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

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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

FIFTY-FIFTH REPORT OF THE MONITOR
August 30, 2010

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 and affiliates 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, as amended on May 6, 2009 (the "**Initial Order**"). Pursuant to an Order of this Honourable Court dated November 10, 2009, Abitibi-Consolidated (U.K.) Inc., a subsidiary of ACI, was added to the list of the ACI Petitioners.

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**"). The Stay Period has been subsequently extended to September 8, 2010 pursuant to further Orders of this Honourable Court.

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 the "**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**").

4. BCHI, Bowater Canada Finance Corporation, Bowater Canadian Limited, AbitibiBowater Canada Inc., BCFPI, Bowater LaHave Corporation and Bowater Maritimes Inc. have commenced both CCAA Proceedings and Chapter 11 Proceedings and are referred to herein collectively as the "**Cross-Border Petitioners**" and are also included in the definition of "**Petitioners**".

5. The Petitioners are all subsidiaries of ABH (ABH, collectively with its subsidiaries, are referred to as the "**ABH Group**").

6. 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 and EYI was appointed as the information officer in respect of the 18.6 Petitioners.

7. On April 16, 2009, ACI and ACCC 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.

8. On April 22, 2009, the Court amended the Initial Order to extend the stay of proceedings to the partnerships (the "**Partnerships**") listed in Appendix "D" hereto.

BACKGROUND

9. ABH is one of the world's largest publicly traded pulp and paper manufacturers. It produces a wide range of newsprint and commercial printing papers, market pulp and wood products. The ABH Group owns interests in or operates pulp and paper facilities, wood products facilities and recycling facilities located in Canada, the United States, the United Kingdom and South Korea. The Petitioners' United Kingdom subsidiary, Bridgewater Paper Company Ltd. ("**Bridgewater**"), filed for administration, pursuant to the United Kingdom's Insolvency Act of 1986 on February 2, 2010. The U.K. administrator announced on May 19, 2010 that it had sold the property formerly owned by Bridgewater.

10. 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**").

11. ACI is a direct and indirect wholly-owned subsidiary of ABH.

12. 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.

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

PURPOSE

14. This is the fifty-fifth report of the Monitor (the "**Fifty-Fifth Report**") in these CCAA Proceedings, the purpose of which is to report to this Honourable Court with respect to:

a. the Petitioners' motion for an Order approving their settlement with Her Majesty the Queen in Right of Canada (the "**Government of Canada**") and the Monitor's comments thereon; and

b. details regarding the sale of the Petitioners' property in Champneuf, Quebec (the "**Champneuf Assets**"), including:

i. an order authorizing and approving the execution by ACCC of the Deed of Sale by and between ACCC as Vendor and 6743242 Canada Inc. (the "**Purchaser**"); and

ii. the issuance of a vesting order in connection with the transactions contemplated in the above-mentioned Deed of Sale.

TERMS OF REFERENCE

15. In preparing this Fifty-Fifth 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 Fifty-Fifth Report. Some of the information referred to in this Fifty-Fifth 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 Fifty-Fifth 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.

16. Capitalized terms not defined in this Fifty-Fifth Report are as defined in the previous reports of the Monitor and the Initial Order. All references to dollars are in U.S. currency and are translated at a rate of CDN$1.00=US$0.98 unless otherwise noted.

17. Copies of all of the Monitor's Reports, in both English and French, including a copy of this Fifty-Fifth 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.

18. 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.

THE SETTLEMENT AGREEMENT

Background

19. Dating back to the early 1900s, ACCC operated a pulp and paper mill (the "**Grand Falls Mill**") in the community of Grand Falls-Windsor in the Province of Newfoundland and Labrador (the "**Province**").

20. On December 4, 2008 ACCC announced that it would be ceasing production at its Grand Falls Mill in the first quarter of 2009 as a result of a decline in the demand for newsprint and

the high cost structure of the Grand Falls Mill. Production at the Grand Falls Mill ceased on February 12, 2009.

21. On December 16, 2008, the Government of the Province passed the *An Act to Return to the Crown Certain Rights Relating to Timber and Water Use vested in Abitibi-Consolidated and to Expropriate Assets and Lands Associated with the Generation of Electricity Enabled by Those Water Use Rights* (the "**Act**"). The effects of the Act included, among other things, the seizure of the majority of ACCC's assets in the Province and the cancellation of certain water rights and related hydroelectric contracts (collectively, the "**Expropriated Assets**").

22. As a result of the passage of the Act, ABH filed, on April 23, 2009, a "Notice of Intent to Submit a Claim to Arbitration" (the "**Notice of Arbitration**") pursuant to the North American Free Trade Agreement ("**NAFTA**") seeking damages from the Government of Canada. The quantum of this claim was then estimated to be approximately CDN$300 million (the "**NAFTA Claim**").

23. ABH, the Government of Canada and the Province engaged in tripartite discussions with a view to reach a consensual settlement. These three-way efforts were ultimately unsuccessful.

24. On February 25, 2010, formal arbitration proceedings were instituted against the Government of Canada with a view to adjudicating the NAFTA Claim. By June 2010, a three-person panel to hear the arbitration was formally constituted (the "**Arbitration Tribunal**"). Settlement negotiations between the parties, which had already begun after the filing of the Notice of Arbitration, continued with the involvement of certain other parties, through August 2010.

25. As publicly announced, the Petitioners reached, on August 24, 2010, an agreement (the "**Settlement Agreement**") with the Government of Canada for compensation with respect to the NAFTA Claim. The quantum of the settlement payment is CDN$130 million and the Settlement Agreement provides, among other things, that ABH will grant certain releases in connection with the NAFTA Claim to the Government of Canada. The Settlement Agreement is appended to this Fifty-Fifth Report as Appendix "E".

The Settlement Agreement

26. The Settlement Agreement announced by the Petitioners on August 24, 2010 contains the following terms:

a. The Government of Canada will pay a Canadian company controlled by ABH ("**New Company**") CDN$130 million (the "**Settlement Funds**") upon the Petitioners' emergence from both these CCAA Proceedings and the Chapter 11 Proceedings. The Monitor has been advised that the Settlement Funds will be paid to New Company since internal corporate restructuring of the Petitioners may occur between the date of this Fifty-Fifth Report and the Petitioners' emergence from these CCAA Proceedings. As such, the Settlement Agreement provides greater flexibility in respect of which legal entity will actually receive the Settlement Funds;

b. ABH shall irrevocably withdraw its Notice of Arbitration and release the Government of Canada from and all liability related to the NAFTA Claim;

c. The approval of this Honourable Court and the U.S. Bankruptcy Court in respect of the Settlement Agreement must be obtained;

d. Both the Canadian CCAA Plan of Reorganization and Compromise and the U.S. Chapter 11 Plan of Reorganization must be implemented; and

e. The Settlement Agreement shall be recorded in the form of a Consent Award issued by the Arbitration Tribunal, which Consent Award shall formally terminate the arbitration.

27. The Settlement Agreement does not deal with any rights or remedies the Petitioners may have against the Province and only releases the Government of Canada.

THE MONITOR'S VIEW OF THE SETTLEMENT AGREEMENT

28. The Settlement Agreement was negotiated over many months of discussions between the Government of Canada and the Petitioners. In reviewing the reasonableness of the

Settlement Agreement, the Monitor has considered both the nature and potential value of the Expropriated Assets, as well as the benefits of settling this matter with certainty and without the risk and costs of litigation over an extended period of time.

29. Based on the Monitor's review of certain financial information with respect to the Expropriated Assets and, having considered the nature and location of the Expropriated Assets, the Monitor observes that the likely value of these assets is in excess of CDN$130 million. However, the Monitor also notes that there is no guarantee that ABH would be successful in the NAFTA arbitration proceedings. There have been relatively few, if any, precedents involving assets of this nature, and the lack of precedents increases the uncertainty surrounding the potential success of the arbitration proceedings.

30. Furthermore, even if ABH was successful in the NAFTA arbitration proceedings, there is a risk that the value of damages that would ultimately be awarded to ABH would be considerably less than that value of the NAFTA Claim, as the parties to the arbitration proceedings would likely present differing valuation methods for the Expropriated Assets given their nature and location. In particular, the Monitor notes that:

a. The assets expropriated by the Province are not liquid and there are not many potential purchasers of such assets. As such, the Expropriated Assets would be difficult to value in an arbitration;

b. The forest products industry in the Province has contracted over the last several years and there are no longer a significant number of industry players currently operating in the Province. As such, it is likely that newsprint asset values would be depressed in a sale scenario;

c. The Grand Falls Mill was a high cost newsprint mill which closed due to market pressures; as such, it likely has a low value, if any, given the state of the newsprint industry and the environmental conditions at the site; and

d. It is not certain how the sale of hydroelectric power would occur in the Province, as there is no open market for the purchase of electricity due to the highly-regulated nature of the industry, and as such, the basis for the valuation of water rights and hydroelectric generating assets in the Province is uncertain.

31. By entering into the Settlement Agreement, the Petitioners will avoid what would likely be time consuming and expensive litigation proceedings, with no certainty as to the eventual outcome.

32. The Settlement Proceeds provide the Petitioners with additional liquidity of CDN$130 million on implementation of a CCAA Plan. As reported previously by the Monitor, the Petitioners will need to raise up to $2.3 billion less; (i) cash on hand at the implementation date and (ii) the proceeds of the rights offering in exit financing as a condition to implement the CCAA Plan and the U.S. Plan of Reorganization. As such, receipt of CDN$130 million reduces the risk of raising adequate exit financing and will save the Petitioners substantial interest costs.

33. The Monitor further notes that the Settlement Agreement is the result of many months of negotiations between the Petitioners and the Government of Canada, each at arm's-length and acting in their own interest. As such, it represents an outcome that both parties believe is fair and reasonable in the circumstances.

34. Considering all the factors noted above, the Monitor is of the view that the Settlement Agreement is a reasonable outcome.

THE CHAMPNEUF ASSETS

35. The Petitioners are seeking the issuance of orders in connection with the sale of ACCC's right, title and interest in two lots, including all immovables found thereon, situated in the Municipality of Champneuf, Quebec.

36. The Champneuf Assets consist of lands that were part of a former sawmill site that has been partially dismantled. The entire site encompassing the Champneuf Assets consisted of three separate lots of property, one of which was owned by and returned to the provincial Government of Quebec in May, 2010 since that the sawmill had been permanently closed and partially dismantled. The other two plots are being sold as part of the Champneuf Assets.

37. The Petitioners identified potential environmental exposure related to the Champneuf Assets, including potential soil and groundwater contamination, resulting from industrial activities that occurred between 1958 and 2008.

38. In November of 2009, the Petitioners hired the services of a real estate agent to identify potential purchasers of the Champneuf Assets. Despite these efforts, the real estate agent was unable to identify a suitable purchaser for the Champneuf Assets.

39. On March 10, 2010, the Petitioners received an offer from the Purchaser to acquire the Champneuf Assets for a nominal sum. Negotiations ensued between the parties which culminated in an offer to purchase the Champneuf Assets for $15,000 on an "as is / where is" basis for the Purchaser and to assume all potential environmental liabilities associated therewith.

40. The Champneuf Assets were originally included as an asset to be sold to 4513541 Canada Inc. (**"4513541"**) pursuant to the Petitioners' motion dated July 15, 2010 to sell certain real property to 4513541 (**"The Non-Core Properties Motion"**). The Non-Core Properties Motion was amended on August 4, 2010 to, among other things, remove the Champneuf Assets as a result of the pending sale to the Purchaser.

MONITOR'S RECOMMENDATION

41. Based on the foregoing, the Monitor recommends that the Petitioners' motion with respect to approving the Settlement Agreement should be granted should this Honourable Court deem it advisable to do so.

42. The Monitor also recommends that the Petitioners' motion to sell the Champneuf Assets be approved by this Honourable Court.

All of which is respectfully submitted.

ERNST & YOUNG INC.
In its Capacity as Court-Appointed
Monitor of the Petitioners

Per:

Alex Morrison, CA, CIRP
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.
20. Abitibi-Consolidated (U.K.) 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

APPENDIX "E"

THE SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into by and between AbitibiBowater Inc., a Delaware corporation, and its Canadian subsidiaries Abitibi-Consolidated Company of Canada, Abitibi-Consolidated Inc. and AbitibiBowater Canada Inc. (collectively "**AbitibiBowater**"), and Her Majesty the Queen in Right of Canada ("**the Government of Canada**"). AbitibiBowater and the Government of Canada are hereinafter referred to collectively as the "**Parties**".

WHEREAS, on 16 December 2008, the Government of Newfoundland and Labrador (the "**Province**") passed *An Act to Return to the Crown Certain Rights Relating to Timber and Water use Vested in Abitibi-Consolidated and to Expropriate Assets and Lands Associated with the Generation of Electricity Enabled by Those Water Use Rights* (the "Act");

WHEREAS, on 16 April 2009, AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**") for relief under the provisions of Chapter 11 of the United States Bankruptcy Code, as amended (the "**Chapter 11 Bankruptcy Proceedings**");

WHEREAS, on 17 April 2009, certain of AbitibiBowater Inc.'s Canadian subsidiaries also sought creditor protection under the Companies' Creditors Arrangement Act with the Superior Court of Quebec in Canada (the "**CCAA Proceedings**");

WHEREAS AbitibiBowater is currently finalizing its restructuring process under the Chapter 11 Bankruptcy Proceedings and the CCAA Proceedings and intends to continue operations in Canada under a new corporate structure (the "New Company");

WHEREAS, on 25 February 2010, AbitibiBowater Inc. served a Notice of Arbitration and Statement of Claim (the "**Notice of Arbitration**") on the Government of Canada, pursuant to Articles 1116, 1117 and 1120 of the North American Free Trade Agreement ("**NAFTA**") and Articles 3 and 18 of the Arbitration Rules of the United Nations Commission on International Trade Law (the "**UNCITRAL Rules**"), on its own behalf and on behalf of Abitibi-Consolidated Company of Canada, Abitibi-Consolidated Inc. and AbitibiBowater Canada Inc., seeking compensation under NAFTA Chapter 11 for damages arising out of the Act (the "**Claims**");

WHEREAS, the Parties wish finally and irrevocably to settle the Claims;

NOW, THEREFORE, in consideration of the mutual promises, undertakings and representations contained in this Settlement Agreement, the Partics agree as follows:

1. AbitibiBowater Inc. hereby irrevocably and permanently withdraws its Notice of Arbitration served against the Government of Canada.

2. AbitibiBowater Inc. hereby releases and forever discharges the Government of Canada from the Claims.

3. AbitibiBowater, or any successor company, hereby waives any right to bring a NAFTA Chapter 11 claim against the Government of Canada for any loss arising out of the Act.

4. AbitibiBowater, or any successor company, shall indemnify and hold harmless the Government of Canada against any claim, action or proceeding that itself, its subsidiaries, parents, predecessors, successors or assigns, have initiated or may initiate against the Government of Canada relating to the Act. Nothing in this indemnification shall be interpreted as extending to any rights or claims of AbitibiBowater's partners in the Star Lake Hydro Partnership and the Exploits River Hydro Partnership and/or of lenders or creditors to those projects.

5. As consideration for the above-citcd final settlement and waiver of any and all legal action by AbitibiBowater against the Government of Canada arising out of or related to the Act and/or claims by AbitibiBowater against the Government of Canada relating to the assets and rights cited therein, including those raised in the Notice of Arbitration, the Government of Canada shall make a payment of $130 million (CAD), following the constitution of the New Company, representing not more than the fair market value of the rights and assets owned by AbitibiBowater expropriated under thc Act. Payment made under this Settlement Agreement shall be made to the New Company.

6. This Settlement Agreement is conditional upon AbitibiBowater obtaining the approval of its terms by the Superior Court of Quebec in the CCAA Proceedings and by the U.S. Court in the Chapter 11 Bankruptcy Proceedings and court approval of AbitibiBowater's restructuring plan. AbitibiBowater shall apply for such approvals promptly. Should AbitibiBowater fail to obtain thc approvals referred to in this paragraph 6, this Agreement shall become null and void and AbitibiBowater shall retain the full benefit of the Claims.

7. This Settlement Agreement shall not constitute a legal precedent for any person, and shall not be used except for the sole purpose of giving effect to its terms, and shall not prejudice or affect the rights or defenses of the Parties or the rights of any other person except to the extent provided herein.

8. The Parties agree each to bear their own legal costs and expenses and to pay in equal shares the fees and expenses of the Arbitral Tribunal constituted under NAFTA Chapter 11 to hear the dispute between the Parties and of the International Centre for the Settlement of Investment Disputes, incurred as of the date of signature of this Settlement Agreement.

9. The Parties agree jointly to request the incorporation in full of this Settlement Agreement in the form of a Consent Award, pursuant to NAFTA Article 1136 and Article 34(1) of the UNCITRAL Rules, to be issued by the Arbitral Tribunal constituted under NAFTA Chapter 11 to hear the dispute between the Parties, which will result in the formal and permanent discontinuance and termination of the NAFTA Chapter 11 arbitration proceedings commenced by AbitibiBowater with the filing of its Notice of Arbitration.

10. In accordance with NAFTA Annex 1137.4, the Parties agree to the publication of this Settlement Agreement and the resulting Consent Award.

11. The Parties shall communicate and cooperate with each other prior to any public disclosure of the transactions contemplated in this Agreement. If one party is required by law or the rules and regulations of any stock exchange upon which its securities are listed to disclose the content of this Agreement, then it shall consult with the other party and allow it to comment on the proposed communication prior to its issuance.

12. For the purpose of construction and interpretation of this Settlement Agreement the entire agreement shall be read and construed as a whole without giving any specific effect to any article separately.

13. This Settlement Agreement shall be executed in three original copies in counterparts, one original for each Party and one original for the Arbitral Tribunal, and shall take effect upon the court approval referred to in paragraph 6 being obtained and all relevant appeal periods for such approvals having lapsed, and the New Company being constituted.

14. This Settlement Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and such rules of international law as may be applicable.

IN WITNESS WHEREOF, the Parties have executed and delivered this Settlement Agreement on AUGUST 24, 2010.

AbitibiBowater Inc.
By: ______________
Title: PRESIDENT AND CEO
Dated: AUGUST 23, 2010

The Government of Canada
By: ______________
Title: DEPUTY MINISTER OF INTERNATIONAL TRADE
Dated: AUGUST 24, 2010

Abitibi-Consolidated Company of Canada
By: ______________
Title: PRESIDENT
Dated: AUGUST 23, 2010

Abitibi- Consolidated Inc.
By: ______________
Title: PRESIDENT
Dated: AUGUST 23, 2010

AbitibiBowater Canada Inc.

By:

Title: PRESIDENT

Dated: AUGUST 23, 2010