

**INSTRUCTIONS FOR COMPLETING
THE FEDERAL FORM
FOR FORMER HOLDERS OF
ABITIBI-CONSOLIDATED INC.
COMMON SHARES**

**For further information, please contact us by email at
questions@abitibibowater.com or by regular mail at AbitibiBowater Canada
Inc., c/o Abitibi-Consolidated Inc., 1155 Metcalfe, Suite 800, local 877,
Montréal, Québec H3B 5H2**

**Abitibi-Consolidated Inc.
AbitibiBowater Canada Inc.**

November 6, 2007

INSTRUCTIONS FOR COMPLETING FEDERAL FORM

The instructions set out below apply to former holders of common shares of Abitibi-Consolidated Inc. (“**Abitibi**”) who exchanged such shares for exchangeable shares of AbitibiBowater Canada Inc. (formerly known as “Bowater Canada Inc.”) (“**AbitibiBowater Canada**”) as part of the combination of Abitibi with Bowater Incorporated on October 29, 2007 (the “**Exchange**”). These instructions should be read in conjunction with the joint proxy statement/prospectus/management information circular dated June 22, 2007 (the “**Circular**”) and the Tax Election Package.¹ These instructions only apply to you if (i) you are an “Eligible Shareholder” (as defined in the Tax Election Package and the Circular), (ii) you are not a partnership,² and (iii) you have properly send the Letter of Transmittal and Election Forms no later than 5 p.m. (Montréal time) on July 24, 2007 to Computershare Investors Services Inc.

These instructions are not intended to be, and should not be construed to be, legal, business or tax advice to any particular Eligible Shareholder. They do not take into account your particular circumstances and do not address consequences that may be particular to you. Neither Abitibi nor AbitibiBowater Canada will be responsible for the proper completion or filing of any election form. Neither Abitibi, AbitibiBowater Canada nor their respective advisors or agents will be responsible or liable for any taxes, interest, penalties, damages or expenses resulting from the failure by anyone to properly complete or file an election form in the manner and within the time prescribed by law. You are urged to consult your own tax advisor.

Please refer to the attached federal form T2057 (the “**Sample Federal Form**”), which has been cross-referenced with the numbered instructions below in order to help you completing the original federal form T2057³ (the “**Federal Form**”). The Federal Form must be received by AbitibiBowater Canada **no later than January 28, 2008** in accordance with the instructions set forth below; AbititbiBowater Canada will return the Federal Form to you within 90 days of receipt.

#1 Indicate:

- your name;
- your social insurance number or business number;
- your address and postal code;

¹ <http://www.abitibibowater.com/investors/investors.aspx>

² Holders of Abitibi common shares that are partnerships should refer to the Tax Election Package under the heading “Particular Circumstances - Abitibi Common Shares Are Held as Partnership Property”, on page 4.

³ The original federal form T2057 is available on the website of the Canada Revenue Agency at <http://www.cra-arc.gc.ca/E/pgb/ta/t2057/t2057-05e.pdf>.

- your taxation year that includes October 29, 2007. For most individuals, the applicable taxation year will be January 1, 2007 to December 31, 2007; and
- your Tax Services Office (this is determined by the geographical area in which you reside; please refer to the list of Canada Revenue Agency (“CRA”) Tax Services Offices and Tax Centres at Appendix A).

#2 Only complete this section if your Abitibi common shares were held in co-ownership (including joint-ownership). Please see additional requirements in that respect on page 4 of the Tax Election Package under the heading “Particular Circumstances - Where Abitibi Common Shares Are Held in Co-Ownership”.

#3 Leave these spaces blank; AbitibiBowater Canada will insert the information concerning the business number and the contact person.

#4 Only complete this section if you are filing the Federal Form after its filing due date. See page 3 of the Tax Election Package under the heading “Filing of Completed and Executed Federal Form with CRA”. **Neither Abitibi, AbitibiBowater Canada, nor their respective advisors or agents will be responsible for any penalties resulting from late-filed elections.**

#5 In response to question 6 of the Federal Form, check the “yes” box if you held your Abitibi common shares as capital property for purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”); otherwise, check the “no” box. Whether your Abitibi common shares were capital property to you is generally a question of fact which can only be determined based on a consideration of your particular circumstances.⁴ **The instructions below assume that you held your Abitibi common shares as capital property.**

#6 Respond to this question only if you checked the “yes” box described in instruction #5. In response to question 6(a) of the Federal Form, check the “yes” box if you held your Abitibi common shares on October 29, 2007 continuously since December 31, 1971 or you are deemed to have done so under the *Income Tax Application Rules* (Canada); otherwise, check the “no” box.

If you checked the “yes” box at question 6(a) of the Federal Form, please consult your tax advisor in respect of question 6(a), 7, 7(a) and 8.

If you checked the “no” box at question 6(a) of the Federal Form, check the “no” boxes for questions 7 and 8 of the Federal Form.

⁴ Generally, your Abitibi common shares will be considered to be capital property unless they were held in the course of carrying on a business of trading or dealing in securities. Please see page 157 of the Circular for other circumstances under which your shares may not be capital property.

- #7 Respond to question 6(b) only if you checked the “yes” box pursuant to instruction #5. In response to question 6(b) of the Federal Form, check the “yes” box if you acquired your Abitibi common shares after December 31, 1971 in a transaction considered not to be at “arm’s length” for the purpose of the Tax Act; otherwise, check the “no” box. Whether your Abitibi common shares were acquired in a non-arm’s length transaction is a question of fact and law. For example, one circumstance in which individuals are considered not to be dealing at arm’s length is when they are connected by blood relationship, marriage or common-law partnership, or adoption.⁵
- #8 Insert the number of exchangeable shares of AbitibiBowater Canada that you received for your Abitibi common shares, which is the amount resulting from multiplying the number of Abitibi common shares you exchanged by 0.06261, rounded down to the nearest whole number.
- #9 Insert the number of Abitibi common shares that you exchanged for AbitibiBowater Canada exchangeable shares.
- #10 Insert the fair market value (at the time of the Exchange) of the Abitibi common shares that you exchanged for AbitibiBowater Canada exchangeable shares. Generally, this should equal the fair market value of the total consideration that you received for your Abitibi common shares, as determined at instruction #15 below. The determination of fair market value is a question of fact. According to the CRA, the fair market value is the highest price, expressed in terms of money or money’s worth, obtainable in an open and unrestricted market between knowledgeable, informed and prudent parties acting at arm’s length, neither party being under any compulsion to transact.

For your information, the 20-day weighted average trading price of the Abitibi common shares traded on the Toronto Stock Exchange for the period ending on October 26, 2007 was \$2.04, the 5-day weighted average trading price for the period ending on October 26, 2007 was \$2.17 and the trading price on the close of business on October 26, 2007 was \$2.14. The opening trading price of the AbitibiBowater Canada exchangeable shares traded on the Toronto Stock Exchange on October 29, 2007 was equivalent to \$2.17 ($\34.71×0.06261) and that of the shares of AbitibiBowater Inc. common stock was equivalent to \$2.24 ($\35.75×0.06261). You should consult your tax advisor with respect to the determination of the fair market value of your Abitibi common shares exchanged on October 29, 2007. AbitibiBowater Canada will accept fair market values ranging from \$2.04 to \$2.24. Any determination of value in respect of the Abitibi common shares is not binding on the CRA. **If the number inserted in box #10 is lower or greater than the foregoing inferior and superior limits, as the case may be, your form will not be considered correct and AbitibiBowater Canada will not execute your Federal Form.**

⁵ There are several other circumstances in which persons will be considered not to deal with each other at arm’s length.

- #11 Insert the total adjusted cost base to you (*i.e.* your cost for tax purposes), immediately before the Exchange, of the Abitibi common shares that you exchanged for AbitibiBowater Canada exchangeable shares.
- #12 Insert the amount at which you elect to exchange your Abitibi common shares (the “**Agreed Amount**”) which, subject to certain limitations contained in the Tax Act and in the Circular, will be treated as the proceeds of disposition of your Abitibi common shares.

As summarized in the Circular at pages 159 and 160 under the heading “Elected Amount”, the Agreed Amount **cannot**, pursuant to the Tax Act, be:

- (a) less than the adjusted cost base to you of your Abitibi common shares immediately before the Exchange (amount inserted at box #11); or
- (b) greater than the fair market value of your Abitibi common shares at the time of the Exchange (amount inserted at box #10).

If the amount in (a) is greater than the amount in (b), the Agreed Amount will be deemed to be equal to the amount in (b). In such circumstances, you will have incurred a capital loss.

The Agreed Amount also cannot be less than the fair market value (at the time of the Exchange) of the ancillary rights received in exchange for your Abitibi Common Shares. AbitibiBowater Inc. is of the view that the ancillary rights have a nominal value and AbitibiBowater Canada will execute the Federal Forms only on that basis.⁶

If the Agreed Amount is greater or less than the permissible maximum or minimum amount under the Tax Act, the Agreed Amount is deemed under the Tax Act to be such permissible maximum or minimum amount.

- #13 Insert the difference which results from subtracting the amount at box #11 from the amount at box #12. This difference is the capital gain (if any) that you must report on your income tax return for your taxation year that includes October 29, 2007.⁷
- #14 Insert the number of exchangeable shares that you received for your Abitibi common shares. **Insert the same number as inserted at box #8.**
- #15 Insert the total fair market value (at the time of the Exchange) of the exchangeable shares of AbitibiBowater Canada and the ancillary rights that you received on the Exchange. **Insert the same number as inserted at box #10.**

⁶ This determination of value is not binding on the CRA. Please refer to page 161 of the Circular, under the heading “Call Rights”.

⁷ For a description of the tax treatment of capital gains and losses, see page 162 of the Circular under the heading “Taxation of Capital Gain or Capital Loss”.

The respective fair market values of the exchangeable shares and ancillary rights must be determined on a reasonable basis.⁸ As stated above, AbitibiBowater Inc. is of the view that the ancillary rights have a nominal value and AbitibiBowater Canada will execute the Federal Form only on that basis. For your information, each exchangeable share is exchangeable at any time on a one-for-one basis for a share of the common stock of AbitibiBowater Inc. Closing prices on the Toronto Stock Exchange for shares of AbitibiBowater Inc. common stock are available on AbitibiBowater Inc.'s website at <http://www.abitibibowater.com/investors/investors.aspx>

- #16 You (or your authorized representative if you are not an individual) should sign on this line and add a telephone number at which you can be reached. **By signing on this line, you are (i) representing to AbitibiBowater Canada that you are an Eligible Shareholder and (ii) certifying that the information given in the Federal Form and the documents attached thereto is, to the best of your knowledge, correct and complete.**

AbitibiBowater Canada will assume that any representative signing the Federal Form (and any other relevant provincial or territorial forms) on behalf of a corporation, trust or estate has been duly authorized to do so, and will not take any action to verify the validity of any such authorization. **If you are signing on behalf of an Abitibi shareholder, attach a copy of the authorizing agreement.**

- #17 Leave this line blank; an authorized officer of AbitibiBowater Canada will sign on this line if the Federal Form appears correct and complete **and was received by AbitibiBowater Canada no later than January 28, 2008.**
- #18 Leave this line blank; AbitibiBowater Canada will fill in the date when AbitibiBowater Canada executes your Federal Form.

⁸ Any determination of value in respect of the ancillary rights and the exchangeable shares of AbitibiBowater Canada is not binding on the CRA.

SAMPLE FEDERAL FORM - DO NOT USE



Canada Revenue Agency

Agence du revenu du Canada

ELECTION ON DISPOSITION OF PROPERTY BY A TAXPAYER TO A TAXABLE CANADIAN CORPORATION

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- For use by a taxpayer and a taxable Canadian corporation to jointly elect under subsection 85(1) where the taxpayer has disposed of eligible property within the meaning of subsection 85(1.1) to the corporation and has received as consideration shares of any class in that corporation.
- File one completed copy of the election and related schedules (if any) as follows:
 - a) one copy by the transferor, or
 - b) two or more copies if two or more transferors elect regarding the transfer of the same property (co-ownership), or two or more members of the same partnership elect for the transfer of their partnership interests. In these situations, one transferor designated for the purpose should file simultaneously one copy for each transferor, together with a list of all transferors electing. This list should contain the address and Social insurance number or Business Number of each transferor;
 - on or before the earlier date on which any one of the parties to the election is required to file an income tax return for the taxation year in which the transaction occurred, taking into consideration any election under subsection 99(2) (due date);
 - at the tax centre where the transferor's income tax return is normally filed. Where two or more co-owners or members of a partnership referred to above elect, the elections will be processed in bulk and should be filed at the tax centre of the transferee; and
 - separate from any tax returns. You may put it in the same envelope with a return, but do not insert it in or attach it to the return.

Do not use this area

Sections and subsections referred to on this form are from the *Income Tax Act*.

Name of taxpayer (transferor) (print)				Social insurance number or Business Number				#1
Address				Postal code				
Taxation year of taxpayer for the period from	Year	Month	Day	to	Year	Month	Day	Tax services office

Name of co-owner(s), if any (if more than one, attach schedule giving similar details) (print)			Social insurance number			#2
Address			Postal code			Tax services office

Name of corporation (transferee) (print) AbitibiBowater Canada Inc.				Business Number #3 Leave Blank				
Address c/o Abitibi-Consolidated Inc., 1155 Metcalfe, Suite 800, Local 877, Montréal, Québec				Postal code H3B 5H2				
Taxation year of corporation for the period from	Year	Month	Day	to	Year	Month	Day	Tax services office Toronto
Name of person to contact for additional information #3 Leave Blank				Area code #3 Leave Blank		Telephone number		

Penalty for late-filed and amended elections

An election that is filed after its due date is subject to a late-filing penalty. Form T2057 can be filed within 3 years after its due date if an estimate of the penalty is paid at the time of filing. Form T2057 can also be amended or filed after the 3-year period, but in these situations, a written explanation of the reason for why the election is amended or late-filed must be attached for consideration by the Minister and an estimate of the applicable penalty must be paid at the time of submission.

Calculation of late-filing penalty:

Fair market value of property transferred	_____	
Less: agreed amount	_____	
Difference	_____	A
Amount A _____ x 1/4 x 1% x N*	= _____	B
\$100 x N*	= _____	C

*N represents the sum of each month or each part of a month in the period from the due date to the actual filing date. Amount C cannot exceed \$8,000.

Late-filing penalty is the lesser of B and C above _____

Make cheque or money order payable to the Receiver General. Specify "T2057" on the remittance and, to ensure proper credit, indicate the name and social insurance number of the taxpayer, or Business Number if a corporation.

Unpaid amounts including late-filing penalties are subject to daily compound interest, at a prescribed rate.

Do not use this area

Amount enclosed _____

Information required

On the following page, list, describe, and state the fair market value of transferred properties. The description and fair market value of the consideration received has to be shown opposite the related property transferred. Where the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base. If space on the form is insufficient, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. With this election you do not have to file the following materials: schedules supporting this designation, documentation relating to the responses to the questions below, and a brief summary of the method of evaluating the fair market value of each property transferred. However you have to keep them as the Canada Revenue Agency may ask to see them at a later date.

- 1 - Is there a written agreement relating to this transfer? yes no
- 2 - Does a price adjustment clause apply to any of the properties? (See the Interpretation Bulletin IT-169 for details.) yes no
- 3 - Do any persons other than the taxpayer own or control directly or indirectly any shares of any class of the transferee? yes no
- 4 - Does a non-arm's length rollover exist between 2 or more corporations? yes no N/A
 - a) Have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the transferee corporation? yes no N/A
- 5 - Is the taxpayer a non-resident of Canada? yes no
- 6 - Are any of the properties transferred capital properties? yes no #5
 - If yes,
 - a) have they been owned continuously since Valuation-Day (V-Day)? yes no #6
 - b) have they been acquired after V-Day in a transaction considered not to be at arm's length? yes no
 - c) since V-Day, has the taxpayer or any person from whom shares were acquired in a non-arm's length transaction received any subsection 83(1) dividends for transferred shares? (If yes, provide details of amounts and dates received and attach a schedule.) yes no #7
- 7 - Is the agreed amount of any of the transferred properties based on an estimate of fair market value on V-Day? yes no #6
 - a) If yes, does a formal documented V-Day value report exist? yes no #6
- 8 - Has an election under subsection 26(7) of the *Income Tax Application Rules* (Form T2076) been filed by or on behalf of the taxpayer? yes no #6

Where shares of the capital stock of a private corporation are included in the property disposed of, provide the following:

Name of corporation (print)	Business Number	Paid-up capital of shares transferred
N/A	N/A	N/A

Description of shares received

Number of shares transferor received	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares retractable? *
#8	Exchangeable	Value of one share of Common Stock of AB**	Determined under 85(2.1) ITA	Non-Voting	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no

* Retractable means redeemable at the option of the holder. **AB means AbitibiBowater Inc.

Informative notes

- The rules for section 85 elections are complex. Essential information is contained in Information Circular, IC76-19 and Interpretation Bulletins, IT-169, IT-291, and IT-378.
- Complete all the information areas and answer all questions. If this form is incomplete, the Canada Revenue Agency may consider the election invalid, and subsequent submissions may be subject to a late-filing penalty.
- If the agreed amount exceeds the adjusted cost base of the property in the election, you must report the difference as a capital gain, as income or a combination of both, whichever applies.

Particulars of Eligible Property Disposed of and Consideration Received									
Date of sale or transfer of all properties listed below:	Year	Month	Day	Note: For properties sold or transferred on different dates, use separate T2057s.					
	2007	10	29						
	Property Disposed of				Agreed Amount B	Amount to be reported B - A (if > 0 see Note 4)	Consideration Received		
	Description	Elected Amount Limits*		Description			Non-share	Share	Fair Market Value of Total Consideration
		Fair Market Value	A				Number and Class		
Capital Property Excluding Depreciable Property	(Brief legal)	\$	\$ (See Note 1)	\$	\$		#14	\$	
	* common shares of Abitibi-Consolidated Inc.	#10	#11	#12	#13	Ancillary rights connected to	* exchangeable shares of	#15	
	#9					exchangeable shares	AbitibiBowater Canada Inc.		
Depreciable Property	(Description and prescribed Class)		(See Note 2)						
Eligible Capital Property	(Kind)		(See Note 3)						
Inventory Excluding Real Property	(Kind)		(Cost Amount)						
Resource Property	(Brief legal)		NIL						
			NIL						
Security or Debt Obligation Property	(Description)		(Cost Amount)						
Specified Debt Obligation (For financial institutions only)									
Capital Property That is Real Property Owned by a Non-Resident Person									
NISA Fund No. 2									

Note 1: Adjusted cost base (which is subject to adjustment per section 53).

Note 2: The lesser of undepreciated capital cost of all property of the class and the cost of the property.

Note 3: The lesser of 4/3 x cumulative eligible capital and the cost of the property. (New rules will apply on subsequent dispositions of eligible capital property occurring after December 20, 2002).

Note 4: This amount is to be reported either as a capital gain or as income, whichever applies. Also, in the case of depreciable property or eligible capital property, a portion of the amount may have to be reported as a capital gain while another portion may have to be reported as income.

*Refer to current Interpretation Bulletin IT-291 for more information on eligible property and an explanation of the limits.

Election and Certification

The taxpayer and corporation hereby jointly elect under subsection 85(1) in respect of the property specified, and certify that the information given in this election, and in any documents attached, is to the best of their knowledge, correct and complete.

#16

Signature of Transferor, of Authorized Officer or Authorized Person*

and

#17

Leave blank

Signature of Authorized Officer of Transferee

#18

Leave blank

Date

* Attach a copy of authorizing agreement

APPENDIX A

LIST OF CANADA REVENUE AGENCY TAX SERVICES OFFICES AND TAX CENTRES

Tax Services Offices	Tax Centre
British Columbia, Yukon Territory, and Regina	Surrey Tax Centre 9755 King George Highway Surrey BC V3T 5E1 1-888-738-7718
Alberta, Manitoba, Northwest Territories, London, Saskatoon, Thunder Bay, and Windsor	Winnipeg Tax Centre 66 Stapon road Winnipeg MB R3C 3M2 1-800-724-0790
Toronto Centre, Toronto East, Toronto North, Toronto West, and Sudbury (Sudbury/Nickel Belt only ¹)	Sudbury Tax Centre 1050 Notre-Dame Avenue Sudbury ON P3A 5C1 1-800-998-7739
Laval, Montréal, Nunavut, Ottawa, Rouyn-Noranda, Sherbrooke, and Sudbury (North-Eastern Ontario only ²)	Shawinigan-Sud Tax Centre PO Box 3000 Stn Main Shawinigan QC G9N 7S6 1-800-959-7405
Chicoutimi, Montérégie-Rive-Sud, Outaouais, Québec, Rimouski, and Trois-Rivières	Jonquière Tax Centre 2251 René Lévesque Blvd. Jonquière QC G7S 5J1 1-888-699-0735 (ext. 2000)
New Brunswick, Newfoundland and Labrador, Nova Scotia, Kingston, Peterborough, and St-Catharines	St. John's Tax Centre 290 Empire Avenue St. John's NL A1B 3Z1 1-888-832-1728
Prince Edward Island, Belleville, Hamilton, and Kitchener/Waterloo	Summerside Tax Centre 275 Pope Road Summerside PE C1N 6A2 1-877-427-1321

¹ Sudbury/Nickel Belt areas includes all postal codes beginning with P3A, P3B, P3C, P3E, P3G, P3L, P3N, P3P, P3Y, and all postal codes beginning with P0M and ending with 1A0, 1B0, 1E0, 1H0, 1J0, 1K0, 1L0, 1M0, 1N0, 1P0, 1R0, 1S0, 1T0, 1V0, 1W0, 1Y0, 2C0, 2E0, 2M0, 2R0, 2S0, 2X0, 2Y0, 3A0, 3B0, 3C0, 3E0, and 3H0.

² North-Eastern Ontario includes all areas outside of Sudbury/Nickel Belt that are served by the Sudbury Tax Services Office.

Please properly complete, sign and send

⇒ **two (2) Federal Forms**

⇒ **two (2) copies of any relevant provincial or territorial forms**

⇒ **any other required documents**

so that they are received by AbitibiBowater Canada

no later than January 28, 2008

at

**AbitibiBowater Canada Inc.
c/o Abitibi-Consolidated Inc.
1155 Metcalfe, Suite 800, Local 877
Montréal, Québec H3B 5H2**