

FRASER PAPERS RECEIVES APPROVAL FOR RESTRUCTURING PROPOSAL First Stage in Process Involves Sale of the Specialty Papers Business- Creditor Protection Extended to February 26, 2010

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

Toronto, ON (December 10, 2009) – Fraser Papers Inc. (“Fraser Papers” or the “Company”) announced today that it received approval from the Ontario Superior Court that is overseeing its filing under the *Companies’ Creditors Arrangement Act* (Canada) (“CCAA”), to proceed with a firm and binding offer to sell its specialty paper assets. The specialty papers assets will be sold to a newly incorporated company, initially sponsored by the Company’s secured creditors, subject to receiving a superior bid. The assets to be sold include the pulp and paper facilities located in Madawaska and Edmundston, as well as the two New Brunswick lumbermills located in Plaster Rock and Juniper.

Under the terms of the offer, Brookfield Asset Management Inc., a secured creditor, has agreed to convert its secured claim against the Company into a 51% common equity ownership in a new specialty papers company. The Government of New Brunswick also agreed to convert its \$35 million secured loan plus accrued interest into equity in the form of preferred shares of the new company. CIT Business Credit Canada Inc., the Company’s existing working capital lender, has agreed to provide a \$50 million revolving credit facility from which its existing secured loans to the Company will be repaid or otherwise satisfied on closing. The new company will also issue common shares, representing a 49% common equity interest, and promissory notes to the unsecured creditors of Fraser Papers as further consideration for the assets purchased.

In order to ensure that the price under the proposed sale transaction maximizes value for the Company’s creditors, Fraser Papers will seek superior bids through a court-supervised process for a period of approximately 60 days. Potential bidders will be required to submit non-binding letters of intent on or before noon EST on January 22, 2010. PricewaterhouseCoopers, the Court appointed Monitor, will have the responsibility for managing this process, including identifying and contacting prospective purchasers, coordinating information requests and receiving offers.

The proceeds from the sale of these assets will be used to partially settle the remaining claims against Fraser Papers. The Company will accumulate the balance of proceeds from the initial sale, plus additional proceeds from the sale of the remaining assets in Fraser Papers, prior to distributing to its unsecured creditors. The other assets include a paper mill in Gorham, New Hampshire; hardwood kraft pulp mill in Thurso, Québec; and, two lumber mills in Ashland and Masardis, Maine. The ultimate recovery for unsecured creditors will be dependent, in part, upon the long term success of the new company.

The Ontario Superior Court has granted a further extension of the initial CCAA through February 26, 2010. The extension was supported by PricewaterhouseCoopers Inc., the Court appointed Monitor of the Company’s CCAA process.

The Company has filed similar materials with the U.S. Court in Delaware, which oversees the Company’s ancillary proceeding under Chapter 15 of the U.S. *Bankruptcy Code*.

* * * * *

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. For more information, visit the Fraser Papers web site at www.fraserpapers.com.

-30-

Contacts:

Peter Gordon
Chief Executive Officer
(416) 359-8614

pgordon@toronto.fraserpapers.com

Glen McMillan
Senior Vice President and Chief Financial Officer
(416) 359-8635

gcmillan@toronto.fraserpapers.com

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 restructuring proposal filed by the Company; the proposed transaction; the bid process; repayment or satisfaction of debt owing to the Company’s three secured lenders; and the recovery for unsecured creditors. The words “will”, “propose”, “seek”, 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 proposal, the proposed transaction, the bid process, repayment or satisfaction of debt owing to the Company's three secured lenders, and the recovery for unsecured creditors to differ materially from those set forth in the forward-looking statements include: unforeseen administrative, legal, transactional, operational or production issues; inability to meet certain conditions and/or to reach agreement with all parties to the proposed transaction; general economic conditions; union negotiations; and, other risks detailed from time to time in the documents filed by the Company with the securities regulators in Canada. In addition, the Company and its subsidiaries are currently operating under creditor protection laws in Canada and the United States. Many of the Company's plans are subject to the review of commercial courts in Canada and the United States. The Company cannot anticipate when such plans will be the subject of consideration by the commercial courts or, if they are, what impact that consideration will have on the plans or intentions of the Company. 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.