

**MERCER INTERNATIONAL INC.**  
**(the "Company")**

**AUDIT COMMITTEE CHARTER**

**(March 1, 2006)**

**1. PURPOSE**

The Audit Committee is appointed by the Board to assist the Board in monitoring: (1) the integrity of the financial statements of the Company; (2) the compliance by the Company with legal and regulatory requirements; and (3) the qualifications, appointment, independence and performance of the Company's external auditors and senior finance executives.

The Audit Committee shall consist of at least 3 directors as determined by the Board. The members of the Audit Committee shall meet the independence and experience requirements of any exchange or quotation system upon which the Company's securities are listed or quoted. In particular, the Chairman of the Audit Committee shall have accounting or related financial management expertise, and all members are to be independent as determined in accordance with applicable law, including the *Sarbanes-Oxley Act of 2002* and the rules and regulations of the Securities and Exchange Commission promulgated thereunder. At least one of the members (which may be the Chairman) shall be a financial expert as defined by applicable rules, regulations and statutes. The members of the Audit Committee shall be appointed by the Board.

The Audit Committee may request any officer or employee of the Company and its subsidiaries or the Company's outside counsel or independent auditor to attend meetings of the Committee or to meet with any members of, or consultants to, the Committee.

The Company shall provide funding to compensate: (i) any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; and (ii) any independent legal, accounting or other consultants employed by the Audit Committee. The Company shall also provide funding for the Audit Committee's ordinary administrative expenses that are necessary or appropriate in carrying out its duties.

The Audit Committee shall make regular reports to the Board.

The Audit Committee shall have the following authority and responsibilities:

1. To review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. To review the annual audited financial statements with management and the Company's independent auditor, including: (i) matters required to be reviewed under applicable legal and regulatory requirements; (ii) major issues regarding

accounting and auditing principles and practices; and (iii) the adequacy of internal controls that could significantly affect the Company's financial statements.

3. To review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including an analysis of the effect of alternative GAAP methods on the Company's financial statements and a description of any transactions as to which management obtained Statement on Auditing Standards No. 50 letters.
4. To review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures and variable interest entities on the Company's financial statements.
5. To review with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditors' reviews of the quarterly financial statements.
6. To prepare the report required for the Company's annual proxy statement pursuant to the rules of the Securities and Exchange Commission.
7. To meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
8. To discuss with management and the independent auditor, as appropriate, earnings press releases and approve, as required, all quarterly earnings press releases and financial information provided to rating agencies.
9. To review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor, internal accounting or financial personnel or management.
10. The sole authority to select, evaluate, oversee and, if necessary, replace the Company's independent auditor or any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. Each independent auditor or registered public accounting firm engaged for the Company or the Audit Committee shall report directly to the Audit Committee.
11. The sole authority to approve all audit engagement terms and fees to be paid to the independent auditor for audit services.
12. The authority to engage independent counsel and other advisors as it deems necessary to carry out the duties and responsibilities of the Audit Committee.

13. To review the experience and qualifications of the senior members of the independent auditor team, the quality control procedures of the independent auditor and the rotation of the lead partner and reviewing partner of the independent auditor.
14. To review and discuss with the external auditors the scope of the annual audit and the results of the annual audit examination by the external auditors.
15. To pre-approve the retention of the independent auditor for all audit and any permitted non-audit services to be provided by any independent public accountants, including tax services, and the fees for such non-audit services.
16. To receive periodic reports from the independent auditor regarding the auditor's independence, discuss such reports with the auditor, consider whether the provision of non-audit services is compatible with maintaining the auditor's independence and, if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.
17. To evaluate the performance of the independent auditor and whether it is appropriate to adopt a policy of rotating independent auditors on a regular basis. If so determined by the Audit Committee, recommend that the Board replace the independent auditor.
18. To review and pre-approve any hiring by the Company of employees of the independent auditor who were engaged on the Company's account.
19. To review the appointment and replacement of the senior accounting and financial executives.
20. To review the significant reports to management prepared by the internal accounting and financial personnel and management's responses.
21. To obtain from the independent auditor assurance that Section 10A of the Securities Exchange Act of 1934 has not been implicated.
22. To obtain reports/confirmation from management, the Company's senior accounting and financial personnel and the independent auditor that the Company's subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company's Code of Conduct, including disclosures of insider and affiliated party transactions.
23. To discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.
24. To review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee or anonymous

complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.

25. To review with the independent auditor any problems or difficulties the auditor may have encountered and any disagreements between the independent auditor and management of the Company and any management letter provided by the auditor and the Company's response to that letter. Such review should include:
  - (a) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management;
  - (b) The internal accounting and financial responsibilities; and
  - (c) The investigation and implementation of the resolution of any disagreement between the independent auditor and the management of the Company.
26. To advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Conduct.
27. To meet at least quarterly with the chief financial officer and the independent auditor in separate executive sessions.
28. To review with management material matters relating to tax and insurance.
29. To review and consider transactions with related parties and/or affiliated transactions.
30. To review and approve or ratify, on at least an annual basis, summary expense reports and reimbursements of the Chairman, Chief Executive Officer and Chief Financial Officer.
31. To establish procedures for: (i) the receipt, retention, processing, treatment and resolution of complaints regarding accounting, internal controls or auditing matters; and (ii) the confidential, anonymous submission by the Company's employees of concerns regarding auditing or accounting matters.
32. To review and investigate any matters pertaining to the integrity of management, including conflicts of interest or adherence to standards of business conduct as required in the policies of the Company.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and

the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations and the Company's Code of Conduct.

## **2. ACCOUNTABILITY**

The minutes of all meetings of the Committee will be made available for review by any member of the Board on request to the Chairman of the Committee.