Court File No CV-12-9566-00CL

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.

FOURTH REPORT OF THE MONITOR DATED APRIL 25, 2012

INTRODUCTION

1. On January 25, 2012, 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 Court dated January 25, 2012 (the "**Initial Order**"), Ernst & Young Inc. ("**EYI**") was appointed as Monitor (the "**Monitor**") in the CCAA proceeding. The Initial Order initially provided for a stay of proceedings through February 24, 2012, which was extended to April 27, 2012 (the "**Stay Period**").

PURPOSE

2. The purpose of this fourth report of the Monitor (the "**Fourth Report**") is to update the Court in relation to:

   (a) Terrace Bay's activities with respect to the Pulp and Paper Green Transformation Program (the "**GTP Program**") projects (the "**GTP Projects**") administered by Natural Resources Canada ("**NRC**") as further detailed in the third report of the Monitor dated March 26, 2012 (the "**Third Report**");

   (b) The status of the process to find a buyer for the Applicant's business (the "**Sale Process**");

   (c) Terrace Bay's actual receipts and disbursements for the period from February 5, 2012 to April 7, 2012 (the "**Reporting Period**"), with a comparison to forecast amounts set out in the second report of the Monitor dated February 15, 2012 (the "**Second Report**");

(d) To provide the Court with an update on the cash flow forecast of the Applicant (the "**Revised Forecast**"); and

(e) The Applicant's motion to extend the Stay Period to June 15, 2012.

TERMS OF REFERENCE

3. In preparing this Fourth 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 of assurance in respect of such information contained in this Fourth Report. Some of the information referred to in this Fourth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future oriented financial information referred to in this Fourth 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.

4. Where not otherwise indicated, capitalized terms are as defined in the Third Report.

GTP PROJECTS UPDATE

5. The Third Report detailed certain payments to be made by Terrace Bay with respect to the GTP Projects once approval for such payments was granted by the Court.

6. The Third Report contained a summary chart of certain cash flows related to the GTP Projects and the expected payment to be received by the Applicant with regard to pre-filing GTP Project invoices. The chart is reproduced below:

Invoices submitted to NRC		Notes
November & December	$ 4,670,188.30	
January	429,141.25	
Total invoices submitted to NRC	5,099,329.55	
Less:		
Non-Payment Holdback	(422,192.18)	1
Phase I Holdback	(767,365.69)	2
Funded Amount	$ 3,909,771.68	

1.The Phase I Holdback is comprised of the January invoices of $429,141.25 plus a further $338,224.44 withheld by NRC and represents 10% of the costs of Phase I.

2. The Non-Payment Holdback is comprised of $277,420.07 in respect of Phase I and $144,772.11 in respect of Phase II.

7. As detailed in Appendix "A" to this Fourth Report (which contains actual cash flows for the Reporting Period) and summarized above, the Applicant received approximately $3.9 million from NRC in the week ended March 17, 2012 (the "**Funded Amount**").

8. The Funded Amount has subsequently been distributed by the Applicants to those parties entitled to such funds in accordance with the Distribution Chart set out as Appendix "H" to the affidavit of Aaron Blazina dated March 23, 2012 (the "**Distribution Chart**"). As set out in the actual cash flows attached as Appendix "A" to this Fourth Report the Applicant has disbursed $3,812,959 to a number of contractors during the week ended March 31, 2012 (see Item (ii) in the table below summarized in paragraph 16). The difference between this amount and the Funded Amount is due to the fact that the Applicant incurred approximately $97,000 of its own labour costs incurred in respect of the GTP Projects, which did not have to be paid to third party suppliers.

9. The Monitor has also been advised by the Applicant that in the week ended April 7, 2012, the Applicant disbursed a further amount of $421,559 (see Item (iii) in the table below) in respect of the "Non-Payment Holdback" (as defined in the Third Report). The Non-Payment Holdback is included in the chart above in paragraph 6 in the amount of $422,192. The reason for the difference between that amount and the actual amount disbursed is due to a difference in foreign exchange rates in respect of the one U.S. dollar denominated payable contained in the Distribution Chart.

10. The Phase I Holdback from the chart above has not yet been received or disbursed by the Applicant. Terrace Bay projects that this amount will be paid to the relevant contractors in the week ended April 28, 2012 and will be reimbursed by NRC in the week ended May 12, 2012. See Items (vi) and (xii) in the table below.

11. On April 23, 2012, Terrace Bay advised the Monitor that it was in receipt of two amounts from NRC in respect of the GTP Projects, although these amounts are excluded from the actual cash flows in Appendix "A" to this Fourth Report, as the actual cash flows are only reported through the week ended April 7, 2012. The first amount is a reimbursement from NRC in respect of the October Arrears. This receipt totalled \$422,192 (see Item (iv) in the table below) and will be paid to the relevant contractors in the week ended April 28, 2012 (see Item (vii) in the table below). A further amount of \$3,783,964 was also received by the Applicant (see Item (ix) in the table below). The majority of this amount was paid to Venshore Mechanical Ltd ("**Venshore**") in respect of the Venshore Contract (defined below) in the week ending April 28, 2012 and May 5, 2102 (see Item (x) in the table below).

12. The Applicant has submitted invoices to NRC in respect of work done in January 2012. Such funds are forecast to be reimbursed in the week ended April 21, 2012 and subsequently paid to the relevant contractors in the week ended April 28, 2012. See Items (v) and (viii) in the table below.

13. As described in the Third Report, in order for certain costs related to Phase II of the GTP Projects to be eligible for reimbursement, NRC required evidence of contracts having been entered into between the Applicant and the contractors performing the work under the GTP Project and an invoice evidencing the cost of such work. In this case, all work has been contracted to one contractor, Venshore. Terrace Bay has signed a contract with Venshore (the "**Venshore Contract**") to act as general contractor for the remaining work pursuant to Phase II of the GTP Projects.

14. The GTP also contemplated that a portion of any funding would be held back by NRC. Such funds in respect of this Phase II holdback must first be paid to the relevant contractors before NRC reimburses these amounts. The payment and subsequent

reimbursement of these amounts are forecast for the weeks ending May 5 and May 19, 2012. See Items (xi) and (xiii) in the table below.

15. Based on the review by the Monitor of correspondence from NRC in respect of the items above, it appears that NRC is satisfied with the documentation it has received. The Applicant has advised the Monitor that Terrace Bay expects to receive further funds in respect of the holdbacks for both Phase I and Phase II of the GTP Projects.

16. All of the cash flows above with respect to the GTP Projects are detailed in the Revised Forecast attached as Appendix "B" to this Fourth Report and in the actual receipts and disbursements contained in Appendix "A". The chart below summarizes all actual and forecast cash flows with respect to the GTP Projects during the CCAA Proceeding:

Actual cash flows	**Item**	**Week Ended**		
Receipt of Funded amount	(i)	17-Mar-12	3,909,772	
Payment of Funded Amount to third parties	(ii)	31-Mar-12	(3,812,959)	
Payment of Non-Payment Holdback	(iii)	07-Apr-12	(421,559)	
			(324,746)	(A)
Forecast cash flows				
Receipt of October Arrears	(iv)	21-Apr-12	422,192	
Receipt of Phase II funding, January work	(v)	21-Apr-12	185,948	
Payment of Phase I Holdback	(vi)	28-Apr-12	(767,366)	
Payment of October Arrears	(vii)	28-Apr-12	(422,192)	
Payment of Phase II funding, January work	(viii)	28-Apr-12	(185,948)	
Receipt of Phase II, future work	(ix)	28-Apr-12	3,783,964	
Payment of Phase II, future work	(x)	05-May-12	(4,260,571)	
Payment of Phase II holdback	(xi)	05-May-12	(1,210,293)	
Receipt of Phase I Holdback	(xii)	12-May-12	767,366	
Receipt of Phase II holdback	(xiii)	19-May-12	1,071,055	
			(615,845)	(B)
Total cash flows related to GTP			**(940,591)**	*(A)+(B)

* Negative cash flows are primarily due to the payment of the reimbursement of the Non-Payment Holdback which was funded by NRC prior to the CCAA Proceeding and the payment of HST amounts, which amounts are not reimbursed by NRC.

STATUS OF THE SALES PROCESS

17. The Initial Order authorized Terrace Bay, under the supervision of the Monitor, to conduct the Sales Process to find a buyer for its assets and operations.

18. As set out in the Second Report, Terrace Bay and the Monitor have undertaken the following steps:

    (a) developed marketing materials and created an electronic data room for potential purchasers to review;

    (b) identified a list of potential purchasers with a potential interest in purchasing the assets of Terrace Bay;

    (c) forwarded a teaser document to potential purchasers, including a copy of the Sales Process;

    (d) provided a copy of the confidential information memorandum to potential purchasers who executed a non-disclosure agreement;

    (e) arranged tours of the Terrace Bay mill facility, to permit potential purchasers to view the assets and meet with and participate in presentations from the management of Terrace Bay; and

    (f) reviewed and requested information and clarification of documents and offers received from potential purchasers.

19. The Sales Process required interested parties to submit an offer for Terrace Bay's assets by March 16, 2012 (the "**Offer Deadline**"). A number of offers were received by this date. Since then, the Monitor and Terrace Bay have been in discussions with certain of these parties and Terrace Bay's principal secured lender regarding certain aspects and conditions of the offers.

20. While the Sales Process provides that the Applicant, with the assistance of the Monitor and in consultation with the Province of Ontario, shall select a qualified bidder by March 19, 2012 (the "**Selection Date**"), the Applicant is also permitted, in consultation with the Monitor and the Province, to amend any time limits as considered necessary. This has been done in connection with the Selection Date. Currently, the Selection Date is April 27, 2012. The Monitor will continue to review with the Applicant any further extensions of the Selection Date that may be appropriate in the circumstances.

21. As described below in this Fourth Report, based on information provided by the Applicant to the Monitor, it appears that the Applicant's cash resources will enable it to operate in a warm idle state through mid-June. As such, Terrace Bay is continuing to work with potential purchasers and the Province to finalize a transaction to recommend to the Court within the constraints of Terrace Bay's cash resources.

ACTUAL RECEIPTS AND DISBURSEMENTS FOR THE REPORTING PERIOD

22. Appendix "A" to this Fourth Report contains a summary of actual receipts and disbursements for Terrace Bay during the Reporting Period. Summarized below are explanations for variances from the cash flow forecast included in the Second Report:

    (a) *Customer receipts* were approximately $337,000 higher than forecast due to higher than forecast sales to customers.

    (b) *Funding received from GTP* was approximately $5.1 million less than forecast due to certain delays involved with the approval of such expenditures. Consequently, *Disbursements regarding GTP* were also approximately $5.2 million less than forecast. Further details related to the delays in proceeding with the GTP Projects were provided in the Third Report. As noted above, certain payments in respect of the GTP Projects have recently been received.

    (c) Both *Salaries and wages* and *Payroll withholdings* were lower than forecast due to fewer employees working than originally forecast. The total savings was approximately $290,000.

(d) Due to unseasonably warm temperatures through the late winter, Terrace Bay required less bunker fuel than was originally forecast. As such, savings of approximately $1.2 million were realized with respect to payments for *Utilities, Fuel and Chemicals*.

(e) *Restructuring costs* were approximately $315,000 lower than forecast.

(f) Due to the length of time required for Terrace Bay to review the scope of work to repair the blow tank, *Blow tank repairs* have not as substantial as forecast and disbursements were lower than forecast by approximately $421,000.

REVISED CASH FLOW FORECAST

23. Attached as Appendix "B" to this Fourth Report is a revised cash flow forecast for the Applicant (the "**Revised Forecast**").

24. The Revised Forecast indicates that Terrace Bay will have sufficient liquidity, absent any negative variances, through the extension of the Stay Period now being sought (i.e. June 15, 2012).

25. The Revised Forecast was prepared by management of the Applicant for the purpose of the CCAA Proceeding, using probable and hypothetical assumptions set out in notes to the Revised Forecast. The Revised Forecast reflects receipts and disbursements to be received or paid over the 10-week projection period in Canadian dollars.

26. The Monitor's review of the Revised Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to the Monitor by certain of the management and employees of the Applicant. Since hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Revised Forecast. The Monitor has also reviewed the support provided by management of the Applicant for the probable assumptions, and the preparation and presentation of the Revised Forecast.

27. Based on the Monitor's review, nothing has come to our attention to cause us to believe that, in all material respects:

(a) the hypothetical assumptions are not consistent with the purpose of the Revised Forecast;

(b) as at the date of this Fourth Report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Revised Forecast, given the hypothetical assumptions; or

(c) the Revised Forecast does not reflect the probable and hypothetical assumptions.

28. As described in the Terms of Reference above, since the Revised Forecast is based on assumptions regarding future events, actual results will vary from the information presented, even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Revised Forecast will be achieved. In addition, EYI expresses no opinion or other form of assurance with respect to the accuracy of financial information presented in the Revised Forecast, or relied upon by the Monitor in preparing this Fourth Report.

29. The Revised Forecast has been prepared solely for the purpose described above, and readers are cautioned that they may not be appropriate for other purposes.

RECOMMENDATION

30. As noted in its motion materials, the Applicant is seeking an extension of the Stay Period to June 15, 2012. Should the Court see fit to grant such an Order, the Monitor is of the view that such an Order would be appropriate as it would allow the Applicant the opportunity to finalize an agreement pursuant to the Sales Process that has been undertaken.

All of which is respectfully submitted this 25th day of April, 2012.

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

Per:

Alex Morrison
Senior Vice President

APPENDIX "A"

ACTUAL RECEIPTS AND DISBURSEMENTS

Terrace Bay Pulp Inc.
CCAA Cash Flows

	Actual									
Week										
Beginning of week	**05-Feb**	**12-Feb**	**19-Feb**	**26-Feb**	**04-Mar**	**11-Mar**	**18-Mar**	**25-Mar**	**01-Apr**	
End of week	**11-Feb**	**18-Feb**	**25-Feb**	**03-Mar**	**10-Mar**	**17-Mar**	**24-Mar**	**31-Mar**	**07-Apr**	**Total**
Bank balance, beginning of week	**3,811,072**	**3,327,883**	**3,225,607**	**4,558,574**	**4,566,893**	**4,479,395**	**9,112,610**	**10,103,901**	**5,444,771**	**3,811,072**
Blocked account receipts:										
Customer Receipts[1]	709,184	510,204	1,505,102	260,204	-	1,173,469	1,173,469	-	697,278	**6,028,910**
Funding received from GTP[2]	-	-	-	-	-	3,909,772	-	-	-	**3,909,772**
Other	-	-	-	2,291	1,720	(26,513)	-	24,061	3,107	**4,665**
Exchange Gains/Losses	(73,363)								-	**(73,363)**
Total cash receipts from all sources	**635,820**	**510,204**	**1,505,102**	**262,495**	**1,720**	**5,056,728**	**1,173,469**	**24,061**	**700,385**	**9,869,984**
Expected cash outlays during the week:										
Selling expenses (freight, commissions, brokerage)[3]	(11,610)	(119,029)	(6,461)	(14,076)	-	-	-	-	-	**(151,177)**
Salaries and wages[4]	(40,632)	(49,496)	(38,701)	(49,920)	(31,701)	(48,787)	(25,850)	(49,124)	(22,822)	**(357,033)**
Payroll withholdings[4]	-	(19,891)	(31,715)	-	(53,376)	(6,433)	(15,674)	(33,146)	(43,481)	**(203,716)**
Benefits and pension[4]	-	-	(55,938)	(20,445)	(3,470)	-	(39,882)	(19,276)	-	**(139,011)**
WSIB[4]	-	(5,524)	-	(8,102)	-	-	-	(7,662)	-	**(21,288)**
Operations[5]	(234,589)	(15,463)	(4,693)	(97,388)	(670)	(41,750)	(96,748)	(2,673)	(56)	**(494,032)**
Utilities, Fuel and Chemicals[5]	(822,179)	-	(34,627)	(49,175)	-	(121,043)	-	(3,093)	91,589	**(938,529)**
Restructuring Cost[6]	(10,000)	(388,952)	-	-	-	(205,499)	(4,025)	(145,553)	(10,961)	**(764,990)**
Insurance[7]	-	-	-	-	-	-	-	-	-	**-**
Property taxes[8]	-	-	-	-	-	-	-	(609,703)	-	**(609,703)**
Disbursements regarding GTP[2]	-	-	-	-	-	-	-	(3,812,959)	(421,559)	**(4,234,518)**
Blow Tank repairs[9]	-	(14,125)	-	(15,070)	-	-	-	-	-	**(29,195)**
Total cash outlays	**(1,119,009)**	**(612,480)**	**(172,136)**	**(254,176)**	**(89,218)**	**(423,513)**	**(182,179)**	**(4,683,190)**	**(407,291)**	**(7,943,191)**
Bank balance, end of week	**3,327,883**	**3,225,607**	**4,558,574**	**4,566,893**	**4,479,395**	**9,112,610**	**10,103,901**	**5,444,771**	**5,737,865**	**5,737,865**

Terrace Bay Pulp Inc.
CCAA Cash Flows

	Forecast									
Week	**05-Feb**	**12-Feb**	**19-Feb**	**26-Feb**	**04-Mar**	**11-Mar**	**18-Mar**	**25-Mar**	**01-Apr**	
Beginning of week	**11-Feb**	**18-Feb**	**25-Feb**	**03-Mar**	**10-Mar**	**17-Mar**	**24-Mar**	**31-Mar**	**07-Apr**	**Total**
End of week										
Bank balance, beginning of week	**3,811,072**	**2,981,973**	**3,115,106**	**3,493,837**	**4,229,462**	**4,726,487**	**5,265,595**	**4,290,595**	**3,361,595**	**3,811,072**
Blocked account receipts:										
Customer Receipts[1]	795,839	1,180,583	698,731	1,115,625	1,022,025	879,108	-	-	-	**5,691,912**
Funding received from GTP[2]	-	-	4,626,099	-	641,955	-	-	3,746,370	-	**9,014,424**
Other	-	-	-	-	-	-	-	-	-	-
Exchange Gains/Losses	-	-	-	-	-	-	-	-	-	-
Total cash receipts from all sources	**795,839**	**1,180,583**	**5,324,830**	**1,115,625**	**1,663,980**	**879,108**	**-**	**3,746,370**	**-**	**14,706,336**
Expected cash outlays during the week:										
Selling expenses (freight, commissions, brokerage)[3]	(83,938)	(62,450)	-	-	-	-	-	-	-	**(146,388)**
Salaries and wages[4]	(41,000)	(75,000)	(45,000)	(75,000)	(45,000)	(75,000)	(45,000)	(75,000)	(45,000)	**(521,000)**
Payroll withholdings[4]	(50,000)	(20,000)	(50,000)	(20,000)	(50,000)	(20,000)	(50,000)	(20,000)	(50,000)	**(330,000)**
Benefits and pension[4]	-	(40,000)	-	(40,000)	-	(40,000)	-	(40,000)	-	**(160,000)**
WSIB[4]	-	-	(20,000)	-	-	-	-	(20,000)	-	**(40,000)**
Operations[5]	(265,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	**(505,000)**
Utilities, Fuel and Chemicals[5]	(830,000)	(235,000)	(10,000)	(10,000)	(235,000)	(10,000)	(760,000)	(10,000)	(10,000)	**(2,110,000)**
Restructuring Cost[6]	(280,000)	(90,000)	(90,000)	(130,000)	(90,000)	(90,000)	(90,000)	(130,000)	(90,000)	**(1,080,000)**
Insurance[7]	-	-	-	-	-	-	-	-	-	-
Property taxes[8]	-	-	-	-	-	-	-	(604,000)	-	**(604,000)**
Disbursements regarding GTP[2]	-	(420,000)	(4,626,099)	-	(641,955)	-	-	(3,746,370)	-	**(9,434,424)**
Blow Tank repairs[9]	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	-	-	-	**(450,000)**
Total cash outlays	**(1,624,938)**	**(1,047,450)**	**(4,946,099)**	**(380,000)**	**(1,166,955)**	**(340,000)**	**(975,000)**	**(4,675,370)**	**(225,000)**	**(15,380,812)**
Bank balance, end of week	**2,981,973**	**3,115,106**	**3,493,837**	**4,229,462**	**4,726,487**	**5,265,595**	**4,290,595**	**3,361,595**	**3,136,595**	**3,136,595**

Terrace Bay Pulp Inc.
CCAA Cash Flows

	Variance									
Week										
Beginning of week	**05-Feb**	**12-Feb**	**19-Feb**	**26-Feb**	**04-Mar**	**11-Mar**	**18-Mar**	**25-Mar**	**01-Apr**	
End of week	**11-Feb**	**18-Feb**	**25-Feb**	**03-Mar**	**10-Mar**	**17-Mar**	**24-Mar**	**31-Mar**	**07-Apr**	**Total**
Bank balance, beginning of week	-	**345,910**	**110,501**	**1,064,737**	**337,430**	**(247,092)**	**3,847,015**	**5,813,305**	**2,083,175**	-
Blocked account receipts:										
Customer Receipts[1]	(86,655)	(670,379)	806,371	(855,421)	(1,022,025)	294,361	1,173,469	-	**697,278**	**336,998**
Funding received from GTP[2]	-	-	(4,626,099)	-	(641,955)	3,909,772	-	(3,746,370)	-	**(5,104,652)**
Other	-	-	-	2,291	1,720	(26,513)	-	24,061	3,107	**4,665**
Exchange Gains/Losses	(73,363)	-	-	-	-	-	-	-	-	**(73,363)**
Total cash receipts from all sources	**(160,019)**	**(670,379)**	**(3,819,728)**	**(853,130)**	**(1,662,260)**	**4,177,620**	**1,173,469**	**(3,722,310)**	**700,385**	**(4,836,352)**
Expected cash outlays during the week:										
Selling expenses (freight, commissions, brokerage)[3]	72,328	(56,579)	(6,461)	(14,076)	-	-	-	-	-	**(4,789)**
Salaries and wages[4]	368	25,504	6,299	25,080	13,299	26,213	19,150	25,876	22,178	**163,967**
Payroll withholdings[4]	50,000	109	18,285	20,000	(3,376)	13,567	34,326	(13,146)	6,519	**126,284**
Benefits and pension[4]	-	40,000	(55,938)	19,555	(3,470)	40,000	(39,882)	20,724	-	**20,989**
WSIB[4]	-	(5,524)	20,000	(8,102)	-	-	-	12,338	-	**18,712**
Operations[5]	30,411	14,537	25,307	(67,388)	29,330	(11,750)	(66,748)	27,327	29,944	**10,968**
Utilities, Fuel and Chemicals[5]	7,821	235,000	(24,627)	(39,175)	235,000	(111,043)	760,000	6,907	101,589	**1,171,471**
Restructuring Cost[6]	270,000	(298,952)	90,000	130,000	90,000	(115,499)	85,975	(15,553)	79,039	**315,010**
Insurance[7]	-	-	-	-	-	-	-	-	-	-
Property taxes[8]	-	-	-	-	-	-	-	(5,703)	-	**(5,703)**
Disbursements regarding GTP[2]	-	420,000	4,626,099	-	641,955	-	-	(66,589)	(421,559)	**5,199,906**
Blow Tank repairs[9]	75,000	60,875	75,000	59,930	75,000	75,000	-	-	-	**420,805**
Total cash outlays	**505,929**	**434,970**	**4,773,963**	**125,824**	**1,077,737**	**(83,513)**	**792,822**	**(7,820)**	**(182,291)**	**7,437,621**
Bank balance, end of week	**(345,910)**	**(110,501)**	**(1,064,737)**	**(337,430)**	**247,092**	**(3,847,015)**	**5,813,305**	**2,083,175**	**2,601,269**	**2,601,270**
										-

APPENDIX "B"

REVISED CASH FLOW FORECAST

Terrace Bay Pulp Inc.
CCAA Cash Flows

Week **Beginning of week** **End of week**	**08-Apr** **14-Apr**	**15-Apr** **21-Apr**	**22-Apr** **28-Apr**	**29-Apr** **05-May**	**06-May** **12-May**	**13-May** **19-May**	**20-May** **26-May**	**27-May** **02-Jun**	**03-Jun** **09-Jun**	**10-Jun** **16-Jun**	**Total**
Bank balance, beginning of week	5,737,865	5,172,303	5,505,425	6,984,883	324,019	651,385	1,507,440	1,297,440	817,440	607,440	5,737,865
Blocked account receipts:											
Customer Receipts[1]	171,841	-	-	-	-	-	-	-	-	-	171,841
Funding received from GTP[2]	-	608,122	3,783,964	-	767,366	1,071,055	-	-	-	-	6,230,507
Other	-	-	-	-	-	-	-	-	-	-	-
Total cash receipts from all sources	171,841	608,122	3,783,964	-	767,366	1,071,055	-	-	-	-	6,402,348
Expected cash outlays during the week:											
Selling expenses (freight, commissions, brokerage)[3]	-	-	-	-	-	-	-	-	-	-	-
Salaries and wages[4]	(84,187)	(45,000)	(60,000)	(45,000)	-	(60,000)	(45,000)	(60,000)	(45,000)	(60,000)	(504,187)
Payroll withholdings[4]	(20,000)	(50,000)	(20,000)	(50,000)	(20,000)	(50,000)	(20,000)	(50,000)	(20,000)	(50,000)	(350,000)
Benefits and pension[4]	(40,000)	-	(40,000)	-	(40,000)	-	(40,000)	-	(40,000)	-	(200,000)
WSIB[4]	-	-	(25,000)	-	-	-	-	(25,000)	-	-	(50,000)
Operations[5]	(31,263)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(301,263)
Utilities, Fuel and Chemicals[5]	(235,000)	(10,000)	(10,000)	(435,000)	(235,000)	(10,000)	(10,000)	(185,000)	(10,000)	(235,000)	(1,375,000)
Restructuring Cost[6]	(326,953)	(65,000)	(65,000)	(130,000)	(65,000)	(65,000)	(65,000)	(130,000)	(65,000)	(65,000)	(1,041,953)
Insurance[7]	-	-	-	(425,000)	-	-	-	-	-	-	(425,000)
Property taxes[8]	-	-	(604,000)	-	-	-	-	-	-	-	(604,000)
Disbursements regarding GTP[2]	-	-	(1,375,506)	(5,470,864)	-	-	-	-	-	-	(6,846,370)
Blow Tank repairs[9]	-	(75,000)	(75,000)	(75,000)	(50,000)	-	-	-	-	-	(275,000)
Total cash outlays:	(737,404)	(275,000)	(2,304,506)	(6,660,864)	(440,000)	(215,000)	(210,000)	(480,000)	(210,000)	(440,000)	(11,972,774)
Bank balance, end of week	5,172,303	5,505,425	6,984,883	324,019	651,385	1,507,440	1,297,440	817,440	607,440	167,440	167,440

Notes to Cash Flow Forecast

1. Customer receipts are forecast based on average due dates for customer invoices and modified, as necessary, when known issues arise.
2. Funding for Terrace Bay Pulp's Green Transformation Project ("GTP") is received from Natural Resources Canada once they have approved the relevant invoices. It is assumed that any amounts received pursuant to this program will be paid out to the contractors and employees performing the work.
3. Selling expenses include amounts paid to Terrace Bay Pulp's sales agent based on forecast shipments of pulp to customers.
4. Salaries, wages, benefits and the related withholdings are forecast based on staff levels required to keep the mill warm and secure.
5. Operations and Utilities, Fuel and Chemicals are forecast on the assumption that production at the mill will remain idled during the CCAA proceedings.
6. Restructuring Costs are those forecast to be incurred as a result of the current CCAA proceedings.
7. Insurance includes amount to ensure that adequate coverage is maintained through the CCAA proceedings.
8. Property Taxes represent amounts for municipal taxes due to the Town of Terrace Bay.
9. Blow Tank Repairs represent costs to stabilise the damaged are and repair the damaged equipment up to the limit of Terrace Bay's policy deductible.