000 per calendar year, subject to availability under such plan, failing which non-executive directors will be paid an additional annual retainer of \$16,000 in cash.

Directors are permitted to purchase financial instruments (including, without limitation, prepaid variable forward contracts, equity swaps, collars or units of exchange funds) designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by the Director.

Effective the second quarter of 2014, the Compensation Committee recommended and the Board approved a reduction in director fees to support the Corporation's efforts to conserve cash over the short term. The reductions include, for each independent director:

- A 10% decrease in annual retainer; and
- An election to receive a minimum of 50% of his total quarterly compensation in DSUs provided that such DSUs were available to be granted.

This measure will be reviewed quarterly and remain in place until the Corporation is cash flow positive.

Deferred Share Units

Under the Prior 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*" for a description of DSUs under the Proposed LTIP (as defined below) which have substantially the same terms as the outstanding DSUs.

Pursuant to the provisions of the Prior LTIP, directors may elect to receive DSUs 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 unit price (as defined in the Prior 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	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Joe Nemeth	80,592	8,842	N/A	N/A	N/A	N/A	89,434
Anil Wirasekara	70,850	5,298	N/A	N/A	N/A	N/A	76,148
Terrence Kavanagh	52,583	4,783	N/A	N/A	N/A	N/A	57,366
Richard O.C. Whittall	62,550	9,348	N/A	N/A	N/A	N/A	71,898

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 non-management director, the number of share-based awards and the value of the awards if the directors were to have retired on December 31, 2015.

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 (\$)
Joe Nemeth	58,656	293,280
Anil Wirasekara	34,278	171,390
Terrence Kavanagh	10,199	50,995
Richard O'C. Whittall	44,814	224,070

In respect of the most recently completed financial year, there were 12,454 DSUs awarded under the Prior LTIP to non-management directors. As at December 31, 2015, there were a total of 274,732 DSUs awarded under the Prior LTIP outstanding.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan Information

The following table sets out information relating to the SOP and the Prior LTIP as at December 31, 2015.

Equity compensation plans approved by security holders	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)) ⁽¹⁾⁽²⁾ (c)
Amended and Restated Stock Option Plan	390,725 200,000	\$8.00 \$15.41	384,320
2009 Amended Long-Term Incentive Plan	498,027	N/A	Nil
Total	1,088,752		384,320

⁽¹⁾ All securities that are available for issuance may be issued under the SOP.

⁽²⁾ The number of securities available for issuance under all of the Corporation's security-based compensation arrangements is 10% of the Common Shares issued and outstanding.

Long-Term Incentive Plan

The Prior LTIP was not re-approved by shareholders at the 2015 AGM. Accordingly, no grants have been made thereunder since such plan's effective expiry, which occurred on June 7, 2015. The 2016 Long-Term Incentive Plan (the "**Proposed LTIP**") was created to address areas of concern noted by shareholders, and the Board approved the Proposed LTIP on March 8, 2016. The purpose of the Proposed 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 Proposed 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 Proposed LTIP, together with Common Shares reserved for issuance under all of the Corporation's other security-based compensation arrangements, shall not exceed 10% of the issued and outstanding Common Shares. The total number of Common Shares issuable to any participant under the Proposed LTIP, at any time, together with any other security-based compensation arrangements of the Corporation, shall not exceed 5% 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 Proposed LTIP, together with any other security-based compensation arrangement of the Corporation, shall not exceed 10% of the issued and outstanding Common Shares. The total number of Common Shares issuable to non-executive directors under the LTIP shall not exceed 1% of the issued and outstanding Common Shares, and the fair value of awards granted under the Proposed LTIP to any non-executive director cannot exceed \$150,000 annually. 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, suspend, terminate or discontinue the Proposed 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 Proposed LTIP or to correct or supplement any provision of the Proposed LTIP that is inconsistent with any other provision of the Proposed 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 Proposed LTIP, provided that such amendments do not increase the limits on participation imposed on non-executive directors (v) changes to terms and conditions on which awards may be or have been granted pursuant to the Proposed 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 Proposed LTIP which do not entail an extension beyond the original fixed term.

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.

Notwithstanding the foregoing, shareholder approval is required for the following amendments to the Proposed LTIP: (i) amendments that increase the number of Common Shares available for issuance under the Proposed LTIP, (ii) amendments that permit discretionary participation in the Proposed LTIP by non-executive directors or that increase the percentage or dollar value limits in the Proposed LTIP imposed on non-employee directors, (iii) changes that cancel and reissue awards granted under the Proposed LTIP to an Eligible Person, and (iv) changes to the Proposed LTIP amendment provisions.

The Proposed LTIP is subject to the rules and policies of the TSX, including the requirement for shareholder approval of all unallocated units every three years following institution. If Shareholders approve the Proposed LTIP at the Meeting, any unallocated units under the Proposed LTIP will expire and be cancelled on April 22, 2019, unless shareholder approval of such units is obtained prior to such date.

The following types of awards are available under the Proposed 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 Proposed LTIP provides that, in the event of a change of control, all RSUs granted to a participant under the Proposed LTIP will continue to vest in accordance with the terms under which such RSUs were granted, unless otherwise approved by the Board. 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 Proposed 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 Proposed 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 Proposed 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 Proposed LTIP shall cease as of the termination date of such 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 95 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 Proposed LTIP provides that upon 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 Proposed 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 Proposed LTIP will immediately terminate without payment. In the event of a participant's termination due to retirement or in connection with a disability or in the event of a change in control, the Board shall determine, in its sole discretion, the number of the participant's PSUs that will vest and 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 Proposed 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. 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 389,705 issued and outstanding units under the Prior LTIP, representing approximately 2.63% of the total issued and outstanding Common Shares. No units have been issued under the Proposed LTIP.

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. 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; (iv) reserved for issuance to any one participant shall not exceed five percent of the number of Common Shares then outstanding; and (v) issued to any one participant who is a non-executive director within a one-year period shall not have an aggregate market price in excess of \$150,000, and the maximum number of Options issued to any one participant who is a non-executive director under the SOP within a one-year period shall not have an aggregate market price in excess of \$100,000. 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. The Board shall determine, in accordance with the SOP, the number of Common Shares to be made subject to each Option, as well as any other terms, including the expiry date and any vesting provisions, restrictions, or conditions that may be applicable. No rights under the SOP and no Option awarded pursuant to the provisions of the SOP are assignable or transferable by any participant. Subject to any applicable employment agreement, upon the death of an optionee, any person who legally receives the rights of any Option granted to such optionee may exercise such Option within 365 days of the death of the optionee or prior to the expiration of the applicable option period, whichever is sooner, but only to the extent such optionee was entitled to exercise the Option at the date of such optionee's death.

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) remove or change any restriction or condition attached to a Common Share; (vi) 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 (vii) make any other amendments of a nonmaterial 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. Specifically, shareholder approval shall be required to amend, modify or change any provision in the SOP to: (i) increase the number of Common Shares reserved for issuance under the SOP; (ii) reduce the exercise price per share for an Option granted under the SOP, or permit the Board to cancel and reissue Options granted under the SOP; (iii) extend the period under which Options granted under the SOP may be exercised; (iv) permit discretionary participation in the SOP by

non-executive directors, or increase the limits on non-executive director participation in the SOP; (v) permit the assignment or transfer of Options granted under the SOP, other than for normal estate settlement purposes; and (vi) permit changes to the amendment provisions in the SOP. 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. If such approval is obtained at the Meeting, any unallocated Options under the SOP will expire and be cancelled on April 22, 2019, unless shareholder approval of such Options obtained prior to such date.

As at the date hereof, there are 590,725 issued and outstanding Options, representing approximately 3.99% of the total issued and outstanding Common Shares. Additionally, there are 389,705 securities outstanding under other security-based compensation arrangements representing approximately 2.63% of the issued and outstanding Common Shares. Accordingly, there are 500,449 Common Shares subject to Options available under the SOP, representing approximately 3.38% of the total issued and outstanding Common Shares.

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 thereof.

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, 2015 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. Nemeth, Wirasekara, Kavanagh and Gaetz 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. Wasilenkoff, the Executive Chairman, is currently employed as a consultant for the Corporation is also a significant shareholder, making him therefore not independent. However, in the 2015 fiscal year 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 2015, held, directorships in other reporting issuers or the equivalent in other jurisdictions as set out below:

Name of director	Name of other reporting issuer
Joe Nemeth	Catalyst Paper Corporation

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 Executive Chairman of the Board, is the Corporation's former Chief Executive Officer and President and is currently a significant shareholder and employed by the Corporation as a consultant. Mr. Nemeth is the Board's Lead Director and is independent of management. 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 member(s) 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 three committees: the Compensation Committee, the Corporate Governance Committee and the Audit Committee. Special committees may be formed from 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)
Anil Wirasekara
Gerald Gaetz

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:

Terrence Kavanagh (Chair)
Joe Nemeth
Anil Wirasekara

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:

Anil Wirasekara (Chair)
Terrence Kavanagh
Gerald Gaetz

The Capital Projects Steering Committee was dissolved in March 2015 and did not meet in 2015.

The following table sets forth the number of Board and committee meetings held and attendance by directors for the most recently completed financial year. Mr. Gaetz joined the Compensation Committee on January 4, 2016 and replaced Mr. Richard O'C. Whittall subsequent to Mr. Whittall's retirement from the Board on January 4, 2016.

Director	Scheduled Board meetings	Unscheduled Board meetings	Compensation Committee meetings	Corporate Governance Committee meetings	Audit Committee meetings
Chadwick Wasilenkoff	4/4	5/5			
Joe Nemeth	4/4	5/5	5/5	4/4	
Anil Wirasekara	4/4	5/5	4/5	4/4	4/4
Terrence Kavanagh	4/4	5/5			4/4
Richard O'C. Whittall	4/4	4/5	5/5	4/4	4/4

The table below summarizes the number of Board and committee meetings held during 2015 (includes scheduled and unscheduled meetings, including meetings held by telephone conference call).

Meeting type	Totals
Board of Directors	9
Compensation Committee	5
Corporate Governance Committee	4
Audit Committee	4
Total number of meetings held	22

The Corporation's current Board mandate, which is reviewed on an annual basis, is attached hereto as Appendix "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.

Director Term Limits

The Corporation has not established a formal policy on term limits for the directors on the Board. The Corporate Governance Committee and the Board last considered whether to implement a term limit policy at its February 19, 2015 meeting. While the Corporation considered the benefits of fresh perspectives on its Board, the Board considered the potential drawbacks of losing directors with significant institutional knowledge, experience and understanding of the Corporation's unique aspects of its businesses and operational history. The Corporate Governance Committee and the Board considered whether the goals of providing for board renewal and succession planning would be best served by formal term limits and retirement policies or the evaluations of individual's directors' skills and performance. The Corporate Governance Committee will continue to perform a

formal review of each director's performance no less than every five years. These reviews would address the director's level of preparedness for meetings, pro-active contributions, follow through on action items and commitments in a timely manner, overall contribution and candid feedback on areas for improvement. The average tenure of the Corporation's current Board is 3.7 years. Excluding the Executive Chairman, the remaining independent Board members have an average tenure of 2.18 years.

Diversity and Representation of Women

The Corporation has not established a formal policy on gender diversification. The Corporation is committed to providing equal opportunity for individuals who have the necessary qualifications for employment and advancement within the Corporation. When considering board nominees and appointments to senior levels of management, the Corporation takes in to account a broad variety of factors including experience, independence, financial literacy, industry knowledge, skills, talent and merit. The Corporation recognizes the benefits from creating and maintaining a diverse and inclusive culture within our workforce, including exposure to different perspectives and due consideration is given to diversity.

The Corporation supports efforts of gender diversity, but has determined that adopting a formal policy requiring certain levels of representation of women on the Board or in senior management is not in the best interests of the Corporation at this time. Rather, the Corporate Governance Committee and the Board have determined that the Corporation could best support gender diversity, at this time, by conducting an annual review of gender diversity throughout the Corporation. The Corporation shall make gender diversity an explicit consideration in all nominees to the Board and candidates for senior management positions.

For clarity, "diversity" means any element or quality that can be used to differentiate groups and people from one another, including differences based on age, race, colour, creed, religion, disability, marital status, gender, sexual orientation, national origin, or other legally protected status, as required by law, as defined in the Corporation's Code of Conduct.

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 and other senior executives, evaluates the CEO's and other executive's performance in light of those goals and objectives and sets the CEO's and other executive's compensation level based on this evaluation. The Compensation Committee meets without the presence of the CEO or other executive officers when approving the CEO's and other executive's compensation.

The Compensation Committee is comprised of only 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 advisors and 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 reappoint 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

Approval of Long-Term Incentive Plan

On March 8, 2016, the Board approved the Proposed LTIP. The purpose of the Proposed LTIP is to align the interests of Eligible Persons 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. A description of the Proposed LTIP is provided under the heading "*Securities Authorized for Issuance under Equity Compensation Plans – Long-Term Incentive Plan*".

At the Meeting, shareholders will be asked to approve an ordinary resolution to adopt the Proposed LTIP (the "**LTIP Resolution**"). The following is the text of LTIP Resolution to be considered at the Meeting:

"BE IT RESOLVED THAT:

1. The long-term incentive plan, substantially in form attached at Appendix "B" of the management information circular of Fortress Paper Ltd. (the "**Corporation**") dated March 21, 2016 which accompanies the Notice of Meeting dated March 21, 2016, be and is hereby approved, ratified and affirmed; and
2. Any director or officer of the Corporation be and is hereby authorized to take all such further actions and to execute and deliver all such further instrument and documents, in the name and on behalf of the Corporation, as may be necessary, proper or advisable in order to carry out and give full effect to the foregoing."

The Board has determined that passing the LTIP Resolution is in the best interest of the Corporation and its shareholders and recommends that the shareholders vote **IN FAVOUR** of the LTIP Resolution. In order to be approved, the LTIP 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 LTIP Resolution.

Approval of Amended Stock Option Plan

On March 8, 2016 the Board approved certain amendments to the SOP. Pursuant to applicable TSX policies, shareholder approval is also required for such amendments. A description of the SOP is provided under the heading "*Securities Authorized for Issuance under Equity Compensation Plans – Stock Option Plan*".

At the Meeting, shareholders will be asked to approve an ordinary resolution authorizing the amendment of the SOP (the "**SOP Amendment Resolution**") to effect the following:

- i. if the Corporation is required to restate all or a portion of its financial statements as a result of fraud, negligence or intentional misconduct committed by an employee that was granted Options under the SOP, the Corporation may take such actions as it deems necessary to remedy the misconduct and prevent recurrence which may include cancelling Options granted under the SOP to such employee or retracting Common Shares subject to Options that were granted under the SOP to such employee;
- ii. a \$150,000 limit imposed on the aggregate market value of Common Shares subject to any of the Corporation's security-based compensation arrangements granted to any one non-executive director, annually, and within such limit, a \$100,000 limit imposed on the aggregate market value of Common Shares subject to an Option granted to any one non-executive director under the SOP, annually;
- iii. upon a change in control, outstanding Options will continue to vest in accordance with the terms under which such Options were granted, and may only be exercised in whole, at any time, and in part, from time to time, during the specified option period, subject to any restrictions contained in the SOP or any applicable employment agreement;
- iv. the removal of the Board's authority to reduce the exercise price of an Option granted to an employee who is not an insider without shareholder approval; and
- v. the explicit requirement that the Board obtain shareholder approval to amend, modify or change any provision of the SOP to: (i) increase in the number of Common Shares reserved for issuance under the SOP, (ii) reduce the exercise price per share for an Option granted under the SOP or permit the Board to cancel and reissue Options granted under the SOP, (iii) extend the option period in respect of Options granted under the Plan; (iv) permit, directly or indirectly, discretionary participation in the SOP by non-executive directors or increase the participation limits currently imposed on non-executive directors, (v) permit the assignment or transfer of Options granted under the SOP to any person, corporation, entity or partnership, other than for normal estate purposes and (vi) permit changes to the amendment provisions in the SOP.

The following is the text of SOP Amendment Resolution to be considered at the Meeting:

"BE IT RESOLVED THAT:

1. Fortress Paper Ltd. (the "**Corporation**") be, and is hereby, authorized to amend the Corporation's Amended and Restated Stock Option Plan (the "**SOP**") to:
 - i. if the Corporation is required to restate all or a portion of its financial statements as a result of fraud, negligence or intentional misconduct committed by an employee that was granted Options under the SOP, permit the Corporation to take such actions as it deems necessary to remedy the misconduct and prevent recurrence which may include cancelling Options granted

- under the SOP to such employee or retracting Common Shares subject to Options that were granted under the SOP to such employee;
- ii. impose a \$150,000 limit on the aggregate market value of Common Shares subject to any of the Corporation's security-based compensation arrangements granted to any one non-executive director, annually, and within such limit, impose a further \$100,000 limit on the aggregate market value of Common Shares subject to an Option granted to any one non-executive director under the SOP, annually;
 - iii. require, upon a change in control, that all outstanding Options continue to vest in accordance with the terms under which such Options were granted, and may only be exercised in whole, at any time, and in part, from time to time, during the specified option period, subject to any restrictions contained in the SOP or any applicable employment agreement;
 - iv. remove the Board's authority to reduce the exercise price of an Option granted to an employee who is not an insider without shareholder approval; and
 - v. require that the Board obtain shareholder approval to amend, modify or change any provision of the SOP to: (i) increase in the number of Common Shares reserved for issuance under the SOP, (ii) reduce the exercise price per share for an Option granted under the SOP or permit the Board to cancel and reissue Options granted under the SOP, (iii) extend the option period in respect of Options granted under the Plan; (iv) permit, directly or indirectly, discretionary participation in the SOP by non-executive directors or increase the participation limits currently imposed on non-executive directors, (v) permit the assignment or transfer of Options granted under the SOP to any person, corporation, entity or partnership, other than for normal estate purposes and (vi) permit changes to the amendment provisions in the SOP;

such amendments as more particularly set forth in the text of the amended SOP, substantially in form attached at Appendix "C" of the management information circular of the Corporation dated March 21, 2016 which accompanies the Notice of Meeting dated March 21, 2016; and

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

The Board has determined that passing the SOP Amendment Resolution is in the best interest of the Corporation and its shareholders and recommends that the shareholders vote **IN FAVOUR** of the SOP Amendment Resolution. In order to be approved, the SOP Amendment 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 SOP Amendment Resolution.**

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 May 2013. 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 May 3, 2015, 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 May 3, 2016, and Common Shares underlying Options which are outstanding as of May 3, 2016 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 590,725 Common Shares are outstanding, representing approximately 3.99% of the issued and outstanding Common Shares. Additionally, there are 389,705 securities outstanding under other security-based compensation arrangements representing approximately 2.63% of the issued and outstanding Common Shares. Accordingly, there are 500,449 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 April 21, 2019, 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.**

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 Proposed LTIP.

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, other than the Transition Agreement, which outlines the terms under which Mr. Wasilenkoff has transitioned into his role as Executive Chairman of the Corporation, and the Services Agreement, whereby Mr. Wasilenkoff provides the Corporation with certain consulting services in exchange for an annual fee.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent of the Corporation is Computershare Investor Services Inc., 510 Burrard Street, 2nd 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, 2015, 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 21st day of March, 2016.

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

/s/ Yvon Pelletier

Yvon Pelletier

Chief Executive Officer and President

APPENDIX "A"

FORTRESS PAPER LTD.

BOARD OF DIRECTORS' MANDATE

Effective March 25, 2015

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) establish principles and policies of environment, health and safety and sustainability stewardship for the Company;
- (xii) require senior management to regularly provide the Board with adequate reporting for the Board to monitor the compliance by the Company with its principles and policies relating to environment, health and safety and sustainability stewardship;
- (xiii) authorize the issuance of equity and debt securities of the Company;
- (xiv) 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;
- (xv) 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;
- (xvi) require that proper procedures are established for the protection of shareholder value;
- (xvii) 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
- (xviii) 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 or Executive 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.
- 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 five 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

4.1 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.

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

4.3 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.

4.4 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.

4.5 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.

4.6 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.

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

APPENDIX "B"

2016 Long-Term Incentive Plan

FORTRESS PAPER LTD.

2016 LONG-TERM INCENTIVE PLAN

SECTION 1. PURPOSE OF THE PLAN

The purpose of this Plan is to promote the long-term success of the Company and the creation of shareholder value by (a) encouraging the attraction and retention of Directors and Key Employees of the Company and its Subsidiaries, (b) encouraging such Directors and Key Employees to focus on critical long-term objectives, and (c) promoting greater alignment of the interests of such Directors and Key Employees with the interests of the Company.

To this end, the Plan provides for the grant of restricted share units, performance share units and deferred share units to Key Employees and Directors of the Company.

SECTION 2. DEFINITIONS

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) "**Associate**" has the meaning ascribed thereto in the *Securities Act* (British Columbia);
- (b) "**Award**" means any award of Restricted Share Units, Performance Share Units or Deferred Share Units granted under the Plan;
- (c) "**Award Agreement**" means any written agreement, contract, or other instrument or document, including an electronic communication, as may from time to time be designated by the Company as evidencing any Award granted under the Plan;
- (d) "**Board**" means the board of directors of the Company;
- (e) "**Change of Control**" means the acquisition by any person or by any person and a joint actor, whether directly or indirectly, of voting securities (as such terms are interpreted in the *Securities Act*) of the Company, which, when added to all other voting securities of the Company at the time held by such person or by such person and a person acting "jointly or in concert with" another person, as that phrase is interpreted in Multilateral Instrument 64-101, totals for the first time not less than twenty percent (20%) of the outstanding voting securities of the Company or the votes attached to those securities are sufficient, if exercised, to elect a majority of the Board;
- (f) "**Committee**" means the Compensation Committee of the Board;
- (g) "**Company**" means Fortress Paper Ltd., a company existing pursuant to the provisions of the *Business Corporations Act* (British Columbia);
- (h) "**Deferred Share Unit**" means a right to receive on a deferred basis a payment in either Shares or cash as provided in Section 5(c) hereof and subject to the terms and conditions of this Plan;

- (i) "**Determination Date**" means a date determined by the Board in its sole discretion but not later than 90 days after the expiry of a Performance Cycle;
- (j) "**Director**" means a member of the Board;
- (k) "**Disability**" means any medical condition which qualifies a Participant for benefits under a long-term disability plan of the Company or Subsidiary;
- (l) "**Election Form**" means the form to be completed by a Director specifying the amount of Fees he or she wishes to receive in Deferred Share Units under the Plan;
- (m) "**Eligible Person**" means Key Employees and Directors;
- (n) "**Fees**" means the annual board retainer, chair fees, meeting attendance fees or any other fees payable to a Director by the Company;
- (o) "**Grant Date**" means, for any Award, the date specified by the Board as the grant date at the time it grants the Award or, if no such date is specified, the date upon which the Award was actually granted;
- (p) "**Insider**" means any insider, as that term is defined in the *Securities Act* (British Columbia);
- (q) "**Insider Participant**" means a Participant who is (i) an Insider of the Company or of a Subsidiary, and (ii) an Associate of any person who is an Insider by virtue of (i);
- (r) "**Key Employees**" means employees, including officers, whether Directors or not, and including both full-time and part-time employees, of the Company or any Subsidiary who, by the nature of their positions or jobs are, in the opinion of the Board, in a position to contribute to the success of the Company;
- (s) "**Market Unit Price**" means the value of a Share determined by reference to the five-day weighted average price of a Share on the immediately preceding five (5) Trading Days, provided that, if no Shares traded in any of the five (5) Trading Days prior to the applicable day, the average of the closing bid and ask prices shall be used instead of the closing price;
- (t) "**Participant**" means any Eligible Person to whom Awards under the Plan are granted;
- (u) "**Participant's Account**" means a notional account maintained for each Participant's participation in the Plan which will show any Restricted Share Units, Performance Share Units or Deferred Share Units credited to a Participant from time to time;
- (v) "**Performance Criteria**" means criteria established by the Board which, without limitation, may include criteria based on the Participant's personal performance and/or financial performance of the Company and its Subsidiaries, and that are to be used to determine the vesting of the Performance Share Units;
- (w) "**Performance Cycle**" means the three-year performance cycle of the Performance Share Units as specified by the Board in the applicable Award Agreement;
- (x) "**Performance Share Unit**" means a right awarded to a Participant to receive a payment in Shares as provided in Section 5(b) hereof and subject to the terms and conditions of this Plan;

- (y) "**Person**" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or governmental authority or body;
- (z) "**Restriction Period**" means the three-year period between the Grant Date and the Vesting Date of an Award of Restricted Share Units;
- (aa) "**Restricted Share Unit**" means a right awarded to a Participant to receive a payment in Shares as provided in Section 5(a) hereof and subject to the terms and conditions of this Plan;
- (bb) "**Retirement**" means retirement from active employment with the Company or a Subsidiary with the consent of an officer of the Company or the Subsidiary;
- (cc) "**Securities Act**" means the *Securities Act* (British Columbia), as amended, from time to time;
- (dd) "**Shares**" means the common shares of the Company;
- (ee) "**Security Based Compensation Arrangement**" has the meaning ascribed thereto in the TSX Company Manual;
- (ff) "**Subsidiary**" means a corporation, company or partnership that is controlled, directly or indirectly, by the Company;
- (gg) "**Termination Date**" means (i) in the event of a Participant's Retirement, voluntary termination or termination of employment as a result of a Disability, the date on which such Participant ceases to be an employee of the Company or a Subsidiary and (ii) in the event of termination of the Participant's employment by the Company or a Subsidiary, the date on which such Participant is advised by the Company or a Subsidiary, in writing or verbally, that his or her services are no longer required;
- (hh) "**Trading Day**" means any date on which the TSX is open for trading;
- (ii) "**TSX**" means the Toronto Stock Exchange; and
- (jj) "**Vesting Date**" means in respect of any Award, the date when the Award is fully vested in accordance with the provisions of the Plan.

SECTION 3. ADMINISTRATION

- (a) **BOARD TO ADMINISTER PLAN.** Except as otherwise provided herein, the Plan shall be administered by the Board and the Board shall have full authority to administer the Plan including the authority to interpret and construe any provision of the Plan and to adopt, amend and rescind such rules and regulations for administering the Plan as the Board may deem necessary in order to comply with the requirements of the Plan.
- (b) **DELEGATION TO COMMITTEE.** All of the powers exercisable hereunder by the Board may, to the extent permitted by applicable law and as determined by resolution of the Board, be delegated to and exercised by the Committee.
- (c) **INTERPRETATION.** All actions taken and all interpretations and determinations made or approved by the Board in good faith shall be final and conclusive and shall be binding on the Participants and the Company.
- (d) **NO LIABILITY.** No Director shall be personally liable for any action taken or determination or interpretation made or approved in good faith in connection with the Plan and the Directors

shall, in addition to their rights as Directors, be fully protected, indemnified and held harmless by the Company with respect to any such action taken or determination or interpretation made. The appropriate officers of the Company are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary for the implementation of the Plan and of the rules and regulations established for administering the Plan. All costs incurred in connection with the Plan shall be for the account of the Company.

SECTION 4. SHARES AVAILABLE FOR AWARDS

(a) LIMITATIONS ON SHARES AVAILABLE FOR ISSUANCE.

- (i) The aggregate number of Shares issuable under the Plan in respect of Awards, together with Shares reserved for issuance under all of the Company's other Security-Based Compensation Arrangements, shall not exceed ten (10) percent of the Company's issued and outstanding Shares;
- (ii) The total number of Shares issuable to any Participant under the Plan, at any time, together with Shares reserved for issuance to such Participant under all of the Company's other Security-Based Compensation Arrangements, shall not exceed five (5) percent of the issued and outstanding Shares;
- (iii) The total number of Shares (i) issued to all Insider Participants within any one-year period under the Plan and (ii) issuable at any given time under the Plan, together with Shares reserved for issuance to such Participant under all of the Company's other Security-Based Compensation Arrangements, shall not exceed ten (10) percent of the issued and outstanding Shares; and
- (iv) The total number of Shares issuable to non-executive Directors under the Plan shall not exceed one (1) percent of the issued and outstanding Shares. The number of Shares issuable under the Plan in respect of Awards, together with Shares issuable under all of the Company's other Security-Based Compensation Arrangements to any one non-executive Director shall not have an aggregate Grant Date fair value in excess of \$150,000, annually.

(b) ACCOUNTING FOR AWARDS. For purposes of this Section 4:

- (i) If an Award is denominated in Shares, the number of Shares covered by such Award, or to which such Award relates, shall be counted on the Grant Date of such Award against the aggregate number of Shares available for granting Awards under the Plan; and
- (ii) Notwithstanding anything herein to the contrary, any Shares related to Awards which (i) vest in accordance with the terms of the applicable Award Agreement, (ii) terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, (iii) are settled in cash in lieu of Shares, or (iv) are exchanged with the Board's permission, prior to the issuance of Shares, for Awards not involving Shares, shall be available again for granting Awards under the Plan.

(c) ANTI-DILUTION. If the number of outstanding Shares is increased or decreased as a result of a stock split, consolidation or recapitalization and not as a result of the issuance of Shares for additional consideration or by way of stock dividend, the Board may make appropriate adjustments to the number of Restricted Share Units, Performance Share Units and/or Deferred Share Units credited to a Participant. Any determinations by the Board as to the required

adjustments shall be made in its sole discretion and all such adjustments shall be conclusive and binding for all purposes under the Plan.

SECTION 5. AWARDS

(a) RESTRICTED SHARE UNITS

- (i) **ELIGIBILITY AND PARTICIPATION.** Subject to the provisions of the Plan and such other terms and conditions as the Board may prescribe, the Board may, from time to time, grant Awards of Restricted Share Units to Directors and Key Employees. Restricted Share Units granted to a Participant shall be credited, as of the Grant Date, to the Participant's Account. The number of Restricted Share Units to be credited to each Participant shall be determined by the Board in its sole discretion in accordance with the Plan. Each Restricted Share Unit shall, contingent upon the lapse of any restrictions, represent one (1) Share. The number of Restricted Share Units granted pursuant to an Award and the Restriction Period in respect of such Restricted Share Units shall be specified in the applicable Award Agreement.
- (ii) **RESTRICTIONS.** Restricted Share Units shall be subject to such restrictions as the Board, in its sole discretion, may establish in the applicable Award Agreement, which restrictions may lapse separately or in combination at such time or times and on such terms, conditions and satisfaction of objectives as the Board may, in its discretion, determine at the time an Award is granted.
- (iii) **VESTING.** All Restricted Share Units will vest and become payable by the issuance of Shares on the third anniversary of their Grant Date at the end of the Restriction Period if all applicable restrictions have lapsed, unless the Award Agreement provides otherwise.
- (iv) **CHANGE OF CONTROL.** In the event of a Change of Control, unless otherwise approved by the Board, all Restricted Share Units granted to the Participant under the Plan will continue to vest in accordance with the terms of such Restricted Share Units and the applicable Restriction Period and shall become payable in accordance with Section 5(a)(viii) hereof on the applicable Vesting Date.
- (v) **DEATH.** Upon the death of a Participant, any Restricted Share Units granted to such Participant, which, prior to the Participant's death have not vested, will immediately vest and the Participant's estate shall be entitled to receive payment in accordance with Section 5(a)(viii) hereof.
- (vi) **TERMINATION OF EMPLOYMENT.**
 - i. Where, in the case of a Key Employee, a Participant's employment is terminated by the Company or a Subsidiary for cause, all Restricted Share Units granted to the Participant under the Plan will immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the Termination Date.
 - ii. Where, in the case of a Key Employee, a Participant's employment terminates by reason of termination by the Company or a Subsidiary without cause or by voluntary termination by the Participant, any Restricted Share Units granted to the Participant under the Plan will immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the Termination Date.

- iii. Where, in the case of a Key Employee, a Participant's employment terminates due to Retirement or in connection with a Disability, all Restricted Share Units granted to the Participant under the Plan will continue to vest in accordance with the terms of such Restricted Share Units and the applicable Restriction Period and shall become payable in accordance with Section 5(a)(viii) hereof on the applicable Vesting Date.
- iv. Upon termination of a Participant's employment with the Company or a Subsidiary, the Participant's eligibility to receive further grants of Awards of Restricted Share Units under the Plan shall cease as of the Termination Date.
- (vii) **CESSATION OF DIRECTORSHIP.** Where, in the case of Directors, a Participant ceases to be a Director for any reason, any Restricted Share Units granted to the Participant under the Plan that have not yet vested, will continue to vest in accordance with the terms of such Restricted Share Units and the applicable Restriction Period and shall become payable in accordance with Section 5(a)(viii) hereof on the applicable Vesting Date.
- (viii) **PAYMENT OF AWARD.** As soon as practicable after each Vesting Date of an Award of Restricted Share Units, the Company shall issue from treasury to the Participant, or if Section 5(a)(v) applies, to the Participant's estate, a number of Shares equal to the number of Restricted Share Units credited to the Participant's Account that become payable on the Vesting Date. As of the Vesting Date, the Restricted Share Units in respect of which such Shares are issued shall be cancelled and no further payments shall be made to the Participant under the Plan in relation to such Restricted Share Units.

(b) PERFORMANCE SHARE UNITS

- (i) **ELIGIBILITY AND PARTICIPATION.** Subject to the provisions of the Plan and such other terms and conditions as the Board may prescribe, the Board may, from time to time, grant Awards of Performance Share Units to Key Employees. Performance Share Units granted to a Participant shall be credited, as of the Grant Date, to the Participant's Account. The number of Performance Share Units to be credited to each Participant shall be determined by the Board, in its sole discretion, in accordance with the Plan. Each Performance Share Unit shall, contingent upon the attainment of the Performance Criteria within the Performance Cycle, represent one (1) Share. The number of Performance Share Units granted pursuant to an Award, the Performance Criteria which must be satisfied in order for the Performance Share Units to vest and the Performance Cycle in respect of such Performance Share Units shall be specified in the applicable Award Agreement.
- (ii) **PERFORMANCE CRITERIA.** The Board will select, settle and determine the Performance Criteria (including without limitation the attainment thereof), for purposes of the vesting of the Performance Share Units, in its sole discretion. An Award Agreement may provide the Board with the right, during a Performance Cycle or after it has ended, to revise the Performance Criteria and the Award amounts, if unforeseen events (including, without limitation, changes in capitalization, an equity restructuring, an acquisition or a divestiture) occur which have a substantial effect on the financial results and which in the sole judgment of the Board make the application of the Performance Criteria unfair unless a revision is made. Notices will be provided by the Company to applicable regulatory authorities or stock exchanges as may be required with respect of the foregoing.

- (iii) VESTING. All Performance Share Units will vest and become payable to the extent that the Performance Criteria set forth in the Award Agreement are satisfied for the Performance Cycle, the determination of which satisfaction shall be made by the Board on the Determination Date.
- (iv) CHANGE OF CONTROL. In the event of a Change of Control, unless otherwise approved by the Board, the Board shall determine, in its sole discretion, the number of the Participant's Performance Share Units that will vest based on the extent to which the applicable Performance Criteria set forth in the Award Agreement have been satisfied in that portion of the Performance Cycle that has lapsed. The Performance Share Units that the Board determines so have vested shall become payable in accordance with Section 5(b)(vii) hereof.
- (v) DEATH. Upon the death of a Participant, all Performance Share Units granted to Participant shall become fully vested in such Participant (without regard to the attainment of any Performance Criteria) and the Participant's estate shall be entitled to receive payment in accordance with Section 5(b)(vii) hereof.
- (vi) TERMINATION OF EMPLOYMENT.
 - i. Where a Participant's employment is terminated by the Company or a Subsidiary for cause, all Performance Share Units granted to the Participant under the Plan will immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the Termination Date.
 - ii. Where a Participant's employment is terminated by the Company or a Subsidiary without cause or by voluntary termination, all Performance Share Units granted to the Participant under the Plan will immediately terminate without payment, be forfeited and cancelled and shall be of no further force or effect as of the Termination Date.
 - iii. Where a Participant's employment terminates due to Retirement or in connection with a Disability, the Board shall determine, in its sole discretion, the number of the Participant's Performance Share Units that will vest based on the extent to which the applicable Performance Criteria set forth in the Award Agreement have been satisfied in that portion of the Performance Cycle that has lapsed. The Performance Share Units that the Board determines so have vested shall become payable in accordance with Section 5(b)(vii) hereof.
 - iv. Upon termination of a Participant's employment with the Company or a Subsidiary, the Participant's eligibility to receive further grants of Awards of Performance Share Units under the Plan shall cease as of the Termination Date.
- (vii) PAYMENT OF AWARD. Payment to Participants in respect of vested Performance Share Units shall be made after the Determination Date for the applicable Award and in any case within ninety-five (95) days after the last day of the Performance Cycle to which such Award relates. Such payments shall be made entirely in Shares. The Company shall issue from treasury to the Participant, or if Section 5(b)(v) applies, to the Participant's estate, a number of Shares equal to the number of Performance Share Units that have vested. As of the Vesting Date, the Performance Share Units in respect of which such Shares are issued shall be cancelled and no further payments shall be made to the Participant under the Plan in relation to such Performance Share Units.

(c) DEFERRED SHARE UNITS

- (i) **ELIGIBILITY AND PARTICIPATION.** Subject to the provisions of the Plan and such other terms and conditions as the Board may prescribe, the Board may, from time to time, grant Awards of Deferred Share Units to Directors in lieu of Fees. Directors become Participants effective as of the date he or she is first appointed or elected as a Director and cease to be Participants at the time they cease to be a Director for any reason. Deferred Share Units granted to a Participant in accordance with Section 5(c)(3) hereof, shall be credited, as of the Grant Date, to the Participant's Account.
- (ii) **ELECTION.** Each Director may elect to receive any or all of his or her Fees in Deferred Share Units under this Plan. Elections by Participants regarding the amount of their Fees that they wish to receive in Deferred Share Units shall be made no later than 90 days after the Plan is adopted by the Board, and thereafter no later than December 31 of any given year with respect to Fees for the following year. Any Director who becomes a Participant during a calendar year and wishes to receive an amount of his or her Fees for the remainder of that year in Deferred Share Units must make his or her election within 60 days of becoming a Director.
- (iii) **CALCULATION.** The number of Deferred Share Units to be credited to the Participant's Account shall be calculated by dividing the amount of Fees selected by a Director in the applicable Election Form, by the Market Unit Price on the Grant Date which 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 Deferred Share Unit, the Participant shall only be credited with a full number of Deferred Share Units (rounded down) and no payment or other adjustment will be made with respect to the fractional Deferred Share Unit.
- (iv) **PAYMENT OF AWARD.** Each Participant shall be entitled to receive, after the effective date the Participant ceases to be a Director for any reason, on a day designated by the Participant and communicated to the Company by the Participant in writing at least 15 days prior to the designated day (or such earlier date after the Participant ceases to be a Director as the Participant and the Company may agree, which date shall be no later than the end of the calendar year following the year in which the Participant ceases to be a Director) and if no such notice is given, then on the first anniversary of the effective date the Participant ceases to be a Director, at the sole discretion of the Board, either:
 - i. That number of Shares equal to the number of Deferred Share Units credited to the Participant's Account, such Shares to be issued from treasury of the Company; or
 - ii. A cash payment in an amount equal to the Market Unit Price on the next Trading Day after the Participant ceases to be a Director of the Deferred Share Units credited to a Participant's Account, net of applicable withholdings.
- (v) **EXCEPTION.** In the event the value of a Deferred Share Unit would be determined with reference to a period commencing at a fiscal quarter-end of the Company 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 Units will be made to the Participant with reference to the five (5) 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).

- (vi) DEATH. Upon 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 Shares that would have otherwise been payable in accordance with Section 5(c)(iv) hereof to the Participant upon such Participant ceasing to be Director.
- (vii) DEDUCTIONS. Whenever cash is to be paid on redemption of Deferred Share Units, the Company shall have the right to deduct from all cash payments made to a Participant any taxes required by law to be withheld with respect to such payments. Whenever Shares are to be delivered on redemption of Deferred Share Units the Company shall have the right to deduct from any other amounts payable to the Participant any taxes required by law to be withheld with respect to such delivery of Shares, or if any payment due the Participant is not sufficient to satisfy the withholding obligation, to require the Participant to remit to the Company in cash an amount sufficient to satisfy any taxes required by law to be withheld. At the sole discretion of the Board, a Participant may be permitted to satisfy the foregoing requirement by
 - i. electing to have the Company withhold from delivery Shares having a value equal to the amount of tax required to be withheld, or
 - ii. delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or a portion of the Shares and to deliver to the Company from the sales proceeds an amount sufficient to pay the required withholding taxes.

(d) GENERAL TERMS APPLICABLE TO AWARDS

- (i) AWARDS MAY BE GRANTED SEPARATELY OR TOGETHER. Awards may, in the discretion of the Board, be granted either 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 Arrangement of the Company or any Subsidiary. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other Security-Based Compensation Arrangement of the Company or any Subsidiary, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.
- (ii) NON-TRANSFERABILITY OF AWARDS. Except as otherwise provided in an Award Agreement or determined by the Board in its sole discretion, no Award and no right under any such Award, shall be assignable, alienable, saleable, or transferable by a Participant otherwise than by will or by the laws of descent and distribution. No Award and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment, or encumbrance thereof shall be void and unenforceable against the Company.
- (iii) CONDITIONS AND RESTRICTIONS UPON SECURITIES SUBJECT TO AWARDS. The Board may provide that the Shares issued under an Award shall be subject to such further agreements, restrictions, conditions or limitations as the Board in its discretion may specify, including without limitation, conditions on vesting or transferability and forfeiture or repurchase provisions or provisions on payment of taxes arising in connection with an Award. Without limiting the foregoing, such restrictions may address the timing and manner of any resales by the Participant or other

subsequent transfers by the Participant of any Shares issued under an Award, including without limitation: (A) restrictions under an insider trading policy or pursuant to applicable law, (B) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and holders of other Company Security-Based Compensation Arrangements, (C) restrictions as to the use of a specified brokerage firm for such resales or other transfers and (D) provisions requiring Shares to be sold on the open market or to the Company in order to satisfy tax withholding or other obligations.

- (iv) **SHARE CERTIFICATES.** All Shares delivered under the Plan pursuant to any Award shall be subject to such stop transfer orders and other restrictions as the Board may deem advisable under the Plan or the rules, regulations, and other requirements of any securities commission, stock exchange upon which such Shares are then listed, and any applicable securities legislation, regulations, rules, policies or orders, and the Board may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.
- (v) **CONFORMITY TO PLAN.** In the event an Award is granted which does not conform in all particulars with the provisions of the Plan, or purports to grant an Award on terms different from those set out in the Plan, the Award shall not be in any way void or invalidated, but the Award shall be adjusted to become, in all respects, in conformity with the Plan.
- (vi) **RESTATEMENT.** In the event the Board or an appropriate committee thereof determines that any fraud, negligence or intentional misconduct by a Participant was a significant contributing factor to the Company having to restate all or a portion of its financial statements, the Board or committee will take, in its discretion, such action as it deems necessary to remedy the misconduct and prevent its recurrence. Such actions may include requiring reimbursement of Awards paid to the Participant pursuant to this Plan.

SECTION 6. AMENDMENT AND TERMINATION

- (a) **AMENDMENTS AND TERMINATION OF THE PLAN.** The Board may at any time or from time to time, in its sole and absolute discretion and without the approval of shareholders of the Company, amend, suspend, terminate or discontinue this Plan and may amend the terms and conditions of any Units granted hereunder, subject to (a) any required approval of any applicable regulatory authority or the TSX, and (b) approval of shareholders of the Company as required by the rules of the TSX or applicable law provided that shareholder approval shall not be required for the following amendments and the Board may make any 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 Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
 - (iii) An amendment which is necessary to comply with applicable law or the requirements of any stock exchange on which the Shares are listed;

- (iv) Amendments respecting administration and eligibility for participation under the Plan, provided however, that such amendments do not increase limits imposed on the total number of Shares issuable to non-executive Directors under the Plan;
- (v) Changes to the terms and conditions on which Awards may be or have been granted pursuant to the Plan including changes to the vesting provisions and terms of any Awards;
- (vi) Any amendment which alters, extends or accelerates the terms of vesting applicable to any Award; and
- (vii) Changes to the termination provisions of an Award or the Plan which do not entail an extension beyond the original fixed term.

If the Plan is terminated, prior Awards shall remain outstanding and in effect in accordance with their applicable terms and conditions.

- (b) **AMENDMENTS TO AWARDS.** The Board may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue, or terminate, any Awards theretofore granted, prospectively or retroactively. No such amendment or alteration shall be made which would impair the rights of any Participant, without such Participant's consent, under any Award theretofore granted, provided that no such consent shall be required with respect to any amendment or alteration if the Board determines in its sole discretion that such amendment or alteration either (i) is required or advisable in order for the Company, the Plan or the Award to satisfy or conform to any law or regulation or to meet the requirements of any accounting standard, or (ii) is not reasonably likely to significantly diminish the benefits provided under such Award.
- (c) **AMENDMENTS REQUIRING SHAREHOLDER APPROVAL.** Notwithstanding Section 6(a) and Section 6(b), shareholder approval shall be required for the following amendments to the Plan and any Awards granted thereunder:
 - (i) Amendments that increase the number of Shares available for issuance under this Plan in respect of Awards;
 - (ii) Amendments that permit discretionary participation in this Plan by non-executive Directors, or that increase the percentage or dollar value limits on participation in this Plan by non-executive Directors;
 - (iii) Amendments that cancel and reissue Awards granted to a Participant under the Plan; and
 - (iv) Amendments to Section 6 hereof.

SECTION 7. GENERAL PROVISIONS

- (a) **NO RIGHTS TO AWARDS.** No Key Employee, Director or other Person shall have any claim to be granted any Award under the Plan, or, having been selected to receive an Award under this Plan, to be selected to receive a future Award, and further there is no obligation for uniformity of treatment of Key Employees, Directors or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient.

- (b) **WITHHOLDING.** The Company shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan the amount (in cash, Shares, other securities, or other Awards) of withholding taxes due in respect of an Award, its exercise, or any payment or transfer under such Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy statutory withholding obligations for the payment of such taxes.
- (c) **NO LIMIT ON OTHER SECURITY-BASED COMPENSATION ARRANGEMENTS.** Nothing contained in the Plan shall prevent the Company or a Subsidiary from adopting or continuing in effect other Security-Based Compensation Arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.
- (d) **NO RIGHT TO EMPLOYMENT.** The grant of an Award shall not constitute an employment contract nor be construed as giving a Participant the right to be retained in the employ of the Company. Further, the Company may at any time dismiss a Participant from employment, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.
- (e) **NO RIGHT AS SHAREHOLDER.** Neither the Participant nor any representatives of a Participant's estate shall have any rights whatsoever as shareholder in respect of any Shares covered by such Participant's Restricted Share Units, Performance Share Units and/or Deferred Share Units until the date of issuance of a share certificate to such Participant or representatives of a Participant's estate for such Shares.
- (f) **GOVERNING LAW.** The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan and all Awards shall be determined in accordance with the laws of the Province of British Columbia and applicable Federal laws of Canada without regard to conflict of law.
- (g) **SEVERABILITY.** If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Board, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Board, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person, or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.
- (h) **NO TRUST OR FUND CREATED.** Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured creditor of the Company.
- (i) **NO FRACTIONAL SHARES.** No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Board shall determine whether cash, or other securities shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be cancelled, terminated, or otherwise eliminated.
- (j) **HEADINGS.** Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

- (k) **NO REPRESENTATION OR WARRANTY.** The Company makes no representation or warranty as to the value of any Award granted pursuant to the Plan or as to the future value of any Shares issued pursuant to any Award.
- (l) **NO REPRESENTATIONS OR COVENANTS WITH RESPECT TO TAX QUALIFICATION.** Although the Company may endeavor to (i) qualify an Award for favourable Canadian tax treatment or (ii) avoid adverse tax treatment, the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on holders of Awards under the Plan.
- (m) **COMPLIANCE WITH LAWS.** The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or stock exchanges on which the Company is listed as may be required. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:
 - (i) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and
 - (ii) completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable or at a time when any such registration or qualification is not current, has been suspended or otherwise has ceased to be effective.

The inability or impracticability of the Company to obtain or maintain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

SECTION 8. EFFECTIVE DATE OF THE PLAN

The Plan shall become effective upon the later of the date determined by the Board and the date of approval of the shareholders of the Company given by the affirmative vote of a majority of the Shares represented at the meeting of the shareholders of the Company at which a motion to approve the Plan is presented.

SECTION 9. TERM OF THE PLAN

The Plan shall terminate automatically 10 years after its adoption by the Board and may be terminated on any earlier date as provided in Section 6 hereof.

APPENDIX "C"

2016 Amended and Restated Stock Option Plan

FORTRESS PAPER LTD.

AMENDED AND RESTATED STOCK OPTION PLAN

ARTICLE 1 DEFINITIONS AND INTERPRETATIONS

Section 1.01 Definitions: For purposes of the Plan, unless such word or term is otherwise defined herein or the context in which such word or term is used herein otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the following meanings:

- (a) "Board" shall mean the Board of Directors of the Company;
- (b) "Change of Control" means the acquisition by any person or by any person and a joint actor, whether directly or indirectly, of voting securities (as such terms are interpreted in the Securities Act) of the Company, which, when added to all other voting securities of the Company at the time held by such person or by such person and a person acting "jointly or in concert with" another person as that phrase is interpreted in section 96 of the Securities Act, totals for the first time not less than twenty percent (20%) of the outstanding voting securities of the Company or the votes attached to those securities are sufficient, if exercised, to elect a majority of the Board;
- (c) "Committee" shall mean the Corporate Governance and Compensation Committee of the Board;
- (d) "Common Shares" shall mean the common shares of the Company, as adjusted in accordance with the provisions of Article 7 of the Plan;
- (e) "Company" shall mean Fortress Paper Ltd., a company existing pursuant to the provisions of the *Business Corporations Act* (British Columbia);
- (f) "Directors" shall mean the directors of the Company from time to time;
- (g) "Eligible Employees" shall mean employees, including officers, whether Directors or not, and including both full-time and part-time employees, of the Company or any subsidiary of the Company who, by the nature of their positions or jobs are, in the opinion of the Committee, in a position to contribute to the success of the Company;
- (h) "Eligible Insiders" shall mean the Insiders of the Company or of any subsidiary of the Company from time to time who, by the nature of their positions are, in the opinion of the Committee, in a position to contribute to the success of the Company;
- (i) "Eligible Person" shall mean an Eligible Employee or an Eligible Insider;
- (j) "Employment Contract" means any contract between the Company or any subsidiary of the Company and any Eligible Employee or Service Provider relating to, or entered into in connection with, the employment of the Eligible Employee or the engagement of the Service Provider;

- (k) "Exchange" shall mean the Toronto Stock Exchange;
- (l) "Insider" means an insider as defined in the Securities Act and includes associates and affiliates of an insider of the Company;
- (m) "Market Price" means the closing price of the Common Shares on the stock exchange on which the Common Shares are traded on the trading day immediately preceding the date of grant;
- (n) "Option" shall mean an option to purchase Common Shares granted pursuant to, or governed by, the Plan;
- (o) "Option Agreement" means an agreement, in the form attached hereto as Schedule "A", whereby the Company grants an Option to an Optionee;
- (p) "Option Period" shall mean the period of time during which the particular Option may be exercised;
- (q) "Optionee" means a Participant to whom an Option has been granted pursuant to the Plan;
- (r) "Participant" shall mean each Eligible Insider, Eligible Employee and Service Provider;
- (s) "Plan" shall mean this stock option and share compensation plan;
- (t) "Securities Act" means the *Securities Act* (British Columbia), as amended, from time to time;
- (u) "Service Provider" shall mean any person or company, other than an employee or Insider, engaged to provide services for the Company or for any entity controlled by the Company for an initial, renewable or extended period of twelve months or more;
- (v) "Substituted Right" shall have the meaning set forth in Article 5 hereof; and
- (w) "Vested" means that an Option has become exercisable in respect of Options held by an Optionee.

Section 1.02 Securities Definitions: In the Plan, the terms "associate" and "subsidiary" shall have the meanings given to such terms in the Securities Act.

Section 1.03 Headings: The headings of all articles, sections, and paragraphs in the Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of the Plan.

Section 1.04 Context, Construction: Whenever the singular or masculine are used in the Plan, the same shall be construed as being the plural or feminine or neuter or vice versa where the context so requires.

Section 1.05 References to the Plan: The words "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to the Plan as a whole and not to any particular article, section, paragraph or other part hereof.

ARTICLE 2 PURPOSE AND ADMINISTRATION OF THE PLAN

Section 2.01 Purpose of the Plan: The Plan provides for the grant of Options to Participants for the purpose of advancing the interests of the Company through the motivation, attraction and retention of key employees and

directors of the Company and subsidiaries of the Company and to secure for the Company and the shareholders of the Company the benefits inherent in the ownership of Common Shares by key employees and directors of the Company and subsidiaries of the Company, it being generally recognized that stock option and share compensation plans aid in attracting, retaining and encouraging employees and directors due to the opportunity offered to them to acquire a proprietary interest in the Company.

Section 2.02 Administration of the Plan: The Plan shall be administered by the Board and the Board shall have full authority to administer the Plan including the authority to interpret and construe any provision of the Plan and to adopt, amend and rescind such rules and regulations for administering the Plan as the Board may deem necessary in order to comply with the requirements of the Plan. All actions taken and all interpretations and determinations made or approved by the Board in good faith shall be final and conclusive and shall be binding on the Participants and the Company. No Director shall be personally liable for any action taken or determination or interpretation made or approved in good faith in connection with the Plan and the Directors shall, in addition to their rights as Directors, be fully protected, indemnified and held harmless by the Company with respect to any such action taken or determination or interpretation made. The appropriate officers of the Company are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary for the implementation of the Plan and of the rules and regulations established for administering the Plan. All costs incurred in connection with the Plan shall be for the account of the Company.

Section 2.03 Delegation to Committee: All of the powers exercisable hereunder by the Board may, to the extent permitted by applicable law and as determined by resolution of the Board, be exercised by the Committee.

Section 2.04 Record Keeping: The Company shall maintain a register or registers in which shall be recorded:

- (a) the name and address of each Optionee;
- (b) the number of Common Shares subject to Options granted to each Optionee; and
- (c) the aggregate number of Common Shares subject to Options.

ARTICLE 3 ELIGIBILITY AND PARTICIPATION IN THE PLAN AND GRANT OF OPTIONS

Section 3.01 Eligibility: Options shall only be granted to Participants.

Section 3.02 Determination of Option Recipients and Option Terms: The Committee shall from time to time recommend and the Board shall determine the Participants to whom Options shall be granted, the number of Common Shares to be made subject to and the expiry date of each Option granted to each Participant and the other terms of each Option granted to each Participant including any vesting provisions, restrictions or conditions that may be applicable, all such determinations to be made in accordance with the terms and conditions of the Plan, and the Committee or Board may take into consideration the present and potential contributions of and the services rendered by the particular Participant to the success of the Company and any other factors which the Committee or Board deems appropriate and relevant. Each Option granted to a Participant shall be evidenced by an Option Agreement or other agreement, as applicable, containing terms, restrictions and conditions consistent with the provisions of the Plan, which terms, restrictions and conditions need not be the same in each case. The Board shall cause any restrictions or conditions attached to Common Shares to be printed as a legend on the underlying share certificate.

Section 3.03 Conditions to Grant or Exercise: The Board may, in its discretion, require as conditions to the grant or exercise of any Option that the Optionee shall have:

- (a) represented, warranted and agreed in form and substance satisfactory to the Company that such Optionee is acquiring and will acquire such Option and the Common Shares to be issued upon the exercise thereof or, as the case may be, is acquiring such Common Shares, for such Optionee's own account, for investment and not with a view to or in connection with any distribution, that such Optionee has had access to such information as is necessary to enable such Optionee to evaluate the merits and risks of such investment and that such Optionee is able to bear the economic risk of investing in the Common Shares;
- (b) agreed to restrictions on transfer in form and substance satisfactory to the Company and to an endorsement on any Option Agreement or certificate representing the Common Shares making appropriate reference to such restrictions; and
- (c) agreed to indemnify the Company in connection with the foregoing.

Section 3.04 No Requirement to List, Register or Qualify: Any Option granted under the Plan shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the Common Shares subject to such Option upon any securities exchange or under any law or regulation of any jurisdiction, or the consent or approval of any securities exchange or any governmental or regulatory body, is necessary as a condition of, or in connection with, the grant or exercise of such Option or the issuance or purchase of Common Shares thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Board. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration, qualification, consent or approval.

Section 3.05 Restatement: In the event the Board or an appropriate committee thereof determines that any fraud, negligence or intentional misconduct by an Optionee was a significant contributing factor to the Company having to restate all or a portion of its financial statements, the Board or committee will take, in its discretion, such action as it deems necessary to remedy the misconduct and prevent its recurrence. Such actions may include cancelling Options granted to such Optionee pursuant to the Plan or retracting Common Shares subject to Options that were granted to such Optionee under the Plan.

ARTICLE 4

NUMBER OF COMMON SHARES SUBJECT TO THE PLAN, EXERCISE PRICE AND TERM OF OPTIONS

Section 4.01 Number of Shares: The maximum number of Common Shares, which may be made subject to an Option, at any time and from time to time shall not exceed 10% of the total number of Common Shares then outstanding on a non-diluted basis, subject to adjustment in accordance with Article 7 of the Plan. In addition, the maximum number of Common Shares which, together with any other Common Shares subject to a security-based compensation arrangement (within the meaning of the policy on security-based compensation arrangements of the Exchange) with such Participant or Participants, as the case may be, may be:

- (a) reserved for issue to Participants who are Insiders shall not exceed 10% of the number of Common Shares then outstanding;
- (b) issued to Participants who are Insiders within a one-year period shall not exceed 10% of the number of Common Shares then outstanding;
- (c) issued to any one Participant who is an Insider and the associates of such Participant within a one-year period shall not exceed 5% of the number of Common Shares then outstanding;

- (d) reserved for issue to any one Participant shall not exceed 5% of the number of Common Shares then outstanding; and
- (e) issued to any one Participant who is a non-executive Director within a one-year period shall not have an aggregate Market Price in excess of \$150,000, and, within such limit, the maximum number of Options issued to any one non-executive Director under the Plan within a one-year period shall not have an aggregate Market Price in excess of \$100,000.

For purposes of this section 4.01 (a) through (e), the number of Common Shares then outstanding shall mean the number of Common Shares outstanding on a non-diluted basis immediately prior to the proposed grant of the applicable option, excluding Common Shares issued pursuant to share compensation arrangements over the preceding one-year period. If Options are exercised, or are surrendered, terminate or expire without being exercised in whole or in part, the Common Shares which were the subject of such Options may again be made subject to an Option.

Section 4.02 Exercise Price: The exercise price per share for an Option shall be recommended by the Committee and determined by the Board at the time of grant, provided that such price shall be not less than the Market Price. Common Shares shall be issued at a deemed price recommended by the Committee and determined by the Board at the time of issuance of such Common Shares, but such price shall not be less than the Market Price.

Section 4.03 Term of Options: The Option Period for each Option shall be such period of time as shall be determined by the Committee, subject to any Employment Contract, provided that no Option Period shall exceed 10 years. The Committee may determine the number or percentage of Common Shares which may be purchased by an Optionee during any particular time period within the Option Period.

ARTICLE 5 SUBSTITUTED RIGHTS

Section 5.01 Exchange of Option: Subject to the provisions of the Plan, Options may be exchanged (the "Exchanged Options") for a right (the "Substituted Right") to acquire Common Shares in accordance with section 5.03 below, from time to time, at any time (the "Exchange Date"), by an Optionee's delivery to the Company of a written election specifying the number of Options being exchanged. The Options exchanged under this section 5.01, shall terminate upon such exchange and the Optionee shall cease to have further rights in such Options.

Section 5.02 Required Exchange: If a particular Optionee exercises Options pursuant to section 6.01 hereof, the Company may, in its sole discretion, require the Optionee to exchange his Options for Substituted Rights.

Section 5.03 Settlement of Substituted Right: An Optionee electing under section 5.01 or required to elect under section 5.02 will receive a Substituted Right which will entitle him to acquire on exercise the following number of Common Shares in settlement of the Substituted Right:

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

For the purpose of this clause, "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.

Following the settlement of the Substituted Right, the Company shall cause a certificate representing such Common Shares to be issued in the name of the Optionee (or as the Optionee may direct) to be sent by pre-paid mail or delivered to the Optionee.

ARTICLE 6
EXERCISE OF OPTION, EFFECT OF DEATH AND
TERMINATION OF EMPLOYMENT AND WITHHOLDING TAXES

Section 6.01 Exercise of Option:

- (a) Exercise: Subject to any restriction on the number or percentage of Common Shares which may be purchased by the Optionee during any particular time period within the Option Period determined by the Committee, an Option may be exercised by the Optionee in whole at any time, or in part from time to time, during the Option Period, provided however that, except as otherwise specifically provided in section 6.02 or section 6.03 hereof or in any Employment Contract, no Option may be exercised unless the Optionee at the time of exercise thereof is:
- (i) in the case of an Eligible Employee, in the employment of the Company or a subsidiary of the Company and has been continuously so employed since the date of grant of such Option, provided however that a leave of absence with the approval of the Company or such subsidiary of the Company shall not be considered an interruption of employment for the purposes of the Plan;
 - (ii) in the case of an Eligible Insider who is not also an Eligible Employee, a director of the Company or a subsidiary of the Company and has been such a director continuously since the date of grant of such Option; and
 - (iii) in the case of a Service Provider, engaged in providing services for the Company or an entity controlled by the Company and has been so engaged since the date of grant of such Option.
- (b) Payment of Exercise Price: The exercise of any Option shall be contingent upon receipt by the Company of payment of the aggregate purchase price for the Common Shares in respect of which the Option has been exercised. No Optionee or legal representative, legatee or distributee of any Optionee will be, or will be deemed to be, a holder of any Common Shares with respect to which such Optionee was granted an Option, unless and until certificates for such Common Shares are issued to such Optionee, or them, under the terms of the Plan. Subject to section 10.04 hereof, upon an Optionee exercising an Option and paying the Company the aggregate purchase price for the Common Shares in respect of which the Option has been exercised, the Company shall as soon as practicable issue and deliver a certificate representing the Common Shares so purchased.

Section 6.02 Effect of Death: If a Participant shall die while an Optionee, any Option held by such Optionee at the date of death shall be exercisable in whole or in part only by the person or persons to whom the rights of the Optionee under the Option shall pass by the will of the Optionee or the laws of descent and distribution for a period of 365 days after the date of death of the Optionee or prior to the expiration of the Option Period in respect of the Option, whichever is sooner, and then only to the extent that such Optionee was entitled to exercise the Option at the date of death of such Optionee, subject to the provisions of any Employment Contract.

Section 6.03 Effect of Termination of Employment: If an Optionee shall cease to be a Participant for cause, no Option held by such Optionee shall be exercisable following the date on which such Optionee ceases to be a Participant. If an Optionee ceases to be a Participant for any reason other than for cause or by virtue of death,

any Option held by such Optionee at such time shall remain exercisable in full at anytime, and in part from time to time, for a period of 90 days after the date on which the Optionee ceases to be a Participant or 30 days in the case of an Optionee who is engaged in investor relations activities at the time his services cease or, in either case, prior to the expiration of the Option Period in respect of the Option, whichever is sooner, and then only to the extent that such Optionee was entitled to exercise the Option at such time, subject to the provisions of any Employment Contract.

Section 6.04 Withholding Taxes: The Company or any subsidiary of the Company may take such steps as are considered necessary or appropriate for the withholding of any taxes which the Company or any subsidiary of the Company is required by any law or regulation of any governmental authority whatsoever to withhold in connection with any Option including, without limiting the generality of the foregoing, the withholding of all or any portion of any payment or the withholding of the issue of Common Shares to be issued upon the exercise of any Option until such time as the Optionee or recipient of Common Shares as applicable has paid the Company or any subsidiary of the Company for any amount which the Company or subsidiary of the Company is required to withhold with respect to such taxes.

ARTICLE 7 CAPITAL CHANGES

Section 7.01 Capital Changes: In the event there is any change in the Common Shares, whether by reason of a stock dividend, consolidation, subdivision, reclassification or otherwise, an appropriate adjustment shall be made by the Board in:

- (a) the number of Common Shares available as Options under the Plan;
- (b) the number of Common Shares subject to Options; and
- (c) the exercise price of the Common Shares subject to Options.

If the foregoing adjustment shall result in a fractional Common Share, the fraction shall be disregarded. All such adjustments shall be conclusive, final and binding for all purposes of the Plan.

Section 7.02 Amalgamation, Consolidation or Merger: If the Company amalgamates with, consolidates with or merges with or into, or participates in a statutory arrangement with, another company, any Common Shares receivable on the exercise of an Option shall be converted into the securities, property or cash which the Optionee would have received upon such amalgamation, consolidation, merger or arrangement had the Option been exercised prior to such event becoming effective. Any restrictions or conditions attached to any Common Share shall be continued into the securities, property or cash the recipient of Common Shares would have received upon such amalgamation, consolidation, merger or arrangement had the restrictions or conditions been removed or fulfilled.

Section 7.03 Sale of All or Substantially All of Assets: In the event of the sale by the Company of all or substantially all of the assets of the Company as an entirety or substantially as an entirety so that the Company shall cease to operate as an active business, any outstanding Option may be exercised as to all or any part of the Common Shares in respect of which the Optionee would have been entitled to exercise the Option in accordance with the provisions of the Plan at the date of completion of any such sale at any time up to and including, but not after the earlier of: (i) the close of business on that date which is 30 days following the date of completion of such sale; and (ii) the expiration of the Option Period; but the Optionee shall not be entitled to exercise the Option with respect to any other Common Shares.

ARTICLE 8
TAKE-OVER BIDS AND CHANGES OF CONTROL

Section 8.01 Effect of a Take-Over Bid: If a bona fide offer (an "Offer") for Common Shares is made to the Optionees or to shareholders of the Company generally or to a class of shareholders which includes the Optionees, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company, within the meaning of subsection 1(1) of the Securities Act, the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon all Common Shares subject to such Options will become Vested and the Options may be exercised in whole or in part by the Optionees so as to permit the Optionees to tender the Common Shares received upon such exercise, pursuant to the Offer and all restrictions and conditions on Common Shares shall be deemed to be removed or fulfilled so as to render the Common Shares from restrictions and conditions. However, if:

- (a) the Offer is not completed within the time specified therein; or
- (b) all of the Common Shares tendered by the Optionees pursuant to the Offer are not taken up or paid for by the offeror in respect thereof,

then the Common Shares received upon such exercise, or in the case of clause (b) above, the Common Shares that are not taken up and paid for, may be returned by the Optionees to the Company and reinstated as authorized but unissued Common Shares and with respect to such returned Common Shares, the Options shall be reinstated as if they had not been exercised and the terms, if any, upon which such Common Shares were to become Vested pursuant to this section shall be reinstated and any restrictions or conditions on Common Shares deemed to be removed or fulfilled shall be reinstated. If any Common Shares are returned to the Company under this section 8.01, the Company shall immediately refund the exercise price to the Optionees for such Common Shares.

Section 8.02 Acceleration of Expiry Date: If, at any time when an Option granted under the Plan remains unexercised, an Offer is made by an offeror, the Board may, upon notifying each Optionee of full particulars of the Offer, declare all Common Shares issuable upon the exercise of Options granted under the Plan, if unvested, Vested, and declare that the expiry date for the exercise of all unexercised Options granted under the Plan is accelerated so that all Options will either be exercised or will expire prior to the date upon which Common Shares must be tendered pursuant to the Offer, provided such Offer is completed.

Section 8.03 Effect of a Change of Control: If a Change of Control occurs, unless otherwise approved by the Board, outstanding Options will continue to vest in accordance with the terms under which such Options were granted, and may only be exercised by the Optionee in whole at any time, or in part from time to time, during the specified Option Period, subject to any restrictions contained in the Plan or any applicable Employment Agreement.

ARTICLE 9
EFFECTIVE DATE OF PLAN, AMENDMENT
OF PLAN AND TERMINATION OF PLAN

Section 9.01 Effective Date of Plan: The Plan shall become effective upon the later of the date determined by the Board and the date of approval of the shareholders of the Company given by the affirmative vote of a majority of the Common Shares represented at the meeting of the shareholders of the Company at which a motion to approve the Plan is presented.

Section 9.02 Amendment of Plan: The Board may from time to time in its absolute discretion amend, modify and change the provisions of an Option or the Plan without obtaining approval of shareholders to:

- (a) make amendments of a "housekeeping" nature;
- (b) change vesting provisions of an Option or the Plan;
- (c) change the termination provisions of an Option or the Plan which does not entail an extension beyond the original expiry date of the Option or the Plan;
- (d) change the termination provisions of an Option or the Plan which does entail an extension beyond the original expiry date of the Option or the Plan for a Participant who is not an Insider;
- (e) remove or change any restriction or condition attached to a Common Share;
- (f) 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 Plan; and
- (g) make any other amendments of a non-material nature which are approved by the Exchange.

Section 9.03 Shareholder and Regulatory Approval: Subject to section 9.02 of the Plan, all other amendments, modifications or changes shall only be effective upon such amendment, modification or change being approved by the shareholders of the Company in a manner similar to the approval contemplated by section 9.01 of the Plan. Any amendment, modification or change of any provision of the Plan shall be subject to approval, if required, by any regulatory body having jurisdiction. For greater certainty, the Company shall obtain approval from its shareholders to amend, modify or change any provision in the Plan to:

- (a) increase the number of Common Shares reserved for issuance under the Plan;
- (b) reduce the exercise price per share for an Option granted to a Participant under the Plan, or permit the Board to cancel and reissue Options granted to a Participant under the Plan;
- (c) extend the Option Period in respect of Options granted to a Participant under the Plan;
- (d) permit, directly or indirectly, discretionary participation in the Plan by non-executive Directors, or increase the limits on non-executive Director participation in the Plan;
- (e) permit the assignment or transfer of Options granted to a Participant under the Plan to any other person, corporation, entity or partnership, other than for normal estate settlement purposes; and
- (f) permit changes to section 9 hereof.

Section 9.04 Termination of the Plan: The Plan may be terminated at any time by the Board. Notwithstanding the termination of the Plan, any Option outstanding under the Plan at the time of termination shall remain in effect until such Option has been exercised, has expired, has been surrendered to the Company or has been terminated or restrictions or conditions on Common Shares are removed or fulfilled.

ARTICLE 10
MISCELLANEOUS PROVISIONS

Section 10.01 Non-Assignable: No rights under the Plan and no Option awarded pursuant to the provisions of the Plan are assignable or transferable by any Participant other than pursuant to a will or by the laws of descent and distribution.

Section 10.02 Rights as a Shareholder: No Optionee shall have any rights as a shareholder of the Company with respect to any Common Shares which are the subject of an Option. No Optionee shall be entitled to receive, and no adjustment shall be made for, any dividends, distributions or other rights declared for shareholders of the Company for which the record date is prior to the date of exercise of any Option or Substituted Right.

Section 10.03 Restriction on Issuance of Shares: No Common Shares shall be issued if the Company is not a listed issuer on the Exchange, or at a time when it is unlawful to fix the price for such Common Shares.

Section 10.04 No Contract of Employment: Nothing contained in the Plan shall confer or be deemed to confer upon any Participant the right to continue in the employment of the Company or any subsidiary of the Company nor interfere or be deemed to interfere in any way with any right of the Company or any subsidiary of the Company to discharge any Participant at any time for any reason whatsoever, with or without cause.

Section 10.05 Necessary Approvals: The obligation or ability of the Company to grant any Option pursuant to the Plan and to issue, sell and deliver any Common Shares on the exercise of an Option or Substituted Right or issue Common Shares is subject to the approval of any governmental authority or regulatory body required in connection with the grant of such Option or the issue, sale and delivery of such Common Shares by the Company. Any Options granted prior to the Company's receipt of such required approvals shall be conditional upon such approval being given and no Options may be exercised or Common Shares delivered to the recipient unless such approval has been given.

In the event that any Common Shares cannot be issued to any Optionee pursuant to the exercise of an Option or Substituted Right for any reason whatsoever including, without limiting the generality of the foregoing, the failure to obtain any required approval, then the obligation of the Company to issue such Common Shares shall terminate and any money paid to the Company in connection with the exercise of such Option shall be returned to the Optionee without interest or deduction. In the event any Common Shares cannot be delivered pursuant to a grant of such shares for any reason whatsoever including, without limiting the generality of the foregoing, the failure to obtain any required approval, then the Company shall not be obliged to deliver the Common Shares and the recipient of the grant shall have no rights in respect thereof.

Section 10.06 No Representation or Warranty: The Company makes no representation or warranty as to the value of any Option granted pursuant to the Plan or as the future value of any Common Shares issued pursuant to the exercise of any Option or Substituted Right.

Section 10.07 Compliance with Applicable Law: If any provision of the Plan or any Option contravenes any law or any order, policy, by-law or regulation of any regulatory body having jurisdiction, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.

Section 10.08 Applicable Law: The Plan and all of the rights and obligations arising herefrom shall be interpreted and applied in accordance with the laws of the Province of British Columbia.

MADE by the board of directors of the Company effective the 8th day of March, 2016 as evidenced by the signature of the following officer duly authorized in that behalf.

FORTRESS PAPER LTD.

By: *"Yvon Pelletier"*

Title: CEO

