

**QUÉBEC SUPPLEMENT**

**INSTRUCTIONS  
FOR COMPLETING  
THE QUÉBEC FORM**

**FOR FORMER HOLDERS OF  
ABITIBI-CONSOLIDATED INC.  
COMMON SHARES**

**For further information, please contact us by e-mail 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

## QUÉBEC SUPPLEMENT - INSTRUCTIONS FOR COMPLETING QUÉBEC FORM

This supplement to the Instructions for Completing Federal Form is addressed to a former holder of common shares of Abitibi-Consolidated Inc. (“**Abitibi**”) who is subject to the *Taxation Act* (Québec) and files a Federal Form (as defined in the Instructions for Completing Federal Form). Such a holder must file a separate joint election for Québec tax purposes.

Unless otherwise defined herein, capitalized terms have the same meaning as those ascribed to them in the Instructions for Completing Federal Form.

These instructions apply to you only if (i) you are an Eligible Québec Shareholder (as defined in the Tax Election Package – Québec Supplement and the Circular), (ii) you are not a partnership, 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 Québec 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 Inc. 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 form TP-518 (the “**Sample Québec Form**”) which has been cross-referenced with the numbered instructions below in order to help you completing the original Québec form TP-518<sup>1</sup> (the “**Québec Form**”). Please note that the Québec Form must be received by AbitibiBowater Canada **no later than January 28, 2008** in accordance with the instructions set forth below. AbitibiBowater Canada will return the Québec Form to you within 90 days of receipt.

#1Q Indicate:

- your name;
- your social insurance number or Québec enterprise number (NEQ);
- your address and postal code;
- your taxation year that includes October 29, 2007. For most individuals, the applicable taxation year will be January 1, 2007 to December 31, 2007.

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

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<sup>1</sup> The original Québec form TP-518 is available on the website of the ministère du Revenu du Québec at [http://www.revenu.gouv.qc.ca/documents/eng/formulaires/tp/tp-518-v\(2005-10\).pdf](http://www.revenu.gouv.qc.ca/documents/eng/formulaires/tp/tp-518-v(2005-10).pdf).

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

#5Q Page 2 of the Québec Form is irrelevant to you – leave these spaces blank.

#8Q through #15Q (except #11Q and #13Q)

Insert the same numbers inserted at #8 through #15 (except #11 and #13) of the Federal Form at the corresponding numbered instructions on the Québec Form. If the numbers inserted at #8Q through #15Q (except #11Q and #13Q) of the Québec Form are not the same as the numbers inserted at #8 through #15 (except #11 and #13) of the Federal Form, your Federal Form and Québec Form will not be considered correct and AbitibiBowater Canada will neither execute your Federal Form nor your Québec Form.

#11Q Insert the total adjusted cost base to you (*i.e.* your cost for Québec income tax purposes), immediately before the Exchange, of the Abitibi common shares that you exchanged for exchangeable shares of AbitibiBowater Canada. Your adjusted cost base of the Abitibi common shares for Québec income tax purposes should generally be equal to your adjusted cost base for the purpose of the Tax Act (number inserted at #11 of the Federal Form).

#13Q Insert the difference which results from subtracting the amount at #11Q from the amount at #12Q. This difference is the capital gain (if any) that you must report on your Québec income tax return for your taxation year that includes October 29, 2007.

#16Q You (or your authorized representative if you are not an individual) should sign on this line and insert your telephone number. **By signing on this line, you are (i) representing to AbitibiBowater Canada that you are an Eligible Québec Shareholder and (ii) certifying that the information given in the Québec Form and the documents attached thereto is accurate and complete.** AbitibiBowater Canada will assume that any representative signing the Québec Form 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.**

#17Q Leave these lines blank; an authorized officer of AbitibiBowater Canada will sign and complete the required information if the Québec Form and the Federal Form appear correct and complete, **and were received by AbitibiBowater Canada no later than January 28, 2008.**

#18Q Leave this line blank; AbitibiBowater Canada will fill in the date when AbitibiBowater Canada executes your Québec Form.

## Transfer of Property by a Taxpayer to a Taxable Canadian Corporation

This form is to be used by a taxpayer and by a corporation to which the taxpayer has transferred property for consideration that includes a share of the capital stock of the corporation, where an election respecting the transfer has been filed with the Canada Revenue Agency (CRA) pursuant to subsection 85(1) of the *Income Tax Act* (ITA).

This form must also be completed in order to submit, as applicable,

- a **rollover application**, even if, pursuant to subsection 13(21.2) of the ITA, no election may be made where the taxpayer sustains a capital loss on the transfer;
- an **application to the Minister** to amend a TP-518-V form previously filed with respect to the transfer, in order to agree on an amount (if this has not already been done), to be deemed to have never agreed on an amount, or to agree on a new amount.

In this form, "transferor" refers to the taxpayer and "corporation" refers to a taxable Canadian corporation. Where appropriate, the term "parties" may be used to designate both the transferor and the corporation. "Transfer year" refers to the taxation year of the transferor or the taxation year of the corporation in which the transfer took place.

The following documents must be submitted along with a duly completed copy of this form:

- a copy of form T2057 and any other document filed with the CRA (unless you are submitting a rollover application or an application to the Minister and form T2057 has already been filed); and,
- where the property transferred is an interest in a partnership, a document listing the names and addresses of all the members of the partnership, as

well as their Québec enterprise numbers (NEQ), and their social insurance numbers, registration numbers or identification numbers, depending on whether the partners are individuals, corporations, trusts or partnerships. Provide the same information for all the members of a partnership that is itself a member of a partnership.

Where two or more transferors dispose of property held in co-ownership, or where two or more members of the same partnership dispose of their interests in the partnership, only one of the transferors, designated by the others, is required to file this form on behalf of each of the other transferors and attach the above-mentioned documents.

Send the form and document (or documents), separately from any income tax return, to the office of Revenu Québec where the transferor normally files returns. Send the form and document (or documents) by the later of the following dates:

- the earliest date by which one of the parties that made the election respecting the transfer is required to file an income tax return for the taxation year in which the transfer took place; or
- the date of the last day of the two-month period following the end of the taxation year that, of the taxation years of the parties that made the election, ends the latest.

Applications to the Minister, however, must be submitted within three years following the day on which the late-filing penalty begins to accrue, or within a longer period, as permitted by the Minister.

Payment of the prescribed penalty must be enclosed if Revenu Québec receives this form (or any required document) after the prescribed deadline.

### 1 Identification

Name or firm name of transferor		Québec enterprise number (NEQ)	
1		2	
Address		Social insurance number (or identification and file numbers)	
4		3	
Postal code		6	transfer year from
5			to

#1Q

Name of corporation		Québec enterprise number (NEQ)	
10	AbitibiBowater Canada Inc.	12	
Address		Identification and file numbers	
14	c/o Abitibi-Consolidated Inc.	13	
1155 Metcalfe, Suite 800, Local 877, Montréal, Québec		16	transfer year from
Postal code			to
15	H, 3, B, 5, H, 2		

Name of contact person		Area code	Telephone
20	#3Q Leave blank		

**2 Conditions**

**#5Q** Leave blank

The conditions below must be met if the parties wish to agree on an amount that differs from the amount indicated in the T2057 election form filed with the CRA, or if they wish to submit a rollover application or an application to the Minister.

1. Where, with respect to one of the transferred properties, there is a difference between the agreed amount indicated on this form and the agreed amount indicated on form T2057, the difference is entirely (or almost entirely) attributable to the difference between the cost amount of the property used to calculate Québec income tax and the cost amount used to calculate federal income tax.

If this is not the case, explain the difference:<sup>1</sup> \_\_\_\_\_

\_\_\_\_\_

- 2. (a) The parties carried on at least 90% of their business in Québec in the taxation year in which the transfer took place.
- (b) If one of the parties is an individual, he or she was resident in Québec on the last day of the transfer year.

If conditions (a) and (b) are met, go to Part 3. If not, go to condition 3 below.

- 3. (a) The transferor is subject to Québec income tax in the transfer year.
- (b) Each of the parties carried on a business for at least 24 months before the transfer year. If not, go to conditions 4 and 6.
- (c) In the years referred to in subparagraph (a), (b) or (c) of the second paragraph of section 522.1 of the *Taxation Act*,<sup>2</sup> the proportion of business carried on in Québec by the parties is equal; if there is a difference, it is
  - no more than 10%. Enter the relevant years below and go to Part 3:  
 from \_\_\_\_\_ to \_\_\_\_\_, for the transferor  
 from \_\_\_\_\_ to \_\_\_\_\_, for the corporation
  - more than 10%, but does not exceed 25% (provided the Minister of Revenue approves the difference). Go to conditions 4 and 5.

- 4. (a) It is reasonable to believe that, in the 18 months following the transfer, the property will not be subject to a voluntary disposition that would result in the avoidance of income tax payable in Québec or in another province by one of the parties, by a third party replacing one of the parties, or by a member of such a third party.
- (b) Each party will carry on a business for at least 18 months following the transfer year.<sup>3</sup>

5. In the years referred to in subparagraph (d) or (e) of the second paragraph of section 522.1 of the *Taxation Act*,<sup>2</sup> the difference in the proportion of business carried on in Québec by each of the parties is more than 10%, but does not exceed 25%. Enter the relevant years below and go to Part 3:

from \_\_\_\_\_ to \_\_\_\_\_, for the transferor

from \_\_\_\_\_ to \_\_\_\_\_, for the corporation

- 6. (a) In the years referred to in subparagraph (b) of the second paragraph of section 522.1 of the *Taxation Act*,<sup>2</sup> the difference in the proportion of business carried on in Québec by the parties is
  - no more than 10%. Enter the relevant years below:  
 from \_\_\_\_\_ to \_\_\_\_\_, for the transferor  
 from \_\_\_\_\_ to \_\_\_\_\_, for the corporation
  - more than 10%, but does not exceed 25% (provided the Minister of Revenue approves the difference). Enter the relevant years below:  
 from \_\_\_\_\_ to \_\_\_\_\_, for the transferor  
 from \_\_\_\_\_ to \_\_\_\_\_, for the corporation
- (b) In the years referred to in subparagraph (a), (d) or (e) of the same paragraph,<sup>2</sup> the difference in the proportion of business carried on in Québec by the parties is no more than 10%. Enter the relevant years below and go to Part 3.  
 from \_\_\_\_\_ to \_\_\_\_\_, for the transferor  
 from \_\_\_\_\_ to \_\_\_\_\_, for the corporation

1. This reason must be deemed acceptable in the circumstances by the Minister of Revenue.

2. Taxation years referred to in subparagraphs (a) through (e) of the second paragraph of section 522.1 of the *Taxation Act*:

- Subparagraph (a) – For the transferor and the corporation, the transfer years. These years take precedence over the years referred to in the other subparagraphs.
- Subparagraph (b) – Any taxation year of the transferor and the corporation that ends **in the same calendar year** and that is, for the transferor and the corporation, a taxation year ending in the 24 months preceding the transfer year, or the transfer year itself.
- Subparagraph (c)
  - For one of the parties (“party F”), a taxation year ending both in a particular calendar year (“calendar year G”) and in the 24 months preceding the transfer year, provided none of the other party’s taxation years ending in the period referred to in subparagraph (b) ends in calendar year G.
  - For the other party, a taxation year ending both in the same calendar year and in the same period referred to in subparagraph (b) as a taxation year of party F, provided it is closer to calendar year G.
- Subparagraph (d) – Any taxation year of the transferor and the corporation that ends **in the same calendar year** and that is, for the transferor and the corporation, a taxation year beginning in the 18 months following the transfer year, or the transfer year itself.
- Subparagraph (e)
  - For one of the parties (“party H”), a taxation year beginning both in a particular calendar year (“calendar year I”) and in the 18 months following the transfer year, provided none of the other party’s taxation years ending in the period referred to in subparagraph (b) ends in calendar year I.
  - For the other party, a taxation year that ends both in the same calendar year and in the same period referred to in subparagraph (b) as a taxation year of party H, provided it is closer to calendar year I.

3. Unless otherwise authorized by the Minister of Revenue.

**SAMPLE QUEBEC FORM - DO NOT USE**

**3 Particulars of the property transferred and the consideration received**

If a number of depreciable properties or a number of incorporeal capital properties were transferred at the same time, enter them in the order of disposition assigned by the transferor.

Unless otherwise indicated, it is not necessary to provide documents to support the assigned order of disposition, the information provided in this section or the method used to evaluate each property transferred. However, you must keep such documents and be able to provide them to Revenu Québec on request.

List and describe each property transferred. Enter the fair market value (FMV) of the property and the FMV of the consideration received as calculated on the date of transfer. If space is insufficient, attach a separate sheet showing the same information.

Date of transfer of the property indicated below: <b>2 0 0 7 1 0 2 9</b> Use a separate form for any property that was transferred on a different date.								
	Description of property	Limits respecting the agreed amount			Description of the consideration received		D Agreed amount (see note 4)	Col. D - col. B (see note 5) If the result is negative, enter 0.
		A FMV of the property	B (see note 1)	C FMV of the consideration received	Other than shares	Name and class of shares		
Capital property other than depreciable property	(brief description) * common shares		(see note 1)		Ancillary rights connected to	*		0.00
	of Abitibi-Consolidated Inc.				exchangeable shares	exchangeables	#13Q	0.00
	#9Q	#10Q	#11Q	#15Q		of Abitibi-Bowater Canada Inc	#12Q	0.00
Depreciable property	(description and prescribed class)		(see note 2)			#14Q		0.00
								0.00
								0.00
Incorporeal capital property	(type)		(see note 3)					0.00
								0.00
								0.00
Inventory	(type)		(cost amount)					0.00
								0.00
								0.00
Resource property	(brief description)		N/A					0.00
			N/A					0.00
Securities or debt obligations	(brief description)	(cost amount)						0.00
								0.00
Other (note 6)	(brief description)							0.00
								0.00

**Description of shares received**

Number of shares received by transferor	Class of shares	Cash surrender value per share (\$)	Tax value of paid-up capital per share (\$)	Are the shares voting shares?		Are the shares puttable?	
				Yes	No	Yes	No
#8Q	Exchangeable	Value of one share of common stock of AbitibiBowater Inc.	As determined under 85(2.1) ITA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. Enter the adjusted cost base (ACB), which is subject to adjustments under sections 255 and 257 of the *Taxation Act*.
2. Enter the capital cost of the property or the UCC of all property in the class immediately before the transfer, whichever is lower.
3. Enter the cost of the property in respect of a business or 4/3 of the eligible incorporeal capital amount in respect of the same business immediately before the transfer, whichever is lower.
4. As a rule, the agreed amount must be the amount entered on form T2057. Otherwise, the parties must meet the conditions in Part 2, in which case the agreed amount must be calculated as follows:
  - It must be equal to or greater than the lower of the amounts in columns A and B (this limit does not apply to resource property). It must also be equal to or greater than the amount in column C, unless the consideration received consists of shares of the corporation, or a right to receive such shares.
  - It must not exceed the amount in column A.
5. The transferor must report any amount in this column as a capital gain or as income, depending on the type of property. For example, if the UCC of the class of a depreciable property results in a negative amount, this amount must be reported as income. With respect to incorporeal capital property held in the course of carrying on a business, the negative balance of the eligible incorporeal capital amount of this business must also be reported as income.
6. The property may be capital property that is an immovable held by a non-resident, or a NISA fund No. 2.

# SAMPLE QUEBEC FORM - DO NOT USE

In the case of a rollover application, provide the information below:

- Is there a written agreement respecting the transfer? (If so, enclose it with this form.) .....  Yes  No
- Does a price adjustment clause apply to any of the property transferred? .....  Yes  No
- Enter the undepreciated capital cost (UCC) of the property: ..... N/A

Complete the lines below if the property transferred included shares of the capital stock of a private corporation.

N/A	N/A	N/A
Name of corporation	Name of corporation	Name of corporation
N/A	N/A	N/A
Quebec enterprise number (NEQ)	Identification and file numbers	Paid-up capital of shares transferred

If one of the properties transferred is an interest in a partnership, attach the calculation of the adjusted cost base of the interest.

## 4 Penalty (for late filing or an application to the Minister) #4Q

If a number of penalties result from this transfer, only the highest penalty must be paid.			
FMV of the property transferred			30
Agreed amount in respect of the property	-		31
Subtract line 31 from line 30.	=	<b>0.00</b>	32
	X	<b>0.25%</b>	33
Multiply line 32 by 0.25%.	=	<b>0.00</b>	34
Number of months**	X		35
Multiply line 34 by the number entered on line 35.	=	<b>0.00</b>	36
Number of months entered on line 35 x <b>\$100</b>	▶	<b>0.00</b>	37
Enter the amount on line 36, the amount on line 37 or \$5,000, whichever is lowest.	<b>Penalty</b>	<b>0.00</b>	38

\*\*Number of months or parts of a month between the prescribed filing deadline and the date on which all of the required documents are filed with Revenu Québec (or, in the case of an application to the Minister, the date on which this form is filed).

## 5 Certification

We, the transferor and the above-mentioned corporation, are filing this form for one of the following reasons:

We have made a valid election under subsection 85(1) of the *Income Tax Act* (R.S.C. (1985), c. 1, 5th Supp.) with respect to the property described above.

We are filing an application to the Minister under the third paragraph of section 522 of the *Taxation Act* with respect to the property described above.

We are submitting a rollover application even though no election may be made under subsection 85(1) of the *Income Tax Act* by reason of subsection 13(21.2) of that Act.

We certify that the information given in this form and in any attached documents is accurate and complete.

<span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">#16Q</span> _____ Signature of transferor or authorized signee***	and <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">#17Q</span> LEAVE BLANK _____ Signature of authorized signee for the corporation***	<span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">#18Q</span> LEAVE BLANK _____ Date
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\*\*\* Attach a copy of the authorization.

**Do not use this area.**

Date de réception	Autorisation	Montant faisant l'objet d'une pénalité	Pénalité	Versement	Total

**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**