



**NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS**

to be held on May 19, 2011

and

INFORMATION CIRCULAR

March 23, 2011

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an Annual Meeting (the "**Meeting**") of holders of common shares (the "**Common Shares**") of Fibrek Inc. ("**Fibrek**" or the "**Company**") will be held at the Omni Mont-Royal Hotel, Salon Pierre de Coubertin, 1050 Sherbrooke Street West, Montreal, Québec, on May 19, 2011 at 10 a.m. (Montreal time) for the following purposes:

1. to receive the consolidated financial statements of the Company for the financial year ended December 31, 2010, together with the report of the auditors thereon;
2. to elect the directors of the Company for the ensuing year;
3. to appoint Samson Bélair/Deloitte & Touche s.e.n.c.r.l. ("**SBDT**") as auditors of the Company for the ensuing year and to authorize the board of directors of the Company (the "**Board**") to set their remuneration;
4. to transact such other business as may properly come before the Meeting or any adjournments or postponements thereof.

Specific details of the matters to be put before the Meeting are set forth in the Information Circular.

The Company has set the close of business on April 14, 2011 as the record date (the "**Record Date**") for the determination of holders of Common Shares (the "**Shareholders**") entitled to receive notice of, and vote at, the Meeting and any adjournment or postponement thereof. Only Shareholders whose names have been entered in the applicable register of Common Shares, on the close of business on the Record Date, will be entitled to receive notice of, and to vote at, the Meeting. Shareholders who acquire Common Shares after the Record Date will not be entitled to vote such Common Shares at the Meeting.

A Shareholder may attend the Meeting in person or may be represented by proxy. A Shareholder who is unable to be present at the Meeting and who wishes to appoint some other person (who need not be a Shareholder) to attend and act for him on his behalf at the Meeting may do so by striking out the names of the persons designated in the enclosed proxy form and by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper proxy form and, in either case, delivering, in the envelope provided for that purpose, the completed and executed proxy, for receipt no later than 48 hours (excluding Saturdays, Sundays and holidays in the Province of Québec) preceding the Meeting or any adjournment or postponement thereof, or delivering it to the chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof, prior to the time of voting.

DATED at Longueuil, Québec, this 23rd day of March, 2011.

By Order of the Board

A handwritten signature in blue ink, appearing to read 'Pierre Gabriel-Côté', is written over a horizontal line.

Pierre Gabriel-Côté
President and Chief Executive Officer

INFORMATION CIRCULAR

GENERAL PROXY MATTERS

This Information Circular is furnished in connection with the solicitation of proxies by the Company for use at the Meeting and any adjournment or postponement thereof to be held at the time and place and for the purposes set forth herein and in the Notice of Meeting accompanying this Information Circular. No person has been authorized to give any information or make any representation in connection with any matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

It is expected that the solicitation of proxies will be made primarily by mail but proxies may also be solicited by telephone or over the Internet. However, Management may solicit proxies directly, but without additional compensation. In addition, the Company shall, upon request, reimburse brokers and other custodians for their reasonable expenses in forwarding proxies and related material to Beneficial Shareholders. The costs of solicitation will be borne by the Company. Such costs are expected to be nominal.

Appointment of Proxies

Shareholders have received with this Information Circular a proxy form for the Meeting. The solicitation of proxies is being made by or on behalf of Management. The persons named in the enclosed proxy form are Directors or officers of the Company.

A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for him on his behalf at the Meeting other than the persons designated in the enclosed proxy form. Such right may be exercised by striking out the names of the persons designated in the enclosed proxy form and by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper proxy form and, in either case, delivering, in the envelope provided for that purpose, the completed and executed proxy, for receipt no later than 48 hours (excluding Saturdays, Sundays and holidays in the Province of Québec) preceding the Meeting or any adjournment or postponement thereof at which the proxy is to be used, or delivering it to the chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof prior to the time of voting. A proxy should be executed by the Shareholder or his attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer thereof or an attorney thereof duly authorized.

A Shareholder forwarding the enclosed proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Shareholder giving the proxy wishes to confer discretionary authority to the appointee with respect to any item of business, then the space opposite the item is to be left blank. The Common Shares represented by proxy submitted by a Shareholder will be voted in accordance with the directions, if any, given in the proxy.

Revocation of Proxies

A Shareholder who has given a proxy may revoke it at any time so long as it has not been exercised. A proxy may be revoked, by instrument in writing executed by the Shareholder or by his attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized in writing and deposited with the Company, as the case may be, at any time up to and including the last Business Day preceding the day of the Meeting at which the proxy is to be used or with the chairman of such Meeting on the date of the Meeting or any adjournment or postponement thereof, and upon either of such deposits the proxy is revoked. A proxy may also be revoked if a Shareholder personally attends the Meeting and votes his Common Shares, or in any other manner permitted by law.

Voting of Proxies

The persons named in the enclosed proxy form will vote the Common Shares in respect of which they are appointed in accordance with the instructions of the Shareholder appointing them. In the absence of such voting instructions, such Common Shares will be voted **FOR** those matters set out in the enclosed proxy and at the discretion of the proxyholder with respect to other matters that may properly come before the Meeting. **The enclosed proxy form confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the proxy and with respect to other matters which may properly come before the Meeting.** As at March 23, 2011, Management is not aware of any amendment, variation or other matter expected to come before the Meeting other than those set out herein. Should any amendment, variation or other matter properly come before

the Meeting, the persons named in the accompanying proxy form will vote on such amendments, variations or matters in accordance with their best judgment.

Completing the Form of Proxy

You can choose to vote "For" or "Withhold" with respect to the election of the Directors and the appointment of the auditors. If you are a Beneficial Shareholder voting your Common Shares, please follow the instructions provided in the voting instruction form provided.

When you sign the form of proxy without appointing an alternate proxyholder, you authorize Pierre Gabriel Côté and Hubert T. Lacroix, who are members of the Board, to vote your Common Shares for you at the Meeting in accordance with your instructions. **If you return your proxy without specifying how you want to vote your Common Shares, your vote will be counted FOR the election of the proposed nominees as Directors, FOR the appointment of the auditors of the Company and as your proxyholder sees fit on any other matters to be considered at the Meeting.**

You have the right to appoint someone other than the proxy nominees to be your proxyholder. If you are appointing someone else to vote your Common Shares for you at the Meeting, fill in the name of the person voting for you in the blank space provided on the form of proxy.

A proxyholder has the same rights as the Shareholder by whom it was appointed to speak at the Meeting in respect of any matter, to vote by way of ballot at the Meeting and, except where the proxyholder has conflicting instructions from more than one Shareholder, to vote at the Meeting in respect of any matter by way of any show of hands.

If you are an individual Shareholder, you or your authorized attorney must sign the form of proxy. If you are a corporation or other legal entity, an authorized officer or attorney must sign the form of proxy. If you need assistance completing your form of proxy (or voting instruction form), please contact the Transfer Agent, Computershare Investor Services Inc. at 1 800 564-6253, if you are a registered Shareholder, or your intermediary or broker, if you are a Beneficial Shareholder.

Record Date

The Record Date for determining those Shareholders entitled to receive notice and to vote at the Meeting is the close of business on April 14, 2011. Only persons registered as Shareholders on the books of the Company as of the close of business on the Record Date are entitled to receive notice of and to vote at the Meeting, and no person becoming a Shareholder after the Record Date shall be entitled to receive notice of and to vote at the Meeting or any adjournment or postponement thereof. The failure of any Shareholder to receive notice of the Meeting does not deprive the Shareholder of the right to vote at the Meeting.

Voting of Common Shares - Advice to Beneficial Shareholders

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name, but are owners of Common Shares registered either in the name of (a) an intermediary that the non-registered Shareholder deals with in respect of the Common Shares (such as banks, trust companies, securities dealers and brokers, trustees or administrators of self-administered registered retirement saving plans, registered retirement income funds, registered educational saving plans and their nominees); or (b) a clearing agency (such as CDS) of which intermediary is a participant ("**Beneficial Shareholders**" or "**Beneficial Shareholder**" individually) should note that only proxies deposited by Shareholders whose names appear on the records of the registrar and Transfer Agent of the Company as the registered holders of Common Shares can be recognized and acted upon at the Meeting. The Common Shares of Beneficial Shareholders are registered in the name of an intermediary, such as a securities broker, financial institution, trustee, custodian or other nominee who holds the Common Shares on their behalf, or in the name of a clearing agency in which the intermediary is a participant. Intermediaries have obligations to forward meeting materials to the Beneficial Shareholders, unless otherwise instructed by the Shareholder (and as required by regulation in some cases, despite such instructions).

Only registered Shareholders or their duly appointed proxyholders are permitted to vote at the Meeting. Beneficial Shareholders should follow the directions of their intermediaries with respect to the procedures to be followed for voting. Generally, intermediaries will provide Beneficial Shareholders with either: (a) a voting instruction form for completion and execution by the Beneficial Shareholder, or enabling voting by alternate means such as telephone or

Internet, or (b) a form of proxy, executed by the intermediary and restricted to the number of Common Shares owned by the Beneficial Shareholder, but otherwise uncompleted. These are procedures to permit the Beneficial Shareholders to direct the voting of the Common Shares that they beneficially own.

If the Beneficial Shareholder wishes to attend and vote in person at the Meeting, one must insert its own name in the space provided for the appointment of a proxyholder on the voting instruction or proxy form provided by the intermediary and carefully follow the intermediary's instructions for return of the executed form or other method of response.

Voting Common Shares and Quorum

The Company is authorized to issue an unlimited number of Common Shares. The Common Shares are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol FBK. As at March 23, 2011, 130,075,556 Common Shares were issued and outstanding, each carrying the right to one vote on all matters to come before the Meeting. Shareholders of record on April 14, 2011 are entitled to receive notice of and vote at the Meeting. The list of Shareholders entitled to vote at the Meeting will be available for inspection on and after April 21, 2011 during usual business hours at the Montreal office of the Transfer Agent, Computershare Investor Services Inc. at 1500 University Avenue, Suite 700, Montreal, Québec, H3A 3S8, and at the Meeting.

Pursuant to the by-laws of the Company, a quorum is present at the Meeting if one or more individuals present in person either hold personally or represent as proxies not less than 5% of the outstanding Common Shares. If a quorum is present within 30 minutes of the time fixed for the Meeting, the Shareholders present or represented by proxy may proceed with the business of the Meeting. If a quorum is not present within 30 minutes of the time fixed for the Meeting, the Shareholders present or represented by proxy may adjourn the Meeting to a day not less than 30 days later and to such place and time as may be determined by the chairman of the Meeting, and if at such adjourned meeting a quorum is not present, the Shareholders present either in person or by proxy shall be deemed to constitute a quorum.

Principal Shareholders

The following table shows the name and information about the Common Shares directly or indirectly beneficially owned by each person or company who, as at March 23, 2011, owned on record, or who, to the knowledge of the Directors and executive officers of the Company, owned beneficially, directly or indirectly, more than 10% of the Common Shares.

NAME	NUMBER OF COMMON SHARES OWNED	TYPE OF OWNERSHIP	PERCENTAGE OF CLASS OWNED
Fairfax Financial Holdings Limited ("Fairfax")	33,628,301	Direct ⁽¹⁾	25.85%

⁽¹⁾ To the Company's knowledge, Common Shares are owned and controlled by Fairfax through the investment portfolios of its insurance subsidiaries.

Interests of Certain Persons in the Matters to be Acted Upon

As at March 23, 2011, to the knowledge of the Directors and executive officers of the Company, the current Directors and executive officers of the Company and their associates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 751,900 Common Shares.

None of the principal holders of Common Shares or any Director or executive officer of the Company, as the case may be, or any associate or affiliate of any of the foregoing persons, has or had any material interest in any transaction since the commencement of the Company's financial year ended December 31, 2010 or any proposed transaction that materially affected, or will materially affect, the Company or any of its affiliates, except as disclosed below:

Following completion of the reorganization of SFK Pulp Fund into Fibrek pursuant to the Arrangement, Fibrek filed a short form prospectus qualifying the distribution of rights to subscribe for and purchase Common Shares in the capital of Fibrek for gross proceeds of \$40 million (the "Rights Offering"). On July 16, 2010, the Company issued an aggregate of 39,602,848 Common Shares pursuant to the Rights Offering, of which:

- 28,057,068 Common Shares were issued upon the exercise of the basic subscription privilege;
- 2,996,274 Common Shares were issued pursuant to the additional subscription privilege; and
- 8,549,506 Common Shares (the "**Standby Shares**") were issued under a standby purchase agreement dated May 12, 2010 (the "**Standby Purchase Agreement**") with Fairfax.

In consideration of its commitment to purchase the Standby Shares as provided in the Standby Purchase Agreement, Fairfax received a fee of \$400,000, representing 1% of the aggregate gross proceeds of the Rights Offering. The net proceeds of the Rights Offering, representing \$37.9 million, were used to reduce the Company's debt.

INFORMATION CONCERNING FIBREK

Name and Incorporation

FibreK was incorporated on March 24, 2010 pursuant to the provisions of the *Canada Business Corporations Act* ("**CBCA**"). The head office and principal business office of Fibrek is located at 1010 de Sérigny, Suite 100, Longueuil, Québec, J4K 5G7.

Conversion

On May 25, 2010, SFK Pulp Fund completed its reorganization from an income trust structure to a corporation named "FibreK Inc." by way of a court-approved plan of arrangement under Section 192 of the CBCA (the "**Arrangement**"). The Arrangement involved the exchange, on a one-for-one basis, of all outstanding units of SFK Pulp Fund for Common Shares of Fibrek Inc. and the assumption by Fibrek Inc. of the 7% convertible unsecured subordinated debentures of SFK Pulp Fund.

The Arrangement is required to be accounted for as a change in business form using the continuity of interests method of accounting. Under the continuity of interests method of accounting, the transfer of the assets, liabilities and equity of SFK Pulp Fund to Fibrek Inc. is recorded at the net book value as at the effective date of the Arrangement. As a result, for accounting purposes, the Company is required to be accounted for as though the Company was a continuation of SFK Pulp Fund but with its capital reflecting the exchange of fund units for Common Shares. Therefore certain terms as shareholder/unitholder and share/unit may be used interchangeably throughout this Information Circular.

Figures presented in the Information Circular include all amounts previously reported by SFK Pulp Fund. Reference to "Company", "Common Share", and "Shareholders" means "fund", "unit" and "unitholders" for transactions that occurred before the Arrangement.

Unless otherwise indicated or the context otherwise requires, "FibreK", the "Company", "we", "us" and "our" refer to any one of Fibrek Inc., SFK Pulp Fund, SFK Pulp Trust, Fibrek General Partnership (formerly known as SFK Pulp General Partnership), Fibrek Holding Inc. (formerly known as SFK Holding Inc.), Fibrek Recycling U.S. Inc. (formerly known as SFK Pulp Recycling U.S. Inc.) or its subsidiaries or any two of them or more collectively.

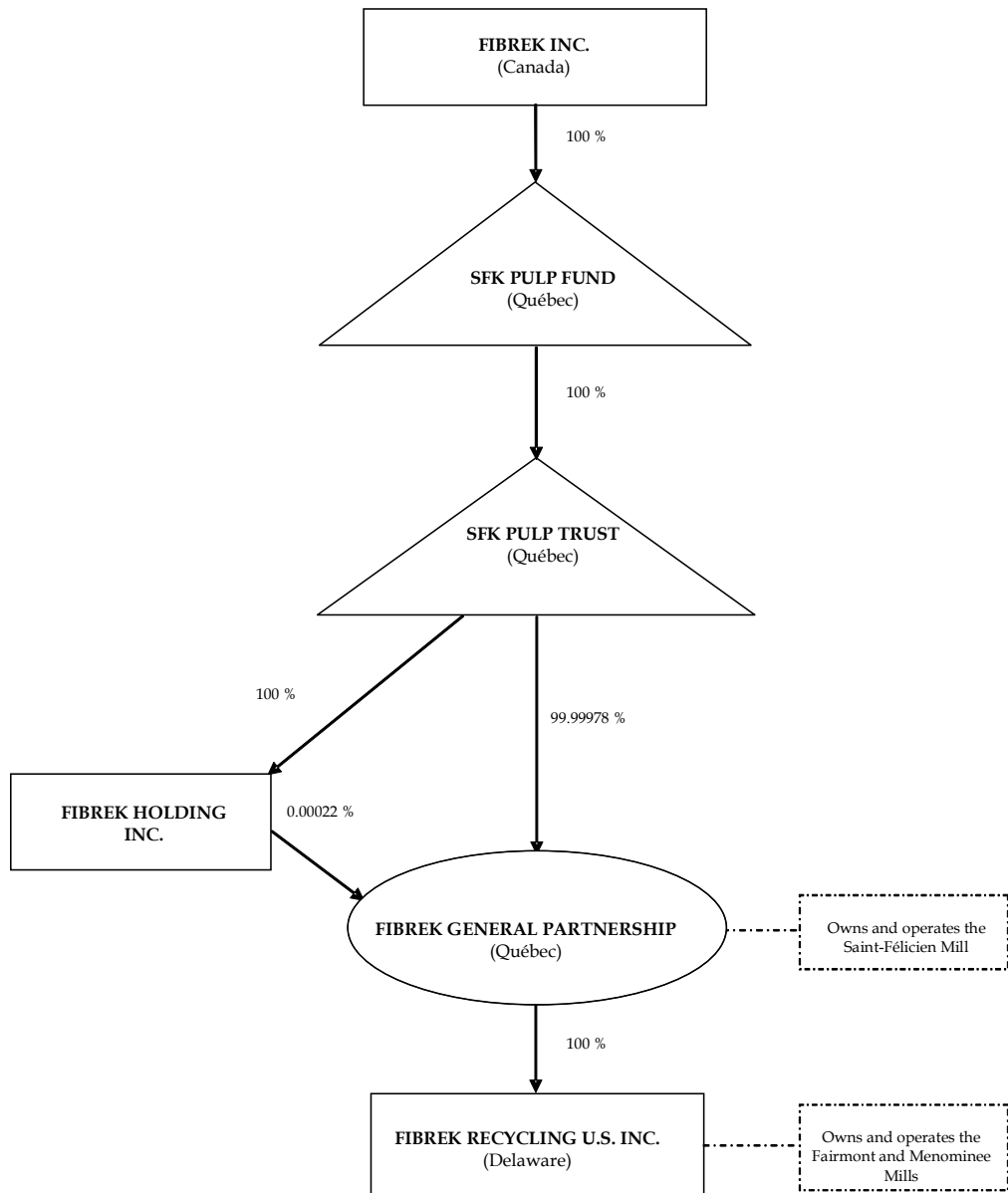
Intercorporate Relationships

The following table provides the name, the percentage of voting securities owned by Fibrek and the jurisdiction of incorporation, continuance or formation of Fibrek's subsidiaries, direct and indirect, as at March 23, 2011. For simplification purposes, this table omits certain wholly-owned holding companies.

	<u>Percentage of Voting Securities (directly or indirectly)</u>	<u>Jurisdiction of Incorporation/ Formation</u>
SFK Pulp Fund	100%	Québec
SFK Pulp Trust	100%	Québec
FibreK Holding Inc.	100%	CBCA
FibreK General Partnership	100%	Québec
FibreK Recycling U.S. Inc.	100%	Delaware

Organizational Structure of Fibrek

The following diagram sets forth the organizational structure of Fibrek as at March 23, 2011. For simplification purposes, this diagram omits certain wholly-owned holding companies.



BUSINESS OF THE MEETING

Presentation of Financial Statements

The consolidated financial statements of the Company for the financial year ended December 31, 2010, together with the report of the auditors thereon, will be presented to the Shareholders at the Meeting.

Election of Directors

According to the articles of incorporation of the Company, there shall be not less than three nor more than fifteen Directors, as determined from time to time by the Directors. Presently, the number of Directors is set at nine.

Each Director, if elected by the Shareholders, is to hold office until the next annual meeting of Shareholders of the Company or until his successor is elected or appointed.

If you do not specify how you want your Common Shares voted, the persons named as proxyholders will cast the votes represented by proxy at the Meeting FOR the election of the proposed nominees as Directors who are named in this Information Circular.

Proposed Nominees

The names and residence of all nominees for election as Directors, their principal occupation, the dates upon which they became Directors and the number of securities beneficially owned, controlled or directed by them, directly or indirectly, as at March 23, 2011, are as follows:

Name and Residence	Principal occupation	Director Since	Securities beneficially owned, controlled or directed, directly or indirectly
Pierre Gabriel Côté Québec, Canada	President and Chief Executive Officer, Fibrek	From July 26, 2004 to April 27, 2006 And since May 16, 2008	300,129 Common Shares
Pierre Desjardins ⁽¹⁾ Québec, Canada	Corporate Director	April 27, 2006	15,000 Common Shares \$25,000 Debentures
Georges Kobrynsky ⁽¹⁾ Québec, Canada	Corporate Director	May 16, 2008	5,750 Common Shares
Dino Fuoco ⁽²⁾ Québec, Canada	President, Matvet Inc.	June 13, 2002	4,488 Common Shares
Harold P. Gordon ⁽³⁾ Florida, U.S.A.	Chairman of the Board of Dundee Corporation	May 16, 2007	29,411 Common Shares
Hubert T. Lacroix ⁽⁴⁾ Québec, Canada	President and Chief Executive Officer, CBC/Radio-Canada	June 13, 2002	31,831 Common Shares
Adam Lapointe ⁽¹⁾ Québec, Canada	President, Pluri-Capital (PCI) Inc.	June 13, 2002	49,232 Common Shares
Nancy Orr ⁽³⁾ Québec, Canada	Consultant	April 27, 2006	40,673 Common Shares
François R. Roy ⁽⁵⁾ Québec, Canada	Corporate Director	April 28, 2005	11,501 Common Shares

As at March 23, 2011:

- (1) Member of the HRCG Committee.
- (2) Chairman of the HRCG Committee.
- (3) Member of the Audit Committee.
- (4) Chairman of the Board and member of the Audit Committee.
- (5) Chairman of the Audit Committee.

Pierre Gabriel Côté is President and Chief Executive Officer of Fibrek. Prior to that, he was President of Bombardier, Business Aircraft from July 2006 to July 2008. From July 2005 to July 2006, he was Executive Vice President, Tissue and Containerboard of Kruger Inc. and, from October 2001 to July 2005, he was President and Chief Executive Officer of Rogers Sugar Income Fund. Prior to that, Mr. Côté was Senior Vice President International Operations and Energy of Abitibi Consolidated Inc. from September 2000 to September 2001, and Vice President of US Operations of Donohue Inc. from September 1999 to August 2000. Mr. Côté has been an active member of the Board of Maison Michel Sarrazin Foundation since 2008 and sits on the Board of FPInnovations.

Pierre Desjardins is a corporate director. Prior to that, from 2002 to 2004, he was Chairman of the board of directors of TouchTunes Music Corporation, a Nevada corporation based in Montreal, Québec, involved in the digital distribution of music content to music-on-demand applications. From 2000 to 2004, he was Chairman of the board of directors of Total Containment Inc., a public company based in Oaks, Pennsylvania, offering engineering services and underground containment equipment for the conveyance of fuels in service stations in more than 65 countries. Mr. Desjardins' background is in marketing and corporate strategy. In the last 30 years, he has been president of divisions and Chief Executive Officer of several consumer and industrial companies including Labatt Breweries of Canada and Domtar. He has also served on numerous boards of public companies both in Canada and in the United States.

Georges Kobrynsky is a corporate director. He currently sits on the board of Supremex Inc. and Cascades Inc. and, in the past, has also sat on the board of Norampac Inc. Until January 2011, he was Senior Vice President, Investments, Forest Products of the Société générale de financement du Québec. Prior thereto, Mr. Kobrynsky held various senior positions at Domtar Inc., over 30 years, including Senior Vice-President, Pulp and Paper Sales, Marketing/Customer Relations Group from 2001 to 2005 and Senior Vice-President, Communication Papers Division from 1995 to 2001. He also held a position at the Ministry of Environment of Canada from 1971 to 1975. Mr. Kobrynsky has completed the Senior Executive Program from the University of Western Ontario. He also holds a Master of Business Administration from McGill University, a Bachelor's degree in Forest Engineering from the Université Laval and a Bachelor of Arts from the Université de Montréal.

Dino Fuoco is President of Matvet Inc., a company which distributes medical equipment to veterinary clinics and hospitals throughout Canada. For terms of one year that were completed in 2007, he acted as Chairman of the Board of l'Ordre des comptables en management accrédités du Québec and was a member of the council of chairs of The Society of Management Accountants of Canada. From 2001 to 2003, he was Executive Vice President and Chief Financial Officer of Société générale de financement du Québec. From 1994 to 2001, he was Executive Vice President and Chief Financial Officer of Alliance Forest Products Inc. (which was acquired by Bowater Incorporated in 2001).

Harold P. Gordon has been Chairman of the Board of Dundee Corporation, a management corporation involved in wealth management, financial services, real estate and natural resources, since November 2001. Prior thereto, he was Vice Chairman of the Board of Hasbro, Inc., from 1995 to 2002. Prior to 1995, he was a partner with the law firm Stikeman Elliott LLP for 28 years. Mr. Gordon is also the Chairman of the Board of the Jeanne Sauvé Scholars Foundation. He was appointed Queen's Counsel by the Government of Canada in 1989.

Hubert T. Lacroix is President and Chief Executive Officer of CBC/Radio-Canada. He began his mandate on January 2, 2008 and has been appointed for a five-year term. Prior to joining CBC/Radio-Canada, Mr. Lacroix held the position of Senior Advisor with the law firm Stikeman Elliott LLP (Montreal office). From May 2003 to December 2005, he also acted as Senior Advisor to Telemedia Ventures Inc., a private holding company. From February 1, 2000 to May 2, 2003, he was the Executive Chairman of Telemedia Corporation and of the other companies in the Telemedia group. Prior to that, he was a partner with the law firm McCarthy Tétrault LLP (Montreal office) for more than 20 years.

Adam Lapointe is the principal owner of, and has been for nearly 25 years President of, Pluri-Capital (PCI) Inc., an investment fund providing capital to manufacturing companies principally established in the Province of Québec. Mr. Lapointe is also a director of several private companies and also non-profit organizations. He holds a Bachelor's degree as well as a Master's degree in Economics from the Université Laval.

Nancy Orr is a consultant. She also sits on the boards and various committees of Dundee Wealth Inc. and ProMetic Life Sciences Inc. Prior to that, from 1991 to 2007, she was President of Dynamis Group Inc., a company that developed, built and operated plants in the electrical power industry and in the paper and wood recycling sectors in Europe and the U.S.A. In the past, she has sat on several public and private company boards, including Redline Communications Group Inc., Donohue Inc., the Bank of Canada, HEC-Montréal, Financial Services of Caisse de

dépôt et placement du Québec, the Investment Committee of the Canada Arts Council, Socanav Inc. and Montréal Cardiology Institute.

François R. Roy is a corporate director. Prior to that, from 2007 to 2010, he was Vice-Principal (Administration and Finance) at McGill University. From March 2000 to May 2003, he was Chief Financial Officer of Telemedia Corporation, a private holding company. From July 1998 to March 2000, he was Executive Vice President and Chief Financial Officer of Quebecor Inc. From August 1997 to July 1998, he was Executive Vice President and Chief Financial Officer of Avenor Inc., a forest products company. Mr. Roy sits on the Boards of Directors of Transcontinental Inc., Macquarie Power and Infrastructure Corporation and Noranda Income Fund. He is also a member of the Board of Directors of Caisse de dépôt et placement du Québec. He has also served on the boards of several not-for-profit organizations, including the Montreal Museum of Fine Arts, the Canadian Centre of Architecture, the International Festival of Art Films and the Opéra de Montréal and currently serves on the board of the Montreal Community Foundation and the National Arts Centre Foundation.

Other Directorships

Proposed nominees also act as directors or trustees for the following public entities as at March 23, 2011:

	Public Entities	Position
Pierre Gabriel Côté	n/a	n/a
Pierre Desjardins	Uni-Select Inc.	Director Member of the Executive Committee Member of the Audit Committee
Georges Kobrynsky	Supremex Inc.	Director Chairman of the Compensation, Corporate Governance and Nominating Committee Member of the Audit Committee
	Cascades Inc.	Director Member of the Audit Committee Member of the Environment and Health & Security Committee
Dino Fuoco	Capital BLF Inc.	Director Chairman of the Audit Committee
	Cominar Real Estate Investment Trust	Director Chairman of the Audit Committee Member of the Investment Committee
Harold P. Gordon	Dundee Corporation	Chairman of the Board Chairman of the Compensation Committee Member of the Corporate Governance and Nominating Committee
	Dundee Capital Markets	Director Chairman of the Compensation Committee Member of the Corporate Governance Committee
	Dorel Industries Inc.	Director Chairman of the Corporate Governance and Compensation Committee Member of the Audit Committee
	Pethealth Inc.	Director Member of the Audit Committee Member of the Compensation Committee
	Transcontinental Inc.	Director Member of the Corporate Governance Committee
Hubert T. Lacroix	CBC/Radio-Canada * Not a public entity	Director
	Zarlink Semiconductor Inc.	Director Chairman of the Audit Committee Member of the Nominating and Corporate Governance Committee

	Public Entities	Position
Adam Lapointe	n/a	n/a
Nancy Orr	Dundee Wealth Inc.	Director Member of the Audit Committee Member of the Compensation Committee
	ProMetic Life Sciences Inc.	Director
François R. Roy	Macquarie Power and Infrastructure Corporation	Director Chairman of the Audit Committee Member of the Governance Committee Member of the Compensation Committee
	Caisse de dépôt et placement du Québec * Not a public entity	Director Member of the Audit Committee Member of the Risk Management Committee
	Noranda Income Fund	Trustee Member of the Audit Committee Member of the Nominating and Governance Committee
	Transcontinental Inc.	Director Member of the Audit Committee

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Directors and executive officers of the Company, no proposed Director (a) is, as at March 23, 2011, or has been, within 10 years before, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "Order") that was issued while the proposed Director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the proposed Director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, (b) is, as at March 23, 2011, or has been within 10 years before, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (c) is, as at March 23, 2011, or has, within the 10 years before, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed Director, except for:

Mr. Desjardins was Chairman of the board of directors of Total Containment Inc. ("TCI"), a public company based in Oaks, Pennsylvania, when it was subject to a cease trade order and delisted from the Nasdaq Small Cap for failure to meet, on May 29, 2001, the \$1 minimum share price requirement and also when TCI filed for Chapter 11 under the US Bankruptcy Code on March 4, 2004.

Mr. Fuoco was a director of Multipartn'r Technologies (TMI) Inc. from May 1998 to September 7, 2001, date on which he resigned, being approximately one month prior to Multipartn'r Technologies (TMI) Inc.'s bankruptcy on October 2, 2001.

Mr. Gordon was a director of Great Northern Paper Inc., a private US corporation, until June 3, 2002, approximately seven months before the corporation filed for an arrangement under Chapter 11 of the US Bankruptcy Code on January 9, 2003, followed by liquidation on May 22, 2003 pursuant to Chapter 7 of the US Bankruptcy Code.

Mr. Lapointe was subject to a temporary management cease trade order issued on April 10, 2006 by the Ontario Securities Commission (the "OSC"), the Autorité des marchés financiers (the "AMF") and the British Columbia Securities Commission (collectively, the "Commissions") while he was acting as director of Bennett Environmental Inc. ("Bennett") and was subsequently subject to a permanent management cease trade order on April 26, 2006, after Bennett failed to file its annual financial statements for the year ended December 31, 2005. Under such orders, certain officers, directors and insiders of Bennett, including Mr. Lapointe, were prohibited from trading Bennett securities

until the Commissions were in receipt of the necessary filings. Bennett made the requisite filings and the management cease trade order was revoked on June 19, 2006. Mr. Lapointe ceased to be a director of Bennett on August 8, 2006.

Ms. Orr was a director of Redline Communications Group Inc. ("**Redline**") from September 2008 to 2010 and interim Chief Financial Officer from September 2008 to January 2009. On April 7, 2010, following failure from Redline to file its financial statements for the fiscal year ended December 31, 2009 and related continuous disclosure documents, the OSC and the AMF issued a temporary management cease trade order under National Policy 12-203 that prohibited trading in securities of Redline by certain insiders. On June 11, 2010, the OSC and the AMF issued a general cease trade order prohibiting trading in Ontario and Québec by any person of any securities of Redline, including any trading on the TSX. On February 24, 2011, the OSC and the AMF revoked the previously issued cease trade orders and Redline's common shares resumed trading on the TSX.

Mr. Roy was a director of Komunik Corporation from June 12, 2007 to April 1, 2008, approximately eight months before such corporation voluntarily filed for protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") on November 18, 2008. Also, Mr. Roy was a director of Pixman Nomadic Media Inc. ("**Pixman**") from July 5, 2006 to November 27, 2009, date on which he resigned, being more than two months before Pixman filed a notice of intention to make a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada). Between November 3, 2009 and February 17, 2010, the Alberta Securities Commission, the British Columbia Securities Commission, the OSC and the AMF issued cease trade orders in respect of Pixman in connection with its failure to file certain financial statements and other continuous disclosure documents within the prescribed delays.

Furthermore, as at March 23, 2011, to the knowledge of the Directors and executive officers of the Company, no proposed Director, nor any personal holding company thereof, (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Board Interlocks

The HRCG Committee has reviewed the membership of the proposed nominees to the Company's Board of Directors. With the exception of Messrs. Harold P. Gordon and François R. Roy who both sit on the board of directors of Transcontinental Inc., it has determined that no proposed nominees sit on the same board of directors of a public company as at March 23, 2011.

APPOINTMENT OF AUDITORS

At the Meeting, Shareholders must appoint the auditors of the Company. The Board, on the advice of the Audit Committee, recommends that SBDT, Chartered Accountants, be reappointed as auditors of the Company. SBDT has served as auditors of Fibrek since February 4, 2003. The auditors appointed at the Meeting will serve until the end of the next annual Shareholders' meeting or until their successors are appointed.

If you do not specify how you want your Common Shares voted, the persons named as proxyholders will cast the votes represented by proxy at the Meeting FOR the appointment of SBDT as auditors of the Company to hold office for the ensuing year, at a remuneration to be set by the Board.

Fees Paid to Auditors

During the years ended December 31, 2010 and 2009, Fibrek paid the following fees to SBDT:

Services	Fees Paid	
	2010	2009
Audit Fees ⁽¹⁾	\$738,608	\$637,795
Audit Related Fees ⁽²⁾	\$160,734	\$206,250
Tax Fees ⁽³⁾	\$177,250	\$133,550
Other Fees	-	-
Total	\$1,076,592	\$977,595

- (1) These amounts represent fees paid for the audit of Fibrek's annual consolidated financial statements and the review of its quarterly financial statements as well as work in connection with conversion to a corporation (\$31,750 in 2010) and the Rights Offering (\$58,500 in 2010).
- (2) These services consisted primarily of work in connection with the conversion to International Financial Reporting Standards (\$122,000 in 2010 and \$53,000 in 2009), audits and attest services provided to Fibrek's subsidiaries and Fibrek's sponsored pension plans and other special purpose mandates approved by the Audit Committee. The fees also include services that an independent auditor would customarily provide in connection with statutory requirements, regulatory filings, and similar engagements for the fiscal year, such as comfort letters, consents, and assistance with review of documents filed with the securities commissions.
- (3) These fees consist generally of the two categories of tax compliance, and of tax planning and advice. They include the review of tax returns, assistance with tax audits, capital structure, corporate transactions, conversion to corporation and other special purpose mandates approved by the Audit Committee.

STATEMENT OF EXECUTIVE COMPENSATION

HRCG Committee

The Board has delegated responsibility for the oversight and review of executive officers' compensation philosophy and practices to the HRCG Committee. As part of its mandate, the HRCG Committee is responsible for reviewing executive officers' performance and making recommendations to the Board on compensation for the President and Chief Executive Officer and his direct reports. Since July 20, 2010, the HRCG Committee is comprised of Messrs. Dino Fuoco (Chairman), Pierre Desjardins, Georges Kobrynsky and Adam Lapointe, all of whom are "independent" Directors (as such term is defined in NI 52-110). Prior to that, it was comprised of Messrs. Adam Lapointe (Chairman), Pierre Desjardins, Harold P. Gordon and Georges Kobrynsky, all of whom were "independent" Directors (as such term is defined in NI 52-110).

Compensation Discussion and Analysis

Objectives

Fibrek's executive compensation program is designed to:

- bring the value of each executive officer's total compensation opportunity into alignment with the median range for the appropriate peer group;
- recruit, motivate and retain highly talented executive officers;
- achieve pay equity among executive officers with similar responsibility levels;
- reward executive officers that achieve preapproved goals and provide rewards under our plans that are consistent with Fibrek's pay-for-performance culture;
- align executive compensation with Fibrek's strategic objectives;
- allocate between the elements of total direct compensation (base salary, annual incentives and long-term incentives) in a manner that is both market competitive and addresses specific objectives; and
- align the executive officers' interests with those of Shareholders by ensuring that executive officers are rewarded for activities that result in sustained Shareholder value growth.

Consulting Services

The HRCG Committee retains the services of its own independent consultant to advise it on executive compensation matters. The HRCG Committee has authority to retain and approve the fees of its consultants.

In 2010, the HRCG Committee retained the services of Towers Watson ("TW") to assist in determining the appropriate compensation for the Company's executives in respect of long-term incentives and retirement programs. In order to provide an independent view, TW reports directly to the HRCG Committee and does not provide consulting services for the Company (other than their executive compensation mandate) unless approved by the Chairman of the HRCG Committee.

It should be noted that, throughout this Information Circular, all decisions which have been taken by the Board or the HRCG Committee using information or based upon recommendations provided by TW, are the responsibility of the Board or the HRCG Committee, as the case may be, and may reflect factors and considerations other than such information and recommendations provided by TW.

Benchmarking Practices

In order to meet the Company's objective of providing market competitive compensation opportunities to its executive officers, the total executive compensation package is regularly benchmarked against market compensation data within a reference group of comparable companies, with a particular focus on those within the pulp and paper industry (the "Reference Group").

In 2010, the Reference Group used to benchmark the Company's executive officers was comprised of 11 Canadian companies in the paper and forest products sector. The list of companies included in the Reference Group is shown below:

2010 PRINCIPAL REFERENCE GROUP

Paper and Forest Products
Supremex Income Fund
Mercer International Inc.
TimberWest Forest Corp.
Ainsworth Lumber Co. Ltd.
International Forest Products Ltd.
Cascades Inc.
Fraser Papers Inc.
Western Forest Products Inc.
Catalyst Paper Corp.
Canfor Pulp Products Inc.
West Fraser Timber Co.

For US based executive officers, a broader peer group comprised of all companies that have participated in the 2008 Towers Perrin US Compensation Data Bank was used as Reference Group, excluding the following sectors: financial institutions, oil and gas, pharmaceuticals, high-tech and biotechnologies.

Compensation Structure and Composition

The total compensation of executive officers is comprised of the following principal components: base salary, short term incentives (annual bonuses), long term incentives, retirement programs, benefits and perquisites.

The following table sets forth for 2010 the principal components of the executives' compensation, the objectives underlying each component as well as the manner in which grants are determined.

Component	Form of Payment	Objective	Performance Period	Determination
Base Salary	Cash	Market competitive base pay	One year	<ul style="list-style-type: none"> Salary benchmarking at median of the Reference Group Individual performance
Short Term Incentives	Cash	Reward the efforts and success of senior officers during a given year	One year	<ul style="list-style-type: none"> Various combinations of EBITDA, corporate and operational objectives, depending on position held Measured against Board approved targets
Long Term Incentives	Options	Incentive to create value and accordingly to ensure that interests of executive officers are aligned with those of Shareholders	Six years	<ul style="list-style-type: none"> Growth in share value
	PSUs ⁽¹⁾	Incentive to create value and accordingly to ensure that interests of executive officers are aligned with those of Shareholders	Three years	<ul style="list-style-type: none"> Growth in distributable cash
Retirement Programs	Pension Plan and SERP	Market competitive	n/a	<ul style="list-style-type: none"> Based on market median, taking into account age at time of employment
Benefits and Perquisites	Health, dental, life insurance and disability programs Car allowances and club memberships	Market competitive	n/a	<ul style="list-style-type: none"> Based on median in the Reference Group

(1) The performance share unit plan under which the PSUs were issued was replaced in 2010 by the share option plan. The PSUs outstanding as of the effective date of the share option plan continue to be governed by the terms of the performance share unit plan, however, no further PSUs will be issued under such plan.

The composition of the total compensation package varies at each level, depending on the impact executive officers have over the results of Fibrek. The NEOs actual total target compensation mix for 2010 was as follows (excluding pension plans, benefits and perquisites):

	Base Salary	Incentive Compensation	
		Short Term Incentives	Long Term Incentives
President and Chief Executive Officer	44.5%	22.2%	33.3%
Vice President and Chief Financial Officer	55.6%	22.2%	22.2%
Vice President Change Management and Supply Chain	58.8%	20.6%	20.6%
Vice President Sales and Operations ⁽¹⁾	58.8%	20.6%	20.6%
Vice President Sales ⁽¹⁾	74.1%	25.9%	0%

(1) The Vice President Sales retired on December 31, 2010 and his function was assumed by the Vice President Operations whose title became Vice President Sales and Operations as at September 1, 2010.

Base Salary

In establishing the base salary of executive officers, including the President and Chief Executive Officer, Fibrek takes into consideration salaries paid for equivalent positions within organizations in the Reference Group. The base salary is established at median of the Reference Group.

In determining individual base salaries, the HRCG Committee takes into consideration individual circumstances that may include: the prior compensation package of a newly hired executive officer, the scope of an executive officer's position, the executive officer's relevant competencies or experience and retention risk. The HRCG Committee also takes into consideration the individual performance of the executive officer. The HRCG Committee reviews the base salary of each executive officer at least on an annual basis and recommends that the Board approve appropriate adjustments, if required, in order to maintain a competitive global compensation package within the market place.

In 2010, base salaries were reviewed to reflect regular increases and additional responsibilities.

In early 2011, conscious of the financial efforts they were asking from the Saint-Félicien Mill's employees in connection with the negotiation of the collective agreement, the executive officers decided to freeze their base salaries for 2011.

Short Term Incentives

Executive officers of Fibrek participate in a short term incentive plan (the "STIP"). The STIP is designed to acknowledge and reward the efforts and success of executive officers during a given year. The STIP is administered by the Board, based on recommendations from the HRCG Committee.

Cash bonuses paid under the STIP are based upon the achievement of key performance indicators ("KPI") determined according to three principal matrixes, being the Global Financial Performance Matrix (annual target EBITDA), the Financial Performance Matrix (annual KPIs) and the Special Annual Matrix (determined annually). The KPI objectives as well as the weight assigned to each of them are approved annually by the Board on recommendation of the HRCG Committee; the objectives "at target" are in line with the budget approved by the Board.

For the 2010 financial year, the KPI's underlying the three Matrixes for executive officers were as follows:

Matrixes	KPIs
Global Financial Performance	EBITDA
Financial Performance	Year-end working capital reduction
Special Annual	EBITDA improvement initiatives

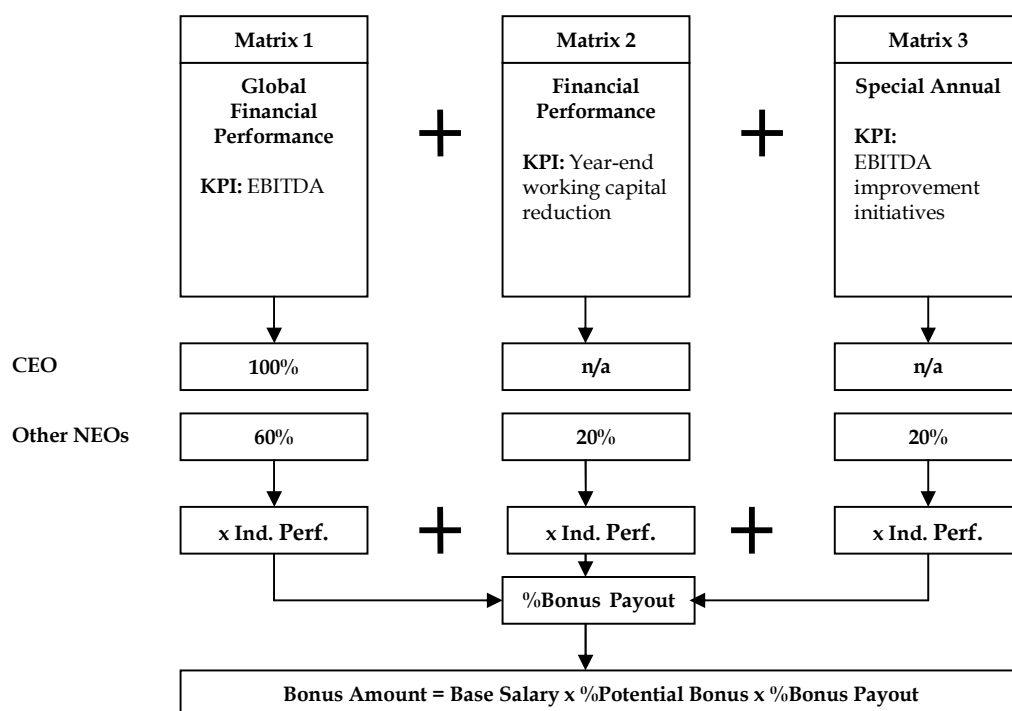
After determining the achievement of the KPIs underlying each Matrix, the base incentive for each Matrix is multiplied by an individual performance factor to determine the final bonus payout.

Annual cash bonuses paid are determined as a percentage of base salary (the "**Potential Bonus**"). The 2010 Potential Bonuses for the President and Chief Executive Officer and the other NEOs under the STIP (expressed as a percentage of their base salary) were as set forth below. With the individual performance factor multiplier, the maximum bonus payable to an executive officer is two times the Potential Bonus. The Potential Bonuses were determined with the objective of providing such executive officers with median target total cash compensation.

	Potential Bonus (% of base salary)
President and Chief Executive Officer	50%
Vice President and Chief Financial Officer	40%
Vice President Change Management and Supply Chain	35%
Vice President Sales and Operations ⁽¹⁾	35%
Vice President Sales ⁽¹⁾	35%

(1) The Vice President Sales retired on December 31, 2010 and his function was assumed by the Vice President Operations whose title became Vice President Sales and Operations as at September 1, 2010.

The payouts under the STIP are calculated as follows:



The STIP provides that no bonus is payable if an annual EBITDA of at least \$5 million is not achieved. Furthermore, bonuses of executive officers under the STIP are calculated and paid, subject to Board approval, at the end of each year.

For 2010, the KPI targets, KPI results and performance ratings were as follows:

KPI	Target	Result	Performance Rating
EBITDA	\$33M	\$61.8M	180%
Working Capital reduction	\$15M	\$23.4M	130%
EBITDA improvement initiatives	\$10M	\$6.8M	0%

Long Term Incentives

Share Option Plan

The Share Option Plan ("SOP") supports Fibrek's value creation objectives by rewarding those executives and certain key employees of Fibrek, who in the opinion of the HRCG Committee merit long-term incentive awards, for increases in the share price. As such, the SOP provides an alignment between the interests of Management and Shareholders. Share options ("**Options**") are granted once a year to executive officers and certain key employees.

The target long-term incentive value for the President and Chief Executive Officer and other NEOs is as follows and is determined with the objective of providing such executive officers with median target total compensation.

Participants	Target (% of base salary)
President and Chief Executive Officer	75%
Vice President and Chief Financial Officer	40%
Other NEOs	35%

The SOP has the following characteristics:

- (1) The SOP is administered by the HRCG Committee on behalf of its Board, and consequently the HRCG Committee is responsible for determining the number of Options to be granted and the timing of the grants.
- (2) In order to reduce the dilutive effect of share option grants, Options are only granted to a limited group of persons comprised only of executive officers and key employees.
- (3) A maximum of 4,523,635 Common Shares have been reserved for issuance under the SOP (representing 5% of the outstanding Common Shares as at the effective date of the SOP and representing 3.48% of the Common Shares outstanding as at March 23, 2011). Out of the Common Shares reserved, as at March 23, 2011, 3,161,092 are reserved for Options which have already been granted and 1,362,543 are reserved for future Option grants.
- (4) As at March 23, 2011, after giving effect to the 2011 Option grants, there were 3,161,092 Options outstanding at a weighted average exercise price of \$1.41, representing 2.43% of the Common Shares outstanding and none of which were exercisable.
- (5) The aggregate number of Common Shares reserved for issuance under the SOP to any one participant shall not exceed 5% of the issued and outstanding Common Shares and the aggregate number of Common Shares reserved for issuance to any one insider under the SOP within any one-year period shall not exceed 5% of the issued and outstanding Common Shares.
- (6) The number of Common Shares (i) issued to insiders of Fibrek, within any one year period, and (ii) issuable to insiders of Fibrek, at any time, under the SOP cannot exceed 10% of the issued and outstanding Common Shares.
- (7) Options will have a term not exceeding 10 years but the Board will generally grant Options for a term of six years.
- (8) Options will generally vest over a four-year period, as to one third of the Options on each anniversary of their date of grant, commencing on the second anniversary of their date of grant.
- (9) At the time of conversion of Fibrek from an income trust structure to a corporation, the Board approved a special one-time grant of Options to executive officers, whose vesting is different from the one ordinarily characterizing regular grants and is subject to the achievement of the following minimum share price hurdles:
 - a. 50% of the Options will vest on the third anniversary of their date of grant provided Fibrek's weighted average closing share price over the previous 20 trading days is \$3.50 (the "**First Performance Criteria**") per Common Share or greater, and
 - b. The other 50% of the Options will vest on the fifth anniversary of their date of grant provided Fibrek's weighted average closing share price over the previous 20 trading days is \$5.00 (the "**Second Performance Criteria**") per Common Share or greater. If the First Performance Criteria has not been met on the third anniversary of the date of grant but the Second Performance Criteria is met, then the first 50% will also vest on the fifth anniversary of the grant date.
- (10) The exercise price for any Option granted under the SOP is the volume weighted average closing price of the Common Shares on the TSX for the five trading day period following the black-out period relating to the filing of Fibrek's annual financial statements, provided that the exercise price shall not be less than the volume weighted average trading price per Common Share on the TSX over the five trading days preceding the day the Option is granted.
- (11) When a participant's employment ceases (for a reason other than for cause or voluntary resignation), any vested Options at the date of termination of the employment must generally be exercised within 365 days following such termination of employment, but, in no event, after the expiry date of the Options, failing which the Options will expire and be cancelled. In the event of termination for cause, any Options held by

the optionee immediately expire and are cancelled on the termination date or at a time as may be determined by the Board, in its sole discretion (but, in no event, after the expiry date of the Options). In the event of voluntary resignation, any vested Options at the date of termination must generally be exercised during the period ending at the end of the calendar month immediately following the calendar month in which the event occurs, failing which the Options terminate.

- (12) Options are not assignable, except for transfers by means of will and for transfers to Registered Retirement Savings Plans, Registered Retirement Income Funds and Tax-Free Savings Accounts of which the optionee is the annuitant and to a corporation in respect of which the optionee is the sole shareholder.
- (13) The Board may amend or discontinue the SOP at any time, without obtaining approval of the Shareholders (unless required by the relevant rules of the TSX), provided that no such amendment may (i) increase the aggregate maximum number of Common Shares reserved under the SOP, (ii) reduce the exercise price of any Option after the Options have been granted, (iii) extend the exercise period of any Option, (iv) expand the transferability and assignment provisions of the SOP, or (v) increase the maximum number of Common Shares that may be issued to insiders or any one insider in a one-year period.

The foregoing is a summary of certain terms and conditions of the SOP and is qualified in its entirety by reference to the text of the SOP, which is available through the Internet on SEDAR at www.sedar.com.

The SOP was approved at the last annual and special general meeting of the Company held on May 19, 2010.

Performance Share Unit Plan

The executive officers of Fibrek also participate in a performance share unit plan ("PSUP"). With the adoption of the Fibrek SOP in 2010, there will be no further grants made under the PSUP. However, all Performance Share Units ("PSUs") previously granted and which were still outstanding as at the effective date of the SOP continue to be governed by the terms of the PSUP. The 2009-2011 cycle is the last three-year cycle for which PSUs are still outstanding.

The objective of the PSUP was to provide eligible executive officers with an incentive to create value and accordingly to ensure that their interests were aligned with those of the Company's Shareholders. The PSUP is administered by the Board, based on recommendations from the HRCCG Committee.

The amount of the long-term incentives earned is determined and paid in cash at the end of each three-year period.

Pursuant to the PSUP, eligible executive officers were awarded PSUs. The number of PSUs so awarded was based on the target long term incentive value determined by the Board (which target long term incentive value was calculated as a percentage of the base salary of each eligible executive officer at the end of the most recently completed financial year preceding the date of grant) divided by the Market Price (as defined in the PSUP) of one Common Share on the first day of the three-year period on which the PSUs were granted. The target long term incentive value for the President and Chief Executive Officer and other NEOs was as follows and was determined with the objective of providing such executive officers with median target total compensation.

Participants	Target (% of base salary) ⁽¹⁾
President and Chief Executive Officer	75%
Vice President and Chief Financial Officer	40%
Vice President Change Management and Supply Chain	35%
Vice President Sales and Operations ^{(2) (3)}	n/a
Vice President Sales ⁽²⁾	35%

- (1) See below under "Executive and Other Compensation - Outstanding Share-Based Awards (PSUs) and Option-Based Awards" for information on the number of PSUs outstanding as at December 31, 2010.
- (2) The Vice President Sales retired on December 31, 2010 and his function was assumed by the Vice President Operations whose title became Vice President Sales and Operations as at September 1, 2010.
- (3) As the Vice President Sales and Operations' employment began with the Company in 2010 (year during which the SOP replaced the PSUP), he did not participate in the PSUP.

The formula to determine the number of PSUs was as follows:

$$\text{(Target \% X Base Salary) / Market Price of Common Shares on Grant date} = \text{Number of PSUs}$$

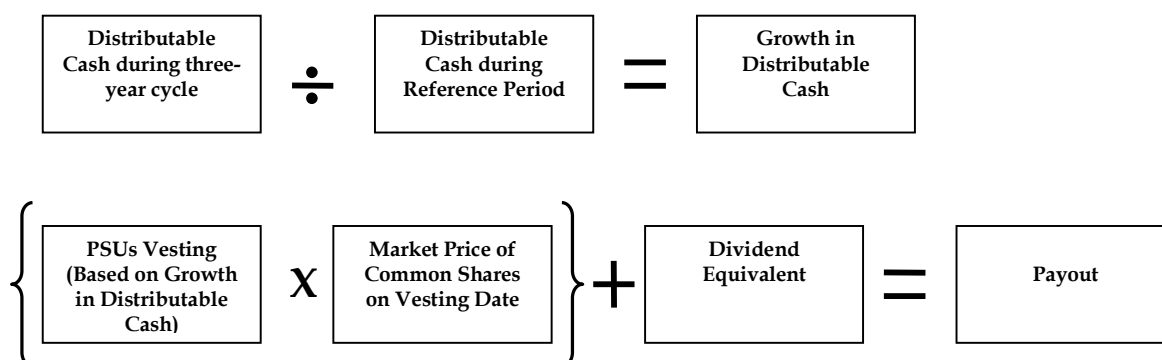
Each PSU awarded under the PSUP vests at the end of the three-year period according to the following table if, and only if, the average annual Distributable Cash during such period is equal or greater to the average annual Distributable Cash during the Reference Period. "Distributable Cash" is calculated as net earnings plus depreciation and amortization less capital expenditures. "Reference Period" is the three most recently completed financial years preceding the date of grant of a PSU.

Performance Level	Growth in Distributable Cash	% of PSUs that vest ⁽¹⁾
Less than minimum threshold	Less than 0%	0%
Minimum threshold	0%	50%
Target ⁽²⁾	2%	100%
Maximum	8%	150%

- (1) Between the minimum and the maximum, the percentage of PSUs that vest is interpolated.
 (2) Performance "at target" is in line with the budget approved by the Board for each financial year.

Eligible executive officers are entitled to receive, only for their PSUs that have vested based on the generated growth in Distributable Cash in accordance with the above table, a cash amount equal to the number of vested PSUs multiplied by the Market Price of a Common Share on the date of vesting, plus the Dividend Equivalent for all vested PSUs. "Dividend Equivalent" means the aggregate amount of dividend per Common Share paid to Shareholders during the three-year period.

The payout under the PSUP is calculated as follows:



As a retention measure during the difficult economic and market conditions Fibrek was facing, the Board approved in 2009 an amendment to the PSUP applicable only for the three-year period which started January 1, 2009. Pursuant to such amendment, 20% of the PSUs granted to an executive officer in 2009 under the PSUP will vest on December 31, 2011 whether or not performance targets were achieved, provided the executive officer is still in position on December 31, 2011. Accordingly, out of the PSUs currently outstanding, 338,750 PSUs have no performance targets and will vest on December 31, 2011. Also see the table under "Executive and Other Compensation - Outstanding Share-Based Awards (PSUs) and Option-Based Awards" for details on the PSUs outstanding as at December 31, 2010 for NEOs.

If the employment of an eligible executive officer ceases by reason of death, disability, retirement or termination without cause, the eligible executive officer is entitled to receive the award, if any, underlying the PSUs due to vest at the end of the financial year in which the termination of employment occurs, if and when they vest in accordance with the PSUP, pro rata to the number of days actually worked by the executive officer during the vesting period. All other PSUs are immediately cancelled.

There were no payouts under the PSUP for the three-year cycle ended December 31, 2010.

Share Holding Policy

As a way to align the interests of executive officers with those of the Shareholders, the SOP also provides for a Common Share holding policy. Accordingly, pursuant to the SOP, each optionee is required to acquire and retain a certain number of Common Shares over the five-year period following his or her designation as an optionee. The President and Chief Executive Officer is required to acquire and retain at least 300,000 Common Shares and the Vice Presidents are required to acquire and retain at least 75,000 Common Shares. The HRCG Committee retains the right to establish a holding policy for any other participant that could from time to time be granted Options.

The following table sets forth the number of Common Shares held by each NEO as at March 23, 2011:

NEOs	Common Shares (#)
President and Chief Executive Officer	300,129
Vice President and Chief Financial Officer	75,000
Vice President Change Management and Supply Chain	91,885
Vice President Sales and Operations ⁽¹⁾	57,000
Vice President Sales ⁽¹⁾	n/a

- (1) The Vice President Sales retired on December 31, 2010 and his function was assumed by the Vice President Operations whose title became Vice President Sales and Operations as at September 1, 2010. The former Vice President Sales did not participate in the SOP and accordingly was not required to hold Common Shares pursuant to the holding policy.

Also, as a way to align the interests of Directors with those of Shareholders, the Company established a Share Holding Policy (the "**SHP**"). Pursuant to the SHP, each Director is required to acquire and retain at least 8,000 Common Shares over the four-year period following his appointment.

The Common Shares held by Directors as at March 23, 2011 are set forth above under "Business of the Meeting - Election of Directors - Proposed Nominees".

Pension Plans

Retirement benefits are construed as forming an integral part of the global compensation provided to executive officers. Generally, until December 31, 2009, all Canadian executive officers benefited from a defined benefit registered pension plan (with the President and Chief Executive Officer benefiting from a Supplemental Executive Retirement Plan). Effective January 1, 2010, Canadian executive officers ceased to accrue benefits under the defined benefit provision of the plan and a defined contribution provision was introduced together with a notional supplemental defined contribution plan. Past service benefits remain under the prior defined benefit provision. Notwithstanding the foregoing, the President and Chief Executive Officer will continue benefiting from a defined benefit Supplemental Executive Retirement Plan. As for US executive officers, they benefit from a 401(k) qualified pension plan. See "Executive and Other Compensation - Pension Plans".

Other Benefits

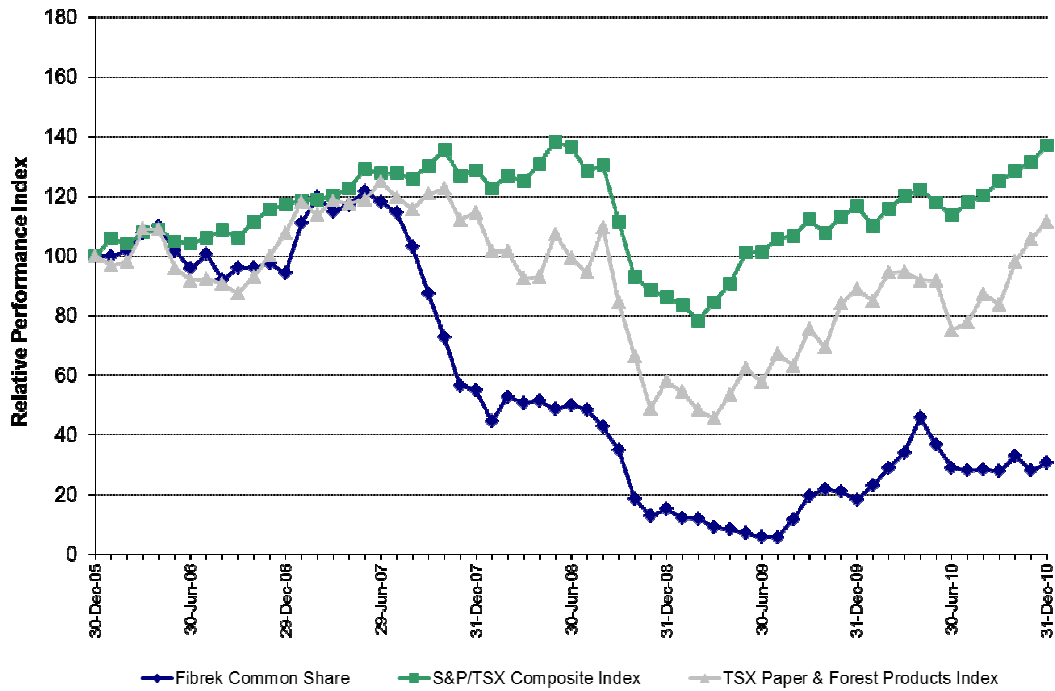
Executive officers receive other benefits that Fibrek believes are reasonable and consistent with its overall executive compensation program. These benefits which are based on competitive market practices support the attraction and retention of executive officers. Other benefits include traditional health and welfare programs (including an annual medical assessment) and executive perquisites.

Our perquisite policy provides a limited number of perquisites to our executive officers. Executive officers either receive an annual car allowance or the possibility to use a vehicle leased by the Company and reimbursement of associated operating expenses. Executive officers are also reimbursed one club membership up to a limit.

Finally, pursuant to the terms and conditions of his employment agreement, the Company pays to the President and Chief Executive Officer a monthly housing allocation. See below "Indebtedness of Directors and Executive Officers".

PERFORMANCE GRAPH

The following graph compares the total cumulative return for \$100 invested in Common Shares with the total cumulative return of the TSX Paper & Forest Products Index and the S&P/TSX Composite Total Return Index for the five-year period ending December 31, 2010.



Executive payments were generally aligned to the trend of the performance graph above and also reflect competitive market practices. Although the base salary portion of the remuneration package of executive officers has increased due to changes in the organizational structure, performance-based payments were reduced in accordance with the trend of the graph, with payments under the PSUP being null for 2008, 2009 and 2010. Moreover, in light of the prevailing economic and market conditions Fibrek was facing executive officers decided to freeze their base salaries for 2009. Moreover, conscious of the financial efforts they were asking from the Saint-Félicien Mill's employees in connection with the negotiation of the collective agreement, the executive officers decided to freeze again their base salaries for 2011.

EXECUTIVE AND OTHER COMPENSATION

Compensation of Directors

During the financial year ended December 31, 2010, each Director (except for Mr. Pierre Gabriel Côté who receives no remuneration for acting as Director) was entitled to the following remuneration:

	Annual Retainer	Additional Remuneration for Chairman	Meeting Attendance Fee
Board	\$25,000	\$35,000	\$1,250
Audit Committee		\$10,000	\$1,500
HRCG Committee		\$10,000	\$1,500

Directors may elect to receive up to 100% of their remuneration and attendance fees in cash, Common Shares or DSUs. All Directors (except for Mr. Pierre Gabriel Côté who receives no remuneration for acting as Director) elected to receive all of their remuneration and attendance fees in cash for 2010.

Share Purchase Plan for Directors

Under the Share Purchase Plan for Directors, Common Shares are purchased in the market by Fibrek, for the account of the Directors (except for Mr. Pierre Gabriel Côté who receives no remuneration for acting as Director) who wish to receive all or part of their remuneration in Common Shares. Consequently, no dilution is suffered by the Shareholders.

Deferred Share Unit Plan for Directors

Effective December 9, 2010, the Company implemented a deferred share unit plan ("DSUP") for external Directors of the Company. Under the DSUP, Directors (except for Mr. Pierre Gabriel Côté who receives no remuneration for acting as Director) have the right to elect, for the following financial year, to receive all or part of their fees and/or annual retainer in deferred share units ("DSUs"). The number of DSUs to be granted is based on the weighted average trading price of the Common Shares on the TSX for the five business days immediately preceding a given date or in such manner as is required or allowed by the rules and policies of the TSX (the "**Market Price**"). A participant is entitled to receive, upon such participant's Termination of Board of Service (as such expression is defined in the DSUP), the payment in cash of the DSUs that are credited to the participant's account on such given date based, for each vested DSU, on the value of a Common Share at the Market Price on the date of such participant's Termination of Board of Service. The DSUP is non-dilutive to Shareholders. No DSUs were issued under the DSUP as at March 23, 2011.

2010 Compensation

During the financial year ended December 31, 2010, the Directors earned the following compensation, as the Board met 13 times, the Audit Committee met six times and the HRCG Committee met five times:

	Board Annual Retainer (\$)	Additional Remuneration for Chairman of Board or Committee (\$)	Attendance Fees for Board and Committee Meetings and for Annual General Meeting (\$)	Fees Earned / Total Annual Compensation			
				Earned in Cash (\$)	Earned in Shares (#) ⁽¹⁾	Earned in DSUs (#)	Total Fees Earned (\$)
Pierre Gabriel Côté	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dino Fuoco ⁽²⁾	25,000	10,000	23,750	58,750	-	-	58,750
Pierre Desjardins	25,000	n/a	22,500	47,500	-	-	47,500
Harold P. Gordon	25,000	n/a	26,500	51,500	-	-	51,500
Georges Kobrynsky	25,000	n/a	23,750	48,750	-	-	48,750
Hubert T. Lacroix ⁽³⁾	25,000	35,000	25,250	85,250	-	-	85,250
Adam Lapointe ⁽⁴⁾	25,000	5,507	25,000	55,507	-	-	55,507
Nancy Orr	25,000	n/a	26,500	51,500	-	-	51,500
François R. Roy ⁽⁵⁾	25,000	4,493	26,500	55,993	-	-	55,993

As at December 31, 2010:

- (1) Common Shares, if any, are purchased by Fibrek after payroll deductions.
- (2) Chairman of the HRCG Committee since July 20, 2010. Prior to that, he was chairman of the Audit Committee.
- (3) Chairman of the Board.
- (4) Chairman of the HRCG Committee until July 20, 2010.
- (5) Chairman of the Audit Committee since July 20, 2010.

In addition to their remuneration and attendance fees, Directors were, as a group, reimbursed travel expenses of a total of approximately \$17,880 in 2010.

The overall attendance rate in 2010 is 97% for Board meetings, 100% for Audit Committee meetings and 100% for HRCG Committee meetings. Detailed meeting and attendance information is provided in the following table.

	Board	Audit Committee	HRCG Committee	Annual General Meeting
Pierre Gabriel Côté	13/13	n/a	n/a	1/1
Pierre Desjardins	12/13	n/a	5/5	1/1
Dino Fuoco ⁽¹⁾	12/13	3/3 (Chair)	2/2 (Chair)	1/1
Harold P. Gordon ⁽²⁾	13/13	3/3	3/3	1/1
Georges Kobrynsky ⁽³⁾	12/12	n/a	5/5	1/1
Hubert T. Lacroix	12/13 (Chair)	6/6	n/a	1/1
Adam Lapointe ⁽⁴⁾	13/13	n/a	5/5 (Chair)	1/1
Nancy Orr	13/13	6/6	n/a	1/1
François R. Roy ⁽⁵⁾	13/13	6/6 (Chair)	n/a	1/1

As at December 31, 2010:

- (1) Chairman of the HRCG Committee since July 20, 2010. Prior to that, he was chairman of the Audit Committee.
- (2) Member of the Audit Committee since July 20, 2010. Prior to that, he was a member of the HRCG Committee.
- (3) Because of the existence of a potential conflict of interest, Mr. Kobrynsky was asked to refrain from participating to one of the 13 Board meetings held in 2010. Accordingly, his attendance score for Board meetings is compiled on a total of 12 meetings instead of 13.
- (4) Chairman of the HRCG Committee until July 20, 2010.
- (5) Chairman of the Audit Committee since July 20, 2010. Prior to that, he was a member of the Audit Committee.

Compensation of NEOs

The following table sets forth all compensation earned for services in all capacities to Fibrek for the financial year ended December 31, 2010 in respect of individuals who were as at December 31, 2010, the President and Chief Executive Officer, the Vice President and Chief Financial Officer and the three other most highly compensated executive officers of Fibrek whose total compensation exceeded \$150,000 (the "NEOs").

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (PSUP) (\$)	Option-Based Awards (SOP) ⁽¹⁾⁽²⁾ (\$)	Non-Equity Incentives		Pension Value ⁽³⁾ (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plan (STIP) (\$)	Special Bonus (\$)			
Pierre Gabriel Côté President and Chief Executive Officer	2010	446,250	n/a	540,000	401,625	n/a	191,825 ⁽⁸⁾	46,860 ⁽⁹⁾	1,626,560
	2009	435,000	473,063 ⁽⁵⁾⁽⁶⁾	n/a	0	n/a	153,400 ⁽⁸⁾	63,717 ⁽⁹⁾	1,125,180
	2008	194,445 ⁽⁴⁾	n/a	n/a	97,223 ⁽⁷⁾	n/a	66,500 ⁽⁸⁾	— ⁽¹⁰⁾	358,168
Patsie Ducharme Vice President and Chief Financial Officer	2010	208,750	n/a	137,600	111,890	30,000 ⁽¹³⁾	18,043 ⁽¹⁵⁾	— ⁽¹⁰⁾	506,283
	2009	190,000	83,600 ⁽⁵⁾⁽⁶⁾	n/a	0	n/a	6,100 ⁽¹⁵⁾	— ⁽¹⁰⁾	279,700
	2008	148,370 ⁽¹¹⁾	n/a	n/a	22,796 ⁽¹²⁾	15,000 ⁽¹⁴⁾	13,500 ⁽¹⁵⁾	— ⁽¹⁰⁾	199,666
Dany Paradis Vice President Change Management and Supply Chain	2010	249,842	n/a	142,800	117,176	n/a	34,727 ⁽¹⁵⁾	— ⁽¹⁰⁾	544,542
	2009	230,000	88,550 ⁽⁵⁾⁽⁶⁾	n/a	0	35,000 ⁽¹⁸⁾	22,160 ⁽²⁰⁾⁽²¹⁾	21,000 ⁽²⁰⁾⁽¹⁰⁾	396,710
	2008	14,810 ⁽¹⁶⁾	n/a	n/a	n/a ⁽¹⁷⁾	50,000 ⁽¹⁹⁾	n/a ⁽²¹⁾	— ⁽¹⁰⁾	64,810
Jean-Pierre Benoit Vice President Sales and Operations	2010	193,125 ⁽²²⁾	n/a	128,800	90,576	n/a	16,480 ⁽¹⁵⁾	— ⁽¹⁰⁾	428,981
Robert E. Balogh Vice President Sales ⁽²³⁾	2010	221,429	n/a	n/a	103,850	39,136 ⁽²⁴⁾	27,076 ⁽²⁵⁾	— ⁽¹⁰⁾	391,491
	2009	245,530	85,936 ⁽⁵⁾	n/a	0	n/a	28,197 ⁽²⁵⁾	— ⁽¹⁰⁾	359,663
	2008	229,427	62,418 ⁽⁵⁾	n/a	58,228	n/a	26,386 ⁽²⁵⁾	— ⁽¹⁰⁾	376,459

- (1) The grant date fair value for Options awarded by the Company has been calculated using the binomial lattice method. This methodology for determining the fair value of the grants has been used by the Company and corresponds to the compensation value which the Board intended to provide to the NEOs, within the Company's total compensation policy. The Company's use of this methodology is also consistent with the method used by TW when valuing the equity-based awards of other companies for competitive total compensation comparison purposes. For the regular grants made in May 2010, the key binomial lattice method assumptions used were a risk-free rate of 2.4%, a dividend yield of 0%, a share price volatility of 59% and a term of 4.5 years. Using these assumptions the binomial lattice value of the Options granted to the NEOs in May 2010 is approximately \$0.61 per Option. This is different than the methodology used for accounting fair value for financial statement purposes which resulted in a value of approximately \$0.72 per Option or a total of \$400,000 for Mr. Coté (for a difference of \$62,500), \$101,926 for Mrs. Ducharme (for a difference of \$15,926), \$105,778 for Mr. Paradis (for a difference of \$16,528) and \$95,407 for Mr. Benoit (for a difference of \$14,907). For the special one-time grants made in May 2010, the key binomial lattice method assumptions used were a risk-free rate of 2.4%, a dividend yield of 0%, a share price volatility of 59%, a term of 5 years and a performance vesting discount of 60%. Using these assumptions the binomial lattice value of the special Options granted to the NEOs in May 2010 is approximately \$0.27 per Option. This is different than the methodology used for accounting fair value for financial statement purposes which resulted in a value of approximately \$0.57 per Option or a total of \$316,667 for Mr. Coté (for a difference of \$114,167), \$80,691 for Ms. Ducharme (for a difference of \$29,091), \$83,741 for Mr. Paradis (for a difference of \$30,191) and \$75,531 for Mr. Benoit (for a difference of \$27,231). The difference between the grant date fair value for accounting purposes and the grant date fair value for the purposes of the "Option-Based Awards" column in the above table is due to the use of different methodologies (Black-Scholes vs. Binomial) and different assumptions for the period over which the volatility is calculated.
- (2) The amounts in the column "Option-Based Awards" represent the total value of Options granted in 2010, both the regular grant and the special one-time grant. For Mr. Coté the value of the regular grant is \$337,500 and the value of the special one-time grant is \$202,500, for Mrs. Ducharme the value of the regular grant is \$86,000 and the value of the special one-time grant is \$51,600, for Mr. Paradis the value of the regular grant is \$89,250 and the value of the special one-time grant is \$53,550 and for Mr. Benoit the value of the regular grant is \$80,500 and the value of the special one-time grant is \$48,300.
- (3) The pension value is based on the methodology and assumptions used for financial statement reporting, which are disclosed in the annual audited consolidated financial statements of the Company for the year ended December 31, 2010.
- (4) Mr. Coté's employment with Fibrek began on July 21, 2008.
- (5) Represents the fair value of the PSUs on the date of grant and is consistent with the corresponding accounting grant date fair value.

- (6) The 2008 PSUP grant that was not made to Mr. Côté and to Mr. Paradis at time of hiring was taken into account with the 2009 PSUP grant. The 2009 PSUP grant made to Ms. Ducharme was made retroactively to the date she was promoted Vice President and Chief Financial Officer.
- (7) Mr. Côté's employment agreement provided for a guaranteed bonus at target for 2008, representing 50% of his base salary, prorated for time in position. Future annual incentives are not guaranteed and will be paid according to the STIP.
- (8) Compensation relating to the Pension Plan and the DB SERP (see below under "Pension Plans").
- (9) This amount represents the aggregate value of perquisites and other personal benefits that are not generally available to all employees of Fibrek and includes (i) for 2010, a taxable benefit of \$17,337 for use of company car and an amount of \$24,500 for a housing allocation, and (ii) for 2009, a taxable benefit of \$17,949 for use of company car and an amount of \$42,000 for a housing allocation.
- (10) The aggregate amount of perquisites and other personal benefits paid was no greater than the lesser of \$50,000 and 10% of the base salary.
- (11) Ms. Ducharme assumed her new function of Vice President and Chief Financial Officer on December 10, 2008, date on which her annual base salary was increased to \$190,000. Prior to that, she was Corporate Controller of Fibrek and her base salary was \$140,000 from January 1, 2008 to May 31, 2008 and \$150,000 from June 1st to December 9, 2008.
- (12) Ms. Ducharme was named Vice President and Chief Financial Officer as at December 10, 2008 and consequently for the year 2008, she participated in the STIP for regular employees and not in the STIP for executive officers. Accordingly, her 2008 annual incentive represents amounts paid under the STIP for regular employees.
- (13) Represents a special bonus granted to Ms. Ducharme in recognition of the successful completion of the refinancing transactions.
- (14) Represents a special bonus granted to Ms. Ducharme by the Board in consideration for her contribution for taking on Chief Financial Officer responsibilities during former Chief Financial Officer's leave of absence for medical reasons.
- (15) Compensation relating to the Pension Plan and, since January 1, 2010, also to the notional supplemental defined contribution plan (see below under "Pension Plans").
- (16) Mr. Paradis' employment with Fibrek began on December 8, 2008.
- (17) Not eligible to participate in the STIP in 2008.
- (18) Mr. Paradis' employment contract provided for a \$35,000 signing bonus payable after one year of service with Fibrek.
- (19) Mr. Paradis' employment contract provided for the payment of a \$50,000 amount payable within 30 days of the beginning of his employment with Fibrek as compensation for a bonus he would have been entitled to receive for the 2008 financial year should he have remained employed by his former employer.
- (20) Under the terms of his employment contract, Mr. Paradis was granted the right to participate, effective January 1, 2009, in a defined contribution pension vehicle and a notional supplementary defined contribution plan and, as such, was entitled to contributions from Fibrek equal to 13.9% of the sum of his base salary plus target bonus for a total pension value of \$43,160 for 2009. Since the details of the arrangement were not implemented before December 31, 2009, \$21,000 (i.e. the maximum amount he could contribute to his personal RRSP for the 2009 taxation year) was paid out to him as a lump sum payment in January 2010 and such amount is set forth under the column "All other compensation" of the table. The balance of \$22,160 was deemed notional supplemental contributions and was carried forward by Fibrek.
- (21) Not eligible to participate in the Pension Plan in 2008 and 2009.
- (22) Mr. Benoit's employment with Fibrek began on February 22, 2010.
- (23) NEO is paid in US dollars. All 2008 dollar amounts were converted at the rate of 1.0671 (being the average noon spot rate for the year 2008), all 2009 dollar amounts were converted at the rate of 1.1420 (being the average noon spot rate for the year 2009) and all 2010 dollar amounts were converted at the rate of 1.0299 (being the average noon spot rate for the year 2010).
- (24) The Vice President Sales retired on December 31, 2010. At retirement, Mr. Balogh agreed to ensure an orderly transition with his successor. In consideration, he was paid a first amount of US\$38,000 (\$39,136) as at January 1, 2010. See below under "Termination and Change of Control Benefits – Separation Payments" for details on his retirement package.
- (25) Compensation relating to a US qualified defined contribution plan (see below under "Pension Plans").

Options Granted to NEOs during the last Financial Year

The following tables set forth the Options granted to NEOs under the SOP during the financial year ended December 31, 2010. Also see under "Statement of Executive Compensation - Compensation Discussion and Analysis - Compensation Structure and Composition - Long Term Incentives - Share Option Plan" for more details on the SOP.

Regular Grant

Name	Date of Grant	Number of Options	Expiry Date	Exercise Price (\$)	Vesting or Performance
Pierre Gabriel Côté	05/25/2010	555,556	05/25/2016	1.35	(1)
Patsie Ducharme	05/25/2010	141,564	05/25/2016	1.35	(1)
Dany Paradis	05/25/2010	146,914	05/25/2016	1.35	(1)
Jean-Pierre Benoit	05/25/2010	132,510	05/25/2016	1.35	(1)
Robert E. Balogh ⁽²⁾	n/a	n/a	n/a	n/a	n/a

(1) Options vest over a four-year period, as to one third of the Options on each anniversary of their date of grant, commencing on May 25, 2012.

(2) Not eligible to participate in the SOP.

Special One-time Grant

Name	Date of Grant	Number of Options	Expiry Date	Exercise Price (\$)	Vesting or Performance
Pierre Gabriel Côté	05/25/2010	555,556	05/25/2016	1.35	(1)
Patsie Ducharme	05/25/2010	141,564	05/25/2016	1.35	(1)
Dany Paradis	05/25/2010	146,914	05/25/2016	1.35	(1)
Jean-Pierre Benoit	05/25/2010	132,510	05/25/2016	1.35	(1)
Robert E. Balogh ⁽²⁾	n/a	n/a	n/a	n/a	n/a

(1) Options for which the vesting is subject to the achievement of the following minimum share price hurdles: (a) 50% of the Options will vest on the third anniversary of their date of grant provided Fibrek's weighted average closing share price over the previous 20 trading days is \$3.50 (the "**First Performance Criteria**") per Common Share or greater; and (b) the other 50% of the Options will vest on the fifth anniversary of their date of grant provided Fibrek's weighted average closing share price over the previous 20 trading days is \$5.00 (the "**Second Performance Criteria**") per Common Share or greater. If the First Performance Criteria has not been met on the third anniversary of the date of grant but the Second Performance Criteria is met then the first 50% will also vest on the fifth anniversary of the grant date.

(2) Not eligible to participate in the SOP.

Outstanding Share-Based Awards (PSUs) and Option-Based Awards

The following table sets forth for each NEO (i) the outstanding unvested PSUs awarded under the PSUP for the cycle 2009-2011 and the payout value of unvested PSUs as at December 31, 2010, and (ii) the outstanding unvested Options granted under the SOP and the value of unexercised in-the-money Options as at December 31, 2010. The PSUP and the SOP are described above under "Statement of Executive Compensation – Compensation Discussion and Analysis – Compensation Structure and Composition – Long Term Incentives".

Name	Option-Based Awards				Share-Based Awards		
	Number of Common Shares underlying unvested Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of unexercised in-the-money Options (\$) ⁽¹⁾	Unvested PSUs (#)	Vesting Date	Payout Value of Unvested PSUs (\$) ⁽²⁾
Pierre Gabriel Côté	1,111,112	1.35	05/25/2016	0	1,006,516	12/31/2011	1,107,168
Patsie Ducharme	283,128	1.35	05/25/2016	0	177,872	12/31/2011	195,659
Dany Paradis	293,828	1.35	05/25/2016	0	188,404	12/31/2011	207,244
Jean-Pierre Benoit ⁽³⁾	265,020	1.35	05/25/2016	0	n/a	n/a	n/a
Robert E. Balogh ⁽⁴⁾⁽⁵⁾	n/a	n/a	n/a	n/a	160,106	12/31/2011	181,383

- (1) The aggregate value of unexercised in-the-money Options is equal to the difference between the exercise price of the Options and the closing price of the Common Shares on the TSX on December 31, 2010, being the last Business Day of the financial year, which closing price was \$1.10 per share. Actual gains, if any, on exercise, will depend on the value of the Common Shares on the date of exercise. There is no guarantee that gains will be realized.
- (2) Payout value estimated as at December 31, 2010. As a retention measure during the difficult economic and market conditions Fibrek was facing, the Board approved in 2009 an amendment to the PSUP applicable only for the three-year period which started January 1, 2009. Pursuant to such amendment, 20% of the PSUs granted to an executive officer in 2009 under the PSUP will vest on December 31, 2011 whether or not performance targets were achieved, provided the executive officer is still in position on December 31, 2011.
- (3) As the Vice President Sales and Operations' employment began with the Company in 2010 (year during which the SOP replaced the PSUP), he did not participate in the PSUP.
- (4) Not eligible to participate in the SOP.
- (5) NEO is paid in US dollars. All 2010 dollar amounts were converted at the rate of 1.0299 (being the average noon spot rate for the year 2010).

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-Based Awards – Value Vested in 2010 (\$)	PSUs – Value Vested in 2010 (\$)	Non-Equity Incentive Plan Compensation – Value Earned in 2010 (\$)
Pierre Gabriel Côté	0	0	401,625
Patsie Ducharme	0	0	141,890 ⁽¹⁾
Dany Paradis	0	0	117,176
Jean-Pierre Benoit	0	0	90,576
Robert E. Balogh ⁽²⁾⁽³⁾	n/a	0	142,986 ⁽⁴⁾

- (1) Represents the bonus earned under the STIP and the special bonus awarded in recognition of successful completion of the refinancing transactions.
- (2) NEO is paid in US dollars. All 2010 dollar amounts were converted at the rate of 1.0299 (being the average noon spot rate for the year 2010).
- (3) Not eligible to participate in the SOP.
- (4) Represents the bonus earned under the STIP and the consideration paid to Mr. Balogh to ensure an orderly transition with his successor at the time of his retirement.

Common Shares Issuable Pursuant to the SOP

The information set forth in the following table is as at December 31, 2010. For information updated as at March 23, 2011, please refer to "Statement of Executive Compensation – Compensation Discussion and Analysis – Long Term Incentives - Share Option Plan".

Plan ⁽¹⁾	Common Shares to be issued upon exercise of outstanding Options (#)	Weighted-average exercise price of outstanding Options (\$)	Common Shares remaining available for future issuance under the SOP (#)
SOP	2,221,278	1.35	2,302,357

(1) The SOP is the only plan of the Company under which Common Shares are issuable. The SOP was approved at the last annual and special general meeting of the Company on May 19, 2010.

Pension Plans

Defined Benefit Plans

Prior to January 1, 2010, NEOs working in Canada, with the exception of the Vice President Change Management and Supply Chain, participated in the registered defined benefit pension plan for non-unionized employees of Fibrek (the "**Pension Plan**"). Since January 1, 2010, future entitlements under the Pension Plan are based on a defined contribution formula. Additional information on the defined contribution formula can be found below under "Defined Contribution Plans". The President and Chief Executive Officer participated in a defined benefit supplementary executive retirement plan (the "**DB SERP**") in 2010. The President and Chief Executive Officer is the only officer of Fibrek who accrued benefits in the DB SERP in 2010.

The defined benefit provisions of the Pension Plan for service prior to January 1, 2010 are intended to provide a pension at normal retirement age 65 that is equal to 1.75% of the average annual compensation multiplied by the years of credited service accumulated as at December 31, 2009, up to the limit permitted under the provisions of the Income Tax Act (Canada), as determined on the participant's retirement date. Compensation is based on the average of the highest five years of base salary paid to the participant during years of pensionable service. As such, NEOs are listed in the table below, even though no service was accrued in 2010.

The DB SERP, together with the defined benefit and the defined contribution provisions of the Pension Plan, are intended to provide the President and Chief Executive Officer a pension at normal retirement age 65 that is equal to 2% of the average annual compensation multiplied by the years of credited service, up to a maximum of 70% of such earnings. Compensation is based on the average of the highest five consecutive years of base salary within the last 10 years of service plus the average of the five highest annual cash awards paid pursuant to the STIP within the last 10 years of service. Awards paid under the PSUP and the SOP are not recognized for purposes of calculating benefits under the DB SERP.

Under the defined benefit provisions of the Pension Plan and the DB SERP, benefits continue to accrue beyond the normal retirement date, if applicable. A member may elect early retirement without actuarial reduction upon reaching age 58, if such participant's years of service is at least 20 (except for the President and Chief Executive Officer who may elect early retirement without actuarial reduction upon reaching age 58, notwithstanding the fact that he has less than 20 years of service). Reduced early retirement benefits are available starting at age 55. The applicable reduction for a member with at least 20 years of service is ½% per month for which the retirement date precedes age 58. For a member with at least 10 years of service (but less than 20 years), the applicable reduction is ¼% per month for which the retirement date precedes age 65. For members with less than 10 years of service, an actuarial reduction for the pension payable at age 65 is applicable.

Under the defined benefit provisions of the Pension Plan and the DB SERP, pension benefits are payable to participants for life, and in the event of the death of any participant (i) in the form of a 60% joint and survivor benefit for any participant who has a spouse at retirement, or (ii) in the form of a 10-year guarantee (15-year guarantee for service before January 1, 2002) payable to the legal heirs, otherwise. Participants may elect other forms of payment, subject to actuarial adjustment.

As at December 31, 2010, the annual benefits and accrued obligation under the defined benefit provisions of the Pension Plan and the DB SERP were as follows for participating NEOs:

DEFINED BENEFIT PLANS

Name	Credited Years of Service (#)	Annual Benefits Payable (\$)		Accrued Obligation as at January 1, 2010 (\$)	Compensatory Change ⁽²⁾ (\$)	Non-Compensatory Change (\$)	Accrued Obligation as at December 31, 2010 ⁽³⁾ (\$)
		As at December 31, 2010 ⁽¹⁾	At Age 65				
Pierre Gabriel Côté ⁽⁴⁾	4.9 ⁽⁵⁾	64,100	254,400	322,400	180,600	75,400	578,400
Patsie Ducharme	2.6	6,500	6,500	45,800	0	12,800	57,800

- (1) The annual benefits payable as at December 31, 2010 and projected to age 65 are based on each NEO's covered compensation as of December 31, 2010 without projection for salary increases.
- (2) The compensatory change shown in the above table includes the service cost for 2010, which is nil for the defined benefit provisions of the Pension Plan, plus compensation changes in the year that were higher or lower than the salary increase assumption, plus the value of any plan amendments made during the year.
- (3) The accrued obligations as at December 31, 2010 in the above table are calculated using the same actuarial assumptions and methods that are used for calculating pension liabilities as disclosed in Fibrek's annual audited consolidated financial statements for the year ended December 31, 2010.
- (4) Values under the defined benefit provisions of the Pension Plan and the DB SERP are combined in the above table.
- (5) Pursuant to the terms of his employment contract, during his first five years of service, Mr. Côté is credited two years of credited service for each year of actual service. As a result, one year of additional credited service was credited to Mr. Côté in 2010, resulting in additional annual benefits of \$32,100 and \$62,200 payable as at December 31, 2010 and at age 65, respectively. The numbers in the table take into account these added years of credited service.

Defined Contribution Plans

Effective January 1, 2010, NEOs working in Canada ceased to accrue benefits under the defined benefit provisions of the Pension Plan and defined contribution provisions were introduced to the Pension Plan. Under the defined contribution provisions of the Pension Plan, NEOs participating in the Pension Plan are required to contribute an amount equal to 4% of their base salary and Fibrek is required to contribute an amount equal to 4% of their base salary and short-term bonus. In addition, participants in the Pension Plan are allowed to contribute an amount up to 6% of their base salary as additional contributions and Fibrek is required to match these additional contributions based on base salary and short-term bonus. Total contributions in the Pension Plan are subject to the limits permitted under the provisions of the Income Tax Act (Canada). For NEOs, other than the Vice President Change Management and Supply Chain, the employer contributions described above that exceeded those limits in 2010 are deemed notional supplemental contributions and accumulate in a notional account at a rate equivalent to the rate of return on the DEX 91 day T-Bill index plus 3.0%.

Under the terms of his employment contract, the Vice President Change Management and Supply Chain was granted the right to participate, effective January 1, 2009, in a defined contribution vehicle and a notional supplementary defined contribution plan and, as such, is entitled to contributions from Fibrek equal to 13.9% of his base salary plus target short-term bonus, instead of the employer contributions described above. His employee contributions are as described above for the other NEOs. The employer contributions that exceeded the limits permitted under the provisions of the Income Tax Act (Canada) in 2010 are deemed supplemental notional contributions and accumulate in a notional account at a rate equivalent to the rate of return on the DEX 91 day T-Bill index plus 3.0%.

NEOs working in the United States participate in Fibrek's US qualified defined contribution plans, which are qualified as 401(k) plans, pursuant to which Fibrek contributes certain amounts. Under these plans, NEOs may make "pre-tax" contributions, subject to limitations imposed by the US Internal Revenue Code. These contributions are partially matched by Fibrek. In the first plan, Fibrek contributes 7% of the base salary and matches employee contributions up to 70% of the first 6% of the NEO's pre-tax salary (i.e. the matching contribution is limited to 4.2% of the salary). In the second plan, Fibrek contributes 3% of the base salary and matches employee contributions up to 25% of the first 15% of the NEO's pre-tax salary (i.e. the matching contribution is limited to 3.75% of the salary). All contributions are fully vested upon contribution and are invested in various investment funds as selected by the NEO.

Amounts shown in the table below include amounts from Fibrek's defined contribution provisions of the Pension Plan, supplemental defined contribution notional accounts and US qualified defined contribution plans for participating NEOs. There are no US non-qualified defined contribution or non-qualified deferred compensation plans. No withdrawals or distributions are permitted before the NEOs terminate their employment with Fibrek.

DEFINED CONTRIBUTION PLANS

Name	Accumulated Value as at January 1, 2010 (\$)	Compensatory (\$)	Non-Compensatory (\$)	Accumulated Value as at December 31, 2010 (\$)
Pierre Gabriel Côté	0	11,225	12,903	24,128
Patsie Ducharme	0	18,043	13,444	31,487
Dany Paradis	22,160	34,727	16,683	73,570
Jean-Pierre Benoit	0	16,480	3,000	19,480
Robert E. Balogh ⁽¹⁾	328,434	270,076	73,756	429,266

(1) NEO is paid in US dollars. All dollar amounts were converted at the rate of 1.0299 (being the average noon spot rate for the year 2010).

Termination and Change of Control Benefits

Separation Arrangements

The following table summarizes, for each NEO, the benefits payable following termination, resignation or retirement.

SEPARATION ARRANGEMENTS					
Type of Compensation	Resignation	Termination Without Cause ⁽¹⁾	Termination for Cause	Retirement	Death
Base Salary	Payments cease	Lump-sum cash payment for Notice Period ⁽²⁾	Payments cease	Payments cease	Payments cease
STIP	No payment	Prorated to time worked during the year; Lump-sum cash payment for Notice Period ^{(2) (3)} (based on average payout for the two preceding years)	No payment	Prorated to time worked during the year	Prorated to time worked during the year
PSUP	All outstanding PSUs are cancelled	Lump-sum cash payment representing the payout on PSUs vesting in the year of resignation prorated to time worked; All other outstanding PSUs are cancelled	All outstanding PSUs are cancelled	Lump-sum cash payment representing the payout on PSUs vesting in the year of retirement prorated to time worked; All other outstanding PSUs are cancelled	Lump-sum cash payment representing the payout on PSUs vesting in the year of death prorated to time worked; All other outstanding PSUs are cancelled

SEPARATION ARRANGEMENTS					
Type of Compensation	Resignation	Termination Without Cause ⁽¹⁾	Termination for Cause	Retirement	Death
SOP	Vested Options are exercisable by the optionee until the end of the calendar month immediately following the calendar month in which the event occurs	Vested Options are exercisable until the earliest of: (i) 365 days from the date of termination or; (ii) the date of the Option expiry	All outstanding Options are cancelled	Vested Options are exercisable until the earliest of: (i) 365 days from the date of retirement or; (ii) the date of the Option expiry	Vested Options are exercisable at the earliest of: (i) 365 days from the date of death or; (ii) the date of the Option expiry
Pension Plan and SERP	Paid as a commuted value or monthly benefit	Paid as a commuted value or monthly benefit	Paid as a commuted value or monthly benefit	Paid as a commuted value or monthly benefit	Paid as a commuted value or monthly benefit
Benefits	Coverage ceases	Continue for legal notice period	Coverage ceases	Retiree benefits begin	Benefits cease
Perquisites	Payments cease	Continue for legal notice period	Payments cease	Payments cease	Payments cease

- (1) All payments in case of termination without cause (except for payments under the Pension Plan) are subject to non-competition, non-solicitation and confidentiality covenants which are described in the table below:

Name	Non-competition	Non-solicitation	Confidentiality
Pierre Gabriel Côté	12 months	12 months	Unlimited
Patsie Ducharme	12 months	12 months	Unlimited
Dany Paradis	12 months	12 months	Unlimited
Jean-Pierre Benoit	12 months	12 months	Unlimited
Robert E. Balogh	Retired	Retired	Retired

- (2) See table below for Notice Period for each NEO.

Name	Notice Period
Pierre Gabriel Côté	Two years
Patsie Ducharme	12 months; After Dec. 10, 2011: 18 months
Dany Paradis	12 months; After Dec. 8, 2013: 18 months
Jean-Pierre Benoit	12 months; After Feb. 22, 2015: 15 months
Robert E. Balogh	Retired

- (3) Pierre Gabriel Côté is not eligible to receive this payment.

Change of Control Arrangements

All NEOs (except Robert E. Balogh) benefit from change of control provisions. Under the employment agreements of these executive officers, a "change of control" occurs upon another entity (i) becoming the beneficial owner of more than 50% of the Common Shares or (ii) acquiring substantially all of the assets of the Company.

A change of control in itself does not trigger separation payments under the employment agreements. However, should the eligible NEOs be terminated without cause or suffer a substantial change in their working conditions within six months of a change of control, such NEOs shall be entitled to the same separation payments as if they were terminated without cause (as provided in the table above), except for Pierre Gabriel Côté who will be entitled to a severance payment equal to three years of base salary. Mr. Côté also has the possibility to give notice of his intention to leave within 60 days of the change of control, and in that event, he would receive a severance payment equal to three years of base salary.

Separation Payments

The following table provides a calculation of the incremental separation payments that would have been made to the NEOs under the above separation events, with and without a change of control. All payments are calculated assuming the separation date was, and if applicable, the change of control occurred on, December 31, 2010.

	Without Change of Control				With Change of Control
	Payment if Termination Without Cause (\$)	Payment if Termination with Cause (\$)	Payment in Case of Retirement (\$)	Payment in case of Death (\$)	Payment if Termination Without Cause following a Change of Control (\$)
Pierre Gabriel Côté	900,000	–	–	–	1,350,000
Patsie Ducharme	215,000	–	–	–	215,000
Dany Paradis	255,000	–	–	–	255,000
Jean-Pierre Benoit	230,000	–	–	–	230,000
Robert E. Balogh ⁽¹⁾	⁽²⁾	–	156,545 ⁽²⁾	–	–

(1) NEO is paid in US dollars. All dollar amounts were converted at the rate of 1.0299 (being the average noon spot rate for the year 2010).

(2) Mr. Balogh retired on December 31, 2010. At retirement, Mr. Balogh agreed to ensure an orderly transition with his successor. In consideration, he was paid a first amount of US\$38,000 as at January 1, 2010, and subject to certain conditions, he will be paid the amount set forth in the table above as follows: (i) US\$38,000 in consulting fees during the first year following his retirement (being in 2011), (ii) US\$38,000 at the first anniversary of his retirement (being December 31, 2011), (iii) US\$38,000 in consulting fees during the second year following his retirement (being in 2012), and (iv) US\$38,000 at the second anniversary of his retirement (being December 31, 2012).

Separation Payment to Former Executive Officer

The employment of Mr. Paul Bourque, former Executive Vice President Business Development and Strategic Procurement, terminated effective on March 11, 2010 when his position was eliminated. Pursuant to his termination agreement, he received payment of (i) 24 months of base salary and bonus pursuant to the STIP, being the average of the bonuses paid during the last two full calendar years he worked (2008 and 2009) (totalling \$532,165) and (ii) the bonus payable under the STIP for the year of termination (2010), pro-rated based on the number of days elapsed in such year prior to the effective date of termination (totalling \$30,820). Fibrek also agreed to reimburse the fees of a relocation firm (up to \$20,000) and to maintain certain of Mr. Bourque's benefits and perquisites for a twenty-four month period. All of his PSUs were cancelled. Mr. Bourque was bound by a non-solicitation and non-competition covenant until March 10, 2011 and is bound by a confidentiality covenant.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

The table below sets forth the aggregate indebtedness, other than routine indebtedness, outstanding as at March 1st, 2011 to the Company of all current and former executive officers, directors and employees of the Company.

Purpose	Aggregate indebtedness to the Company (\$)	Aggregate indebtedness to another entity (\$)
Share purchases	n/a	n/a
Other	24,500	n/a

The table below sets forth the indebtedness, other than routine indebtedness, outstanding as at March 1st, 2011 to the Company of all current and former directors and executive officers of the Company.

Name and principal position	Involvement of Company	Largest amount outstanding during 2010 (\$)	Amount outstanding as at March 1 st , 2011 (\$)	Financially assisted securities purchases during 2010 (#)	Security for Indebtedness	Amount forgiven during 2010 (\$)
Securities Purchase Programs						
n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other Programs						
Pierre Gabriel Côté President and Chief Executive Officer	Lender	17,500	24,500	n/a	n/a	0

Pursuant to the terms and conditions of his employment agreement, the Company paid to the President and Chief Executive Officer a monthly housing allocation from July 21, 2008 to July 31, 2010. Since August 1, 2010 and at the latest until July 31, 2013, the Company pays a monthly housing allocation to the President and Chief Executive Officer, but he will be required to entirely reimburse the payments made during such second period at the earliest of (i) August 1, 2013, or (ii) the date of his resignation, retirement or termination with or without cause. Furthermore, any payout made to the President and Chief Executive Officer under the PSUP after July 31, 2010 shall be first applied against any amount owed to the Company for such monthly housing allocation. Amounts owed to the Company by the President and Chief Executive Officer since August 1, 2010 are interest free and are not guaranteed by a security.

AUDIT COMMITTEE

The Audit Committee of the Company is responsible for assisting the Board in the fulfillment of its duties with respect to financial accounting and reporting practices as well as the adequacy and integrity of internal controls, risk management and management information systems.

As at March 23, 2011, the Audit Committee is comprised of Messrs. François R. Roy (Chairman), Harold P. Gordon and Hubert T. Lacroix and Ms. Nancy Orr, all of whom are "independent" Directors and "financially literate" (as such terms are defined in NI 52-110).

Reference is made to "Audit Committee" on pages 35 to 36 of the AIF which can be found on SEDAR at www.sedar.com.

HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE

As at March 23, 2011, the HRCG Committee is comprised of Messrs. Dino Fuoco (Chairman), Pierre Desjardins, Georges Kobrynsky and Adam Lapointe, all of whom are "independent" Directors (as such term is defined in NI 52-110).

This committee is responsible for overseeing human resources matters, including compensation of executive officers, and making appropriate recommendations to the Board. It is also responsible for overseeing and assessing the functioning of the Board and the committees of the Board and for the development, recommendation to the Board, implementation and assessment of effective corporate governance practices. Finally, the HRCG Committee is also responsible for overseeing Fibrek's corporate social responsibility, including with respect to health and safety and environmental matters.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Fibrek believes that sound corporate governance practices are important to its overall success. The Canadian Securities Administrators have adopted National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and the associated National Policy 58-201 – *Corporate Governance Guidelines* which require the Company to disclose its corporate governance practices. These rules address matters such as the composition and independence of boards and their committees and the recruitment, effectiveness and education of board members.

Fibrek is committed to the highest standards of corporate governance practices and believes that effective corporate governance improves corporate performance and benefits all stakeholders. The full description of Fibrek's approach to corporate governance in relation to the disclosure requirements of National Instrument 58-101 is set forth below.

The Board

Composition and Independence

The written mandate of the Board specifies that a majority of Directors must be "independent" within the meaning of NI 52-110. The Board is currently comprised of nine Directors, eight of whom are independent. Pierre Gabriel Côté is not considered independent because of his position as President and Chief Executive Officer of Fibrek.

Mr. Hubert T. Lacroix, the Chairman of the Board, is an independent Director, in compliance with the written mandate of the Board.

The other directorships of the proposed nominees for election as Directors are set forth in a table above under "Business of the Meeting - Election of Directors – Other Directorships".

Meetings

Even though the President and Chief Executive Officer of Fibrek is a member of the Board, the agendas of regular meetings always include an item whereby the Board or the applicable committee meets without any member of Management being present.

The attendance record of each Director for all Board and committee meetings held in 2010 is set forth in a table above under "Executive and Other Compensation – Compensation of Directors – 2010 Compensation".

Board Mandate

The Board adopted a written mandate for its activities. In accordance with its mandate, the Board (i) supervises the management of the business and affairs of Fibrek, (ii) reviews and approves Fibrek's strategic planning, business objectives and annual budget, (iii) ensures that the principal risks of Fibrek's business are identified and that adequate systems are put in place to manage these risks, (iv) adopted a communications plan as part of Fibrek's disclosure policy, and (v) supervises, through the Audit Committee, the quality and integrity of Fibrek's internal controls and management information systems.

The text of the Board mandate is attached as Schedule A to this Information Circular.

Position Descriptions

Chairman of the Board and Committees

The Board adopted a written position description for the Chairman of the Board, setting forth his roles and responsibilities, which include planning Board meetings, presiding over Board meetings and any annual or special meeting of the Shareholders, proposing (in collaboration with the HRCG Committee) the composition of Board committees, overseeing the short and long term objectives of Fibrek with a view to protect its assets, encourage growth and ensure good governance, overseeing the elaboration of strategic projects and acting as a representative of the Board for its communications with the President and Chief Executive Officer.

Furthermore, all written committee mandates set forth the specific responsibilities of the committee chair, which include planning committee meetings, presiding over committee meetings, ensuring that the committee fulfils its responsibilities pursuant to its written mandate and reporting to the Board on matters addressed by the committee.

President and Chief Executive Officer

The Board also adopted a written position description for its President and Chief Executive Officer, setting forth his roles and responsibilities, which include formulating the strategic plan of Fibrek, designing policies for the management of the business and the application of the strategic plan, submitting operating and major maintenance budgets to the Board for its approval, leading and managing the business of Fibrek in accordance with the overall objectives of the Board, identifying and managing the risks related to Fibrek's business, representing Fibrek as its principal spokesperson, elaborating strategic projects and supporting the chairmen of the Board and of each of the committees, and the other Directors, in fulfilling their duties.

Orientation and continuing education

New Directors

The Company does not have a formal orientation and education program for new Directors. New Directors are however provided with a Board book comprised of Fibrek's continuous disclosure documents, Code of Ethics, policies and procedures, plans and Board and committee mandates. Furthermore, the meetings in which new Directors participate as well as discussions with other Directors and with Management permit new Directors to familiarize themselves with the operations of the Company. The Board aims to hold at least one meeting per year at one of the mills to provide Directors with additional insight regarding Fibrek's activities.

Continuing Education

The Company ensures that Directors have access to education and information on an ongoing basis and as required by inviting Management and outside service providers to make presentations to the Board on the main areas of Fibrek's business, including on recent business developments and on regulatory and industry requirements. Furthermore, Management provides Board members with monthly reports on operational and financial results of Fibrek.

Board members are also invited to attend seminars, conferences and trainings relating to their position as Director of Fibrek. Subject to prior approval by the Chairman of the Board, Directors are reimbursed the expenses they incur for attending such seminars, conferences or trainings, up to a maximum amount of \$5,000 per Director per year.

The HRCG Committee is responsible for overseeing the orientation and continuing education of Directors.

Ethical Business Conduct

The Board adopted a Code of Ethics, a Policy relating to the Disclosure of Material Information and Insider Trading and a Policy relating to Donations which were each filed with the Canadian Securities Administrators and can be found through the internet on SEDAR at www.sedar.com. Copies are also available at no charge upon request from the Secretary of the Company at 1010, rue de Sérigny, Suite 100, Longueuil (Québec) J4K 5G7.

Code of Ethics

The Code of Ethics sets forth the rules of ethics, integrity and respect that form part of the fundamental values of Fibrek. It applies to all employees (unionized or not), officers and Directors as well as to suppliers of the Company. The Board, through the HRCG Committee, is responsible for monitoring compliance with the Code. Any material issues regarding compliance with the Code are brought forward by Management at either the Board or appropriate committee meeting, or are referred to certain persons in authority within Management, as may be appropriate in the circumstances.

The Code of Ethics also includes a "whistle-blowing" policy for accounting, internal accounting controls and auditing matters. The Audit Committee put a process in place to allow any infringement relating to such matters to be brought to the attention of the Chairman of the Audit Committee or the Chairman of the Board, as appropriate, either anonymously through the Vice President Legal Affairs and Corporate Secretary or by the person having been informed of the infringement.

Disclosure Policy

The Policy relating to the Disclosure of Material Information and Insider Trading is aimed at coherent, efficient, timely and broadly disseminated disclosure of material information of Fibrek to the market, in accordance with applicable securities legislation, and at ensuring compliance with applicable insider trading rules.

In order to ensure full compliance with applicable securities laws, the Company created a Disclosure Committee entirely comprised of officers. This Disclosure Committee (which is governed by a written mandate) reports to the Audit Committee and is responsible for reviewing certain public disclosures of Fibrek prior to their review by the Audit Committee and the Board.

Donation Policy

The Donation Policy sets forth guidelines for donations made by the Company that are meant to preserve and improve Fibrek's reputation with interested parties. Fibrek's donations and sponsorships are intended for organizations whose mission is to improve the quality of life in communities where the Company is established as well as for individuals who share the Company's singular focus and desire for excellence and actions made in the spirit of sustainable development. Fibrek also encourages and values the involvement of its employees in their community and supports their efforts by investing in causes that they hold dear. In 2010, Fibrek donated and sponsored causes in an aggregate amount of approximately \$143,000.

Material Interest in Transactions or Agreements

Each Director must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such Director has a conflict of interest. In addition, any Director that is precluded from voting as a result of a conflict of interest does not participate in any discussion or decision on any matter relating to such conflict of interest.

Nomination of Directors and Compensation

The HRCG Committee is currently comprised of four Directors, all of whom are independent within the meaning of NI 52-110 (see above under "HRCG Committee").

The general mandate of the HRCG Committee is as follows:

- assisting the Board in discharging its human resources duties, including with respect to nomination of Directors and compensation of executive officers and Directors;
- supervising and assessing the Board and its committees and developing and implementing efficient governance practices; and

- overseeing Fibrek's corporate social responsibility, including with respect to health and safety and environmental matters.

The committee has the power to retain, if necessary, outside advisors at the Company's expense.

In accordance with its mandate, the HRCG Committee is responsible for proposing, when necessary, new nominees to the Board.

Based on the results of the annual assessment of the Board and its committees, the HRCG Committee may recommend that the composition of the Board or its committees be modified in order to ensure that it continues to serve the best interests of Fibrek and to ensure appropriate succession of Directors.

When changes to the Board composition are required, the HRCG Committee establishes the qualifications and competencies held by each of the Directors (e.g. expertise and knowledge of the industry in which Fibrek operates and operational and financial literacy) and the complementary qualifications and competencies required for any new potential candidate. Potential candidates are then identified by the HRCG Committee. The HRCG Committee, the Chairman of the HRCG Committee and the Chairman of the Board consult with each other with respect to the actions to be taken and the necessary steps are then taken to evaluate the candidates and confirm their willingness to serve on the Board.

Once the selection of candidates is made, the HRCG Committee recommends to the Board that the candidate or candidates be either appointed by the Board if there is a vacancy to be filled, or be nominated for election at the next annual general meeting of Shareholders.

Also in accordance with its mandate, the HRCG Committee is responsible for reviewing the compensation of Directors and executive officers periodically and making recommendations to the Board in that regard.

In determining the compensation of Directors, the HRCG Committee considers the risks and responsibilities that the Directors of Fibrek assume in keeping with the roles of the Board and of its committees as well as the directors' compensation offered by companies comprised in a reference group of companies used as a guide in determining compensation matters. See "Executive and Other Compensation – Compensation of Directors".

Compensation of executive officers is determined as set forth under "Statement of Executive Compensation – Compensation Discussion and Analysis".

In 2010, the HRCG Committee retained the services of TW to assist in determining the appropriate compensation for the Company's executives in respect of long-term incentives and retirement programs.

Assessments

In accordance with its mandate, the HRCG Committee assesses on an annual basis the overall performance of the Board and its committees as well as the performance of the chairmen of the Board and of each committee by reviewing an evaluation questionnaire that is forwarded to all Directors. The results are collected by the Chairman of the HRCG Committee (or by the Chairman of the Board, insofar as the Chairman of the HRCG Committee is concerned) and communicated to the Board. The HRCG Committee does not assess the contribution of individual Directors. The Company is of the view that the size of its Board does not require individual Director assessment.

LIABILITY INSURANCE

The Company purchases and maintains in force liability insurance for the Directors and the officers of Fibrek. This insurance provides an aggregate coverage limit of \$25 million. For the financial year ended December 31, 2010, liability insurance premiums amounted to \$310,000.

OTHER MATTERS

The contents of this Information Circular and the sending thereof have been approved by the Board of the Company.

ADDITIONAL INFORMATION

Additional information relating to Fibrek can be found through the internet on SEDAR at www.sedar.com. Financial information relating to Fibrek is provided in its comparative financial statements and management's discussion and

analysis for its financial year ended December 31, 2010, both of which can be obtained through the internet on SEDAR at www.sedar.com or upon request to the Secretary of the Company at 1010, rue de Sérigny, Suite 100, Longueuil (Québec) J4K 5G7.

APPROVAL OF THE BOARD

The contents and the mailing of this Information Circular to Shareholders of the Company have been approved by the Board on March 23, 2011.

Dated at the City of Longueuil, in the Province of Québec, this 23rd day of March, 2011.

BY ORDER OF THE BOARD OF FIBREK INC.

(signed) Pierre Gabriel Côté
President and Chief Executive Officer

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular, including the Summary hereof.

"**AIF**" means the annual information form of the Company dated March 23, 2011 in respect of the Company's financial year ended December 31, 2010;

"**Arrangement**" means the court-approved plan of arrangement under Section 192 of the CBCA pursuant to which SFK Pulp Fund completed its reorganization from an income trust structure to a corporation named "FibreK Inc.";

"**Audit Committee**" means the audit committee of Fibrek;

"**Beneficial Shareholder**" has the meaning ascribed to it under "General Proxy Matters - Voting of Common Shares - Advice to Beneficial Shareholders";

"**Board**" or "**Board of Directors**" means the board of directors of Fibrek Inc.;

"**Book-Entry System**" means the book-based system administered by CDS;

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in the City of Montreal, in the Province of Québec, for the transaction of banking business;

"**CBCA**" means the *Canada Business Corporations Act*, R.S.C. 1985, c. C.44;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**Code of Ethics**" has the meaning ascribed to it under "Statement of Corporate Governance Practices - Ethical Business Conduct";

"**Common Shares**" mean the common shares in the share capital of Fibrek;

"**DB SERP**" has the meaning ascribed to it under "Executive and Other Compensation - Pension Plans - Defined Benefit Plans";

"**Director**" means a member of the Board of Directors;

"**FibreK**", "**Company**", "**we**", "**us**" and "**our**" refer to any one of Fibrek Inc., SFK Pulp Fund, SFK Pulp Trust, Fibrek General Partnership (formerly known as SFK Pulp General Partnership), Fibrek Holding Inc. (formerly known as SFK Holding Inc.), Fibrek Recycling U.S. Inc. (formerly known as SFK Pulp Recycling U.S. Inc.) or its subsidiaries or any two of them or more collectively;

"**HRCG Committee**" means the Human Resources and Corporate Governance Committee of Fibrek;

"**Information Circular**" means this management information circular of the Company dated March 23, 2011, together with all schedules hereto, distributed to Shareholders in connection with the Meeting;

"**Management**" means the senior management of Fibrek;

"**Meeting**" means the annual meeting of Shareholders to be held on May 19, 2011, and any adjournment(s) or postponement(s) thereof;

"**NEOs**" has the meaning ascribed to it under "Executive and Other Compensation - Compensation of NEOs";

"**NI 52-110**" means National Instrument 52-110 - *Audit Committees*;

"**Notice of Meeting**" means the Notice of Annual Meeting of Shareholders which accompanies this Information Circular;

"**Options**" means share options granted under the SOP;

"**Pension Plan**" has the meaning ascribed to it under "Executive and Other Compensation - Pension Plans - Defined Benefit Plans";

"**PSUs**" means the performance share units granted under the PSUP;

"**PSUP**" means the performance share unit plan of Fibrek, as amended from time to time;

"**Record Date**" means the close of business on April 14, 2011;

"**Reference Group**" has the meaning ascribed to it under "Statement of Executive Compensation – Compensation Discussion and Analysis - Benchmarking Practices";

"**Rights Offering**" means the distribution of rights to subscribe for and purchase Common Shares in the capital of Fibrek for gross proceeds of \$40 million;

"**SBDT**" means Samson Bélair/Deloitte & Touche s.e.n.c.r.l.;

"**Shareholders**" means holders from time to time of Common Shares and includes, when the Common Shares are registered in the Book-Entry System, the Beneficial Shareholders;

"**SOP**" means the share option plan of Fibrek, as amended from time to time;

"**STIP**" means the short term incentive plan of Fibrek, as amended from time to time;

"**Transfer Agent**" means Computershare Investor Services Inc.;

"**TSX**" means the Toronto Stock Exchange; and

"**TW**" means Towers Watson.

**SCHEDULE A
MANDATE OF THE BOARD**



CHARTER OF THE BOARD OF DIRECTORS

Approved on July 26, 2004 and amended on August 4, 2010

PURPOSE OF THE BOARD

Elected by the shareholders of Fibrek Inc. ("Fibrek"), the Board of Directors of Fibrek (the "Board") is responsible for overseeing management of the business and affairs of Fibrek and its subsidiaries.

Although directors may be elected by the shareholders of Fibrek to bring special expertise or a particular point of view to Board deliberations, they are not chosen to represent particular interests. The best interests of Fibrek must be paramount at all times.

POWERS

As part of its functions, the Board may:

- a) Ask management of Fibrek or outside third parties for the information it needs to fulfil its duties;
- b) Obtain, when necessary, legal or other advice from outside professionals;
- c) Determine and authorize the payment of the fees of such professionals; and
- d) Communicate directly with the in-house auditor, if applicable, and the outside auditors of Fibrek.

COMPOSITION OF THE BOARD

Selection of members

The Board, through its Human Resources and Corporate Governance Committee, is responsible for, among other things, (i) reviewing the size of the Board on an annual basis, (ii) examining the skills, qualifications and expertise of the directors on an annual basis, (iii) recruiting potential directors from time to time, taking into account their experience, employment and qualifications and making appropriate recommendations to the Board, and (iv) identifying and recommending directors to be nominated at each annual meeting of Fibrek. The Board approves the final choice of nominees standing for election by shareholders.

Size of Board

Subject to the articles of incorporation, the Board is made up of a minimum of three (3) and a maximum of 15 directors. The number of directors set from time to time must be sufficient to ensure a variety of skills and points of view, provide useful experience to the Board and sit on the various Board committees while contributing to effective decision-making.

Independent directors

Subject to the exceptions prescribed by the laws, regulations, policies, guidelines or standards of applicable securities authorities and stock exchanges on which shares of Fibrek are traded (collectively the "Applicable Standards"), the majority of Board members must be "unrelated" and "independent" directors (as those terms are defined in the Applicable Standards for boards of directors).

Conditions for Board membership

In addition to meeting the requirements under the law and the constituting documents of Fibrek, directors of Fibrek must, overall, have the skills, qualifications and expertise determined from time to time by the Human Resources and Corporate Governance Committee, as well as an understanding of the challenges facing Fibrek.

What is expected of Board members

Board members shall:

- a) Act ethically, with integrity and in the best interests of Fibrek;

- b) Devote the necessary time to the affairs of Fibrek and act with care, diligence and skill in performing their duties as a director;
- c) Understand the role and responsibilities of the Board and its committees;
- d) Use their best efforts to be present (in person or by telephone) at all meetings of the Board and of the committees on which they sit;
- e) Read the documents provided by management in preparation for Board and committee meetings;
- f) Understand and question the affairs and strategic plans of Fibrek;
- g) Keep confidential the deliberations and decisions of the Board and committees as well as information sent to them in anticipation of Board and committee meetings, except when the information has been publicly disclosed;
- h) Comply with the share holding policy of Fibrek for directors;
- i) Immediately inform the Board if they cease to be “unrelated” and “independent”.

Chairman of the Board

The Chairman of the Board is appointed by the Board from among the “unrelated” and “independent” directors of Fibrek.

Mandate of directors

The directors are elected by shareholders at each annual meeting unless the Board appoints a director to fill a vacancy until the next annual meeting. The mandate of each director terminates at the end of the annual meeting of shareholders immediately following the meeting at which such director was elected or at the appointment of his or her successor.

BOARD MEETINGS

Agenda of Board meetings

The Chairman of the Board, in consultation with management, prepares the agenda for Board meetings. Information and documentation which is important to allow the directors to understand items on the agenda are distributed within a reasonable time prior to the meeting.

Frequency of Board meetings

The Board meets at least five (5) times a year, and other meetings may be held as needed.

Participation of management and other guests at meetings

Members of management and any other person may, upon invitation by the Chairman of the Board, participate in and make presentations at Board meetings. Persons invited to participate in Board meetings who are not Board members are not entitled to vote on decisions made.

Quorum

The quorum required for any meeting is the majority of members of the Board.

Closed sessions

All regular meetings of the Board will provide for a closed session at which no member of management is present, in order to ensure a free and open discussion between the outside directors.

DUTIES AND RESPONSIBILITIES OF THE BOARD

The Board discharges its duty to oversee the management of Fibrek by delegating to the senior officers of Fibrek responsibility for the day-to-day management. The Board discharges its responsibilities both directly and through its committees – the Audit Committee and the Human Resources and Corporate Governance Committee. In addition to the regular committees, the Board may periodically appoint ad hoc committees to address certain issues of a more short-term or urgent nature.

When it delegates matters for which it is responsible to Board committees, the Board nonetheless maintains its oversight role and ultimate responsibility for the matters in question and any other delegated duty.

In addition to the duties prescribed by law, the primary role of the Board is to oversee the activities of Fibrek and to ensure the quality, thoroughness and continuity of its management in order to reach the strategic goals of Fibrek. The Board also has the following duties:

- a) The Board is responsible for choosing the Chairman of the Board.
- b) The Board is responsible for reviewing and ratifying the recommendations issued by the Human Resources and Corporate Governance Committee with respect to its composition and size, candidates proposed for election to the Board, committee and committee chair appointments, committee charters and director compensation.
- c) The Board is responsible, through the Human Resources and Corporate Governance Committee, for evaluating on an annual basis the performance of the Board and its Chairman as well as the performance of Board committees and their chairs.
- d) The Board is responsible, through the Human Resources and Corporate Governance Committee, for supervising the training and development of the directors.
- e) The Board is responsible for ensuring that the appropriate structures and procedures are in place in order to allow the Board and its committees to operate independently of management of Fibrek.
- f) The Board is responsible for approving the appointment of senior officers, including the President and Chief Executive Officer, and approving their remuneration based on recommendations made by the Human Resources and Corporate Governance Committee.
- g) The Board is responsible, through the Human Resources and Corporate Governance Committee, for overseeing the succession planning programs, including training and development programs for senior officers.
- h) The Board is responsible for approving and, as needed, reviewing the description of the duties of the President and Chief Executive Officer developed by the Human Resources and Corporate Governance Committee.
- i) The Board is responsible for approving, upon the recommendation of the Human Resources and Corporate Governance Committee, the goals of the President and Chief Executive Officer.
- j) The Board is responsible for reviewing the evaluation of the performance of the President and Chief Executive Officer and of the other senior officers made by the Human Resources and Corporate Governance Committee and reviewing and ratifying the recommendations of the committee with respect to their compensation.

- k) The Board is responsible for ensuring that its expectations of management are well understood by management.
- l) The Board is responsible for adopting a strategic planning process as well as for reviewing and, on an annual basis, approving the strategic plan (including business opportunities and risks) of Fibrek developed by management.
- m) The Board is responsible for considering alternate strategies in response to possible change of control transactions or take-over bids with a view to maximizing value for shareholders.
- n) The Board is responsible for enhancing congruence between shareholder expectations, Fibrek plans and management performance.
- o) The Board is responsible for approving, on an annual basis, the operating budget and the capital expenditure budget of Fibrek developed by management.
- p) The Board is responsible for supervising, through the Audit Committee, the quality and integrity of the accounting systems, controls and procedures for disclosing information as well as the internal control and information management systems of Fibrek.
- q) The Board is responsible for overseeing, through the Audit Committee, the integrity and quality of the financial statements and other financial information of Fibrek.
- r) The Board is responsible for approving, upon the recommendation of the Audit Committee, the audited financial statements, interim financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements, the annual report, annual information form, information circular, press releases and any other financial document which Fibrek is required to publish or file.
- s) The Board is responsible for ensuring, through the Audit Committee, that the outside auditors are independent and competent.
- t) The Board is responsible for overseeing, through the Audit Committee, the management, investment policies and solvency of the pension plans of Fibrek.
- u) The Board is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters which the Board is required to approve under the constituting documents of Fibrek, including the payment of dividends, acquisitions and dispositions of material capital assets and major capital expenditures.
- v) The Board is responsible for identifying the principal risks of Fibrek's business and ensuring the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of Fibrek and achieving a proper balance between the risks incurred and the potential return to shareholders of Fibrek.
- w) The Board is responsible for reviewing and approving the key policies developed by management respecting various matters such as ethics, disclosure, insider trading, cash flow management, the environment and human resources.
- x) The Board is responsible for approving and reviewing, as needed, a communication plan to address communications with shareholders, employees, financial analysts, governments and regulatory authorities, the community and the media.
- y) The Board is responsible for taking steps to enhance the timely disclosure of any development that has a material impact on Fibrek.

- z) The Board is responsible for overseeing the implementation of systems which accommodate feedback from shareholders.
- aa) The Board is responsible, through the Human Resources and Corporate Governance Committee, for developing and, as needed, reviewing the appropriate corporate governance structures and procedures.
- bb) The Board is responsible for (i) ensuring the integrity of the President and Chief Executive Officer and the other senior officers and ensuring that such persons maintain a culture of integrity within the company, (ii) upon the recommendation of the Human Resources and Corporate Governance Committee, adopting a code of ethics (including a disclosure regime for financial and accounting issues) and reviewing it as needed, (iii) through the Human Resources and Corporate Governance Committee, monitoring compliance with the code of ethics, and (iv) upon the recommendation of the Committee, granting exemptions from the code of ethics.

CHARTER

This charter will be revised annually (or as needed) by the Board through its Human Resources and Corporate Governance Committee. The committee will recommend to the Board of Directors the changes to be made to the charter, where applicable. The performance of the Board will be evaluated on the basis of this charter.

The Human Resources and Corporate Governance Committee will ensure that the wording of the charter (or a summary thereof) is published as required by the Applicable Standards.