

## FRASER PAPERS FILES FOR CREDITOR PROTECTION COMPANY DEVELOPING RESTRUCTURING PLAN

(All financial references are in U.S. dollars unless otherwise noted)

**Toronto, ON (June 18, 2009)** – Fraser Papers Inc. (“Fraser Papers” or the “Company”) (TSX:FPS) announced today that it, together with its subsidiaries, has initiated a court-supervised restructuring under the *Companies’ Creditors Arrangement Act* (Canada) (the “CCAA”) in the Ontario Superior Court of Justice and that they will be seeking similar relief later today pursuant to Chapter 15 of the U.S. *Bankruptcy Code* in the U.S. Bankruptcy Court for the District of Delaware. Pursuant to CCAA Proceeding commenced today, PricewaterhouseCoopers Inc. was appointed by the Court as Monitor to assist the Company through its restructuring process. The Company remains in control of its assets and business operations.

“The filing will provide Fraser Papers with a defined process and the necessary time to restructure its affairs in order to emerge with a sustainable and profitable specialty paper business,” said Peter Gordon, the Company’s Chief Executive Officer.

Fraser Papers has been working with employees, suppliers, customers and governments over many months in an effort to reduce costs, improve fibre access, and optimize operations in a challenging environment. The Company has determined that continued operating losses, weak demand and selling prices for pulp and lumber, impending debt repayments and significant pension funding obligations require Fraser Papers to seek this protection from creditors while it continues to pursue alternatives to restructure its operations.

“Unlike many restructurings, the court filing was not the result of excessive leverage,” said Mr. Gordon. “Our paper business remains profitable, particularly the specialty packaging and printing segments where there are opportunities to grow in a number of key segments. However, weak pulp and lumber markets have drained our limited resources, more than offsetting the progress in our paper business.”

In support of this process, CIT Business Credit Canada has agreed to continue to revolve the existing working capital facility and, in addition, Brookfield Asset Management has agreed to provide debtor in possession financing. Together these two facilities will provide up to \$20 million to fund operations during the restructuring process.

The Company's operating plans are unaffected by today's announcement. The two paper mills in Madawaska, Maine and Gorham, New Hampshire will continue to operate without disruption, manufacturing specialty paper products for existing customers. The Company will proceed with developing a framework for a restructuring plan with the goal of making Fraser Papers more competitive and profitable.

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**Fraser Papers** is an integrated specialty paper company that produces a broad range of specialty packaging and printing papers. The Company has operations in New Brunswick, Maine, New Hampshire and Québec. Fraser Papers is listed on the Toronto Stock Exchange under the symbol: FPS. For more information, visit the Fraser Papers web site at [www.fraserpapers.com](http://www.fraserpapers.com).

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*Note: This press release contains forward-looking information and forward-looking statements within the meaning of Canadian provincial securities laws. These forward-looking statements include, among others, statements with respect to the Company's intention to file a restructuring plan, the restructuring process, potential opportunities for the restructured business and ongoing operation of certain of the Company's facilities. The words "plan", "remain", "will", "continue", "seek", "pursue", "opportunity", "grow", "progress", variations of those words and other words and expressions which may be predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results of the restructuring to differ materially from those set forth in the forward-looking statements include: general economic conditions; demand for the Company's products; unforeseen administrative, legal, operational or production issues; cost of fibre, energy and chemicals; sales and marketing performance; union negotiations; government allocation of Crown timber; and, other risks detailed from time to time in the documents filed by the Company with the securities regulators in Canada. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*