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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO: 500-11038474-108

S U P E R I O R C O U R T
Commercial Division
Designated tribunal under the
Companies' Creditors Arrangement Act[1]

IN THE MATTER OF THE PROPOSED PLAN OF COMPROMISE AND ARRANGEMENT OF WHITE BIRCH PAPER HOLDING COMPANY AND VARIOUS SUBSIDIARIES AND AFFILIATES

DEBTORS

- and -

ERNST & YOUNG INC.

MONITOR

REPORT OF THE MONITOR – NOVEMBER 17, 2011

INTRODUCTION AND BACKGROUND

1. On February 24, 2010, on a Motion made by White Birch Paper Holding Company ("**White Birch**") and various of its affiliates (collectively referred to as the "**Applicants**"), the Superior Court of the Province of Québec for the District of Montréal ("**Court**"), sitting as the designated tribunal pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**")[1] issued an order ("**Initial Order**") declaring that the Applicants are debtor companies to which the CCAA applies, appointing Ernst & Young Inc. ("**EYI**" or "**Monitor**") as monitor and granting certain relief to the Applicants and various partnerships in which the Applicants have an interest ("**Partnerships**") (the Applicants and the Partnerships are hereinafter referred to collectively as "**WB Canada**")[2]. The Initial Order has since been extended and is now scheduled to expire on November 18, 2011.

2. Also on February 24, 2010, Bear Island Paper Company, LLC ("**Bear Island**"), a subsidiary of White Birch with activities in the U.S., commenced a case under the provisions of Chapter 11 of the U.S. *Bankruptcy Code*[3] (the "**Code**") (Bear Island and WB Canada are hereinafter referred to collectively as "**WB Group**" or "**Companies**"). The information regarding the proceedings initiated by Bear Island under the Code, together with the "first day orders" made by the

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[1] *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

[2] The entities subject to the Initial Order are White Birch Paper Holding Company, White Birch Paper Company, Stadacona General Partner Inc., Black Spruce Paper Inc., F.F. Soucy General Partner Inc., 3120772 Nova Scotia Company, Arrimage De Gros Cacouna Inc., Papier Masson Ltée., Stadacona Limited Partnership, F.F. Soucy Limited Partnership, and F.F. Soucy, Inc. & Partners, Limited Partnership.

[3] *U.S. Code,* title 11, chapter 11.

Bankruptcy Court for the Eastern District of Virginia, Richmond Division ("**U.S. Court**") at the request of Bear Island, can be found on the website of the claims agent retained by Bear Island, Garden City Group, Inc., at www.gardencitygroup.com/cases/bip.

3. Also on February 24, 2010, some of the entities within WB Canada[4] applied for relief under the provisions of Chapter 15 of the Code. On February 26, 2010, the U.S. Court issued a temporary restraining order under the provisions of Chapter 15 of the Code, and on March 5, 2010, it granted a preliminary injunction, pending a more complete hearing to be held on March 22, 2010. At the hearing held on March 22, 2010, the U.S. Court granted recognition of the Canadian proceedings under the CCAA as foreign main proceedings, recognised White Birch Paper Company as the duly appointed foreign representative, declared that all of the provisions of section 1520 of the Code apply to the proceedings initiated by some of the entities within WB Canada, and gave full force and effect to the Initial Order[5] in the U.S., provided that the Initial Order[5] is not revoked, terminated or expired.

4. The orders granted by this Court and by the U.S. Court (collectively, the "**Courts**"), together with the relief provided under the CCAA and the Code[6] (collectively, the "**Orders**") provide, among other things, for a stay of proceedings against the entities comprising WB Group while they restructure their business and financial affairs.

5. The Initial Order as previously extended is scheduled to expire on November 18, 2011, and the Applicants have indicated their intention to seek a further extension of the Initial Order, until February 17, 2012.

6. The present report is intended to provide the Court with information relevant to the motion for an extension of the Initial Order, and more particularly on the current activities of WB Group and the progress of its restructuring efforts. As well, the present report comments the results for the nine months ended September 30, 2011 (the third quarter of fiscal 2011). This report is presented under the following headings:

    6.1. Introduction and background;

    6.2. Terms of reference and disclaimer;

    6.3. Internal Financial Statements for the nine months ended September 30, 2011;

    6.4. Status of Proceedings;

    6.5. Current activities; and

    6.6. Conclusions and recommendations.

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4 The entities which requested relief under Chapter 15 of the Code are White Birch Paper Company, Stadacona General Partner Inc., Papier Masson Ltée., Stadacona Limited Partnership, F.F. Soucy Limited Partnership and F.F. Soucy, Inc. & Partners, Limited Partnership.

5 As amended, modified or extended from time to time by the Court.

6 Sections §361 and §362 of the U.S. *Bankruptcy Code*.

TERMS OF REFERENCE AND DISCLAIMER

7. In preparing this report, EYI has relied upon unaudited financial information, company records, company prepared financial information and projections, discussions with management and employees of WB Group, and information from various other sources.

While we reviewed various documents and believe that the information therein provides a fair summary of the transactions as presented to us or as reflected in the documents presented to us, such work does not constitute an audit or verification of such information for accuracy, completeness, or compliance with generally accepted accounting principles. Accordingly, EYI expresses no opinion or other form of assurance in respect of such information.

Some of the information used in preparing this report consists of financial projections. We caution the reader that these projections are based upon assumptions about future events and conditions that are not ascertainable, and that the actual results may vary from the projections, even if the assumptions materialize, and the variations could be significant.

In the course of our mandate, we have assumed the integrity and truthfulness of the information and explanations presented to us, within the context in which it was presented. To date, nothing has come to our attention which would cause us to question the reasonableness of this assumption.

Finally, we have requested that management bring to our attention any significant matters which were not addressed in the course of our specific inquiries. Accordingly, this report is based solely on the information (financial or otherwise) made available to us.

This report has been prepared for the use of this Court and WB Group's stakeholders as general information relating to the entities comprising WB Group and their operations. Accordingly, the reader is cautioned that this report may not be appropriate for any other purpose. We will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

8. Terms not otherwise defined herein shall have the meaning ascribed to them in the Initial Order, or in previous reports of the Monitor, as the case may be.

INTERNAL FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

9. The Companies' fiscal year ends on December 31. The internally prepared financial statements for the nine months ended September 30, 2011 are attached to this report as Appendix A. While the financial statements are not complete as they do not include all of the disclosure that is required to conform with generally accepted accounting principles, we have been informed that Management considers that the internally prepared financial statements provide reasonable information on the financial position and results of operations.

10. The financial statements indicate the following:

10.1. The assets are reported to have a carrying value of US$746.6 million, comprised primarily of current assets (cash, accounts receivable, inventories and other current assets) of US$292.8 million, fixed assets of US$428.7 million and investments in affiliated entities (SP Newsprint) of US$24.1 million. The liabilities are reported to total US$1,008.0 million, including US$148.9 million in pension and other post retirement benefit obligations, leaving an equity deficit of US$261.5 million.

Based on our understanding of the security granted by the Companies to their lenders, the interim financing lender has a Court ordered prior ranking charge and security as per the terms of the Initial Order creating the Interim Financing Charge (ranking after only the Administration Charge and the D&O Charge) over all assets and undertakings of the Companies, in support of its debt of approximately US$121.0 million at September 30, 2011. The conventional first ranking term lenders, swap counterparties and conventional second ranking term lenders have security over all assets and undertakings of the Companies, except for the cash, accounts receivable and inventories, which have a carrying value of approximately US$276.0 million[7].

We point out that while the Companies report that the assets have a carrying value of US$694.8 million[8], the results obtained from the auction held in connection with the Sales and Investor Solicitation Process ("**SISP**") undertaken by the Companies suggest that the assets have a realizable value far lower than their current reported carrying value. Based on the transaction that is presently contemplated with BD White Birch Investments LLC and certain of its subsidiaries ("**BDWBI**"), the assets' value would be in the US$200 million to US$250 million range[9]. The transaction with BDWBI is outlined in the Monitor's reports dated August 10 and September 23, 2010.

10.2. The Companies report a net loss before taxes of US$48.5 million for the nine months ended September 30, 2011, after taking into consideration a loss on foreign currency translation of US$20.5 million. Although a net loss was incurred, the results from operations for the nine months ended September 30, 2011 represent a significant improvement over the reported results for the same period last year, in which the reported loss was US$64.1 million after taking into consideration a gain on foreign currency translation of US$6.2 million.

10.3. The net losses from operations do not translate into an equivalent cash outflow, in view of the fact that some of the components of the revenues and expenses do not involve an

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7 This amount includes cash collateral of US$6.8 million. We expect such cash collateral would be required to discharge the obligations to which it relates. We understand that the accounts receivable, cash and inventories of Bear Island, totalling US$47.0 million, may be encumbered by the security of the first term lenders and swap counterparties, through a replacement charge granted by the U.S. Court to provide adequate protection to the lenders with a senior charge, however we understand such charge would only apply inasmuch as the security granted in favour of the interim financing lender affects the security that is otherwise available to secure the debt to the first term lenders and swap counterparties.

8 Including cash collateral of US$6.8 million.

9 The sale price (and thus the value of the assets) cannot be determined with greater accuracy, in view of the fact that the transaction with BDWBI is based on the purchase of the assets as they will exist at closing, and that the sale price takes into consideration contract cure costs which are not yet determined.

outflow of cash. The Companies report a net cash inflow from operations of US$4.7 million, after adjusting for the non-cash items.

While there has not been an erosion in cash attributable to the operations, the cash position deteriorated by approximately US$5.6 million in the nine months ended September 30, 2011. The deterioration in cash is attributed primarily to changes in working capital account balances and the capital investment program to maintain the fixed assets, resulting in a use of cash of US$1.2 million and US$8.8 million respectively.

11. The Companies are continuing to incur losses from operations, and are experiencing some cash erosion, because of the need to maintain the fixed assets. While the cash erosion causes a deterioration in the Companies' financial position, we consider that this deterioration is not significant in view of the size of the enterprise and the value of the assets.

STATUS OF PROCEEDINGS

12. The Initial Order was made on February 24, 2010 and was extended on several occasions since that date. The most recent order of the Court extending the Initial Order was made on August 22, 2011 and grants an extension until November 18, 2011.

13. As mentioned in the most recent reports of the Monitor[10], the Companies' restructuring activities, at this stage, continue to be focused on the sale process, as the Companies are preparing for the closing of the transaction that was approved by the Court by order made on September 28, 2010[11], which transaction contemplates the sale of substantially all of the Companies' assets and undertakings to BDWBI.

14. The conditions to closing have not yet been fulfilled. We understand that the issue of negotiating an agreement with the union representing the employees of WB Canada remains the principal unresolved matter, and that the main hurdle is still the issue of the pension deficit and pension benefits on a going forward basis.

Status of negotiations concerning pension issues

15. In its report dated September 27, 2011, the Monitor indicated that a conciliator had been appointed at the request of WB Canada, with a view to assist in advancing the negotiations. The negotiations were apparently suspended by the conciliator, who requested that a technical committee be formed to analyse the issues separating the parties and report thereon to the conciliator, before negotiations will resume.

16. The Monitor has not received a complete status report from the attorneys representing BDWBI and from the attorneys representing the union. The only information available to the Monitor at this stage is hearsay received in the course of discussions with various parties including

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[10] Reports of the Monitor dated December 7, 2010, February 18, May 6, and August 17, 2011, all of which address requests by the Companies for an extension of the delay to file a plan of arrangement, and the report of the Monitor dated September 27, 2011, addressing the allocation of proceeds from the proposed sale between the Canadian and U.S. estates.

[11] A motion for leave to appeal from this judgment was filed on October 15, 2010, and a judge of the Court of Appeal dismissed such motion on October 25, 2010.

management and employees of the Companies, the attorney representing BDWBI and a representative of the union representing the employees at Papier Masson Ltée. As such the information herein must be taken under reserve. The Monitor understands that:

16.1. The negotiations were set to resume in the week of October 11, 2011. At the time the negotiations resumed, each party stated its position which remained relatively unchanged from its original position, with little or no concession.

16.2. The conciliator concluded the affair had come to a deadlock and that it would not be productive to hold further discussions until the parties are prepared to compromise. He therefore suspended the negotiations indefinitely until the parties advise him they are willing to compromise their positions.

16.3. Since the meeting in the week of October 11, 2011, there has been little or no communication between the parties with a view to recommence the negotiations or settle the issues separating the two sides.

17. Although negotiations have not progressed, the Monitor understands from the attorneys representing BDWBI that it is still committed to closing the transaction, and expects that the negotiations will restart imminently, although the Monitor has not been made aware of any date, timetable or proposal to resolve the impasse.

Allocation of Proceeds between the Canadian and U.S. estates

18. The issue of the allocation of the proceeds from the sale contemplated with BDWBI was addressed in the Monitor's report dated September 27, 2011.

19. Further to the order rendered by the Court on October 7, 2011 ("**Information Order**"), the Monitor mailed a copy of the Information Order to all known creditors on October 18, 2011, together with a notice to the creditors and a copy of the report dated September 27, 2011.

20. In late October 2011, the attorneys representing Bear Island contacted the Monitor to discuss their reasoning on the legal issues that could affect the allocation. With a view to advance the discussions, the attorneys representing Bear Island organised a meeting to be held in New York on November 10, 2011 and invited the Monitor to attend this meeting. Due to the cancellation of flights in direction of New York on the day the meeting was scheduled, it was finally held by means of a telephone conference. Participants to the telephone conference included the Monitor's counsel, the Monitor's U.S. counsel the attorney representing the Unsecured Creditors' Committee, the attorneys representing Black Diamond in the U.S. and in Canada, and the attorneys representing WB Canada in the proceedings under the CCAA.

21. Discussions were held on the various issues surrounding the allocation, although no consensus arose from these discussions. The discussions are scheduled to continue through a face to face meeting to be held within the next few weeks.

22. The Monitor understands that Bear Island is considering postponing the hearing on its motion for confirmation of its plan, originally scheduled for November 22, 2011, to explore the possibility of a settlement of the issues.

CURRENT ACTIVITIES

23. The Monitor prepared several reports to the Court addressing the activities of the WB Group. The matters discussed in the said reports are still relevant, and will not be repeated herein. The present report only addresses matters that have changed since our report dated August 17, 2011.

Cash flow results/Interim Financing

24. WB Group borrowed US$121 million against the delayed draw term loan. During the month of October 2011, WB Canada repaid an amount of US$33 million of this amount, thereby reducing the net amount borrowed to US$88 million. The Monitor was advised that the repayment was made primarily because the Interim Financing lender required this repayment as a condition to the continued extension of the Interim Financing facility, and because the Companies considered this cash is not required in the short term. The amendment to the Interim Financing agreement provides that the Companies may draw again on the Interim Financing facility, with the consent of Black Diamond.

25. The most recent cash flow projections filed with the Court were prepared for the 15 weeks ending November 18, 2011. For ease of reference, these cash flow projections are attached hereto as Appendix B.

26. WB Group and its advisors prepared a comparison of the actual and projected results, for the 13 weeks ended November 4, 2011, annexed to this report as Appendix C. The Monitor reviewed this comparison with management, and as a result of this review, the Monitor has no reason to doubt the reasonableness of the explanations provided for the variances.

27. Essentially, the comparison of actual and projected results for the 13 weeks ended November 4, 2011 indicates that while the projections contemplated a negative cash flow of US$11.9 million for the 13 week period, the actual results yielded a positive cash flow of US$4.2 million, or a favourable variance of US$16.1 million. A portion of this variance, or approximately US$8.2 million, is attributable to the fact that costs were forecasted to be paid contemporaneously with the closing of the transaction, and the closing has not yet taken place. As a result, WB Group's cash on hand stands at approximately US$36.1 million, as at November 4, 2011. The variance is attributed primarily to the following:

    27.1. Higher than projected collection of accounts receivable, by approximately US$8.5 million, attributed to a timing difference in collections.

    The accounts receivable were projected to be US$93.1 million as at November 4, 2011, and they are reported to amount to US$93.5 million as at that date. If the variance were strictly related to a more rapid collection period, the variance would translate into lower accounts receivable by a like amount. The difference between the actual and projected accounts receivable, in view of the favourable variance in the cash receipts, suggests that the revenues were slightly higher than anticipated during the projection period, by approximately US$8.9 million.

27.2. Lower than projected disbursements, by approximately US$7.6 million[12]. This variance is attributable in part to a timing variance, as the Companies' purchases and payment patterns are slightly different from the projections.

The inventories were projected to be US$83.9 million as at November 4, 2011, and they are reported to amount to US$89.1 million as at that date. Management indicated the Companies are building up inventories due to the timing of shipments, and to ensure an uninterrupted supply of fibre.

We do not have current information on the accounts payable on a week by week basis, but in view of the proceedings under the CCAA and the Code, we would expect these to remain fairly stable. As such a variance on disbursements should be a fair estimate of the variance in purchases and expenses. If this assumption is correct, the difference between the actual and projected inventories, in view of the favourable variance in the cash disbursements, suggests that the costs (costs of goods sold, operating expenses, professional fees and interest) were lower than anticipated during the projection period, by approximately US$12.7 million. It should be noted however that the projections for the 15 weeks ending November 18, 2011 included a provision of US$8.2 million in early September 2011, in connection with professional fees that will be due and payable contemporaneously with the closing of a sale transaction with BDWBI. Since the closing of the transaction has not yet occurred, the payment of these transaction related fees has been delayed. This explains a large part of the decrease in costs as compared with the projections.

28. The comparison of actual and projected results (Appendix C) also presents data compiled to isolate the results of WB Canada. The results for WB Canada indicate a favourable variance of US$10.9 million in receipts, and a favourable variance of US$2.2 million in disbursements, for a net favourable variance of US$13.1 million in the cash flow as compared with the projections. The explanations for the variances are similar to those outlined above in paragraph 27.

29. Overall, the slight improvement in cash balances, coupled with a stable accounts receivable position and slightly increased inventory levels, suggests that the Companies' position improved slightly (by US$7.5 million) during the13 weeks period ended November 4, 2011. However, the Monitor considers that this change is not significant in the circumstances and could be artificial if it is the result of a timing difference in the payment of accounts payable.

Updated projections

30. Management provided us with an updated cash flow projection for WB Group, for the 15 weeks ending February 17, 2012, and these cash flow projections are attached to this report as Appendix D[13]. The opening cash position on these cash flow projections represents the actual cash on hand as of November 4, 2011. The remainder of the amounts represents a projection, as the actual results for the week of November 11, 2011 have not yet been compiled.

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[12] Including operating disbursements, professional fees and interest.

[13] Management has also provided us with an updated cash flow projection for WB Canada, for the 15 week period ending August 12, 2011, extracted from the above-mentioned projection for the WB Group, and prepared on the same basis. This cash flow projection is attached as Appendix E.

31. The updated projections suggest that WB Group and WB Canada expect to have sufficient liquidity to carry out their business in the normal course, throughout the period covered by these projections.

Operating issues

32. Management has advised the Monitor that WB Group intends to suspend operations at the plant in Quebec City, to decrease the losses from operations.

33. The Monitor understands the operations at the Stadacona plant in Quebec City will be wound down over a period of 2-3 weeks, and will thereafter be suspended. The Companies indicated that the current plan is to leave the plant in Stadacona idle starting in mid December 2011. The Monitor understands that approximately 500 to 550 employees may be affected.

34. Management indicated that the decision to leave the Stadacona plant idle is necessary to enhance the viability of the Companies as a whole. Management indicated it hoped a closure could be averted, however considering the operating costs of this plant and the current market price for the products it produces the operations of the Stadacona plant continue to generate a negative cash flow. Management expects that by curtailing capacity, the Companies can concentrate on production of the more profitable products and customers in the remaining plants, thereby enhancing the Companies' competitive position.

35. Based on the information presented to the Monitor, the Stadacona plant is least profitable and has the largest capacity of the plants in Canada, as it accounts for approximately 50% of the Companies' production capacity in Canada.

36. The projected impact of the plant closure has been incorporated in the financial projections prepared by the Companies in support of their request for an extension of the stay provided by the Initial Order.

37. The Monitor was advised that the decision to close the Stadacona plant was discussed with BDWBI and the attorney representing BDWBI has confirmed to the Monitor that the closure of the plant will not be considered as a default under the proposed asset sale agreement, and that BDWBI still remains committed to finalizing the transaction that contemplates the sale of substantially all of the Companies' assets and undertakings to BDWBI.

38. The Monitor understands the rationale for the decision to suspend operations at the Stadacona plant, and based on the limited information received, the Monitor believes the Companies' decision is reasonable in the circumstances.

CONCLUSIONS AND RECOMMENDATIONS

39. The Initial Order as previously extended is scheduled to expire on November 18, 2011, and the Applicants have indicated their intention to seek a further extension of the Initial Order, until February 17, 2012.

40. The Monitor believes it is reasonable and appropriate to grant the extension requested in order to allow the discussions between the Companies, BDWBI and the union representing the employees of WB Canada to continue, to see the transaction close as soon as possible.

41. However, what precedes is subject to obtaining an undertaking from the various parties that the negotiations will resume in the immediate future, as currently there is little or no benefit to continue with the proposed transaction with BDWBI, absent some productive discussions towards the finalization of labour agreements with the union.

42. In the present circumstances and based on the projections submitted by the Companies, the Monitor believes that a further extension of the stay of proceedings until February 17, 2012, to allow WB Group to complete the sale process, would not be prejudicial to the creditors of WB Group, provided the delay is used productively.

43. Based on discussions with representatives of WB Group, the Monitor believes WB Group has acted and is continuing to act in good faith and with due diligence.

44. Based on the foregoing, the Monitor recommends that the Court grant an extension of the stay of proceedings as requested by WB Group, namely up to and including February 17, 2012.

45. Given the delays to date since the execution and final approval of the Asset Sale Agreement, the Monitor reiterates the recommendation made in its report dated May 9, 2011, that the Court should request that the attorneys for the Companies, the union representing the employees and BDWBI attend periodic conferences with the Court to update it on the progress of the negotiations.

All of which is respectfully submitted this 17th day of November 2011.

ERNST & YOUNG INC.
In its capacity as the monitor appointed by the Court
in the matter of the proposed compromise and
arrangement of White Birch Paper Holding Company *et al.*

Per: Martin P. Rosenthal, CA, CIRP
Senior Vice-President

Per: Jean-Daniel Breton, CA, CIRP
Senior Vice-President

Appendix A – Internal financial statements for the 9 months ended September 30, 2011

WHITE BIRCH PAPER COMPANY
CONSOLIDATED
FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2011

(IN UNITED STATES DOLLARS)

CONSOLIDATED WHITE BIRCH PAPER COMPANY

BALANCE SHEET
(IN U.S.$)
SEPTEMBER 30, 2011

ASSETS

CURRENT ASSETS :		
Cash		$ 71,931,116
Cash Collateral		6,777,930
Accounts Receivable - Trade		90,076,498
Accounts Receivable - Miscellaneous		17,991,306
Inventory:		
Raw Materials & Stores	$ 61,078,616	
Finished	28,119,749	89,198,365
Prepaid Expenses		15,960,822
Timberdeeds		21,951
R&D Credit Receivable		288,780
Due from Affiliates		561,262
Total Current Assets		292,808,030
PROPERTY, PLANT AND EQUIPMENT AT COST	$ 1,169,336,743	
Less - Accumulated Depreciation	(740,589,643)	428,747,100
OTHER LONG TERM ASSETS		390,155
LONG TERM INVESTMENT		541,463
INVESTMENT IN SP NEWSPRINT		24,089,089
DEFERRED FINANCING COSTS		0
Total Assets		$ 746,575,837

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts Payable and Accrued Liabilities		$ 50,707,367
Pre-Petition Account Payable		51,920,171
Current Portion Long-Term Debt		208,873
Accrued Service Charges		839,474
Income Taxes Payable		25,789,496
Derivative Contracts		51,807,858
DIP Loan		120,955,000
Accrued Interest		28,602,454
Total Current Liabilities		330,830,693
NON-CURRENT PENSION AND POSTRETIREMENT		86,199,031
DEFERRED PENSION COSTS		62,724,209
LONG-TERM DEBT:		
First Lien Term Loan	$ 428,293,961	
Second Lien Term Loan	100,000,000	
Capitalized Leases	0	528,293,961
Total Liabilities		1,008,047,894
STOCKHOLDERS' EQUITY		
Contributed Capital		129,642,930
Retained Earnings		(349,964,300)
Accumulated Other Comprehensive Loss		(58,671,218)
Translation Adjustment		17,520,531
Total Stockholders' Equity		(261,472,057)
Total Liabilities and Stockholders' Equity		$ 746,575,837

CONSOLIDATED WHITE BIRCH PAPER COMPANY

STATEMENT OF INCOME

(IN U.S.$)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
	YEAR TO DATE	YEAR TO DATE
SALES		
Gross	$ 624,527,715	$ 556,372,675
Freight	(72,253,513)	(64,970,166)
Net Sales	552,274,202	491,402,509
COST OF GOODS SOLD	(540,856,078)	(507,896,003)
Gross Profit	11,418,124	(16,493,494)
GENERAL AND ADMINISTRATIVE EXPENSE		
Service Fee	(18,735,834)	(16,691,278)
Other	(7,251,984)	(16,801,994)
Operating Profit (Loss)	(14,569,694)	(49,986,766)
OTHER INCOME (EXPENSE)		
Interest Expense	(12,937,164)	(19,937,883)
Gain (Loss) on Currency Translation	(20,507,231)	6,188,649
Deferred Financing	0	0
Interest Income	109,267	28,069
Other Income (Expense)	(590,634)	(435,344)
Net Income (Loss) from Operations	(48,495,456)	(64,143,275)
TAX PROVISION	(2,010,760)	1,060,963
Net Income (Loss)	(50,506,216)	(63,082,312)
RETAINED EARNING BEGINNING OF PERIOD	(299,458,084)	(243,640,801)
PRIOR PERIOD ADJUSTMENT	- 0 -	- 0 -
DISTRIBUTION DURING THE PERIOD	- 0 -	- 0 -
RETAINED EARNING END OF PERIOD	$ (349,964,300)	$ (306,723,113)

CONSOLIDATED WHITE BIRCH PAPER COMPANY

STATEMENT OF CASH FLOWS

(IN U.S.$)

FOR THE ONE MONTH ENDED SEPTEMBER 30, 2011 AND 2010

CASH PROVIDED BY (USED FOR):		2011	2010
OPERATIONS			
Net Income (Loss)		$ (30,958,129)	$ 10,569,556
Translation Adjustment		14,850,150	(6,973,974)
Accumulated Other Comprehensive Loss		0	0
Items not affecting cash			
Effect of exchange rate fluctuations on cash		22,227,997	(12,481,891)
Depreciation		4,736,749	4,792,197
Gain on sale of Property, Plant and Equipment		0	0
Amortization of Deferred Costs		0	572,734
Derivative Contracts		0	0
Deferred Income Taxes		0	0
Deferred Pension Costs		(6,190,311)	(2,529,959)
Non-current Pension and Postretirement		(5,328,114)	2,793,902
Other Long Term Assets		33,468	(35,050)
ITC & R&D Credit Receivable		0	0
Goodwill		0	0
Property, Plant and Equipment (ITC & Capital Tax)		0	0
Long Term Investment		24,116	(17,550)
Provided from operations		(604,074)	(3,310,035)
WORKING CAPITAL			
Accounts Receivable Trade	$ 1,039,956		
Accounts Receivable Miscellaneous	(636,329)		
Inventory	3,930,860		
Prepaid Expenses	3,486,780		
Timberdeeds	0		
Due from Affiliates	40,904		
R&D Credit Receivable	17,850		
Deferred Costs	0		
Income Taxes Payable	(897,497)		
Accounts Payable and Accrued Liabilities	(4,001,222)		
Accrued Service Charges	(31,936)		
Due to Affiliates	0		
Accrued Interest	(915,560)		
Cash provided by (used for) noncash working capital		2,033,806	(4,659,227)
		1,429,732	(7,969,262)
FINANCING			
Increase in Long-Term Debt		0	3,000,000
Decrease in Long-Term Debt		(86,179)	(41,832)
		1,343,553	(5,011,094)
INVESTMENT			
Disposal of Property, Plant and Equipment		0	0
Additions to Property, Plant and Equipment		(938,422)	(1,096,476)
		405,131	(6,107,570)
DISTRIBUTION TO BRANT PAPER COMPANY		0	0
INCREASE (DECREASE) IN CASH DURING THE MONTH		405,131	(6,107,570)
CASH BEGINNING OF MONTH		78,303,915	86,940,066
CASH END OF MONTH		$ 78,709,046	$ 80,832,496

Appendix B – Cash flow projections of WB Group - 15 weeks ending November 18, 2011

White Birch Paper

15-Week Cash Flow Forecast

Weeks Ending August 12 through Nov. 18, 2011

11/08/2011

Confidential

White Birch Paper **CONSOLIDATED** **CONFIDENTIAL**

Rolling Weekly Forecast **In $000's**

Weeks Ended August 12 - November 18, 2011

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	Wk Ended	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	15 Week
	8/12	8/19	8/26	9/2	9/9	9/16	9/23	9/30	10/7	10/14	10/21	10/28	11/4	11/11	11/18	Total
Operating Receipts																
Bear Island	$ 2,089	$ 2,270	$ 3,812	$ 2,815	$ 3,314	$ 2,070	$ 4,620	$ 2,300	$ 3,130	$ 2,400	$ 3,855	$ 3,100	$ 2,800	$ 2,235	$ 4,238	$ 45,049
Stadacona	4,760	5,250	8,644	5,902	7,897	5,670	7,632	9,574	7,400	8,418	6,897	12,693	6,617	7,044	7,265	111,664
F. F. Soucy	1,586	3,163	3,567	4,076	3,547	6,328	2,387	3,011	3,869	2,960	3,584	3,088	3,769	4,644	2,985	52,564
Papier Masson	3,103	3,812	3,936	3,539	2,317	2,714	2,439	2,560	3,527	2,578	2,905	2,595	3,628	2,646	2,672	44,972
Total Operating Receipts	11,539	14,496	19,958	16,332	17,076	16,781	17,078	17,445	17,926	16,356	17,241	21,477	16,814	16,569	17,160	254,248
Operating Disbursements																
Fiber	(2,874)	(3,463)	(3,296)	(3,650)	(3,644)	(3,550)	(3,448)	(3,492)	(3,425)	(3,506)	(3,284)	(3,501)	(3,509)	(3,528)	(3,366)	(51,537)
Chemicals	(651)	(948)	(739)	(742)	(955)	(737)	(956)	(770)	(945)	(747)	(970)	(776)	(951)	(742)	(963)	(12,594)
Electricity	(3,326)	(3,338)	(4,479)	(3,326)	(3,316)	(3,328)	(4,331)	(2,889)	(3,428)	(3,341)	(4,301)	(3,425)	(3,330)	(3,335)	(4,316)	(53,811)
Recycle Material	(1,232)	(1,234)	(1,242)	(1,366)	(1,264)	(1,264)	(1,264)	(1,379)	(1,264)	(1,264)	(1,264)	(1,264)	(1,379)	(1,264)	(1,264)	(19,203)
Other Materials and Other Utilities	(2,156)	(1,983)	(1,948)	(2,282)	(2,160)	(2,018)	(2,028)	(2,048)	(2,225)	(1,896)	(1,992)	(1,975)	(2,063)	(1,957)	(2,010)	(30,741)
Property Taxes	(17)	-	(110)	-	-	(5)	-	-	-	(5)	-	-	-	(5)	-	(142)
Salaried and Hourly Payroll- Gross	(1,517)	(1,688)	(1,451)	(1,673)	(1,451)	(1,883)	(1,381)	(1,775)	(1,451)	(2,021)	(1,349)	(1,826)	(1,451)	(1,952)	(1,365)	(24,233)
Pension Plan and Group insurance	(2)	(125)	(645)	(324)	(78)	(3)	(645)	(324)	(78)	(3)	(645)	(324)	(78)	(3)	(645)	(3,922)
Freight	(2,323)	(2,202)	(2,192)	(2,449)	(2,169)	(2,142)	(2,477)	(2,292)	(2,277)	(2,442)	(2,392)	(2,449)	(2,476)	(2,292)	(2,435)	(35,010)
Maintenance Equipment	(284)	(356)	(288)	(272)	(243)	(254)	(252)	(274)	(248)	(275)	(229)	(241)	(236)	(265)	(240)	(3,955)
Major Maintenance	(95)	(315)	(106)	(160)	(143)	(102)	(321)	(148)	(299)	(230)	(433)	(87)	(127)	(166)	(377)	(3,108)
Capital Expenditures	(198)	(57)	(310)	(284)	(307)	(153)	(135)	(65)	(92)	-	-	-	(90)	(77)	(68)	(1,835)
Professional Fees	(10)	(11)	(10)	(8)	(30)	(25)	(25)	(25)	(65)	(25)	(25)	(50)	(50)	(50)	(25)	(434)
Leases	(87)	(26)	-	(2)	(86)	(33)	-	(1)	(86)	(30)	-	(4)	(1)	(31)	-	(386)
Other	(1,586)	(27)	(27)	(12)	(27)	(282)	(102)	(27)	(27)	(102)	(332)	(27)	(27)	(155)	(230)	(2,992)
Management Fee	(707)	-	(1,425)	-	-	(707)	-	(1,425)	-	(707)	-	(1,425)	-	-	(707)	(7,102)
Total Operating Disbursements	(17,063)	(15,774)	(18,268)	(16,549)	(15,872)	(16,486)	(17,366)	(16,935)	(15,909)	(16,594)	(17,216)	(17,374)	(15,768)	(15,821)	(18,010)	(251,005)
Net Operating Cash Flow	(5,524)	(1,278)	1,691	(217)	1,204	295	(288)	511	2,017	(238)	26	4,103	1,046	747	(850)	3,243
Non Operating Cash Flow and Restructuring																
Restructuring Professional Fees	(120)	(338)	(183)	(8,220)	-	-	-	-	(1,195)	-	-	-	(1,195)	-	-	(11,251)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	-	-	-	-	(1,300)	-	-	-	(1,300)	-	-	-	(1,350)	-	-	(3,950)
Total Non-Operating Cash Flow and Restructuring	(120)	(338)	(183)	(8,220)	(1,300)	-	-	-	(2,495)	-	-	-	(2,545)	-	-	(15,201)
Net Operating Receipts (Disbursements)	$ (5,645)	$ (1,616)	$ 1,508	$ (8,437)	$ (96)	$ 295	$ (288)	$ 511	$ (478)	$ (238)	$ 26	$ 4,103	$ (1,499)	$ 747	$ (850)	$ (11,958)
BEG. BOOK CASH BALANCE	$ 64,870	$ 59,225	$ 57,610	$ 59,117	$ 50,680	$ 50,584	$ 50,878	$ 50,591	$ 51,101	$ 50,623	$ 50,385	$ 50,411	$ 54,513	$ 53,015	$ 53,762	$ 64,870
Net Receipts (Disbursements)	(5,645)	(1,616)	1,508	(8,437)	(96)	295	(288)	511	(478)	(238)	26	4,103	(1,499)	747	(850)	(11,958)
DIP Term Loan Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	59,225	57,610	59,117	50,680	50,584	50,878	50,591	51,101	50,623	50,385	50,411	54,513	53,015	53,762	52,912	52,912
Unused DIP Commitment	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045
LIQUIDITY	$ 60,270	$ 58,655	$ 60,162	$ 51,725	$ 51,629	$ 51,923	$ 51,636	$ 52,146	$ 51,668	$ 51,430	$ 51,456	$ 55,558	$ 54,060	$ 54,807	$ 53,957	$ 53,957
DIP TERM LOAN BALANCE																
DIP Loan Balance at Beg. of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955
DIP Term Loan Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955

White Birch Paper
13 Week Cash Flow Forecast CONFIDENTIAL
Weeks Ended August 12 - November 18, 2011

Key Assumptions:

1 - **Bankruptcy Filing:**
- Petition Date was February 24, 2010
- Prior service cost component of pension contributions in Canada of CAD $1.5 million are assumed suspended until emergence - savings of approximately $1.5 million CAD per month
- Letters of Credit and Cash Deposits - Letters of credit outstanding on the filing date of (appx. $11.1 million) were cash collateralized in the repayment of loan balances to the ABL lender that occurred on March 1, 2010
- Projected cash balances should be viewed on a consolidated basis only
  Negative cash balances at certain of the locations could be covered by available cash at other locations through the Company's cash management process
- Except for restructuring professional fees (as discussed below), no cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast
- Restructuring professional fees for the week ended Sept. 2, 2011 includes approximately $3.6 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee

2 - **Includes the Following DIP Financing Assumptions:**
- Pre-petition ABL facility was replaced with a super priority delayed draw term loan facility of $140 million (DIP Facility) on March 1, 2010 with terms, as follows:
  - Interest at L+1,000 bps; 2% Libor floor
  - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and $100k annual administrative fee
  - Interest on borrowings paid monthly as due
  - DIP loans paid or repaid may not be reborrowed
- Aggregate reserves approximate $18.0 million for the D&O charge and the administrative charge, a carve-out for professional fees and a Canadian Priority Reserve
- Liquidity reflected at any given week includes unused DIP commitment that is available for draw based on budgeted net disbursements, and/or borrowing base collateral, but has not yet been drawn
- Forecast does not reflect any repayment of DIP loans that may occur in connection with emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company

3 - **Assumes spot rate of C$0.98 to US $1.00 throughout the forecast period**

4 - **Assumes full production at all mills based on latest production schedule**

5 - **Preliminary and subject to change**

Appendix C – Comparison of actual and projected results for the 13 weeks ended November 4, 2011

White Birch Paper

Cash Flow Forecast - Variance Report
Actual Compared With 15-Week CFF (Dated Aug.11, 2011)

For the Weeks Ended November 4, 2011

10/11/2011

Confidential

White Birch Paper — **Consolidated**

Cash Flow Forecast Variance Report to 15-Week CFF (Dated 8/11/11)

Weeks Ended November 4, 2011

In $000's

	Cumulative 13-Week Variance to 15-Week CFF		
	Actual 8/6 Through 11/4	Forecast 8/6 Through 11/4	B (W) than Forecast 11/4
Operating Receipts			
Bear Island	$ 36,200	$ 38,576	$ (2,376)
Stadacona	99,949	97,355	2,594
F.F. Soucy	47,664	44,935	2,728
Papier Masson	45,232	39,654	5,578
Total Operating Receipts	229,044	220,520	8,524
Operating Disbursements			
Fiber	(48,263)	(44,642)	(3,621)
Chemicals	(12,409)	(10,888)	(1,521)
Electricity	(44,470)	(46,160)	1,690
Recycle Material	(16,421)	(16,676)	255
Other Materials and Other Utilities	(22,998)	(26,774)	3,775
Property Taxes	(320)	(137)	(183)
Salaried and Hourly Payroll - Gross	(20,496)	(20,916)	421
Pension Plan and Group Insurance	(4,391)	(3,275)	(1,116)
Freight	(30,205)	(30,284)	79
Maintenance Equipment	(3,509)	(3,450)	(59)
Major Maintenance	(2,670)	(2,565)	(105)
Capital Expenditures	(2,114)	(1,691)	(423)
Professional Fees	(274)	(359)	85
Leases	(470)	(355)	(115)
Other	(4,060)	(2,607)	(1,453)
Management Fee	(6,565)	(6,395)	(170)
Total Operating Disbursements	(219,634)	(217,174)	(2,460)
Net Operating Cash Flow	9,409	3,346	6,063
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(1,629)	(11,251)	9,622
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	0	-	0
Interest Payments	(3,545)	(3,950)	405
Total Non-Operating Cash Flow and Restructuring	(5,174)	(15,201)	10,027
Net Operating Receipts (Disbursements)	$ 4,235	$ (11,855)	$ 16,091
BEG. BOOK CASH BALANCE	$ 64,870	$ 64,870	$ -
Net Receipts (Disbursements)	4,235	(11,855)	16,091
DIP Term Loan Borrowing	(33,000)	-	(33,000)
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	36,105	53,015	(16,909)
Unused DIP Commitment	34,045	1,045	33,000
LIQUIDITY	$ 70,150	$ 54,060	$ 16,091
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 120,955	$ 120,955	$ -
DIP Term Loan Borrowing	(33,000)	-	(33,000)
DIP Loan Balance at End of Week / Period	$ 87,955	$ 120,955	$ (33,000)

White Birch Paper Holding Company - WB Canada Only

Cash Flow Forecast - Cumulative Variance Report to 15-Week CFF (Dated 8/11/11)

Weeks Ended November 4, 2011

In $000's

	Cumulative 13-Week Variance to 15-Week CFF		
	Actual 8/6 to 11/4	Forecast 8/6 to 11/4	B (W) than Forecast 11/4
Operating Receipts			
Stadacona	99,949	97,355	2,594
F.F. Soucy	47,664	44,935	2,728
Papier Masson	45,232	39,654	5,578
Total Operating Receipts	192,844	181,944	10,900
Operating Disbursements			
Fiber	(43,706)	(40,132)	(3,573)
Chemicals	(9,816)	(7,899)	(1,917)
Electricity	(36,704)	(38,865)	2,161
Recycle Material	(12,279)	(12,463)	184
Other Materials and Other Utilities	(19,404)	(23,020)	3,615
Property Taxes	(185)	(110)	(75)
Salaried and Hourly Payroll - Gross	(15,816)	(15,821)	6
Pension Plan and Group Insurance	(4,391)	(3,275)	(1,116)
Freight	(27,574)	(27,240)	(335)
Maintenance Equipment	(2,412)	(1,847)	(565)
Major Maintenance	(2,414)	(2,031)	(383)
Capital Expenditures	(1,315)	(357)	(958)
Professional Fees	(271)	(330)	59
Leases	(339)	(257)	(82)
Other	(4,028)	(2,607)	(1,421)
Management Fee	(5,433)	(5,218)	(215)
Total Operating Disbursements	(186,086)	(181,472)	(4,615)
Net Operating Cash Flow	6,758	472	6,285
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(1,062)	(8,312)	7,250
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	(297)	-	(297)
Interest Payments	(3,545)	(3,398)	(147)
Total Non-Operating Cash Flow and Restructuring	(4,904)	(11,710)	6,806
Net Operating Receipts (Disbursements)	$ 1,855	$ (11,239)	$ 13,093
BEG. BOOK CASH BALANCE	$ 46,641	$ 46,641	$ -
Net Receipts (Disbursements)	1,855	(11,239)	13,093
DIP Term Loan Borrowing	(33,000)	-	(33,000)
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	15,495	35,402	(19,907)
Unused DIP Commitment	34,045	1,045	33,000
LIQUIDITY	$ 49,540	$ 36,447	$ 13,093
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 120,955	$ 120,955	$ -
DIP Term Loan Borrowing	(33,000)	-	(33,000)
DIP Loan Balance at End of Week / Period	$ 87,955	$ 120,955	$ (33,000)

Appendix D – Cash flow projections of WB Group - 15 weeks ending February 17, 2012

White Birch Paper

15-Week Cash Flow Forecast

Weeks Ending Nov. 11, 2011 through Feb. 17, 2012

17/11/2011

Confidential

White Birch Paper
Rolling Weekly Forecast
Weeks Ended November 11, 2011 - February 17, 2012

CONSOLIDATED
In $000's

CONFIDENTIAL

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	Wk Ended	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	15 Week
	11/11	11/18	11/25	12/2	12/9	12/16	12/23	12/30	1/6	1/13	1/20	1/27	2/3	2/10	2/17	Total
Operating Receipts																
Bear Island	$ 2,359	$ 2,311	$ 3,992	$ 3,116	$ 2,806	$ 2,400	$ 3,975	$ 3,200	$ 3,110	$ 2,500	$ 3,700	$ 2,505	$ 3,500	$ 2,450	$ 3,838	$ 45,761
Stadacona	7,863	7,839	8,109	7,656	5,787	7,712	6,240	10,058	7,381	748	-	2,908	-	-	-	72,300
F. F. Soucy	7,646	2,452	2,297	3,703	2,838	2,500	3,012	3,000	3,969	4,024	3,128	3,100	4,501	3,262	3,070	52,502
Papier Masson	3,279	3,108	3,271	4,485	3,659	3,185	2,602	2,832	3,678	2,429	2,703	2,743	3,836	2,807	2,653	47,268
Total Operating Receipts	21,146	15,710	17,669	18,959	15,090	15,796	15,830	19,089	18,138	9,701	9,531	11,256	11,837	8,518	9,560	217,830
Operating Disbursements																
Fiber	(4,127)	(3,861)	(3,860)	(3,809)	(3,105)	(2,442)	(2,248)	(1,993)	(1,107)	(1,826)	(2,045)	(2,056)	(2,056)	(2,134)	(2,146)	(38,817)
Chemicals	(889)	(1,091)	(951)	(923)	(1,107)	(1,249)	(568)	(308)	(319)	(548)	(278)	(293)	(283)	(594)	(271)	(9,672)
Electricity	(3,454)	(3,364)	(4,369)	(2,772)	(2,299)	(2,215)	(2,215)	(3,164)	(2,219)	(2,219)	(2,219)	(2,219)	(2,219)	(2,217)	(2,217)	(39,384)
Recycle Material	(1,291)	(1,187)	(1,231)	(1,335)	(707)	(255)	(255)	(305)	(255)	(255)	(255)	(255)	(305)	(255)	(255)	(8,400)
Other Materials and Other Utilities	(1,793)	(1,981)	(1,835)	(2,050)	(1,728)	(2,056)	(1,297)	(864)	(993)	(1,134)	(586)	(964)	(1,006)	(1,049)	(688)	(20,025)
Property Taxes	(5)	(15)	-	(660)	-	(5)	-	-	-	(5)	-	-	-	(5)	-	(695)
Salaried and Hourly Payroll- Gross	(1,879)	(1,364)	(1,696)	(1,540)	(1,894)	(1,381)	(1,696)	(1,325)	(1,385)	(1,065)	(1,278)	(1,007)	(1,332)	(1,005)	(1,205)	(21,053)
Pension Plan and Group insurance	(3)	(178)	(666)	(441)	(79)	(142)	(666)	(328)	(79)	(2)	(382)	(2)	(3)	(72)	(312)	(3,354)
Freight	(2,726)	(2,460)	(2,601)	(2,349)	(2,427)	(2,349)	(1,895)	(1,251)	(1,413)	(1,287)	(1,287)	(1,337)	(1,713)	(1,287)	(1,300)	(27,680)
Maintenance Equipment	(393)	(311)	(388)	(296)	(432)	(290)	(441)	(400)	(301)	(267)	(407)	(288)	(261)	(278)	(424)	(5,176)
Major Maintenance	(294)	(36)	(388)	(94)	(26)	(168)	(26)	(98)	(26)	(56)	(32)	(16)	(66)	(112)	(29)	(1,469)
Capital Expenditures	(155)	(87)	(166)	(80)	(119)	(26)	(182)	(213)	-	-	(100)	-	-	(13)	(141)	(1,282)
Professional Fees	(25)	(53)	(25)	(35)	(51)	(25)	(53)	(50)	(50)	(30)	(25)	(25)	(26)	(53)	(26)	(551)
Leases	-	(43)	(1)	(3)	(85)	(37)	-	(3)	(1)	(3)	(35)	(3)	-	(20)	(18)	(252)
Other	(77)	(27)	(127)	(152)	(52)	(282)	(127)	(52)	(127)	(27)	(382)	(77)	(77)	(255)	(155)	(1,998)
Management Fee	-	(707)	-	(1,500)	-	(707)	-	(1,500)	-	(429)	-	-	(675)	-	(429)	(5,946)
Total Operating Disbursements	(17,111)	(16,764)	(18,304)	(18,037)	(14,113)	(13,629)	(11,670)	(11,854)	(8,277)	(9,153)	(9,311)	(8,542)	(10,024)	(9,349)	(9,615)	(185,752)
Net Operating Cash Flow	4,035	(1,053)	(635)	921	978	2,167	4,160	7,235	9,861	548	220	2,714	1,813	(830)	(55)	32,078
Non Operating Cash Flow and Restructuring																
Restructuring Professional Fees	(4)	(191)	(830)	(60)	-	(275)	(1,010)	(8,225)	(300)	-	-	(100)	(1,110)	-	-	(12,105)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	-	-	-	(925)	-	-	-	(925)	-	-	-	-	(925)	-	-	(2,775)
Total Non-Operating Cash Flow and Restructuring	(4)	(191)	(830)	(985)	-	(275)	(1,010)	(9,150)	(300)	-	-	(100)	(2,035)	-	-	(14,880)
Net Operating Receipts (Disbursements)	$ 4,031	$ (1,244)	$ (1,465)	$ (64)	$ 978	$ 1,892	$ 3,150	$ (1,915)	$ 9,561	$ 548	$ 220	$ 2,614	$ (222)	$ (830)	$ (55)	$ 17,198
BEG. BOOK CASH BALANCE	$ 36,105	$ 40,136	$ 38,892	$ 37,427	$ 37,363	$ 38,341	$ 40,233	$ 43,383	$ 41,468	$ 51,029	$ 51,576	$ 51,796	$ 54,410	$ 54,188	$ 53,358	$ 36,105
Net Receipts (Disbursements)	4,031	(1,244)	(1,465)	(64)	978	1,892	3,150	(1,915)	9,561	548	220	2,614	(222)	(830)	(55)	17,198
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	40,136	38,892	37,427	37,363	38,341	40,233	43,383	41,468	51,029	51,576	51,796	54,410	54,188	53,358	53,303	53,303
Unused DIP Commitment	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045
LIQUIDITY	$ 74,181	$ 72,937	$ 71,472	$ 71,408	$ 72,386	$ 74,278	$ 77,428	$ 75,513	$ 85,074	$ 85,621	$ 85,841	$ 88,455	$ 88,233	$ 87,403	$ 87,348	$ 87,348
DIP TERM LOAN BALANCE																
DIP Loan Balance at Beg. of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955

White Birch Paper
15 Week Cash Flow Forecast
Weeks Ended November 11, 2011 - February 17, 2012

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Key Assumptions:

1 - Bankruptcy Filing:
- Petition Date was February 24, 2010
- Prior service cost component of pension contributions in Canada of CAD $1.5 million are assumed suspended until emergence - savings of approximately $1.5 million CAD per month
- Except for restructuring professional fees (as discussed below), no cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast
- Restructuring professional fees for the week ended Dec. 30, 2011 includes approximately $3.6 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee

2 - Includes the Following DIP Financing Assumptions:
- Pre-petition ABL facility was replaced with a super priority delayed draw term loan facility of $140 million (DIP Facility) on March 1, 2010 with terms, as follows:
  - Interest at L+1,000 bps; 2% Libor floor
  - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and $100k annual administrative fee
  - Interest on borrowings paid monthly, as due
  - DIP loans paid or repaid may be reborrowed (subject to the prior written consent of the Majority Lenders)
- Aggregate reserves approximate $18.0 million for the D&O charge and the administrative charge, a carve-out for professional fees and a Canadian Priority Reserve
- Liquidity reflected at any given week includes unused DIP commitment
- Forecast does not reflect any repayment of DIP loans that may occur in connection with emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company

3 - Assumes spot rate of C$0.98 to US $1.00 throughout the forecast period

4 - Assumes cessation of production at Stadacona mill during the week ended Dec. 2
Full production at all other mills

5 - Assumes no payment will be made for notice, severance or other similar labour cost in connection with the idling of the Stadacona mill, as the initial order contemplates these will be dealt with through the plan of arrangement.

6 - Preliminary and subject to change

Appendix E – Cash flow projections of WB Canada - 15 weeks ending February 17, 2012

White Birch Paper Holding Company
WB Canada Only
15-Week Cash Flow Forecast

Weeks Ending Nov. 11, 2011 through Feb. 17, 2012

17/11/2011

Confidential

White Birch Paper Holding Company

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Rolling Weekly Forecast - WB CANADA ONLY In $000's

Weeks Ended November 11, 2011 - February 17, 2012

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	Wk Ended	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	15 Week
	11/11	11/18	11/25	12/2	12/9	12/16	12/23	12/30	1/6	1/13	1/20	1/27	2/3	2/10	2/17	Total
Operating Receipts																
Stadacona	7,863	7,839	8,109	7,656	5,787	7,712	6,240	10,058	7,381	748	0	2,908	0	0	0	72,300
F. F. Soucy	7,646	2,452	2,297	3,703	2,838	2,500	3,012	3,000	3,969	4,024	3,128	3,100	4,501	3,262	3,070	52,502
Papier Masson	3,279	3,108	3,271	4,485	3,659	3,185	2,602	2,832	3,678	2,429	2,703	2,743	3,836	2,807	2,653	47,268
Total Operating Receipts	18,787	13,399	13,677	15,843	12,284	13,396	11,855	15,889	15,028	7,201	5,831	8,751	8,337	6,068	5,723	172,069
Operating Disbursements																
Fiber	(3,827)	(3,541)	(3,540)	(3,489)	(2,785)	(2,122)	(1,928)	(1,673)	(787)	(1,546)	(1,765)	(1,776)	(1,776)	(1,834)	(1,846)	-34,237
Chemicals	(682)	(703)	(712)	(750)	(911)	(712)	(397)	(112)	(113)	(112)	(112)	(112)	(112)	(107)	(102)	-5,750
Electricity	(2,760)	(2,760)	(3,765)	(2,760)	(1,619)	(1,619)	(1,619)	(2,592)	(1,619)	(1,619)	(1,619)	(1,619)	(1,619)	(1,619)	(1,619)	-30,830
Recycle Material	(959)	(959)	(959)	(959)	(479)	-	-	-	-	-	-	-	-	-	-	-4,314
Other Materials and Other Utilities	(1,524)	(1,718)	(1,568)	(1,854)	(1,491)	(1,746)	(1,032)	(604)	(732)	(650)	(516)	(717)	(747)	(652)	(521)	-16,072
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaried and Hourly Payroll- Gross	(1,458)	(945)	(1,458)	(1,149)	(1,458)	(945)	(1,458)	(884)	(1,132)	(514)	(1,027)	(616)	(1,079)	(511)	(961)	-15,596
Pension Plan and Group insurance	(3)	(178)	(666)	(441)	(79)	(142)	(666)	(328)	(79)	(2)	(382)	(2)	(3)	(72)	(312)	-3,354
Freight	(2,468)	(2,215)	(2,367)	(2,115)	(2,193)	(2,115)	(1,661)	(1,009)	(1,179)	(1,053)	(1,053)	(1,103)	(1,479)	(1,053)	(1,066)	-24,127
Maintenance Equipment	(295)	(188)	(283)	(202)	(337)	(194)	(333)	(224)	(201)	(173)	(312)	(193)	(172)	(183)	(322)	-3,612
Major Maintenance	(276)	(10)	(327)	(10)	(26)	(16)	(26)	(16)	(26)	(16)	(32)	(16)	(26)	(16)	(29)	-870
Capital Expenditures	(51)	-	(102)	-	(51)	-	(51)	-	-	-	-	-	-	-	(26)	-281
Professional Fees	(25)	(50)	(25)	(25)	(50)	(25)	(50)	(50)	(50)	(25)	(25)	(25)	(25)	(50)	(25)	-525
Leases	-	(3)	-	-	(85)	(3)	-	-	-	(3)	-	-	-	(3)	-	-95
Other	(77)	(27)	(127)	(152)	(52)	(282)	(127)	(52)	(127)	(27)	(382)	(77)	(77)	(255)	(155)	-1,998
Management Fee	-	(564)	-	(1,225)	-	(564)	-	(1,225)	-	(286)	-	-	(400)	-	(286)	-4,551
Total Operating Disbursements	(14,405)	(13,861)	(15,899)	(15,129)	(11,617)	(10,485)	(9,349)	(8,769)	(6,047)	(6,026)	(7,225)	(6,256)	(7,517)	(6,356)	(7,269)	(146,211)
Net Operating Cash Flow	4,382	(462)	(2,222)	714	667	2,911	2,506	7,120	8,981	1,174	(1,394)	2,495	820	(287)	(1,547)	25,858
Non Operating Cash Flow and Restructuring																
Restructuring Professional Fees	(4)	(191)	(535)	-	-	(275)	(560)	(6,415)	-	-	-	(100)	(735)	-	-	(8,815)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	-	-	-	(925)	-	-	-	(925)	-	-	-	-	(925)	-	-	(2,775)
Total Non-Operating Cash Flow and Restructuring	(4)	(191)	(535)	(925)	-	(275)	(560)	(7,340)	-	-	-	(100)	(1,660)	-	-	(11,590)
Net Operating Receipts (Disbursements)	$ 4,378	$ (653)	$ (2,757)	$ (211)	$ 667	$ 2,636	$ 1,946	$ (220)	$ 8,981	$ 1,174	$ (1,394)	$ 2,395	$ (840)	$ (287)	$ (1,547)	$ 14,268
BEG. BOOK CASH BALANCE - WBPC CANADA	$ 15,495	$ 19,874	$ 19,221	$ 16,464	$ 16,253	$ 16,920	$ 19,555	$ 21,501	$ 21,281	$ 30,262	$ 31,437	$ 30,042	$ 32,438	31,597	$ 31,310	$ 15,495
Net Receipts (Disbursements)	4,378	(653)	(2,757)	(211)	667	2,636	1,946	(220)	8,981	1,174	(1,394)	2,395	(840)	(287)	(1,547)	14,268
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	19,874	19,221	16,464	16,253	16,920	19,555	21,501	21,281	30,262	31,437	30,042	32,438	31,597	31,310	29,763	29,763
Unused DIP Commitment	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045
LIQUIDITY	$ 53,919	$ 53,266	$ 50,509	$ 50,298	$ 50,965	$ 53,600	$ 55,546	$ 55,326	$ 64,307	$ 65,482	$ 64,087	$ 66,483	$ 65,642	$ 65,355	$ 63,808	$ 63,808
DIP TERM LOAN BALANCE																
DIP Loan Balance at Beg. of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955

White Birch Paper Holding Company- CANADA ONLY
15 Week Cash Flow Forecast
Weeks Ended November 11, 2011 - February 17, 2012

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Key Hypothetical Assumptions:

1 Purpose:

- The attached statement of projected cash flow has been prepared by Management to present the anticipated cash inflows and outflows resulting from current operations in the period following the making of an initial order, providing for a stay of proceedings, in virtue of the *Companies' Creditors Arrangement Act* , namely the period from November 5, 2011 to February 17, 2012.

  The significant hypothetical assumptions made in preparing the projected cash flow statement are presented hereunder.

2 Basis of presentation:

- The cash flow projections present the projected receipts and disbursements of the entities comprising WB Canada only. The projections do not include the activities of US based Bear Island Paper Company LLC ("Bear Island")

3 Stakeholder support:

- The cash flow projections are based on the assumption that the trade creditors will continue to provide support to the Companies through the delivery of goods and services, and that there will not be any modification in the support extended by other stakeholders such as customers, employees, regulators, etc.

4 CCAA Filing Scenario:

- Petition Date was February 24, 2010
- Does not assume future accounts receivable contraction
- Except for restructuring professional fees (as discussed below), no cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast.
- Restructuring professional fees for the week ended December 30, 2011 includes approximately $1.8 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee
- Prior service cost component of pension contributions in Canada of CAD $1.5 million beginning with the February payments are suspended until emergence - cash savings of approximately $1.5 million CAD per month
- CAD Utility Deposits - Three weeks of utility deposits (appx. $7.5 million CAD) to secure post-petition service were made subsequent to the CCAA filing with continued weekly payments for estimated consumption of approximately $2.7 million CAD.
- Letters of Credit and Cash Deposits - Current letters of credit outstanding on the filing date of $9.5 million were cash collateralized in the repayment of loan balances to the pre-petition ABL lender with a 5% premium.

Key Hypothetical Assumptions - Continued:

5 **Includes the Following DIP Financing Assumptions:**

- Pre-petition ABL facility replaced with a super priority delayed draw term loan facility of $140 million (DIP Facility) with terms, as follows:
  - Interest at L+ 1000 bps with 2% floor
  - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and $100k annual administrative fee
  - Interest on borrowings paid monthly as due
  - DIP loans paid or repaid may be reborrowed (subject to the prior written consent of the Majority Lenders)
- Aggregate reserves approximate $15.1 million for: the D&O Charge and the Administrative Charge, a carve-out for professional fees and a Canadian Priority Reserve.
- Forecast does not reflect any repayment of DIP loans that may occur in connection with emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company.
- Liquidity reflected at any given week includes unused DIP commitment

6 **Assumes spot rate of C$0.98 to US $1.00 throughout the forecast period**

7 **Assumes cessation of production at Stadacona mill during the week ended Dec. 2**
Full production at all other mills

8 **Assumes no payment will be made for notice, severance or other similar labour cost in connection with the idling of the Stadacona mill, as the initial order contemplates these will be dealt with through the plan of arrangement.**

9 **This Cash Flow Forecast is subject to approval by the Court**