Court File No. 07-CL-7120

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO HOLLINGER INC., 4322525 CANADA INC. AND SUGRA LIMTED

APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

THIRD REPORT OF THE MONITOR
SEPTEMBER 7, 2007

1. On August 1, 2007, Hollinger Inc. ("Hollinger") and certain of its subsidiaries (collectively the "Applicants") filed for and obtained protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") pursuant to the Order of this Honourable Court dated August 1, 2007 (the "Initial Order"). Pursuant to the Initial Order, Ernst & Young Inc. was appointed as the monitor of the Applicants (the "Monitor") in these CCAA proceedings.

PURPOSE

2. The purpose of this Third Report of the Monitor (the "Third Report") is to provide this Honourable Court and the Service List with a "waterfall" report in accordance with the Settlement Term Sheet.

TERMS OF REFERENCE

3. In preparing this Report, the Monitor has relied upon unaudited financial information and records of the Applicants and certain of their non – Applicant subsidiaries and discussions with management of the Applicants. The Monitor has not performed an audit or other procedures to evaluate the reliability or completeness of the information. Accordingly, the Monitor expresses no opinion or any other form of assurance on the historical or prospective financial statements, management representations or other data included in this Report.

4. Capitalized terms not defined in this Report are as defined in the Initial Order or previous reports of the Monitor. All references to dollars are in Canadian currency unless otherwise noted.

THE "WATERFALL" SUMMARY

5. On August 31, 2007, the Applicants and their stakeholders, with the assistance of the Monitor, concluded discussions which resulted in the Settlement Term Sheet.

6. The Settlement Term Sheet was approved by Order of this Honourable Court on August 31, 2007.

7. Pursuant to the terms of the August 31, 2007 Order, the Monitor is to deliver to the Service List by September 7, 2007 the Applicants' "waterfall" analysis which includes the Applicants and Domgroup, 10 Toronto and Holcay (the "Subsidiaries").

8. The "waterfall" analysis has been prepared by the Applicants, with the assistance of the Monitor. The analysis provides an illustrative summary of the Applicants' and the Subsidiaries' significant assets, inter-company receivables and payables and third party obligations (the "Waterfall Summary"). The Waterfall Summary also reflects the Applicants' and Subsidiaries' contingent litigation assets and contingent liabilities. The

Applicants expect that the resolution or determination of all of these contingent assets and contingent liabilities will likely have a material impact on the recoveries to their stakeholders.

9. Accordingly, the Monitor attaches to this Third Report the following:

- Appendix A – the Waterfall Summary, and notes, for the Applicants and their Subsidiaries as at June 30, 2007 (except as noted in the Notes to the Waterfall Summary);
- Appendix B – Summary of the Applicants' and their Subsidiaries' inter-company accounts receivable and payable on both a gross and net basis as at June 30, 2007; and
- Appendix C – Reconciliation of Applicants' and their Subsidiaries' inter-company accounts receivable and payable to the unaudited unconsolidated financial statements as at June 30, 2007.

ALL OF WHICH IS RESPECTFULLY SUBMITTED BY:

ERNST & YOUNG INC.

In its capacity as Court-appointed
Monitor of Hollinger Inc. and certain of its affiliates

Per:

Brian Denega
Senior Vice President