



January 31, 2012

Catalyst Paper Corporation
2nd Floor, 3600 Lysander Lane
Richmond, British Columbia
Canada V7B 1C3

To Our Valued Creditors

Tel: 604 247 4400
Fax: 604 247 0512

I am writing to advise you that on January 31, 2012 Catalyst Paper and its operating subsidiaries (the company) filed for creditor protection under the *Companies' Creditors Arrangement Act* (CCAA). The company obtained an initial CCAA order from the Supreme Court of British Columbia, and will shortly be seeking recognition of this order in the United States.

The decision to file for CCAA protection was not taken lightly and was taken to allow for an orderly restructuring of our balance sheet. We advised stakeholders of this priority several months ago and have done everything possible in advance of this decision to put our company on proper financial footing for the future. Today's action is, therefore, another step in rebuilding a stronger and more viable Catalyst Paper, and complements the cost reduction measures and leaner manufacturing operations we implemented in the past several years. It will also help preserve our ability to compete as a supplier of specialty printing papers, newsprint, directory and pulp during this extraordinary period of industry transformation.

These filings mean we are now operating as a debtor-in-possession under the supervision of PricewaterhouseCoopers Inc. (PwC), our court-appointed Monitor in the CCAA proceedings. The initial CCAA Court order and other relevant materials in the proceedings will be posted on the Monitor's website at www.pwc.com/car-catalystpaper.

This CCAA filing does not change our intention to continue operations as normal through the restructuring process. The CCAA order requires that vendors continue to provide their normal goods and services to Catalyst. In return, Catalyst will pay suppliers in full for goods and services provided on or after January 31, 2012. Any payment of invoices up to and including January 30, 2012 are stayed by the Court and cannot be paid. Your Catalyst representative will discuss this further with you.

Management will continue to lead the company, with the Monitor reviewing our cash flow and reporting to the Court on a periodic basis. As a debtor-in-possession, we can pay for post-filing goods and services provided to Catalyst Paper in the normal course of business. Payments will be made in accordance with the terms of our existing agreements with you, pursuant to the initial CCAA Order. We have arranged for significant liquidity through debtor-in-possession (DIP) financing facility with our existing lender. We expect the combination of cash on hand, cash flow from operations, and DIP financing will be sufficient to purchase goods and services on existing credit terms and to fund normal operations throughout the restructuring process.

To provide Catalyst Paper the opportunity to restructure its balance sheet and propose a plan to its creditors, the initial CCAA order stays all proceedings against the company and prevents payment for goods and services received before the filing date. The company's Pre-filing indebtedness cannot be fully satisfied until after a plan is accepted by the creditors and approved by the Court. We sincerely regret the hardship this may present you.

Your continued support and patience is critical to the successful and timely completion of this process. The news release of January 31, 2012 on these proceedings is available at www.catalystpaper.com. If you have any further questions about this announcement please contact your regular representative at Catalyst Paper.

I also invite you to contact me directly with any questions or comments you may have. We value and appreciate our relationship with you and ask you to look to the future as we work to complete our capital restructuring process as efficiently and quickly as possible.

Sincerely,

A handwritten signature in black ink, appearing to read 'KJ Clarke', with a stylized flourish at the end.

Kevin J. Clarke
President & Chief Executive Officer
Catalyst Paper Corporation