Court File No. CV-09-8062-OOCL

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 PLAN OF COMPROMISE OR ARRANGEMENT OF TERRACE BAY PULP INC.

FIFTH REPORT OF ERNST & YOUNG INC. DATED SEPTEMBER 25, 2009

INTRODUCTION

1. On March 11, 2009, Terrace Bay Pulp Inc. ("**Terrace Bay**" or the "**Applicant**") filed for and obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Pursuant to an Order of this Honourable Court dated March 11, 2009 (the "**Initial Order**"), Ernst & Young Inc. ("**EYI**") was appointed as Monitor (the "**Monitor**") in the CCAA proceeding. The Initial Order provided for a stay of proceedings through April 10, 2009 (the "**Stay Period**"). On April 8, 2009, this Honourable Court ordered that the Stay Period be extended to June 30, 2009 (the "**April 8 Order**") and on June 19, 2009 this Honourable Court ordered that the Stay Period be extended to September 30, 2009 (the "**June 19 Order**").

2. The Monitor filed with this Honourable Court its first Report (the "**First Report**") on April 6, 2009, its Second Report (the "**Second Report**") on May 25, 2009, its Third Report (the "**Third Report**") on June 15, 2009 and its Fourth Report (the "**Fourth Report**") on September 14, 2009. A copy of all Monitor reports that are filed and all Court Orders issued and motion material filed in these CCAA proceedings are posted on the Monitor's website at www.ey.com/ca/terracebay.

PURPOSE

3. The purpose of this fifth report of the Monitor (the "**Fifth Report**") is to update this Honourable Court in relation to the activities of Terrace Bay and the Monitor since the Fourth Report, including:

   (a) the receipts and disbursements for the week ending June 14, 2009, through September 13, 2009;

   (b) the revised cash flow forecast;

   (c) the ongoing activities of the Monitor and the Applicant in relation to the process authorized by the Initial Order for the solicitation of offers for a financing or a sale to a purchaser that might result in the re-start of the mill (the "**Solicitation Process**"); and

   (d) a proposed extension of the Stay Period.

BACKGROUND

4. Terrace Bay operates a pulp mill in the Town of Terrace Bay, Ontario (the "**Town**"), which is located on the north shore of Lake Superior. Terrace Bay's customers include large tissue and paper producers in North America and abroad. The primary raw material for Terrace Bay's products is wood chips which, when the mill was operating, were sourced from nearby sawmills.

5. In 2006, Terrace Bay purchased the Terrace Bay pulp mill operations and other assets from its former owner, Neenah Paper Company of Canada.

6. Prior to commencing this CCAA proceeding and due to the current difficulties in the global pulp and paper market, Terrace Bay had determined that the most prudent course of action was to idle the mill until such time as the market for its products improved to such a level that it was no longer unprofitable to run the mill. The mill was idled on February 23, 2009.

7. Buchanan Forest Products Ltd. ("**BFPL**") is an affiliated company of Terrace Bay. Terrace Bay traditionally purchased a significant portion of its pulp logs and bush chips from BFPL. Subsequent to the date of the Initial Order, a secured creditor of BFPL, The Toronto-Dominion Bank, appointed Deloitte & Touche Inc. as the receiver of the property and assets of Buchanan.

8. Terrace Bay is a wholly owned subsidiary of Lucky Star Holdings Inc. ("**Lucky Star**").

9. Activity at the mill site is currently limited. The primary activity of Terrace Bay has been the sale and shipment of existing finished pulp inventory. At the date of the Initial Order, Terrace Bay had approximately 61,000 tons of pulp inventory on hand. This inventory was stored at the mill site and at various warehouses located throughout North America. Terrace Bay has now sold all saleable inventory.

10. The other activities of Terrace Bay relate to the preservation of the mill and related machinery and equipment and the maintenance of its water pump house. With respect to the preservation of the machinery and equipment, if the mill is not heated over the fall and winter months, the machinery and equipment of Terrace Bay would be significantly damaged due to cold weather. Such damage would both render the equipment prohibitively expensive to repair and decrease the likelihood of any buyer or financier expressing an interest in supporting Terrace Bay in the future.

11. In the materials filed in support of its CCAA application, Terrace Bay indicated that, while the mill was shut down, it would be undertaking a process to either find a buyer for the mill or to find a capital source to refinance Terrace Bay's activities. An update on the activities of Terrace Bay with regard to these efforts is included in this Fifth Report.

12. At the time this CCAA proceeding was commenced, Terrace Bay was the dominant source of employment for residents of the Town and another nearby community, Schreiber, Ontario. In light of the importance of restarting the mill operations to the local and surrounding communities, including local native communities, sawmills and other forestry operations that are economically impacted by Terrace Bay's business, the

Applicant, with the assistance of the Monitor, is seeking solutions to restart the mill and to avoid a liquidation of Terrace Bay.

TERMS OF REFERENCE

13. In preparing this Fifth Report, EYI has been provided with and in making the comments herein it has relied upon, unaudited financial information, Terrace Bay's books and records, financial information prepared by Terrace Bay, and discussions with management of Terrace Bay. EYI has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, EYI expresses no opinion or other form assurance in respect of such information contained in this Fifth Report. Some of the information referred to in this 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 (**"CICA"**) Handbook, has not been performed. Future oriented financial information referred to in this Fifth Report was prepared based on management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

RECEIPTS AND DISBURSEMENTS THROUGH SEPTEMBER 13, 2009

14. Attached as **Appendix "A"** to this Fifth Report is a summary of Terrace Bay's actual receipts and disbursements from June 8, 2009 to September 13, 2009 (the **"Reporting Period"**). As at September 13, 2009 cash on hand was approximately $12,565,000 plus a $2,400,000 funded reserve for CCAA charges. In addition, pursuant to the June 19 Order, the Monitor held a reserve of $200,000 for certain claims by Nexcap and a reserve of $650,000 (the **"Additional Reserve"**), which Additional Reserve was to be reduced, and the monies therein released to the Applicant, as payment of accrued vacation pay obligations in respect of the period ending June 19, 2009 are made. Since September 13, 2009, the Nexcap reserve of $200,000 has been released to the Applicant as authorized pursuant to the Order of this Honourable Court dated September 8, 2009. As payment of accrued vacation pay by the Applicant has been certified to the Monitor as having been

paid by the Applicant, the Additional Reserve has now been released back to the Applicant.

15. Details of the receipts and disbursements, as well as a variance analysis against the Applicant's cash flow forecast submitted in the Third Monitor's Report (the **"Forecast"**) are provided below:

(a) *Customer receipts* – Customer receipts totalled approximately $19,270,000 compared to an amount of $21,702,000 in the Third Monitor's Forecast resulting in a negative variance of $2,431,000. This variance is principally a result of timing differences.

(b) *Freight and sales agent* – Payments to Terrace Bay's freight and sales agent totalled approximately $528,000 during the Reporting Period. This resulted in a positive variance of $696,000. This variance is permanent as it results from the use of prepaid freight amounts.

(c) *Salaries and wages* – Disbursements for salaries and wages of approximately $327,000 were lower than forecast by approximately $527,000 due to headcount being reduced sooner than anticipated. This variance is permanent.

(d) *Operating expenses* – Disbursements of approximately $216,000 were lower than forecast by approximately $134,000. This variance is permanent.

(e) *Payroll withholdings* – Payments for payroll withholdings were forecast to be approximately $885,000 during the Reporting Period. Actual disbursements were approximately $627,000, which resulted in a permanent positive variance of $258,000. This variance offsets the negative variance in "Vacation pay" below.

(f) *Benefits and pension* – Payments for benefits and pensions were forecast to be approximately $300,000 compared to actual payments of approximately $158,000. This resulted in a positive variance of approximately $142,000. The bulk of this relates to benefits not being extended and is a permanent variance.

(g) *Vacation pay* – Disbursements of $459,000 were higher than forecast by $155,000, offsetting the variance in "Payroll withholdings" above.

(h) *Utilities and fuel* – The Applicant made payments for utilities or fuel during the Reporting Period of approximately $6,000. Forecast disbursements totalled approximately $2,020,000, resulting in a positive variance of approximately $2,014,000. This was achieved by lower consumption of energy inputs, reduced purchases of bunker fuel and using prepaid amounts for electricity charges resulting in not having to issue payment for such items.

(i) *Foreign exchange* – A positive variance to forecast of approximately $101,000 was experienced as a result of foreign exchange transactions.

(j) *Restructuring costs* – Expenses of approximately $391,000 were incurred in the Reporting Period, compared to the forecast amount of $750,000. This resulted in a positive variance of approximately $359,000.

REVISED CASH FLOW FORECAST

16. Attached as **Appendix "B"** is an updated cash flow forecast for the period ending November 1, 2009 (the **"Revised Forecast"**) prepared by Terrace Bay with the assistance of the Monitor. The Revised Forecast does not reflect repayment of $6,000,000 of secured indebtedness of Terrace Bay to Lucky Star which was described in the Monitor's Fourth Report, and is the subject of a pending motion before this Honourable Court, currently returnable on October 16, 2009.

17. The closing cash balance at October 25, 2009 is forecast to be approximately $14,228,000 prior to any reserve for the above noted distribution to Lucky Star. In addition, Terrace Bay maintains a funded reserve for the CCAA charges of $2,400,000. The forecast indicates that Terrace Bay should have adequate liquidity to fund its operations through to October 19, 2009.

UPDATE ON TERRACE BAY'S RESTRUCTURING PROCESS

18. As summarized in the application materials filed by the Applicant in support of the Initial Order, and in the First Report, the Second Report, and the Third Report, the Applicant had three objectives with respect to the re-starting of the mill (the "**Restructuring Process**"). These included:

    (a) the commencement of a process to seek out proposals for the refinancing of the business;

    (b) the development of a plan to restructure the business to ensure continued mill viability; and

    (c) the commencement of a marketing process to sell the mill as a going concern.

19. Since March 11, 2009, Terrace Bay has been engaged in activities to accomplish one or more facets of the Restructuring Process. These activities have included, among other things, updating Terrace Bay's financial projections to reflect the current status of the mill and working with the Monitor to develop information materials to send to potential financiers and/or purchasers that may be interested in supporting Terrace Bay with a view to re-starting operations at the mill.

20. Paragraph 35 of the Initial Order authorized the Monitor and Terrace Bay to conduct a process for the solicitation of offers for a financing or sale of the Property (as defined in the Initial Order) and to take such steps as are necessary to carry out the Solicitation Process in accordance with the following timetable, with such modifications, amendments or extensions of time as the Monitor and Terrace Bay deemed appropriate:

    (a) preparation of a Confidential Information Memorandum (a "**CIM**") and identification of potential purchasers by March 23, 2009;

    (b) dissemination of the CIM to interested parties on execution of confidentiality agreements by April 6, 2009; and

    (c) receipt of expressions of interest by April 24, 2009.

21. As reported in the Third Report, the state of the forestry sector, in general, and the pulp market, in particular, has been very challenged during this process, which has made the process of raising capital or locating a purchaser very difficult.

22. As a result, no capital market solution has been secured at this stage for the necessary exit financing to support a restart of the mill and facilitate an exit from these CCAA proceedings.

23. Management of Terrace Bay continues to be of the view that the mill is viable and financeable in more normalized and stable market conditions. Management also believes that an immediate liquidation of the mill would not be the best method of achieving value and, accordingly, that it is not in the best interest of stakeholders to proceed immediately to liquidate Terrace Bay without exploring other options.

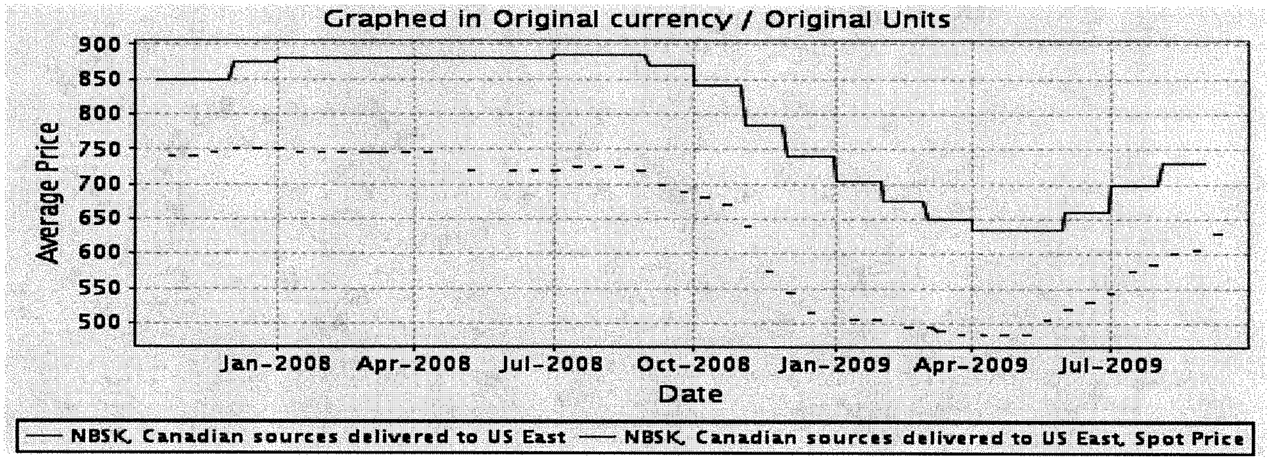
24. Terrace Bay has conducted a study estimating the regional economic footprint of Terrace Bay's operations for Northern Ontario. Based on this study, Terrace Bay estimates:

(a) 8,000 jobs in the region are created when Terrace Bay and supporting mills operate; and

(b) Terrace Bay supports economic development and stability in 14 communities and 16 First Nations.

25. Due to the ramifications for the Town and the forest products industry in Northern Ontario, as well as the impact a permanent closure of the mill will have on employees, suppliers and others, Terrace Bay and the Monitor continue to believe it is a responsible course of action for Terrace Bay to fully explore its options, including the potential provision of capital from non-traditional sources, in order to preserve Terrace Bay as a viable economic entity.

26. Further, the Monitor notes, as indicated in the chart below, that pulp markets have improved fairly significantly in recent weeks. These improving market conditions may now provide better options to secure the financing necessary to fund the restart of the mill operations.



Source: RISI

27. With the onset of colder weather approaching, there are seasonal time pressures facing Terrace Bay. In order to preserve the mill facility, the operational integrity of the machinery and equipment within it and avoid the possibility of damage to chemical containment facilities, it is necessary to keep the facility heated. To the extent that there is any prospect of a sale of the mill, or obtaining value from its operating machinery and equipment, even in a liquidation, it appears necessary to heat the facility for a period of time.

28. If no capital source can be secured within a reasonable period of time then it also will be necessary to explore alternatives for a liquidation of the mill.

29. In light of the ramifications for the Terrace Bay community should Terrace Bay permanently cease to operate, Terrace Bay has been in discussions with a possible term loan lender.

30. Terrace Bay expects to know within the next few weeks whether these discussions could result in an offer to provide financing. Terrace Bay is hopeful that securing a source of term loan financing could provide a basis for it to file a plan of arrangement or compromise under the CCAA, which would enable it to restart the mill.

31. Terrace Bay therefore is seeking a short extension of the Stay Period through to October 19, 2009, to permit it to continue exploring solutions to enable the mill to operate.

Terrace Bay and the Monitor will report back to this Honourable Court regarding the progress being made by Terrace Bay and, if satisfactory progress has not been made prior to October 19, 2009, will advise as to proposed options and next steps. This could include options relating to the closure of the mill on a permanent basis.

MONITOR'S RECOMMENDATION

32. The Monitor understands that a motion is being brought by Terrace Bay to extend the CCAA stay of proceedings and for other relief. The Monitor would approve of the following orders being made by this Honourable Court if it sees fit:

(a) an order authorizing the extension of the stay until October 19, 2009; and

(b) an order approving of the Fifth Report and the conduct and activities of the Monitor and its counsel as reported on therein.

All of which is respectfully submitted this 25th day of September, 2009.

ERNST & YOUNG INC.
In its capacity as the Court-Appointed
Monitor of Terrace Bay Pulp Inc.

Per:

Alex Morrison
Senior Vice President

Appendix A

Terrace Bay Pulp Inc.
CCAA Cash Flows
14 Week Period Ending September 13, 2009
(CDN$000s)

ACTUAL

Week Ended	**14-Jun-09**	**21-Jun-09**	**28-Jun-09**	**05-Jul-09**	**12-Jul-09**	**19-Jul-09**	**26-Jul-09**	**02-Aug-09**	**09-Aug-09**	**16-Aug-09**	**23-Aug-09**	**30-Aug-09**	**06-Sep-09**	**13-Sep-09**	**Total**
Receipts															
Customer receipts	2,047	3,278	2,324	1,817	1,106	1,541	1,267	1,643	309	1,025	680	943	311	979	19,270
GST	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	28	-	-	1	1	37	(20)	1	-	-	-	13	-	62
Total receipts	2,047	3,306	2,324	1,817	1,108	1,542	1,304	1,624	310	1,025	680	943	324	979	19,332
Disbursements															
Freight & sales agent	(232)	(121)	(111)	(100)	(27)	(3)	(31)	116	(26)	5	-	2	0	(1)	(528)
Salaries & wages	(43)	-	(44)	-	-	(46)	(51)	-	-	(46)	-	(49)	-	(47)	(327)
Operations	(4)	(21)	(66)	(33)	(20)	(12)	(9)	(9)	(12)	(25)	-	(3)	(3)	-	(216)
Payroll withholdings	(219)	(16)	(20)	(0)	(25)	(231)	(19)	(44)	(17)	(0)	(18)	-	(19)	-	(627)
Benefits & pension	-	(38)	-	(27)	-	-	(31)	(8)	-	(15)	-	(30)	(8)	-	(158)
Bank service charges	-	-	(0)	1	-	-	(0)	(0)	3	-	(0)	-	4	-	6
WSIB	-	-	-	-	-	-	-	(18)	-	-	-	(18)	-	-	(37)
Vacation pay	-	-	-	-	(459)	-	-	-	-	-	-	-	-	-	(459)
Utilities & fuel	-	-	(6)	-	-	-	-	-	-	-	-	-	-	-	(6)
Insurance	-	-	-	(188)	(92)	-	-	-	(188)	-	-	-	(188)	-	(655)
Interest payments to secured creditors	-	-	-	-	-	-	-	-	(6)	(6)	-	-	(6)	-	(19)
Principal payments to secured creditors	(1,000)	-	(7,000)	-	-	-	-	-	-	-	-	-	-	(1,000)	(9,000)
Foreign exchange translation	(220)	109	133	84	44	14	(1)	(36)	(4)	(13)	1	(1)	2	(12)	101
Restructuring costs	(57)	(8)	(19)	(48)	(59)	-	-	(18)	(111)	(5)	-	(26)	(20)	(20)	(391)
Funding of reserve for CCAA charges			(3,250)												(3,250)
Total disbursements	(1,774)	(95)	(10,383)	(311)	(638)	(278)	(142)	(17)	(362)	(104)	(17)	(125)	(239)	(1,080)	(15,564)
Cash Flow	**273**	**3,212**	**(8,060)**	**1,507**	**470**	**1,264**	**1,162**	**1,607**	**(51)**	**921**	**663**	**818**	**85**	**(102)**	**3,769**
Bank balance, opening[(1)]	8796	9,069	12,281	4,221	5,728	6,198	7,462	8,624	10,231	10,179	11,100	11,763	12,581	12,666	8796
Cash flow	273	3,212	(8,060)	1,507	470	1,264	1,162	1,607	(51)	921	663	818	85	(102)	3,769
Bank balance, closing	**9,069**	**12,281**	**4,221**	**5,728**	**6,198**	**7,462**	**8,624**	**10,231**	**10,179**	**11,100**	**11,763**	**12,581**	**12,666**	**12,565**	**12,565**
Nexcap Reserve	-	-	200	200	200	200	200	200	200	200	200	200	200	200	200
Additional Reserve	-	-	650	650	650	650	650	650	650	650	650	650	650	650	650
Funded Reserve account for CCAA charges	-	-	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Total	**-**	**-**	**3,250**	**3,250**	**3,250**	**3,250**	**3,250**	**3,250**	**3,250**	**3,250**	**3,250**	**3,250**	**3,250**	**3,250**	**3,250**

[(1)] Terrace Bay cash June 7, 2009	1,721
Monitor held cash June 7, 2009	7,075
Bank balance, opening	8,796

Terrace Bay Pulp Inc.
CCAA Cash Flows
14 Week Period Ending September 13, 2009
(CDN$000s)

FORECAST

Week Ended	**14-Jun-09**	**21-Jun-09**	**28-Jun-09**	**05-Jul-09**	**12-Jul-09**	**19-Jul-09**	**26-Jul-09**	**02-Aug-09**	**09-Aug-09**	**16-Aug-09**	**23-Aug-09**	**30-Aug-09**	**06-Sep-09**	**13-Sep-09**	**Total**
Receipts															
Customer receipts	2,188	2,188	2,188	2,188	2,188	2,188	2,083	2,083	2,083	2,083	247	-	-	-	21,702
GST	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	2,188	2,188	2,188	2,188	2,188	2,188	2,083	2,083	2,083	2,083	247	-	-	-	21,702
Disbursements															
Freight & sales agent	(333)	(333)	(333)	(226)	-	-	-	-	-	-	-	-	-	-	(1,223)
Salaries & wages	-	(122)	-	(122)	-	(122)	-	(122)	-	(122)	-	(122)	-	(122)	(854)
Operations	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(350)
Payroll withholdings	(65)	(215)	(65)	-	(65)	-	(280)	-	(65)	-	(65)	-	(65)	-	(885)
Benefits & pension	(50)	-	-	(50)	(50)	-	-	(50)	(50)	-	-	-	(50)	-	(300)
WSIB	-	-	-	(12)	-	-	-	(12)	-	-	-	-	(12)	-	(36)
Vacation pay	-	-	-	-	(304)	-	-	-	-	-	-	-	-	-	(304)
Utilities & fuel	(80)	(80)	(380)	(80)	(80)	(80)	(380)	(80)	(80)	(80)	(380)	(80)	(80)	(80)	(2,020)
Insurance	-	-	-	(188)	-	-	-	(188)	-	-	-	-	(188)	-	(564)
Interest payments to secured creditors	-	-	-	(36)	-	-	-	-	-	-	-	-	-	-	(36)
Principal payments to secured creditors	-	(2,000)	(7,000)	-	-	-	-	-	-	-	-	-	-	-	(9,000)
Foreign exchange translation															-
Restructuring costs	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(100)	(50)	(50)	(50)	(50)	(50)	(750)
Funding of reserve for CCAA charges	-	-	(3,250)	-	-	-	-	-	-	-	-	-	-	-	(3,250)
Total disbursements	(603)	(2,825)	(11,103)	(789)	(574)	(277)	(735)	(527)	(320)	(277)	(520)	(277)	(470)	(277)	(19,572)
Cash Flow	**1,585**	**(637)**	**(8,915)**	**1,399**	**1,614**	**1,911**	**1,348**	**1,556**	**1,763**	**1,806**	**(273)**	**(277)**	**(470)**	**(277)**	**2,129**
Bank balance, opening	8,796	10,381	9,744	829	2,228	3,841	5,752	7,099	8,655	10,417	12,223	11,949	11,672	11,202	8,796
Cash flow	1,585	(637)	(8,915)	1,399	1,614	1,911	1,348	1,556	1,763	1,806	(273)	(277)	(470)	(277)	2,129
Bank balance, closing	**10,381**	**9,744**	**829**	**2,228**	**3,841**	**5,752**	**7,099**	**8,655**	**10,417**	**12,223**	**11,949**	**11,672**	**11,202**	**10,925**	**10,925**

Terrace Bay Pulp Inc.
CCAA Cash Flows
14 Week Period Ending September 13, 2009
(CDN$000s)

VARIANCE

Week Ended	**14-Jun-09**	**21-Jun-09**	**28-Jun-09**	**05-Jul-09**	**12-Jul-09**	**19-Jul-09**	**26-Jul-09**	**02-Aug-09**	**09-Aug-09**	**16-Aug-09**	**23-Aug-09**	**30-Aug-09**	**06-Sep-09**	**13-Sep-09**	**Total**
Receipts															
Customer receipts	(141)	1,091	136	(370)	(1,081)	(647)	(816)	(439)	(1,773)	(1,058)	433	943	311	979	(2,431)
GST	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	28	-	-	1	1	37	(20)	1	-	-	-	13	-	62
Total receipts	(141)	1,119	136	(370)	(1,080)	(646)	(778)	(459)	(1,772)	(1,058)	433	943	324	979	(2,370)
Disbursements															
Freight & sales agent	100	212	222	126	(27)	(3)	(31)	116	(26)	5	-	2	0	(1)	696
Salaries & wages	(43)	122	(44)	122	-	76	(51)	122	-	76	-	73	-	75	527
Operations	21	4	(41)	(8)	5	13	16	16	13	0	25	22	22	25	134
Payroll withholdings	(154)	199	45	(0)	40	(231)	261	(44)	48	(0)	47	-	46	-	258
Benefits & pension	50	(38)	-	23	50	-	(31)	42	50	(15)	-	(30)	42	-	142
WSIB	-	-	-	12	-	-	-	(6)	-	-	-	(18)	12	-	(1)
Vacation pay	-	-	-	-	(155)	-	-	-	-	-	-	-	-	-	(155)
Utilities & fuel	80	80	374	80	80	80	380	80	80	80	380	80	80	80	2,014
Insurance	-	-	-	0	(92)	-	-	188	(188)	-	-	-	0	-	(91)
Interest payments to secured creditors	-	-	-	36	-	-	-	-	(6)	(6)	-	-	(6)	-	17
Principal payments to secured creditors	(1,000)	2,000	-	-	-	-	-	-	-	-	-	-	-	(1,000)	-
Foreign exchange translation	(220)	109	133	84	44	14	(1)	(36)	(4)	(13)	1	(1)	2	(12)	101
Restructuring costs	(7)	42	31	2	(9)	50	50	32	(11)	45	50	24	30	30	359
Funding of reserve for CCAA charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	(1,172)	2,730	719	478	(64)	(1)	593	510	(42)	173	503	152	231	(803)	4,009
Cash Flow	**(1,312)**	**3,849**	**855**	**108**	**(1,144)**	**(646)**	**(186)**	**51**	**(1,814)**	**(885)**	**936**	**1,095**	**555**	**175**	**1,639**
Bank balance, opening	-	(1,312)	2,537	3,392	3,500	2,356	1,710	1,525	1,576	(238)	(1,123)	(187)	909	1,464	-
Cash flow	(1,312)	3,849	855	108	(1,144)	(646)	(186)	51	(1,814)	(885)	936	1,095	555	175	1,639
Bank balance, closing	**(1,312)**	**2,537**	**3,392**	**3,500**	**2,356**	**1,710**	**1,525**	**1,576**	**(238)**	**(1,123)**	**(187)**	**909**	**1,464**	**1,639**	**1,639**

Appendix B

Terrace Bay Pulp Inc.
CCAA Cash Flows (Revised)
7 Week Period Ending November 1, 2009
(CDN$000s)

Week Ended	**20-Sep-09**	**27-Sep-09**	**04-Oct-09**	**11-Oct-09**	**18-Oct-09**	**25-Oct-09**	**01-Nov-09**	**Total**
Receipts								
Customer receipts	568	568	568	568	-	-	-	2,273
GST	-	-	-	-	-	-	-	-
Other receipts	-	850	-	-	-	-	-	850
Total receipts	568	1,418	568	568	-	-	-	3,123
Disbursements								
Freight & sales agent	-	-	-	-	-	-	-	-
Salaries & wages	-	(122)	-	-	(101)	-	(101)	(324)
Operations	(25)	(25)	(25)	(30)	(30)	(30)	(30)	(195)
Payroll withholdings	(65)	-	(65)	-	-	-	-	(130)
Benefits & pension	-	-	(50)	-	-	-	-	(50)
WSIB	-	-	(12)	-	-	-	-	(12)
Vacation pay	-	-	-	-	-	-	-	-
Utilities & fuel	(80)	(80)	(80)	(24)	(24)	(24)	(24)	(336)
Insurance	-	-	(188)	-	-	-	-	(188)
Interest payments to secured creditors	-	-	-	-	-	-	-	-
Principal payments to secured creditors	-	-	-	-	-	-	-	-
Restructuring costs	(130)	(50)	(50)	(50)	(50)	(50)	(50)	(430)
Municipal taxes				-	-	-	-	-
Funding of reserve for CCAA charges								-
Total disbursements	(300)	(277)	(470)	(104)	(205)	(104)	(205)	(1,665)
Cash Flow	**268**	**1,141**	**98**	**464**	**(205)**	**(104)**	**(205)**	**1,458**
Bank balance, opening	12,565	12,833	13,974	14,072	14,537	14,332	14,228	12,565
Cash flow	268	1,141	98	464	(205)	(104)	(205)	1,458
Bank balance, closing[1]	12,833	13,974	14,072	14,537	14,332	14,228	14,023	14,023
Funded Reserve account for CCAA charges	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Monitor's Trust Account	850	-	-	-	-	-	-	
Accounts receivable, opening	2,273	1,705	1,137	568	-	-	-	
Sales	-	-	-	-	-	-	-	
Collections of accounts receivable	(568)	(568)	(568)	(568)	-	-	-	
Accounts receivable, closing	1,705	1,137	568	-	-	-	-	