

## **FIBREK'S BOARD REJECTS UNSOLICITED INSIDER BID BY ABITIBIBOWATER AND TAKES ADDITIONAL MEASURES TO ENSURE SHAREHOLDERS ARE TREATED FAIRLY**

MONTREAL, DECEMBER 19, 2011 — Fibrek Inc. ("Fibrek" or the "Company") announced today that its Board of Directors (the "Board") has unanimously REJECTED the unsolicited insider bid (the "Insider Bid") of AbitibiBowater Inc. (carrying on business as Resolute Forest Products) ("Abitibi") for all issued and outstanding common shares of the Company.

In response to the Insider Bid, the Board has taken several steps to ensure that the interests of its shareholders and other stakeholders are fully protected and that they are treated fairly. The Board has:

1. Sought an opinion as to the fairness of the Insider Bid from its financial advisor, TD Securities, who concluded that the Insider Bid was inadequate from a financial point of view to Fibrek's shareholders, as more fully set out below;
2. Unanimously rejected the Insider Bid;
3. Adopted a shareholder rights plan;
4. Appointed an independent committee for the purpose of retaining an independent valuator and supervising the preparation of a formal valuation of Fibrek's common shares; and
5. Undertook a review of strategic alternatives.

"We have concerns with Abitibi's unsolicited insider bid, which does not provide our shareholders with the benefit of a formal valuation by an independent valuator. A formal valuation would provide shareholders with a clear value range for the common shares of Fibrek. Abitibi is unfortunately relying on a technical exemption from the legal requirement to obtain such a valuation on the basis, as they claim, that they do not have material information concerning Fibrek's business," stated Hubert T. Lacroix, Chairman of the Board of Fibrek.

Pierre Gabriel Côté, President and Chief Executive Officer of Fibrek, added: "Our shareholders should consider the following facts in assessing whether or not Abitibi has access to material information:

- Abitibi has extensive operational knowledge of our Saint-Félicien Mill having built, owned and operated it in the past;
- Abitibi is Fibrek's largest wood chip supplier, the cost of such wood chips representing about 50% of our overall costs on an annual basis. Fibrek has been successful in securing wood chip supplies at competitive prices despite Abitibi's repudiation of our 20-year wood chip supply contract caused by Abitibi's decision to restructure itself financially in 2009; and
- Fairfax Financial Holdings Limited ("Fairfax") is the largest shareholder of both Abitibi and Fibrek. Fairfax holds Abitibi common shares representing approximately 18% of the voting rights attached to outstanding securities of Abitibi, an investment of more than \$250 million, and holds Fibrek common shares representing approximately 26% of the voting rights attached to outstanding securities of Fibrek, an investment of approximately \$33 million."

"We want our shareholders to be treated fairly. Consequently, we have established an independent committee that will retain an independent valuator to carry out a formal valuation of Fibrek's common shares. With the

valuation in hand, our shareholders will be able to make an informed decision. We strongly advise our shareholders NOT TO TENDER their shares to the insider bid and NOT to take any action before the formal valuation is completed and publicly disclosed," said Mr. Lacroix.

"Shareholders are also reminded that our strategic alternatives review process is underway and we will continue during the Holiday Season to pursue options to seek to maximize full value for shareholders and other stakeholders. We refuse to allow Fibrek shareholders to be pressured into selling their shares at a price that does not reflect the full value of our assets and growth prospects.

"As a result, we have also adopted a shareholder rights plan in order to provide the independent committee with the time it needs to carry out the formal valuation process, and for the Board to explore and identify alternatives that fully leverage Fibrek's potential," concluded Mr. Lacroix.

### **Inadequacy Opinion by TD Securities**

The Board has received an opinion from its financial advisor, TD Securities, that the consideration offered to shareholders of Fibrek (other than those who have entered into lock-up agreements with Abitibi) pursuant to the Insider Bid is inadequate, from a financial point of view, to such shareholders.

Fibrek advises its shareholders NOT TO TENDER any of their shares to Abitibi and to take no action until the Board issues its formal recommendation in relation to the Insider Bid. The Board will review Abitibi's hostile Insider Bid to determine the course of action that it believes is in the best interests of Fibrek and its stakeholders as well as the reasons supporting such recommendation. It will issue its formal recommendation by way of press release and Directors' Circular as contemplated by securities laws.

### **Independent Committee to Undertake Formal Valuation**

As disclosed in the takeover bid circular filed by Abitibi and given that Fairfax is an insider holding more than 10% of both Fibrek and Abitibi's issued and outstanding shares, the unsolicited offer is an Insider Bid within the meaning of applicable securities legislation, which requires that a formal valuation of the securities that are the subject of the bid be prepared at the expense of the offeror by an independent valuator chosen by an independent committee of the board of directors of the offeree unless an exemption is available.

Abitibi is relying on an exemption from such valuation requirements on the basis that neither Abitibi nor any of its joint actors has, or has had within the preceding 12-month period, any board or management representation in respect of Fibrek, or has knowledge of any material information concerning Fibrek or its securities that has not been generally disclosed.

Because of the close operational relationship between Fibrek and Abitibi and the fact that Fairfax is the largest shareholder of both companies, the Board believes it is in the best interest of shareholders to benefit from a formal valuation of Fibrek's common shares. An independent expert will act as an arbitrator between an insider's and management's respective views on value in accordance with the spirit of *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions* that all security holders be treated identically and fairly.

Consequently, in order to avoid depriving Fibrek shareholders from important information regarding the value of its common shares, the Board has appointed an independent committee (the "Independent Committee") for the purpose of retaining a valuator and supervising the preparation of a formal valuation of Fibrek's common shares. The formal valuation will contain the valuator's opinion as to a range of values representing the fair market value of its common shares.

Shareholders are advised that the information to be contained in the formal valuation could materially affect their decision to accept or reject the Insider Bid and as such, the Board urges Fibrek's shareholders not to take any action before the formal valuation is completed and publicly disclosed.

## **Fibretek Adopts Shareholder Rights Plan**

The Board has adopted a shareholder rights plan (the "Rights Plan") to ensure that the Independent Committee has sufficient time to engage an independent valuator and receive the valuator's report; and to allow the Board to explore and develop strategic alternatives in the context of the Insider Bid. The Rights Plan also seeks to ensure the fair treatment of shareholders and to provide them with adequate time to properly assess any potential takeover bid or other alternative without undue pressure.

The Board has already taken concrete steps to solicit competing offers and evaluate strategic alternatives. The Board believes that the Rights Plan will allow that this process is conducted in a structured manner in order to get the best results for Fibretek's shareholders. The Board believes that the Rights Plan is in the best interest of Fibretek, its shareholders and other stakeholders.

The Board has authorized the issuance of one right in respect of each common share of the Company outstanding as of the close of business on December 19, 2011 and each share issued thereafter. The rights will become exercisable and a Flip-in Event will occur if a person, together with its affiliates, associates and joint actors, acquires beneficial ownership of common shares which, when aggregated with its current holdings, total 20% or more of the outstanding common shares (determined in the manner set out in the Rights Plan).

To the knowledge of Fibretek, Abitibi is deemed to be the beneficial owner of 45.74% of the issued and outstanding common shares (given that Fairfax, Pabrai Investment Funds and Oakmont Capital Inc. have signed hard lock-up agreements in its favour) and Fairfax beneficially owns 25.85% of the issued and outstanding common shares. Abitibi and Fairfax are grandfathered under the Rights Plan and their respective beneficial ownership of more than 20% of the outstanding common shares as of today's date will not trigger a Flip-in Event. However, if subsequent to today, Abitibi and/or Fairfax become the owner of any common shares not beneficially owned by them as of the close of business on December 19, 2011 or if Abitibi enters into additional lock-up agreements with other shareholders, then a Flip-in Event will occur.

Upon the occurrence of a Flip-in Event, each right held by a person other than the acquiring person and its affiliates, associates and joint actors would, upon exercise, entitle the holder to purchase additional common shares at a substantial discount to the market price thereof at that time.

The Board has the discretion to defer the time at which the rights become exercisable and to waive the application of the Rights Plan and/or redeem the rights if the Board determines it is in the best interest of Fibretek to do so.

Although Abitibi's first announcement of its intention to commence the Insider Bid would have given effect to the "separation time" under the Rights Plan, the Board has delayed the "separation time" to a later date to be determined by the Board.

The Rights Plan permits the acquisition of control of Fibretek through a "permitted bid" under the terms of the Rights Plan, a competing permitted bid or negotiated transactions. A "permitted bid" is a bid that, among other things, is made to all holders of common shares, is open for a minimum of 60 days and is accepted by a majority of Fibretek's independent shareholders. Abitibi's Insider Bid is not a "permitted bid" under the Rights Plan.

Although the Rights Plan is effective immediately, it remains subject to acceptance by the Toronto Stock Exchange. A copy of the Rights Plan will be available at [www.sedar.com](http://www.sedar.com).

The Directors' Circular will be available at [www.fibretek.com](http://www.fibretek.com) and will be filed on SEDAR at [www.sedar.com](http://www.sedar.com) and mailed to shareholders by December 30, 2011. Shareholders are advised and encouraged to read the Directors' Circular in its entirety, as it will contain important information regarding the Board's recommendation with respect to the Insider Bid.

Questions and requests for assistance or any other inquiries regarding the Insider Bid may be directed to Fibrek's information agent, Phoenix Advisory Partners, at 1-800-398-1129 (North American Toll Free) or via e-mail at [inquiries@phoenixadvisorypartners.com](mailto:inquiries@phoenixadvisorypartners.com).

### **About Fibrek**

*Fibrek (TSX: FBK) is a leading producer and marketer of high-quality virgin and recycled kraft pulp. The company operates three mills located in Saint-Félicien, Québec, Fairmont, West Virginia, and in Menominee, Michigan with a combined annual production capacity of 760,000 tonnes. Fibrek has approximately 500 employees. The Saint-Félicien mill provides northern bleached softwood kraft pulp (product known as NBSK pulp) to various sectors of the paper industry mainly in Canada, the United States and Europe, for use in the production of specialized products. The Fairmont and Menominee mills manufacture air-dried recycled bleached kraft pulp (product known as RBK pulp) and primarily supply manufacturers of fine uncoated paper, tissue paper for commercial and industrial uses, and coated paper in the United States.*

### **Forward-Looking Statements**

*This press release contains “forward-looking statements” within the meaning of applicable securities laws. These statements include, but are not limited to, Fibrek’s future outlook, business strategy, plans, expectations, results or actions, or the assumptions underlying any of the foregoing. Forward-looking statements can generally be identified by words such as “may”, “should”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, “outlook” and similar expressions. These statements are based on information currently available to Management and on the current assumptions, intentions, plans, expectations and estimates of Management regarding Fibrek’s future growth, results of operations, performance, business prospects and opportunities and ability to attract and retain customers as well as the economic environment in which it operates. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors which could cause actual results of Fibrek to differ materially from the conclusion, forecast or projection stated in such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to: future actions by Abitibi in connection with its Insider Bid, general economic conditions, pulp prices and sales volume, exchange rate fluctuations, cost and supply of wood fibre, wastepaper and other raw materials, pension contributions, competitive markets, dependence upon key customers, increased production capacity, equipment failure, disruptions of production, capital requirements, labour relations and other factors referenced in Fibrek’s MD&A for the year ended December 31, 2010 and Fibrek’s other continuous disclosure filings which are available on SEDAR at [www.sedar.com](http://www.sedar.com). Readers should not place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of this press release, and, except as required by applicable securities laws, Fibrek assumes no obligation to update or revise them to reflect new events or circumstances.*

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