FORTRESS PAPER LTD.

ANNUAL INFORMATION FORM

For the year ended December 31, 2008

Dated March 26, 2009

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INTRODUCTION

All dollar amounts in this annual information form (the "Annual Information Form") are in Canadian dollars, except where otherwise indicated. The reporting currency of Fortress Paper Ltd. ("Fortress" or the "Company") is the Canadian dollar. Our mills are considered as integrated operations, therefore all foreign currencies are translated into Canadian dollars using average rates for the period for items included in the consolidated statements of operations, the rate in effect at the balance sheet date for monetary assets and liabilities and historical rates for other assets included in the consolidated balance sheet. Translation gains or losses are included in the determination of income. Some figures and percentages may not total exactly due to rounding.

Certain information contained in this Annual Information Form concerning the industry in which we operate has been obtained from publicly available information from third party sources. We have not verified the accuracy or completeness of any information contained in such publicly available information. In addition, we have not determined if there has been any omission by any such third party to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any such information became publicly available or which may affect the significance or accuracy of any information contained in any such information and summarized herein.

Certain statements contained in this Annual Information Form constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in these forward-looking statements are based on reasonable assumptions but no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form.

In particular, this Annual Information Form may contain forward-looking statements pertaining to the following:

- growth and future prospects of our business;
- our perceptions of the industry or markets in which we operate and anticipated trends in such markets and in the countries in which we do business;
- demand and prices for our products; and
- future capital expenditures.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- damage to reputation;
- general economic, market and business conditions;
- the ability to implement our business plan;
- competition for, among other things, capital and skilled personnel;
- dependence on major customers;
- protection of intellectual property;
- fluctuations in the price of raw materials;

- the dependence on key personnel;
- potential disruptions to production and delivery;
- actions taken by governmental authorities;
- the availability of capital on acceptable terms;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- the ability to efficiently and effectively manage growth; and
- the other factors discussed under "Risk Factors" in this Annual Information Form.

The risk factors referenced herein should not be construed as exhaustive. Except as required under applicable laws, we undertake no obligation to update or revise any forward-looking statements.

The following tables set forth, for each period indicated, information concerning the exchange rates between Euros, Swiss Francs and Canadian dollars based on the Bank of Canada nominal noon exchange rates. The tables below illustrate the portion or multiples of a Canadian dollar it would take to buy one Swiss Franc or Euro.

Fiscal Year Ended December 31,	**CDN$ per Swiss Franc**			
	Average(1)	**Low**	**High**	**Period End**
2008	0.9840	0.8883	1.1680	1.1472
2007	0.8946	0.8071	0.9719	0.8720

Fiscal Year Ended December 31,	**CDN$ per Euro**			
	Average(1)	**Low**	**High**	**Period End**
2008	1.5603	1.4489	1.7316	1.7046
2007	1.4691	1.3448	1.5628	1.4428

(1) The average of the daily nominal noon exchange rates during the year.

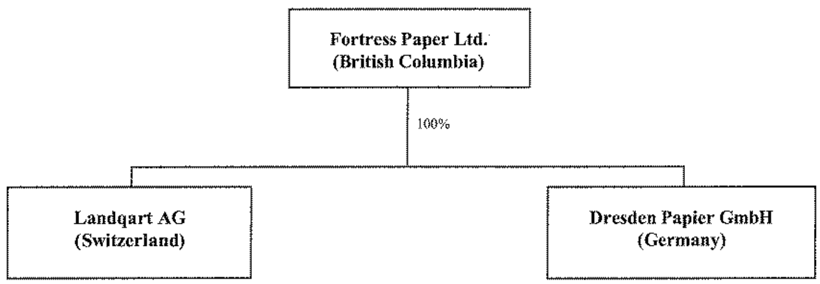
CORPORATE STRUCTURE

General

The full corporate name of our Company is Fortress Paper Ltd. Our head office is located at 2nd Floor, 157 Chadwick Court, North Vancouver, British Columbia and our registered and records office is located at 1000, 925 West Georgia Street, Vancouver, British Columbia.

We were incorporated under the *Business Corporations Act* (British Columbia) (the "BCA") on May 30, 2006. On June 20, 2007, we consolidated our issued and outstanding capital on a 2:1 basis.

Our material subsidiaries and their respective jurisdictions of organization are set out in the diagram below.



For the remainder of this document:

- the consolidated operations of our Company and its subsidiaries will be referred to collectively as "we", "our", "us", the "Company" or "Fortress", unless otherwise specifically noted or the context requires otherwise;
- Landqart AG will be referred to as "Landqart";
- "Landqart Mill" means the paper mill located in Landquart Switzerland, owned by Landqart;
- Dresden Papier GmbH will be referred to as "Dresden"; and
- "Dresden Mill" means the paper mill located in Heidenau, Germany, owned by Dresden.

GENERAL DEVELOPMENT OF THE BUSINESS

We are an international producer of security and other specialty papers. Our security papers include banknote, passport and visa papers. Our specialty papers include non-woven wallpaper base products, and graphic and technical papers. We operate two paper mills (collectively, the "Mills"), the Landqart Mill located in Switzerland and the Dresden Mill located in Germany.

History of Our Company

We were incorporated on May 30, 2006 under the laws of the Province of British Columbia. We were inactive from the date of incorporation to July 31, 2006.

We were initially established as a wholly owned subsidiary of Mercer International Inc. ("Mercer"). As part of its strategy to focus exclusively on its pulp business, Mercer determined in 2006 to sell certain of its non-core paper assets. In connection with the transaction, on August 1, 2006, Mercer indirectly transferred to us the Dresden Mill and the Landqart Mill in consideration for a secured convertible note in the principal amount of $7.5 million (the

"Convertible Note") and preferred shares with a redemption value of $7.5 million. On August 1, 2006, certain private equity investors subscribed for $8 million of our common shares. Upon receipt of the initial subscription proceeds, we utilized $7.5 million of such proceeds to redeem all of the preferred shares and shares owned by Mercer and reorganized our board of directors (the "Board") and management.

We completed an initial public offering (the "IPO") on June 28, 2007, by the issuance of 5,000,000 common shares at an offering price of $8.00 per common share for gross proceeds of $40,000,000. Our common shares commenced trading on the Toronto Stock Exchange (the "TSX") under the symbol "FTP". On July 19, 2007, pursuant to an underwriting agreement entered into between us and the underwriters (the "Underwriters") dated June 20, 2007, in connection with our IPO, the Underwriters exercised their option to purchase an additional 750,000 of our common shares issued at a price of $8.00 per share, bringing the gross proceeds from our IPO to $46,000,000.

During 2008 the terms of the Convertible Note were amended to allow for redemption by the Company prior to August 1, 2009. On May 22, 2008 the Company redeemed the Convertible Note in full. The Company paid $8,176,674, representing the full principal amount of the Convertible Note together with the interest accrued up to August 1, 2009, and 105,000 common shares of the Company with the redemption of the Convertible Note, the Company retired all of its debt owed to Mercer.

Normal Course Issuer Bid

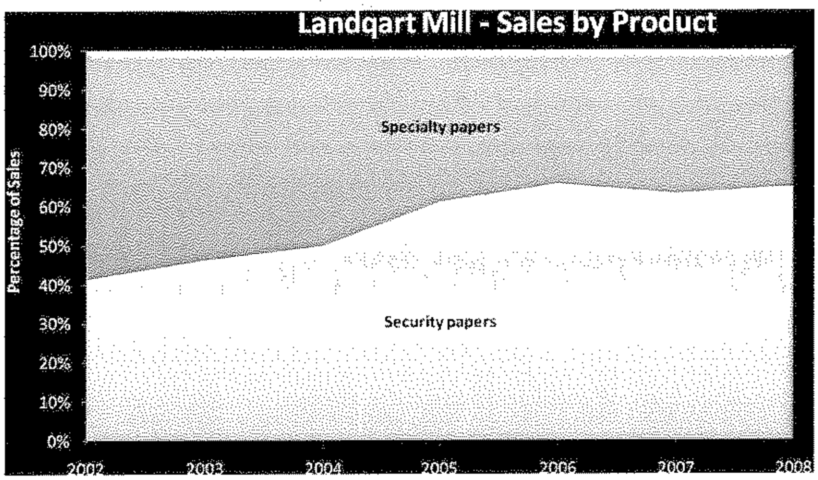
In March 2008, we announced that the TSX had accepted our notice of intention (the "Notice") to proceed with a normal course issuer bid (the "NCIB"). Pursuant to the NCIB, we were permitted to purchase for cancellation up to a maximum of 75,000 of our common shares, which represented approximately 1% of the public float of our common shares as at the date of the commencement of the NCIB. The NCIB commenced on March 25, 2008. During the year ended December 31, 2008, the Company repurchased, and cancelled, 75,000 of its own shares at the prevailing market price of our common shares on the TSX at the time of acquisition.

THE BUSINESS

Overview

The Landqart Mill is well known for its production of banknote paper and has a reputation for being an industry leader within the security paper industry. Since 1979, the Landqart Mill has been the sole provider of banknote paper for the Swiss currency and has produced banknote papers for over 100 currency denominations for more than 25 countries. The Landqart Mill is one of only nine authorized suppliers of banknote paper for the Euro currency. The Landqart Mill is situated in Switzerland in the town of Landquart, approximately 100 kilometres east of the city of Zurich and primarily produces high margin security and specialty papers and has commenced the sale of paper-based security products. The security papers incorporate internationally recognized overt and covert security features which are embedded into the paper and supplemented with customer-specific requirements. In addition to security papers, the Landqart Mill also produces high quality specialty papers, including graphic and technical papers.

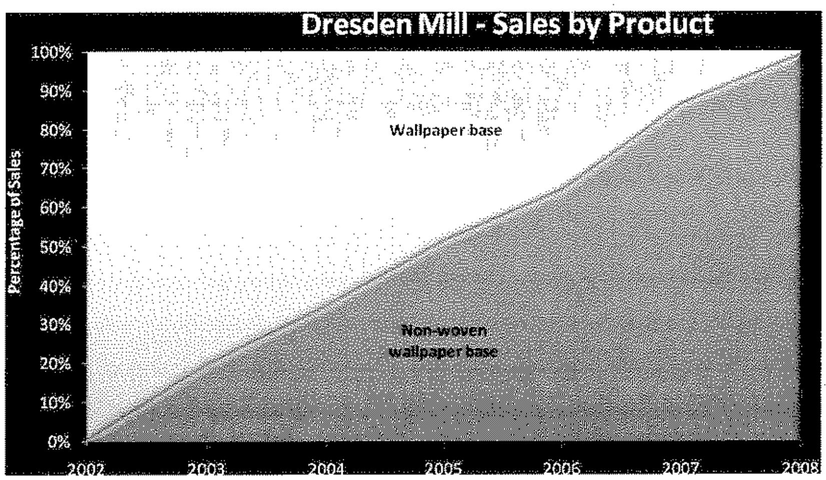
Over the last five years, the Landqart Mill has shifted its product mix to security papers and higher value specialty papers resulting in a decrease in tonnes produced but increased revenue and margins. Security papers sales revenue, as a percentage of total sales, increased from 41% in 2002 to 65% in 2008. In fiscal 2008, sales of banknote papers accounted for the majority of Landqart's security papers sales. Sales revenue derived from security papers increased by a compound annual growth rate of 14% from fiscal 2002 to 2008. Our shift in product mix at our Landqart Mill is illustrated below.



The Dresden Mill is a leading global supplier of non-woven wallpaper base with an estimated 45% of the world-wide non-woven market share in 2008. The Dresden Mill is located in Germany in the town of Heidenau, approximately 12 kilometres south of the city of Dresden and produces coated and uncoated wallpaper base for the production of wallpaper. Our non-woven wallpaper base contains a certain proportion of synthetic fibres which provide unique characteristics, the most important of which is ease of removal due to its dry-strippability. Other features of non-woven wallpaper base include increased dimensional stability preventing expansion and contraction which occurs in traditional wallpaper base products and results in noticeable seams upon drying. In addition, the non-woven wallpaper base allows for the paste to be applied directly to the wall instead of to the wallpaper itself.

While overall global demand for wallpaper base is generally declining, certain markets such as eastern Europe, the states of the former Soviet Union and China, are experiencing increased sales volumes. The wallpaper base market is also evolving with a shift away from traditional paper base to a more advanced non-woven product. Traditional simplex and duplex wallpaper base contains only paper layers whereas non-woven wallpaper base is comprised of a combination of paper and synthetic fibres allowing for easy strippability and greater dimensional stability making it a more practical product. By expanding and refining its production of non-woven wallpaper base, the Dresden Mill is well positioned to meet the changing market demand.

Since the introduction of our non-woven wallpaper base to the market in 2002, management has worked to significantly change the production mix at the Dresden Mill. The change reflects our strategy of shifting away from duplex and simplex wallpaper base production, which has traditionally made up the majority of production, to more value-added and higher margin non-woven wallpaper base products. As a result, in 2008, approximately 99% of our sales revenue derived from the Dresden Mill consisted of non-woven wallpaper base as compared to approximately 20% in fiscal 2003. Non-woven wallpaper base generates higher profit margins than duplex and simplex wallpaper base. Sales revenue derived from non-woven wallpaper base increased by a compound annual growth rate of 66% from fiscal 2003 to 2008. Our shift in product mix at our Dresden Mill is illustrated below:



Competitive Strengths

We believe that we have the following competitive strengths:

- ***Established reputation for security and quality.*** We are the sole manufacture of banknote paper for Switzerland and a non-exclusive manufacturer for approximately ten other countries. The Swiss banknote is widely recognized as the most secure currency in the world with 36 security features, more than half of which are incorporated into the security paper. The Landqart Mill has established a reputation for producing banknote paper of the highest security and quality. In addition, we produce passport and visa papers for several European, Asian and African countries which has further bolstered our reputation for security and quality.

- ***Strong market position for products.*** We enjoy a leading position with respect to our core products. In addition to being the sole provider of banknote paper for the Swiss currency, the Landqart Mill is also one of only nine authorized suppliers of banknote paper for the Euro currency. Similarly, the Dresden Mill is a leading global supplier of non-woven wallpaper base, with an estimated world-wide market share of 45%. in 2008.

- ***Research and development and innovative features.*** The Landqart Mill is a leader in the development of security technologies for security papers and the Dresden Mill is recognized as an innovative developer of non-woven wallpaper base. By introducing a broad range of innovative security features for its security papers and by using synthetic fibres to produce non-woven wallpaper base, we are well positioned to meet the increasing demands of our customers and the marketplace at large.

- ***Proven and experienced operational management team.*** Our senior operational management team consists of executives with extensive experience in both operating and investing in the paper industry. Our senior operational management team has an average tenure of approximately 25 years in the paper industry.

The Landqart Mill

Industry

The security papers industry is made up of a few large global players and smaller niche participants. The security papers business has evolved into a high-technology and dynamic industry where innovative and specialized products have become the norm. New security realities in the 21st century have driven the need for new security features to be included in banknotes, passports, identification cards, cheques and certification papers.

As a result of the increased need for even greater security, many security paper producers are also beginning to produce paper-based security products, allowing them to use their expertise and technology to create synergies across products while servicing their customers with a full spectrum of products. With governments playing a vital role within the industry, security paper producers have attempted to become specialized "one-stop-shops" by offering various different paper-based security products, such as banknotes, passports, visa papers, identification cards and verification systems.

Within this industry, banknotes have played a significant role in driving the development of innovative security features for the entire security papers industry. On a global basis, banknotes continue to increase both in terms of value and total number of banknotes in circulation as a result of economic activity in developing countries and the introduction of the Euro in Europe. The number and aggregate value of Euro banknotes in circulation, for example, increased by approximately 59% and 135%, respectively, from its introduction into circulation on January 1, 2002 to December 2008. The production of banknotes consists of two separate procedures: the production of the requisite substrate and the actual printing process. Central banks rely on security paper mills for the production of banknote papers. The printing of banknotes is typically completed in-house or contracted out to a specialized security printer.

Market drivers within the security papers industry include the requirement to replace physically ageing banknotes in circulation, as well as the requirement for increased security products. Further, economic expansion in developing countries and change of governments propel the market. Demand for the latest technology in anti-counterfeit solutions also continues to be a key driver in the market. The proliferation of colour copying, scanning and printing technologies means that producers must continue to develop increasingly sophisticated anti-counterfeit solutions.

Products

Security Papers

Security papers at the Landqart Mill are comprised of the following product categories and products:

(a) *Value Protection*
- Banknotes;
- Cheques;
- Share certificates and bond papers;
- Vouchers; and
- Lottery tickets.

(b) *Access and Data Protection*

- Passports;
- Visas (with self-adhesive backing);
- Identification cards and documents (for use in driver's licences, etc.); and
- Product registrations (for documents such as vehicle registrations, pharmaceutical labels, etc.).

(c) *Brand Protection*

- Certifications (for warranties and identification on branded luxury goods);
- Tags (used for sealing labels such as tax and customs stamps);
- Self-adhesive labels (used as tamper-proof indicators); and
- Tickets (used for large events or public transportation).

We offer a full range of security features at the Landqart Mill for optimum anti-counterfeiting protection of our security papers. In addition to the principal security elements set out above, the security papers may be supplemented with the following high security optical variable features which have been developed at the Landqart Mill:

Holosafe®: This security feature involves a holographic foil application that provides forgery protection through diffraction and reflection. The holographic image may be in any shape, pattern or design. The Holosafe® foil is applied by a hot stamping method whereby a very fine metallic layer is transferred onto the paper using pressure and heat.

Irisafe®: This is an iridescent security feature that prevents reproduction by most modern forgery techniques. Irisafe® is a special coating process applied to paper creating high brilliancy iridescent strips of colour that are available in six different colours and can be modified into any logo or emblem.

Polarisafe®: This security feature emits fluorescence under ultraviolet light and a unique sparkling effect when viewed with a Polarisafe® tester. The Polarisafe® feature is a high level security feature and only available for banknote, passport and visa applications. Polarisafe® technology can be included in security fibres, security threads and security coatings.

Durasafe®: Durasafe® was developed in collaboration with the Swiss National Bank. Durasafe® is an exclusive solution of the Landqart Mill to put windows in a high security banknote paper. The solution combines a polymer layer with a high security cotton banknote paper. These new banknotes can have several windows in any shape or size, in any location. The Durasafe® banknote has the same texture as a regular banknote and it works in all existing bank machines and ATMs. These new banknotes also have superior durability and printability.

Many of the security features included in banknotes are manufactured and embedded into the paper rather than applied during the printing process. The principal security elements manufactured and embedded into the security paper during the paper making phase include the following:

Watermarks: Watermarks are markers which are embedded into the substrate of the paper. They are formed during the production process and are visible to the naked eye. They may be bright, dark, or multi-toned and they may be embossed or flush to the surface of the paper. They may be uniformly distributed over the entire area of a document or may be positioned at a specific location. Watermarks may be combined with other security features, including reactive dyes, to create a multi-faceted security feature. In addition, watermarks may be customized to the client's specifications.

Chemically Reactive Agents: To aid with detection of fraudulent alterations a variety of chemically reactive agents consisting of invisible dyes may be incorporated into the security papers which are made visible by forgery attempts with the use of solvents, acids or bleaching agents.

Taggants: A taggant is a chemical or physical marker added to the paper to allow for various forms of authentification.

Security Threads: Security threads may be incorporated into security paper, either embedded or exposed, which may contain a number of custom features, including: negative or positive inscriptions, coloured or metallic design, microtext, magnetic properties, electrical conductivity, fluorescence (including Polarisafe® technology) and optically variable effects.

Security Fibres: The security fibres may be coloured and visible to the naked eye or may be visible only under fluorescent light or polarized light.

Chemical Indicator Agents: Invisible chemical indicator agents which are incorporated in the security paper but are not detectable by the naked eye until revealed using a specially designed testing pen which will indicate the authenticity of the security paper by colour reaction.

Specialty Papers

The Landqart Mill produces the following specialty papers:

(a) *Graphic Papers*: Products in this category include paper for art books, business reports, greeting and business cards and official documents, as well as fine stationary paper, corporate letterhead and watermarked paper. The addition of watermarks to graphic papers successfully incorporates our knowledge and experience in watermarks used in security papers and allows customers to customize papers with their own distinctive watermarks. A number of these papers contain ageing and light-induced-fading resistant properties in accordance with the requirements of DIN ISO 9706 and are therefore "archive proof".

(b) *Technical Papers*: Products in this category include map, barrier and diagram papers. Our map papers are suitable for a variety of maps, including land registry maps, aerial maps and nautical charts. Our barrier papers are suitable for siliconization, have oil and grease resistant properties and are used in food packaging and a variety of industrial applications. Our diagram papers are used for the production of thermo-sensitive and ink resistant chart papers for use in a range of industrial and medical applications.

Marketing, Sales and Distribution

The following table sets forth the percentage geographic distribution of sales revenue of the Landqart Mill for the periods indicated:

Sales Revenue by Geographic Market

	Year Ended December 31,		
	2006	*2007*	*2008*
		(%)	
Switzerland	*30.3*	*29.4*	*23.5*
Germany	*10.1*	*11.2*	*15.0*
Other Western Europe	*39.5*	*36.6*	*40.6*
Eastern Europe	*11.3*	*12.3*	*10.2*
Other	*8.8*	*10.5*	*10.7*
Total paper production	*100*	*100*	*100*

The following table set forth the sales revenue by product of the Landqart Mill for the periods indicated:

Sales by Product

	Year Ended December 31,					
	2006		*2007*		*2008*	
	(thousands of dollars, other than %)					
Revenue						
Security papers	$ 39,271	66%	$ 39,929	63%	$ 54,148	65%
Specialty papers...............	20,606	34%	23,352	37%	29,285	35%
Total..................................	59,877	100%	63,281	100%	83,433	100%
	(tonnes)					
Volume						
Security and specialty papers.............................	14,592		16,268		17,700	

The Landqart Mill has a well established customer base throughout Europe, Africa and the Middle East, and is seeking to develop a broader security paper customer base throughout Asia, Canada and South America. Security paper customers include the Swiss National Bank. In 2008, five customers at the Landqart Mill accounted for approximately 38.5% of the sales revenue.

The security papers produced at the Landqart Mill are either delivered directly to the end user or to a specialized security printer who is pre-authorized by the particular customer. Within Europe, security papers are distributed primarily through Landqart's own sales force which consists of a product manager and five sales managers with three located in Switzerland and one in each of Poland and Romania. Outside of Europe, sales and distribution are effected through approximately 30 independent, commissioned sales agents located worldwide.

The specialty papers produced at the Landqart Mill are sold and distributed primarily within Europe directly to converters, wholesalers and end users using Landqart's own sales force.

All shipping arrangements are either contracted out to third parties or pre-arranged by customers. The Landqart Mill is located close to central transportation routes and benefits from a rail line that runs into the mill.

Manufacturing Facilities

The Landqart Mill's annual production capacity ranges from 13,000 tonnes to 23,000 tonnes depending on the product mix of security and specialty papers produced. The production of high security papers is more time intensive and reduces the annual production capacity. Over the past five years, the Landqart Mill has shifted more of its production to higher value security papers resulting in decreasing tonnes produced but increasing total revenue and margins.

The Landqart Mill has two paper machines. Low to medium grade security papers are produced on a Fourdrinier paper machine ("PM1"). Medium to high grade security papers are produced on a cylinder mould paper machine ("PM2"). Depending on client requirements, the Landqart Mill can produce products on the machine that best balances security and cost. Certain design attributes of the Landqart Mill provide the flexibility to meet the challenging technical requirements of security papers. Company management remains focused on increasing the production of security papers while reducing the production of specialty papers.

The manufacturing and processing of security papers at the Landqart Mill is compliant with the security guidelines of the European Central Bank, the Swiss National Bank and Orell Füssli Sicherheitsdruck AG (the Swiss national security printer). In addition, Landqart must routinely comply with the specific security guidelines and regulations of its customers. The Landqart Mill was ISO 9001:2000 certified in 1994 and has a quality management system in accordance with this standard.

The Landqart Mill is located in the town of Landquart, approximately 100 kilometres east of Zurich and is well located to serve its major customers in Europe. The Landqart Mill site is approximately 14.8 acres and houses both paper machines, fibre storage area, finished goods warehousing, a two stage wastewater treatment plant and a twin turbine hydroelectric power plant. The buildings on site are approximately 260,000 square feet.

The paper machines at the Landqart Mill have received capital upgrades to modernize and to improve efficiency, quality and the ability to provide leading edge security features. In 2008, approximately $8.6 million was incurred relating primarily to the Durasafe building and equipment. Approximately $7.2 million of capital upgrades at the Landqart Mill are planned for 2009 primarily relating to additional machinery upgrades and infrastructure.

Energy Facilities

The electricity generating facilities at the Landqart Mill consist of two hydroelectric turbines both of which are situated within two kilometres of the Landqart Mill. The two turbines produce on average an aggregate of 8,000 megawatt-hours of electricity per year. The electricity generating facilities at the Landqart Mill generate on average approximately 30% of the annual electricity needed by the Landqart Mill. The balance of the electricity required by the Landqart Mill is purchased from the local utility provider. Total generation varies from year to year and is dependent on, among other things, water levels and seasonality.

The steam required by the Landqart Mill is supplied from an independently owned waste burning incinerator facility situated approximately nine kilometres from the Landqart Mill. We own the steam transmission pipeline extending from the incinerator facility. The steam supply agreement for the Landqart Mill expires December 31, 2010 and automatically renews thereafter until a party terminates the agreement upon providing one years' written notice.

Raw Materials

The paper produced at the Landqart Mill is made of cotton and wood pulp or any combination of the two. The choice of fibre depends on the client needs and fibre suitability. For the high security papers such as banknotes, 100% linters and combings (short cotton fibres) are used because of their superior resilience to wear and tear and their suitability for incorporating security features. By contrast, specialty papers are primarily produced using a traditional wood based pulp. A mixture of cotton and pulp are used for making medium grade security papers allowing us to deliver a cost effective solution to clients who do not require the extensive security properties of a cotton based security paper. While the prices of cotton and wood pulp may vary from time to time, as commodities they are generally available from a number of suppliers.

Research and Development

We have been able to distinguish ourselves in the security papers market through our leading edge security technologies, which has allowed us to produce unique security papers, including banknote and passport papers. Substantially all of our security technologies have been developed in-house and are protected by various measures, including applicable intellectual property registrations.

Our on-going research and development projects include the development of innovative technologies for the next generation of high security banknote papers; the further enhancement of security features for high, medium and low security applications; the development of applications for the Irisafe® coating as a low cost security feature for items such as admission tickets; and the development of taggants for low security applications which allow for instantaneous verification.

Our research and development team at the Landqart Mill has an average of 15 years of experience in the security papers industry. We increased the size of our research and development team at the Landqart Mill to maintain our position as one of the industry leaders in the security papers industry.

Competition

The security papers industry is highly competitive, with several major companies competing on a global basis. We compete with various international papermakers, including De La Rue PLC, Papierfabrik Louisenthal GmbH, Arjo Wiggins Security SAS, Cartiere Miliani Fabriano, Association Goznak and Crane AB.

With respect to specialty papers produced at the Landqart Mill, we compete with several international papermakers, including Mondi Business Paper Group, Koehler Paper Group, AWA Paper MFG. Co. Ltd., Cordenons SA, Clairefontaine Rhodia SAS and Ziegler Papier AG.

The Dresden Mill

Wallpaper Base Industry

On a global basis, the overall market for wallpaper base has been decreasing in recent years as consumers complained about the difficulties of removing wallpaper. In response to consumer demands, wallpaper base manufacturers have developed non-woven substrates that not only make covering a wall with wallpaper easier than before, but also allow for easy and simple removal of wallpaper.

Since its recognized introduction in 1996, the market for non-woven wallpaper base has been increasing significantly. Wallpaper manufacturers are transitioning an increasing percentage of their production away from paper-based wallpaper to non-woven products.

Non-woven substrates are created from a blend of natural and synthetic fibres and do not contain a fabric or paper backing. Non-woven wallpaper base has many advantages over traditional paper backed wallpaper base. Non-woven wallpaper base is easier to apply and remove due to its dry-strippability. Its increased dimensional stability prevents expansion of the wallpaper upon application.

Non-woven wallpaper base sales have been growing worldwide as a result of greater demand for the product which increasingly is replacing standard simplex and duplex wallpaper base due to its superior characteristics.

Products

Production at the Dresden Mill is focused exclusively on wallpaper base. The Dresden Mill's products are divided into the following three product categories:

(a) Non-woven wallpaper base;

(b) Duplex wallpaper base; and

(c) Simplex wallpaper base.

Non-Woven Wallpaper Base: Our non-woven wallpaper base contains a certain proportion of synthetic fibres which provide unique characteristics, the most important of which is ease of removal due to its dry-strippability. Other features of non-woven wallpaper base include increased dimensional stability preventing expansion and contraction which occurs in traditional wallpaper base products and results in noticeable seams upon drying. In addition, non-woven wallpaper base allows for the paste to be applied directly to the wall instead of to the wallpaper itself. Our non-woven wallpaper base is produced coated and uncoated and is characterized by anti-fading properties, high thermostability and very high opacity, as well as optimal strength properties and good runability with all modern processing methods. Additional properties include wet strength and abrasive resistance. Non-woven wallpaper base can be used in a variety of printing and coating processes such as screen, gravure and flexo printing and coating.

Duplex Wallpaper Base: Our duplex wallpaper base products include coated and uncoated duplex wallpaper base used for common converting processes and embossing. Duplex wallpaper base is characterized by stable optical properties and colour retention, high opacity and good runability with all modern processing methods and is commonly used for conversion into high quality wallpapers through modern printing and coating processes.

Simplex Wallpaper Base: Our simplex wallpaper base coated and uncoated laminating paper sheets can be used in a number of converting processes. Simplex wallpaper base is Dresden's lowest value product. In 2008 we achieved our objective to replace all of the simplex wallpaper base production at the Dresden Mill with higher value non-woven wallpaper base products.

Wallpaper base is sold to specialty paper converters and printers and is used primarily in the new construction and renovation industry in residential housing and commercial buildings.

Marketing, Sales and Distribution

The following tables set forth the percentage geographic distribution of sales revenue and sales by product of the Dresden Mill for the periods indicated:

Sales Revenue by Geographic Market

	Year Ended December 31,		
	2006	2007	2008
		(%)	
Germany	52.3	51.5	52.1
Other Western Europe	25.5	25.1	25.2
Eastern Europe	21.7	20.1	21.1
Other	0.5	3.3	1.6
Total paper production	100	100	100

Sales by Product

	Year Ended December 31,					
	2006		2007		2008	
	(thousands of dollars, other than %)					
Revenue						
Non-woven wallpaper base	$ 40,741	64%	$ 70,939	86%	$ 104,620	99%
Wallpaper base	22,475	36%	11,074	14%	949	1%
Total	63,216	100%	82,013	100%	105,569	100%
	(tonnes)					
Volume						
Non-woven wallpaper base	14,803	41%	25,453	72%	34,527	97%
Wallpaper base	21,218	59%	9,933	28%	994	3%
Total	36,021	100%	35,386	100%	35,521	100%

The Dresden Mill is strategically situated in Germany which is the largest market for non-woven wallpaper base and is conveniently located in relatively close proximity to Eastern Europe and the states of the former Soviet Union. In fiscal 2008, we estimate that the Dresden Mill accounted for approximately 45% of the world's demand for non-woven wallpaper base.

The Dresden Mill has a well established customer base throughout Europe and the states of the former Soviet Union. Customers include A.S. Création Tapeten AG, Marburger Tapetenfabrik J.B. Schaefer GmbH & Co. KG, Graham & Brown Limited and Zambaiti Parati s.p.a. In 2008, two customers at the Dresden Mill accounted for approximately 30.5% of the sales revenue.

The Dresden Mill distributes its products within Europe primarily through its own sales force which consists of two sales managers located in Germany and the United Kingdom. In other markets, such as France, Ukraine, Russia, Korea, Japan and China, four independent, commissioned sales agents are used.

The Dresden Mill is located close to central transportation routes and all shipping arrangements are either contracted out to third parties or pre-arranged by customers.

Manufacturing Facilities

The Dresden Mill has a Fourdrinier paper machine which has an annual production capacity of approximately 40,000 tonnes. The Dresden Mill's paper machine differentiates itself from competitors with its substantially wider trim widths and processing speed and is capable of producing coated and uncoated non-woven, duplex and simplex wallpaper base. Over the past five years, the Dresden Mill has shifted its production away from the simplex and duplex products to the higher value non-woven wallpaper base.

The Dresden Mill was ISO 9001:2000 certified in 2004 and has a quality management system in accordance with this standard.

The Dresden Mill is located in the town of Heidenau, approximately 12 kilometres south of the city of Dresden and is well located to serve its major customers in Europe. The Dresden Mill site is approximately 26 acres and accommodates the paper machine building, fibre storage area, finished goods warehousing along with a two stage wastewater treatment plant and gas fired power plant. The buildings on site comprise an approximate 200,000 square feet footprint with most of the buildings being several stories high.

The Dresden Mill paper machine has received significant capital upgrades. In 2008, approximately $8.0 million was spent primarily to improve the speed and efficiency of the paper machine. We plan to spend approximately $5.5 million in capital expenditures at the Dresden Mill in 2009 to further increase production capacity of non-woven wallpaper base.

Energy Facilities

The power plant at the Dresden Mill is capable of generating on a net basis 100% of the electricity and steam required by the Dresden Mill with any excess energy being sold to the public utility system. The electricity generating assets at the Dresden Mill are comprised of a gas turbine capable of producing approximately 33,000 megawatt-hours of electricity, a waste heat boiler capable of producing 17 tonnes per hour of steam and an auxiliary boiler capable of producing five tonnes per hour of steam.

Raw Materials

Synthetic fibres are used in the production of non-woven wallpaper base. The various wallpaper base products are produced using virgin pulp, such as bleached chemical pulp, chemical thermo mechanical pulp and groundwood, as well as wastepaper which is prepared in the in-house flotation de-inking plant at the Dresden Mill. The cost of these raw materials is affected by supply and demand for paper, wood pulp and petroleum products. While the prices of synthetic fibres and wood pulp may vary from time to time, as commodities they are generally available from a number of suppliers but must meet certain quality specifications.

Research and Development

The Dresden Mill continues to focus on improving its product mix to higher value wallpaper base products. The Dresden Mill is currently undertaking various research and development initiatives, including developing coated and uncoated non-woven wallpaper base with a broader range of basis weights, developing specialized non-woven wallpaper base with unique properties and characteristics and improving the dry-strippability of its non-woven wallpaper base. Management's objective is to continue to transition production away from lower value duplex and simplex wallpaper base to becoming the largest European manufacturer of non-woven wallpaper base.

Competition

The Dresden Mill faces competition from global non-woven wallpaper base and wallpaper base manufacturers, including Ahlstrom Corporation, Neenah Lahnstein GmbH, Hollingsworth & Vose Company, Neu Kaliss Spezialpapier GmbH, and M-real Corporation.

Intellectual Property

We believe that our intellectual property is important to our competitive position. As such, we protect our intellectual property and information through patents and trademark laws, contractual provisions, limited security access and confidentiality procedures.

As much of the intellectual property employed at the Landqart Mill has been developed in-house, we have registered patents in various countries in respect of our leading security technologies. Similarly, we also have trademark rights to several brands, including Durasafe®, Digisafe®, Holosafe®, Irisafe®, Polarisafe®, LQard®, Q-Check® and Tempera®.

Personnel

As at the date hereof, we have 404 full-time employees, of which 267 are employed at the Landqart Mill, 128 are employed at the Dresden Mill and five are employed at our head office in Vancouver, British Columbia.

The manufacturing employees at the Landqart Mill are employed pursuant to a collective agreement which is renewed with the local workers council on an annual basis. The collective agreement relating to employees at the Dresden Mill are currently being negotiated. There have been no labour issues at either the Landqart or Dresden Mills to date and none are expected.

Environmental

The operations of each of the Mills are regulated by a wide array of federal, state, municipal and local environmental legislation, and the respective regulations thereunder. Operations managers at each of the Mills have been assigned responsibility for monitoring compliance with prescribed standards and with their own environmental operating procedures. Each of the Mills has established an environmental management and reporting system that is designed to monitor environmental compliance with regulatory requirements and identify environmental issues and communicate them to all levels of management.

In connection with the transfer of the Mills by Mercer to us, no environmental representations or warranties relating to the Mills were provided by the vendors to us. In addition, Dresden has assumed all of the liabilities of the vendor relating to the environmental condition of the Dresden Mill regardless of whether any issues arose prior to the date of the transfer. See "Risk Factors - Environmental".

The operations of each of the Mills is in substantial compliance with all applicable environmental requirements. The Mills manufacture paper materially in accordance with regulations governing air emissions and effluent discharges and within an overall context of maximizing the efficient use of resources and reducing the flow of all forms of waste materials.

The Mills must monitor the release of specified gaseous and particulate materials into the atmosphere during manufacturing processes and control the discharge of liquid waste into the environment.

Each of the Mills is equipped with its own waste-water treatment plant and a closed water cycle system that allows it to reduce water consumption as well as effluent release.

The Landqart Mill has passed the Forest Stewardship Council ("FSC") audit and is therefore able to supply FSC-certified products on request. In addition, the Landqart Mill was ISO14001 certified in 2007. In May 2000, the Dresden Mill passed the FSC audit successfully and is therefore able to supply FSC-certified products on request.

The trademark of the FSC identifies products which contain a minimum of 70% fibres which come from well managed forests certified in accordance with the rules of the FSC. The Mills have been ISO 9001:2000 certified.

Due to its location in Germany, a country with well established environmental legislation, the Dresden Mill is committed to environmentally conscious processes. To that effect, the production at the Dresden Mill is marked by biological effluent cleaning, ecological disposal of de-inking residues and excess heat recovery processes to minimize adverse effects on local watercourses and air quality.

The Mills will continue to identify and address potential environmental concerns which may result in the identification of additional environmental costs and liabilities. We believe that the Mills have identified and provided for the expenditures relating to known environmental matters, including compliance issues and the assessment and remediation of the environmental condition of its properties.

Environmental laws and requirements have become increasingly stringent over time. Federal, state, municipal and local governments have become increasingly active in the area of environmental regulation. The enforcement of environmental laws changes from time to time and there can be no assurance that the current level of enforcement of environmental laws will not change in the future. Regulation and enforcement by the various levels of government, with respect to past, current and future operations and activities can reasonably be expected to continue to affect the Mills.

RISK FACTORS

An investment in our securities should be considered highly speculative and involves a high degree of financial risk due to the nature of our activities and the current status of our operations. A prospective investor should carefully consider the risks summarized below and all other information contained in this Annual Information Form before making an investment decision relating to our shares. Some statements in this Annual Information Form (including some of the following risk factors) are forward-looking statements. Please refer to the discussion of forward-looking statements in the introduction to this Annual Information Form. Any one or more of these risks could have a material adverse effect on the value of any investment in our Company and the business, financial position or operating results of our Company and should be taken into account in assessing our activities. The risks noted below do not necessarily comprise all those faced by us.

Reputation

Damage to our reputation may arise from an incident or event which is in monetary terms not material. Matters which could affect our reputation include significant breaches of security or a contravention of law, such as environmental or health law or a failure to maintain appropriate standards of corporate responsibility.

Although we employ internal control procedures to protect the security of the security papers supplied to our customers, we cannot guarantee that these measures will be sufficient for this purpose. If our security measures are breached as a result of a third-party action, employee error or otherwise, and the security papers or security features become available to unauthorized parties, we could incur liability and our reputation could be damaged, which could lead to the loss of current and potential customers.

If we experience any breaches of our security, we may be required to expend significant capital and other resources to remedy, protect against or alleviate these and related problems, and we may not be able to remedy these problems in a timely manner, or at all.

Competition

We operate in highly competitive niche markets and face competition from numerous global competitors. Many of our competitors are larger and have greater financial resources than us and some of the mills operated by our competitors are lower cost producers than the Mills and may be able to adapt more quickly to industry or market changes or devote greater resources to the sale of products then we can. Our competitive position is influenced by a large number of factors including:

- our ability to attract and maintain long-term customer relationships;
- the quality of our products and customer service;
- foreign currency fluctuations;
- our ability to reduce manufacturing costs by achieving high operating efficiencies and production rates;
- the availability, quality and cost of fibre and labour; and
- the cost of energy.

There can be no assurance that we will continue to be competitive in the future.

Maintaining Market Position

We sell our products in several markets that are characterized by technological advances, changing industry standards in the security papers business and the frequent introduction of new security features. We must continually introduce new products and enhancements in a timely manner to prevent our paper-based security products from becoming obsolete. We will suffer competitive harm if we are unable to develop new products effectively. Further, any new products we develop could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue. The success of our new product offerings depends on several factors, including our ability to:

- properly identify customer needs;
- educate customers about the value of our products;
- price our products competitively;
- comply with changing regulatory standards; and
- produce sufficient volumes in a timely manner.

We may be unable to produce commercially viable security and specialty papers that provide the features and performance specifications required by our customers at a competitive price and, as a result, our operating results could suffer.

Markets and Marketing

The marketability and price of our products is and will continue to be affected by numerous factors beyond our control. We may also be affected by deliverability uncertainties related to the proximity of our products to our customers, and related to operational problems with our facilities as well as extensive government regulation relating to price, taxes, the export of our products and many other aspects of the paper industry. Additionally, the production of security papers for banknotes occurs within a defined market size and is exposed to the short-term ordering cycles of central banks. Significant year-on-year changes in volume or customer mix could affect profitability.

Technology and Protection of Intellectual Property

Maintaining a competitive position requires us to maintain a technological lead by developing new features which meet market needs. Linked to maintaining a technological lead is the successful protection of intellectual property. Our ability to compete and the ability of the business to grow could suffer if these rights are not adequately protected.

To establish and protect our intellectual property rights, we rely on a combination of copyright, trade secret and trademark laws, patents, confidentiality procedures, contractual provisions, and other similar measures to protect our proprietary information, all of which offer only limited protection.

There can be no assurance that our patent applications will result in patents being issued or that current or additional patents will afford protection against competitors. No guarantee can be given that others will not independently develop substantially equivalent proprietary information or techniques, or otherwise gain access to our proprietary technology.

As patents or patent applications do not cover a significant part of our intellectual property, we seek to protect this proprietary intellectual property in part by confidentiality agreements with our customers, strategic partners, distributors and employees. These agreements afford limited protection and may not provide us with adequate remedies for any breach or prevent other persons or institutions from asserting rights to intellectual property arising out of these relationships.

Furthermore, effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our products become available. The steps we have taken to protect our intellectual property may not prevent the misappropriation of proprietary rights or the reverse engineering of our technology. Moreover, others may independently develop technologies that are competitive with or superior to those of our Company or that infringe our intellectual property. The enforcement of our intellectual property rights may depend on us taking legal action against such infringing parties, and we cannot be sure that these actions will be successful, even when our rights have been infringed. Enforcing our rights to our technology could be costly, time-consuming and distracting. Any significant failure or inability to adequately protect our proprietary assets will harm our business and reduce our ability to compete.

In addition, non-Canadian courts are sometimes less willing than Canadian courts to protect trade secrets. If our competitors independently develop equivalent knowledge, methods and know-how, we may not be able to assert our trade secrets against them and our business could be harmed.

Dependence on Major Customers

The Landqart Mill's ten largest customers accounted for 55.4% and its two largest customers accounted for 23.6% of its sales revenues in fiscal 2008. The nature of banknote paper production limits the absolute number of potential customers. Similarly, the Dresden Mill's ten largest customers accounted for 70.9% and its two largest customers accounted for 30.5% of its fiscal 2008 sales revenues.

A significant reduction of purchases by any of our largest customers could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Acquisitions Risk

A component of our strategy is to selectively acquire or invest in security and specialty papers businesses that will enhance our production capacity, advance our technological capability, expand our customer base or extend our geographic reach. Acquisitions involve numerous risks in addition to those otherwise specified herein as applicable to us, including the expenses incurred in connection with the acquisition, the difficulties in assimilating operations, the diversion of management's attention from other business concerns and the potential loss of key employees of the acquired company. Acquisitions of foreign companies involve the additional risks of assimilating differences in foreign business practices, hiring and retaining qualified personnel and overcoming language barriers. It is also possible that with any future acquisitions, we will assume the problems of the acquired entity. There is no assurance that we will successfully integrate future acquisitions into our operations, be able to complete such transactions or be able to complete them on favourable financial terms.

Product Liability Claims

We may be held responsible for any defects that occur with respect to our security and specialty papers and paper-based security products. Depending on the defect, we may be liable for significant damages, which may adversely affect our financial results and condition. Furthermore, as we increasingly provide security and specialty papers and paper-based security products utilizing sophisticated and leading-edge technologies, such defects may occur more frequently. Such potential increase in defects, which could result in an increase in our liability, may adversely affect our financial results and condition.

In addition, negative publicity concerning these defects could make it more difficult for us to attract and maintain customers to purchase our products. As a result, our financial results and condition may be adversely affected.

Fluctuations in the Price and Supply of Raw Materials

The fibre used by the Mills consists of wood pulp, cotton and synthetic fibres. Such fibre is cyclical in terms of both price and supply. The cost of fibre for the Mills is primarily affected by the supply and demand for paper, wood pulp, cotton and petroleum products. Demand for these raw materials is determined by the volume of wood pulp, cotton, paper products and petroleum products produced globally and regionally. The markets for wood pulp, cotton, paper products and petroleum products are highly variable and are characterized by periods of excess product supply due to many factors, including periods of insufficient demand due to weak general economic activity or other causes. The cyclical nature of pricing for these raw materials represents a potential risk to our profit margins.

We do not have any long-term fibre contracts. Although raw materials are available from a number of suppliers, and we have not historically experienced supply interruptions or substantial price increases, we cannot predict what fluctuations we may encounter in the future as we increase productions at the Mills. The Dresden Mill currently sources synthetic fibres from a long standing supplier and a recently qualified supplier, and is in the process of further diversifying its supply of synthetic fibres. In addition, the quality of fibre we receive could be reduced as a result of industrial disputes, material curtailments or shut-down of operations by suppliers, government orders and legislation, acts of god and other events beyond our control. An insufficient supply of fibre or reduction in the quality of fibre we receive would materially adversely affect our business, financial condition, results of operations and cash flow.

In addition to the supply of fibre, we are dependent on the supply of certain chemicals and other inputs used at the Mills. Any disruption in the supply of these chemicals or other inputs could affect our ability to meet customer demand in a timely manner and could harm our reputation. Any material increase in the cost of these chemicals or other inputs could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Management of Growth

We may be subject to growth-related risks including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expend, train and manage our employee base. The inability to deal with this growth could have a material adverse impact on our business, operations and prospects.

Substantial Capital Requirements

We anticipate making substantial capital expenditures for the acquisition, development and increased production of our products in the future. If our revenues decline, we may have limited ability to expend the capital necessary to undertake or complete future projects. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to us. Moreover, future activities may require us to alter our capitalization significantly. Our inability to access sufficient capital for our operations could have a material adverse effect on our financial condition, results of operations or prospects.

Failure to Enhance Operating Performance

While we believe that there are a number of opportunities to reduce operating costs, increase production and improve the financial results of the Mills, we may not be able to achieve our planned operating improvements, cost reductions, capacity increases or improved price realizations in our expected time periods, if at all. In addition, some of the improvements that we hope to achieve depend upon capital expenditure projects that we plan to implement at the Mills. Such capital projects may not be completed in the expected time periods, if at all, and may not achieve the results that we have estimated or may have a cost substantially in excess of the planned amounts.

Labour Relations

The majority of our employees are unionized. Although we have not experienced any work stoppages in the past, there can be no assurance that we will be able to negotiate acceptable collective agreements or other satisfactory arrangements with our employees upon the expiration of existing collective agreements. This could result in a strike or work stoppage by the affected workers. The registration or renewal of the collective agreements or the outcome of wage negotiations could result in higher wages or benefits paid to union members. Accordingly, we could experience a significant disruption of our operations or higher on-going labor costs, which could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Reliance on Key Personnel

Our future success depends, to a large extent, on the efforts and abilities of our executive and senior mill operating officers. The contributions of these individuals to the immediate operations of our Company are likely to be of central importance. Such officers are industry professionals, many of whom have operated through multiple business cycles. Our officers play an integral role in, among other things:

- sales and marketing;
- reducing operating costs;
- identifying capital projects which provide a high rate of return; and
- prioritizing expenditures and maintaining employee relations.

The loss of one or more of our officers could make us less competitive in these areas which could materially adversely affect our business, financial condition, results of operations and cash flows. There can be no assurance that we will be able to continue to attract and retain all personnel necessary for the development and operation of our business. We do not maintain any key person life insurance on any of our executive or senior mill operating officers.

Foreign Operations

Substantially all of our operations are currently conducted in Switzerland and Germany and the majority of sales are international. As such, our operations are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties vary from country to country and include, but are not limited to, currency exchange rates, labour unrest, renegotiation or nullification of existing agreements, licenses, permits and contracts, changes in taxation policies, restrictions on foreign exchange, changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in operational or investment policies or shifts in political attitude may adversely affect our operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, environmental legislation, land and water use. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on our results of operations or prospects.

Limited Recourse under Acquisition Agreements

The investigations and reviews conducted in connection with the acquisition of the Mills by us and the indemnification provided in the acquisition agreements may not be sufficient to protect us from, or compensate us for, all losses resulting from the acquisitions.

With respect to the acquisition of the Dresden Mill, under the terms of the acquisition agreement the maximum aggregate amount we may claim against the vendor is limited to €1.0 million. Furthermore, we have assumed all obligations and liabilities relating to the environmental condition of the assets of the Dresden Mill, as well as to litigation, regardless of whether such condition or litigation arose prior to the acquisition. We have also assumed all charges and risks with regard to possible contaminated soils or possible harmful changes of soil in terms of the *German Federal Soil Protection Act*. All statutory warranty claims, claims deriving from sec. 280 or sec. 313 of the *German Federal Soil Protection Act*, and any rights of rescission, were excluded to the extent possible according to the applicable laws. We took ownership of the assets of the Dresden Mill on an "as is, where is" basis and, accordingly, we have no recourse against the vendor with respect to any of the assets.

With respect to the acquisition of the shares of Landqart, the vendor represented only that it was transferring the shares of Landqart free and clear of all security interests, liens, encumbrances, restrictions and adverse claims of every kind, such that absolute title to the shares was being effectively transferred to us. We accepted that we had the same knowledge of all material facts and circumstances relating to the past and present operations and activities of Landqart as the vendor. We also accepted the express waiver of all other warranties and representations by the vendor.

A material loss associated with either of the acquisitions for which there is no adequate remedy under the acquisition agreements could materially and adversely affect our results of operations and financial condition.

Environmental

Certain phases of paper production present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, state, municipal and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with operations. Further, there are also requirements that mill sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge. Although we believe that we are in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect our financial condition, results of operations or prospects. See "Description of Business - Environmental". Furthermore, failure by us to comply with applicable environmental and safety laws and regulations, and the permit requirements related thereto, could result in civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measure, installation of pollution control equipment or remedial actions, any of which could result in significant capital expenditures or reduced results or operations. See also "—Limited Recourse under Acquisition Agreements".

Force Majeure and Natural Events

The occurrence of a significant event which disrupts the ability of the Mills to produce or sell their security and specialty paper products for an extended period, including events which preclude its suppliers from providing fibre to the Mills at historical levels, could have a material negative impact on the earnings of the Mills. The Dresden Mill experienced flooding in the summer of 2002 as a result of the "100 year" flood levels that occurred throughout Europe. Similarly, the forest products industry is subject to natural events such as forest fires, adverse weather conditions, insect infestation and disease. The occurrence of any one of these events could have a material adverse effect on our business and financial condition.

Foreign Exchange

Our profitability is subject to fluctuations in foreign currencies, particularly the Euro and Swiss Franc, which are the currencies in which most of our sales are denominated. Fluctuations in foreign currencies affect our competitive position in world markets. Our competitiveness in world markets is also affected by the relative strength of the currencies of other producing countries.

Limited Trading History

Due in part to the relatively recent listing of our common shares on a public market and our limited operating history, the market price for our common shares is likely to be volatile and may be significantly affected by such factors as quarter-to-quarter variations in our results of operations or predictions, announcements, changes in general market conditions, adverse publicity regarding us or our industry in general, regulatory actions, changes in financial estimates by securities analysts and other factors. There can be no assurance that the market price of our common shares will not decline.

Insurance and Uninsured Risks

Our business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to the Mills, personal injury or death, environmental damage to our properties, delays in operations, monetary losses and possible legal liability.

Although we maintain insurance, there can be no assurance that we will not incur losses beyond the limits of, or outside the coverage of, such insurance. From time to time, various types of insurance for companies in paper industries have not been available on commercially acceptable terms or, in some cases, have been unavailable. For example, we do not insure and cannot obtain insurance against certain environmental risks as insurance is not available on commercially acceptable terms. In addition, there can be no assurance that in the future we will be able to maintain existing coverage or that premiums will not increase substantially.

Dilution

In order to finance future operations, we may raise funds through the issuance of common shares or the issuance of debt instruments or other securities convertible into common shares. We cannot predict the size of future issuances of common shares or the issuance of debt instruments or other securities convertible into common shares or the effect, if any, that future issuances and sales of our common shares or other securities will have on the market price of our common shares. Any transaction involving the issuance of previously authorized but unissued common shares, or securities convertible into common shares, would result in dilution, possibly substantial, to present and prospective holders of shares.

Conflicts of Interest

Certain of our directors and officers are directors or officers of, or have significant shareholdings in, other forest product companies, and to the extent that such other companies may participate in transactions in which we may participate, our directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such other companies may also compete with us for the acquisition of certain supply agreements. In the event that any such conflict of interest arises, a director or officer who has such a conflict will disclose the conflict to a meeting of our directors and, if the conflict involves a director, the director will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, we will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. In accordance with the provisions of the BCA, our directors and officers are required to act honestly and in good faith with a view to the best interests of our Company. In determining whether or not we will participate in a particular transaction or agreement and the interest therein to be acquired by it, our directors will primarily consider the potential benefits to us, the degree of risk to which we may be exposed and our financial position at that time.

Limited Operating History as a Separate Legal Entity

We were incorporated in May 2006, the Mills were transferred to us on August 1, 2006, and therefore we have operated as a separate legal entity for a limited period of time. Prior to these events, each of the Mills was closely linked to Mercer's other operations. Historical financial information presented in this Annual Information Form and in our other public filings may not necessarily be indicative of the results that would have been attained if we and the Mills had been operated as a separate legal entity without close ties to Mercer.

Funding Acquisitions

If we are unable to raise additional funds when needed, our ability to execute our acquisition strategy could be impaired. We do not know whether we will be able to secure additional funding or funding on terms acceptable to us. Our ability to obtain additional funding will be subject to a number of factors, including market conditions, investor sentiment and our operating performance. These factors may make the timing, amount, terms and conditions of additional funding unattractive to us. If we issue additional equity securities, existing shareholders may experience dilution or be subordinated to any rights, preferences or privileges granted to the new equity holders.

DIVIDENDS

We have not declared or paid any dividends on any of our common shares since incorporation, and do not foresee the declaration or payment of any dividends on our shares in the near future. Any decision to pay dividends on our common shares will be made by our Board on the basis of our earnings, financial requirements and other conditions existing at such future time and which the Board considers appropriate in the circumstances.

DESCRIPTION OF CAPITAL STRUCTURE

We are authorized to issue an unlimited number of common shares without par value and an unlimited number of Class B preferred shares with a par value of $1,000 (the "Preferred Shares"), of which 10,203,500 common shares and no Preferred Shares are issued and outstanding as of the date of this Annual Information Form.

Common Shares

Holders of common shares are entitled to: (a) receive notice of and attend any meetings of our shareholders and are entitled to one vote for each common share held, except meetings at which only holders of a specified class are entitled to vote; (b) the right to receive, subject to the prior rights and privileges attaching to any other class of our shares, including without limitation the rights of the holders of Preferred Shares, any dividend declared by us; and (c) the right to receive subject to the prior rights and privileges attaching to any other class of our shares, including without limitation the holders of Preferred Shares, our remaining property and assets upon dissolution. Subject to the provisions of the BCA, we may by special resolution fix, from time to time before the issue thereof, the designation, rights, privileges, restrictions, and conditions attaching to each series of our common shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion if any, and any sinking fund or other provisions. No special right or restriction attached to any issued shares shall be prejudiced or interfered with unless all shareholders holding shares of each class whose special right or restriction is so prejudiced or interfered with consent thereto in writing, or unless a resolution consenting thereto is passed at a separate class meeting of the holders of the shares of each such class by the majority required to pass a special resolution, or such greater majority as may be specified by the special rights attached to the class of shares of the issued shares of such class.

Preferred Shares

The Preferred Shares may, at any time and from time to time, be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the Board. Holders of Preferred Shares shall not be entitled to receive notice of and attend any meetings of our shareholders or to vote at any such meetings, except meetings at which only holders of Preferred Shares are entitled to vote. Holders of Preferred Shares are entitled to: (a) the right to receive, subject to the prior rights and privileges attaching to any other class of our shares, any dividend declared by us; and (b) the right to receive subject to the prior rights and privileges attaching to any other class of our shares, our remaining property and assets upon dissolution. Subject to the provisions of the BCA, we may by special resolution fix, from time to time before the issue thereof, the designation, rights, privileges, restrictions and conditions attaching to each series of the Preferred Shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion if any, and any sinking fund or other provisions. No special right or restriction attached to any issued shares shall be prejudiced or interfered with unless all shareholders holding shares of each class whose special right or restriction is so prejudiced or interfered with consent thereto in writing, or unless a resolution consenting thereto is passed at a separate class meeting of the holders of the shares of each such class by the majority required to pass a special resolution, or such greater majority as may be specified by the special rights attached to the class of shares of the issued shares of such class.

There are currently no Preferred Shares issued and outstanding. We currently have no intention to issue any Preferred Shares.

MARKET FOR SECURITIES

Trading Price and Volume

Our common shares began trading on the TSX under the symbol "FTP" on June 28, 2007. The following table provides the monthly price range and trading volume of our common shares from January 1, 2008 to December 31, 2008:

	Trading Summary for FTP*		
	High ($)	Low ($)	Volume Traded (# of Shares)
2008			
December	5.77	4.86	414,177
November	6.65	5.49	274,004
October	8.00	5.40	391,106
September	10.47	7.76	372,419
August	10.28	9.30	157,185
July	10.04	9.25	217,610
June	11.65	10.00	325,633
May	10.99	8.60	837,802
April	8.90	7.70	416,657
March	7.76	6.00	265,174
February	6.50	6.00	432,085
January	7.00	6.25	634,584

DIRECTORS AND EXECUTIVE OFFICERS

Our Board is comprised of six members. The term of office for each of our directors will expire at the time of our next annual general meeting of shareholders. The following table sets forth the names, province or state and country of residence, positions held, dates of appointment and principal occupations for our directors and executive officers as at March 26, 2009:

Name and province or state and Country of Residence	Position	Held Office or Position Since	Principal Occupation for the past Five Years
Chadwick Wasilenkoff British Columbia, Canada	Chairman, Chief Executive Officer, President and Director	August 1, 2006	Chief Executive Officer and President of the Company
Dr. Alfonso Ciotola Padova, Italy	Chief Operating Officer	March 1, 2007(1)	Chief Operating Officer of the Company
Erich Sulser Chur, Switzerland	Chief Financial Officer	January 16, 2007 (2)	Chief Financial Officer of the Company
Kurt Loewen British Columbia, Canada	Controller and Secretary	August 1, 2006(3)	Controller and Secretary of the Company
Jimmy S.H. Lee Dubai City, Dubai	Director	August 1, 2006(4)	Chairman, Chief Executive Officer and President of Mercer International Inc.
Per Gundersby Helsinfors, Finland	Director	October 14, 2006	Business Consultant and Corporate Director
Armin Martens Manitoba, Canada	Director	February 23, 2007	Chief Executive Officer, President and a trustee of Artis Real Estate Investment Trust

Name and province or state and Country of Residence	Position	Held Office or Position Since	Principal Occupation for the past Five Years
Richard O'C. Whittall British Columbia, Canada	Director	April 23, 2007	President of Watershed Capital Partners Inc.
John Coleman Zurich, Switzerland	Director	February 24, 2009	Managing Director of Orell Fussli Security Paper Ltd.
Roland Tornare Charmey, Switzerland	Director	February 24, 2009	Director of the Swiss National Bank

(1) Dr. Ciotola was appointed Chief Executive Officer of Landqart on March 1, 2007 and Managing Director of Dresden on March 5, 2007.
(2) Mr. Sulser was appointed Chief Financial Officer of Landqart on September 1, 2005.
(3) Mr. Loewen was appointed Chief Financial Officer and Secretary of the Company on August 1, 2006 and was replaced as Chief Financial Officer and appointed as Controller of the Company on January 16, 2007.
(4) Mr. Lee resigned as Director of the Company on February 24, 2009.
(5) Mr. Coleman retired from Orell Fussli in February 2009.
(6) Mr. Tornare retired from the Swiss National Bank in June 2008.

As at December 31, 2008, our directors and senior officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, **2,368,700** (approximately **23.15%**) of our issued and outstanding common shares.

Audit Committee

The audit committee meets with our auditor and is responsible for reviewing our interim and annual financial statements and making recommendations for the approval of such financial statements to our Board. Material issues related to the audit of our internal accounting controls and information systems are discussed with the audit committee as such issues arise. The audit committee has direct access to our auditors.

The audit committee charter sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointment and reporting to our Board. A copy of the audit committee charter is attached hereto as Appendix "A".

Richard O'C. Whittall is the Chairman of the audit committee. The other members of the audit committee are Per Gundersby and Armin Martens. Each member of the audit committee is "financially literate" within the meaning of National Instrument 52-110 - "Audit Committees" ("NI 52-110"). Richard O'C. Whittall, Per Gundersby and Armin Martens are "independent" members of the audit committee as that term is used in NI 52-110.

Relevant Educational Experience. Set out below is a description of the education and experience of each audit committee member relevant to the performance of his responsibilities as an audit committee member:

Richard O'C. Whittall – Mr. Whittall has been the President of Watershed Capital Partners Inc., a private investment banking firm, since 1996. Previously, he held a number of senior management positions in corporate finance and investment banking in Canada. Mr. Whittall currently serves as a director with various publicly listed companies. Mr. Whittall holds a Masters of Arts degree from the University of Cambridge and a Bachelor of Arts degree from the University of British Columbia.

Per Gundersby – Mr. Gundersby was Chairman of PEC-Tech, the construction subsidiary of RGM International from 1997 to December 2001. He was a director of Jaakko Poyry Consulting OY, a pulp and paper consulting company, from 1995 to 1996, Group Vice-Chairman of Jaakko Poyry from 1988 to 1995 and President of Jaakko Poyry from 1986 to 1988. Mr. Gundersby has a Masters of Science degree in Chemical Engineering.

Armin Martens – Mr. Martens is the Chief Executive Officer, President and a trustee of Artis real estate investment trust. From 2002 to 2005, Mr. Martens was a director of the Bank of Canada and during his tenure he served as Chair and as a member of the Advisory Committee on Currency. Since 1994 to present, Mr. Martens has been the Chief Executive Officer and President of Marwest Development Corporation, a private real estate development and management company. Mr. Martens is a professional engineer and holds a Masters of Business Administration degree from the International Institute for Management Development at the University of Geneva.

Pre-Approval Policies and Procedures. The audit committee charter includes responsibilities regarding the provision of non-audit services by our external auditors. The audit committee charter states that the audit committee shall: (i) pre-approve the retention of the independent auditor for any non-audit services, including tax services, and the fees for such non-audit services which are provided to our Company or its subsidiaries; (ii) consider whether the provision of non-audit services is compatible with maintaining the auditor's independence; and (iii) if so determined by the audit committee, recommend that our Board take appropriate action to satisfy itself of the independence of the auditor.

Reliance on Certain Exemptions. At no time since the commencement of our most recently completed financial year have we relied on any exemption from MI 52-110.

Audit Committee Oversight. At no time since the commencement of our most recently completed financial year was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by our Board.

Audit Fees. The aggregate fees billed by our external auditor in each of the last two fiscal years for audit services was $223,211 for the fiscal year ended December 31, 2008 and $603,297 for the fiscal year ended December 31, 2007. Audit service fees billed for 2007 were primarily related to our IPO.

Audit Related Fees. The aggregate fees billed in each of the last two fiscal years for assurance and related services by our external auditor that are reasonably related to the performance of the audit or review of our financial statements were $120,005 for the fiscal year ended December 31, 2008 and $69,752 for the fiscal year ended December 31, 2007.

Tax Fees. The aggregate fees billed in each of the last two fiscal years for professional services rendered by our external auditor for tax compliance, tax advice and tax planning were $23,236 for the fiscal year ended December 31, 2008 and $26,090 for the fiscal year ended December 31, 2007. Tax fees for 2008 and 2007 were primarily for corporate tax filings.

All Other Fees. The aggregate fees billed in each of the last two fiscal years for services provided by our external auditor, other than for the services reported above, were $8,086, for the fiscal year ended December 31, 2008 and $100,145 for the fiscal year ended December 31, 2007. Fees billed for 2007 were primarily related to our IPO.

Compensation Committee

Armin Martens is the Chairman of our Compensation Committee. The other members of our Compensation Committee are Richard O'C. Whittall and John Coleman . The Compensation Committee is appointed by the board of directors of the Company to discharge the Board's responsibilities relating to compensation of the Company's directors and officers. The Compensation Committee has overall responsibility for approving and evaluating the directors' and officers' compensation plans, policies and programs of the Company. The Compensation Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company's management information circular or similar filings with applicable regulatory authorities.

Corporate Governance Committee

Armin Martens is the Chairman of our Corporate Governance Committee. The other members of our Corporate Governance Committee are Richard Whittall and Roland Tornare. The Corporate Governance Committee is appointed by the board of directors of the Company to discharge the Board's responsibilities relating to the making of recommendations to the Board regarding the hiring, appointment and termination of officers, executives and other key employees, advising the Board with respect to the filling of vacancies on the Board and making recommendations as to nominees for the Board and to manage the corporate governance systems of the Board. The Corporate Governance Committee has overall responsibility for ensuring that the Company meets applicable legal, regulatory and (self regulatory) business principles and 'codes of best practice' of corporate behavior and conduct.

Conflicts of Interest

There are potential conflicts of interest to which our directors and officers will be subject in connection with our operations. In particular, certain of our directors and officers are involved in managerial or director positions with other companies whose operations may, from time to time, be in direct competition with those of our Company or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of our Company. See "Directors and Officers". Jimmy S.H. Lee, a former director of our Company, is the Chairman, Chief Executive Officer, President and a director of Mercer. In accordance with the BCA, any director who has a material interest or any person who is a party to a material contract or a proposed material contract with us is required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, our directors are required to act honestly and in good faith with a view to the best interests of our Company. Certain of our directors and officers have either other employment or other business or time restrictions placed on them and accordingly these directors and officers will only be able to devote part of their time to our affairs.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Except as set out below, we are not involved nor have been involved in any legal or regulatory proceedings (including any such proceedings which are pending or threatened of which we are aware) within the preceding financial year.

Given the nature of the business environment in which we operate and the relative strength of our financial position, third parties may threaten or commence legal or regulatory proceedings against us in the ordinary course of our business. An adverse determination in litigation or regulatory proceedings could subject us to significant liabilities to third parties. Although such disputes are often settled before trial, the costs associated with such arrangements may be substantial. We closely monitor the progress of all threatened litigation, and where our directors consider it appropriate, make the appropriate provisions and reserves in our financial statements.

REGISTRAR AND TRANSFER AGENT

Our registrar and transfer agent is Computershare, 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

We entered into an agreement with TKC Office and Management Services Ltd. ("TKC") dated March 19, 2007 (the "Office Agreement"), wherein TKC agreed to provide us with packaged office services effective January 1, 2007 for a term of three years at a monthly rate of $7,500 per month, which includes rent, office furniture and equipment and utilities. The Office Agreement may be terminated by either party upon 30 days' written notice to the other party. Mr. Wasilenkoff is an officer, director and sole shareholder of TKC. This agreement was terminated June 1, 2008.

In connection with Dr. Alfonso Ciotola's appointment as Chief Operating Officer of our Company on March 1, 2007, Dr. Ciotola terminated his sales agency agreement with Landqart dated May 30, 2003. On April 2, 2007, Landqart entered into a sales agency agreement with Carta Plus f.z.e., a corporation organized under the laws of the United Arab Emirates of which a relative of Dr. Ciotola is an officer, director and shareholder. The terms of the sales agency agreement were reviewed and approved by the board of directors of Landqart and are consistent with Landqart's other sales arrangements. All future dealings by Landqart relating to Carta Plus f.z.e. will be reviewed and approved by the board of directors of Landqart and will not involve the participation of Dr. Ciotola.

Other than as disclosed above and elsewhere in this Annual Information Form, there are no material interests, direct or indirect, of directors, executive officers, any shareholder who to the best of our knowledge, beneficially owns, directly or indirectly, more than 10% of our outstanding common shares or any known associate or affiliate of any such persons, in any transaction since incorporation or in any proposed transaction which has materially affected or will materially affect our Company.

MATERIAL CONTRACTS

Except as otherwise disclosed below and elsewhere in this Annual Information Form, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to our Company and that were entered into in the most recently completed financial year, or before the most recently completed financial year, but are still in effect.

INTERESTS OF EXPERTS

Our auditors are PricewaterhouseCoopers LLP, Chartered Accountants, and they have advised us that they are independent of our Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

No person or company referred to in this section beneficially owns, directly or indirectly, 1% or more of any class of our outstanding securities.

ADDITIONAL INFORMATION

Additional information regarding us, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, will be contained in our management proxy circular to be filed in respect of our annual meeting of security holders to be held on April 30, 2009. Additional financial information is provided in our consolidated financial statements and related management's discussion and analysis for the fiscal year ended December 31, 2008, which have been filed with various securities commissions.

Additional information relating to our Company may be found on SEDAR at www.sedar.com.

APPENDIX A

AUDIT COMMITTEE CHARTER

The Audit Committee is appointed by the Company's board of directors (the "Board") to assist the Board in monitoring: (1) the integrity of the financial statements of the Company; (2) the compliance by the Company with legal and regulatory requirements; and (3) the independence and performance of the Company's external auditors, which external auditors shall report directly to the Audit Committee.

The members of the Audit Committee shall meet the independence and experience requirements of applicable securities laws and any exchange or quotation system upon which the Company's securities are listed or quoted. The members of the Audit Committee shall be appointed by the Board.

The Audit Committee shall have the authority to retain independent legal, accounting or other consultants to advise the Committee as the Audit Committee determines necessary to carry out its duties and the Audit Committee shall have the authority to set and pay the compensation for any such advisors. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

The Audit Committee shall make regular reports to the Board.

The Audit Committee shall:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

2. Review the annual audited financial statements, the interim financial statements, management's discussion and analysis with management and annual and interim earnings press releases, including major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Company's financial statements. Such review must occur prior to the Company publicly disclosing any such information.

3. Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.

4. Review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including an analysis of the effect of alternative GAAP methods on the Company's financial statements.

5. Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

6. Meet with management to review the Company's major financial risk exposures and the Company's internal controls.

7. Review major changes to the Company's internal controls and accounting principles and practices as suggested by the independent auditor, internal accounting or financial personnel or management.

8. Recommend to the Board the nomination and appointment of the independent auditor for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, which independent auditor is ultimately accountable to the Audit Committee and the Board.

9. Review the experience and qualifications of the senior members of the independent auditor team, the audit procedures of the independent auditor and the rotation of the lead partner and reviewing partner of the independent auditor.

10. Approve the compensation to be paid to the independent auditor for audit services.

11. Pre-approve the retention of the independent auditor for all audit and any non-audit services, including tax services, and the fees for such non-audit services which are provided to the Company or its subsidiary entities.

12. Receive periodic reports from the independent auditor regarding the auditor's independence, discuss such reports with the auditor, consider whether the provision of non-audit services is compatible with maintaining the auditor's independence and, if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.

13. Evaluate together with the Board the performance of the independent auditor. If so determined by the Audit Committee, recommend that the Board replace the independent auditor.

14. Recommend to the Board guidelines for the Company's hiring of partners, employees and former partners and employees of the present and former independent auditor who were engaged on the Company's account.

15. Review the significant reports to management pertaining to the presentation and significant accounting policies of the Company's financial statements.

16. Obtain reports from management, the Company's senior accounting and financial personnel and the independent auditor that the Company and its subsidiaries are in conformity with applicable legal requirements, including disclosures of insider and affiliated party transactions.

17. Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee or anonymous complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.

18. Review with the independent auditor any problems or difficulties the auditor may have encountered and any disagreements between the independent auditor and management of the Company and any management letter provided by the auditor and the Company's response to that letter. Such review should include:

    (a) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management;

    (b) the internal accounting and financial responsibilities; and

    (c) the investigation and implementation of the resolution of any disagreement between the independent auditor and the management of the Company.

19. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.

20. Meet at least quarterly with the Chief Financial Officer and the independent auditor in separate executive sessions.

21. Establish a procedure for:

    (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

    (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations.