CONSOLIDATED BALANCE SHEETS

(Unaudited and in millions of Canadian dollars)	September 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	**$ 6.5**	$ 8.3
Accounts receivable (note 6)	**189.2**	185.1
Inventories (note 7)	**258.7**	256.2
Prepaids and other (note 8)	**11.9**	5.5
Assets held for sale	**0.7**	1.5
	467.0	456.6
Property, plant and equipment (note 9)	**241.9**	456.9
Other assets (note 10)	**2.9**	2.0
	$ 711.8	$ 915.5
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	**$ 243.8**	$ 244.5
Current portion of long-term debt (note 12)	**165.1**	3.2
	408.9	247.7
Long-term debt (note 12)	**344.0**	491.0
Employee future benefits (note 13)	**252.9**	267.1
Other long-term obligations (note 14)	**23.7**	26.4
	1,029.5	1,032.2
Equity (Deficiency)		
Shareholders' equity (deficiency)		
Common stock: no par value; unlimited shares authorized; issued and outstanding: 14,527,571 shares (December 31, 2015 – 14,527,571 shares)	**144.9**	144.9
Preferred stock: par value determined at time of issue; authorized 100,000,000 shares; issued and outstanding: nil shares	**-**	-
Deficit	**(479.2)**	(284.5)
Accumulated other comprehensive income	**16.6**	22.9
	(317.7)	(116.7)
	$ 711.8	$ 915.5

Going concern (note 1)

Contingencies (note 19)

Subsequent events (notes 1 and 12)

The accompanying notes are an integral part of the unaudited interim consolidated financial statements.

On behalf of the Board:

Joe Nemeth
Director

Walter Jones
Director

CONSOLIDATED STATEMENTS OF LOSS

(Unaudited and in millions of Canadian dollars, except where otherwise stated)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Sales	**$ 502.7**	$ 542.6	**$ 1,473.9**	$ 1,480.3
Operating expenses				
Cost of sales, excluding depreciation and amortization	**458.3**	490.2	**1,387.5**	1,405.0
Depreciation and amortization	**13.7**	15.0	**41.4**	44.1
Selling, general and administrative	**12.5**	13.3	**42.7**	40.1
Restructuring	**-**	0.3	**-**	1.6
Impairment and other closure costs (note 5)	**186.4**	-	**186.4**	-
	670.9	518.8	**1,658.0**	1,490.8
Operating earnings (loss)	**(168.2)**	23.8	**(184.1)**	(10.5)
Interest expense, net	**(13.0)**	(13.5)	**(37.2)**	(37.1)
Foreign exchange gain (loss) on long-term debt	**(2.8)**	(24.0)	**19.2**	(46.1)
Other income (expense), net (note 15)	**(1.0)**	(0.8)	**7.4**	41.8
Loss before income taxes	**(185.0)**	(14.5)	**(194.7)**	(51.9)
Income tax recovery (note 16)	**-**	(1.6)	**-**	(28.8)
Net loss	**$ (185.0)**	$ (12.9)	**$ (194.7)**	$ (23.1)
Basic and diluted net loss per share (in dollars)	**(12.76)**	(0.89)	**(13.43)**	(1.59)
Weighted average number of company common shares outstanding (in millions)	**14.5**	14.5	**14.5**	14.5

The accompanying notes are an integral part of the unaudited interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited and in millions of Canadian dollars)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Net loss	**$ (185.0)**	$ (12.9)	**$ (194.7)**	$ (23.1)
Other comprehensive income (loss), net of tax (expense) recovery:				
Foreign currency translation adjustments				
Gross amount	**0.6**	4.3	**(6.3)**	6.2
Tax (expense) recovery	**-**	-	**-**	-
Net amount	**0.6**	4.3	**(6.3)**	6.2
Other comprehensive income (loss), net of tax	**0.6**	4.3	**(6.3)**	6.2
Comprehensive loss	**$ (184.4)**	$ (8.6)	**$ (201.0)**	$ (16.9)

The accompanying notes are an integral part of the unaudited interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF DEFICIENCY

(Unaudited and in millions of Canadian dollars, except share amounts)	**Common stock**				
Nine months ended September 30, 2016	**Number of shares**	**$**	**Deficit**	**Accumulated other comprehensive income (loss)**	**Total**
Balance as at December 31, 2015	**14,527,571**	**$ 144.9**	**$ (284.5)**	**$ 22.9**	**$ (116.7)**
Net loss	**–**	**–**	**(194.7)**	**–**	**(194.7)**
Other comprehensive loss, net of tax	**–**	**–**	**–**	**(6.3)**	**(6.3)**
Balance as at September 30, 2016	**14,527,571**	**$ 144.9**	**$ (479.2)**	**$ 16.6**	**$ (317.7)**

(Unaudited and in millions of Canadian dollars, except share amounts)	Common stock				
Nine months ended September 30, 2015	Number of shares	$	Deficit	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2014	14,527,571	$ 144.9	$ (235.1)	$ (5.4)	$ (95.6)
Net loss	–	–	(23.1)	–	(23.1)
Other comprehensive income, net of tax	–	–	–	6.2	6.2
Balance as at September 30, 2015	14,527,571	$ 144.9	$ (258.2)	$ 0.8	$ (112.5)

The accompanying notes are an integral part of the unaudited interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited and in millions of Canadian dollars)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Cash flows provided (used) by:				
Operations				
Net loss	**$ (185.0)**	$ (12.9)	**$ (194.7)**	$ (23.1)
Items not requiring (providing) cash				
Depreciation and amortization	**13.7**	15.0	**41.4**	44.1
Impairment and other closure costs (note 5)	**186.4**	-	**186.4**	-
Deferred income taxes	**-**	(2.0)	**-**	(29.0)
Foreign exchange (gain) loss on long-term debt	**2.8**	24.0	**(19.2)**	46.1
Employee future benefits, expense under cash contributions	**(7.3)**	(0.1)	**(13.4)**	(1.4)
(Gain) loss on sale of property, plant and equipment	**0.2**	(2.6)	**0.5**	(2.6)
Increase (decrease) in other long-term obligations	**(0.1)**	-	**(1.9)**	2.0
Bargain purchase gain (note 15)	**-**	(1.7)	**-**	(43.9)
Net settlement gain (note 15)	**-**	-	**(5.5)**	-
Other	**0.1**	0.3	**2.8**	0.9
Changes in non-cash working capital				
Accounts receivable	**(24.4)**	(42.0)	**(7.1)**	(33.3)
Inventories	**-**	5.4	**(2.4)**	(16.7)
Prepaids and other	**(0.7)**	(3.0)	**(6.5)**	(5.7)
Accounts payable and accrued liabilities	**2.5**	6.7	**5.8**	36.6
Cash flows used by operating activities	**(11.8)**	(12.9)	**(13.8)**	(26.0)
Investing				
Additions to property, plant and equipment	**(3.1)**	(2.9)	**(18.5)**	(24.4)
Proceeds from sale of property, plant and equipment	**-**	5.0	**-**	5.0
Proceeds from sale of non-core assets	**-**	-	**0.8**	-
(Increase) decrease in other assets	**-**	0.1	**(0.9)**	0.6
Purchase of U.S. paper mills (note 4)	-	-	-	(73.9)
Cash flows provided (used) by investing activities	**(3.1)**	2.2	**(18.6)**	(92.7)
Financing				
Increase in revolving loan	**14.4**	7.7	**33.2**	92.3
Proceeds on issuance of senior secured notes	**-**	-	**-**	23.7
Repayment of secured term loan	**(0.5)**	(0.5)	**(1.5)**	(1.5)
Deferred financing costs	**-**	(0.1)	**(0.3)**	(1.4)
Decrease in other long-term debt	**(0.8)**	(0.1)	**(0.8)**	(0.3)
Cash flows provided by financing activities	**13.1**	7.0	**30.6**	112.8
Cash and cash equivalents, decrease in the period	**(1.8)**	(3.7)	**(1.8)**	(5.9)
Cash and cash equivalents, beginning of the period	**8.3**	8.7	**8.3**	10.9
Cash and cash equivalents, end of the period	**$ 6.5**	$ 5.0	**$ 6.5**	$ 5.0
Supplemental disclosures:				
Income taxes paid	$ -	$ -	**$ 0.1**	$ 0.5
Net interest paid	**11.7**	12.4	**33.6**	34.0

The accompanying notes are an integral part of the unaudited interim consolidated financial statements.

CONSOLIDATED BUSINESS SEGMENTS
(Unaudited and in millions of Canadian dollars)

Three months ended September 30, 2016	**Coated Papers**	**Uncoated Papers**	**Newsprint**	**Pulp**	**Corporate Adjustments and Other [1]**	**Total**
Sales to external customers	**$ 273.8**	**$ 88.9**	**$ 55.5**	**$ 72.1**	**$ 12.4**	**$ 502.7**
Inter-segment sales	**-**	**-**	**-**	**4.9**	**(4.9)**	**-**
Depreciation and amortization	**4.7**	**6.0**	**1.9**	**0.7**	**0.4**	**13.7**
Impairment and other closure costs (note 5)	**55.2**	**81.2**	**50.0**	**-**	**-**	**186.4**
Operating earnings (loss)	**(46.3)**	**(83.8)**	**(48.0)**	**12.1**	**(2.2)**	**(168.2)**
Total assets	**331.3**	**183.2**	**89.6**	**88.4**	**19.3**	**711.8**
Additions to property, plant and equipment	**0.9**	**0.9**	**0.3**	**0.9**	**0.1**	**3.1**

Three months ended September 30, 2015	Coated Papers	Uncoated Papers	Newsprint	Pulp	Corporate Adjustments and Other [1]	Total
Sales to external customers	$ 287.9	$ 95.2	$ 63.0	$ 70.7	$ 25.8	$ 542.6
Inter-segment sales	-	-	-	6.7	(6.7)	-
Depreciation and amortization	6.0	6.3	1.9	0.7	0.1	15.0
Restructuring	-	0.3	-	-	-	0.3
Operating earnings (loss)	9.1	-	(2.3)	17.9	(0.9)	23.8
Additions to property, plant and equipment	0.7	1.2	0.4	-	0.6	2.9

Nine months ended September 30, 2016	**Coated Papers**	**Uncoated Papers**	**Newsprint**	**Pulp**	**Corporate Adjustments and Other [1]**	**Total**
Sales to external customers	**$ 798.5**	**$ 267.5**	**$ 161.6**	**$ 194.2**	**$ 52.1**	**$ 1,473.9**
Inter-segment sales	**-**	**-**	**-**	**15.3**	**(15.3)**	**-**
Depreciation and amortization	**14.5**	**18.1**	**5.6**	**2.0**	**1.2**	**41.4**
Impairment and other closure costs (note 5)	**55.2**	**81.2**	**50.0**	**-**	**-**	**186.4**
Operating earnings (loss)	**(34.9)**	**(97.5)**	**(59.3)**	**17.6**	**(10.0)**	**(184.1)**
Total assets	**331.3**	**183.2**	**89.6**	**88.4**	**19.3**	**711.8**
Additions to property, plant and equipment	**4.0**	**3.1**	**3.8**	**7.3**	**0.3**	**18.5**

Nine months ended September 30, 2015	Coated Papers	Uncoated Papers	Newsprint	Pulp	Corporate Adjustments and Other [1]	Total
Sales to external customers	$ 760.6	$ 285.0	$ 179.9	$ 208.9	$ 45.9	$ 1,480.3
Inter-segment sales	-	-	-	18.8	(18.8)	-
Depreciation and amortization	17.3	18.8	5.3	2.1	0.6	44.1
Restructuring	-	1.6	-	-	-	1.6
Operating earnings (loss)	(27.0)	(8.0)	(8.3)	36.3	(3.5)	(10.5)
Additions to property, plant and equipment	13.6	1.5	5.1	2.1	2.1	24.4

[1] Other includes sales, costs and capital additions related to market pulp produced at the Rumford mill.

The accompanying notes are an integral part of the unaudited interim consolidated financial statements.

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1. BASIS OF PRESENTATION AND GOING CONCERN

The consolidated financial statements include the accounts of Catalyst Paper Corporation and, from their respective dates of acquisition of control or formation, its controlled subsidiaries and partnerships (collectively, the "company"). All inter-company transactions and amounts have been eliminated on consolidation.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (U.S. GAAP), on a basis consistent with those followed in the December 31, 2015 audited annual consolidated financial statements. These unaudited interim consolidated financial statements do not include all information and note disclosures required by U.S. GAAP for annual financial statements, and, therefore, should be read in conjunction with the December 31, 2015 audited consolidated financial statements and the notes thereto. In the opinion of the company, the unaudited interim consolidated financial statements contained herein contain all the information and note disclosures necessary to fairly present the results of the interim periods included. The results for the periods included herein may not be indicative of the results for the entire year.

Going Concern

The company is required to assess whether there are conditions and events, considered in aggregate, that raise substantial doubt as to its ability to continue as a going concern within one year after the date that the financial statements are issued. The ability of the company to continue as a going concern will be dependent on the renewal of long term debt and credit facilities as they become due. The current financial position of the company and continued uncertainty in market conditions for the next twelve months raises substantial doubt whether it will be able to settle the net obligation under the asset based loan facility (ABL Facility) and Term Loan that become due in July 2017, and the 11% PIK Toggle Senior Secured Notes (Senior Secured Notes) that become due in October 2017 and continue as a going concern. The company's ability to also attain profitability and positive cash flows from operations is dependent on a number of factors, the outcome of which cannot be predicted at this time.

In order to address its upcoming debt maturities and liquidity concerns through a recapitalization, the Company has entered into a support agreement with securityholders representing about 70% of the Company's outstanding common shares (Common Shares) and 87% its Notes, as further described below.

Alternative Recapitalization Plan

On October 31, 2016, the company announced that it has entered into a support agreement (Recapitalization Support Agreement) with securityholders representing about 70% of the company's outstanding Common Shares and 87% of its Senior Secured Notes in respect of an alternative recapitalization plan (Alternative Recapitalization).

Key components of the Alternative Recapitalization contemplated in the Recapitalization Support Agreement include:

- the conversion of the Senior Secured Notes, including accrued and unpaid interest until November 1, 2016, into (i) a term loan in the principal amount of US$135 million with a maturity 5 years from the issuance date, and 12% interest to be paid in kind during year one, with the possibility thereafter of partial payment-in-kind at the company's option, and (ii) common shares of the company representing 95% of the outstanding number thereof after giving effect to such conversion; and

- the conversion to equity of the interest that was scheduled to be paid on the Senior Secured Notes on November 1, 2016, and the deferral of any payment of interest accruing subsequent to November 1, 2016 on the Senior Secured Notes until the implementation of the Alternative Recapitalization at which time such accrued interest will be added to the principal amount of the term loan.

The completion of the Alternative Recapitalization is subject to certain conditions including the extension of the maturity of the existing credit facilities of Catalyst and the extension of waivers granted by the lenders under such credit facilities as a result of the recapitalization plan, and securityholder, regulatory, TSX and court approvals. There can be no assurance that these conditions will be satisfied, or that this or any other proposed transaction or plan will be approved or consummated, and if so on what additional or amended terms to those described herein. Discussions are ongoing to seek the support of the Alternative Recapitalization by additional securityholders representing approximately 10% of the outstanding Common Shares.

The implementation of the Alternative Recapitalization would not affect any of the company's contractual relationships with its trade vendors or any amounts owing to them. The company intends to continue to operate its business and satisfy its obligations to its service providers, suppliers, contractors and employees in the ordinary course of business as it pursues the Alternative Recapitalization.

The parties to the Recapitalization Support Agreement have also agreed to cooperate in structuring and negotiating an additional component of the Alternative Recapitalization under which Common Shares not held by the securityholder parties thereto would be exchanged for cash consideration, subject to certain conditions, including so as to permit the company to cease to be a reporting issuer under applicable securities laws. The completion of any such additional component would not be a condition to the implementation of the Alternative Recapitalization. There can be no assurance that such a transaction will be proposed and if so at what price.

On October 31, 2016, the company filed a petition with the Supreme Court of British Columbia seeking the issuance of various orders in order to facilitate the implementation of a recapitalization transaction, including the deferral of the November 1, 2016 interest payment on the Senior Secured Notes (note 12), and to preserve the status quo for the duration of the recapitalization process, all through a plan of arrangement providing for the Alternative Recapitalization Plan in accordance with the *Canada Business Corporations Act*. On October 31, 2016, the company also obtained waivers from its lenders in respect of defaults that would have occurred as a result the filing of such petition and related proceedings, and as a result of the deferral of the payment of interest that was due on November 1, 2016 to holders of Senior Secured Notes. The waivers are in force until November 30, 2016, unless further extended by the lenders as part of negotiations related to the extension of the maturity of the credit facilities in connection with the alternative recapitalization process.

KGI Transaction

The company is still in discussions with Kejriwal Group International ("KGI") with respect to a potential acquisition of Catalyst by KGI on the terms set forth below. However, the company and KGI did not enter into definitive documentation in connection with the KGI acquisition proposal by the outside date contemplated in the support agreement entered into by KGI and the principal securityholders of the company. As a result, that support agreement may be terminated, although no such action has yet been taken, and discussions are continuing regarding the KGI acquisition proposal.

Pursuant to the support agreement entered into between the Principal Securityholders and KGI (Support Agreement), the Principal Securityholders have committed to support and vote in favour of the KGI Transaction, which would be implemented by way of a plan of arrangement under the *Canada Business Corporations Act*, the terms of which would include:

- Common shares held by minority shareholders would be acquired by KGI;
- Common shares held by the Principal Securityholders would be exchanged for interests in a new junior convertible term loan;
- Existing Senior Secured Notes would be exchanged for interests in a new 5-year US$260.5 million term loan;
- Existing credit facilities, including the company's ABL Facility, would have their maturities extended, or be refinanced; and
- Trade and other obligations would remain unaffected.

The Support Agreement provided that definitive documentation in connection with the KGI Transaction had to be entered by October 25, 2016. As the company and KGI did not enter into a definitive agreement by such outside date, the Support Agreement may be terminated, although no such action has yet been taken, and discussions are continuing regarding the KGI Transaction.

The company is still open to reaching agreement with a purchaser such as KGI who can contribute funds to enhance the continuing operations of the company, or to restructure its capital in order to be able to move forward with its business with enhanced liquidity. If an agreement is reached with KGI in respect of the acquisition of Catalyst by KGI, the company may submit it concurrently with the alternative recapitalization plan to its securityholders. However, there can be no assurance that any agreement to implement the KGI Transaction will be entered into between KGI and the company and on what terms, that any of the material conditions to the KGI Transaction will be satisfied, or that this or any other transaction will be approved or consummated.

2. SEGMENTED INFORMATION

The company is the largest producer of mechanical printing papers in western North America. Our operating segments are:

Coated papers	–	Manufacture and sale of coated free sheet, coated groundwood and one-sided specialty coated paper
Uncoated papers	–	Manufacture and sale of uncoated mechanical and directory printing papers
Newsprint	–	Manufacture and sale of newsprint
Pulp	–	Manufacture and sale of long-fibre Northern Bleached Softwood Kraft (NBSK)

The company owns and operates five manufacturing facilities, three in the province of British Columbia (B.C.), Canada, one in Rumford, Maine, U.S. and one in Biron, Wisconsin, U.S. The primary market for the company's paper products is North America. The primary markets for the company's pulp products are Asia and Australasia.

3. SIGNIFICANT ACCOUNTING POLICIES

Recently implemented accounting changes

In April 2015, FASB updated standard No. 2015-03 Interest – Imputation of Interest (Subtopic 835-30) to simplify the presentation of debt issuance costs. The company has adopted the new standard in its financial statements for the annual period beginning on January 1, 2016. As a result the company has netted $2.2 million as at September 30, 2016 in deferred financing costs, which was previously disclosed in other assets, against long-term debt (December 31, 2015 - $3.6 million).

In February 2015, FASB updated standard No. 2015-02 – Consolidation (Topic 810) which affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. The company has adopted the new standard in its financial statements for the annual period beginning on January 1, 2016. There was no material impact to the company's financials as a result of this adoption.

On January 7, 2015, the company's foreign subsidiary acquired the assets of the Biron and Rumford paper mills in Wisconsin and Maine, respectively. As a result, the company has a foreign subsidiary that is considered to be a distinct and separable operation that is integrated within its foreign jurisdiction, and accordingly, uses the U.S. dollar as its functional currency. Foreign exchange gains and losses arising from the translation of the foreign subsidiary's accounts into Canadian dollars (CDN$) are reported as a component of other comprehensive income (loss).

Changes in future accounting standards

In May 2014, FASB issued a new standard on revenue recognition ASC Topic 606 Revenue from Contracts with Customers. The company intends to adopt the new standard in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

In February 2016, FASB issued ASU 2016-02 Leases which, among other things, requires lessees to recognize most leases on-balance sheet. The company intends to adopt the new standard in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

In March 2016, FASB issued ASU 2016-09 Improvements to Employee Share-Based Payment Accounting, which is intended to improve the accounting for share-based payment transactions as part of the FASB's simplification initiative. The company intends to adopt the new standard in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

In June 2016, FASB issued ASU 2016-13 Financial Instruments – Credit Losses. The company intends to adopt the new standard in its financial statements for the annual period beginning on January 1, 2020.

There were no other new pronouncements issued by the FASB that may materially impact the company's consolidated financial statements for future periods.

4. PURCHASE OF U.S. PAPER MILLS

On January 7, 2015, the company acquired, through a wholly owned subsidiary, the Biron paper mill located in Wisconsin, U.S. and the Rumford pulp and paper mill located in Maine, U.S. for consideration of $73.9 million (US$62.4 million). The acquisition was financed through advances under the company's ABL Facility, which was amended to increase the maximum amount of credit available thereunder from $175.0 million to $225.0 million. The company also completed a US$25.0 million offering of its PIK Toggle Senior Notes ("Offered Notes") thereby increasing the principal amount of its outstanding 2017 Notes to US$260.5 million. The Offered Notes were issued at a 20% discount to face value with the company receiving gross proceeds of US$20.0 million.

In 2016, we reached a negotiated settlement with Verso Corporation related to all outstanding issues from the acquisition of the U.S. paper mills on January 7, 2015, and all amounts outstanding from and to Verso Corporation pursuant to their bankruptcy proceeding, and recognized a net settlement gain of $5.5 million.

We account for this business combination using the acquisition method and the results of the Biron and Rumford mills have been included in the consolidated earnings of the company since its date of acquisition on January 7, 2015.

The final allocation to the assets acquired and liabilities assumed on the basis of their respective fair values as at January 7, 2015 is as follows:

	January 7, 2015
Assets acquired:	
Accounts receivable	$ 56.1
Inventories	80.8
Prepaids and other	0.9
Property, plant and equipment	91.7
Long-term assets	0.2
	229.7
Liabilities assumed:	
Accounts payable and accruals	$ 65.6
Long-term environmental remedial obligations	4.6
Long-term employee future benefits	10.0
Other long-term liabilities	5.0
Deferred income tax liability	26.7
	111.9
Fair value of acquired net assets	$ 117.8
Consideration paid	$ 73.9

The excess of the fair value assigned to the net assets acquired over the purchase price was recognized in other income as a gain of $43.9 million. The company realized a gain on the asset purchase as it was a forced agreement. Verso Corporation sold the Biron and Rumford mills to comply with an antitrust settlement with the U.S. Department of Justice whereby the pending merger of Verso Corporation and NewPage was made conditional on the sale of the U.S. paper mills.

5. MEASUREMENT UNCERTAINTY – IMPAIRMENT OF LONG-LIVED ASSETS

The company reviews its long-lived assets, primarily plant and equipment, for impairment when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. The company tests for impairment using a two-step methodology as follows:

(i) determine whether the projected undiscounted future cash flows from their use exceed the net carrying amount of the assets as of the assessment date; and

(ii) if assets are determined to be impaired in step (i), then such impaired assets are written down to their fair value, determined principally by using discounted future cash flows expected from their use and eventual disposition.

The company conducts its impairment test at the asset group level. Asset groups of the company, defined as operating segments or one reporting level lower, are its five paper mills and one pulp mill.

Estimates of future cash flows and fair value require judgments, assumptions and estimates that may change over time. Due to the variables associated with judgments and assumptions used in these tests, the precision and accuracy of estimates of impairment charges are subject to significant uncertainties and may change significantly as additional information becomes known. The carrying value of long-lived assets represented approximately 34.0% of total assets as at September 30, 2016. If future developments were to differ adversely from management's best estimate of key assumptions and associated cash flows, the company could potentially experience future material impairment charges.

The following table provides the components of the impairment and other closure costs:

	Three months ended September 30,		Nine months ended September 30,	
(Unaudited and in millions of Canadian dollars)	**2016**	2015	**2016**	2015
Property, plant and equipment				
Powell River	**$ 70.7**	$ -	**$ 70.7**	$ -
Port Alberni	**65.7**	-	**65.7**	-
Crofton paper	**50.0**	-	**50.0**	-
	$ 186.4	$ -	**$ 186.4**	$ -

We recognized an impairment write-down of $186.4 million on the property, plant and equipment of the Powell River, Port Alberni and Crofton paper mills as of September 30, 2016. Continued declines in current and forecasted pulp and paper prices that may negatively impact future operating costs and profitability accelerated in 2016 due to extremely competitive North American market conditions for paper, increased paper imports into North America supported by the strong US dollar and rapid depreciation of the Euro, and anticipated capacity increases from late 2016 through 2017 for pulp that are expected to adversely impact operating rates and prices. These deteriorating commercial factors, individually and in aggregate, were identified as potential impairment indicators for long-lived assets as at September 30, 2016.

The company conducted step (i) of the impairment test to determine whether the carrying value of its long-lived assets were recoverable. The net carrying amount of assets did not exceed the projected undiscounted future cash flows for certain asset groups. The company conducted step (ii) of the impairment test and wrote the property, plant and equipment of the Powell River, Port Aberni and Crofton paper asset groups down to their respective fair values. The impairment write-down was pushed down to the buildings and equipment of the respective asset groups on a pro rata basis based on the net book values of buildings and equipment prior to recognition of the impairment. The impairment write-down was not allocated to the book value of land as the value was determined to exceed its carrying amount.

Estimates of future cash flows used to test the recoverability and determine the fair value of long-lived assets included key assumptions related to foreign exchange rates, forecast product prices, market supply and demand, estimated useful life of the long-lived assets, production levels, production costs, inflation, and capital spending. The assumptions were derived from information generated internally and external published reports and forecasts. Product sales prices and foreign exchange assumptions for the fourth quarter of 2016 to 2020 were based on management's best estimates incorporating independent market information as well as analysis of historical data, trends and cycles. Product sales prices and foreign exchange assumptions for the 2021 trend year were based on independent, published market forecasts. Fair value was determined using a discounted cash flow model and Level 3 inputs. See note 17, *Fair value measurement,* for detailed disclosure of the company's fair value hierarchy. A discount rate of 10.5% was used, reflecting current market assessments of the time value of money and the risks particular to the company's assets.

6. ACCOUNTS RECEIVABLE

The components of accounts receivable were as follows:

	September 30, 2016	December 31, 2015
Trade receivables	**$ 184.8**	$ 170.9
Less: allowance for doubtful accounts	**(4.6)**	(4.5)
	180.2	166.4
Sales taxes receivable	**2.5**	5.6
Other receivables	**6.5**	13.1
	$ 189.2	$ 185.1

Accounts receivable are pledged as collateral against the long-term debt of the company. See note 12, *Long-term debt*, for detailed disclosure of the collateral arrangements of the company.

7. INVENTORIES

The components of inventories were as follows:

	September 30, 2016	December 31, 2015
Finished goods		
Coated paper	**$ 44.9**	$ 53.9
Uncoated paper	**25.4**	19.2
Newsprint	**16.9**	12.4
Pulp	**2.5**	10.6
Total finished goods	**89.7**	96.1
Work-in-progress	**1.7**	2.3
Raw materials – wood chips, pulp logs and other	**56.7**	48.5
Operating and maintenance supplies and spare parts	**110.6**	109.3
	$ 258.7	$ 256.2

At September 30, 2016, the company had applied write-downs of $1.8 million to finished goods inventory (December 31, 2015 – $1.1 million) and $0.5 million to raw materials inventory (December 31, 2015 – $0.6 million).

Inventories are pledged as collateral against the long-term debt of the company. See note 12, *Long-term debt*, for detailed disclosure of the collateral arrangements of the company.

8. PREPAIDS AND OTHER

The components of prepaids and other were as follows:

	September 30, 2016	December 31, 2015
Property taxes, insurance and licenses	**$ 5.8**	$ 2.6
Derivative assets	**0.3**	-
Other	**5.8**	2.9
	$ 11.9	$ 5.5

Prepaids and other are pledged as collateral against the long-term debt of the company. See note 12, *Long-term debt*, for detailed disclosure of the collateral arrangements of the company.

9. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment were as follows:

	September 30, 2016	December 31, 2015
Cost	$ 674.6	$ 663.1
Accumulated depreciation, amortization and impairment (note 5)	432.7	206.2
Net book value	$ 241.9	$ 456.9

Property, plant and equipment are pledged as collateral against the long-term debt of the company. See note 12, *Long-term debt*, for detailed disclosure of the collateral arrangements of the company.

We adjusted the estimated remaining economic life of certain assets as of December 31, 2015, based on a review of the physical condition and expected future operational and commercial lives of our major classes of assets. The estimated impact on annual depreciation from the adjustment is a $6.0 million reduction.

The company recognized an impairment write-down of $186.4 million on the property, plant and equipment of the Powell River, Port Alberni and Crofton paper mills as of September 30, 2016. See note 5, *Measurement uncertainty – impairment of long-lived assets.*

10. OTHER ASSETS

The components of other assets were as follows:

	September 30, 2016	December 31, 2015
Deferred charges and other	$ 2.5	$ 1.6
Accrued benefit asset – pension plan (note 13)	0.4	0.4
	$ 2.9	$ 2.0

Other assets are pledged as collateral against the long-term debt of the company. See note 12, *Long-term debt*, for detailed disclosure of the collateral arrangements of the company.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The components of accounts payable and accrued liabilities were as follows:

	September 30, 2016	December 31, 2015
Trade payables	$ 158.4	$ 156.2
Accrued payroll and related liabilities	39.9	43.5
Accrued interest	16.3	7.1
Accrued benefit obligation – pension plan (note 13)	8.3	8.3
Accrued benefit obligation – other employee future benefit plans (note 13)	6.4	6.4
Property taxes	0.9	0.9
Payables related to capital projects	1.6	1.6
Derivative liabilities	-	4.5
Other	12.0	16.0
	$ 243.8	$ 244.5

12. LONG-TERM DEBT

The components of long-term debt were as follows:

	September 30, 2016	December 31, 2015
Term loan, due on July 31, 2017	$ 14.8	$ 16.0
Senior secured notes, 11.0% due on October 30, 2017 (US$260.5 million; December 31, 2015 – US$260.5 million)	338.6	355.6
	353.4	371.6
Revolving asset based loan facility of up to $250.0 million (December 31, 2015 - $225.0 million) due on July 31, 2017	149.1	115.1
Capital lease obligations	6.6	7.5
Total debt	509.1	494.2
Less: current portion	(165.1)	(3.2)
Total long-term debt	$ 344.0	$ 491.0

2016

Significant changes to long-term debt in 2016

During the quarter, the company reclassified the liabilities under its revolving asset based loan facility and term loan to current liabilities as these liabilities mature within twelve months of September 30, 2016.

On May 9, 2016, the company amended its revolving asset based loan facility (ABL Facility). The amendment included an increase of the maximum revolving credit commitments by $25.0 million to $250.0 million. The ABL Facility lenders are CIBC as Administrative Agent, Wells Fargo Capital Finance Corporation of Canada, Export Development Canada and Bank of Montreal.

In April 2015, FASB updated standard No. 2015-03 Interest – Imputation of Interest (Subtopic 835-30) to simplify the presentation of debt issuance costs. The company has adopted the new standard in its financial statements for the annual period beginning on January 1, 2016. As a result the company has netted $2.2 million as at September 30, 2016 in deferred financing costs, which was previously disclosed in other assets, against long-term debt (December 31, 2015 - $3.6 million). Comparative figures have been reclassified accordingly.

As discussed in note 1, on October 31, 2016, the company filed a petition with the Supreme Court of British Columbia seeking the issuance of various orders in order to facilitate the implementation of a recapitalization transaction, including the deferral of the November 1, 2016 interest payment on the Senior Secured Notes, and preserve the status quo for the duration of the recapitalization process. Accordingly, the November 1, 2016 interest payment was not made by the company. On October 31, 2016, the company also obtained waivers from its lenders in respect of defaults that would have occurred as a result the filing of such petition and related proceedings, and as a result of the deferral of the payment of interest that was due on November 1, 2016 to holders of Senior Secured Notes. The waivers are in force until November 30, 2016, unless further extended by the lenders as part of negotiations related to the extension of the maturity of the credit facilities in connection with the alternative recapitalization process.

2015

Significant changes to long-term debt in 2015

In September 2015, the company entered into six capital leases on equipment. The capital lease obligation with respect to these leases was $0.5 million as at December 31, 2015.

On January 7, 2015, the company amended the asset based loan facility (ABL Facility) to increase the maximum amount of credit available thereunder from $175.0 million to $225.0 million to finance the acquisition of the Biron paper mill and the Rumford pulp and paper mill. The company also completed an offering of US$25.0 million of PIK Toggle Senior Secured Notes (“Offered Notes”) due on October 30, 2017. The Offered Notes were issued at a 20% discount to face value with the company receiving gross proceeds of US$20.0 million to be used to finance part of the costs associated with the acquisition. See note 4, *Purchase of U.S. Paper Mills.*

Significant terms, conditions and covenants

The indentures governing the company's Term Loan and PIK Toggle Senior Secured Notes due on October 30, 2017 ("2017 Notes") contain customary restrictive covenants, including restrictions on incurring additional indebtedness, certain restricted payments, including dividends and investments in other persons, the creation of liens, sale and leaseback transactions, certain amalgamations, mergers, consolidations and the use of proceeds arising from certain sales of assets and certain transactions with affiliates.

The Term Loan is secured by a first charge on substantially all of the fixed assets and real property of the company that ranks senior to the lien securing the 2017 Notes. The Term Loan is also secured by a second charge over the company's current assets. Collateral provided on the 2017 Notes consists of a charge on substantially all of the assets of the company, other than (i) a senior collateral charge on the Term Loan, and (ii) the ABL Charge Collateral, as described below (2017 Notes Charge Collateral), and a charge on the senior collateral charge on the Term Loan and the ABL Charge Collateral. The indentures governing the Term Loan and 2017 Notes limit the ability of the company to incur debt, other than permitted debt, while the company's fixed charge coverage ratio is below 2.0:1.0 for the 2017 Notes and is below 1.0:1.0 for the Term Loan. The company's fixed charge coverage ratio under the 2017 Notes, calculated on a 12-month trailing average, was 1.0:1.0 at September 30, 2016 (December 31, 2015 – 0.9:1.0) and under the Term Loan was 0.6:1.0 at September 30, 2016 (December 31, 2015 – 0.5:1.0).

The company cannot make any restricted payments including paying any dividends, except to the extent the balance in its restricted payments basket is positive. The restricted payments basket under the 2017 Notes was negative $142.4 million as at September 30, 2016 (December 31, 2015 – $107.1 million).

The security for the ABL Facility consists of a charge on accounts receivable, inventory and cash of the company (ABL Charge Collateral) and a charge on the 2017 Notes Charge Collateral. The interest rate on the ABL Facility is determined by the current market rate for that type of loan in addition to a spread that is based on the average availability for the prior fiscal quarter. Availability under the ABL Facility is determined by a borrowing base calculated primarily on eligible accounts receivable and eligible inventory, less certain reserves. The borrowing base at September 30, 2016, is reduced by reserves for a landlord waiver reserve in respect of rent of approximately $2.7 million, a pension reserve not exceeding the sum of normal cost pension contributions, special and catch-up payments and any other payments in respect of a Canadian pension plan that are past due of approximately $1.4 million, a reserve for credit insurance deductibles of $3.2 million, a reserve for vacation pay of $3.1 million, a reserve of $1.5 million for employee source deductions, and a reserve of $0.3 million for workers' compensation costs. On September 30, 2016, the company had $71.0 million available under the ABL Facility after deducting outstanding drawings of $150.3 million and outstanding letters of credit of $23.2 million, before potential application of the springing fixed charge coverage ratio.

The company was in compliance with its covenants under the ABL Facility, the Term Loan and under each of the indentures governing its outstanding senior notes on September 30, 2016.

The company's long-term debt is recorded at amortized cost. The following table provides information about management's best estimate of the fair value of the company's debt:

	September 30, 2016		December 31, 2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Total debt	**$ 509.1**	**$ 390.7**	$ 494.2	$ 416.0

The fair value of the company's long-term debt related to its senior notes is determined based on quoted market prices (level 1 fair value measurement). The fair value of the company's debt related to the ABL Facility is measured by discounting the respective cash flows at quoted market rates for similar debt having the same maturity (level 2 fair value measurements). In measuring fair value, the company incorporates credit valuation adjustments to reflect its own non-performance risk, where applicable.

13. EMPLOYEE FUTURE BENEFITS

The company maintains pension benefit plans for all salaried employees, which include defined benefit and defined contribution segments. Employees hired subsequent to January 1, 1994 enroll in the defined contribution segment. Effective January 1, 2010, employees in the defined benefit plan ceased to accrue benefits under the defined benefit segment of the plan and began to participate in the defined contribution segment of the plan. The company also maintains pension benefits for former hourly employees that are not covered by union pension plans. Unionized employees of the company are members of multi-employer industry-wide pension plans to which the company contributes a predetermined amount per hour worked by an employee.

The company provides other benefit plans consisting of provincial medical plan premiums, extended health care and dental benefits to employees. A description of changes to pension and other benefit plans can be found on pages 95 to 102 of the company's 2015 Annual Report.

Employees hired pursuant to the purchase of the U.S. mills (note 4, Purchase of US Paper Mills) continue to be covered under the employee future benefit plans that existed prior to acquisition. Pension plans include defined benefit and defined contribution segments. The defined benefit plan is available to hourly employees hired before 2013. The defined contribution segment consists of a 401k plan and a profit share plan and is available to salaried and hourly employees.

For the three and nine months ended September 30, 2016, the company incurred total post-retirement benefit costs of $6.6 million and $20.3 million, respectively (three and nine months ended September 30, 2015 – $8.1 million and $24.9 million).

For the three and nine months ended September 30, 2016, the company contributed $13.9 million and $33.7 million, respectively (three and nine months ended September 30, 2015 - $8.1 million and $25.8 million) for employee future benefits which included cash contributed to the company's funded pension plans, cash payments directly to beneficiaries for its unfunded benefit plans, cash contributions to its defined contribution plans and cash contributed to its multi-employer industry-wide pension plans.

Components of net periodic benefit cost recognized in the period were as follows:

	Three months ended September 30,		Nine months ended September 30,	
Pension benefit plans	**2016**	2015	**2016**	2015
Defined benefit plan				
Service cost for the period	**$ 1.1**	$ 1.1	**$ 3.5**	$ 3.8
Interest cost	**2.3**	3.1	**6.8**	9.3
Expected return on assets	**(3.4)**	(3.3)	**(10.3)**	(9.7)
	-	0.9	**-**	3.4
Defined contribution plan				
Service cost for the period	**2.5**	2.7	**7.8**	8.0
Multi-employer industry-wide pension plan service cost for the period	**2.3**	2.0	**6.7**	6.4
Net periodic benefit cost for pension benefit plans	**$ 4.8**	$ 5.6	**$ 14.5**	$ 17.8

	Three months ended September 30,		Nine months ended September 30,	
Other post-retirement benefit plans	**2016**	2015	**2016**	2015
Service cost for the period	**$ 0.4**	$ 0.7	**$ 1.6**	$ 1.9
Interest cost	**1.4**	1.7	**4.2**	5.1
Actuarial losses	**-**	0.1	**-**	0.1
Net periodic benefit cost for other benefit plans	**$ 1.8**	$ 2.5	**$ 5.8**	$ 7.1

Effective January 1, 2016, the company elected to refine the approach for determining the service cost and interest cost components of the net defined benefit cost that will be recognized on pension and other post-retirement benefit programs. This election was made in consultation with the actuarial advisors of the company and in accordance with broad industry adoption of this approach as best practice.

Historically, the company had estimated the service and interest cost components by applying a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. The company has elected to utilize a full yield curve approach to estimate these components by applying specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. The company made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of interest costs. This change does not affect the measurement of total benefit obligations as the change in interest cost is completely offset in the actuarial loss reported in the period. The company has accounted for this change as a change in estimates and, accordingly, has accounted for it prospectively beginning in the first quarter of 2016. Based on current economic conditions, we estimate the service cost and interest cost for those plans will be reduced by approximately $3.8 million in 2016 as a result of the change.

14. OTHER LONG-TERM OBLIGATIONS

The components of other long-term obligations were as follows:

	September 30, 2016	December 31, 2015
Environmental and remedial	**$ 10.1**	$ 10.7
Snowflake union pension liability	**8.8**	9.9
Accrued workers’ compensation costs	**4.4**	4.6
Other	**0.4**	1.2
	$ 23.7	$ 26.4

15. OTHER INCOME (EXPENSES), NET

The components of other income (expense), net were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Gain (loss) on derivative financial instruments	**$ (1.4)**	$ (5.0)	**$ 4.3**	$ (11.2)
Foreign exchange gain (loss) on working capital balances	**0.6**	(0.1)	**(1.9)**	3.7
Gain (loss) on sale of property, plant and equipment	**(0.2)**	2.6	**(0.5)**	2.6
Bargain purchase gain (note 4)	**-**	1.7	**-**	43.9
Net settlement gain (note 4)	**-**	-	**5.5**	-
Other	**-**	-	**-**	2.8
	$ (1.0)	$ (0.8)	**$ 7.4**	$ 41.8

In 2016, we reached a negotiated settlement with Verso Corporation related to all outstanding issues from the acquisition of the U.S. paper mills on January 7, 2015, and all amounts outstanding from and to Verso Corporation pursuant to their bankruptcy proceeding, and recognized a net settlement gain of $5.5 million.

16. INCOME TAXES

As at September 30, 2016, the company has a valuation allowance on its deferred tax assets of $315.0 million (December 31, 2015 - $262.2 million). The effective rate for the quarter ended September 30, 2016 was 0% which was impacted by the recognition of a valuation allowance on deferred tax assets. A description of the company's income taxes can be found on pages 103 to 105 of the company's 2015 Annual Report.

17. FAIR VALUE MEASUREMENT

An established fair value hierarchy requires the company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value.

Level 1

Quoted prices in active markets for identical assets or liabilities.

Level 2

Observable inputs other than quoted prices in active markets for identical assets and liabilities, such as quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3

Inputs that are generally unobservable and are supported by little or no market activity and that are significant to the fair value determination of the assets or liabilities.

	September 30, 2016	December 31, 2015	Fair value hierarchy	Balance sheet classification
Assets				
Currency contracts	$ **0.3**	$ –	2 (1)	Prepaids and other
Liabilities				
Currency contracts	$ –	$ 4.5	2 (1)	Accounts payable and accrued liabilities

Fair value of the company's derivatives are classified under Level 2 as they are measured as follows:

(1) The fair value of forward currency contracts is measured using the discounted difference between contractual rates and market future rates. Interest rates, forward market rates, and volatility are used as inputs for such valuation techniques. The company incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the counterparty's non-performance risk in the fair value measurements.

The fair value of the company's long-term debt and level within the fair value hierarchy is disclosed in note 12, *Long-term debt.*

The following table presents information about the effects of the company's derivative financial instruments not designated as hedging instruments on the company's consolidated financial statements for the three and nine months ended September 30:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Gain (loss) on currency contracts related to revenue hedges (note 15)	**$ (1.4)**	$ (5.0)	**$ 4.3**	$ (11.2)

The carrying value of the company's other financial instruments, namely cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

18. FINANCIAL INSTRUMENTS

(a) Financial Risk Management

Financial instruments of the company consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and long-term debt. Financial instruments of the company also include derivatives which the company uses to reduce its exposure to currency and price risk associated with its revenues, energy costs and long-term debt.

The company has exposure to risk from its financial instruments, specifically credit risk, market risk (including currency, price and interest rate risk) and liquidity risk. A summary of the company's financial risk management objectives can be found on page 110 to 113 of the company's 2015 Annual Report.

The company is exposed to credit risk on accounts receivable from its customers who are mainly in the newspaper publishing, commercial printing businesses and paper manufacturing businesses. Aging of receivables were as follows:

	September 30, 2016	December 31, 2015
Trade receivables		
Current	**$ 171.1**	$ 149.4
Past due 1-30 days	**7.0**	14.0
Past due 31-90 days	**1.0**	3.5
Past due over 90 days	**5.7**	4.0
	184.8	170.9
Allowance for doubtful accounts	**(4.6)**	(4.5)
Trade receivables, net	**180.2**	166.4
Other receivables, including sales tax recoverables	**9.0**	18.7
Accounts receivable (note 6)	**$ 189.2**	$ 185.1

The movement in the allowance for doubtful accounts in respect of trade receivables was as follows:

	September 30, 2016	December 31, 2015
Balance, beginning of period	**$ 4.5**	$ 2.3
Increase in provision	**0.1**	2.2
Balance, end of period	**$ 4.6**	$ 4.5

(b) Revenue Risk Management Instruments

Foreign currency options and forward contracts outstanding to sell U.S. dollars were as follows:

	Options			
	Purchased US$ put		**Sold US$ call**	
Term	**Notional amount**	**Average rate US$/CDN$**	**Notional amount**	**Average rate US$/CDN$**
As at September 30, 2016				
0 to 12 months	**$ 75.0**	**0.7823**	**$ 75.0**	**0.7169**

At period-end exchange rates, the net amount the company would receive to settle the above contracts and options is $0.3 million (December 31, 2015 – negative $4.5 million). At September 30, 2016, purchased U.S. dollar put options and sold US dollar call options are marked to market, and the related gains and losses are recognized in other income.

At September 30, 2016, the company did not have any commodity swap agreements or commodity options outstanding.

19. CONTINGENCIES

Discontinuance of Two Lawsuits Filed by Halalt First Nation

Two civil claims previously commenced against Catalyst have been discontinued, bringing these pieces of litigation to an end. On September 2, 2016, the Halalt First Nation filed a notice of discontinuance in respect of a civil claim filed against Catalyst on January 22, 2016 by the Halalt pursuant to which the Halalt alleged that the company illegally trespassed on, and caused damages to, the Halalt's asserted territories and fisheries resources through the operation of its Crofton Mill since 1957. Also on September 2, 2016, the Halalt filed a notice of discontinuance in respect of a civil claim filed against Catalyst on January 22, 2016 by the Halalt and its business partners, Sunvault Energy Inc. and Aboriginal Power Corp., pursuant to which the plaintiffs alleged that Catalyst disclosed certain confidential information pertaining to a proposed anaerobic digester facility in breach of a confidentiality agreement. Sunvault Energy Inc. and Aboriginal Power Corp. jointly filed a notice of discontinuance in respect of such claim on October 7, 2016.

20. COMPARATIVE FIGURES

Certain comparative figures presented in the interim consolidated financial statements have been reclassified to conform to the current period presentation.