CANADA	**SUPERIOR COURT**
PROVINCE OF QUÉBEC **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

SIXTY-SECOND REPORT OF THE MONITOR
SEPTEMBER 28, 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, as amended on May 6, 2009 (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 the 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 subsequently extended to the date of implementation of the plan of reorganization and compromise filed by the Petitioners 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 the "**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 Abitibi-Consolidated Company of Canada (“**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 (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 and South Korea. The Petitioners’ United Kingdom subsidiary, Bridgewater Paper Company Ltd. (“**Bridgewater**”), filed for administration, pursuant to the United Kingdom’s Insolvency Act of 1986 on February 2, 2010. The UK administrator announced on May 19, 2010 that it had sold the property formerly owned by Bridgewater.

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 sixty-second report of the Monitor (the "**Sixty-Second Report**") in the CCAA Proceedings, the purpose of which is to report to this Honourable Court with respect to:

   (a) the Petitioners' request for:

      (i) an order authorizing the execution by ACCC and ACI of the Asset Purchase Agreement (the "**Asset Purchase Agreement**") by and between ACCC, as vendor (the "**Vendor**"), ACI, as intervener, and 5901058 Manitoba Ltd., as purchaser, (the "**Purchaser**") and the completion of all transactions contemplated therein (the "**Proposed Transaction**"); and

      (ii) a vesting order in connection with the Proposed Transaction (the "**Vesting Order**");

   (b) the Monitor's comments in respect of the Proposed Transaction; and

   (c) the Monitor's recommendation regarding the Proposed Transaction.

TERMS OF REFERENCE

15. In preparing this Sixty-Second 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 Sixty-Second Report. Some of the information referred to in this Sixty-Second Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future-oriented financial information referred to in this Sixty-Second 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 Sixty-Second Report are as defined in the previous reports of the Monitor and the Initial Order. All references to dollars are in U.S. currency and are translated at a rate of CDN$1.00=US$0.98 unless otherwise noted.

17. Copies of all of the Monitor's Reports, in both English and French, including a copy of this Sixty-Second Report, and all motion records and Orders in the CCAA Proceedings are 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 TRANSACTION

19. The Proposed Transaction contemplates the sale of all of the Vendor's right, title and interest in the Books and Records, Contracts, Equipment, Real Property and the Licenses (each as defined later in this Sixty-Second Report and hereinafter collectively referred to as the "**Kenora Assets**") related to the closed newsprint and paper mill located on Ninth Street North, Kenora, Ontario (the "**Kenora Paper Mill**").

20. On October 27, 2005, the Petitioners announced the permanent closure of one paper machine at the Kenora Paper Mill and on December 14, 2005, the Petitioners announced the permanent closure of the Kenora Paper Mill.

21. In January 2006, the Petitioners contracted the demolition of the Kenora Paper Mill, a project that took place over three years.

22. The Monitor has been advised by the Petitioners, that ACCC spends approximately $500,000 annually in holding costs (including property taxes and insurance) in respect of the Kenora Assets.

THE SALE PROCESS

23. On June 15, 2006, the Petitioners engaged a third party real estate agent to market the Kenora Paper Mill and the Kenora Assets for sale.

24. On October 17, 2008, prior to these CCAA Proceedings, the Petitioners received a non-binding letter of intent (the "**LOI**") from Imperial Trading Corporation (the "**ITC**"), indicating its intent to acquire the Kenora Assets for CDN$6 million. The Monitor has been advised by the Petitioners that no other offers were received for the Kenora Assets. The LOI was executed on October 23, 2008 and was later amended on December 23, 2008 and again on January 30, 2009.

25. On February 6, 2009, the Petitioners and ITC entered into a purchase and sale agreement (the "**First Purchase and Sale Agreement**"). Pursuant to the terms of the First Purchase and Sale Agreement, ITC had until September 1, 2009 to complete its due diligence and

ACCC was required to remediate the property prior to the transfer of the Kenora Assets to ITC.

26. The demolition of the Kenora Paper Mill was completed in September 2009; however the phase II environmental study required pursuant to the First Purchase and Sale Agreement was not completed until November 29, 2009 which resulted in a delay in the timing of the closing of sale of the Kenora Assets.

27. On January 3, 2010, the Vendor received a letter from ITC requesting an extension of the First Purchase & Sale Agreement.

28. On February 3, 2010, the Petitioners met with ITC in order to discuss the timing and conditions of the transaction. The negotiations resulted in an offer by the Purchaser, an affiliate of ITC, to purchase the Kenora Assets for the sum of CDN$6 million and for the Purchaser to assume all risks associated with the Kenora Assets.

29. On June 1, 2010, the Petitioners, in consultation with the Monitor, accepted the Purchaser's offer and, on September 8, 2010, the parties entered into the Asset Purchase Agreement.

THE ASSET PURCHASE AGREEMENT

30. The Asset Purchase Agreement contemplates the sale of all of the Vendor’s right, title and interest in and to the following:

    (a) copies of all books and records of the Vendor which pertain exclusively to the Kenora Assets (as described in section 1.1 of the Asset Purchase Agreement) (the “**Books and Records**”);

    (b) written or oral contracts, agreements, leases, and commitments made by or in favour of the Vendor which relate to the Kenora Assets (as listed in Schedule 1.1(g) of the Asset Purchase Agreement) (the “**Contracts**”);

    (c) tangible personal property located in, on or about the Real Property (as defined below) as at May 16, 2010, including all machinery, spare parts, equipment, tools, computers, furniture, fixtures, and furnishings owned by the Vendor (as defined in section 1.1 of the Asset Purchase Agreement) (the "**Equipment**");

(d) real property, consisting of approximately 400 acres, together with all remaining buildings, structures, and other improvements situated on the real property (as described in Schedule 1.1(v) of the Asset Purchase Agreement) (the "**Real Property**"); and

(e) permits, licenses, certificates of compliance, consents, approvals and authorizations of, or registrations with, any Governmental Authority, pertaining exclusively to the Purchased Assets (as listed in Part I of Schedule 1.1(o) of the Asset Purchase Agreement) (the "**Licenses**").

31. In addition to the typical commercial terms found in an agreement of purchase and sale, the Asset Purchase Agreement also includes the following significant terms and conditions:

(a) the Proposed Transaction will close on the tenth business day following the date on which all of the conditions in the Asset Purchase Agreement have been satisfied or waived and the Vesting Order has been obtained (the "**Closing Date**").

(b) the Purchaser has agreed to assume any and all liabilities and obligations with respect to the Kenora Assets including, without limitation, any and all liabilities of the Vendor in respect of the environmental remediation of the Real Property;

(c) the Asset Purchase Agreement excludes certain assets as described below:

(i) assets owned by third parties located on the Real Property;

(ii) a landfill site which is located approximately 10 km from the Real Property (the "**Margach Landfill**") and the access rights associated therewith;

(iii) tax refunds and credits receivable by the Vendor;

(iv) the names "Abitibi" and "Bowater" or any variations thereof, including, without limitation, the names of any predecessors of the Vendor or any Affiliate of the Vendor;

(v) all intellectual property rights owned or used by the Vendor; and

(vi) any accounts receivable.

(d) the Proposed Transaction is subject to the approval of this Honourable Court;

(e) the Asset Purchase Agreement provides for a due diligence period which expires on September 30, 2010 (the "**Inspection Period**"). If the Purchaser has not received final reports from its environmental consultants in respect of the Real Property on or prior to September 30, 2010, the Purchaser has the right to extend the Inspection Period by seventy-one (71) days, or such other period of time as the parties may mutually agree; and

(f) the Asset Purchase Agreement also includes a right of first refusal in respect of any future sale of certain real property located adjacent to the Real Property.

THE MONITOR'S VIEW

32. While the Monitor was not involved in the sales process with respect to the Kenora Assets, the Monitor is of the view that the Proposed Transaction is in the best interests of and will generally benefit stakeholders in that:

(a) the Kenora Assets are not required to continue the operations of the Petitioners after they emerge from these CCAA Proceedings;

(b) the estimated annual holding costs related to the Kenora Assets of approximately CDN$500,000 will be eliminated subsequent to the closing of the Proposed Transaction;

(c) the Petitioners' creditors will not suffer any prejudice as a result of the proposed sale of the Kenora Assets and the issuance of a Vesting Order since the proceeds of such transaction will be remitted to the Monitor in trust and shall stand in the place and stead of the Kenora Assets; and

(d) the Asset Purchase Agreement provides that the Kenora Assets are to be sold on an "as is, where is" basis, and without any representations or warranties and the Purchaser will assume all liabilities with respect to the Kenora Assets.

RECOMMENDATION

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

(a) an order authorizing the execution by ACCC and ACI of the Asset Purchase Agreement and completion of the Proposed Transaction; and

(b) the 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
Senior Vice President

Todd Caluori, CA, CBV
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

APPENDIX "D"
PARTNERSHIPS

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