CANADA

PROVINCE OF QUÉBEC
DISTRICT OF
MONTRÉAL

No.: 500-11-036133-094

SUPERIOR COURT

Commercial Division
Sitting as a court designated pursuant to the Companies' Creditors Arrangement Act, R.S.C., c. C-36, as amended

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IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC., a legal person incorporated under the laws of the State of Delaware, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And
ABITIBI-CONSOLIDATED INC., a legal person incorporated under the laws of Canada, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And
BOWATER CANADIAN HOLDINGS INC., a legal person incorporated under the laws of the Province of Nova Scotia, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And
the other Petitioners listed on Appendices "A", "B" and "C";

Petitioners

And
ERNST & YOUNG INC., a legal person under the laws of Canada, having a place of business at 800 René-Lévesque Blvd. West, Suite 1900, in the City and District of Montréal, Province of Quebec, H3B 1X9;

Information Officer

SEVENTH REPORT OF THE INFORMATION OFFICER

June 25, 2010

INTRODUCTION

1. On April 16, 2009, AbitbiBowater Inc. ("**ABH**"), Bowater Inc. ("**BI**") and certain of their direct and indirect U.S. and Canadian subsidiaries, including Bowater Canadian Holdings Incorporated ("**BCHI**") and Bowater Canadian Forest Products Inc., (collectively, the "**U.S. Debtors**"), commenced voluntary proceedings (the "**Chapter 11 Proceedings**") for relief under Chapter 11 ("**Chapter 11**") of the U.S. Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the "**U.S. Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**"). ABH LLC 1 and ABH Holding Company, two subsidiaries of ABH, commenced voluntary proceedings under Chapter 11 on December 21, 2009, and count among the U.S. Debtors.

2. On April 17, 2009, Abitibi-Consolidated Inc. ("**ACI**") and its subsidiaries (collectively, the "**Abitibi Petitioners**") and BCHI and its subsidiaries and affiliates (collectively, the "**Bowater Petitioners**" and, together with the Abitibi Petitioners, the "**CCAA Petitioners**") commenced proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, as amended, (the "**CCAA**") pursuant to an Order of this Honourable Court (the "**Initial Order**"). Abitibi-Consolidated (U.K.) Inc., a subsidiary of ACI, was added as an Abitibi Petitioner in the CCAA Proceedings pursuant to an Order of this Honourable Court dated November 10, 2009. The Abitibi Petitioners are listed in Appendix "A" attached hereto and the Bowater Petitioners are listed in Appendix "B."

3. The CCAA Petitioners include BCHI, Bowater Canada Finance Corporation, Bowater Canadian Limited, Bowater Canadian Forest Products Inc. ("**BCFPI**"), Bowater LaHave Corporation and Bowater Maritimes Inc., which have commenced both CCAA Proceedings and Chapter 11 Proceedings (the "**Cross-Border Petitioners**").

4. Pursuant to the Initial Order, Ernst & Young Inc. ("**EYI**") was appointed as monitor of the CCAA Petitioners (the "**Monitor**").

5. On April 17, 2009, ABH and the other petitioners listed on Appendix "C" hereto (collectively, the "**18.6 Petitioners**") obtained Orders under Section 18.6 of the CCAA in respect of voluntary proceedings initiated under Chapter 11.

6. Pursuant to paragraph 78 of the Initial Order, EYI was appointed as the information officer in respect of the 18.6 Petitioners (the "**Information Officer**").

PURPOSE

7. The Initial Order provides that the Information Officer shall report to this Honourable Court at least once every two months (or at such times or intervals as the Information Officer deems appropriate) with an outline of the status of the Chapter 11 Proceedings in respect of the 18.6 Petitioners and such other information as the Information Officer believes to be material.

8. This is the Information Officer's Seventh Report (the "**Seventh Report**") and provides an update on the Chapter 11 Proceedings since the Sixth Report of the Information Officer dated April 16, 2009 (the "**Sixth Report**").

TERMS OF REFERENCE

9. In preparing this Seventh Report, the Information Officer has received and relied upon publicly available information obtained from the U.S. Bankruptcy Court and consultations with counsel to the U.S. Debtors.

10. Copies of all the Information Officer Reports, in both English and French, and all motion records and Orders in the CCAA Proceedings are available on the Monitor's website at www.ey.com/ca/abitibibowater.

11. Copies of all orders of the U.S. Bankruptcy Court are posted on Epiq Bankruptcy Solutions LCC's website at http://chapter11.epiqsystems.com/abitibibowater.

BACKGROUND

12. ABH is one of the world's largest publicly traded paper and forest product companies. It produces a wide range of newsprint and commercial printing papers, market pulp and wood products. ABH and its subsidiaries operate or own interests in pulp and paper facilities, wood products facilities and recycling facilities located in Canada, the United States, the United Kingdom and South Korea.

13. Incorporated in Delaware and headquartered in Montreal, Quebec, ABH functions as a holding company; its business is conducted principally through four direct subsidiaries: BI, Bowater Newsprint South LLC, ACI and AbitibiBowater U.S. Holding LLC ("**ABH LLC**").

14. The CCAA Petitioners and the U.S. Debtors are all subsidiaries of ABH.

THE CHAPTER 11 PROCEEDINGS

15. Since the issuance of the Sixth Report, the Information Officer has been advised that the following significant relief was granted in the Chapter 11 Proceedings with respect to the 18.6 Petitioners:

(i) authorization for the U.S. Debtors to extend the maturity of the Abitibi Petitioners' and certain affiliates' receivables securitization program, enter into related documents and pay certain related fees (the "**Securitization Program Extension**");

(ii) authorization for Bowater Maritimes Inc. ("**Maritimes**") to (a) enter into a purchase and sale agreement with Her Majesty the Queen in the right of the Province of New Brunswick as represented by the Regional Development Corporation, (b) sell certain dam and pipeline assets in New Brunswick, Canada for CDN$6 million and (c) take such other actions as are necessary to consummate the sale (collectively, the "**New Brunswick Sale**");

(iii) authorization for BI to enter into and perform all of its obligations under a certain real property sale contract for the sale of a dormant sawmill operation located in Marshal County, Alabama for approximately US$4.1 million and related relief (the "**Marshall County Sale**");

(iv) authorization for the sale of four decommissioned pulp and paper mills and related property and Maritimes' and BCFPI's entry into and performance of their obligations under a purchase and sale agreement with American Iron and Metal LP, approval of the assumption and assignment of certain contracts and related relief (the "**Closed Mill Sale**");

(v) extension of the U.S. Debtors' exclusive period to file a Chapter 11 plan and solicit acceptances thereto to July 21, 2010 and September 9, 2010, respectively;

(vi) approval of bid procedures with respect to an auction in connection with the debtors' rights offering (the "**Bid Procedures Order**"); and

(vii) authorization for the renewal of or entry into new post-petition insurance policies and service agreements with the Travelers Insurance Company and its affiliates ("**Travelers**"), approving a stipulation with Travelers, authorizing the U.S. Debtors to assume the Insurance Program (as defined therein) and granting related relief.

16. Since the issuance of the Sixth Report, the Information Officer has been advised that the following significant filings are currently pending in the Chapter 11 Proceedings:

(i) the First Amended Chapter 11 Plan Of Reorganization (the "**Chapter 11 Plan**");

(ii) the Disclosure Statement For Debtors' First Amended Joint Plan Of Reorganization Under Chapter 11 of the Bankruptcy Code (the "**Disclosure Statement**"). The adequacy of the Disclosure Statement is scheduled to be heard on July 7, 2010;

(iii) applications by the U.S. Debtors seeking orders authorizing (a) BI to retain and employ Jones Day as conflicts counsel, (b) BCFC to employ and retain AP Services, LLC as its special advisor and designating Lisa Donohue to serve as BCFC's Vice President – Restructuring in the Chapter 11 Proceedings and (c) BCFC to retain Togut, Segal & Segal LLP as conflicts counsel (collectively, the "**Conflicts Counsel Retentions**"), with respect to intercompany claims of BCFC against BI. These applications are scheduled to heard on June 25, 2010;

(iv) an objection (the "**WTC Objection**") to the Conflicts Counsel Retentions filed by Wilmington Trust Company, solely as successor indenture trustee for the 7.95% Notes due 2011 issued by BCFC pursuant to an indenture agreement (the "**Wilmington Trust Company**"). The WTC Objection is scheduled to be heard on June 25, 2010;

(v) an objection (the "**Aurelius Objection**") to the Conflicts Counsel Retentions filed by Aurelius Capital Management, LP ("**Aurelius**") and Contrarian Capital Management, LLC ("**Contrarian**"). The Aurelius Objection is scheduled to be heard on June 25, 2010;

(vi) a motion by the U.S. Debtors seeking an order authorizing ABH, BI and BCFPI to enter into Consent No. 9 to the Credit Agreement (the "**Ninth Consent**") with respect to the DIP Financing Agreement (the "**Bowater DIP Financing Agreement**") with Fairfax Financial Holdings Limited ("**Fairfax**") as the initial lender, authorizing BI to incur certain costs, expenses and obligations in connection with the Conflicts Counsel Retentions by BCFC. The motion is scheduled to be heard on June 25, 2010;

(vii) a limited objection to the Ninth Consent filed by Aurelius (the "**Ninth Consent Objection**"). The Ninth Consent Objection is scheduled to be heard on June 25, 2010;

(viii) a motion by the U.S. Debtors for orders approving bidding and auction procedures for the sale of a closed mill site in Lufkin, Texas, scheduling a hearing to consider the sale of such asset and granting certain related relief ("the **Lufkin Sale Motion**"). The Lufkin Sale Motion is scheduled to be heard on July 7, 2010;

(ix) a motion by the U.S. Debtors seeking approval of the Disclosure Statement and the solicitation materials to be distributed in connection with the Chapter 11 Plan, and certain related relief (the "**Disclosure Statement and Solicitation Procedures Motion**"). The Disclosure Statement and Solicitation Procedures Motion is scheduled to be heard on July 7, 2010; and

(x) a motion by the U.S. Debtors for authorization to enter into a work fee letter (the "**Work Fee Letter**") with J.P. Morgan Securities Inc., Barclays Capital and Citigroup Global Markets, Inc. (collectively, the "**Arrangers**") regarding exit financing and to pay certain fees and expenses and furnish certain indemnities thereunder (collectively, the "**Work Fee Motion**"). The Work Fee Motion is scheduled to be heard on July 15, 2010.

17. The U.S. Debtors continue to file notices of settlement of ordinary-course claims, notices of the assumption, assignment and/or rejection of leases and executory contracts and claims objections in the usual manner.

18. The Information Officer has also been advised that administrative expense claims, fee applications and motions for relief from the stay continue to be resolved in the usual manner.

SECURITIZATION PROGRAM EXTENSION

19. As described in the First Information Officer's Report dated June 17, 2009, the Abitibi Petitioners and certain affiliates have participated in a receivables securitization program with Citibank, N.A. and Barclays Capital Inc. pursuant to an order of this Honourable Court dated June 15, 2009 and an order of the U.S. Bankruptcy Court dated July 1, 2009 (the "**Amended and Restated Securitization Program**"). The Amended and Restated Securitization Program was due to mature on June 16, 2010, with the option to extend the maturity date upon the payment of various extension fees.

20. As described in further detail in the Forty-Fourth Report of the Monitor dated June 7, 2010 (the "**Forty-Fourth Report**"), the Abitibi Petitioners and certain affiliates sought court approval of the Securitization Program Extension to, in part, extend the maturity date by an additional 364 days and reduce the aggregate purchase limit from US$270 million to US$180 million. The Securitization Program Extension also, among other things, reduces the interest cost from LIBOR + 750 basis points (with a 3% LIBOR floor) to LIBOR + 400 basis points (with a 2% LIBOR floor). This Honourable Court issued an Order on June 9, 2010 approving the Securitization Program Extension.

THE NEW BRUNSWICK SALE

21. The subject of the New Brunswick Sale includes the pipeline and dam originally built to insure fresh water supply to the Dalhousie paper mill in New Brunswick, Canada. The mill was closed in 2008, negating any industrial demand for the pipeline and dam.

22. The terms of the New Brunswick Sale call for, among other things, the Regional Development Corporation to assume, discharge, satisfy and perform all of Maritimes' liabilities and obligations in connection with the assets and a purchase price of CDN$6 million.

23. Court approval was not sought in Canada as the purchaser did not require a vesting order and the transaction price did not exceed CDN$10 million threshold for which court approval is required pursuant to the Initial Order. The Monitor did approve the New Brunswick Sale and it is expected to close on or about June 30, 2010.

THE MARSHALL COUNTY SALE

24. The subject of the Marshall County Sale consists of 107.5 acres of industrial property, including buildings, infrastructure, sawmill equipment, spare parts and mobile equipment. The Information Officer has been advised that the value of the assets was negatively impacted by the decline in the housing and lumber markets over the past five years. The sale is part of an ongoing effort to monetize non-performing, non-strategic assets.

THE CLOSED MILL SALE

25. The Closed Mill Sale comprises the sale of four decommissioned pulp and paper mills and related property in Canada as part of ABH's and its subsidiaries' continuing effort to divest themselves of unprofitable and burdensome assets. BCFPI and Maritimes own two of the four mills and ACCC and ACI own the others.

26. The debtors expect to realize CDN$8.8 million for the closed mills, plus 40% of the proceeds of any subsequent sale of the paper machines located at the mills. The purchaser is obligated to pay CDN$5 million within ninety days of the initial closing regardless of whether any such sale takes place.

27. The Closed Mill Sale was the subject of a sale order of this Honourable Court dated May 3, 2010. The sale has closed for 3 of the 4 mills and the funds are being held by the Monitor. The remaining mill is expected to close imminently.

THE CHAPTER 11 PLAN AND DISCLOSURE STATEMENT

28. The U.S. Debtors filed an initial draft of the Chapter 11 Plan on May 4, 2010, in conjunction with the CCAA Petitioners' filing of a draft CCAA Plan (the "**CCAA Plan**" and, together with the Chapter 11 Plan, the "**Plans**") in the CCAA Proceedings. The Information Officer was advised at that time that the U.S. Debtors and CCAA Petitioners would continue discussions with major stakeholders regarding the draft restructuring plans, with the intention of filing amendments and supplements to the draft plans, as well as related disclosure and proxy statements, by May 18, 2010.

29. On May 24, 2010 the U.S. Debtors filed a revised draft of the Chapter 11 Plan and a revised draft of the CCAA Plan was also filed by the CCAA Petitioners.

30. At that time, the U.S. Debtors also filed a draft Disclosure Statement with respect to the Chapter 11 Plan and the CCAA Petitioners filed a draft Information Circular with this Honourable Court.

31. On June 22, 2010, the U.S. Debtors filed certain exhibits to the Disclosure Statement, including the liquidation analysis, legal entity credit recovery summaries and rights offering risk factors. In the notice of filing, the U.S. Debtors indicated that they intend to file a revised version of the Disclosure Statement for approval by the Court at or before the hearing currently scheduled for July 7, 2010.

THE BID PROCEDURES ORDER

32. The U.S. Debtors sought approval of certain bid procedures (the "**Bid Procedures**"), to be followed in connection with a rights offering to be made available to unsecured creditors under both Plans (the "**Rights Offering**"), at a hearing that commenced on June 17, 2010 and continued on June 18, 2010, June 21, 2010 and June 22, 2010. The relief sought in the U.S. Debtors' motion, including details of the backstop commitment agreement entered into between ABH and certain investors (the "**Backstop Commitment Agreement**") and the requested release of a potential avoidance action (the "**Fairfax Release**"), is described in detail in the Forty-Fourth Report and the Supplemental Forty-Fourth Report of the Monitor dated June 22, 2010 (the "**Supplemental Forty-Fourth Report**"). On June 22, 2010, the U.S. Bankruptcy Court approved the Bid Procedures and the termination fees payable under the Backstop Commitment Agreement. As described in detail in the Supplemental Forty-Fourth Report, the Fairfax Release was not approved by the Bankruptcy Court in the Bid Procedures Order, but will be considered at the hearing seeking confirmation of the Chapter 11 Plan.

33. The hearing in the Chapter 11 Proceedings to approve the successful bid is scheduled to occur on June 25, 2010.

THE LUFKIN SALE MOTION

34. The Lufkin Sale Motion seeks approval of auction and bid procedures with respect to the sale of certain assets in Lufkin, Angelina County, Texas (the "**Lufkin Property**"), owned by Abtibi-Consolidated Corporation ("**ACC**"), a subsidiary of Donohue Corp. The Lufkin Property consists of land primarily occupied by a paper mill and related infrastructure, including several support buildings, ponds, roads, tanks and a lined sub-grade aqueduct.

35. The U.S. Debtors previously marketed the Lufkin Property and obtained the approval of the U.S. Bankruptcy Court to sell the assets to CIT Partners, LLC ("**CIT**") on October 28, 2009. The Information Officer understands that the sale to CIT was initially scheduled to close on October 30, 2009, and the closing date was extended a number of times, but the transaction failed to close by the expiration of the last closing extension deadline of June 4, 2010. The previous sale motion and order are described in the Third Report of the Information Officer, dated October 16, 2009 and the Fourth Report of the Information Officer, dated December 18, 2009. By the Lufkin Sale Motion, ACC seeks approval to sell the Lufkin Property through an open auction process and on substantially the same terms as were originally approved by the U.S. Bankruptcy Court in the terminated sale to CIT.

THE CONFLICTS COUNSEL RETENTIONS AND THE NINTH CONSENT

36. BCFC is a wholly-owned subsidiary of BI organized as an unlimited liability company under Nova Scotia law. BCFC issued notes in the principal amount of US$600 million pursuant to an indenture for the 7.95% Notes Due 2011 dated as of October 31, 2001 among BCFC as issuer, BI as guarantor, and the Bank of New York, as trustee (the "**BCFC Notes**"). These notes remain outstanding.

37. The Information Officer understands that BCFC may have a claim against BI pursuant to section 135 of the *Companies Act (Nova Scotia)* for BCFC's liabilities, including any amounts outstanding in connection with the BCFC Notes. In addition, BCFC may have other potential claims in connection with the use of proceeds from the issuance of the BCFC Notes.

38. The U.S. Debtors are seeking the Conflicts Counsel Retentions to avoid a potential conflict of interest with respect to these intercompany claims, including conflicts counsel for BI and BCFC and the appointment of a wholly independent officer at BCFC (the "**Independent Officer**") for purposes of investigating the intercompany claims and making recommendations to the BCFC board regarding their prosecution or settlement.

39. By the WTC Objection, the Wilmington Trust Company objects to the proposed scope of the responsibilities of the professionals sought to be retained in the Conflicts Counsel Retentions, and has requested that the terms of the retention, and scope of responsibilities, be modified. By the Aurelius Objection, Aurelius and Contrarian have requested that the

motion for Conflicts Counsel Retentions be denied. The WTC Objection and the Aurelius Objection raise similar issues with respect to the Conflicts Counsel Retention, including, *inter alia* (i) objection to the requirement that the Independent Officer report to the board of directors of BCFC; (ii) objection to the scope of the claims to be investigated by the Independent Officer; and (iii) objection to the limitations on the authority of the Independent Officer to object to the Chapter 11 Plan or to convert BCFC's Chapter 11 case to a case under Chapter 7 of the Bankruptcy Code.

40. The Ninth Consent in respect of the Bowater DIP Financing Agreement permits BI to incur certain costs, expenses and obligations in connection with the retention of professionals by BCFC, subject to certain limitations set forth therein. By the Ninth Consent Objection, Aurelius has objected to the Ninth Consent to the extent it seeks to bind BCFC, because BCFC is not an obligor under the Bowater DIP Financing Agreement.

DISCLOSURE STATEMENT AND SOLICITATION PROCEDURES MOTION

41. The Disclosure Statement and Solicitation Procedures Motion seeks, *inter alia,* (i) approval of the Disclosure Statement; (ii) approval of the form and contents of the solicitation package, voting ballots and subscription forms to be distributed to creditors of the U.S. Debtors for the purpose of voting on the Chapter 11 Plan and participating in the Rights Offering; (iii) to establish a record date for the identification of creditors who are entitled to vote on the Chapter 11 Plan, a voting deadline for receipt of ballots and an expiration date for participation in the Rights Offering; and (iv) to establish a procedure for the assumption of executory contracts and unexpired leases by the U.S. Debtors and the determination of any cure amounts payable to the counterparties to such contracts and leases. The contents of the Disclosure Statement and Solicitation Motion and the attached voting and subscription forms were developed by the U.S. Debtors in consultation with the CCAA Petitioners and the Monitor.

42. The U.S. Debtors have also sought approval in the Disclosure Statement and Solicitation Procedures Motion of the Cross-Border Voting Protocol. The Information Officer understands that the Cross-Border Voting Protocol was the subject of extensive discussions among the Cross-Border Petitioners and the Monitor.

THE WORK FEE LETTER

43. The Information Officer has been advised that the U.S. Debtors have determined the best way to seek suitable exit financing was to retain the Arrangers to provide capital structuring services. In exchange for this assistance, the U.S. Debtors have agreed to pay the Arrangers a work fee of US$1.2 million, reimburse the Arrangers' reasonable and documented fees, make an advance payment of US$300,000 with respect to those fees and provide certain indemnities.

All of which is respectfully submitted.

ERNST & YOUNG INC.
in its capacity as the Court Appointed Information Officer
of the Petitioners

Per:

Alex Morrison, CA, CIRP
Senior Vice President

Greg Adams, CA, CIRP
Senior Vice President

Martin Daigneault, CA, CIRP
Senior Vice President

APPENDIX "A"

ABITIBI PETITIONERS

1. Abitibi-Consolidated Company of Canada
2. Abitibi-Consolidated Inc.
3. 3224112 Nova Scotia Limited
4. Marketing Donohue Inc.
5. Abitibi-Consolidated Canadian Office Products Holding Inc.
6. 3834328 Canada Inc.
7. 6169678 Canada Inc.
8. 4042140 Canada Inc.
9. Donohue Recycling Inc.
10. 1508756 Ontario Inc.
11. 3217925 Nova Scotia Company
12. La Tuque Forest Products Inc.
13. Abitibi-Consolidated Nova Scotia Incorporated
14. Saguenay Forest Products Inc.
15. Terra Nova Explorations Ltd.
16. The Jonquière Pulp Company
17. The International Bridge and Terminal Company
18. Scramble Mining Ltd.
19. 9150-3383 Québec Inc.
20. Abitibi-Consolidated (U.K.) Inc.

APPENDIX "B"

BOWATER PETITIONERS

1. Bowater Canada Finance Corporation
2. Bowater Canadian Limited
3. Bowater Canadian Holdings. Inc.
4. 3231378 Nova Scotia Company
5. AbitibiBowater Canada Inc.
6. Bowater Canada Treasury Corporation
7. Bowater Canadian Forest Products Inc.
8. Bowater Shelburne Corporation
9. Bowater LaHave Corporation
10. St-Maurice River Drive Company Limited
11. Bowater Treated Wood Inc.
12. Canexel Hardboard Inc.
13. 9068-9050 Québec Inc.
14. Alliance Forest Products Inc. (2001)
15. Bowater Belledune Sawmill Inc.
16. Bowater Maritimes Inc.
17. Bowater Mitis Inc.
18. Bowater Guérette Inc.
19. Bowater Couturier Inc.

APPENDIX "C"

18.6 PETITIONERS

1. AbitibiBowater US Holding 1 Corp.
2. AbitibiBowater Inc.
3. Bowater Ventures Inc.
4. Bowater Incorporated
5. Bowater Nuway Inc.
6. Bowater Nuway Mid-States Inc.
7. Catawba Property Holdings LLC
8. Bowater Finance Company Inc.
9. Bowater South American Holdings Incorporated
10. Bowater America Inc.
11. Lake Superior Forest Products Inc.
12. Bowater Newsprint South LLC
13. Bowater Newsprint South Operations LLC
14. Bowater Finance II, LLC
15. Bowater Alabama LLC
16. Coosa Pines Golf Club Holdings, LLC