CANADA

PROVINCE OF QUÉBEC
DISTRICT OF
MONTRÉAL

No.: 500-11-036133-094

SUPERIOR COURT

Commercial Division
Sitting as a court designated pursuant to the Companies' Creditors Arrangement Act, R.S.C., c. C-36, as amended

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC., a legal person incorporated under the laws of the State of Delaware, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And
ABITIBI-CONSOLIDATED INC., a legal person incorporated under the laws of Canada, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And
BOWATER CANADIAN HOLDINGS INC., a legal person incorporated under the laws of the Province of Nova Scotia, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And
the other Petitioners listed on Appendices "A", "B" and "C";

Petitioners

And
ERNST & YOUNG INC., a legal person under the laws of Canada, having a place of business at 800 René-Lévesque Blvd. West, Suite 1900, in the City and District of Montréal, Province of Quebec, H3B 1X9;

Monitor

TWELFTH REPORT OF THE MONITOR
July 31, 2009

INTRODUCTION

1. On April 17, 2009, Abitibi-Consolidated Inc. ("**ACI**") and its subsidiaries listed in Appendix "A" hereto (collectively with ACI, the "**ACI Petitioners**") and Bowater Canadian Holdings Incorporated ("**BCHI**") and its subsidiaries listed in Appendix "B" hereto (collectively with BCHI, the "**Bowater Petitioners**") (the ACI Petitioners and the Bowater Petitioners are collectively referred to herein as the "**Petitioners**") filed for and obtained protection from their creditors under the Companies' Creditors Arrangement Act (the "**CCAA**" and the "**CCAA Proceedings**") pursuant to an Order of this Honourable Court (the "**Initial Order**").

2. Pursuant to the Initial Order, Ernst & Young Inc. ("**EYI**") was appointed as monitor of the Petitioners (the "**Monitor**") under the CCAA and a stay of proceedings in favour of the Petitioners was granted until May 14, 2009 (the "**Stay Period**"). On May 14, 2009, the Stay Period was extended until September 4, 2009 pursuant to an Order of this Honourable Court (the "**First Stay Extension Order**").

3. On April 16, 2009, AbitibiBowater Inc. ("**ABH**"), Bowater Inc. ("**BI**") and certain of their direct and indirect U.S. and Canadian subsidiaries, including BCHI and Bowater Canadian Forest Products Inc. ("**BCFPI**") (collectively referred to herein as "**U.S. Debtors**"), filed voluntary petitions (collectively, the "**Chapter 11 Proceedings**") for relief under Chapter 11 of the U.S. Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the "**U.S. Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**"). On April 17, 2009, the U.S. Bankruptcy Court granted certain interim and final orders (the "**First Day Orders**") and set dates for the final hearing of the motions for which the U.S. Bankruptcy Court granted the interim orders.

4. The Petitioners are all subsidiaries of ABH (ABH, collectively with its subsidiaries, the "**ABH Group**").

5. On April 17, 2009, ABH and the petitioners listed on Appendix "C" hereto (collectively with ABH, the "**18.6 Petitioners**") obtained Orders under Section 18.6 of the CCAA in respect of voluntary proceedings initiated under Chapter 11 of the U.S. Bankruptcy Code and EYI was appointed as the information officer in respect of the 18.6 Petitioners (the "**Information Officer**").

6. On April 16, 2009, ACI filed petitions for recognition under Chapter 15 of the U.S. Bankruptcy Code. On April 21, 2009, the U.S. Bankruptcy Court granted the recognition orders under Chapter 15 of the U.S. Bankruptcy Code.

7. On April 22, 2009, the Court amended the Initial Order to extend the stay of proceedings to the partnerships listed in Appendix "D" hereto.

BACKGROUND

8. ABH is one of the world's largest publicly traded paper and forest product companies. It produces a wide range of newsprint and commercial printing papers, market pulp and wood products. As at December 31, 2008, the ABH Group employed approximately 15,800 people, approximately 11,300 of which work in ACI's and BI's Canadian operations. The ABH Group owns interests in or operates 35 pulp and paper mills, 24 sawmills (others have been permanently closed), 5 wood products facilities and 32 recycling facilities located in Canada, the United States, the United Kingdom and South Korea.

9. Incorporated in Delaware and headquartered in Montreal, Quebec, ABH functions as a holding company and its business is conducted principally through four direct subsidiaries: BI, Bowater Newsprint South LLC ("**Newsprint South**") (BI, Newsprint South and their respective subsidiaries are collectively referred to as the "**BI Group**"), ACI (ACI and its subsidiaries are collectively referred to as the "**ACI Group**") and AbitibiBowater US Holding LLC ("**ABUSH**") (ABUSH and its respective subsidiaries are collectively referred to as the "**DCorp Group**").

10. ACI is a direct and indirect wholly-owned subsidiary of ABH. ABH wholly owns BI which, in turn, wholly owns BCHI which, in turn, indirectly owns BCFPI which carries on the main Canadian operations of BI.

11. ACCC, a wholly-owned subsidiary of ACI, and BCFPI hold the majority of ABH's Canadian assets and operations.

PURPOSE

12. The purpose of this Twelfth Report of the Monitor (the "**Twelfth Report**") is to advise this Honourable Court with respect to the Petitioners' request for an Approval Order with respect to the sale of certain timberlands located in Quebec to three purchasers (as more fully described below) which will result in aggregate sale proceeds for the ACI Group of approximately CDN $53 million.

TERMS OF REFERENCE

13. In preparing this Twelfth Report, the Monitor has been provided with and, in making comments herein, has relied upon unaudited financial information, the ABH Group's books and records, financial information and projections prepared by the ABH Group and discussions with management of the ABH Group (the "**Management**"). The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this Twelfth Report. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future-oriented financial information referred to in this Report was prepared by the ABH Group based on Management's estimates and assumptions. Readers are cautioned that, since these projections are based upon assumptions about future events and conditions, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

14. Capitalized terms not defined in this Twelfth Report are as defined in the previous reports of the Monitor and the Initial Order. All references to dollars are in U.S. currency unless otherwise noted.

15. Copies of all of the Monitor's Reports, in both English and French, including a copy of this Twelfth Report, and all motion records and Orders in the CCAA Proceedings will be available on the Monitor's website at www.ey.com/ca/abitibibowater. The Monitor has also established a bilingual toll free telephone number that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the CCAA Proceedings.

16. Copies of all of the U.S. Bankruptcy Court's orders are posted on the website for Epiq Bankruptcy Solutions LCC ("**Epiq**") at http://chapter11.epiqsystems.com/abitibibowater. The Monitor has included a link to Epiq's website from the Monitor's website.

TIMBERLANDS

17. ACI and ACCC (referred to in this Twelfth Report collectively as "**ACI**") owns approximately 121,000 hectares of land located in Quebec that may generally be categorized into three distinct timberlands (collectively, the "**Quebec Timberlands**") as follows:

(a) 140 parcels comprising approximately 25,000 hectares located in the Mauricie region of Quebec (the "**Mauricie Timberlands**");

(b) 82 parcels comprising approximately 28,000 hectares located in the Charlevoix/Saguenay region of Quebec (the "**Charlevoix/Saguenay Timberlands**"); and

(c) 3 parcels comprising approximately 68,000 hectares located in the Côte-Nord region of Quebec (the "**Côte-Nord Timberlands**").

Maps identifying the Mauricie Timberlands and the Charlevoix/Saguenay Timberlands and a written description of the Côte-Nord Timberlands are included in Schedules 1.1(g), 1.1(a) and 1.1(n) of the respective Sale Agreements (defined below) attached as Appendices E, F and G to this Twelfth Report.

18. The total standing timber in the Quebec Timberlands may be summarized as follows:

(a) Mauricie Timberlands - 2,310,000 m^3 of hardwood (44%) and softwood (56%);

(b) Charlevoix/Saguenay Timberlands - 2,684,200 m^3 of hardwood (48%) and softwood (52%); and

(c) Côte-Nord Timberlands - 4,139,800 m^3 of hardwood (9%) and softwood (91%).

19. ACI has advised the Monitor that the annual allowable cut, which is the amount allowed to be cut based on a timberland's annual capacity to regenerate on a sustainable basis, for the Quebec Timberlands is summarized in the table below. The table below also summarizes the approximate average actual cut from the Quebec Timberlands taken annually in recent years.

	Wood Type	**Annual Allowable Cut**	**Annual Actual Cut**
Mauricie Timberlands	Softwood	42,600 m^3	42,600 m^3
Charlevoix/Saguenay Timberlands	Softwood Hardwood	31,439 m^3 3,700 m^3	31,439 m^3 3,700 m^3
Côte-Nord Timberlands	Softwood	48,258 m^3	0 m^3

20. ACI has advised the Monitor that the Quebec Timberlands are all legacy properties that have been held by the ABH Group and its predecessors for many years. The Quebec Timberlands are considered non-strategic to the ABH Group as the timber harvested on the Quebec Timberlands represents less than 1% of the total timber sourced by the ABH Group in the Province of Quebec per annum. Approximately 93% of the timber supply for the ABH Group's Quebec-based mills is derived from volume allocations of timber on Crown land. Volume

allocations are calculated by the Province of Quebec and are generally determined based on a timberland's annual capacity to regenerate on a sustainable basis. The remaining 6% is sourced from private timberlands owned by third parties.

21. Further, the timber on the Côte-Nord Timberlands has not been harvested by the ABH Group since 1982, as the cost of harvesting this timber is high relative to other sources of supply due to its remote location and the additional cost of infrastructure (such as roads and bridges) required to access the timber.

22. The Monitor has been advised that the ABH Group does not expect the divestiture of the Mauricie Timberlands and the Charlevoix/Saguenay Timberlands to put the continued operation of any of the ABH Group's Quebec-based sawmills at risk due to the abundance of reasonably priced supply of timber from other nearby third party sources. Furthermore, it is not expected to have a material impact on the cost structure for the ABH Group's Quebec-based sawmills given that:

(a) none of the ABH Group's Quebec-based sawmills are individually dependent on either of the Mauricie Timberlands or the Charlevoix/Saguenay Timberlands;

(b) the annual allowable cut from the Mauricie Timberlands and the Charlevoix/Saguenay Timberlands represents less than 1% of the total fibre supplied to the ABH Group's Quebec-based sawmills;

(c) a portion of the annual actual cut from the Mauricie Timberlands and Charlevoix/Saguenay Timberlands is sold to third parties; therefore, not even consumed by the ABH Group's Quebec-based sawmills;

(d) the ABH Group would be able to purchase timber from the Mauricie Timberlands and Charlevoix/Saguenay Timberlands at market price from their new owners; and

(e) cost savings resulting from reduced municipal taxes, school taxes, and forest protection charges will partially offset any incremental stumpage fees incurred by the Quebec-based sawmills to the extent that there would be a need to source comparable timber volumes from Crown lands in order to maintain operating levels at the ABH Group's Quebec-based sawmills.

THE SALES PROCESS

23. Prior to the commencement of the CCAA Proceedings, ACI also owned, in addition to the Quebec Timberlands, approximately 77,000 hectares of property (the "**Divested Timberlands**") of which approximately 29,000 hectares were located in Southern Quebec and approximately 48,000 hectares were located in Southeastern Quebec. The Monitor has been advised by ACI that it completed a sales process in the fall of 2008 with respect to the Divested Timberlands, the particulars of which are described below.

24. In the fall of 2008, ACI retained Scotia Capital to conduct the sales process for the Divested Timberlands. In connection with that process, Scotia Capital contacted a broad range of potential purchasers and delivered 86 "teasers" to such potential bidders. The Monitor reviewed the target list used by Scotia Capital, and in the Monitor's view, this represented a broad canvass of the market of potential purchasers.

25. As a result of the process, eight non-binding offers were received for the Divested Timberlands, of which four were invited to participate in the next phase of the sales process. Ultimately, ACI received three bids, of which one was significantly lower than the other two. In February 2009, ACI announced completed transactions for the Divested Timberlands with various limited partnerships created principally by Société de gestion d'actifs forestiers Solifor ("**Solifor**"), a division of the Fonds de Solidarité de la Fédération des Travailleurs du Québec, who had submitted the best bid.

26. In March 2009, following the transaction for the Divested Timberlands and prior to the commencement of the CCAA Proceedings, ACI decided to commence a sales process for the Mauricie Timberlands. The intent was to sell the Mauricie Timberlands en bloc. ACI also engaged an industry consultant to assist in the sales process.

27. At the same time, ACI approached Solifor and the second highest bidder ("**Bidder 2**") from the Divested Timberlands sales process to assess whether either had any interest in acquiring the Mauricie Timberlands. An offer was received from Solifor for the Mauricie Timberlands, but Bidder 2 made an en bloc offer that encompassed all of the Quebec Timberlands as well as a fourth timberland located in Quebec referred to as Natisk (the "**Natisk Timberlands**") as Bidder 2 was not interested in the Mauricie Timberlands alone. Based on the offer, ACI decided to expand the process to include the Charlevoix/Saguenay Timberlands and the Côte-Nord Timberlands in the sales process and proceed with an en bloc sale of the Quebec Timberlands, excluding the Natisk Timberlands which would be retained for strategic reasons.

28. At the time, ACI opted not to retain an investment bank to conduct a sales process similar to the Divested Timberlands sales process as Bidder 2 had provided a serious offer and there were a limited number of bidders that had expressed interest in the Divested Timberlands sales process. ACI was prepared to accept the offer, subject to negotiating the removal of the Natisk Timberlands, but its focus was diverted from completing the process due to the need to prepare for the CCAA Proceedings in March and April 2009.

29. Following the commencement of the CCAA Proceedings, ACI reviewed its efforts to date to sell the Quebec Timberlands with the Monitor and consulted the Monitor with respect to further steps to be taken. With the Monitor's concurrence, ACI continued its dialogue with Bidder 2.

30. Around the same time, ACI advised the Monitor that Domtar announced that it planned to sell a 150,000 hectare block of Quebec timberlands (the "**Domtar Timberlands**"). Given that the Domtar Timberlands were about to come on the market, together with the continued difficult economic conditions being experienced in the forestry industry, ACI, with the concurrence of the Monitor, decided to expedite the sales process with respect to the Quebec Timberlands.

31. In addition to continuing discussions with Bidder 2, ACI contacted Solifor and requested an en bloc bid for the Quebec Timberlands. ACI also contacted the other seven parties who submitted non-binding offers (as stand-alone offers or in partnership with others) pursuant to the Divested Timberlands sales process to determine their interest, if any, in the Quebec Timberlands. In addition, four other parties were also contacted and unsolicited interest was expressed by two parties, one of which submitted an offer for the Mauricie Timberlands that was unacceptable to ACI.

32. In summary, ACI contacted a total of fifteen potential purchasers (inclusive of Solifor and Bidder 2) of which nine confirmed that they were not interested, two were not responsive, one was interested in the Mauricie Timberlands only and another bidder, Amenagement Forestier Portneuf ("**AFP**"), confirmed interest in the Côte-Nord Timberlands and advised that it intended to submit a joint bid with Solifor.

33. From that point, the Quebec Timberlands sales process was narrowed to two potential purchasers – Bidder 2 and Solifor/AFP. ACI undertook discussions with both parties.

34. On July 7, 2009, ACI was advised that Bidder 2 was withdrawing its offer and no longer had an interest in acquiring the Quebec Timberlands.

35. As a result, with the concurrence of the Monitor, ACI then focussed on negotiating definitive agreements with Solifor and AFP.

THE SALE AGREEMENTS

36. On July 27, 2009, ACI entered into three separate purchase and sale agreements (the "**Sale Agreements**"), each of which is subject to Court approval, for an aggregate sale price of CDN $53 million with the following parties:

(a) Solifor Charlevoix-Saguenay, Société en Commandite ("**Solifor Charlevoix-Saguenay**"), an affiliate of Solifor, for the purchase of the Charlevoix/Saguenay Timberlands for a purchase price of CDN $20 million;

(b) Solifor Mauricie, Société en Commandite ("**Solifor Mauricie**"), an affiliate of Solifor, for the purchase of the Mauricie Timberlands for a purchase price of CDN $27 million; and

(c) 3908666 Canada Inc. ("**3908666**") for the purchase of the Côte-Nord Timberlands for a purchase price of CDN $6 million.

37. Solifor Charlevoix-Saguenay, Solifor Mauricie and 3908666 are collectively referred to as the "**Purchasers**".

38. Executed copies of the Sale Agreements and letter agreements amending certain provisions of the Sale Agreements are attached as Appendices E, F and G to this Twelfth Report.

39. Given that ACI had recently signed definitive agreements with Solifor on February 20, 2009 in connection with the sale of the Divested Timberlands, ACI and the Purchasers had collectively agreed during the negotiation process that said prior definitive agreements would serve as the basis for the Sale Agreements so that the parties may proceed with an expeditious closing in light of the circumstances.

40. ACI has advised the Monitor that it intends to bring a motion on August 4, 2009 seeking Orders from this Honourable Court approving the sale of the Quebec Timberlands (the "**Sale Approval Motion**") and that a subsequent motion will be brought for a vesting order to vest title to the Quebec Timberlands in and to the Purchasers.

41. The parties have agreed that the Purchasers will have until August 21, 2009 to complete due diligence with respect to any defects with respect to title to the Quebec Timberlands. As a condition of closing, the Purchasers must be satisfied

that there shall not exist any title defects with respect to the purchased properties that could, whether individually or when taken as a whole, have a material impact on the value of the purchased properties. Another closing condition is that all three transactions must close concurrently.

42. The Purchasers are purchasing assets that consist of the immoveable properties described in the respective schedules to the Sale Agreements together with all standing timber situated thereon and/or related thereto and all buildings, structures, erections, appurtenances, fixtures and other improvements owned by ACI and situated on, in, over or under such immovable properties as well as all ACI's right, title and interest in the following assets in connection with such immoveable property:

(a) the books and records as listed in the respective schedules;

(b) the contracts as listed in the respective schedules; and

(c) all other moveable property of ACI located as of July 27, 2009 on the assets;

in each case to the exclusion, without limitation, of the excluded assets as more fully described in the respective agreements.

43. The purchased properties are being sold on an "as is, where is" basis, however the Sale Agreements contain several representations and warranties by ACI that, in the Monitor's view, are not typical in a sale by an insolvent entity in CCAA proceedings. They include representations and warranties as to: (a) due incorporation; (b) due authorization; (c) enforceability; (d) no conflict; (e) no default under contracts; (f) title and encumbrances; (g) no breach under zoning or building laws; (h) no option on the purchased properties; (i) no actions, suits or proceedings; (j) no expropriation; (k) no default to judgement; (l) environmental matters; (m) no public demands; (n) zoning; (o) Cultural Property Act; (p) union matters; (q) residency; (r) tax matters; (s) GST/QST registrations; (t) no broker; and (u) no false information.

44. The representations and warranties of the Purchasers include: (a) due incorporation; (b) due authorization; (c) enforceability; (d) no conflict; (e) GST/QST registration; (f) required approvals; and (g) no broker.

45. The representations and warranties shall survive the completion of the closing of the transactions contemplated under the Sale Agreements and shall continue in full force and effect for two years from the closing date except for the representations and warranties in respect of which there has been fraud or intentional or gross fault.

46. There are reciprocal indemnification provisions in the Sale Agreements for losses arising from any breach of any covenant, agreement or obligations and any misrepresentation or any breach of warranty or obligation. The parties shall not be required to pay any amount in respect of losses in excess, in aggregate, of 30% of the purchase price.

47. Closing conditions in favour of ACI include:

(a) rendering of a court order and final judgement;

(b) payment of the purchase price on closing;

(c) all representations and warranties of the Purchasers remaining true and accurate in all material respects;

(d) the Purchasers having complied with or performed all terms, covenants and conditions of the Sale Agreements in all material respects;

(e) all conditions applicable to the remaining transactions (ie. Côte-Nord transaction, the Mauricie transaction or the Charlevoix/Saguenay transaction), as set out in the respective Sale Agreements having been met or waived and the parties thereto being ready to close concurrently; and

(f) the closing taking place on the later of (a) August 29, 2009; and (b) twenty-two calendar days from the date of the Sale Approval Motion or at such other date as the parties may agree.

48. Closing conditions in favour of the Purchaser include:

(a) rendering of a court order and final judgement;

(b) all representations and warranties of ACI remaining true and accurate in all material respects;

(c) ACI having complied with or performed all terms, covenants and conditions of the Sale Agreements in all material respects;

(d) the absence of any title defects with respect to the purchased properties that could, whether individually or taken as a whole, have a material impact on the value of the purchased properties or their current use; and

(e) the closing taking place on the later of (a) August 29, 2009; and (b) twenty-two calendar days from the date of the Sale Approval Motion or at such other date as the parties may agree.

49. With respect to the Charlevoix/Saguenay Timberlands:

(a) ACI is allowed to complete the 2009 harvest of up to 27,000 m^3 of softwood and approximately 3,000 m^3 of hardwood. The cutting of timber may continue up to August 14, 2009 and the removal of wood and equipment must be completed before October 15, 2009; and

(b) Solifor Charlevoix-Saguenay will assume the obligations of ACI to sell a small portion of the property to a local farmer and direct the proceeds to ACI.

50. With respect to the Mauricie Timberlands:

(a) ACI may purchase 120,000 m^3 of any species of timber over a two year period subject to certain terms and conditions; and

(b) ACI and Solifor Mauricie shall grant at closing certain servitudes and/or personal rights of way for the use of existing roads on the property and/or adjacent properties owned by ACI.

THE MONITOR'S VIEW

51. Since the commencement of the CCAA Proceedings, the Monitor has been kept apprised and been consulted on the sales process for the Quebec Timberlands by ACI. ACI had previously undertaken a robust sales process with Scotia Capital acting as an advisor for the sale of the Divested Timberlands that yielded three bids and which closed on February 20, 2009. ACI was able to leverage off that process and canvassed the parties that expressed interest in the Divested Timberlands to determine interest in the Quebec Timberlands. The Monitor is of

the view that ACI adequately canvassed the market for the logical prospective purchasers of the Quebec Timberlands.

52. The Monitor also reviewed a list of comparable timberland transactions in Eastern Canada as compiled by Consultants Forestiers MS Inc. ("**MS**"), an independent industry consultant that was engaged to appraise the Quebec Timberlands and to help market the Mauricie Timberlands at the outset of the sales process.

53. The average selling prices per hectare being paid pursuant to the Sale Agreements for the Quebec Timberlands are as follows:

	Selling Price (CDN)	**Hectares**	**Selling Price/ Hectare**
Mauricie Timberlands	$27,000,000	25,591	$1,055
Charlevoix/Saguenay Timberlands	$20,000,000	28,000	$714
Côte-Nord Timberlands	$6,000,000	68,400	$88

54. The value received for the Mauricie Timberlands and Charlevoix/Saguenay Timberlands is comparable with previous transactions of similar size and features. Attached as Appendix "H", is a summary of the Monitor's analysis and table of precedent transactions.

55. The average price per hectare for the Côte-Nord Timberlands is substantially lower than the Mauricie Timberlands and Charlevoix/Saguenay Timberlands. The lower value was expected as a result of the nature of the Côte-Nord Timberlands, including:

(a) it having very limited road access making the cost of harvesting timber on the property very expensive;

(b) it having limited market for the wood harvested on its land (other than an ACI mill), and as previously indicated, ACI has not harvested timber on the Côte-Nord Timberlands since 1982;

(c) the transaction does not involve a wood supply agreement;

(d) potential aboriginal issues associated with the property; and

(e) the size of the property given the issues raised above.

56. ACI also obtained an appraisal of the Quebec Timberlands from MS with a valuation date of June 19, 2009. In the report, MS notes that the following factors will negatively affect the value of the Quebec Timberlands:

(a) the property is very large if sold en bloc and, therefore, interest will be limited;

(b) there is a large distance between the sites;

(c) industry conditions in the forestry sector have deteriorated considerably; and

(d) ACI's uncertain situation as a result of its restructuring process as in many cases, ACI is the most likely purchaser of the timber located on the Quebec Timberlands.

57. The appraised value of the Quebec Timberlands en bloc was in the range of CDN $60-$66 million as at June 19, 2009. The Monitor has reviewed the purchase price for all three of the Sale Agreements on an aggregate basis and believes that the total purchase price of CDN $53 million is reasonable taking into account:

(a) the deterioration in the forestry sector;

(b) the available timberlands on the market;

(c) precedent transactions; and

(d) the individual characteristics of the Quebec Timberlands.

58. Based on the foregoing, it is the Monitor's view that the purchase price in aggregate to be paid by the Purchasers is fair and commercially reasonable in the circumstances.

59. As disclosed in the Monitor's Ninth report filed on July 10, 2009, overall market conditions remain very poor for the forestry industry and, in particular, for newsprint operators. The ACI Group's available liquidity has continued to erode due to the continuing difficult operating environment. The Monitor understands that there are no security interests on the Quebec Timberlands and has been advised by ACI's counsel that, pursuant to the Mandatory Prepayments Section at page 8 of the ACI DIP Agreement, there is no requirement to repay the ACI DIP Facility from the sale proceeds. As a result, the sale proceeds are available to provide additional liquidity to the ACI Group, which is essential to its restructuring efforts.

60. The Monitor is further of the view that if the Quebec Timberlands sale transactions do not close, given that there is only one interested party, the ACI Group will be deprived of the much needed CDN $53 million in liquidity.

61. The Monitor recommends that this Honourable Court approve the sale of the Quebec Timberlands to the Purchasers based on the following:

(a) ACI conducted a marketing process with input and oversight of the Monitor that was appropriate in the circumstances;

(b) the purchase price appears reasonable to the Monitor compared to precedent transactions in the Province of Quebec;

(c) the purchase price is within a reasonable range of appraised values as prepared by an independent industry consultant; and

(d) the purchase price will provide the ACI Group with much needed liquidity.

All of which is respectfully submitted.

ERNST & YOUNG INC.
in its capacity as the Court Appointed Monitor of the Petitioners

Per:

Alex Morrison, CA, CIRP
Senior Vice President

Greg Adams, CA, CIRP
Senior Vice President

Ken Brooks,
Senior Vice President

APPENDIX "A"
ABITIBI PETITIONERS

1. Abitibi-Consolidated Company of Canada
2. Abitibi-Consolidated Inc.
3. 3224112 Nova Scotia Limited
4. Marketing Donohue Inc.
5. Abitibi-Consolidated Canadian Office Products Holding Inc.
6. 3834328 Canada Inc.
7. 6169678 Canada Inc.
8. 4042140 Canada Inc.
9. Donohue Recycling Inc.
10. 1508756 Ontario Inc.
11. 3217925 Nova Scotia Company
12. La Tuque Forest Products Inc.
13. Abitibi-Consolidated Nova Scotia Incorporated
14. Saguenay Forest Products Inc.
15. Terra Nova Explorations Ltd.
16. The Jonquière Pulp Company
17. The International Bridge and Terminal Company
18. Scramble Mining Ltd.
19. 9150-3383 Québec Inc.

APPENDIX "B"
BOWATER PETITIONERS

1. Bowater Canada Finance Corporation
2. Bowater Canadian Limited
3. Bowater Canadian Holdings. Inc.
4. 3231378 Nova Scotia Company
5. AbitibiBowater Canada Inc.
6. Bowater Canada Treasury Corporation
7. Bowater Canadian Forest Products Inc.
8. Bowater Shelburne Corporation
9. Bowater LaHave Corporation
10. St-Maurice River Drive Company Limited
11. Bowater Treated Wood Inc.
12. Canexel Hardboard Inc.
13. 9068-9050 Québec Inc.
14. Alliance Forest Products Inc. (2001)
15. Bowater Belledune Sawmill Inc.
16. Bowater Maritimes Inc.
17. Bowater Mitis Inc.
18. Bowater Guérette Inc.
19. Bowater Couturier Inc.

APPENDIX "C"
18.6 PETITIONERS

1. AbitibiBowater US Holding 1 Corp.
2. AbitibiBowater Inc.
3. Bowater Ventures Inc.
4. Bowater Incorporated
5. Bowater Nuway Inc.
6. Bowater Nuway Mid-States Inc.
7. Catawba Property Holdings LLC
8. Bowater Finance Company Inc.
9. Bowater South American Holdings Incorporated
10. Bowater America Inc.
11. Lake Superior Forest Products Inc.
12. Bowater Newsprint South LLC
13. Bowater Newsprint South Operations LLC
14. Bowater Finance II, LLC
15. Bowater Alabama LLC
16. Coosa Pines Golf Club Holdings, LLC

APPENDIX “D”

PARTNERSHIPS

1. Bowater Canada Finance Limited Partnership

2. Bowater Pulp and Paper Canada Holdings Limited Partnership

3. Abitibi-Consolidated Finance LP