

**NOTICE OF SETTLEMENT APPROVAL
IN
CATHAY FOREST PRODUCTS CORP. SECURITIES LITIGATION**

This notice is to all persons or entities, wherever they may reside or be domiciled, other than Excluded Persons and Opt-Out Parties, who purchased or otherwise acquired shares of Cathay Forest Products Corp. (“Cathay”) during the period from November 9, 2009 through August 21, 2013 (the “Class Period”).

**READ THIS NOTICE CAREFULLY AS IT MAY AFFECT YOUR LEGAL RIGHTS.
YOU MAY NEED TO TAKE PROMPT ACTION**

IMPORTANT DEADLINE:

Claims Bar Deadline - Claims to be filed by Monday, March 31, 2014 for compensation. See page 3 for more details.

***Claim Forms will not be accepted after the deadline.
As a result, it is necessary that you act without delay.***

NOTE: “Excluded Persons” are not permitted to participate in the Settlement. Excluded Persons are each Defendant, the past or present subsidiaries or affiliates, officers, directors, partners, legal representatives, consultants, agents, successors and assigns of Cathay, any member of each Defendant’s families, each Defendant’s heirs, successors or assigns, and any other person who acted as a consultant or provided other professional services to Cathay or its subsidiaries during the Class Period relating to the acquisition, purchase, sale, pricing, marketing or distribution of Shares.

COURT APPROVAL OF THE CLASS ACTION SETTLEMENT

In July 2011 a class proceeding against Cathay and certain of its former directors, including certain of its former executive officers (the “Defendants”) was commenced in the Ontario Superior Court of Justice (the “Court”). The Plaintiff alleges that Cathay’s December 11, 2009 prospectus and some of Cathay’s other disclosures were materially misleading. On September 13, 2013, the Court certified this proceeding as a class action on consent. Certification by the Court is not a decision on the merits of the class action.

On August 21, 2013 the parties to the class action executed a Settlement Agreement (the “Settlement”). The Settlement is subject to the approval of the Court. The Settlement provides for the payment of CAD\$1,900,000 (the “Settlement Amount”) in consideration for full and final settlement of the claims of Class Members. The Settlement Amount includes all legal fees, disbursements, taxes and administration expenses. In return for the Settlement Amount, the Defendants receive releases and a dismissal of the class action. The Settlement is a compromise of disputed claims and is not an admission of liability, wrongdoing or fault on the part of any of the Defendants, all of whom have denied, and continue to deny, the allegations against them.

A complete copy of the Settlement Agreement is available on the website of Class Counsel: www.classaction.ca.

On November 22, 2013, the Court approved the Settlement and declared that it is fair, reasonable and in the best interests of the Class Members.

The Court also awarded to Class Counsel legal fees, disbursements, interest and applicable taxes totaling \$527,634.68 (“Class Counsel Fees”). Class Counsel Fees will be deducted from the Settlement Amount before it is distributed to Class Members. Expenses incurred or payable relating to approval, notification, implementation and administration of the Settlement (“Administration Expenses”), will also be paid from the Settlement Amount before it is distributed to Class Members.

All Class Members (as commonly defined in the Settlement) are bound by the terms of the Settlement unless they have already validly excluded themselves from the Action (opted-out). The deadline to opt-out was November 17, 2013.

ADMINISTRATOR

The Court has appointed NPT RicePoint as the Administrator of the Settlement. The Administrator will, among other things: (i) receive and process the Claim Forms; (ii) make determinations of each Class Member’s eligibility for compensation pursuant to the Plan of Allocation; (iii) communicate with Class Members regarding their eligibility for compensation; and (iv) manage and distribute the Net Settlement Amount. The Administrator can be contacted at:

Telephone:	1-866-432-5534
Mailing Address:	Cathay Forest Products Corp. Securities Litigation Claims Administrator P.O. Box 3355 London, ON N6B 4K3
Email Address:	cathay@nptricepoint.com
Website:	www.nptricepoint.com

CLASS MEMBERS’ ENTITLEMENT TO COMPENSATION

Class Members will be eligible for compensation pursuant to the Settlement if they sustained a Net Loss on their Class Period transactions and if they timely submit a complete Claim Form, including any supporting documentation, with the Administrator. To be eligible for compensation under the Settlement, Class Members must submit their Claim Form postmarked **no later than** Monday, March 31, 2014 (the “Claims Bar Deadline”).

The remainder of the Settlement Amount, after deduction of Class Counsel Fees and Administration Expenses (the “Net Settlement Amount”) will be distributed to Class Members in accordance with the Court approved Plan of Allocation.

The Plan of Allocation uses the following definitions, in addition to those contained in the Settlement:

- (a) “**Acquisition Expense**” means the total monies paid by the Claimant (including brokerage commissions) to acquire Eligible Shares;
- (b) “**Allocation Pool**” means the Settlement Amount remaining in the Escrow Account after payment of Administration Expenses and Class Counsel Fees. For greater certainty, Allocation Pool includes the after tax amount of any accrued interest income on the Settlement Amount;
- (c) “**Claimant**” means a Class Member who submits a properly completed Claim Form and all required supporting documentation to the Administrator, on or before the Claims Bar Deadline;
- (d) “**Disposition Proceeds**” means the total proceeds paid to the Claimant (without deducting any commissions paid in respect of the dispositions) in consideration of the sale of all of his/her/its Eligible Shares; provided, however, that with respect to any Eligible Shares that the Claimant continues to hold, they shall be deemed to have been disposed of for nil consideration (i.e., disposed of for CAD \$0.00);
- (e) “**FIFO**” means the principle of first-in, first-out, wherein securities are deemed to be sold in the same order that they were purchased (i.e. the first Shares/Eligible Shares purchased are deemed to be the first Shares/Eligible Shares sold); and which requires, in the case of a Claimant who held Shares at the commencement of the Class Period, that those Shares be deemed to have been sold completely before Eligible Shares are sold or deemed sold;
- (f) “**Net Loss**” means that the Claimant’s Disposition Proceeds are less than the Claimant’s Acquisition Expense; and
- (g) “**Nominal Entitlement**” means an Authorized Claimant’s nominal damages as calculated pursuant to the formulae set forth herein, and which forms the basis upon which each Authorized Claimant’s *pro rata* share of the Allocation Pool is determined.

CALCULATION OF NET LOSS AND NOMINAL ENTITLEMENT

A Claimant must have sustained a Net Loss in order to be eligible to receive a payment from the Allocation Pool. A Claimant that has not suffered a Net Loss as calculated under the Plan of Allocation will not be entitled to receive any portion of the Allocation Pool.

The Administrator shall first determine whether a Claimant has sustained a Net Loss. If the Claimant has sustained a Net Loss, they become an Authorized Claimant, and the Administrator will go on to calculate the Authorized Claimant’s Nominal Entitlement.

The Administrator will apply FIFO to distinguish the sale of Shares held at the beginning of the Class Period from the sale of Eligible Shares and will continue to apply FIFO to determine the purchase transactions which correspond to the sale of Eligible Shares.

The date of a purchase, sale or deemed disposition shall be the trade date, as opposed to the settlement date of the transaction or the payment date.

The Administrator will use the data, derived from applying FIFO, in the calculation of an Authorized Claimant's Nominal Entitlement according to the formulae below. The formulae reflect the opinion of the Plaintiff's valuation and damages expert, based on certain assumptions (aside from liability).¹

An Authorized Claimant's Nominal Entitlement will be calculated as follows:

- I. No Nominal Entitlement shall be recognized for any Eligible Shares *purchased and disposed of before December 1, 2010*;**
- II. For Eligible Shares *purchased before December 1, 2010 and disposed of from December 1, 2010 to January 31, 2011*, the Nominal Entitlement shall be the lesser of:**
 - A. an amount equal to the number of Eligible Shares thus disposed of, multiplied by the difference between the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof) and the price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
 - B. the sum of the Eligible Shares disposed of multiplied by CAD \$0.08.
- III. No Nominal Entitlement shall be recognized for any Eligible Shares *purchased and disposed of between December 1, 2010 and January 31, 2011*.**
- IV. For Eligible Shares *purchased from December 1, 2010 to and including January 31, 2011 and still held on February 4, 2011*, the Nominal Entitlement shall be the lesser of:**

¹ Namely, that:

- (a) Share prices were artificially inflated between November 9, 2009 and February 4, 2011;
- (b) Cathay shareholders who purchased Shares in the Class Period and held those Shares through either or both of December 1, 2010 and February 4, 2011 sustained damages;
- (c) for Shares purchased from November 9, 2009 to and including November 30, 2010 and held through December 1, 2010, damage per Share is equivalent to the artificial inflation of CAD \$0.08 per Share removed on December 1, 2010;
- (d) for Shares purchased on or after December 1, 2010 and held on February 4, 2011, damage per Share is equivalent to notional artificial inflation of CAD \$0.38 per Share that is very likely to have been removed on February 4, 2011 if Shares had continued to trade publicly at that time; and
- (e) for Shares purchased from November 9, 2009 to and including November 30, 2010 and held through both of December 1, 2010 and February 4, 2011, damage per Share is equivalent to the aggregate of the per Share artificial inflation amounts in (c) and (d) above, i.e. damage per Share is CAD \$0.46.

- A. an amount equal to the number of Eligible Shares held on February 4, 2011 multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or
 - B. the sum of Eligible Shares held on February 4, 2011 multiplied by CAD \$0.38.
- V. For Eligible Shares *purchased before December 1, 2010 and still held on February 4, 2011*, the Nominal Entitlement shall be the lesser of:**
- A. an amount equal to the number of Eligible Shares held on February 4, 2011 multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or
 - B. the sum of Eligible Shares held on February 4, 2011 multiplied by CAD \$0.46.

In determining whether a Claimant has sustained a Net Loss and calculating an Authorized Claimant's Nominal Entitlement, transactions in Eligible Shares in any foreign currency shall be converted to Canadian currency, based on the Bank of Canada noon exchange rate between the Canadian dollar and the foreign currency on the date on which the Administrator calculates the Nominal Entitlements of Authorized Claimants. All Nominal Entitlements shall be recorded in Canadian currency.

FINAL DISTRIBUTION

Each Authorized Claimant's actual compensation shall be the portion of the Allocation Pool equivalent to the ratio of his, her or its Nominal Entitlement to the total Nominal Entitlements of all Authorized Claimants multiplied by the Allocation Pool, as calculated by the Administrator.

Compensation shall be paid to Authorized Claimants in Canadian currency.

The Administrator will not distribute entitlements of less than CAD \$5.00 to Class Members. Such amounts will instead be redistributed *pro rata* to the other Authorized Claimants.

CLASS COUNSEL

The law firm of Siskinds LLP is appointed by the Court as counsel to the Class in the class proceeding.

Telephone: 1-800-461-6166 ext. 2286
Fax: 519-660-6065
Mailing Address: Cathay Forest Products Corp. Securities Litigation
Siskinds LLP
680 Waterloo Street
London, ON N6A 3V8
Attention: Charles M. Wright
Email: cathayforest@siskinds.com
Website: www.classaction.ca

INTERPRETATION

If there is a conflict between the provisions of this notice and the Settlement, the terms of the Settlement will prevail.

PLEASE DO NOT DIRECT INQUIRIES ABOUT THIS NOTICE TO THE COURT. All inquiries should be directed to the Administrator or Siskinds LLP.

DISTRIBUTION OF THIS NOTICE HAS BEEN AUTHORIZED BY
THE ONTARIO SUPERIOR COURT OF JUSTICE