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;

Monitor

EIGHTH REPORT OF THE MONITOR
June 18, 2009

INTRODUCTION

1. On April 17, 2009, Abitibi-Consolidated Inc. ("**ACI**") and its subsidiaries listed in Appendix "A" hereto (collectively with ACI, the "**ACI Petitioners**") and Bowater Canadian Holdings Incorporated ("**BCHI**") and its subsidiaries listed in Appendix "B" hereto (collectively with BCHI, the "**Bowater Petitioners**") (the ACI Petitioners and the Bowater Petitioners are collectively referred to herein as the "**Petitioners**") filed for and obtained protection from their creditors under the Companies' Creditors Arrangement Act (the "**CCAA**" and the "**CCAA Proceedings**") pursuant to an Order of this Honourable Court (the "**Initial Order**").

2. Pursuant to the Initial Order, Ernst & Young Inc. ("**EYI**") was appointed as monitor of the Petitioners (the "**Monitor**") under the CCAA and a stay of proceedings in favour of the Petitioners was granted until May 14, 2009 (the "**Stay Period**"). On May 14, 2009, the Stay Period was extended until September 4, 2009 pursuant to an Order of this Honourable Court (the "**First Stay Period Extension Order**").

3. On April 16, 2009, AbitibiBowater Inc. ("**ABH**"), Bowater Inc. ("**BI**"), and certain of their direct and indirect U.S. and Canadian subsidiaries, including BCHI, Bowater Canadian Forest Products Inc. ("**BCFPI**") (collectively referred to herein as "**U.S. Debtors**"), filed voluntary petitions (collectively, the "**Chapter 11 Proceedings**") for relief under 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**"). On April 17, 2009, the U.S. Bankruptcy Court granted certain interim and final orders (the "**First Day Orders**") and set dates for the final hearing of the motions for which the U.S. Bankruptcy Court granted the interim orders.

4. The Petitioners are all subsidiaries of ABH (ABH, collectively with its subsidiaries, the "**ABH Group**").

5. On April 17, 2009, ABH and the petitioners listed on Appendix "C" hereto (collectively with ABH, the "**18.6 Petitioners**") obtained Orders under Section 18.6 of the CCAA in respect of voluntary proceedings initiated under Chapter 11 of the U.S. Bankruptcy Code and EYI was appointed as the information officer in respect of the 18.6 Petitioners (the "**Information Officer**").

6. On April 16, 2009, ACI and ACCC filed petitions for recognition under Chapter 15 of the U.S. Bankruptcy Code. On April 21, 2009, the U.S. Bankruptcy Court granted the recognition orders under Chapter 15 of the U.S. Bankruptcy Code.

7. On April 22, 2009, the Court amended the Initial Order to extend the stay of proceedings to the partnerships listed in Appendix "D" hereto.

BACKGROUND

8. 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. As at December 31, 2008, the ABH Group employed approximately 15,800 people, approximately 11,300 of which work in ACI's and BI's Canadian operations. The ABH Group owns interests in or operates 35 pulp and paper mills, 24 sawmills (others have been permanently closed), 5 wood products facilities and 32 recycling facilities located in Canada, the United States, the United Kingdom and South Korea.

9. Incorporated in Delaware and headquartered in Montreal, Quebec, ABH functions as a holding company and its business is conducted principally through four direct subsidiaries: BI, Bowater Newsprint South LLC ("**Newsprint South**") (BI, Newsprint South and their respective subsidiaries are collectively referred to as the "**BI Group"**), ACI (ACI and its subsidiaries are collectively referred to as the "**ACI Group**") and AbitibiBowater US Holding LLC ("**ABUSH**") (ABUSH and its respective subsidiaries are collectively referred to as the "**DCorp Group"**).

10. ACI is a direct and indirect wholly-owned subsidiary of ABH. ABH wholly owns BI which in turn, wholly owns BCHI which, in turn, indirectly owns BCFPI which carries on the main Canadian operations of BI.

11. ACCC, a wholly-owned subsidiary of ACI, and BCFPI hold the majority of ABH's Canadian assets and operations.

PURPOSE

12. The Purpose of this Eighth Report (the "Eighth Report") is to provide details with respect to the following:

   (i) the Final DIP Order (as defined herein) issued by the U.S. Bankruptcy Court on June 4, 2009; and

   (ii) certain amendments made to the BI/BCFPI DIP Agreement (as defined herein).

TERMS OF REFERENCE

13. In preparing this Eighth Report, the Monitor has been provided with and, in making comments herein, has relied upon unaudited financial information, the ABH Group's books and records, financial information and projections prepared by the ABH Group and discussions with management of the ABH Group (the "**Management**"). The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this Eighth Report. Some of the information referred to in this 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 Report was prepared by the ABH Group based on Management's estimates and assumptions. Readers are cautioned that, since these projections are based upon assumptions about future events and

conditions, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

14. Capitalized terms not defined in this Eighth Report are as defined in the previous reports of the Monitor and the Initial Order. All references to dollars are in U.S. currency unless otherwise noted.

15. Copies of all of the Monitor's Reports, in both English and French, including a copy of this Eighth Report, and all motion records and Orders in the CCAA Proceedings will be available on the Monitor's website at www.ey.com/ca/abitibibowater. The Monitor has also established a bilingual toll free telephone number that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the CCAA Proceedings.

16. Copies of all of the U.S. Bankruptcy Court's orders are posted on the website for Epiq Bankruptcy Solutions LCC (**"Epiq"**) at http://chapter11.epiqsystems.com/abitibibowater. The Monitor has included a link to Epiq's website from the Monitor's website.

THE BI/BCFPI DIP AGREEMENT

17. As set forth in the Monitor's First and Second Reports, ABH and BI (collectively, the "**U.S. Borrowers**") and BCFPI (the U.S. Borrowers and BCFPI are hereinafter referred to as the "**Borrowers**") entered into a DIP financing agreement (the "**BI/BCFPI DIP Agreement**") with Avenue Investments L.P. and Fairfax Financial Holdings Limited ("**Fairfax**") as the initial lenders, and such lenders as may be party thereto from time to time (collectively, the "**DIP Lender**"). Fairfax was also the initial administrative agent and collateral agent under the BI/BCFPI DIP Agreement, but has been replaced by Law Debenture Trust Company of New York.

18. The BI/BCFPI DIP Agreement provided for senior secured super-priority debtor-in-possession term loans of $166 million to the U.S. Borrowers (the "**U.S. Term**

Advance") and \$40 million to BCFPI (the "**Canadian Term Advance**") (with an option to increase the amount of the facility to \$360 million).

19. The Monitor has been advised that the Canadian Term Advance was made shortly after the BI/BCFPI DIP Agreement was executed on April 21, 2009.

20. On April 17, 2009, the U.S. Bankruptcy Court issued an interim order which, among other things, approved the BI/BCFPI DIP Agreement (the "**Interim DIP Order**"). On April 22, 2009, the Canadian Court issued an order recognizing the Interim DIP Order.

THE FINAL DIP ORDER

21. On June 4, 2009, the U.S. Bankruptcy Court issued a final order with respect to the BI/BCFPI DIP Agreement which, among other things, approved certain amendments as outlined below (the "**Final DIP Order**").

22. The Monitor has been advised that, pursuant to the BI/BCPFI DIP Agreement, the Borrowers must obtain a recognition order from this Court with respect to the Final DIP Order.

AMENDMENTS TO THE BI/BCFPI DIP AGREEMENT

Amendment No. 1

23. On June 5, 2009, the Borrowers and the DIP Lenders executed an agreement amending the BI/BCFPI DIP Agreement ("**Amendment No. 1**"). Amendment No. 1 was approved in the Final DIP Order and, in order for it to be effective, Amendment No. 1 requires approval from the Canadian Court (with the exception of certain non-material amendments listed in section 2(a) of Amendment No.1).

24. Amendment No.1 includes amendments to certain defined terms, including the meaning of "Base Rate" to mean the higher of (a) ½ of 1% per annum above the federal funds rate and (b) 4.5% (formerly 2.5%). The Monitor has been advised

that the Base Rate was amended to conform to the definition of LIBOR and bring it in line with market rates.

25. Amendment No. 1 also provides that the debt owed by the Calhoun Newsprint Company ("**Calhoun**") to one or more of the BI Group entities, together with any investments in Calhoun, shall not exceed $10 million. It also requires the appointment of a chief restructuring officer reasonably acceptable to the required proportion of DIP Lenders.

26. As set forth in the Sixth Report of the Monitor dated May 21, 2009, ABH and ACI intend to engage 7088418 Canada Inc. (the "**CRO Co.**") and Mr. Bruce Robertson (the "**CRO**"), the sole shareholder, President and Chief Executive Officer of CRO Co., to perform the role of Chief Restructuring Officer of each of ABH and ACI to assist the ABH Group with its restructuring process. The hearing in the U.S. Bankruptcy Court for an Order approving the engagement of the CRO is scheduled to be heard on July 1, 2009.

Amendment No. 2

27. The Monitor has been advised that the Borrowers and the DIP Lenders also intend to execute a second agreement further amending the BI/BCFPI DIP Agreement ("**Amendment No. 2**"). The Monitor has also been advised that approval of Amendment No. 2 by the U.S. Bankruptcy Court was not required; however, approval by the Canadian Court is required.

28. The Monitor has reviewed the draft of Amendment No. 2 which provides for the removal of Bowater Canada Finance Corporation ("**BCFC**") as guarantor of the BI/BCFPI DIP Agreement and also sets out certain clarifications with respect to the advances that may be made in respect of Calhoun. BCFC is a Petitioner in the CCAA Proceedings. The Monitor has been advised that BCFC will be removed as a guarantor as a result of negotiations between BCFC and the holders of bonds issued by BCFC. The Monitor has also been advised that counsel for certain of

the BCFC bondholders requested this carve-out during the hearing of the Final DIP Order.

29. The Monitor notes that Amendment No. 2 provides for the addition of a new subsection which provides that BCFC will not contract, create, assume or suffer to exist any debt, including intercompany debt, other than pre-filing intercompany debt which has previously been disclosed to the DIP Lenders.

CONCLUSION

30. The Petitioners have filed a motion for the issuance of an order from the Canadian Court approving Amendment No. 1 and Amendment No. 2 and for recognition of the Final BI DIP Order.

31. The Monitor has been advised that the terms and conditions of Amendment No.1 and Amendment No. 2 were disclosed to the U.S. Unsecured Creditors' Committee and to the other stakeholders of the BI Group.

All of which is respectfully submitted.

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

Per:

Alex Morrison, CA, CIRP
Senior Vice President

Greg Adams, CA, CIRP
Senior Vice President

John F. Barrett, CA, CIRP
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.

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

APPENDIX "D"

PARTNERSHIPS

1. Bowater Canada Finance Limited Partnership
2. Bowater Pulp and Paper Canada Holdings Limited Partnership
3. Abitibi-Consolidated Finance LP