

EXHIBIT "A"

This is Exhibit " A " referred to in
the
Affidavit of Russell York
Sworn before me this 2nd day
of September A.D. 2010
[Signature]
A Commissioner, Etc.

Term Sheet re: Purchase of Fibre by Terrace Bay Pulp Inc.¹

Purchaser:	Terrace Bay Pulp Inc. (the " <u>Purchaser</u> ").
Vendors:	(a) The Province of Ontario, as represented by the Ministry of Northern Development, Mines and Forestry (the " <u>Province</u> "), (b) Deloitte & Touche Inc., in its capacities as privately appointed receiver (the " <u>Receiver</u> ") of certain of the assets of Buchanan Forest Products Ltd. (" <u>BFPL</u> ") and not in its personal or corporate capacities.
Lien Claimants:	The lien claimants as more particularly set out in Schedule "A", with respect to their lien claims against the Fibre (as defined below).
Sale Free and Clear:	In addition to the other conditions set out in this Term Sheet, at the time of closing on the closing date (" <u>Closing</u> "), the Purchaser shall obtain title to all Fibre purchased pursuant to this Term Sheet free and clear of all liens, encumbrances, security and claims of any kind (including claims for unpaid stumpage fees, liens, liens held by the Lien Claimants, management fees, and administrative fees etc.) pursuant to a vesting order and/or releases and/or other documentation in form(s) satisfactory to the Purchaser.
Fibre:	The Purchaser will purchase all of the following fibre on the terms and conditions set out herein (collectively, the "<u>Fibre</u>"): (a) all of the fibre currently located in the Purchaser's yard at Terrace Bay, Ontario comprising approximately 126,000 m³ (the "<u>Terrace Bay Fibre</u>"); (b) all of the fibre currently located in Thunder Bay, Ontario, at the premises of Pennock Mechanical Repairs Inc. comprising approximately 44,000 m³ (the "<u>Pennock Fibre</u>"); and (c) all of the fibre harvested by or on behalf of BFPL located at various locations throughout Northwestern Ontario, comprising approximately 154,000 m³ (as set out in Schedule "B", the "<u>Bush Fibre</u>").

¹ All capitalized terms and phrases used and not defined herein have the meanings given to them in the Plan.

As is, where is: All Fibre will be purchased on an as 'as is, where is' basis. Title to the Fibre will pass at its present location and where further processing and/or delivery of the Fibre may be required such will be the responsibility of the Purchaser.

Price: On the dates specified in this agreement, the Purchaser will pay to either the Province, the Receiver or for the benefit of the Lien Claimants (each, a "Beneficiary") the purchase price in the aggregate amount of \$9,083,831 for the following Fibre (such amounts collectively, the "Purchase Price"), to be allocated as further set out below:

- | | | |
|-----|---------------------------|-------------|
| (a) | for the Terrace Bay Fibre | \$5,265,000 |
| (b) | for the Pennock Fibre | \$1,000,000 |
| (c) | for the Bush Fibre | \$2,818,831 |

Allocation: The Purchase Price will be allocated to each Beneficiary as follows (the portion payable to the Lien Claimants shall be referred to herein as the "Lien Claimant Proceeds"):

- | | | | |
|-----|------------------------|-------------|---------|
| (a) | to the Province | \$2,022,536 | (22.3%) |
| (b) | for the Receiver | \$3,300,000 | (36.3%) |
| (c) | for the Lien Claimants | \$3,761,295 | (41.4%) |

The Lien Claimant Proceeds represents 75% of the total aggregate lien claims on the Fibre. Each Lien Claimant will be entitled to its pro rata share of the Lien Claimant Proceeds, as more particularly set out in Schedule "A".

Taxes: All HST payable on the Purchase Price shall be the Purchaser's responsibility. The Purchase Price set out above is inclusive of all Crown stumpage charges payable on the sale of the Fibre.

Forest Renewal Trust Contributions: The Province shall apply its portion of the Purchase Price (the "Province Proceeds"), as and when received, first to the Forest Renewal Trust account of each Sustainable Forest Licence from which the Fibre is being purchased to the extent of the required contributions thereunder, and second, as to any remaining balance,

in such manner as the Province may determine in its sole discretion.

Payment:

For purposes of this Section, the "Start-Up Date" shall be the date on which pulp production resumes at the Terrace Bay Mill. The Purchase Price will be paid by the Purchaser in accordance with the Allocation set out above on the dates set out below, together with the Accounting:

- (a) the portion of the Purchase Price payable for the Terrace Bay Fibre shall be paid prior to the Start-Up Date;
- (b) the portion of the Purchase Price payable for the Pennock Fibre shall be paid in two installments, as follows:
 - (i) an amount equal to the Purchase Price payable on the portion of the Pennock Fibre delivered in the first month following the Start-Up Date shall be paid within one week of the end of the first month following the Start Up Date
 - (ii) the balance of the portion of the Purchase Price payable for the Pennock Fibre shall be paid within one (1) week of the end of the second month following the Start-Up Date.
- (c) the portion of the Purchase Price payable for the Bush Fibre shall be paid in the ordinary course as and when Bush Fibre is delivered to the Purchaser, based on a price of \$18.50 per cubic metre, provided that, in the event that a portion of the Purchase Price payable for the Bush Fibre has not been paid on or before the day which is twelve (12) months after the Start-Up Date, the remaining portion of the Purchase Price payable for the Bush Fibre shall be immediately paid whether or not all Bush Fibre has been delivered. For greater certainty, in the event that Bush Fibre remains to be delivered after payment in full of the portion of the Purchase Price payable for Bush Fibre, the Purchaser shall be entitled to delivery of all remaining Bush Fibre without additional payment, and the Purchaser shall be deemed to have satisfied all payment obligations to all Parties for any Bush Fibre in full.

Each dollar of the Purchase Price to be paid by the Purchaser will be allocated among and paid to the Beneficiaries pro rata in accordance

with the percentages set out under “Allocation” above, except that the parties hereto acknowledge that the Province has agreed to defer payment of its portion of the Purchase Price (the “Province Proceeds”) until the Lien Claimant Proceeds have been paid in full, as more particularly set out in Schedule “C” hereto. Interest shall accrue on the outstanding balance of the Province Proceeds, and on any overdue interest outstanding thereon from time to time, at the rate of interest per annum applicable to Crown charges as set out in the *Crown Forest Sustainability Act*, calculated and compounded monthly not in advance, from the Start-Up Date until the Province Proceeds are to be paid and any payments made by the Purchaser to the Province hereunder will be applied first, in repayment of interest and second, to reduce the unpaid portion of the principal amount of the Province Proceeds. For greater certainty, the interest payments contemplated by this paragraph shall be in addition to the Province Proceeds.

On the Start-Up Date, the Purchaser shall make a one-time payment to the Province of \$75,000², which payment will be in addition to the Purchase Price and applied by the Province against the accrued interest owing on the Fibre.

Accounting: When making payment of any portion of the Purchase Price in accordance with this Term Sheet, the Purchaser shall provide to each Beneficiary a detailed accounting setting out the portion of the Purchase Price paid, the allocation among the beneficiaries, and the balance owing to each Beneficiary (the “Accounting”).

Proceeds Free and Clear: Each Beneficiary shall obtain the allocated portion of the Purchase Price payable to it pursuant to this Term Sheet free and clear of all liens, encumbrances, security and claims of any kind (including claims for unpaid stumpage fees, liens, liens held by the Lien Claimants, management fees, and administrative fees etc.) pursuant to a vesting order and/or releases and/or other documentation in form(s) satisfactory to the Beneficiaries.

² Note: Province to provide final number.

Plan
Consideration: For those Lien Claimants set out in Schedule A, being Lien Claimants whose liens are claimed against wood which was delivered to the Purchaser and consumed by the Purchaser prior to the commencement of CCAA proceedings, the following shall apply with respect to the portion of their lien claims set out in Schedule "D":

In addition to payment to the Lien Claimants of their portion of the Purchase Price as set out above, the remaining 25% portion of the Lien Claimants' aggregate lien claims, as more particularly set out in Schedule "D" hereof (the "Plan Claims"), shall be "Affected Claims" subject to the Plan of Compromise and Arrangement (as may be amended, restated or supplemented from time to time, the "Plan") filed by the Purchaser pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA"). The Plan Claims shall be unsecured claims. In order to avoid duplication of the Plan Claims of the Lien Claimants and the claim of the Receiver and/or BFPL in the Plan, the claim of the Receiver and/or BFPL for purposes of distribution under the Plan will be reduced by an amount equal to the aggregate amount of the Plan Claims or alternate steps will be taken to accomplish the same result. For greater certainty, in the event that the Plan is not implemented, BFPL's claim shall not be reduced.

Subject to and in accordance with the terms of the Plan, on the Effective Date, each Lien Claimant shall exchange its Plan Claim for its pro rata share of the Plan Note.

Release of Lien
Claims: In consideration for the payment of the Lien Claimant Proceeds pursuant to this Term Sheet and the Plan Claims pursuant to the Plan, each Lien Claimant shall release or otherwise discharge on Closing:

(a) its liens against the Fibre; and

(b) any lien against the proceeds payable to the Beneficiaries hereunder (including the Purchase Price).

Other Fibre: The fibre, primarily poplar, described in Schedule "E" is not being purchased pursuant to this term sheet (the "Excluded Fibre"). The Excluded Fibre has been harvested by or on behalf of BFPL prior to the appointment of the Receiver and is not the property of the Purchaser or any of its affiliates.

The Purchaser and any of its affiliates who hold sustainable forest licences where the Excluded Fibre may be located agree to an agreement with the Province, as represented by the Ministry of Natural Resources, prior to March 11, 2011 setting out timelines and expected outcomes for the following activities:

1. Assessing the remaining wood for viability, removal and sale of the wood and reporting the findings to the Ministry of Natural Resources.
2. Making reasonable efforts to move and market wood that is determined to be financially reasonable to do so; and
3. Undertaking reasonable efforts to deal with the remaining wood that is a safety concern, causing environmental issues or may cause public concern in a manner that will solve the issues and reclaim productive land.

The Province agrees that, where such steps are taken by the Purchaser or any of its affiliates, no claims, compliance or other action will be made against the Purchaser or any of its affiliates by the Province in relation to any of the Excluded Fibre.

Conditions:

The Closing shall not occur until the following conditions are satisfied or waived by the Purchaser:

1. The Plan shall have been approved by the requisite majorities of creditors of the Purchaser and sanctioned by the Court.
2. The Purchaser shall have obtained a vesting order from the Court and/or releases and/or other documentation to transfer title to the Fibre free and clear of all liens, encumbrances, security and claims, including claims of Lien Claimants, in form(s) satisfactory to the Purchaser.
3. The Beneficiaries shall have obtained the benefit of a vesting order and/or releases and/or other documentation in form(s) satisfactory to the Beneficiaries providing that the Purchase Price payable to each such Beneficiary is free and clear of all liens, encumbrances, security and claims.

4. Each Lien Claimant shall have released or otherwise discharged its liens on Closing against the Fibre and any lien against the proceeds payable hereunder (including the Purchase Price), in form satisfactory to the Beneficiaries and Terrace Bay.
5. Operations shall have restarted at the pulp mill operated by the Purchaser.
6. The Province will not unreasonably withhold the necessary authority, permits and authorizations needed to access, process, transport and otherwise use the Fibre, all in a form satisfactory to the Purchaser or to the Purchaser's agents before the Start Up Date.

Counterparts:

This Term Sheet may be executed in any number of counterparts and by the undersigned in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed signature page to this Term Sheet by any of the undersigned by facsimile, "pdf" or e-mail transmission shall be effective as delivery of a manually executed copy of this Term Sheet by such undersigned.

[Signature pages follow]

**HER MAJESTY THE QUEEN IN
RIGHT OF THE PROVINCE OF
ONTARIO, AS REPRESENTED
BY THE MINISTER OF
NORTHERN DEVELOPMENT,
MINES AND FORESTRY**

Per:

Name:

Title:

TERRACE BAY PULP INC.

Per:

Name:

Title:

**DELOITTE & TOUCHE INC., in
its capacity as receiver of certain
of the property and assets of
Buchanan Forest Products Ltd.,
and not in its personal or
corporate capacity**

Per:

Name:

Title:

1171263 ONTARIO INC.

Per:

Name:

Title:

1183855 ONTARIO INC.

Per:

Name:

Title:

14001350 ONTARIO LIMITED

Per:

Name:

Title:

4 K BUSINESS TRUST

Per:

Name:

Title:

**GET IT DONE CONTRACTING
INC.**

Per:

Name:

Title:

**LAKE NIPIGON FOREST
PRODUCTS LIMITED**Per:

Name:

Title:

**RED ROCK FIRST NATIONS
BUSINESS TRUST**Per:

Name:

Title:

RLN FORESTRY LIMITEDPer:

Name:

Title:

TIMBER LOGISTICS INC.Per:

Name:

Title:

D.N.J. TIMBER LTD.Per:

Name:

Title:

1401329 ONTARIO INC.

Per:

Name:

Title:

**STEPHANE DUBE SLASHING
INC.**

Per:

Name:

Title:

1037800 ONTARIO LIMITED

Per:

Name:

Title:

1304860 ONTARIO INC.

Per:

Name:

Title:

1648864 ONTARIO INC.

Per:

Name:

Title:

799721 ONTARIO INC.Per:

Name:

Title:

BRIMA LOGGING INC.Per:

Name:

Title:

**PARSONS TIMBER
CONTRACTING INC.**Per:

Name:

Title:

P AND P LOGGING LTD.Per:

Name:

Title:

846036 ONTARIO LIMITEDPer:

Name:

Title:

**RENE OUELLET LOGGING
LTD.**

Per:

Name:

Title:

1022997 ONTARIO INC.

Per:

Name:

Title:

EDMOND TIMBER LTD.

Per:

Name:

Title:

**ANIMBIIGOOSAGAGUN
ECONOMIC DEVELOPMENT
TRUST**

Per:

Name:

Title:

Schedule "A"

Lien Claimants and the amount to be paid to each from the fibre purchase

(See Attached)

Schedule "B"**Bush Fibre****(See Attached)**

Schedule “C”
Province Proceeds
(See Attached)

Schedule “D”**Plan Claims****(See Attached)**

Schedule “E”**Fibre not subject to this Term Sheet****(See Attached)**

EXHIBIT "B"

This is Exhibit " B " referred to in
the
Affidavit of Russell York
Sworn before me this 2nd day
of September A.D. 2010
[Signature]
A Commissioner, Etc.



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 2800, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

Jackie Moher
Dir: 416-863-3174
jackie.moher@blakes.com

August 31, 2010

Reference: 71942/4

VIA EMAIL

Terry Gilbert
Barrister & Solicitor
217 Van Norman Street
Thunder Bay, Ontario
P7A 4B6

Attention: Terry Gilbert
tgilbart.law@shawbiz.ca

Re: Release and Discharge of Liens under the *Forest Workers Lien for Wages Act*

Dear Sirs:

Reference is made to the Term Sheet re: Purchase of Fibre by Terrace Bay Pulp Inc. ("Terrace Bay"), a copy of which is enclosed with this letter (the "Term Sheet") and for which you have provided Terrace Bay with executed signature pages. The enclosed copy of the Term Sheet is being finalized by Terrace Bay with the Province of Ontario and the receiver of certain of the assets of Buchanan Forest Products Ltd. Any changes resulting from these discussions will not affect your client's rights thereunder. We will provide you shortly with the final version for your confirmation. All capitalized terms and phrases used in this letter and not otherwise defined herein have the meanings given to them in the Term Sheet.

As you are aware, the Term Sheet contemplates that Terrace Bay will acquire title to the Fibre free and clear of all liens, encumbrances, security and claims of any kind (including, among other things, liens held by the Lien Claimants) pursuant to a vesting order and/or releases and/or other documentation in form(s) satisfactory to Terrace Bay. The Term Sheet further provides that, on Closing, each of the Lien Claimants shall release or otherwise discharge its liens against the Fibre and against the proceeds payable to the Beneficiaries under the Term Sheet, including the Purchase Price.

We are writing to advise you that, as contemplated by the Term Sheet, Terrace Bay will be seeking a vesting order, effective on plan implementation, to convey title to the Fibre to Terrace Bay free and clear of all liens, encumbrances, security and claims of any kind (including liens held by the Lien Claimants). Such order will be sought in the *Companies' Creditors Arrangement Act* proceedings commenced by Terrace Bay in the Ontario Superior Court of Justice (Commercial List) in Toronto. The order sought will authorize and direct Terrace Bay to make payment to your client in accordance with the Term Sheet. All payments to Lien Claimants pursuant to the Term Sheet will be made in trust to counsel of record in the proceedings commenced under the *Forestry Workers Liens For Wages Act*.

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Blakes

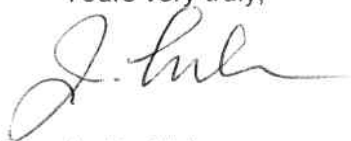
Page 2

The motion for an order approving the vesting order has been scheduled for **September 9, 2010**. We will be serving you with the Motion Record in your capacity as counsel of record in the lien claims actions later this week.

The Lien Claimants are required to discharge each of their liens on Closing. In furtherance of this obligation, Terrace Bay requires that an Order be issued prior to Closing dismissing the lien actions asserted by your clients in the multiple proceedings commenced in Thunder Bay. In connection with the latter, we will forward to you under separate cover a consent to dismissal in the appropriate proceedings to be executed by counsel.

Should you have any questions and/or concerns, do not hesitate to contact the undersigned.

Yours very truly,



Jackie Moher

12408448.7

EXHIBIT "C"

This is Exhibit " C " referred to in
the
Affidavit of Russell York
Sworn before me this 2nd day
of September A.D. 20 10
[Signature]
A Commissioner, Etc.



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 2800, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

Jackie Moher
Dir: 416-863-3174
jackie.moher@blakes.com

Reference: 71942/4

August 31, 2010

VIA EMAIL

Erickson & Partners
291 S. Court St.
Thunder Bay, Ontario
P7B 2Y1

Attention: John Erickson
jerickson@erickson-law.com

Re: Release and Discharge of Liens under the *Forest Workers Lien for Wages Act*

Dear Sirs:

Reference is made to the Term Sheet re: Purchase of Fibre by Terrace Bay Pulp Inc. ("Terrace Bay"), a copy of which is enclosed with this letter (the "Term Sheet") and for which you have provided Terrace Bay with executed signature pages. The enclosed copy of the Term Sheet is being finalized by Terrace Bay with the Province of Ontario and the receiver of certain of the assets of Buchanan Forest Products Ltd. Any changes resulting from these discussions will not affect your client's rights thereunder. We will provide you shortly with the final version for your confirmation. All capitalized terms and phrases used in this letter and not otherwise defined herein have the meanings given to them in the Term Sheet.

As you are aware, the Term Sheet contemplates that Terrace Bay will acquire title to the Fibre free and clear of all liens, encumbrances, security and claims of any kind (including, among other things, liens held by the Lien Claimants) pursuant to a vesting order and/or releases and/or other documentation in form(s) satisfactory to Terrace Bay. The Term Sheet further provides that, on Closing, each of the Lien Claimants shall release or otherwise discharge its liens against the Fibre and against the proceeds payable to the Beneficiaries under the Term Sheet, including the Purchase Price.

We are writing to advise you that, as contemplated by the Term Sheet, Terrace Bay will be seeking a vesting order, effective on plan implementation, to convey title to the Fibre to Terrace Bay free and clear of all liens, encumbrances, security and claims of any kind (including liens held by the Lien Claimants). Such order will be sought in the *Companies' Creditors Arrangement Act* proceedings commenced by Terrace Bay in the Ontario Superior Court of Justice (Commercial List) in Toronto. The order sought will authorize and direct Terrace Bay to make payment to your client in accordance with the Term Sheet. All payments to Lien Claimants pursuant to the Term Sheet will be made in trust to counsel of record in the proceedings commenced under the *Forestry Workers Liens For Wages Act*.

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Blakes

Page 2

The motion for an order approving the vesting order has been scheduled for **September 9, 2010**. We will be serving you with the Motion Record in your capacity as counsel of record in the lien claims actions later this week.

The Lien Claimants are required to discharge each of their liens on Closing. In furtherance of this obligation, Terrace Bay requires that an Order be issued prior to Closing dismissing the lien actions asserted by your clients in the multiple proceedings commenced in Thunder Bay. In connection with the latter, we will forward to you under separate cover a consent to dismissal in the appropriate proceedings to be executed by counsel.

Should you have any questions and/or concerns, do not hesitate to contact the undersigned.

Yours very truly,



Jackie Moher

12408448.6

NEW YORK CHICAGO LONDON BAHRAIN AL-KHOBAR* BEIJING SHANGHAI*
MONTREAL OTTAWA TORONTO CALGARY VANCOUVER

* Associated Office

blakes.com

EXHIBIT "D"

This is Exhibit " D " referred to in
the
Affidavit of RUSSELL York
Sworn before me this 2nd day
of September A.D. 20 10
[Signature]
A Commissioner, Etc.



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 2800, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

Jackie Moher
Dir: 416-863-3174
jackie.moher@blakes.com

August 31, 2010

Reference: 71942/4

VIA EMAIL

Louis Fillion Professional Corporation
Avocat/Lawyer
1101 Front Street / C.P. 1626
Hearst, Ontario
P0L 1N0

Attention: Louis Fillion
lfillion@ntl.sympatico.ca

Re: Release and Discharge of Liens under the *Forest Workers Lien for Wages Act*

Dear Sirs:

Reference is made to the Term Sheet re: Purchase of Fibre by Terrace Bay Pulp Inc. ("Terrace Bay"), a copy of which is enclosed with this letter (the "Term Sheet") and for which you have provided Terrace Bay with executed signature pages. The enclosed copy of the Term Sheet is being finalized by Terrace Bay with the Province of Ontario and the receiver of certain of the assets of Buchanan Forest Products Ltd. Any changes resulting from these discussions will not affect your client's rights thereunder. We will provide you shortly with the final version for your confirmation. All capitalized terms and phrases used in this letter and not otherwise defined herein have the meanings given to them in the Term Sheet.

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We are writing to advise you that, as contemplated by the Term Sheet, Terrace Bay will be seeking a vesting order, effective on plan implementation, to convey title to the Fibre to Terrace Bay free and clear of all liens, encumbrances, security and claims of any kind (including liens held by the Lien Claimants). Such order will be sought in the *Companies' Creditors Arrangement Act* proceedings commenced by Terrace Bay in the Ontario Superior Court of Justice (Commercial List) in Toronto. The order sought will authorize and direct Terrace Bay to make payment to your client in accordance with the Term Sheet. All payments to Lien Claimants pursuant to the Term Sheet will be made in trust to counsel of record in the proceedings commenced under the *Forestry Workers Liens For Wages Act*.

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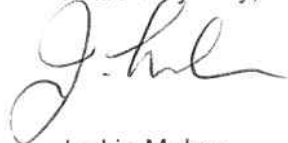
Page 2

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Should you have any questions and/or concerns, do not hesitate to contact the undersigned.

Yours very truly,



Jackie Moher

EXHIBIT "E"

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the
Affidavit of Russell York
Sworn before me this 2nd day
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[Signature]
A Commissioner, Etc.



59

Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 2800, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

Jackie Moher
Dir: 416-863-3174
jackie.moher@blakes.com

Reference: 71942/4

August 31, 2010

VIA EMAIL

Buset & Partners LLP
1121 Barton Street
Thunder Bay, Ontario
P7B 5N3

Attention: Chantal Brochu
cbrochu@buset-partners.com

Derek Zulianello
dezulianello@buset-partners.com

Re: Release and Discharge of Liens under the *Forest Workers Lien for Wages Act*

Dear Sirs:

Reference is made to the Term Sheet re: Purchase of Fibre by Terrace Bay Pulp Inc. ("Terrace Bay"), a copy of which is enclosed with this letter (the "Term Sheet") and for which you have provided Terrace Bay with executed signature pages. The enclosed copy of the Term Sheet is being finalized by Terrace Bay with the Province of Ontario and the receiver of certain of the assets of Buchanan Forest Products Ltd. Any changes resulting from these discussions will not affect your client's rights thereunder. We will provide you shortly with the final version for your confirmation. All capitalized terms and phrases used in this letter and not otherwise defined herein have the meanings given to them in the Term Sheet.

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Blakes

Page 2

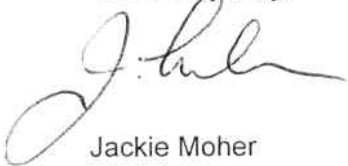
Claimants pursuant to the Term Sheet will be made in trust to counsel of record in the proceedings commenced under the *Forestry Workers Liens For Wages Act*.

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Yours very truly,



Jackie Moher

12408448.4

MONTRÉAL OTTAWA TORONTO CALGARY VANCOUVER
NEW YORK CHICAGO LONDON BAHRAIN AL-KHOBAR* BEIJING SHANGHAI*

* Associated Office

blakes.com

EXHIBIT "F"

This is Exhibit " F " referred to in
the
Affidavit of Russell York
Sworn before me this 2nd day
of September A.D. 20 10
[Signature]
A Commissioner, Etc.



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 2800, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

Jackie Moher
Dir: 416-863-3174
jackie.moher@blakes.com

August 31, 2010

Reference: 71942/4

VIA EMAIL

Walter Wieckowski
293 Park Avenue
Thunder Bay, Ontario
P7B 1C4
807-345-6566

Attention: Walter Wieckowski
wcwlaw@shaw.ca

Re: Release and Discharge of Liens under the *Forest Workers Lien for Wages Act*

Dear Sirs:

Reference is made to the Term Sheet re: Purchase of Fibre by Terrace Bay Pulp Inc. ("Terrace Bay"), a copy of which is enclosed with this letter (the "Term Sheet") and for which you have provided Terrace Bay with executed signature pages. The enclosed copy of the Term Sheet is being finalized by Terrace Bay with the Province of Ontario and the receiver of certain of the assets of Buchanan Forest Products Ltd. Any changes resulting from these discussions will not affect your client's rights thereunder. We will provide you shortly with the final version for your confirmation. All capitalized terms and phrases used in this letter and not otherwise defined herein have the meanings given to them in the Term Sheet.

As you are aware, the Term Sheet contemplates that Terrace Bay will acquire title to the Fibre free and clear of all liens, encumbrances, security and claims of any kind (including, among other things, liens held by the Lien Claimants) pursuant to a vesting order and/or releases and/or other documentation in form(s) satisfactory to Terrace Bay. The Term Sheet further provides that, on Closing, each of the Lien Claimants shall release or otherwise discharge its liens against the Fibre and against the proceeds payable to the Beneficiaries under the Term Sheet, including the Purchase Price.

We are writing to advise you that, as contemplated by the Term Sheet, Terrace Bay will be seeking a vesting order, effective on plan implementation, to convey title to the Fibre to Terrace Bay free and clear of all liens, encumbrances, security and claims of any kind (including liens held by the Lien Claimants). Such order will be sought in the *Companies' Creditors Arrangement Act* proceedings commenced by Terrace Bay in the Ontario Superior Court of Justice (Commercial List) in Toronto. The order sought will authorize and direct Terrace Bay to make payment to your client in accordance with the Term Sheet. All payments to Lien Claimants pursuant to the Term Sheet will be made in trust to counsel of record in the proceedings commenced under the *Forestry Workers Liens For Wages Act*.

12408448.8

Blakes

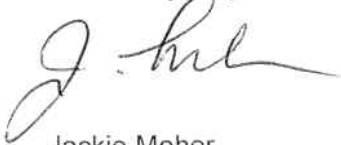
Page 2

The motion for an order approving the vesting order has been scheduled for **September 9, 2010**. We will be serving you with the Motion Record in your capacity as counsel of record in the lien claims actions later this week.

The Lien Claimants are required to discharge each of their liens on Closing. In furtherance of this obligation, Terrace Bay requires that an Order be issued prior to Closing dismissing the lien actions asserted by your clients in the multiple proceedings commenced in Thunder Bay. In connection with the latter, we will forward to you under separate cover a consent to dismissal in the appropriate proceedings to be executed by counsel.

Should you have any questions and/or concerns, do not hesitate to contact the undersigned.

Yours very truly,



Jackie Moher

12408448.8

MONTRÉAL OTTAWA TORONTO CALGARY VANCOUVER
NEW YORK CHICAGO LONDON BAHRAIN AL-KHOBAR* BEIJING SHANGHAI*

* Associated Office

blakes.com

EXHIBIT "G"

This is Exhibit " G " referred to in
the
Affidavit of RUSSELL York
Sworn before me this 2nd day
of September A.D. 20 10
[Signature]
A Commissioner, Etc.



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Jackie Moher
Dir: 416-863-3174
jackie.moher@blakes.com

Reference: 71942/4

August 31, 2010

VIA EMAIL

Petrone Hornak Garofalo Mauro
Barristers & Solicitors
76 Algoma St. N.
Thunder Bay, Ontario
P7B 3B3

Attention: James Garofalo
james@petronelaw.on.ca

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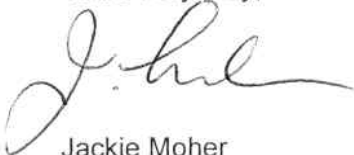
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Should you have any questions and/or concerns, do not hesitate to contact the undersigned.

Yours very truly,


Jackie Moher

12408448.9

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TERRACE BAY PULP INC.

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF RUSSELL YORK
(Sworn September 2, 2010)**

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Toronto, Ontario M5L 1A9

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Lawyers for the Applicant

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**MOTION RECORD
(RETURNABLE SEPTEMBER 9, 2010)**

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