CANADA	**SUPERIOR COURT**
PROVINCE OF QUEBEC **DISTRICT OF MONTRÉAL**	Commercial Division *Sitting as a court designated pursuant to the Companies' Creditors Arrangement Act, R.S.C., c. C-36, as amended*
No.: 500-11-036133-094	

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

THIRTY-SIXTH REPORT OF THE MONITOR

MARCH 19, 2010

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 and affiliates 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**"). Pursuant to an Order of this Honourable Court dated November 10, 2009, Abitibi-Consolidated (U.K.) Inc., a subsidiary of ACI, was added to the list of ACI Petitioners.

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**"). The Stay Period has been extended until June 18, 2010 pursuant to further Orders of this Honourable Court.

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 and 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**").

4. BCHI, Bowater Canada Finance Corporation, Bowater Canadian Limited, AbitibiBowater Canada Inc., BCFPI, Bowater LaHave Corporation and Bowater Maritimes Inc. have commenced both CCAA Proceedings and Chapter 11 Proceedings and are referred to herein collectively as the "**Cross-Border Petitioners**" and are also included in the definition of "**Petitioners**".

5. The Petitioners are all subsidiaries of ABH (ABH, collectively with its subsidiaries, are referred to as the "**ABH Group**").

6. 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 and EYI was appointed as the information officer in respect of the 18.6 Petitioners.

7. 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.

8. 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

9. ABH is one of the world's largest publicly traded pulp and paper manufacturers. It produces a wide range of newsprint and commercial printing papers, market pulp and wood products. The ABH Group owns interests in or operates pulp and paper facilities, wood products facilities and recycling facilities located in Canada, the United States, the United Kingdom and South Korea.

10. 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"**).

11. ACI is a direct and indirect wholly-owned subsidiary of ABH.

12. 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.

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

PURPOSE

14. This is the thirty-sixth report of the Monitor (the "**Thirty-Sixth Report**") in the CCAA Proceedings, the purpose of which is to report to this Honourable Court with respect to:

    (i) the Petitioners' motion for an Order authorizing the execution by ACCC and 1508756 Ontario Inc. ("**1508756**"), one of the ACI Petitioners (collectively, ACCC and 1508756 are referred to herein as the "**Vendors**"), of the agreement of purchase and sale dated March 11, 2010 (the "**APA**") between the Vendors and 0869550 B.C. Ltd. (the "**Purchaser**") and the completion of the transaction contemplated therein (the "**Proposed Transaction**");

    (ii) the Petitioners' request for the issuance of a vesting order in connection with the Proposed Transaction;

    (iii) a summary of certain significant terms in the APA;

    (iv) the Monitor's view of the Proposed Transaction; and

    (v) the Monitor's recommendation in respect of the Proposed Transaction.

TERMS OF REFERENCE

15. In preparing this Thirty-Sixth 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 and its advisers (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 Thirty-Sixth Report. Some of the information referred to in this Thirty-Sixth 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 Thirty-Sixth 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.

16. Capitalized terms not defined in this Thirty-Sixth Report are as defined in the previous reports of the Monitor, the Initial Order or the APA (as defined hereinafter). All references to dollars are in U.S. currency unless otherwise noted.

17. Copies of all of the Monitor's Reports, in both English and French, including a copy of this Thirty-Sixth 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.

18. 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.

BACKGROUND TO THE PROPOSED TRANSACTIONS

19. The Vendors owned and operated an industrial site located in Mackenzie, British Columbia consisting of sawmills, planer mills and a newsprint mill (collectively referred to herein as the "**Mackenzie Facility**"). The Mackenzie Facility was closed on November 29, 2007 due to market conditions; however the Mackenzie Facility sawmills were restarted in October, 2009 to process some on-site inventory.

20. The assets which are subject to the APA (the "**Assets**") include: (i) two sawmills, two planer mills and all of the related real property, timber concessions and forest licence, (ii) a newsprint paper mill, (iii) a steam power plant, (iv) four logging camps, (v) the real property associated with the newsprint mill, (vi) machinery and equipment associated with the operations, and (vii) certain current assets and liabilities (the "**Net Working Capital**") which consists of all inventory and supplies at the Mackenzie Facility.

21. As described above, the Assets include a 15 year renewable forest license granted by the Ministry of Forests under the authority of the *Forest Act of British Columbia* (the "**Forest Licence**"). The annual allowable cut under this Forest Licence is 932,500 m^3.

THE SALES PROCESS FOR THE MACKENZIE FACILITY

22. After the closure of the Mackenzie Facility, the Petitioners determined that the Mackenzie Facility was not part of its strategic plan and, in May 2009, ACCC commenced a formal sales process with respect to the MacKenzie Facility (the "**Sales Process**").

23. The Monitor was advised by Management of the actions and results at each stage of the Sales Process which consisted of the following steps:

    (i) the Vendors compiled a list of twelve potential purchasers based on each purchaser's likely strategic interest and previous indications of interest in acquiring the Mackenzie Facility;

    (ii) Management prepared a Confidential Information Memorandum ("**CIM**") providing detailed information with respect to the Assets;

    (iii) based on the CIM, Management prepared a summary of the opportunity to purchase the Mackenzie Facility which was sent to the twelve potential purchasers on or about June 3, 2009;

    (iv) ten of these potential purchasers signed non-disclosure agreements and were subsequently sent copies of the CIM;

(v) Management was available to answer questions as they were submitted by potential purchasers; and

(vi) parties were told to submit their offers in July 6, 2009.

24. Four of the potential purchasers submitted letters of intent ("**LOIs**") in July 2009 for some or all of the Assets. While two of these LOIs were on terms unacceptable to the Vendors, ACCC entered into discussions with the other two parties. However, the Vendors were unable to reach a commercially reasonable agreement with either of these parties.

25. Two of the potential purchasers (one of whom is the Purchaser) who were initially contacted as part of the Sales Process, but who did not initially submit a LOI, subsequently submitted offers to purchase some or all of the Assets.

26. The Purchaser's initial offer included ACCC's sawmill assets in both British Columbia and Northern Ontario; however, the sawmills in Northern Ontario were not available for sale. The Purchaser subsequently revised its offer to exclude the Ontario assets and to include the entire Mackenzie Facility.

27. The Vendors initially removed the newsprint paper mill from the Proposed Transaction to include it in a sales process with four other closed paper mills. However, due to the integrated nature of the Mackenzie Facility, the Petitioners determined that it would be difficult to sell the newsprint paper mill separately from the rest of the Mackenzie Facility. Accordingly, on February 17, 2010, the Vendors and the Purchaser agreed to adjust the purchase price to include the newsprint paper mill (with the exception of the headbox on the newsprint machine).

28. On March 11, 2010, the Vendors and the Purchaser executed the APA in respect of the Proposed Transaction, subject to the approval of this Honourable Court. A copy of the APA is attached hereto as Appendix "**E**". Due to the confidential nature of this information and the potential impact it could have on the current and any future marketing of other closed mills, the Monitor is seeking this Honourable Court's permission to seal the contents of Appendix "**E**".

SUMMARY OF CERTAIN SIGNIFICANT TERMS OF THE APA

29. The APA covers the sale and transfer all of the Vendors' right, title and interest in and to the Assets. A summary of the key financial terms of the APA is attached hereto as Appendix "**F**". Due to the confidential nature of this information and the potential impact it could have on the current and future marketing of other closed mills, the Monitor is seeking this Honourable Court's permission to seal the contents of Appendix "**F**".

30. In addition to the typical commercial terms found in an agreement of purchase and sale, the APA also includes the following significant terms:

    (i) the purchase price under the APA may be positively adjusted for an increase in the Net Working Capital (as defined in the APA) as at the closing date;

    (ii) the Purchaser will assume all environmental and silviculture liabilities with respect to the Assets and the Vendors' business at the Mackenzie Facility;

    (iii) the Purchaser will assume all post-closing liabilities under the Collective Agreement (as defined in the APA);

    (iv) Management has made certain representations and warranties which are not usual in "as is where is" purchase and sale agreements including:

        (a) no regulatory approvals are required to complete the sale of the Assets, other than the approval of this Honourable Court and the transfer of the Forest Licence;

        (b) the Vendors have good and marketable title to the real property included in the Assets; and

        (c) the Forest Licence is recorded in the records of the Ministry of Forests and Range of the Province of British Columbia in the name of ACCC and is validly subsisting;

(v) the Vendors owe approximately $910,000 in pre-filing net liabilities in respect of the Forest Licence. Management has been advised by its legal counsel that, under the laws of British Columbia, such liabilities will need to be paid or provided for to allow for the assignment of the Forest Licence to the Purchaser. The Monitor is reviewing the supporting documentation in respect of this pre-filing liability; and

(vi) the Vendors will indemnify and save the Purchaser harmless of and from, and will pay for, any damages suffered by, imposed upon or asserted against it as a result of, in respect of, connected with, or arising out of, under, or pursuant to:

(a) any breach or inaccuracy of any representation or warranty;

(b) any failure of the Vendors to perform or fulfill any of their covenants or obligations under the APA; and

(c) any liabilities specifically excluded from the APA.

31. The indemnification provisions are subject to a de minimis claim or series of claims in the maximum amount of CDN$100,000. The Vendors have no obligation to make any payment for damages for indemnification or otherwise with respect to a breach of a representation or warranty until the total of all damages with respect to such matters exceeds 2.5% of the purchase price, in which event all such damages may be claimed by the Purchaser up to a maximum of 50% of the purchase price.

MONITOR'S COMMENTS ON THE PROPOSED TRANSACTION

32. Upon reviewing the submitted bids and the summary analysis prepared by Management, the Monitor notes that the Purchaser's offer:

(i) includes the land, buildings and equipment at the Mackenzie Facility; and

(ii) does not require the Vendors to incur any environmental remediation costs.

33. The Monitor compiled a list of publicly disclosed transactions involving the acquisition of 100% interests in closed and/or idled sawmills in North America in recent years. The Monitor also inquired about any in-house transactions by ABH in recent years that involved closed and/or idled sawmills.

34. In total, six such transactions were identified, including the sale of a sawmill located in British Columbia. The purchase price offered for the Mackenzie sawmills is comparable to the average implied multiple of total enterprise value/capacity (as measured in CDN$/board feet) for these six transactions involving closed or idled sawmills.

35. The Monitor understands that the Purchaser does not intend to operate or maintain the newsprint paper mill, but intends to maintain parts of the paper mill building on account of the complexity of the on-site power generating assets that are incorporated into the building. The Monitor further understands that the Purchaser plans to dismantle and sell the paper machine assets as scrap or parts.

36. On the basis of the Monitor's recent experience in reviewing bids submitted by third parties relating to the acquisition and demolition of other paper mill assets, the Monitor is of the view that the negotiated paper mill adjustment to the original purchase price is reflective of fair market value under current market conditions for assets of this nature that are targeted for demolition.

RECOMMENDATION

37. The Monitor is of the view that the sale of the Assets forms part of the Petitioner's restructuring plan which includes reducing annual holding costs of $960,000 for closed mills and disposing of non-strategic assets such as the Mackenzie Facility.

38. In addition, the Proposed Transaction is comparable to similar transactions in the current marketplace and will provide ACCC with additional liquidity.

39. ACCC's creditors will not suffer any prejudice as a result of the Proposed Transaction and the issuance of the vesting order since the proceeds of the transaction will be remitted to the Monitor in trust and shall stand in the place and stead of the Assets. As a result, all

liens, charges and encumbrances on the Assets will attach to such proceeds with the same priority as they had with respect to the Assets immediately prior to the Proposed Transactions.

40. Based on the foregoing, the Monitor recommends that this Honourable Court grant the Petitioners' Motion for:

(i) an Order authorizing the execution by the Vendors of the APA by and between the Vendors and the Purchaser and the completion of all transactions contemplated therein; and

(ii) the issuance of a vesting order in connection with the Proposed Transaction.

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

John Barrett, CA, CIRP
Vice President

Todd Caluori, CA
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 Quebec Inc.
20. Abitibi-Consoldiated (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 Quebec 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

APPENDIX "E"

ASSET PURCHASE AGREEMENT

[TO BE FILED UNDER SEAL]

APPENDIX "F"

SIGNIFICANT FINANCIAL TERMS OF THE ASSET PURCHASE AGREEMENT

[TO BE FILED UNDER SEAL]