

FraserPapers

Fraser Papers Inc.

Notice of Annual and Special Meeting of Shareholders
and Management Information Circular

March 10, 2009

FraserPapers

March 10, 2009

Dear Shareholder:

On behalf of the Board of Directors, I would like to invite you to attend Fraser Papers' Annual and Special Meeting of Shareholders at the Hockey Hall of Fame, Toronto, Ontario on Wednesday, April 29, 2009 at 2:00 p.m. local time. At the meeting, we will review the business and affairs of the Corporation and ask you to elect directors and appoint auditors for the coming year.

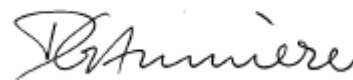
We are also seeking to reduce the size of the Board from nine to five members and, as a result, require an amendment to our articles of incorporation to change the minimum and maximum number of directors on our Board. This special resolution will be the first order of business after the approval of the annual report and financial statements. As a result, Rorke Bryan, Jack Cockwell, Robert Harding and Margot Northey will not be standing for re-election and we sincerely appreciate their service during their time on the Board.

Following the meeting, you will have an opportunity to meet the directors and executives who will be pleased to answer your questions.

Along with the Notice of Meeting and Management Information Circular we also enclose the Form of Proxy or Voting Instruction Form, depending on whether you are a registered shareholder or if you hold your shares beneficially.

I hope you can attend the meeting and vote in person. However, if you are unable to attend in person, I encourage you to vote as soon as possible, either by telephone, proxy or via the Internet, and to follow the meeting via the web cast, which can be accessed from our web site www.fraserpapers.com.

Yours truly,



Dominic Gammiero
Chairman

FraserPapers

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting of Shareholders of Fraser Papers Inc. (the "Corporation") will be held at the Hockey Hall of Fame, Brookfield Place, 30 Yonge Street, Toronto, Canada on **Wednesday, April 29, 2009 at 2:00 p.m.**, Toronto time, for the following purposes:

- 1) to receive the annual report to shareholders, including the consolidated financial statements of the Corporation, together with the auditors' report thereon, and Management's Discussion and Analysis for the fiscal year ended December 31, 2008;
- 2) to consider and, if thought advisable, to pass the special resolution, with or without amendment, in the form of Schedule A attached to the accompanying management information circular, authorizing an amendment to the Corporation's articles of incorporation to reflect a minimum of three directors and a maximum of seven directors;
- 3) to elect directors for the ensuing year;
- 4) to appoint auditors for the ensuing year and authorize the directors to fix the remuneration to be paid to the auditors; and
- 5) to transact such other business as may properly come before the meeting or any adjournment thereof.

The Management Information Circular accompanying this Notice provides additional information relating to the matters to be dealt with at the meeting.

Registered shareholders who are unable to attend the meeting in person or who wish to vote in advance of the meeting, are invited to vote by signing and returning the enclosed form of proxy and depositing it with the Assistant Corporate Secretary of the Corporation c/o CIBC Mellon Trust Company not later than the close of business on Monday, April 27, 2009 or, if the meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the time for the adjourned meeting.

You can deposit your proxy in one of the following ways:

- 1) **By Mail:** Execute the enclosed proxy form and deposit it with CIBC Mellon Trust Company by mail using the return envelope provided addressed to CIBC Mellon Trust Company, Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1.
- 2) **By Fax:** Execute the enclosed proxy form and deposit it with CIBC Mellon Trust Company by facsimile at 416-368-2502.
- 3) **By Telephone:** Call toll free 1-866-271-1207. You will be prompted to provide your control number printed below your pre-printed name and address. Telephone voting is not available on the day of the meeting and you may not appoint a person as proxyholder other than the management nominees named in the form of proxy when voting by telephone.
- 4) **By the Internet:** Access the web site www.eproxyvoting.com/fraserpapers and follow the instructions for electronic voting on the web site. You will need to refer to the enclosed proxy form and enter your control number printed below your pre-printed name and address.

Non-registered shareholders will be provided with voting instructions by the intermediaries who hold the shares on their behalf.

By Order of the Board of Directors



MARINA MUELLER
Assistant Corporate Secretary

*Toronto, Canada
March 10, 2009*

FraserPapers

MANAGEMENT INFORMATION CIRCULAR

TABLE OF CONTENTS

PART ONE	Voting Information	1
	Appointment of Proxies	1
	Non-Registered Holders	1
	Revocation	2
	Voting of Shares Represented by Management Proxies	2
	Voting Shares	3
	Principal Holders of Voting Shares	3
PART TWO	Business of the Meeting	3
	1. Annual Report and Financial Statements	3
	2. Number of Directors	3
	3. Election of Directors	4
	Proposed Nominees for Directors	4
	Other Corporations/Entities Where the Directors are Members of the Same Board	6
	Directors Attendance Report for Meetings Held in 2008	6
	4. Appointment of Auditors	6
	Principal Accounting Firm Fees	7
PART THREE	Executive Compensation Report	7
	Composition and Mandate of the Human Resources and Pension Committee	7
	Compensation Discussion and Analysis	8
	Incentive and Equity-Based Compensation – Employment Policies and Guidelines	14
	Report on 2008 Executive Compensation	14
	Performance Graph	15
	Summary Compensation Table	16
	Incentive Plan Awards	17
	Pension Plan Benefits	18
	Termination and Change of Control Benefits	18
	Director Compensation	19
PART FOUR	Statement of Corporate Governance Practices	20
	Board of Directors	20
	Management	24
	Disclosure Policy	24
	Code of Business Conduct	25
	Whistle Blower Policy	25

PART FIVE	Other Information	26
	Securities Authorized for Issuance Under Equity Compensation Plans During the Financial Year Ended December 31, 2008.....	26
	Indebtedness of Directors, Executive and Senior Officers	26
	Audit Committee	26
	Interest of Informed Persons in Material Transactions	26
	Shareholder Proposals for Next Year’s Annual Meeting	27
	Availability of Disclosure Documents	27
SCHEDULE A	Special Resolution to Amend the Articles of the Corporation	28
SCHEDULE B	Board of Directors – Terms of Reference	29

FRASER PAPERS INC.
MANAGEMENT INFORMATION CIRCULAR

PART ONE – VOTING INFORMATION

This Management Information Circular (“Circular”) is furnished in connection with the solicitation by management of Fraser Papers Inc. (“Fraser Papers” or the “Corporation”) of proxies for use at the Annual and Special Meeting of Shareholders of the Corporation (the “Meeting”) referred to in the accompanying Notice of Meeting (the “Notice”) to be held at the Hockey Hall of Fame, Brookfield Place, 30 Yonge Street, Toronto, Canada on **Wednesday, April 29, 2009 at 2:00 p.m., Toronto time.**

The solicitation of proxies will be primarily by mail but proxies may be solicited personally or by telephone by regular employees of the Corporation at nominal cost. The cost of solicitation will be borne by the Corporation.

The information contained in this Circular is given as at March 10, 2009, unless otherwise indicated. The Corporation reports financial results in U.S. dollars and accordingly, unless otherwise indicated, all financial information in this Circular is in U.S. dollars.

APPOINTMENT OF PROXIES

The persons named in the enclosed form of proxy are management representatives and are directors and/or officers of the Corporation.

Each shareholder has the right to appoint a person other than the persons named in the enclosed form of proxy, who need not be a shareholder of the Corporation, to represent such shareholder at the Meeting or any adjournment thereof. This right may be exercised by inserting such person’s name in the blank space provided in the form of proxy.

The completed form of proxy must be deposited with the Assistant Corporate Secretary of the Corporation c/o CIBC Mellon Trust Company, not later than the close of business on Monday, April 27, 2009 or, if the Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the time for the adjourned Meeting, in one of the following ways: by mail, Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1; by facsimile at 416-368-2502; by telephone at 1-866-271-1207; or by the Internet as described in the Notice.

NON-REGISTERED HOLDERS

Only registered holders of Common Shares of the Corporation, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a holder (a “Non-Registered Holder”) are registered either:

- a) in the name of an intermediary (an “Intermediary”) that the Non-Registered Holder deals with in respect of the shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
- b) in the name of a depository, such as CDS Clearing and Depository Services Inc., (the “Depository”) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer, the Corporation has distributed copies of the accompanying Notice, this Circular, the enclosed form of proxy (collectively, the “Meeting Materials”) to the Depository and Intermediaries for distribution to Non-Registered Holders. Those Non-Registered Holders who have so elected, will also receive the Corporation’s 2008 annual report (which includes Management’s Discussion and Analysis and the consolidated financial statements for the fiscal years ended December 31, 2007 and 2008).

Non-Registered Holders who have not waived the right to receive the Meeting Materials will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit Non-

Registered Holders to direct the voting of the shares they beneficially own. Non-Registered Holders should follow the procedures set out below, depending on which type of form they receive.

- a) **Voting Instruction Form.** In most cases, a Non-Registered Holder will receive, as part of the Meeting Materials, a voting instruction form. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on his or her behalf), the voting instruction form can be completed, signed and returned in accordance with the directions on the form. Voting instruction forms can be completed by telephone or through the Internet. If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on his or her behalf), the Non-Registered Holder must complete, sign and return the voting instruction form in accordance with the directions provided. A form of proxy giving the right to attend and vote will be forwarded to the Non-Registered Holder upon receipt of the voting instruction form.
- b) **Form of Proxy.** Less frequently, a Non-Registered Holder will receive, as part of the Meeting Materials, a form of proxy that 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 incomplete. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on his or her behalf), the Non-Registered Holder can complete the form of proxy and deposit it with the Assistant Corporate Secretary of the Corporation (see "Appointment of Proxies"). If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on his or her behalf), the Non-Registered Holder must strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided.

Non-Registered Holders should follow the instructions on the forms they receive and contact their Intermediaries promptly if they need assistance.

REVOCATION

A shareholder who has given a proxy has the power to revoke it as to any matter on which a vote has not already been cast pursuant to the authority conferred by the proxy and may do so: (1) by delivering another properly executed form of proxy bearing a later date and depositing it as described above; (2) by depositing an instrument in writing revoking the proxy executed by the shareholder or by the shareholder's attorney authorized in writing (a) at 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 thereof at which the proxy is to be used, or (b) with the Chair of the Meeting, prior to its commencement, on the day of the Meeting or any adjournment thereof; or (3) by any other manner permitted by law.

A Non-Registered Holder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote that was given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary may not be able to act on a revocation of a voting instruction form or of a waiver of the right to receive materials and to vote that is not received by the Intermediary in sufficient time for that Intermediary to act prior to the Meeting.

VOTING OF SHARES REPRESENTED BY MANAGEMENT PROXIES

The management representatives designated in the enclosed form of proxy will vote or withhold from voting the shares in respect of which they are the appointed proxy on any ballot that may be called for in accordance with the instructions of the shareholder as indicated on the proxy and, if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly.

In the absence of such direction, such shares will be voted by the management representatives for the election of directors and for the appointment of auditors, as indicated under those headings in this Circular.

The enclosed form of proxy confers discretionary authority upon the management representatives designated therein with respect to amendments to or variations of matters identified in the Notice and with respect to other matters which may properly come before the Meeting. At the date of this Circular, the management of the Corporation knows of no such amendments, variations or other matters expected to come before the Meeting.

VOTING SHARES

As at March 10, 2009, the Corporation had outstanding 50,166,789 fully paid and non-assessable Common Shares. Each registered holder of Common Shares of record at the close of business on Monday, March 9, 2009, the record date (the "Record Date") established for the purposes of determining shareholders entitled to receive notice of and to vote at the Meeting, will be entitled to one vote for each Common Share held on all matters to come before the Meeting or any adjournment thereof either in person, or by proxy.

For a description of the procedures to be followed by Non-Registered Holders to direct the voting of shares beneficially owned (see "Non-Registered Holders").

PRINCIPAL HOLDERS OF VOTING SHARES

To the knowledge of the directors and officers of the Corporation, the only person or corporation beneficially owning, directly or indirectly, or exercising control or direction over, voting securities of the Corporation carrying more than 10% of the votes attached to any class of outstanding voting securities of the Corporation is Brookfield Asset Management Inc. ("Brookfield").

Brookfield has advised the Corporation that it beneficially owns 35,374,937 Common Shares of the Corporation, either directly or through wholly-owned subsidiaries, representing approximately 70.5% of the Common Shares outstanding. The registered and executive office address of Brookfield is Suite 300, 181 Bay Street, Toronto, Ontario M5J 2T3. Messrs. J.L. Cockwell, R.J. Harding and S.J.B. Pollock, who are currently directors of the Corporation, are also directors and/or officers of Brookfield. Messrs. Cockwell and Harding are not standing for re-election.

The Corporation is advised that Brookfield's major shareholders are Partners Limited ("Partners") and BAM Investments Corp. which, together with the shareholders of Partners, directly and indirectly, collectively own, exercise control or direction over, or have options or warrants to acquire approximately 100 million Class A Limited Voting Shares of Brookfield, representing approximately 17% of the Class A Limited Voting Shares on a fully diluted basis, and 85,120 Class B Limited Voting Shares of Brookfield, representing all of the Class B Limited Voting Shares. Messrs. J.L. Cockwell, D. Gammiero, J.P. Gordon, R.J. Harding and S.J.B. Pollock, who are currently directors and/or officers of the Corporation, are shareholders of Partners. Messrs. Cockwell and Harding are not standing for re-election.

PART TWO – BUSINESS OF THE MEETING

1. ANNUAL REPORT AND FINANCIAL STATEMENTS

The Annual Financial Statements of the Corporation and Management's Discussion and Analysis for the fiscal year ended December 31, 2008, which are included in the Corporation's 2008 Annual Report, will be placed before the shareholders at the Meeting. The Corporation's 2008 Annual Report is being mailed with this Circular to all registered holders of Common Shares, except to those who have elected not to receive it, and to Non-Registered Holders who have so requested. Additional copies of the 2008 Annual Report will be available at the Meeting. Alternatively, the 2008 Annual Report can be requested from the Corporation or accessed through the Corporation's web site at www.fraserpapers.com or on SEDAR at www.sedar.com.

2. NUMBER OF DIRECTORS

Since becoming a public company in 2004, Fraser Papers has had between eight and ten members on its board of directors (the "Board"), which was deemed appropriate in order to ensure adequate business experience was available to support the significant restructuring activities undertaken over the past five years.

The Board believes it would be appropriate to reduce the number of directors from nine to five, given the reduction in the asset base of the Corporation since 2004 and the desire to achieve greater efficiency during the current challenging business conditions. The Board is confident that such a reduction in membership will not affect the performance of its responsibilities on behalf of the shareholders.

As the Corporation's articles provide for a minimum of six directors, at the Meeting, shareholders will be asked to consider and, if thought advisable, to pass a special resolution in the form attached as Schedule A to this Circular, authorizing an amendment to the Corporation's articles of incorporation to change the

minimum number of directors to three and the maximum number of directors to seven. In order to become effective, the special resolution must be approved by two-thirds of the votes cast who vote in respect of the special resolution, present or represented at the meeting by proxy, in accordance with the provisions of the *Canada Business Corporations Act*. Brookfield has indicated that they intend on voting in favour of this special resolution.

Unless directed otherwise, on any ballot that may be called for in respect of the special resolution, the management representatives designated in the enclosed form of proxy intend to vote such shares in favour of the special resolution approving the amendment to our articles of incorporation, unless the shareholder who has given such proxy had directed that the shares be voted against the special resolution.

3. ELECTION OF DIRECTORS

Five of the current directors are proposed for nomination to be elected at the Meeting by the holders of Common Shares, each to hold office until the next annual meeting of shareholders or until a successor is elected or appointed.

The management representatives designated in the enclosed form of proxy intend, unless otherwise directed, to vote for the election of a Board composed of the five nominees listed below to serve until the next annual meeting of shareholders of the Corporation or until their successors are duly elected or appointed.

Proposed Nominees for Directors

The Board recommends that the following five proposed nominees be elected at the Meeting to serve as directors of the Corporation until the next annual meeting of shareholders or until their successors are elected or appointed: Paul E. Gagné, Dominic Gammiero, J. Peter Gordon, Aldéa Landry and Samuel J.B. Pollock.

All of the proposed nominees were elected as members of the Board at the last annual meeting of shareholders held on May 1, 2008. Dr. Bryan, Messrs. Cockwell and Harding, and Dr. Northey are not standing for re-election.

Management has received consents from the proposed nominees to serve as directors, but if, for any reason prior to the Meeting any of the proposed nominees is unable to serve as a director, the management representatives designated in the enclosed form of proxy, unless directed to withhold from voting in the election of directors, reserve the right to vote for other nominees at their discretion.

The following pages set out the names of the five persons proposed to be nominated for election as directors at the Meeting, along with the principal occupation or employment of each person, the year in which each person was first elected a director of the Corporation and the number of Common Shares owned and Deferred Share Units ("DSUs") and Options held by each person as at March 10, 2009.

The following summarizes the Board and committee appointments of the Corporation's current directors as of March 10, 2009.

Chair	Dominic Gammiero		
Audit Committee	Paul Gagné (Chair) Aldéa Landry Margot Northey	Environment, Health and Safety Committee	Margot Northey (Chair) Rorke Bryan Aldéa Landry Samuel Pollock
Corporate Governance and Nominating Committee	Aldéa Landry (Chair) Robert Harding Margot Northey	Human Resources and Pension Committee	Jack Cockwell (Chair) Rorke Bryan Paul Gagné Margot Northey Samuel Pollock

All of the above directors have held these appointments since the last annual meeting of shareholders held on May 1, 2008. Subject to the adoption of the special resolution to amend the Corporation's articles, with the number of members on the Board subsequently being reduced to five, the Board will also reduce its standing committees to two, being the Audit Committee and the Compensation and Nominating Committee. The full Board would then oversee corporate governance, environment, health and safety and pension matters.

Paul E. Gagné, CA



Paul Gagné, 62, has served as a director of Fraser Papers since April 2004. A resident of Senneville, Québec, Mr. Gagné is Chairman of Wajax Income Fund, a distributor and service support provider of mobile equipment, industrial components and power systems. He is also a director of CAE Inc., Inmet Mining Corporation and Textron Inc. Mr. Gagné was a consultant in corporate strategic planning for Kruger Inc., a producer of paper and tissue, until 2002 and was President and Chief Executive Officer of Avenor Inc., a forest products company, until 1997.

Independent Director

Chair of the Audit Committee and member of the Human Resources and Pension Committee

107,243 DSUs

Dominic Gammiero



Dominic Gammiero, 60, has served as a director of Fraser Papers since April 2004. A resident of Mississauga, Ontario, Mr. Gammiero is Chairman of the Corporation and a Managing Partner of Tricap Partners Ltd., Brookfield's restructuring operation. He is also President and Chief Executive Officer and a director of Western Forest Products Inc., a forest products company. In addition, Mr. Gammiero is a director of Norbord Inc. Previously he was Chief Executive Officer of the Corporation from 2004 to 2007 and President and Chief Executive Officer of Norbord Inc. from 1999 to 2004. Mr. Gammiero has more than 30 years' experience in the forest products industry in North America and Europe.

Non-Independent Director

208,934 Common Shares⁽¹⁾
103,976 DSUs
370,000 Options

J. Peter Gordon



Peter Gordon, 48, has served as a director of Fraser Papers since April 2007. A resident of Toronto, Ontario, Mr. Gordon is Chief Executive Officer of the Corporation. Previously he was President from October 2006 to April 2007 and Senior Vice President and Chief Financial Officer from January to October 2006. Mr. Gordon was a Managing Partner of Brookfield, from 1998 to 2006, where he led various investment banking, merchant banking and restructuring initiatives. During the five year period prior to joining the Corporation, Mr. Gordon was co-manager of Brookfield's Tricap Restructuring Fund.

Non-Independent Director

see note⁽¹⁾
185,525 DSUs
860,000 Options

Aldéa Landry, C.M., Q.C.



Aldéa Landry, 63, has served as a director of Fraser Papers since April 2004. A resident of Moncton, New Brunswick, Ms. Landry is President of Landal Inc., an organizational and business development firm, and of J.F.L. Arbitration Services Inc. She is also a director of The Shaw Group Limited, Moosehead Breweries Limited, the Canadian Foundation for Economic Education, the Canadian Investor Protection Fund, the Oxford Frozen Foods Advisory Board and Chair of New Brunswick Regional Health Authority A. Ms. Landry is a former cabinet minister and deputy premier of New Brunswick.

Independent Director

Chair of the Corporate Governance and Nominating Committee and member of the Audit and Environment, Health and Safety Committees

1,000 Common Shares
73,851 DSUs

Samuel J.B. Pollock, CA

Samuel Pollock, 42, has served as a director of Fraser Papers since April 2004. A resident of Toronto, Ontario, Mr. Pollock is a Senior Managing Partner of Brookfield and CEO of Brookfield's infrastructure group. He is also a trustee of Acadian Timber Income Fund. Mr. Pollock has held various senior positions in Brookfield, including leadership of its financial advisory services and merchant banking operations, since 1994.

Non-Independent Director

Member of the Environment, Health and Safety and Human Resources and Pension Committees

see note⁽¹⁾

-
- (1) Management understands that, in addition to the shares listed above, Messrs. Gammiero, Gordon and Pollock also own shares indirectly through their ownership of Brookfield common shares. These indirect ownership interests exceed the minimum investment requirements for directors as set out under "Executive Compensation Report – Director Compensation – Share Ownership Guidelines".

Other Corporations/Entities Where the Directors are Members of the Same Board

The following table lists the directors who served together as directors on the boards of other corporations during the financial year ended December 31, 2008.

<i>Director</i>	<i>Name of Corporation</i>
Jack L. Cockwell ⁽¹⁾ Robert J. Harding ⁽¹⁾	Brookfield Asset Management Inc.
Jack L. Cockwell ⁽¹⁾ Dominic Gammiero Robert J. Harding ⁽¹⁾ Margot Northey ⁽¹⁾	Norbord Inc.
Dominic Gammiero Robert J. Harding ⁽¹⁾	Western Forest Products Inc.

- (1) Messrs. Cockwell, Harding and Dr. Northey are not standing for re-election.

Directors' Attendance Report for Meetings Held in 2008

It is the Board's expectation that each member of the Board should attend each meeting of the Board and the committees of which they are a member. However, in circumstances where individual directors are unable to attend a meeting, the Chair or senior management will meet with the absent director at a convenient time after the meeting to brief them on the events of the meeting. Directors are invited to attend all committee meetings.

During 2008, the Board held 10 meetings and its four standing committees held 14 meetings. These included five regularly scheduled meetings of the Board and five meetings of the Board that were called to deal with specific items of business. Committee meetings included six meetings of the Audit Committee, four meetings of the Environment, Health and Safety Committee, and one meeting of each of the Corporate Governance and Nominating Committee, Human Resources Committee, Pension Committee and the merged Human Resources and Pension Committee.

Each director attended all Board meetings and committee meetings (for committees of which they were a member) except for Dr. Bryan, Ms. Landry and Mr. Pollock who each missed one Board meeting, Mr. Cockwell who missed one meeting of the Human Resources and Pension Committee, Mr. Gammiero who missed two Board meetings and Mr. Harding who missed four Board meetings and one meeting of the Corporate Governance and Nominating Committee.

4. APPOINTMENT OF AUDITORS

At the Board meeting held on February 5, 2009, the Audit Committee recommended the nomination of Ernst & Young LLP for reappointment as external auditors of the Corporation, subject to shareholder approval. Ernst & Young LLP and its respective affiliates (collectively "Ernst & Young") are the principal external auditors of the Corporation. Ernst & Young have served as auditors of the Corporation since

being appointed by the Board on April 21, 2004. The resolution to appoint Ernst & Young as auditors must be passed by a simple majority of the votes cast either in person or by proxy.

On any ballot that may be called for on the appointment of auditors, the management representatives designated in the enclosed form of proxy intend to vote such shares in favour of reappointing Ernst & Young LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next annual meeting of shareholders, and authorizing the directors to fix the remuneration to be paid to the auditors, unless the shareholder has specified in the enclosed form of proxy that the shares represented by such proxy are to be withheld from voting in the appointment of auditors.

Principal Accounting Firm Fees

Aggregate fees billed to the Corporation for the fiscal year ended December 31, 2008 by Ernst & Young amounted to approximately \$628,000. The Audit Committee has adopted a policy regarding the provision of non-audit services by the Corporation's external auditors. This policy requires Audit Committee pre-approval of permitted audit, audit-related and non-audit services. It also specifies a number of services that the Corporation's external auditors cannot perform, including the use of its external auditors for financial information system design and implementation assignments.

The following table sets forth further information on the fees billed by Ernst & Young to the Corporation for the past two years.

	<i>Fees Paid</i>	
	2008	2007
Audit services	\$492,000	\$561,000
Audit-related services	118,000	280,000
Taxation services	—	—
Other non-audit services	18,000	16,000
Total for all services	\$628,000	\$857,000

Description of Services:

Audit services include the audit of the annual financial statements of the Corporation and its subsidiaries and the review of the Corporation's unaudited interim financial statements.

Audit-related services include audits of the Corporation's pension plans, interpretation of accounting and reporting standards, review of filed documents in support of rights offering and potential acquisitions and other audit procedures.

Other non-audit services consist of translation services.

Ernst & Young has advised the Audit Committee that it considers itself to be independent of the Corporation and the Audit Committee has confirmed that it considers Ernst & Young to be independent.

PART THREE – EXECUTIVE COMPENSATION REPORT

The following information is provided pursuant to the executive compensation disclosure requirements contained in National Instrument 51-102 – Continuous Disclosure Obligations.

COMPOSITION AND MANDATE OF THE HUMAN RESOURCES AND PENSION COMMITTEE

At its meeting on February 5, 2008, the Board considered the recommendation of the Corporate Governance and Nominating Committee and concluded that it would merge the Human Resources and Pension Committees, effective May 1, 2008. In accordance with its terms of reference, all members of the Human Resources and Pension Committee ("HR and Pension Committee") are independent directors under the standards established by Canadian securities regulatory authorities in National Instrument 58-101 – Disclosure of Corporate Governance Practices ("NI 58-101"), with the exception of Mr. Pollock. Mr. Pollock is considered non-independent as he is an executive officer of Brookfield, the Corporation's principal shareholder. The members of the HR and Pension Committee hold *in camera* sessions without management present as a matter of practise at each regularly scheduled HR and Pension Committee meeting.

The Corporation's executive compensation program is currently administered by the HR and Pension Committee. As part of its mandate, the HR and Pension Committee administers the appointment and

remuneration of the Corporation's officers, including annual evaluation of the performance of each of the Chief Executive Officer, the Chief Financial Officer and the other executive officers included in the Summary Compensation Table on page 16 (collectively, the "Named Executive Officers"). The HR and Pension Committee makes recommendations to the Board with respect to the compensation of the executive officers, and the Board gives final approval on compensation matters. The HR and Pension Committee is also responsible for reviewing the design and general competitiveness of the Corporation's compensation and benefit programs.

Subject to the adoption of the special resolution to amend the Corporation's articles, and the subsequent reduction of the number of directors on the Board to five (see "Business of the Meeting – Number of Directors"), the Board will reduce its number of committees; matters relating to executive compensation will become the responsibility of the new Compensation and Nominating Committee. The full Board will assume the responsibility of overseeing pension matters.

As at the date of this Circular, the HR and Pension Committee is comprised of Mr. Cockwell (Chair), Dr. Bryan, Mr. Gagné, Dr. Northey and Mr. Pollock. None of the members of the HR and Pension Committee is an officer, employee or former officer of the Corporation or is eligible to participate in the Corporation's executive compensation programs, and only one member, Mr. Pollock, is currently a Chief Executive Officer of another corporation. The HR and Pension Committee members have diverse professional backgrounds and three of the members have executive compensation experience by virtue of their experience as current or former chief executive officers.

The HR and Pension Committee, in accordance with its terms of reference, meets as required, and at least twice each year, to monitor and review management compensation policies, management succession planning and to review the overall composition and quality of the Corporation's management resources. In addition, the HR and Pension Committee oversees the funding, investment management and administration of Fraser Papers' employee retirement plans. During 2008, prior to the merger of the Human Resources and Pension Committees, each of those committees met once; the merged HR and Pension Committee also met once during 2008.

Mr. Gordon, Chief Executive Officer of the Corporation, is not a member of the HR and Pension Committee. He makes recommendations to the HR and Pension Committee with respect to executive compensation policy and with respect to the compensation paid to executive officers of the Corporation, other than himself. Mr. Gordon did not participate in HR and Pension Committee meetings when his compensation was discussed or determined.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy

The HR and Pension Committee believes that executive compensation should be driven primarily by performance relative to the established plans and strategy of the business. The Corporation's compensation philosophy ("Compensation Philosophy") provides that the executive pay program will be performance-driven with a strong focus on variable pay. The HR and Pension Committee focuses on rewarding performance and not on entitlement or seniority.

The Corporation uses a compensation approach for its executives that is designed to achieve key objectives, including:

- supporting the Corporation's ability to attract, develop, motivate and retain high performing executives;
- providing compensation that varies depending on individual and corporate performance;
- supporting business growth and financial results by focusing decision making and behaviour on goals that are consistent with the business strategy; and
- aligning the interests of executives and shareholders by rewarding management based on increases in the value of the Corporation's Common Shares.

Total Compensation

To provide a competitive overall compensation and benefits package that is tied to creating shareholder value and supports the Corporation's business strategies, the compensation arrangements for executive officers are comprised of several components, including:

- base salary;
- annual incentive award;
- long-term incentives, (consisting of stock options and deferred share units); and
- retirement and other benefits.

Each of these components of total compensation are discussed at pages 10 to 14.

Together, the executive compensation arrangements form a compensation package that is intended to be competitive within the marketplace and to align each executive officer's interests with those of the Corporation's shareholders. In determining the amount of each element of compensation, as well as the total compensation and benefits package, the HR and Pension Committee:

- ensures that total compensation levels are appropriate by reviewing the compensation practices of competitors and other Canadian companies of similar size and composition to the Corporation (see "Competitor Group");
- considers whether the total compensation packages are internally consistent with each executive officer's relative scope of responsibility and accountability for overall performance;
- recognizes that the annual incentive plan requires superior individual and corporate performance in order to achieve target compensation awards;
- exercises its business judgment and discretion in setting the level of compensation within pre-established ranges; and
- reviews total compensation design to assure that compensation ranges remain appropriately competitive and continue to meet the objectives described above.

Many features of the compensation program demonstrate the commitment to the Corporation's long-term performance driven focus. These include:

- long-term stock ownership by executive officers is strongly encouraged;
- stock option grants generally vest over a five-year period which ensures a long-term focus on results;
- Named Executive Officers are required to invest net gains on stock options for one year after the exercise of any stock options;
- executives may elect to receive annual incentives in the form of deferred share units under the Corporation's Deferred Share Unit Plan; and
- the Corporation's share ownership guidelines include minimum stock investment requirements for all Named Executive Officers.

Competitive Market Assessments

The HR and Pension Committee reviews market compensation levels to determine whether total compensation for its executive officers remains in the targeted median pay range and makes adjustments when necessary. This review includes assessment of base salary, annual incentive and long-term incentives. From time to time, the Corporation retains the services of professional, external executive compensation consultants, to provide advice regarding executive compensation arrangements. The scope of services includes competitiveness reviews of executive compensation levels to assist the HR and Pension Committee in establishing appropriate levels of base salary and incentive compensation for executive officers of the Corporation.

Competitor Group

Consolidation in the Canadian forest products industry has decreased the number of direct peers in the sector. For these reasons, the Committee has included companies outside the forest products industry in comparing the Corporation's executive officer compensation. In December 2007, a survey was conducted by Towers Perrin which compared the executive compensation of Fraser Papers with the following companies. This survey was used as a reference for establishing executive compensation in 2008.

<i>General Industry Comparator Group</i>		<i>Forest Industry Comparator Group</i>
Algoma Central Corporation	Kinross Gold Corporation	Abitibi-Consolidated Inc.
AltaGas Income Trust	Niko Resources	Canfor Corporation
ARC Resources Inc.	Pengrowth Energy Trust	Catalyst Paper Corporation
CAE Inc.	Rothmans Inc.	Domtar
Chemtrade Logistics Income Fund	ShawCor Ltd.	Norbord Inc.
Compton Petroleum Corporation	Shiningbank Energy Income Fund	International Forest Products Limited
Emera Incorporated	Vermillion Energy Trust	Tembec
Husky Injection Moulding Systems Ltd.	Wajax Income Fund	TimberWest Forest Corp.
Inter Pipeline Fund		West Fraser Timber Co. Ltd.

In addition to the current pay practices of this group, various pay surveys, including surveys of pay practices of forest products companies and comparably-sized manufacturing companies, and general industry data for similar size companies are reviewed. No executive compensation consulting services were retained for the purposes of establishing 2009 executive compensation of the Corporation.

Key Elements of Total Compensation

Base Salaries

Base salaries of the Corporation's executives are reviewed by the HR and Pension Committee and approved by the Board annually to ensure that they reflect the contribution of each executive officer. Base salaries for executive officers are established with reference to market data and internal job classification as it relates to the contribution to the strategic and financial results of the Corporation. Several factors are considered when setting base salaries, including each executive officer's individual performance rating, level of responsibility, prior experience, and the relationship between base salaries paid to all employees of the Corporation. In addition, the Corporation believes that base salaries should be consistent with median level of salaries paid to similar positions at comparable companies in the forest products and other industries, adjusted for size based on sales volumes (see "Competitor Group"). The base salary for the Corporation's Chief Executive Officer is set below the median level for comparable companies. This allows for the total compensation of the Chief Executive Officer to be more correlated to increased shareholder value and growth in value of the Corporation's shares as a higher proportion of the Chief Executive's total compensation is earned through the Annual Incentive Plan and long-term incentives (see discussion under "Annual Incentive Plan" at page 11 and "Long-Term Incentives" at page 12).

Based on the criteria above, a review of market compensation and commensurate with new job responsibilities, the Board made only two adjustments to base salaries for the Named Executive Officers in 2008 both of which reflected changes in responsibilities.

<i>Named Executive Officer</i>	<i>2007 Base Salary</i>	<i>2008 Base Salary</i>
Peter Gordon	C\$325,000	C\$325,000
Glen McMillan	C\$225,000	C\$225,000
Jeffrey Dutton	\$184,500	\$270,000
William Manzer	\$270,000	\$270,000
Matthew Nightingale	\$182,000	\$200,000
Brian McAlary	\$225,000	\$225,000

On March 3, 2008 the HR and Pension Committee adjusted the annual base salary of Mr. Dutton to \$270,000 commensurate with his new job responsibilities as Senior Vice-President, Operations and Chief Operating Officer of the Corporation (he previously held the position of General Manager, East Papers of

Fraser Papers Limited). In addition, the annual base salary of Mr. Nightingale was adjusted to \$200,000 commensurate with his new job responsibilities as Vice President, Marketing of Fraser Papers Limited (he previously held the position of Director, Marketing and Business Development). The Committee maintained the 2008 base salaries at the existing levels for all other Named Executive Officers due to corporate performance and challenging industry conditions.

Annual Incentive Plan

In 2005, the Board approved the establishment of the Annual Incentive Plan ("AIP"). The AIP provides an annual incentive opportunity to all salaried employees. The AIP is a cash-based, pay-for-performance plan designed to motivate eligible employees to improve the performance of the Corporation through the successful achievement of their corporate and individual objectives. Amounts paid under the AIP are based on a combination of the achievement of measurable strategic business and individual objectives. AIP awards are determined annually.

Corporate performance is based on key performance indicators established at the beginning of the fiscal year. Individual performance is based on the achievement of a participant's individual goals and objectives as agreed with management or, in the case of the Named Executive Officers, the HR and Pension Committee.

In February of 2008, the HR and Pension Committee determined that the 2008 incentive awards for the Named Executive Officers would be based on three factors:

- one-third on corporate performance based on the achievement of EBITDA (earnings before interest, taxes, depreciation and amortization). The Corporation's goal for 2008 was \$2 million in EBITDA;
- one-third on individual performance measured against established objectives; and
- for the Chief Executive Officer, one-third at the discretion of the HR and Pension Committee; for all other executive officers, one-third based on the recommendations of the Chief Executive Officer.

Target awards, expressed as a percentage of base salary, have been established for all salaried positions. Target awards reflect competitive practices in the market for similar positions. Targets for executive officers range from 40% to 60% of base pay. The target award is paid when corporate and individual results are achieved at target performance levels. The maximum bonus opportunity for exceptional business and personal performance is 200% of the target award. The Chief Executive Officer's AIP target is above that of the other executive officers because he has significantly greater responsibilities for the management and strategic direction of the Corporation. In addition, the Chief Executive Officer's total compensation is biased towards variable pay as his base salary is below the median for the Competitor Group.

The AIP target awards, as a percentage of base salary, are as follows:

Named Executive Officer	Target Bonus	Maximum Bonus Opportunity
Peter Gordon	60%	120%
Glen McMillan	40%	80%
Jeffrey Dutton	50%	100%
William Manzer	40%	80%
Matthew Nightingale	40%	80%
Brian McAlary	40%	80%

Eligible executives may elect to receive their AIP award in the form of Deferred Share Units under the Corporation's Deferred Share Unit Plan (see "Long-Term Incentives – Deferred Share Unit Plan"), thereby enabling them to increase their ownership interest in the Corporation and further align management's interests with those of the Corporation's shareholders.

Long Term Incentives

The HR and Pension Committee believes it is important that the interests of senior management be aligned with the interests of shareholders. The Corporation's Long-Term Incentive Plans are intended to reward management based on increases in the value of the Corporation's Common Shares. The purpose of these arrangements is to achieve an alignment of interest between shareholders and management and to motivate executives to improve the Corporation's financial success, measured in terms of enhanced shareholder value over the long term.

The Corporation's Long-Term Incentive Plans consist of a Stock Option Plan and a Deferred Share Unit Plan:

Stock Option Plan

The Corporation's Stock Option Plan (the "SOP"), adopted in 2004, was amended by the Board on February 5, 2008 and received shareholder approval on May 1, 2008. The SOP is administered by the HR and Pension Committee in accordance with the Corporation's compensation policies and the policies of the Toronto Stock Exchange ("TSX").

The purpose of the SOP is to advance the interests of the Corporation in the following ways:

- increasing the interests of executives in the success of the Corporation through increased leverage to increases in the value of the Corporation's shares;
- providing an additional incentive in lieu of cash remuneration and encouraging retention of executives as a result of the vesting provisions; and
- attracting new executives by remaining competitive in terms of total compensation arrangements.

The Chief Executive Officer and a limited number of executive officers are eligible to receive stock options ("Options"). To determine the size of grants, the HR and Pension Committee takes into consideration the other components of total compensation as well as competitive market practices among Canadian forest industry firms and a wider grouping of industrial companies (see "Competitor Group"). The strike price of the Option is the market price on the date of grant and is determined by the closing price per share of a board lot of Fraser Papers' Common Shares traded on the TSX on the date of the grant, provided that, if such date is during a trading blackout period, the closing price will be as of the first trading day immediately following the expiration of the blackout period. The maximum Common Shares issuable under the SOP are not to exceed 5,000,000. All Option grants are approved by the Board on the recommendation of the HR and Pension Committee. Stock Option awards encourage long-term stock ownership and align management's interests with those of the Corporation's shareholders through the following features:

- Options are issued "at the money" such that the strike price of the Option is equal to the market value of the Corporation's Common Shares at the time of issuance, to assure the executives will receive a benefit only when the stock prices increases;
- Options are subject to vesting requirements. Under the current terms of the SOP, outstanding Options may be exercised for up to 10 years, subject to vesting at the annual rate of 20% per year beginning on the first anniversary of the date of grant. Unless otherwise determined by the HR and Pension Committee, an Option will expire immediately in the event of resignation or termination of employment for cause, and within six months after the death of an optionholder;
- Any gains realized by a Named Executive Officer upon exercise of an Option (net of taxes) must be held in the form of Fraser Papers Common Shares for a minimum of one year; and
- Repricing of Options is not permitted under the SOP.

On February 5, 2008, Options to purchase a total of 1,295,000 shares were granted to eight executives at the market price of C\$3.10 per share. On March 3, 2008, Options to purchase a total of 150,000 shares were granted to two executives at the market price of C\$2.22 per share. No Options were granted at the February 5, 2009 meeting of the Board.

Deferred Share Unit Plan

A Deferred Share Unit Plan (“DSUP”) for executive officers has been in place since 2004. The DSUP is designed to focus the executive officer on the long-term interests of the Corporation and growth in shareholder value. Executives may elect to receive all or a portion of their AIP bonus or other incentive payments, to which they may be entitled, in the form of deferred share units (“DSUs”). DSUs are intended to build stock ownership and enhance the retention and commitment of participants to increasing long-term shareholder value by providing executive officers with an opportunity to invest their personal wealth in the Corporation to allow them to benefit from increases in the price of the Corporation’s shares. Executives must make an irrevocable election to take part in the DSUP prior to the beginning of each fiscal year.

The DSUP is administered by the HR and Pension Committee. One DSU is equal in value to one Common Share of the Corporation. The number of DSUs issued is determined based on the closing price of the Common Shares on the award date, provided that if such date is during a trading blackout period, the closing price will be as of the first trading day immediately following the expiration of the blackout period. The vesting period for the DSUs is determined by the Board, however DSUs generally vest over three years. The three-year vesting period provides a means of both retaining and motivating executives. Remaining unvested DSUs will vest as of February 6, 2010.

DSUs can only be redeemed for cash after cessation of employment with the Corporation. Participants are eligible to redeem all vested DSUs and 50% of any unvested DSUs at that time. In the event of death, the DSUs become fully vested. For Canadian participants, the value of the DSUs on redemption is based on the closing price of the Common Shares of the Corporation, on the earlier of the date the notice of redemption is received, or on the first anniversary of the termination of employment. For U.S. participants, the value of the DSUs on redemption is paid based on the closing price of the Common Shares of the Corporation, on the third business day following the next release of the Corporation’s quarterly financial results after termination of employment (with some exceptions as outlined in Section 416(i) of the United States Internal Revenue Code of 1986).

Retirement and Other Benefits

Retirement Benefits

Executive officers who are residents of Canada are eligible to participate in the Fraser Papers Inc. Defined Contribution Pension Plan (the “Fraser DC Plan”) Under the Fraser DC Plan, the Corporation contributes an amount equal to 3% of employee earnings plus 50% of employee contributions up to a maximum combined corporate contribution of 7% of employee earnings. Pension benefits that exceed the Canada Revenue Agency allowable limits are paid from a Supplementary Employee Retirement Plan (the “SERP”). To limit the Corporation’s retirement benefit liability to employees under the Fraser DC Plan, the maximum pensionable earnings has been set at C\$225,000.

Executive officers who are residents of the United States are eligible to participate in the Fraser Papers Limited 401(k) Retirement Savings Plan (the “Fraser 401(k) Plan”). Under the Fraser 401(k) Plan, a subsidiary of the Corporation makes contribution payments to the plan based on employee contributions. Eligible employee contributions are based on pensionable earnings up to a maximum of \$225,000. All contributions are subject to the United States Internal Revenue Service allowable limits. Certain executive officers who are resident in the United States and were employed by the Corporation prior to October 2004, are eligible to participate in the Fraser Papers Limited Pension Equity Plan (the “PEP”) and the Fraser Papers Limited Supplemental Executive Retirement Plan (“SERP”). To limit the Corporation’s retirement benefit liability to employees, the maximum pensionable earnings has been set at \$225,000. The PEP and the SERP are non-contributory, defined benefit pension plans for employees under which normal retirement is at age 65. Under the PEP and the SERP, pension credits are earned each year based on the participant’s age and years of service. The retirement benefit payable at retirement is equal to the participant’s total pension credits multiplied by final average earnings. Participants may elect to receive the PEP and SERP benefit as a lump sum when they leave the Corporation (subject to certain limitations) or as a monthly annuity. Joint and survivor elections may be made under the PEP and the SERP. Pension benefits that exceed the Internal Revenue Code allowable limits are paid from the SERP, subject to maximum pensionable earnings of \$225,000, and are paid from the general funds of the Corporation.

Other Benefits

All salaried employees, including executive officers, are eligible to participate in various other benefits including health and dental coverage, life insurance, disability insurance, paid time off and paid holidays. These benefits are designed to be competitive with market practices.

INCENTIVE AND EQUITY- BASED COMPENSATION – EMPLOYMENT POLICIES AND GUIDELINES

The Corporation has established a number of policies and guidelines in order the reinforce the importance of equity ownership over the longer term.

Share Ownership Guidelines

The Board adopted share ownership guidelines to foster long-term share holdings by the Corporation's executives. These guidelines create a strong link between shareholders' and management's interests. The Board requires each Named Executive Officer to invest at least an amount equal to his annual salary except for Mr. Gordon, who is required to invest an amount equal to two times his annual salary in Common Shares or Deferred Share Units of the Corporation. Named Executive Officers have up to five years to invest the minimum required. Stock Options issued under the SOP (whether vested or unvested) are not considered for the purpose of determining share ownership.

At March 10, 2009, five of the six Named Executive Officers had reached their minimum requirement.

The following table sets forth for each Named Executive Officer the total number of Common Shares of the Corporation owned or controlled as at March 10, 2009, as well as the number of Deferred Share Units held by each executive officer at that date:

	Common Shares Held (#)	Deferred Share Units Held (#)		Total (#)
		Vested	Unvested	
Peter Gordon	—	123,683	61,842	185,525
Glen McMillan	3,747	39,339	2,756	45,842
Jeffrey Dutton	—	3,133	1,567	4,700
William Manzer	—	26,944	4,935	31,879
Matthew Nightingale	—	1,306	652	1,958
Brian McAlary	—	16,299	3,845	20,144

Share Ownership – Disclosure

All executive officers are prohibited from trading in the securities of the Corporation or entering into transactions through participation in the SOP unless such transactions are executed and disclosed in full compliance with the Corporation's disclosure policy (the "Disclosure Policy") and all relevant securities regulations and laws. An executive who violates the Disclosure Policy may face disciplinary action including possible termination of employment with the Corporation. The violation of the Disclosure Policy may also violate certain securities laws. If the Corporation discovers that an executive has violated any securities laws, the matter may be referred to the appropriate regulatory authorities, which could lead to penalties and fines.

REPORT ON 2008 EXECUTIVE COMPENSATION

The Report on 2008 Executive Compensation (the "Report") was presented to the HR and Pension Committee at its meeting on February 5, 2009. The Report provided a summary of compensation arrangements for all executives, including the Named Executive Officers. The report summarized the total 2008 compensation including proposed annual incentive and SOP awards as well as proposed 2009 base salaries. The report also presented a summary of vested and unvested DSUs and Options previously granted.

The HR and Pension Committee reviewed the individual performance of Mr. Gordon and took into account Mr. Gordon's perspective of the individual performance of the other executive officers in determining incentive awards. The HR and Pension Committee determined that the EBITDA performance for 2008 was not met but agreed that the proposed annual incentive awards reflecting individual performance were appropriate.

The report also contained an analysis of equity ownership by executive officers including shares held directly and indirectly as well as through the DSUP, along with a summary of the tenure of each executive officer. The Report also contained a summary of option awards under the SOP to executives officers recommended by the Chief Executive Officer. The HR and Pension Committee has determined that these arrangements were reasonable and appropriately rewarded executives.

The HR and Pension Committee reviewed the terms and conditions of the Corporation's Long-Term Incentive Plans as well as any proposed amendments thereto and considered the appropriateness and effectiveness of the plans in the context of current compensation practices, regulatory changes and the Corporation's objectives.

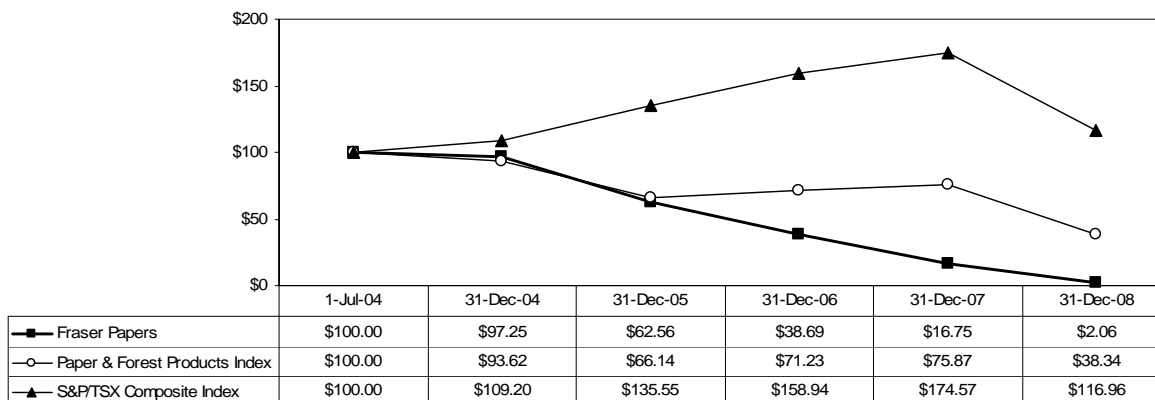
The HR and Pension Committee reported its conclusions to the Board on February 5, 2009. The HR and Pension Committee reported that the compensation arrangements for Named Executive Officers are consistent with the objectives of the Corporation's compensation program as outlined under the Compensation Philosophy. The following practices support this conclusion:

- Providing compensation that is dependent on individual and Corporation performance;
- The significant level of investment in DSUs which are not redeemable until retirement, death or termination of employment; and
- The length of tenure of management with the Corporation.

PERFORMANCE GRAPH

The following graph assumes that C\$100 was invested on July 1, 2004 in the Common Shares of the Corporation, the TSX Paper and Forest Products Index and the S&P/TSX Composite Index respectively. The computations assume that all dividends are reinvested.

Cumulative Total Return on C\$100 Investment July 1, 2004 – December 31, 2008



The compensation paid to Named Executive Officers from 2004 to 2008 shows a negative trend. Named Executive Officers were not awarded annual incentives in respect of 2007. Substantially all annual incentives earned by Named Executive Officers in respect of 2004, 2005 and 2006 were taken in the form of DSUs. Executive officers participated alongside our shareholders in the disappointing performance of our stock price due to their significant investments in DSUs and receipts of SOP awards, as part of each Named Executive Officer's compensation. All SOP awards granted since 2004 are "out of the money".

SUMMARY COMPENSATION TABLE

The following table sets forth all compensation paid or payable from Fraser Papers or its subsidiaries in respect of each of the Named Executive Officers for services rendered during the financial year ended December 31, 2008.

	Year	Variable Incentive Plan Awards					All Other Compensation ⁽⁵⁾	Total Compensation
		Salary ⁽¹⁾	Cash Bonus Award ⁽²⁾	Option Awards in 2008 ⁽³⁾	Pension Value ⁽⁴⁾			
Peter Gordon ⁽⁶⁾ Chief Executive Officer	2008	C\$325,000	C\$162,500	C\$637,500	C\$15,750	C\$3,126	C\$1,143,876	
Glen McMillan ⁽⁷⁾ Senior Vice President and Chief Financial Officer	2008	C\$225,000	C\$67,500	C\$285,000	C\$15,750	C\$1,729	C\$594,979	
Jeffrey Dutton ⁽⁸⁾ President and Chief Operating Officer	2008	\$255,750	\$135,000	\$255,814	\$12,653	\$35,134	\$694,351	
William Manzer ⁽⁹⁾ Senior Vice President, Business Strategy and Projects	2008	\$270,000	\$67,500	\$285,257	\$50,918	\$2,527	\$676,202	
Matthew Nightingale ⁽¹⁰⁾ Vice President, Marketing	2008	\$197,000	\$50,000	\$52,839	\$14,390	\$960	\$315,189	
Brian McAlary ⁽¹¹⁾ Former Vice President, Sales	2008	\$214,904	—	\$285,257	(\$74,014)	\$10,781	\$436,928	

- (1) The salary for each Named Executive Officer reflects the dollar amount of base salary paid in financial year 2008, including salary increases.
- (2) Amounts represent the value of the annual incentive awards earned in 2008 and paid in the first quarter of 2009, based on the criteria under the Corporation's Annual Incentive Plan, as described in "Compensation Discussion and Analysis".
- (3) Options are granted at fair market value. A Black-Scholes Option Pricing Model was used to estimate fair value of the Stock Option awards on the date of the grant assuming: (i) an expected volatility of 38%; (ii) an exercise price equal to the closing price of the Common Shares on the grant date; and (iii) an expected Option term of seven and a half years, representing the period of time that the Options are expected to be outstanding. Amounts for Messrs. Dutton, Manzer, Nightingale and McAlary have been converted from Canadian to U.S. dollars using the noon exchange rate on the Option grant date. An exchange rate of \$1.0009 was used for Option awards granted February 8, 2008 and a rate of \$0.9877 for the Option awards granted May 5, 2008.
- (4) Includes all compensation relating to defined benefit and defined contribution pension plans.
- (5) No amounts are shown in this column for the value of perquisites and benefits as they did not exceed the lesser of \$50,000 and 10% of the total annual salary and bonus for any of the Named Executive Officers. The amounts shown in this column represent the insurance premiums for executive life insurance payable by the Corporation. The amount shown for Mr. McAlary also includes vacation pay and the dollar value of imputed interest benefits relating to a housing loan. The amount shown for Mr. Dutton also includes relocation amounts reimbursed.
- (6) Mr. Gordon joined Fraser Papers in January 2006 as Senior Vice President and Chief Financial Officer and on October 27, 2006 he was appointed President. On April 25, 2007 Mr. Gordon was appointed President and Chief Executive Officer. Mr. Gordon currently holds the position of Chief Executive Officer, effective as of February 5, 2009.
- (7) Mr. McMillan was appointed Chief Financial Officer of Fraser Papers on April 25, 2007. Prior thereto he held the position of Senior Vice President and Chief Administrative Officer since April 21, 2004.
- (8) Mr. Dutton was appointed President and Chief Operating Officer of Fraser Papers on February 5, 2009 and prior thereto he held the position of Senior Vice President, Operations and Chief Operating Officer since March 3, 2008. Prior thereto he held the position of General Manager, East Papers of Fraser Papers Limited since June 5, 2006.
- (9) Mr. Manzer was appointed Senior Vice President, Business Strategy and Projects of Fraser Papers on March 3, 2008. Prior thereto he held the position of Senior Vice President, Pulp and Paper Operations of Fraser Papers from February 7, 2006 and was Vice President, Operations of Fraser Papers Limited prior thereto.
- (10) Mr. Nightingale was appointed Vice President, Marketing on March 3, 2008. Prior thereto he held the position of Director, Marketing and Business Development of Fraser Papers Limited since August 2006.
- (11) Mr. McAlary held the position of Vice President, Sales of Fraser Papers and resigned from the Corporation effective December 12, 2008.

INCENTIVE PLAN AWARDS

The following table sets forth individual grants of outstanding Stock Options and Deferred Share Units at the financial year ended December 31, 2008 to the Named Executive Officers.

Outstanding Deferred Share Units and Stock Options as at the Financial Year Ended December 31, 2008

Name	Option-based Awards			Value of unexercised in-the-money Options (C\$)	Deferred Share Units	
	Securities Under Options Unexercised ⁽¹⁾	Option Exercise Price (C\$/Share)	Option Expiration Date		Number of DSUs that have not vested	Market value of DSUs that have not vested (C\$)
Peter Gordon	60,000	\$8.04	February 20, 2016	—	70,245	\$23,181
	375,000	\$5.99	February 15, 2017	—		
	425,000	\$3.10	February 8, 2018	—		
Glen McMillan	20,000	\$16.45	September 8, 2014	—	8,262	\$2,726
	35,000	\$8.04	February 20, 2016	—		
	90,000	\$5.99	February 15, 2017	—		
	190,000	\$3.10	February 8, 2018	—		
Jeffrey Dutton	50,000	\$5.99	February 15, 2017	—	3,134	\$1,034
	100,000	\$3.10	February 8, 2018	—		
	100,000	\$2.22	May 5, 2018	—		
William Manzer	20,000	\$16.45	September 8, 2014	—	12,620	\$4,165
	60,000	\$8.04	February 20, 2016	—		
	90,000	\$5.99	February 15, 2017	—		
	190,000	\$3.10	February 8, 2018	—		
Matthew Nightingale	50,000	\$5.99	February 15, 2017	—	1,305	\$431
	50,000	\$2.22	May 5, 2018	—		
Brian McAlary ⁽²⁾	—	—	n/a	n/a	7,691	\$2,538

(1) All Options were granted under the SOP and entitle each Named Executive Officer to purchase Common Shares of the Corporation.

(2) Mr. McAlary ceased participating in the SOP effective December 12, 2008 and all outstanding Options were cancelled due to his resignation from the Corporation. Mr. McAlary is eligible to redeem all vested DSUs and 50% of unvested DSUs in accordance with the DSUP as described on page 13.

The following table sets forth details of the value vested or earned of Stock Options and Deferred Share Units during the financial year ended December 31, 2008 by the Named Executive Officers and the financial year-end value on an aggregate basis.

Incentive Plan Awards – Value Vested or Earned During the Financial Year Ended December 31, 2008

Name	Stock Options Value Vested During the Year ⁽¹⁾ (C\$)	Deferred Share Units Value Vested During the Year ⁽²⁾ (C\$)	Non-Equity Incentive Plan Compensation Value Earned During the Year
Peter Gordon	—	\$128,316	C\$162,500
Glen McMillan	—	\$16,462	C\$67,500
Jeffrey Dutton	—	\$4,794	\$135,000
William Manzer	—	\$23,130	\$67,500
Matthew Nightingale	—	\$1,998	\$50,000
Brian McAlary	—	\$13,677	—

(1) Represents the aggregate dollar value of Options if they were exercised on the vesting date during the year.

(2) Represents the aggregate dollar value of DSUs upon vesting during the year, valued at the closing price of the Corporation's Common Shares on the TSX on the vesting date. DSUs can only be redeemed for cash after cessation of employment with the Corporation.

PENSION PLAN BENEFITS

Effective January 3, 2006 Mr. Gordon became a participant in the Fraser DC Plan. Effective January 1, 2005 Mr. McMillan became a participant in the Fraser DC Plan.

Messrs. Dutton and Nightingale participate in the Fraser 401(k) Plan. The Corporation provides a basic allocation of 3% of pensionable earnings up to a maximum of \$225,000. The Corporation also makes a matching contribution of 50% of employee retirement plan contributions up to 8% of eligible pensionable earnings, subject to the United States Internal Revenue Service allowable limits.

Mr. Manzer is a participant in the Fraser 401(k) Plan and Mr. McAlary participated in the Fraser 401(k) Plan until his resignation effective December 12, 2008. The Corporation makes a matching contribution of 60% of employee retirement plan contributions up to 6% of eligible pensionable earnings to a maximum of \$225,000 and subject to the United States Internal Revenue Service allowable limits.

Messrs. Manzer and McAlary also participated in the PEP and the SERP.

Defined Contribution Plan Table

Name	Accumulated Value at January 1, 2008	Compensatory ⁽¹⁾	Non-Compensatory ⁽²⁾	Accumulated Value at December 31, 2008
Peter Gordon	C\$56,991	C\$15,750	(C\$8,890)	C\$63,852
Glen McMillan	C\$79,038	C\$15,750	C\$126,468 ⁽³⁾	C\$221,256
Jeffrey Dutton	\$50,504	\$12,653	\$870	\$64,027
William Manzer	\$261,282	\$6,918	(\$40,897)	\$227,303
Matthew Nightingale	\$33,503	\$14,390	(\$4,727)	\$43,166
Brian McAlary	\$604,127	\$6,805	(\$265,241)	\$345,691 ⁽⁴⁾

(1) The Corporation's contribution to the Named Executive Officers Fraser DC Plan account or the Fraser 401(k) Plan account during the year.

(2) Includes employee contributions and experience gains and losses in the Named Executive Officer's account during the year.

(3) In 2005, Mr. McMillan elected to transfer the conversion value of his pension earned under a pension plan from a previous employer into his account in the Fraser DC Plan. The transfer took place on March 31, 2008 in the amount of C\$158,149.

(4) Mr. McAlary ceased participating in the Fraser 401(k) Plan effective December 12, 2008 due to his resignation from the Corporation. Accumulated value is as at December 12, 2008.

The following table shows the service cost and accrued liability for 2008 as well as the estimated annual benefit payable at normal retirement date for each of the Named Executive Officers participating in the PEP and the SERP.

Defined Benefit Plan Table

Name	Number of Years of Credited Service	Annual Benefits Payable		Accrued Liability at January 1, 2008	Compensatory Change ⁽¹⁾	Non-Compensatory Change	Accrued Liability at December 31, 2008
		At December 31, 2008	At age 65				
William Manzer	8	\$58,000	\$117,000	\$333,000	\$44,000	—	\$377,000
Brian McAlary ⁽²⁾	21	\$49,715	n/a	\$261,000	(\$80,819)	—	\$180,181

(1) The change of the accrued obligation during the year arising from service, earnings and actuarial assumptions.

(2) Mr. McAlary ceased participating in the PEP and the SERP effective December 12, 2008 due to his resignation from the Corporation. Years of credited service, annual benefits payable and accrued liability as at December 12, 2008.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Fraser Papers does not have any employment, severance or change of control agreements with any of its executive officers.

The following table provides a summary of the treatment, unless otherwise determined by the HR and Pension Committee, under each Long-Term Incentive plan for different changes in employment status.

Long Term Incentive Treatment on Change in Employment Status

<i>LTI Plan</i>	<i>Retirement</i>	<i>Death</i>	<i>Resignation/ Termination</i>	<i>Change of Control</i>
Stock Options	Vested and unvested Options continue for the term of the Option.	6 months to exercise vested Options or Options that become vested during that period.	Vested and unvested Options are forfeited.	The Board of Directors may in its discretion, determine the manner in which all unexercised Options granted under the SOP will be treated, including accelerating the vesting of Options.
Deferred Share Units	Vested DSUs and 50% of unvested DSUs to be redeemed with timing of payment at participant's election.	Unvested DSUs vest immediately and all DSUs to be redeemed with timing of payment determined at beneficiary's election.	Vested DSUs and 50% of unvested DSUs to be redeemed with timing of payment at participant's election.	The Board of Directors may make reasonable and appropriate adjustments with respect to DSUs to preserve the intended benefits of the participants in order to adjust for the effect of a change of control.

DIRECTOR COMPENSATION

Director Compensation Table

The following table sets forth all compensation provided to the directors during the financial year ended December 31, 2008.

<i>Name</i>	<i>Board Annual Retainer (C\$)</i>	<i>Committee Chair Annual Retainer (C\$)</i>	<i>Special Committee Fees⁽¹⁾ (C\$)</i>	<i>Total Fees Earned (C\$)</i>	<i>% Taken in DSUs</i>	<i>Total (C\$)</i>
Rorke B. Bryan	\$55,000	—	\$19,000	\$74,000	26%	\$74,000
Jack L. Cockwell ⁽²⁾	\$55,000	\$5,000	—	\$60,000	N/A	\$60,000
Paul E. Gagné	\$55,000	\$15,000	\$19,000	\$89,000	100%	\$89,000
Dominic Gammiero ⁽³⁾	N/A	—	—	N/A	N/A	N/A
Peter Gordon ⁽³⁾	N/A	—	—	N/A	N/A	N/A
Robert J. Harding ⁽²⁾	\$55,000	\$1,250	—	\$56,250	N/A	\$56,250
Aldéa Landry	\$55,000	\$5,000	\$19,000	\$79,000	81%	\$79,000
Margot Northey	\$55,000	\$5,000	\$19,000	\$79,000	100%	\$79,000
Samuel J.B. Pollock ⁽²⁾	\$55,000	—	—	\$55,000	N/A	\$55,000

(1) 100% of Special Committee Fees were taken in the form of DSUs.

(2) Messrs. Cockwell, Harding and Pollock, as representatives of Brookfield, received no compensation for their roles on the Board and its committees. An aggregate payment of C\$171,250 was made to Brookfield for their services.

(3) Messrs. Gammiero and Gordon, as members of senior management, received no compensation for their roles on the Board.

Compensation Arrangements

In February of 2008, the Corporate Governance and Nominating Committee benchmarked Fraser Papers' director compensation to determine whether the Corporation's director's fees were competitive. Director compensation was compared to a number of other Canadian manufacturing companies and considered in the context of certain factors, including the time commitments required from directors and alignment of directors' interests with those of shareholders. As a result of this review the committee determined that non-management directors should be entitled to receive an annual director's fee of C\$55,000. The Chair of the Audit Committee received an additional annual retainer of C\$15,000 in 2008 and the Chairs of all other Board committees each received an additional annual retainer of C\$5,000. There are no fees payable for meeting attendance or committee membership, with the exception of special committees, for which any additional fees are considered by the Board on a case by case basis. During 2008, members of the Katahdin Special Committee and the Acadian Special Committee each received a total of C\$19,000 for special committee work completed in 2006 and 2007.

Directors are reimbursed for travel and other out-of-pocket expenses incurred in attending Board or committee meetings. During 2008, four non-management directors received approximately C\$24,400 of reimbursement for such expenses.

Deferred Stock Unit Plan for Non-Management Directors

Independent directors of the Corporation (the “Non-Management Directors”) may elect to take a portion of their directors’ fees in the form of DSUs, which are credited at the fair market value of Fraser Papers’ Common Shares on the valuation date immediately following the date on which directors fees are payable. Following termination of Board service by a director, DSUs are redeemed for cash based on the fair market value of the Common Shares.

Share Ownership Guidelines

The Board believes that directors can better represent the Corporation’s shareholders if they are shareholders themselves. Accordingly, the Board requires all directors to invest at least three times their Annual Retainer (C\$165,000) in Common Shares or DSUs of the Corporation. This minimum investment, which can be directly or indirectly held, must be achieved within five years of joining the Board. Directors who have not met the minimum requirement are encouraged to take a portion of their annual compensation in the form of DSUs until the minimum investment is achieved. At March 10, 2009, eight of the nine existing directors had reached their minimum investment requirements.

PART FOUR – STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Corporate governance relates to the activities of the members of the Board who are elected by and are accountable to the shareholders, and takes into account the role of the Corporation’s senior executives, who are appointed by the Board and who are charged with the ongoing management of the Corporation. The Board encourages sound corporate governance practices designed to promote the well being and ongoing development of the Corporation, having always as its ultimate objective the best long-term interests of the Corporation and the enhancement of value for all shareholders. The Board also believes that sound corporate governance benefits other stakeholders of the Corporation, including lenders, employees and the communities in which Fraser Papers operates.

The Board is of the view that the Corporation’s corporate governance policies and practices, outlined below, are comprehensive and consistent with the corporate governance guidelines adopted by Canadian Securities Administrators (“CSA”). A full version of Fraser Papers’ Corporate Governance Practices is posted on the Corporation’s web site, www.fraserpapers.com under “Corporate Governance”.

BOARD OF DIRECTORS

Composition

The Board currently consists of nine directors, which is within the minimum and maximum number set out in the articles of the Corporation. Subject to the adoption of the special resolution to amend the Corporation’s articles, the number of directors on the Board will subsequently be reduced to five (see “Business of the Meeting – Number of Directors”).

The Board reviews the relationships between each of its directors and the Corporation annually and has determined that the proposed slate of directors fairly represents the share ownership interests in the Corporation and the requirements for director independence under Canadian securities legislation (see “Director Independence Standards”).

Director Independence Standards

To assist in the determination of independence, the Board has adopted director independence standards. A full version of the Corporation’s Director Independence Standards is posted on Fraser Papers’ web site, www.fraserpapers.com under “Corporate Governance”.

The Board considers that Messrs. Gammiero, Gordon and Pollock are non-independent directors and the remaining director nominees are independent of the Corporation. Mr. Pollock is considered non-independent as he is an executive officer of Brookfield, the Corporation’s principal shareholder. In addition to being the Corporation’s largest shareholder, Brookfield has a number of relationships with the Corporation. Transactions with Brookfield are approved by the independent directors. The Board considers that the relationships with Brookfield and its affiliates are not an interest or a business or other

relationship that could, or could reasonably be perceived to, materially interfere with Mr. Pollock's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding.

The remaining directors, Mr. Gagné and Ms. Landry have, in the view of the Board, no material relationships or interests that could interfere with their independence as directors. The Board considers that having two independent directors on the Board provides for appropriate consideration of minority shareholder interests in all Board activities.

Meetings of the Board

The Board meets at least once each quarter, with additional meetings held when appropriate. Special meetings are held as required to review specific strategic initiatives. Meeting frequency and agenda items may change depending on the opportunities or risks faced by the Corporation. The agendas for regularly scheduled Board meetings are set by the Chair in consultation with the Chief Executive Officer and Chief Financial Officer.

Terms of Reference

The Board oversees the management of the Corporation's affairs directly and through its committees. In doing so, the Board acts at all times with a view to the best interests of the Corporation and its shareholders. The responsibilities of the Board and its committees are set out in written terms of reference, which are reviewed and approved annually. These terms of reference are also posted on the Corporation's web site, fraserpapers.com under "Corporate Governance".

Pursuant to its terms of reference, the Board is, among other matters, responsible for the following:

- 1) overseeing the strategic planning process within the Corporation including, on an annual basis, reviewing, approving and monitoring the strategic plan for the Corporation and the fundamental financial and business strategies and objectives in the plan;
- 2) assessing, directly and through its committees, the major risks facing the Corporation and reviewing, approving and monitoring the manner of managing those risks;
- 3) overseeing the selection, evaluation and compensation of senior management and monitoring succession planning; and
- 4) effectively monitoring the integrity of the Corporation's internal controls and systems, primarily through the Audit Committee.

Subject to the adoption of the special resolution to amend the Corporation's articles, and the subsequent reduction of the number of directors on the Board to five, the Board will amend its terms of reference to include the oversight of additional matters that were previously the responsibility of its committees (see "Business of the Meeting – Number of Directors").

The Board has approved, and acts in accordance with, the Corporation's Code of Business Conduct (see "Code of Business Conduct").

Committees

Board committees assist in the effective functioning of the Board. All Board committees are comprised of a majority of independent directors, which ensures that the views of independent directors are effectively represented. The Board currently has four committees: the Audit Committee, the Corporate Governance and Nominating Committee, the Environment, Health and Safety Committee and the Human Resources and Pension Committee. Subject to the adoption of the special resolution to amend the Corporation's articles, and the subsequent reduction of the number of directors on the Board to five (see "Business of the Meeting – Number of Directors"), the Board will reduce its number of committees to two: the Audit Committee and the Compensation and Nominating Committee; the full Board will assume the responsibility of overseeing corporate governance, environment, health and safety and pension matters. In addition, special committees may be formed from time to time as required to review particular matters or transactions. All Board members have an open invitation to attend any committee meeting.

It is the policy of the Board that all Board meetings and committee meetings include a session without the presence of management and non-independent directors. In the case of the Audit Committee, each meeting includes a session with only the external auditors and the committee members.

The terms of reference for all existing committees and the Board are available on the Corporation's web site at www.fraserpapers.com under "Corporate Governance".

A brief description of the responsibilities of the current Board committees follows.

Audit Committee

The Audit Committee assists the Board in meeting its fiduciary responsibilities relating to corporate accounting and reporting practices. Its duties include overseeing internal controls, overseeing the external audit of the Corporation's financial statements, and approving quarterly and annual financial filings. Each meeting of the Audit Committee includes a session with only the external auditors and the committee members. Fraser Papers reviews the terms of reference of the Audit Committee on a regular basis and updates such terms of reference as legislation governing audit committees changes and best practices are established.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is responsible for the development and monitoring of the Corporation's corporate governance practices. Its duties include the identification and recommendation of potential nominees or appointees to the Board, and the assessment of the effectiveness of the Board, its size and composition, its structure and the individual performance and compensation of its directors. The Corporate Governance and Nominating Committee also has responsibility for the review of the Corporation's Disclosure Policy and its Code of Business Conduct.

Environment, Health and Safety Committee

The Environment, Health and Safety Committee assists the Board in carrying out its responsibilities with respect to environmental, health and safety issues. The Environment, Health and Safety Committee reviews compliance with the Corporation's environmental, health and safety policies, and assesses the effectiveness of the Corporation's environmental management processes and health and safety programs including the review of internal audits of these processes and programs.

Human Resources and Pension Committee

The Human Resources and Pension Committee reviews the Corporation's compensation and benefits policy and monitors its implementation. It reviews management succession plans and considers appointments of officers of the Corporation. The committee annually assesses the performance of the CEO against agreed targets and recommends the CEO's compensation to the Board. For all other officers, the Committee approves the compensation levels. Together with the CEO, the Committee reviews the performance of senior officers of the Corporation and makes compensation recommendations to the Board.

The Human Resources and Pension Committee also is responsible for overseeing the funding, investment management and administration of the Corporation's employee retirement plans, as managed by the Corporation's Pension Management Committee (consisting of senior finance and human resources executives). The committee approves the appointment of Pension Management Committee members; reviews and approves the appointment of outside firms engaged to support the investment and funding activities of the plans; reviews and approves funding objectives, assumptions and strategies in respect of the Corporation's defined benefit plans; and annually assesses the overall performance and regulatory compliance of the Corporation's retirement plans.

Recruitment of Directors

It is the responsibility of the existing Corporate Governance and Nominating Committee to oversee the recruitment of directors. In general, candidates for director should have an understanding of the workings of large business organizations and senior executive level experience. Of particular importance are candidates' character, integrity, judgement, independence, analytical skills and experience relevant to the Corporation's business and strategic challenges. Candidates are proposed by the Chair of the Board and other members of the Board from time to time. If necessary, the Corporate Governance and Nominating Committee retains search firms for the recruitment of directors. The Chair of the Board and the CEO meet

with candidates initially and provide a summary of their qualifications to the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee then reviews and assesses the qualifications of proposed candidates and submits the names of persons to be nominated to the Board.

Director Orientation and Continuing Education

The Corporate Governance and Nominating Committee has established an orientation and continuing education program for directors to ensure they are equipped to fulfill their roles. New directors are provided with comprehensive information about the Corporation prior to their appointment that includes annual reports, management information circulars and strategic and operating plans.

Informative updates by appropriate senior management and consultants on the Corporation's business, operations and products are regularly scheduled for presentation to directors to help them understand the Corporation's business environment, strategies and operations. In addition, all directors have the opportunity to meet and participate in work sessions with management to obtain further insight into the operations and business of the Corporation. Directors also receive and review materials on industry trends and regulatory updates from management and other sources on a regular basis.

Periodically, directors are invited to visit the operations of the Corporation at various locations to tour the facilities and to meet with employees and local dignitaries.

Directors are free to consult with members of management, whenever they so require, and to engage outside advisors with the Chair's authorization. Directors may participate in outside professional development programs approved by the Chair at the expense of the Corporation.

Share Ownership Guidelines

The Board believes that directors can better represent the Corporation's shareholders if they are shareholders themselves. Accordingly, the Board requires all directors to invest at least three times their Annual Retainer (C\$165,000) in Fraser Papers Common Shares or DSUs (see "Director Compensation").

Position Descriptions

The positions of Chair of the Board and Chief Executive Officer are separate, and are held by Mr. Gammiero and Mr. Gordon respectively. The Board has adopted written descriptions for all Board positions, including the Chairs of each Board committee. These descriptions are available on the Corporation's web site at www.fraserpapers.com under "Corporate Governance".

Evaluation Systems

The Board is evaluated annually to ensure it is functioning effectively and in the best interests of the Corporation. The evaluation includes a detailed questionnaire completed by each director and one-on-one interviews with the Chair. The Chair reviews the results of the evaluation with the Corporate Governance and Nominating Committee and the Board. These evaluations assess the Board in four specific areas:

- 1) overall Board governance;
- 2) supervising and evaluating management;
- 3) strategy and company performance; and
- 4) Board effectiveness.

In addition, each committee of the Board evaluates its performance annually. These evaluations focus on each committee's successes in meeting its terms of reference as well as its overall effectiveness as a committee.

The performance of individual Board members is also reviewed by the other members of the Board. This review is conducted by the Chair and presented to the Corporate Governance and Nominating Committee for its consideration.

As part of the Board, committee and individual director evaluation processes, all opportunities to improve are implemented as identified.

Change in Circumstances

The terms of reference of the Board provide that directors must offer to resign if a relevant change in their personal circumstances has occurred that could impact their ability to effectively fulfill their role as a member of the Board, or if they have not attended at least 75% of the regularly scheduled Board and relevant committee meetings in the most recent 12 month period (see “Directors' Attendance Report for Meetings Held in 2008”). The Board will evaluate the circumstances at the time, including the impact of the change on the composition of the Board, and will accept or reject the resignation.

MANAGEMENT

The primary responsibility of management is to create value for shareholders based on an approved business strategy and action plan. The Board is responsible for ensuring that the performance of management is appropriate and for bringing about any management change that will enable Fraser Papers to perform satisfactorily. Fraser Papers' corporate governance practices are intended to encourage autonomy and effective decision-making by management while ensuring an appropriate level of oversight by the Board and its committees.

Management's Relationship to the Board

The Corporation's senior management reports to and is accountable to the Board. Two senior executives of the Corporation, Mr. Gammiero and Mr. Gordon, are also directors. At its meetings, the Board regularly engages in a private session with Mr. Gammiero without other members of management present. The Board also meets independently of all management at every meeting.

The information provided by the Corporation's management to the Board is critical to the Board's effectiveness. In addition to reports presented to the Board and its committees at regular meetings, the Board is also informed on a timely basis by management of corporate developments and key decisions taken by management in pursuing Fraser Papers' strategic plan and objectives. The Board periodically assesses the quality, completeness and timeliness of information provided by management to the Board.

Management Accountability

The Board believes in the importance of developing strategic plans to ensure the compatibility of shareholder, Board and management views on the Corporation's strategic direction and performance targets, and the effective utilization of shareholder capital. Each year, the Board reviews the strategic initiatives and annual strategic plan submitted by senior management. The Board's approval of the annual strategic plan provides a mandate for senior management to conduct the affairs of the Corporation within the terms of the plan, knowing it has the support of the Board. Material deviations from the plan are reported to and considered by the Board.

Share Ownership Guidelines

The Board adopted share ownership guidelines to foster long-term share holdings by the Corporation's executives. These guidelines create a strong link between shareholders' and management's interests (see “Incentive and Equity- Based Compensation Employment Policies and Guidelines”).

DISCLOSURE POLICY

The Corporation has adopted a Disclosure Policy that summarizes its policies and practices regarding disclosure of material information to investors, analysts and the media. The purpose of this policy is to ensure that the Corporation's communications with the investment community are timely, consistent and in compliance with all applicable securities legislation. The Disclosure Policy is reviewed annually by the Board and is posted on the Corporation's web site at www.fraserpapers.com under “Corporate Governance”.

The Corporation endeavours to keep its shareholders informed of its progress through a comprehensive annual report, quarterly interim reports and periodic press releases. It also maintains a web site that provides summary information on the Corporation and ready access to its published reports, press releases, statutory filings and supplementary information provided to analysts and investors. Directors and management meet with the Corporation's shareholders at the Annual Meeting. Senior management

is available to answer questions either by telephone or via e-mail at the following address: investorrelations@toronto.fraserpapers.com.

Shareholders who wish to contact the Chair or other Board members can do so directly or through the Assistant Corporate Secretary of Fraser Papers.

The Corporation maintains an investor relations program to respond to inquiries in a timely manner. Management meets with investment analysts and financial advisors as requested to ensure that accurate information is available to investors. The Corporation also endeavours to ensure that the media are kept informed of developments as they occur, and have an opportunity to meet and discuss these developments with the Corporation's designated spokespersons.

CODE OF BUSINESS CONDUCT

The Board has adopted a written code of business conduct (the "Code") prescribing the minimum moral and ethical standards of conduct required of all directors, officers and employees of the Corporation and its subsidiaries. A copy of the Code can be found on the Corporation's website at www.fraserpapers.com under "Corporate Governance".

The Corporation provides, on an annual basis, a copy of the Code to all directors, officers and employees. All directors, officers and salaried employees are required to sign an acknowledgment that they have received, read and understand the contents of the Code and agree to adhere to its principles.

The existing Corporate Governance and Nominating Committee is charged with reviewing the Code on an annual basis and recommending proposed changes to the Board for approval.

All employees are required to disclose in writing to their supervisors, all activities, investments or businesses that might create an actual or potential conflict of interest with their duties for the Corporation. Directors are to consult with the Chair of the Board with respect to potential conflicts and abstain from voting when such conflicting matter is before the Board for approval.

All violations of law or of the Code must be reported. The Corporation has implemented a Whistle Blower Policy, allowing directors, officers, employees, customers and suppliers to report, in confidence, a violation of law or of the Code through an independent third-party ethics reporting system, ClearView Connects™ ("Clearview"). Contact information can be found on the Corporation's website at www.fraserpapers.com or at www.clearviewconnects.com (see "Whistle Blower Policy").

WHISTLE BLOWER POLICY

The Corporation's Whistle Blower Policy was established by the Audit Committee to facilitate the reporting of concerns and complaints ("Reports") relating to breaches of the Code, accounting practices, internal accounting controls or auditing matters directly to senior management or to the Chair of the Audit Committee (the "Audit Chair") confidentially and, if desired, anonymously. The receipt by senior management or the Audit Chair will allow them to handle these Reports in a confidential and timely manner. Reports are received through Clearview, an independent, third party ethics reporting system. Contact information can be found on the Corporation's website at www.fraserpapers.com or at www.clearviewconnects.com.

The Board has charged the Audit Chair with the responsibility of overseeing reports regarding accounting matters and delivering such reports to the Audit Committee. Accounting matters include fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Corporation, fraud or deliberate error in the recording and maintaining of financial records of the Corporation, deficiencies in or non-compliance with the Corporation's internal controls, misrepresentation or false statement to or by a senior officer or employee regarding a matter contained in the financial records, financial reports or audit reports of the Corporation, or deviation from full and fair reporting of the Corporation's financial condition.

PART FIVE – OTHER INFORMATION

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS DURING THE FINANCIAL YEAR ENDED DECEMBER 31, 2008

<i>Plan Category</i>	<i>Number of Securities to be issued upon exercise of outstanding Options, warrants and rights</i>	<i>Weighted-average exercise price of outstanding Options, warrants and rights</i>	<i>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</i>
	(a)	(b)	(c)
Fraser Papers Stock Option Plan	2,715,000	\$5.66	2,285,000
Total	2,715,000	\$5.66	2,285,000

INDEBTEDNESS OF DIRECTORS, EXECUTIVES AND SENIOR OFFICERS

As of the date of this Circular, there was no outstanding indebtedness (other than “routine indebtedness” under applicable Canadian securities and corporate laws) to the Corporation or its subsidiaries by all officers, directors, employees or former officers, directors or employees of the Corporation, or any associates of any such persons, made in connection with the purchase of securities of the Corporation or any of its subsidiaries.

AUDIT COMMITTEE

Additional information on the Audit Committee of the Board, including the committee’s terms of reference, can be found in the Corporation’s Annual Information Form under the heading “Audit Committee Information”, which is posted on the Corporation’s web site, www.fraserpapers.com, and is also filed on SEDAR at www.sedar.com. A copy of this report can also be obtained from the Assistant Corporate Secretary of Fraser Papers as set out below under “Availability of Disclosure Documents”.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

In January of 2009, Fraser Papers announced the sale of approximately 10,500 tons of finished goods paper inventory to Brookfield for proceeds of approximately \$11.7 million. In addition, the Corporation has agreed to supply paper to Brookfield through July 31, 2009, at market prices less a merchant’s discount of 3.5%.

The Corporation completed a C\$59.9 million issuance of Common Shares by way of a rights offering to shareholders in January of 2008 (the “Offering”). All shareholders were given the right to purchase Common Shares in proportion to their existing ownership interest in Fraser Papers at a price of C\$2.90 per share. In connection with the Offering, the Corporation entered into a Standby Purchase Agreement with Brookfield, in which Brookfield agreed to exercise all of its rights and purchase any Common Shares not otherwise subscribed for by other shareholders. As a result, Brookfield paid CAD\$54.6 million to acquire 18,813,241 shares, increasing their ownership interest to 70.5% of Fraser Papers.

During 2008, Fraser Papers agreed to pay guarantee fees to Brookfield in connection with guarantees to the Corporation’s lenders in support of its credit facilities. The fees are equal to an annualized rate of approximately 2.0% of the maximum amount of the guarantees of \$50.0 million or \$1.0 million per year. As security for the guarantees, the Corporation has provided Brookfield with a fixed charge on certain of its property, plant and equipment.

The Corporation has also entered into a fibre supply agreement and Crown lands services agreement with Acadian Timber Income Fund (“Acadian”). Brookfield holds a significant interest in Acadian and provides asset management services to Acadian. The fibre supply agreement has a term of 20 years, with an option to extend the agreement for a further five years. During 2008, Fraser Papers purchased \$26.0 million of fibre from Acadian and paid \$1.0 million to Acadian as a fee for administering the Corporation’s Crown Licenses.

Fraser Papers has invested \$10.0 million in convertible term preferred units of Katahdin Paper Company LLC, an indirectly wholly-owned subsidiary of Brookfield. The units earn a preferential cumulative distribution of 5% per annum and are convertible into common equity units of Katahdin.

During 2008, the Corporation sold \$1.7 million of goods and services to Katahdin. In addition, a wholly-owned subsidiary of the Fraser Papers (the "lessee") has leased certain productive equipment owned by Katahdin. The amount of the lease payments are determined with reference to the profits generated by those assets such that all of the profits earned by the lessee on those assets, net of a management fee, are remitted to the lessor as a lease payment. During 2008, the lessee earned \$7.5 million after all lease payments to the lessor.

The Corporation purchases goods and services from Brookfield and its affiliates. During 2008, Fraser Papers purchased approximately \$4.8 million of electricity from Brookfield and its affiliated companies.

Brookfield has provided Fraser Papers with a facility with a notional amount of \$350.0 million to enter into forward foreign exchange contracts as part of the Corporation's hedging activities. At December 31, 2008, the Company had entered into forward foreign exchange contracts of \$141.3 million under this facility.

SHAREHOLDER PROPOSALS FOR NEXT YEAR'S ANNUAL MEETING

The *Canada Business Corporations Act* permits certain eligible shareholders of the Corporation to submit shareholder proposals to the Corporation, which proposals may be included in a management information circular relating to an annual meeting of shareholders. Any shareholder proposal for the Corporation's annual meeting of shareholders to be held in 2010 must be delivered to the Assistant Corporate Secretary at Suite 200, P.O. Box 762, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3, no later than December 10, 2009 (being 90 days prior to the anniversary date of the Notice).

AVAILABILITY OF DISCLOSURE DOCUMENTS

Financial information relating to Fraser Papers is provided in the Corporation's comparative financial statements and management's discussion and analysis of financial condition and results of operations for the financial year ended December 31, 2008.

The Corporation will provide any person or company, upon request to the Assistant Corporate Secretary of Fraser Papers, with a copy of this Circular and: (i) the most recent Annual Information Form of the Corporation, together with a copy of any document, or pertinent pages of any document, incorporated therein by reference; (ii) the comparative financial statements of the Corporation for the fiscal year ended December 31, 2008, together with the report of the auditors thereon; (iii) the most recent annual report of the Corporation, which includes management's discussion and analysis of financial condition and results of operations; and (iv) the interim financial statements of the Corporation for the periods subsequent to the end of its fiscal year. This information, along with other information relating to the Corporation, is also available on SEDAR at www.sedar.com.

DIRECTORS' APPROVAL

The contents and sending of the Circular have been approved by the directors of the Corporation.



MARINA MUELLER
Assistant Corporate Secretary

Toronto, Canada
March 10, 2009

SCHEDULE A

SPECIAL RESOLUTION AUTHORIZING AN AMENDMENT TO THE ARTICLES OF INCORPORATION OF FRASER PAPERS INC.

RESOLVED as a special resolution that:

1. the amendment of the articles of incorporation of Fraser Papers Inc. to change the minimum number of directors to three and the maximum number of directors to seven is approved and authorized;
2. each officer of Fraser Papers Inc. is authorized, for an on behalf of Fraser Papers Inc., to execute and deliver such documents and to take such other actions as the officer determines to be necessary or desirable to give effect to this resolution, such determination to be conclusively evidenced by the execution and delivery of any such document or the taking of any such action.

SCHEDULE B

BOARD OF DIRECTORS – TERMS OF REFERENCE

1. ROLE OF THE BOARD

The role of the board of directors (the “Board”) is to supervise the business and affairs of the Corporation, which are conducted by its officers and employees under the direction of the chief executive officer (“CEO”), to enhance the long-term value of the Corporation for its shareholders. The Board is elected by the shareholders to oversee management to ensure that the best interests of the shareholders are advanced by enhancing shareholder value in a manner that recognizes the concerns of other stakeholders in the Corporation including its employees, suppliers, customers and the communities in which it operates.

2. AUTHORITY AND RESPONSIBILITIES

The Board meets regularly to review reports by management on the performance of the Corporation. In addition to the general supervision of management, the Board performs the following functions:

- (a) **Strategic Planning** – overseeing the strategic planning process within the Corporation including, on an annual basis, reviewing, approving and monitoring the strategic plan for the Corporation and the fundamental financial and business strategies and objectives in the plan;;
- (b) **Risk Assessment** – assessing the major risks facing the Corporation and reviewing, approving and monitoring the manner of managing those risks;
- (c) **CEO** – developing a position description for the CEO including the corporate objectives that the CEO is responsible for meeting and selecting, evaluating and compensating the CEO;
- (d) **Senior Management** – overseeing the selection, evaluation and compensation of senior management and monitoring succession planning;
- (e) **Disclosure and Communications** – ensuring appropriate policies and procedures within the Corporation for communications by and to the Corporation including its disclosure policy and an appropriate system for receiving feedback from stakeholders is in place including the investor relations program;
- (f) **Maintaining Integrity** – satisfying itself as to the maintenance of a culture of integrity throughout the Corporation including its internal controls and procedures for financial reporting and compliance with its Code of Business Conduct; and
- (g) **Corporate Governance** – ensuring an appropriate system of corporate governance principles and guidelines is in place.

In addition to those matters that must, by law, be approved by the Board, specific Board approval must be obtained for:

- (i) any disposition or expenditure in excess of C\$3,000,000 and any cost overrun on any project in excess of 10% or C\$2,000,000, whichever is less;
- (ii) any loan agreement or guarantee for an amount in excess of C\$10,000,000;
- (iii) any other material agreement or arrangement that is not in the ordinary course of business of the Corporation; and
- (iv) changes in senior management at the Corporation.

3. COMPOSITION AND PROCEDURES

- (a) **Size of Board and Selection Process** – The directors of the Corporation are elected each year by the shareholders at the annual meeting of shareholders. The Corporate Governance and Nominating Committee proposes to the full Board the nominees for election to the Board and the Board proposes a slate of nominees to the shareholders for election. Any shareholder may propose a nominee for election to the Board either by means of a shareholder proposal upon compliance with the requirements prescribed by the *Canada Business Corporations Act* or at the annual meeting. The Board also determines the number of directors on the Board, subject to a minimum of six and a maximum of 15. Between annual meetings, the Board may appoint directors to serve until the next annual meeting.

- (b) **Qualifications** – Directors should have the highest personal and professional ethics and values and be committed to advancing the best interests of the shareholders of the Corporation. They should possess skills and competencies in areas that are relevant to the Corporation’s activities. A majority of the directors will be “independent” under applicable securities laws.
- (c) **Change in Circumstances** – Directors must offer to resign if there has been any change in their personal circumstances that may affect their ability to effectively fulfill their role as a member of the Board.
- (d) **Director Orientation and Continuing Education** – The Corporate Governance and Nominating Committee reviews the Corporation’s Director Orientation and Continuing Education Program (the “Program”) and makes recommendations to the Chief Financial Officer, who is responsible for overseeing the Program. The Program is designed to ensure that directors are equipped to fulfill their roles.
- (e) **Meetings** – The Board has at least four scheduled meetings a year. The Board is responsible for its agenda. Prior to each Board meeting, the CEO will discuss agenda items for the meeting with the Chair of the Board. Materials for each meeting are distributed to the directors in advance and the directors are expected to review them prior to the meeting.

The independent directors have at least four scheduled meetings a year without management present. If the Chair of the Board is not an independent director, the directors will appoint a “lead director” to chair these meetings.

Any director who has not attended at least 75% of the regularly scheduled Board and committee meetings in a 12 month period must offer to resign.

- (f) **Committees** – The Board has established the following standing committees to assist the Board in discharging its responsibilities – Audit, Corporate Governance and Nominating, Human Resources and Pension, and Environment Health and Safety. Special committees are established from time to time to assist the Board in connection with specific matters. The chair of each committee reports to the Board following meetings of the committee. The terms of reference of each standing committee are reviewed annually by the Board.
- (g) **Evaluation** – The Corporate Governance and Nominating Committee performs an annual evaluation of the effectiveness of the Board as a whole and the contributions of individual directors. The committee also reviews the effectiveness of the committees of the Board annually and performs a formal bi-annual evaluation of all Board committees.
- (h) **Compensation** – The Corporate Governance and Nominating Committee recommends to the Board the compensation and benefits for non-management directors. In reviewing the adequacy and form of compensation and benefits, the committee seeks to ensure that the compensation and benefits reflect the responsibilities and risks involved in being a director of the Corporation and align the interests of the directors with the interests of the shareholders.
- (i) **Access to Independent Advisors** – The Board and any committee may at any time retain outside financial, legal or other advisors at the expense of the Corporation. Any director may, subject to the approval of the Chair of the Board, retain an outside advisor at the expense of the Corporation.

