Resolute Forest Products Inc. (ABH)

10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 08/09/2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2012

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 001-33776

RESOLUTE FOREST PRODUCTS INC.
(Exact name of registrant as specified in its charter)

Delaware	98-0526415
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

111 Duke Street, Suite 5000; Montreal, Quebec; Canada H3C 2M1
(Address of principal executive offices) (Zip Code)

(514) 875-2515
(Registrant's telephone number, including area code)

AbitibiBowater Inc.
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☑ No ☐

As of August 7, 2012, there were 99,309,942 shares of Resolute Forest Products Inc. common stock outstanding.

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RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	**2012**	2011
Sales	**$ 1,168**	$ 1,200	**$ 2,222**	$ 2,385
Costs and expenses:				
Cost of sales, excluding depreciation, amortization and cost of timber harvested	**885**	911	**1,721**	1,833
Depreciation, amortization and cost of timber harvested	**58**	55	**115**	109
Distribution costs	**133**	141	**254**	274
Selling, general and administrative expenses	**41**	40	**73**	77
Closure costs, impairment and other related charges	**88**	4	**93**	17
Net gain on disposition of assets	**(1)**	(3)	**(24)**	(4)
Operating (loss) income	**(36)**	52	**(10)**	79
Interest expense	**(18)**	(28)	**(34)**	(58)
Other (expense) income, net	**(10)**	(2)	**3**	17
(Loss) income before income taxes	**(64)**	22	**(41)**	38
Income tax (provision) benefit	**(1)**	39	**9**	53
Net (loss) income including noncontrolling interests	**(65)**	61	**(32)**	91
Net loss attributable to noncontrolling interests	**45**	–	**35**	–
Net (loss) income attributable to Resolute Forest Products Inc.	**$ (20)**	$ 61	**$ 3**	$ 91
Net (loss) income per share attributable to Resolute Forest Products Inc. common shareholders:				
Basic	**$ (0.20)**	$ 0.63	**$ 0.03**	$ 0.94
Diluted	**(0.20)**	0.63	**0.03**	0.94
Weighted-average number of Resolute Forest Products Inc. common shares outstanding:				
Basic	**98.9**	97.1	**98.0**	97.1
Diluted	**98.9**	97.1	**98.0**	97.1

See accompanying notes to unaudited interim consolidated financial statements.

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RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited, in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	**2012**	2011
Net (loss) income including noncontrolling interests	**$ (65)**	$ 61	**$ (32)**	$ 91
Other comprehensive income (loss):				
Change in unamortized prior service costs and credits, net of tax of $0 for both the three and six months ended June 30, 2012	**9**	–	**11**	–
Change in unamortized actuarial gains and losses, net of tax of $0 for both the three and six months ended June 30, 2012	**(19)**	–	**(21)**	–
Foreign currency translation	**(5)**	(3)	**(2)**	19
Other comprehensive (loss) income, net of tax	**(15)**	(3)	**(12)**	19
Comprehensive (loss) income including noncontrolling interests	**(80)**	58	**(44)**	110
Less: Comprehensive loss (income) attributable to noncontrolling interests:				
Net loss	**45**	–	**35**	–
Change in unamortized actuarial gains and losses, net of tax of $0 for both the three and six months ended June 30, 2012	**5**	–	**5**	–
Foreign currency translation	**3**	–	**3**	(5)
Comprehensive loss (income) attributable to noncontrolling interests	**53**	–	**43**	(5)
Comprehensive (loss) income attributable to Resolute Forest Products Inc.	**$ (27)**	$ 58	**$ (1)**	$ 105

See accompanying notes to unaudited interim consolidated financial statements.

RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited, in millions, except per share amount)

	June 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	**$ 510**	$ 369
Accounts receivable, net:		
Trade	**572**	582
Other	**109**	168
Inventories, net	**512**	475
Assets held for sale	**80**	7
Deferred income tax assets	**110**	109
Other current assets	**66**	59
Total current assets	**1,959**	1,769
Fixed assets, net	**2,500**	2,502
Amortizable intangible assets, net	**70**	18
Deferred income tax assets	**1,755**	1,749
Other assets	**189**	260
Total assets	**$ 6,473**	$ 6,298
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 549**	$ 544
Short-term bank debt	**21**	–
Current portion of long-term debt	**77**	–
Liabilities associated with assets held for sale	**63**	–
Total current liabilities	**710**	544
Long-term debt, net of current portion	**624**	621
Pension and other postretirement benefit obligations	**1,520**	1,524
Deferred income tax liabilities	**73**	75
Other long-term liabilities	**56**	57
Total liabilities	**2,983**	2,821
Commitments and contingencies		
Equity:		
Resolute Forest Products Inc. shareholders' equity:		
Common stock, $0.001 par value. 116.9 shares issued and 98.8 shares outstanding as of June 30, 2012; 114.1 shares issued and 97.1 shares outstanding as of December 31, 2011	**–**	–
Additional paid-in capital	**3,726**	3,687
Retained earnings	**44**	41
Accumulated other comprehensive loss	**(315)**	(311)
Treasury stock at cost, 18.1 shares and 17.0 shares as of June 30, 2012 and December 31, 2011, respectively	**(12)**	–
Total Resolute Forest Products Inc. shareholders' equity	**3,443**	3,417
Noncontrolling interests	**47**	60
Total equity	**3,490**	3,477
Total liabilities and equity	**$ 6,473**	$ 6,298

See accompanying notes to unaudited interim consolidated financial statements.

RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited, in millions)

	Resolute Forest Products Inc. Shareholders' Equity						
	Common Stock	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Non-controlling Interests**	**Total Equity**
Balance as of December 31, 2011	$ –	$ 3,687	$ 41	$ (311)	$ –	$ 60	$3,477
Share-based compensation costs for equity-classified awards	–	3	–	–	–	–	3
Net income (loss)	–	–	3	–	–	(35)	(32)
Acquisition of Fibrek Inc. (2.8 shares) (Note 2)	–	36	–	–	–	31	67
Purchases of treasury stock (1.1 shares) (Note 15)	–	–	–	–	(12)	–	(12)
Dividend paid to noncontrolling interest	–	–	–	–	–	(1)	(1)
Other comprehensive loss, net of tax	–	–	–	(4)	–	(8)	(12)
Balance as of June 30, 2012	**$ –**	**$ 3,726**	**$ 44**	**$ (315)**	**$ (12)**	**$ 47**	**$3,490**

As of December 31, 2010, the balance of noncontrolling interests was $278 million. During the six months ended June 30, 2011, amounts attributable to noncontrolling interests consisted of dividends and distribution paid of $19 million, acquisition of a noncontrolling interest of $105 million, disposition of a noncontrolling interest of $99 million and other comprehensive income of $5 million, net of tax, which resulted in a balance of noncontrolling interests of $60 million as of June 30, 2011.

See accompanying notes to unaudited interim consolidated financial statements.

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RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Cash flows from operating activities:		
Net (loss) income including noncontrolling interests	**$ (32)**	$ 91
Adjustments to reconcile net (loss) income including noncontrolling interests to net cash provided by operating activities:		
Share-based compensation	**3**	1
Depreciation, amortization and cost of timber harvested	**115**	109
Closure costs, impairment and other related charges	**93**	16
Write-downs of inventory	**7**	1
Deferred income taxes	**(3)**	(53)
Net pension contributions	**(35)**	(62)
Net gain on disposition of assets	**(24)**	(4)
Gain on translation of foreign currency denominated deferred income taxes	**(6)**	(47)
Loss on translation of foreign currency denominated pension and other postretirement benefit obligations	**5**	33
Premium related to debt redemptions	**–**	(11)
Dividends received from equity method investees in excess of income	**–**	3
Changes in working capital:		
Accounts receivable	**75**	(53)
Inventories	**8**	(8)
Other current assets	**2**	18
Accounts payable and accrued liabilities	**(36)**	(20)
Other, net	**1**	1
Net cash provided by operating activities	**173**	15
Cash flows from investing activities:		
Cash invested in fixed assets	**(58)**	(32)
Disposition of investment in ACH Limited Partnership	**–**	296
Disposition of other assets	**26**	8
Acquisition of Fibrek Inc., net of cash acquired (Note 2)	**(24)**	–
Proceeds from insurance settlement	**–**	4
Decrease (increase) in restricted cash	**76**	(3)
Increase in deposit requirements for letters of credit, net	**(7)**	(7)
Net cash provided by investing activities	**13**	266
Cash flows from financing activities:		
Purchases of treasury stock	**(12)**	–
Dividends and distribution to noncontrolling interests	**(1)**	(19)
Acquisition of noncontrolling interest	**(17)**	(15)
Payments of long-term debt	**(15)**	(269)
Net cash used in financing activities	**(45)**	(303)
Net increase (decrease) in cash and cash equivalents	**141**	(22)
Cash and cash equivalents:		
Beginning of period	**369**	319
End of period	**$ 510**	$ 297

See accompanying notes to unaudited interim consolidated financial statements.

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

Note 1. Organization and Basis of Presentation

Nature of operations

Resolute Forest Products Inc. (with its subsidiaries and affiliates, either individually or collectively, unless otherwise indicated, referred to as "Resolute Forest Products," "we," "our," "us" or the "Company") is incorporated in Delaware. We are a global leader in the forest products industry, with a diverse range of products, including newsprint, coated and specialty papers, market pulp and wood products. We own or operate pulp and paper mills and wood products facilities in the United States, Canada and South Korea.

On November 7, 2011, we began doing business as Resolute Forest Products. At the annual meeting of shareholders on May 23, 2012, the shareholders approved an amendment to our certificate of incorporation to change our corporate name from AbitibiBowater Inc. to Resolute Forest Products Inc., effective May 24, 2012. The ticker symbol for our common stock was changed from "ABH" to "RFP" on the New York Stock Exchange on May 24, 2012 and on the Toronto Stock Exchange on May 28, 2012.

Financial statements

Our interim consolidated financial statements are unaudited and have been prepared in accordance with the requirements of the United States Securities and Exchange Commission (the "SEC") for interim reporting. Under those rules, certain footnotes and other financial information that are normally required by United States generally accepted accounting principles ("U.S. GAAP") may be condensed or omitted. In our opinion, all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the unaudited interim consolidated financial statements have been made. All amounts are expressed in U.S. dollars, unless otherwise indicated. The results for the interim period ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year. These unaudited interim consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 29, 2012. Certain prior period amounts in our Consolidated Balance Sheets, Consolidated Statements of Cash Flows and footnotes have been reclassified to conform to the 2012 presentation. The reclassifications had no effect on total assets, cash and cash equivalents or net cash provided by operating activities.

Note 2. Acquisition of Fibrek Inc.

Overview

On December 15, 2011, we announced an offer to purchase all of the issued and outstanding shares of Fibrek Inc. ("Fibrek"), a producer and marketer of virgin and recycled kraft pulp, operating three mills. On May 2, 2012, we acquired a controlling interest in Fibrek and began consolidating the results of operations, financial position and cash flows of Fibrek in our consolidated financial statements.

The acquisition of Fibrek will allow us to grow our overall market pulp segment, and our virgin kraft pulp capacity in particular, providing a better overall balance to our product offering. We believe that the integration of Fibrek's Saint-Felicien, Quebec mill will result in certain operational synergies as it will operate as an integrated facility, with chips supplied from our regional sawmills.

Our acquisition of Fibrek has been achieved in stages. In connection with the offer, between April 11, 2012 and April 25, 2012, we had acquired approximately 48.8% of the then outstanding Fibrek shares. On May 2, 2012, we acquired additional shares of Fibrek, after which we owned a controlling interest in Fibrek (approximately 50.1% of the then outstanding Fibrek shares) and Fibrek became a consolidated subsidiary. We subsequently acquired additional shares of Fibrek and, as of May 17, 2012, the offer expiry date, we owned approximately 74.6% of the then outstanding Fibrek shares. As aggregate consideration for all of the Fibrek shares we purchased, we distributed approximately 2.8 million newly-issued shares of our common stock and Cdn$53 million ($53 million, based on the exchange rates in effect on each of the dates we acquired the shares of Fibrek) in cash.

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On July 31, 2012, we completed the second step transaction for the remaining 25.4% of the outstanding Fibrek shares. We distributed aggregate additional consideration of approximately 0.5 million shares and Cdn$10 million ($10 million, based on the exchange rate in effect on July 31, 2012). The remaining portion of the consideration, approximately 0.4 million shares and Cdn$8 million ($8 million, based on the exchange rate in effect on July 31, 2012), will only be distributed or paid out upon settlement or judicial determination of the fair value of claims by dissenting shareholders of Fibrek.

Initial investment

As noted above, we held an equity interest in Fibrek before we obtained control of Fibrek on May 2, 2012 (the "acquisition date"). We accounted for our initial equity investment in Fibrek as an available for sale investment since we had no ability to exert significant influence over Fibrek at any time prior to acquiring a controlling interest on May 2, 2012.

Acquisition of controlling interest

The acquisition of a controlling interest in Fibrek on May 2, 2012 was accounted for as a business combination in accordance with the acquisition method of accounting pursuant to Financial Accounting Standards Board Accounting Standards Codification 805, "Business Combinations," which requires recording identifiable assets acquired and liabilities assumed at fair value (except for deferred income taxes and pension and other postretirement benefit ("OPEB") plan obligations). Additionally, on the acquisition date, we remeasured our initial equity investment in Fibrek at the acquisition-date fair value. The acquisition-date fair value of our previously-held equity interest in Fibrek was $58 million, resulting in a loss of $1 million, which was recorded in "Other (expense) income, net" in our Consolidated Statements of Operations for the three and six months ended June 30, 2012.

In connection with the acquisition, we also assumed $121 million of Fibrek's outstanding indebtedness. For additional information, see Note 11, "Long-Term Debt."

The following summarizes the fair value as of the acquisition date of all of the consideration transferred through May 2, 2012 to acquire our controlling interest in Fibrek:

(Unaudited, in millions)		
Cash	**$**	**36**
Common stock issued (1.9 million shares)		**24**
	$	**60**

The acquisition-date fair value of our common stock issued as part of the consideration transferred for Fibrek was determined based on the closing market price of our common stock on the acquisition date.

The total purchase price was allocated to the identifiable assets acquired and liabilities assumed based on our preliminary estimates of their fair values on the acquisition date. The purchase price allocation is preliminary and subject to refinement during the allocation period, which is not expected to last beyond a year from the date of the acquisition to allow for the finalization of the gathering and review of all pertinent information.

RESOLUTE FOREST PRODUCTS INC.
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The following summarizes our preliminary allocation of the purchase price to the fair value of assets acquired and liabilities assumed:

(Unaudited, in millions)		
Cash and cash equivalents	$	12
Accounts receivable		60
Inventories		63
Other current assets		2
Current assets acquired		137
Fixed assets		161
Amortizable intangible assets		52
Other assets		1
Total assets acquired	$	351
Accounts payable and accrued liabilities	$	70
Short-term bank debt		36
Current portion of long-term debt		2
Current liabilities assumed		108
Long-term debt, net of current portion		83
Pension and other postretirement benefit obligations		39
Other long-term liabilities		1
Total liabilities assumed	$	231
Net assets acquired		120
Fair value of the consideration transferred, including our previously-held interest of $58 million		60
Fair value of noncontrolling interest		60
	$	120

The fair value of the consideration transferred plus the fair value of the noncontrolling interest approximated the fair value of the net assets acquired. Therefore, no goodwill or gain was recognized at the acquisition date. The acquisition-date fair value of our noncontrolling interest in Fibrek was determined based on the market price we paid for Fibrek's common stock on the acquisition date.

We identified amortizable intangible assets related to energy contracts, which have a weighted-average amortization period of approximately 23 years. The fair value of the amortizable intangible assets was determined based on the discounted cash flow method.

Due to the timing of the completion of the acquisition, certain assumptions and estimates were used in determining the preliminary purchase price allocation disclosed above. Those assumptions and estimates primarily relate to the amounts allocated to fixed assets and amortizable intangible assets as work is still ongoing to determine the fair value of those assets as of the acquisition date. Therefore, the amounts disclosed above may change as the purchase price allocation is finalized. The purchase price allocation is expected to be finalized in the third quarter of 2012.

Fibrek's results of operations have been included in our consolidated financial statements beginning on the acquisition date and are included in the market pulp segment. The amount of Fibrek's sales and net income included in our Consolidated Statements of Operations for both the three and six months ended June 30, 2012 were $74 million and $2 million, respectively. Additionally, "Selling, general and administrative expenses" in our Consolidated Statements of Operations for the three and six months ended June 30, 2012 included $3 million and $7 million, respectively, of transaction costs associated with the acquisition of our controlling interest in Fibrek.

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

The following unaudited pro forma information for the three and six months ended June 30, 2012 and 2011 represents our results of operations as if the acquisition of Fibrek had occurred on January 1, 2011. This pro forma information does not purport to be indicative of the results that would have occurred for the periods presented or that may be expected in the future.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited, in millions except per share data)	**2012**	2011	**2012**	2011
Sales	**$ 1,212**	$ 1,353	**$ 2,387**	$ 2,672
Net (loss) income attributable to Resolute Forest Products Inc.	**(16)**	69	**3**	103
Basic net (loss) income per share attributable to Resolute Forest Products Inc.	**(0.16)**	0.69	**0.03**	1.03
Diluted net (loss) income per share attributable to Resolute Forest Products Inc.	**(0.16)**	0.69	**0.03**	1.03

The unaudited pro forma net (loss) income attributable to Resolute Forest Products Inc. for the three and six months ended June 30, 2012 excludes $7 million and $18 million, respectively, of our and Fibrek's transaction costs associated with the acquisition.

Acquisition of noncontrolling interest

Subsequent to the May 2, 2012 acquisition date and prior to June 30, 2012, we acquired additional shares of Fibrek, which we accounted for as equity transactions whereby we adjusted the carrying amount of the noncontrolling interest in Fibrek to reflect the change in our ownership interest in Fibrek. As consideration for this additional equity interest in Fibrek, we distributed approximately 0.9 million newly-issued shares of our common stock and Cdn$17 million ($17 million, based on the exchange rates in effect on each of the dates we acquired the shares of Fibrek) in cash. Transaction costs of approximately $1 million associated with the acquisition of noncontrolling interest in Fibrek were recorded in "Additional paid-in capital" in our Consolidated Balance Sheet as of June 30, 2012.

Note 3. Closure Costs, Impairment and Other Related Charges

Closure costs, impairment and other related charges for the three and six months ended June 30, 2012 and 2011 were comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited, in millions)	**2012**	2011	**2012**	2011
Accelerated depreciation	**$ –**	$ 3	**$ –**	$ 4
Impairment of assets held for sale	**70**	–	**70**	–
Impairment of long-lived assets	**–**	–	**–**	7
Severance and other costs	**18**	1	**23**	6
	$ 88	$ 4	**$ 93**	$ 17

Accelerated depreciation

During the three months ended June 30, 2011, we recorded accelerated depreciation charges of $1 million related to the permanent closure of a de-inking line at our Alma, Quebec paper mill and $2 million related to the permanent closure of a paper machine and a thermomechanical pulp line at our Baie-Comeau, Quebec paper mill. During the six months ended June 30, 2011, we also recorded accelerated depreciation charges of $1 million as a result of the decision to cease paperboard production at our Coosa Pines, Alabama paper mill.

Impairment of assets held for sale

In June 2012, we announced the indefinite idling of our Mersey newsprint mill in Nova Scotia. During the three months ended June 30, 2012, we recorded long-lived asset impairment charges of $70 million (including a $7 million writedown of an asset retirement obligation for environmental liabilities) related to the assets held for sale for our interest in Bowater Mersey Paper Company Limited (our "Mersey operations") to reduce the carrying value of our net assets to fair value less costs to sell.

Impairment of long-lived assets

During the six months ended June 30, 2011, we recorded long-lived asset impairment charges of $7 million as a result of the decision to cease paperboard production at our Coosa Pines paper mill to reduce the carrying value of the assets to their estimated fair value, which was determined based on the assets' estimated salvage values.

Severance and other costs

During the three months ended June 30, 2012, we recorded $9 million of severance costs and $7 million for a pension plan curtailment loss as a result of the indefinite idling of our Mersey newsprint mill, $2 million for a pension plan settlement loss related to a workforce reduction at our Mersey operations in the fourth quarter of 2011, a $1 million pension plan curtailment loss related to a workforce reduction at our Baie-Comeau paper mill in the first quarter of 2012 and a $1 million credit adjustment for severance costs. During the six months ended June 30, 2012, we also recorded $2 million of severance costs and a $2 million pension curtailment loss as a result of a workforce reduction at our Baie-Comeau paper mill, as well as a $1 million credit adjustment for severance costs and a $2 million pension curtailment loss related to the permanent closure in December 2011 of a paper machine at our Kenogami, Quebec paper mill.

As a result of the decision to cease paperboard production at our Coosa Pines paper mill, during the three months ended June 30, 2011, we recorded $1 million of severance costs and during the six months ended June 30, 2011, we also recorded $2 million of severance costs and a $3 million OPEB plan curtailment loss.

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

Note 4. Assets Held for Sale, Liabilities Associated with Assets Held for Sale and Net Gain on Disposition of Assets

Assets held for sale and liabilities associated with assets held for sale

Assets held for sale as of June 30, 2012 and December 31, 2011 were comprised of the following:

(Unaudited, in millions)	**June 30, 2012**	December 31, 2011
Cash and cash equivalents	**$ 5**	$ –
Accounts receivable, net	**24**	–
Inventories, net	**11**	–
Other current assets	**1**	–
Fixed assets, net	**39**	7
	$ 80	$ 7

Liabilities associated with assets held for sale as of June 30, 2012 and December 31, 2011 were comprised of the following:

(Unaudited, in millions)	**June 30, 2012**	December 31, 2011
Accounts payable and accrued liabilities	**$ 26**	$ –
Pension and other postretirement benefit obligations	**37**	–
	$ 63	$ –

As of June 30, 2012, we held for sale our Mersey operations and a parcel of land. We expect to complete the sale of these assets within the next twelve months for amounts that equal or exceed their individual carrying values.

As of December 31, 2011, we held for sale our Petit Saguenay, Quebec sawmill and certain parcels of land.

The assets held for sale are carried in our Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011 at the lower of carrying value or fair value less costs to sell.

Net gain on disposition of assets

During the three months ended June 30, 2012, we sold our Petit Saguenay sawmill, our recycling division's assets located in Phoenix, Arizona and various other assets for proceeds of less than $1 million, resulting in a net gain on disposition of assets of approximately $1 million. During the six months ended June 30, 2012, we also sold a portion of our Mersey timberlands and various other assets for proceeds of $26 million, resulting in a net gain on disposition of assets of $23 million.

During the three months ended June 30, 2011, we sold our investment in ACH Limited Partnership ("ACH") and various other assets for cash proceeds of $299 million, resulting in a net gain on disposition of assets of $3 million. Additionally, during the six months ended June 30, 2011, we sold our Kenora, Ontario paper mill and various other assets for proceeds of $5 million, resulting in a net gain on disposition of assets of $1 million.

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

Note 5. Other (Expense) Income, Net

Other (expense) income, net for the three and six months ended June 30, 2012 and 2011 was comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited, in millions)	**2012**	2011	**2012**	2011
Foreign exchange (loss) gain	**$ (9)**	$ 2	**$ 3**	$ 30
Post-emergence costs [1]	**(3)**	(11)	**(5)**	(22)
Income (loss) from equity method investments	**1**	(1)	**2**	(1)
Net gains on extinguishment of debt (Note 11)	**–**	4	**–**	4
Interest income	**2**	1	**3**	1
Acquisition-related loss (Note 2)	**(1)**	–	**(1)**	–
Miscellaneous income	**–**	3	**1**	5
	$ (10)	$ (2)	**$ 3**	$ 17

(1) Primarily represents ongoing legal and other professional fees for the resolution and settlement of disputed creditor claims, as well as costs for other post-emergence activities associated with the creditor protection proceedings, from which we emerged on December 9, 2010.

Note 6. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss as of June 30, 2012 and December 31, 2011 was comprised of the following:

(Unaudited, in millions)	**June 30, 2012**	December 31, 2011
Unamortized prior service costs [1]	**$ 9**	$ (2)
Unamortized actuarial losses [2]	**(325)**	(309)
Foreign currency translation [3]	**1**	–
	$ (315)	$ (311)

(1) Net of deferred income taxes of zero as of both June 30, 2012 and December 31, 2011.
(2) Net of deferred income tax benefit of $127 million as of both June 30, 2012 and December 31, 2011. Net of unamortized actuarial losses of $13 million and $8 million attributable to noncontrolling interests as of June 30, 2012 and December 31, 2011, respectively.
(3) No tax effect was recorded for foreign currency translation since the investment in foreign net assets is deemed indefinitely invested. Net of noncontrolling interests of $1 million of foreign exchange losses and $2 million of foreign exchange gains as of June 30, 2012 and December 31, 2011, respectively.

Note 7. Net (Loss) Income Per Share

The weighted-average number of common shares outstanding used to calculate basic and diluted net (loss) income per share attributable to Resolute Forest Products Inc. common shareholders was 98.9 million and 98.0 million for the three and six months ended June 30, 2012, respectively, and 97.1 million for both the three and six months ended June 30, 2011.

No adjustments to net (loss) income attributable to Resolute Forest Products Inc. common shareholders were necessary to calculate basic and diluted net income per share for all periods presented.

For both the three and six months ended June 30, 2012, the dilutive impact of 0.9 million option shares and 0.4 million equity-classified restricted stock units ("RSUs") and deferred stock units on the weighted-average number of common shares outstanding used to calculate diluted net loss per share was nominal. For both the three and six months ended June 30, 2011, the dilutive impact of 0.5 million option shares and 0.1 million equity-classified RSUs on the weighted-average number of common shares outstanding used to calculate diluted net income per share was nominal.

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

Note 8. Inventories, Net

Inventories, net as of June 30, 2012 and December 31, 2011 were comprised of the following:

(Unaudited, in millions)		**June 30, 2012**		December 31, 2011
Raw materials and work in process	**$**	**145**	$	152
Finished goods		**196**		168
Mill stores and other supplies		**171**		155
	$	**512**	$	475

During the three months ended June 30, 2012, we recorded charges of $7 million for write-downs of inventory as a result of the indefinite idling of our Mersey newsprint mill. During the six months ended June 30, 2011, we recorded charges of $1 million for write-downs of inventory as a result of the decision to cease paperboard production at our Coosa Pines paper mill. These charges were included in "Cost of sales, excluding depreciation, amortization and cost of timber harvested" in our Consolidated Statements of Operations.

Note 9. Restricted Cash

In connection with the sale of our investment in Manicouagan Power Company ("MPCo") in December 2009, we provided certain undertakings and indemnities to Alcoa Canada Ltd., our former partner in MPCo, including an indemnity for potential tax liabilities arising from the transaction. As of June 30, 2012 and December 31, 2011, we maintained a reserve of approximately Cdn$5 million ($5 million, based on the exchange rate in effect on June 30, 2012) and Cdn$83 million ($81 million, based on the exchange rate in effect on December 31, 2011), respectively, to secure those obligations. The decrease in the reserve was primarily due to the release of a tax indemnity in the second quarter of 2012. This reserve was included as restricted cash in "Other assets" in our Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011.

Note 10. Severance Related Liabilities

The activity in our severance related liabilities for the six months ended June 30, 2012 was as follows:

(Unaudited, in millions)		**2012 Initiatives**		**2011 Initiatives**		**Total**
Balance as of December 31, 2011	$	–	$	11	$	11
Charges		13		–		13
Payments		(3)		(8)		(11)
Transfer to liabilities associated with assets held for sale		(10)		–		(10)
Balance as of June 30, 2012	**$**	**–**	**$**	**3**	**$**	**3**

During the six months ended June 30, 2012, we recorded employee termination costs as a result of the indefinite idling of our Mersey newsprint mill and workforce reductions at our Baie-Comeau paper mill and certain other paper mills. The majority of the remaining severance liability is expected to be paid in 2012.

Employee termination costs incurred in the six months ended June 30, 2012 were included in "Cost of sales, excluding depreciation, amortization and cost of timber harvested," "Selling, general and administrative expenses" or "Closure costs, impairment and other related charges" in our Consolidated Statements of Operations. The severance accruals were included in "Accounts payable and accrued liabilities" in our Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011.

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

Note 11. Long-Term Debt

Overview

Short-term bank debt and long-term debt, including current portion, as of June 30, 2012 and December 31, 2011, was comprised of the following:

(Unaudited, in millions)	**June 30, 2012**	December 31, 2011
10.25% senior secured notes due 2018:		
Principal amount	**$ 586**	$ 586
Unamortized premium	**33**	35
Total senior secured notes due 2018	**619**	621
Fibrek debt:		
8.25% secured term loan	**75**	–
ABL credit facility	**21**	–
PSIF – Investissement Quebec loan	**3**	–
Capital lease obligation	**4**	–
Total Fibrek debt	**103**	–
Total debt	**722**	621
Less: Short-term bank debt (Fibrek ABL credit facility)	**(21)**	–
Less: Current portion of long-term debt	**(77)**	–
Long-term debt, net of current portion	**$ 624**	$ 621

10.25% senior secured notes due 2018

Our 10.25% senior secured notes (the "2018 Notes") have a maturity date of October 15, 2018. Interest is payable on the notes on April 15 and October 15 of each year until maturity. The fair value of the 2018 Notes was $654 million and $649 million as of June 30, 2012 and December 31, 2011, respectively, and was determined by reference to quoted market prices.

In June 2011, we redeemed $94 million and $85 million of principal amount of the 2018 Notes at a redemption price of 105% and 103%, respectively, of the principal amount, plus accrued and unpaid interest. As a result of these redemptions, during the three months ended June 30, 2011, we recorded net gains on extinguishment of debt of approximately $4 million, which were included in "Other (expense) income, net" in our Consolidated Statements of Operations.

In the second quarter of 2011, we also repaid $90 million of other long-term debt.

ABL Credit Facility

Our senior secured credit facility (the "ABL Credit Facility"), as amended, has a maturity date of October 28, 2016 and provides an asset-based revolving credit facility of up to $600 million at any time, subject to borrowing base availability. As of June 30, 2012, we had no borrowings and $50 million of letters of credit outstanding under the ABL Credit Facility. As of June 30, 2012, we had $472 million of availability under the ABL Credit Facility, which was comprised of $253 million for the U.S. borrowers (Resolute FP US Inc. and AbiBow Recycling LLC) and $219 million for the Canadian borrower (Resolute FP Canada Inc.).

Fibrek Debt

As discussed in Note 2, "Acquisition of Fibrek Inc.," we assumed Fibrek's outstanding indebtedness on the acquisition date.

RESOLUTE FOREST PRODUCTS INC.
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8.25% secured term loan

Fibrek's term loan provided for a five-year secured term loan with a principal amount of Cdn$78 million, bearing interest at a rate of 8.25% and was to be repaid in quarterly installments at a rate of approximately 1% per annum of the original principal amount, with the balance due at maturity on July 15, 2015. As of June 30, 2012, the fair value of the term loan approximated its carrying value of $75 million and was determined by discounting the cash flows using current interest rates for financial instruments with similar characteristics and maturities.

On July 18, 2012, the term loan was repaid in full, plus accrued and unpaid interest. The term loan was included in "Current portion of long-term debt" in our Consolidated Balance Sheet as of June 30, 2012.

ABL credit facility

Fibrek's asset-based revolving credit facility provided for borrowings of up to Cdn$75 million and had a maturity date of July 16, 2014. As of June 30, 2012, Fibrek had Cdn$18 million ($18 million, based on the exchange rate in effect on June 30, 2012) of availability under the facility.

On July 18, 2012, the facility was repaid in full, plus accrued and unpaid interest.

PSIF – Investissement Quebec

On February 23, 2007, Fibrek obtained a Cdn$6 million interest-free loan granted by Investissement Quebec through the Soutien a l'industrie forestiere program ("PSIF") to support investments made in the forest industry. The loan is payable in monthly installments over a maximum of four years starting December 31, 2010.

Under the loan agreement, Fibrek must comply with certain restrictive covenants, including the requirement to meet certain financial ratios.

As of June 30, 2012, the fair value of the loan approximated its carrying value of $3 million.

Capital lease obligation

Fibrek has a capital lease obligation for a warehouse, which can be renewed for 20 years at Fibrek's option. Minimal payments are determined by an escalatory price clause.

RESOLUTE FOREST PRODUCTS INC.
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Note 12. Employee Benefit Plans

Pension and OPEB plans

The components of net periodic benefit cost relating to our pension and OPEB plans for the three and six months ended June 30, 2012 and 2011 were as follows:

Pension Plans:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited, in millions)	**2012**	2011	**2012**	2011
Service cost	**$ 9**	$ 9	**$ 18**	$ 18
Interest cost	**76**	83	**152**	166
Expected return on plan assets	**(83)**	(87)	**(167)**	(174)
Curtailments and settlement	**10**	–	**14**	–
	$ 12	$ 5	**$ 17**	$ 10

OPEB Plans:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited, in millions)	**2012**	2011	**2012**	2011
Service cost	**$ –**	$ 1	**$ 1**	$ 2
Interest cost	**5**	5	**10**	11
Curtailment	**–**	–	**–**	3
	$ 5	$ 6	**$ 11**	$ 16

Events impacting net periodic benefit cost for the three and six months ended June 30, 2012

In June 2012, we announced the indefinite idling of part of our Mersey operations, which will result in the elimination of approximately 176 positions. A curtailment loss of $7 million was included in the net periodic benefit cost of our pension plans for the three months ended June 30, 2012.

In the fourth quarter of 2011, as a result of a workforce reduction at our Mersey operations, approximately 97 positions were eliminated. A settlement loss of $2 million was included in the net periodic benefit cost of our pension plans for the three months ended June 30, 2012.

In March 2012, we announced a workforce reduction at our Baie-Comeau paper mill, which resulted in the elimination of approximately 90 positions. A curtailment loss of $1 million and $3 million was included in the net periodic benefit cost of our pension plans for the three and six months ended June 30, 2012, respectively.

As a result of the permanent closure in December 2011 of a paper machine at our Kenogami paper mill, approximately 112 positions were eliminated. A curtailment loss of $2 million was included in the net periodic benefit cost of our pension plans for the six months ended June 30, 2012.

The cost of these curtailments and settlement was included in "Closure costs, impairment and other related charges" in our Consolidated Statements of Operations for the respective periods.

Event impacting net periodic benefit cost for the six months ended June 30, 2011

In February 2011, as a result of the decision to cease paperboard production at our Coosa Pines paper mill, approximately 137 positions were eliminated. A curtailment loss of $3 million was included in the net periodic benefit cost of our OPEB plans, which was recorded in "Closure costs, impairment and other related charges" in our Consolidated Statements of Operations for the six months ended June 30, 2011.

Defined contribution plans

The expense for our defined contribution plans totaled $5 million and $7 million for the three months ended June 30, 2012 and 2011, respectively, and $11 million for both the six months ended June 30, 2012 and 2011.

Canadian pension funding relief

Based on agreements reached before we emerged from the creditor protection proceedings, the provinces of Quebec and Ontario adopted in 2011 specific regulations, which we refer to as the "funding relief regulations," to implement funding relief measures with respect to aggregate solvency deficits in our material Canadian registered pension plans, which we refer to as the "affected plans." These plans represent approximately 80% of our unfunded pension obligations. The funding relief regulations are described in Note 18, "Pension and Other Postretirement Benefit Plans – Canadian pension funding relief," to our consolidated financial statements for the year ended December 31, 2011. The regulations provide that corrective measures would be required if the aggregate solvency ratio in the affected plans falls below a prescribed level under the target specified by the regulations, as of December 31 in any year through 2014. Thereafter, supplemental contributions would be required if the aggregate solvency ratio in the affected plans falls below a prescribed level under the target specified by the regulations as of December 31 in any year on or after 2015 for the remainder of the period covered by the regulations.

Upon obtaining actuarial valuations, we determined that the aggregate solvency ratio in the affected plans had not met the minimum solvency level prescribed in the regulations, as of December 31, 2011. Accordingly, we must adopt, by March 2013, corrective measures designed to attain the target solvency ratio prescribed in the regulations within five years. The difference between the solvency status as of December 31, 2011 and the target specified under the funding relief regulations represents the portion of the solvency deficit that is subject to corrective measures, and amounts to approximately Cdn$500 million ($500 million, based on the exchange rate in effect on June 30, 2012). The solvency deficit is highly sensitive to changes in interest rates on government treasury securities; a 1% increase in the applicable discount rate, which is correlated to treasury security yields, would decrease the solvency deficit by approximately $450 million and vice versa.

We will work with other plan stakeholders, including employees, retirees, unions and the provincial governments of Quebec and Ontario to develop corrective measures.

Note 13. Income Taxes

The income tax (provision) benefit attributable to (loss) income before income taxes differs from the amounts computed by applying the United States federal statutory income tax rate of 35% for the three and six months ended June 30, 2012 and 2011 as a result of the following:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(Unaudited, in millions)	**2012**	2011	**2012**	2011
(Loss) income before income taxes	**$ (64)**	$ 22	**$ (41)**	$ 38
Income tax (provision) benefit:				
Expected income tax benefit (provision)	**22**	(7)	**14**	(13)
Changes resulting from:				
Valuation allowance	**(31)**	1	**(28)**	(1)
Reorganization-related adjustments	**13**	–	**10**	10
Adjustment for unrecognized tax benefits	**–**	44	**4**	44
Foreign exchange	**(4)**	3	**3**	14
Research and development tax incentives	**1**	–	**3**	–
State income taxes and foreign tax rate differences	**(1)**	–	**1**	1
Other, net	**(1)**	(2)	**2**	(2)
	$ (1)	$ 39	**$ 9**	$ 53

The increase in the valuation allowance during the three months ended June 30, 2012 related to costs associated with the indefinite idling of our Mersey operations where we do not recognize tax benefits.

During the three and six months ended June 30, 2012, we recorded favorable reorganization-related adjustments of $13 million and $10 million, respectively.

During the six months ended June 30, 2012, we recorded benefits of $4 million for previously unrecognized tax benefits, following the conclusion of audits related to prior year research and development tax incentive claims. During the three months ended June 30, 2011, we recognized certain tax benefits related to uncertain tax positions pursuant to FASB ASC 740, "Income Taxes," as effectively settled, as certain tax authority examinations were completed during the second quarter of 2011.

Note 14. Commitments and Contingencies

Legal matters

We are involved in various legal proceedings relating to contracts, commercial disputes, taxes, environmental issues, employment and workers' compensation claims, Aboriginal claims and other matters. We periodically review the status of these proceedings with both inside and outside counsel. Although the final outcome of any of these matters is subject to many variables and cannot be predicted with any degree of certainty, we establish reserves for a matter (including legal costs expected to be incurred) when we believe an adverse outcome is probable and the amount can be reasonably estimated. We believe that the ultimate disposition of these matters will not have a material adverse effect on our financial condition, but it could have a material adverse effect on our results of operations in any given quarter or year.

On June 12, 2012, we filed a motion for directives with the Quebec Superior Court in Canada, the court with jurisdiction in our 2010 creditor protection proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA"), seeking an order to prevent pension regulators in each of Quebec, New Brunswick and Newfoundland and Labrador from declaring partial wind-ups of pension plans relating to employees of former Abitibi-Consolidated Inc. and Bowater Incorporated operations in these provinces, or a declaration that any claim for accelerated reimbursements of deficits arising from a partial wind-up is a barred claim under the creditor protection proceedings. These plans are subject to the funding relief regulations described in Note 12, "Employee Benefit Plans," and we contend, among other things, that any such declaration, if issued, would be inconsistent with the court's sanction order confirming the plan of reorganization and the terms of our emergence from the creditor protection proceedings. A partial wind-up would likely shorten the period in which any deficit within those plans would have to be funded. The pension regulators are expected to file contestations to our motion by the end of August 2012.

On March 31, 2010, the Canadian court in the CCAA proceedings dismissed a motion for declaratory judgment brought by the province of Newfoundland and Labrador, awarding costs in our favor, and thus confirmed our position that the five orders the province issued under section 99 of its Environmental Protection Act on November 12, 2009 were subject to the stay of proceedings pursuant to the creditor protection proceedings. The province of Newfoundland and Labrador's orders could have required us to proceed immediately with the environmental remediation of various sites we formerly owned or operated, some of which the province expropriated in December 2008. The Quebec Court of Appeal denied the province's request for leave to appeal on May 18, 2010. An appeal of that decision is now pending before the Supreme Court of Canada, which heard the matter on November 16, 2011. If leave to appeal is ultimately granted and the appeal is allowed, we could be required to make additional environmental remediation payments without regard to the creditor protection proceedings, which payments could have a material impact on our results of operations or financial condition.

Information on our commitments and contingencies is presented in Note 20, "Commitments and Contingencies," included in our consolidated financial statements for the year ended December 31, 2011. Except as updated above, there have been no material developments to the commitments and contingencies described in our consolidated financial statements for the year ended December 31, 2011.

Other

On June 15, 2012, the province of Quebec informed us that it had granted an additional extension of the effective date to require us to transfer property of our Jim-Gray hydroelectric facility and the associated installation to the province for no consideration following the non-renewal of our water power lease on January 1, 2012. As extended, the transfer would be effective as of October 30, 2012. The province's actions are not consistent with our understanding of the water power lease in question. We continue to evaluate our legal options. At this time, we believe that the remaining useful life of the assets remains unchanged. The carrying value of the hydroelectric assets and the intangible assets associated with the Jim-Gray installation as of June 30, 2012 was approximately $93 million. If we are unable to renew the water rights at this facility, we will reevaluate the remaining useful life of these assets, which may result in accelerated depreciation and amortization charges at that time. Additional information regarding our Jim-Gray hydroelectric facility is presented in Note 4, "Amortizable Intangible Assets, Net," and Note 12, "Fixed Assets, Net," included in our consolidated financial statements for the year ended December 31, 2011.

Note 15. Share Capital

On May 22, 2012, our board approved a share repurchase program of up to 10% of our common stock, for an aggregate purchase price of up to $100 million. During the three months ended June 30, 2012, we repurchased 1.1 million shares of our common stock pursuant to this share repurchase program at a cost of $12 million.

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

Note 16. Segment Information

We manage our business based on the products we manufacture. Accordingly, our reportable segments correspond to our primary product lines: newsprint, coated papers, specialty papers, market pulp and wood products.

None of the income or loss items following "Operating (loss) income" in our Consolidated Statements of Operations are allocated to our segments, since those items are reviewed separately by management. For the same reason, closure costs, impairment and other related charges, employee termination costs, net gain on disposition of assets and other discretionary charges or credits are not allocated to our segments. We allocate depreciation expense to our segments, although the related fixed assets are not allocated to segment assets. Additionally, all selling, general and administrative expenses, excluding employee termination costs and certain discretionary charges and credits, are allocated to our segments.

Information about certain segment data for the three and six months ended June 30, 2012 and 2011 was as follows:

(Unaudited, in millions)	Newsprint	Coated Papers	Specialty Papers	Market Pulp (1)	Wood Products	Corporate and Other	Consolidated Total
Sales							
Second quarter 2012	**$ 416**	**$ 121**	**$ 288**	**$ 211**	**$ 132**	**$ –**	**$ 1,168**
Second quarter 2011	462	132	320	171	115	–	1,200
First six months 2012	**832**	**249**	**560**	**338**	**243**	**–**	**2,222**
First six months 2011	891	266	650	347	231	–	2,385
Depreciation, amortization and cost of timber harvested							
Second quarter 2012	**$ 18**	**$ 9**	**$ 12**	**$ 10**	**$ 9**	**$ –**	**$ 58**
Second quarter 2011	17	8	13	7	10	–	55
First six months 2012	**36**	**19**	**24**	**18**	**18**	**–**	**115**
First six months 2011	37	17	24	14	17	–	109
Operating income (loss) (2)							
Second quarter 2012	**$ 32**	**$ 4**	**$ 27**	**$ (7)**	**$ 12**	**$ (104)**	**$ (36)**
Second quarter 2011	26	23	11	14	(14)	**(8)**	52
First six months 2012	**53**	**3**	**42**	**(28)**	**6**	**(86)**	**(10)**
First six months 2011	45	26	11	37	(17)	**(23)**	79

(1) Market pulp sales excluded inter-segment sales of $8 million and $11 million for the three months ended June 30, 2012 and 2011, respectively, and $19 million and $26 million for the six months ended June 30, 2012 and 2011, respectively.

(2) Corporate and other operating loss for the three and six months ended June 30, 2012 and 2011 included the following special items:

(Unaudited, in millions)	Three Months Ended June 30, **2012**	Three Months Ended June 30, 2011	Six Months Ended June 30, **2012**	Six Months Ended June 30, 2011
Net gain on disposition of assets	**$ 1**	$ 3	**$ 24**	$ 4
Closure costs, impairment and other related charges	**(88)**	(4)	**(93)**	(17)
Write-downs of inventory	**(7)**	–	**(7)**	(1)
Employee termination costs	**(1)**	(3)	**(3)**	(7)
Transaction costs in connection with our acquisition of Fibrek	**(3)**	–	**(7)**	–
	$ (98)	$ (4)	**$ (86)**	$ (21)

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Note 17. Condensed Consolidating Financial Information

The following information is presented in accordance with Rule 3-10 of Regulation S-X and the public information requirements of Rule 144 promulgated pursuant to the Securities Act of 1933, as amended, in connection with Resolute Forest Products Inc.'s 2018 Notes that are fully and unconditionally guaranteed, on a joint and several basis, by all of our 100% owned material U.S. subsidiaries (the "Guarantor Subsidiaries"). The 2018 Notes are not guaranteed by our foreign subsidiaries and our less than 100% owned U.S. subsidiaries (the "Non-guarantor Subsidiaries").

The following condensed consolidating financial information sets forth the Statements of Operations for the three and six months ended June 30, 2012 and 2011, the Balance Sheets as of June 30, 2012 and December 31, 2011 and the Statements of Cash Flows for the six months ended June 30, 2012 and 2011 for Resolute Forest Products Inc. (the "Parent"), the Guarantor Subsidiaries on a combined basis and the Non-guarantor Subsidiaries on a combined basis. The condensed consolidating financial information reflects the investments of the Parent in the Guarantor Subsidiaries and Non-guarantor Subsidiaries, as well as the investments of the Guarantor Subsidiaries in the Non-guarantor Subsidiaries, using the equity method of accounting. The principal consolidating adjustments are elimination entries to eliminate the investments in subsidiaries and intercompany balances and transactions.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Three Months Ended June 30, 2012

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Sales	$ –	$ 729	$ 797	$ (358)	$ 1,168
Costs and expenses:					
Cost of sales, excluding depreciation, amortization and cost of timber harvested	–	633	610	(358)	885
Depreciation, amortization and cost of timber harvested	–	22	36	–	58
Distribution costs	–	38	95	–	133
Selling, general and administrative expenses	6	8	27	–	41
Closure costs, impairment and other related charges	–	–	88	–	88
Net gain on disposition of assets	–	–	(1)	–	(1)
Operating (loss) income	(6)	28	(58)	–	(36)
Interest expense	(52)	(1)	(4)	39	(18)
Other income (expense), net	–	40	(11)	(39)	(10)
Parent's equity in income (loss) of subsidiaries	17	–	–	(17)	–
(Loss) income before income taxes	(41)	67	(73)	(17)	(64)
Income tax benefit (provision)	21	(15)	(7)	–	(1)
Net (loss) income including noncontrolling interests	(20)	52	(80)	(17)	(65)
Net loss attributable to noncontrolling interests	–	–	45	–	45
Net (loss) income attributable to Resolute Forest Products Inc.	$ (20)	$ 52	$ (35)	$ (17)	$ (20)

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 2012

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Sales	**$ –**	**$ 1,445**	**$ 1,531**	**$(754)**	**$ 2,222**
Costs and expenses:					
Cost of sales, excluding depreciation, amortization and cost of timber harvested	**–**	**1,287**	**1,188**	**(754)**	**1,721**
Depreciation, amortization and cost of timber harvested	**–**	**46**	**69**	**–**	**115**
Distribution costs	**–**	**70**	**184**	**–**	**254**
Selling, general and administrative expenses	**12**	**23**	**38**	**–**	**73**
Closure costs, impairment and other related charges	**–**	**–**	**93**	**–**	**93**
Net gain on disposition of assets	**–**	**–**	**(24)**	**–**	**(24)**
Operating (loss) income	**(12)**	**19**	**(17)**	**–**	**(10)**
Interest expense	**(106)**	**(2)**	**(5)**	**79**	**(34)**
Other income, net	**–**	**83**	**(1)**	**(79)**	**3**
Parent's equity in income of subsidiaries	**78**	**–**	**–**	**(78)**	**–**
(Loss) income before income taxes	**(40)**	**100**	**(23)**	**(78)**	**(41)**
Income tax benefit (provision)	**43**	**(30)**	**(4)**	**–**	**9**
Net income (loss) including noncontrolling interests	**3**	**70**	**(27)**	**(78)**	**(32)**
Net loss attributable to noncontrolling interests	**–**	**–**	**35**	**–**	**35**
Net income attributable to Resolute Forest Products Inc.	**$ 3**	**$ 70**	**$ 8**	**$ (78)**	**$ 3**

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Three Months Ended June 30, 2011

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Sales	$ –	$ 776	$ 788	$(364)	$ 1,200
Costs and expenses:					
Cost of sales, excluding depreciation, amortization and cost of timber harvested	–	654	621	(364)	911
Depreciation, amortization and cost of timber harvested	–	22	33	–	55
Distribution costs	–	41	100	–	141
Selling, general and administrative expenses	(1)	11	30	–	40
Closure costs, impairment and other related charges	–	1	3	–	4
Net gain on disposition of assets	–	–	(3)	–	(3)
Operating income	1	47	4	–	52
Interest expense	(55)	(3)	(5)	35	(28)
Other income (expense), net	3	40	(10)	(35)	(2)
Parent's equity in income (loss) of subsidiaries	94	–	–	(94)	–
Income (loss) before income taxes	43	84	(11)	(94)	22
Income tax benefit	18	16	5	–	39
Net income (loss) including noncontrolling interests	61	100	(6)	(94)	61
Net income attributable to noncontrolling interests	–	–	–	–	–
Net income (loss) attributable to Resolute Forest Products Inc.	$ 61	$ 100	$ (6)	$ (94)	$ 61

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 2011

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Sales	$ –	$ 1,568	$ 1,553	$ (736)	$ 2,385
Costs and expenses:					
Cost of sales, excluding depreciation, amortization and cost of timber harvested	–	1,339	1,230	(736)	1,833
Depreciation, amortization and cost of timber harvested	–	45	64	–	109
Distribution costs	–	80	194	–	274
Selling, general and administrative expenses	1	23	53	–	77
Closure costs, impairment and other related charges	–	14	3	–	17
Net gain on disposition of assets	–	–	(4)	–	(4)
Operating (loss) income	(1)	67	13	–	79
Interest expense	(111)	(5)	(13)	71	(58)
Other income, net	12	68	8	(71)	17
Parent's equity in income of subsidiaries	158	–	–	(158)	–
Income before income taxes	58	130	8	(158)	38
Income tax benefit	33	3	17	–	53
Net income including noncontrolling interests	91	133	25	(158)	91
Net income attributable to noncontrolling interests	–	–	–	–	–
Net income attributable to Resolute Forest Products Inc.	$ 91	$ 133	$ 25	$ (158)	$ 91

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

CONDENSED CONSOLIDATING BALANCE SHEET
As of June 30, 2012

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ –	$ 179	$ 331	$ –	$ 510
Accounts receivable, net	–	328	353	–	681
Accounts receivable from affiliates	–	3	331	(334)	–
Inventories, net	–	182	330	–	512
Assets held for sale	–	–	80	–	80
Deferred income tax assets	–	27	83	–	110
Notes and interest receivable from parent	–	1,317	–	(1,317)	–
Note receivable from affiliate	–	9	–	(9)	–
Other current assets	–	25	41	–	66
Total current assets	–	2,070	1,549	(1,660)	1,959
Fixed assets, net	–	913	1,587	–	2,500
Amortizable intangible assets, net	–	–	70	–	70
Deferred income tax assets	–	533	1,222	–	1,755
Note receivable from affiliate	–	3	–	(3)	–
Investments in and advances to consolidated subsidiaries	5,938	2,058	–	(7,996)	–
Other assets	–	23	58	108	189
Total assets	$ 5,938	$ 5,600	$ 4,486	$(9,551)	$ 6,473
Liabilities and equity					
Current liabilities:					
Accounts payable and accrued liabilities	$ 13	$ 169	$ 367	$ –	$ 549
Short-term bank debt	–	–	21	–	21
Current portion of long-term debt	–	–	77	–	77
Liabilities associated with assets held for sale	–	–	63	–	63
Accounts payable to affiliates	211	–	–	(211)	–
Notes and interest payable to subsidiaries	1,317	–	–	(1,317)	–
Note payable to affiliate	–	–	9	(9)	–
Total current liabilities	1,541	169	537	(1,537)	710
Long-term debt, net of current portion	619	–	5	–	624
Long-term debt due to affiliate	–	–	3	(3)	–
Pension and other postretirement benefit obligations	–	458	1,062	–	1,520
Deferred income tax liabilities	–	–	73	–	73
Other long-term liabilities	–	33	23	–	56
Total liabilities	2,160	660	1,703	(1,540)	2,983
Total equity	3,778	4,940	2,783	(8,011)	3,490
Total liabilities and equity	$ 5,938	$ 5,600	$ 4,486	$(9,551)	$ 6,473

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2011

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ –	$ 128	$ 241	$ –	$ 369
Accounts receivable, net	–	349	401	–	750
Accounts receivable from affiliates	–	70	302	(372)	–
Inventories, net	–	172	303	–	475
Assets held for sale	–	–	7	–	7
Deferred income tax assets	–	27	82	–	109
Notes and interest receivable from parent	–	1,238	–	(1,238)	–
Note receivable from affiliate	–	11	–	(11)	–
Other current assets	–	16	43	–	59
Total current assets	–	2,011	1,379	(1,621)	1,769
Fixed assets, net	–	938	1,564	–	2,502
Amortizable intangible assets, net	–	–	18	–	18
Deferred income tax assets	–	524	1,225	–	1,749
Note receivable from affiliate	–	3	–	(3)	–
Investments in and advances to consolidated subsidiaries	5,846	2,055	–	(7,901)	–
Other assets	–	27	128	105	260
Total assets	$ 5,846	$ 5,558	$ 4,314	$(9,420)	$ 6,298
Liabilities and equity					
Current liabilities:					
Accounts payable and accrued liabilities	$ 15	$ 166	$ 363	$ –	$ 544
Accounts payable to affiliates	220	27	–	(247)	–
Notes and interest payable to subsidiaries	1,238	–	–	(1,238)	–
Note payable to affiliate	–	–	11	(11)	–
Total current liabilities	1,473	193	374	(1,496)	544
Long-term debt, net of current portion	621	–	–	–	621
Long-term debt due to affiliate	–	–	3	(3)	–
Pension and other postretirement benefit obligations	–	475	1,049	–	1,524
Deferred income tax liabilities	–	–	75	–	75
Other long-term liabilities	–	34	23	–	57
Total liabilities	2,094	702	1,524	(1,499)	2,821
Total equity	3,752	4,856	2,790	(7,921)	3,477
Total liabilities and equity	$ 5,846	$ 5,558	$ 4,314	$(9,420)	$ 6,298

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RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Six Months Ended June 30, 2012

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	**$ –**	**$ 75**	**$ 98**	**$ –**	**$ 173**
Cash flows from investing activities:					
Cash invested in fixed assets	**–**	**(24)**	**(34)**	**–**	**(58)**
Disposition of assets	**–**	**–**	**26**	**–**	**26**
Acquisition of Fibrek, net of cash acquired	**–**	**–**	**(24)**	**–**	**(24)**
Decrease in restricted cash	**–**	**–**	**76**	**–**	**76**
Increase in deposit requirements for letters of credit, net	**–**	**–**	**(7)**	**–**	**(7)**
Advances from (to) affiliate	**12**	**–**	**(12)**	**–**	**–**
Net cash provided by (used in) investing activities	**12**	**(24)**	**25**	**–**	**13**
Cash flows from financing activities:					
Purchases of treasury stock	**(12)**	**–**	**–**	**–**	**(12)**
Dividend to noncontrolling interests	**–**	**–**	**(1)**	**–**	**(1)**
Acquisition of noncontrolling interest	**–**	**–**	**(17)**	**–**	**(17)**
Payments of long-term debt	**–**	**–**	**(15)**	**–**	**(15)**
Net cash used in financing activities	**(12)**	**–**	**(33)**	**–**	**(45)**
Net increase in cash and cash equivalents	**–**	**51**	**90**	**–**	**141**
Cash and cash equivalents:					
Beginning of period	**–**	**128**	**241**	**–**	**369**
End of period	**$ –**	**$ 179**	**$ 331**	**$ –**	**$ 510**

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Six Months Ended June 30, 2011

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$ –	$ 69	$ (54)	$ –	$ 15
Cash flows from investing activities:					
Cash invested in fixed assets	–	(13)	(19)	–	(32)
Disposition of investment in ACH	–	–	296	–	296
Disposition of other assets	–	–	8	–	8
Proceeds from insurance settlement	–	–	4	–	4
Increase in restricted cash	–	–	(3)	–	(3)
Increase in deposit requirements for letters of credit, net	–	–	(7)	–	(7)
Advances from (to) affiliate	–	150	(150)	–	–
Net cash provided by investing activities	–	137	129	–	266
Cash flows from financing activities:					
Dividends and distribution to noncontrolling interests	–	–	(19)	–	(19)
Acquisition of noncontrolling interest	–	–	(15)	–	(15)
Payments of long-term debt	–	(269)	–	–	(269)
Net cash used in financing activities	–	(269)	(34)	–	(303)
Net (decrease) increase in cash and cash equivalents	–	(63)	41	–	(22)
Cash and cash equivalents:					
Beginning of period	–	164	155	–	319
End of period	$ –	$ 101	$ 196	$ –	$ 297

Note 18. Subsequent Events

The following significant events occurred subsequent to June 30, 2012:

- As discussed in Note 11, "Long-Term Debt," on July 18, 2012, both Fibrek's term loan and ABL credit facility were repaid in full, plus accrued and unpaid interest, totaling $97 million.
- As discussed in Note 2, "Acquisition of Fibrek Inc.," on July 31, 2012, we completed the second step transaction for the remaining 25.4% of the outstanding Fibrek shares. We distributed aggregate additional consideration of approximately 0.5 million shares and Cdn$10 million ($10 million, based on the exchange rate in effect on July 31, 2012). The remaining portion of the consideration, approximately 0.4 million shares and Cdn$8 million ($8 million, based on the exchange rate in effect on July 31, 2012), will only be distributed or paid out upon settlement or judicial determination of the fair value of claims by dissenting shareholders of Fibrek.

RESOLUTE FOREST PRODUCTS INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations ("MD&A") of Resolute Forest Products Inc. (with its subsidiaries and affiliates, either individually or collectively, unless otherwise indicated, referred to as "Resolute Forest Products," "we," "our," "us" or the "Company") provides information that we believe is useful in understanding our results of operations, cash flows and financial condition for the three and six months ended June 30, 2012. This discussion should be read in conjunction with, and is qualified in its entirety by reference to, our unaudited interim consolidated financial statements and related notes appearing in Item 1 of this Quarterly Report on Form 10-Q ("Unaudited Interim Consolidated Financial Statements"). On November 7, 2011, we began doing business as Resolute Forest Products. At the annual meeting of shareholders on May 23, 2012, the shareholders approved an amendment to our certificate of incorporation to change our corporate name from AbitibiBowater Inc. to Resolute Forest Products Inc., effective May 24, 2012. The ticker symbol for our common stock was changed from "ABH" to "RFP" on the New York Stock Exchange on May 24, 2012 and on the Toronto Stock Exchange on May 28, 2012.

Cautionary Statements Regarding Forward-Looking Information and Use of Third-Party Data

Statements in this Quarterly Report on Form 10-Q ("Form 10-Q") that are not reported financial results or other historical information of Resolute Forest Products are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. They include, for example, statements relating to: our efforts to continue to reduce costs and increase revenues and profitability, including our cost reduction initiatives; our business outlook; our assessment of market conditions; our liquidity outlook (including the impact of the solvency deficit in certain of our Canadian pension plans), our prospects, growth strategies and strategies for achieving our goals generally, including the strategies described under "Business Strategy and Outlook" below; and the industry in which we operate. Forward-looking statements may be identified by the use of forward-looking terminology such as the words "should," "would," "could," "will," "may," "expect," "believe," "anticipate," "attempt," "project" and other terms with similar meaning indicating possible future events or potential impact on our business or Resolute Forest Products' shareholders.

The reader is cautioned not to place undue reliance on these forward-looking statements, which are not guarantees of future performance. These statements are based on management's current assumptions, beliefs and expectations, all of which involve a number of business risks and uncertainties that could cause actual results to differ materially. The potential risks and uncertainties that could cause our actual future financial condition, results of operations and performance to differ materially from those expressed or implied in this Form 10-Q include risks associated with our acquisition of Fibrek Inc. ("Fibrek"), including that the businesses of Resolute and Fibrek may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected and disruption from the transaction making it more difficult to maintain relationships with customers, employees and suppliers and the risks enumerated under Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the United States Securities and Exchange Commission (the "SEC") on February 29, 2012 (the "2011 Annual Report").

All forward-looking statements in this Form 10-Q are expressly qualified by the cautionary statements contained or referred to in this section and in our other filings with the SEC and the Canadian securities regulatory authorities. We disclaim any obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

Market and industry data

Information about industry or general economic conditions contained in this Form 10-Q is derived from third-party sources and certain trade publications ("Third-Party Data") that we believe are widely accepted and accurate; however, we have not independently verified this information and cannot provide assurances of its accuracy.

Business Strategy and Outlook

We are guided by our vision and values, focusing on safety, profitability, accountability, sustainability and teamwork. As a result of aggressive cost reductions and mill rationalizations, today we compete as a leading, lower-cost North American producer, counting on efficient operations, strong economies of scale and access to competitive sources of energy and fiber. Our corporate strategy includes, on the one hand, a gradual retreat from certain paper grades, and on the other, using our strong financial position to act on opportunities to diversify and grow. That strategy focuses on three core themes: operational excellence, disciplined use of capital and strategic initiatives.

Operational excellence

We aim to improve our performance and margins by: (i) leveraging our lower-cost position, (ii) maintaining a stringent focus on reducing costs and optimizing our diversified asset base, (iii) maximizing the benefits of our access to virgin fiber and managing our exposure to volatile recycled fiber, (iv) pursuing our strategy of not building inventory and (v) capitalizing on our economical access to international markets to compensate for the secular decline in North American newsprint demand.

Corporate initiatives

We make capital management a priority. Building on our focus to reduce manufacturing costs, we will continue our efforts to decrease overhead and spend our capital in a disciplined, strategic and focused manner, concentrated on our most successful sites.

Reducing debt and associated interest charges is one of our primary financial goals. We believe this improves our financial flexibility and supports the implementation of our strategic objectives.

On May 22, 2012, our board approved a share repurchase program of up to 10% of our common stock, for an aggregate purchase price of up to $100 million. During the three months ended June 30, 2012, we repurchased 1.1 million shares of our common stock pursuant to this share repurchase program at a cost of $12 million.

Strategic initiatives

We believe there will be continued consolidation in the paper and forest products industry as we and our competitors continue to explore ways to increase efficiencies and grow into more favorable markets. We believe in taking an opportunistic approach to strategic opportunities, pursuing only those that reduce our cost position, improve our product diversification, provide synergies or allow us to expand into future growth markets.

On December 15, 2011, we announced an offer to purchase all of the issued and outstanding shares of Fibrek, a producer and marketer of virgin and recycled kraft pulp, operating three mills. As of May 17, 2012, the offer expiry date, we had acquired approximately 74.6% of the then outstanding Fibrek shares, and, as aggregate consideration for the shares, we distributed approximately 2.8 million newly-issued shares of our common stock and Cdn$53 million ($53 million, based on the exchange rates in effect on each of the dates we acquired the shares of Fibrek) in cash. On July 31, 2012, we completed the second step transaction for the remaining 25.4% of the outstanding Fibrek shares. We distributed aggregate additional consideration of approximately 0.5 million shares and Cdn$10 million ($10 million, based on the exchange rate in effect on July 31, 2012). The remaining portion of the consideration, approximately 0.4 million shares and Cdn$8 million ($8 million, based on the exchange rate in effect on July 31, 2012), will only be distributed or paid out upon settlement or judicial determination of the fair value of claims by dissenting shareholders of Fibrek. For additional information regarding our acquisition of Fibrek, see Note 2, "Acquisition of Fibrek Inc.," to our Unaudited Interim Consolidated Financial Statements.

Business and Financial Review

Overview

Through our subsidiaries, we manufacture newsprint, coated and specialty papers, market pulp and wood products. We operate pulp and paper manufacturing facilities in Canada, the United States and South Korea, as well as wood products manufacturing facilities in Canada and hydroelectric facilities in Quebec, Canada.

As discussed further below, newsprint, coated papers and specialty papers, particularly supercalendered high gloss papers and lightweight and directory grades, experienced decreases in North American demand in the first six months of 2012 compared to the same period of 2011. Global shipments of market pulp increased during the first six months of 2012 compared to the same period of 2011, particularly in China, but market pricing fell substantially. Our wood products segment benefited from a significant increase in market pricing in the second quarter of 2012 compared to the second quarter of 2011.

The average value of the Canadian dollar was US$0.99 for both the three and six months ended June 30, 2012 compared to US$1.03 and US$1.02 for the three and six months ended June 30, 2011, respectively.

Fibrek's results of operations have been included in our Unaudited Interim Consolidated Financial Statements beginning May 2, 2012, which is the date on which we acquired a controlling interest, and are included in the market pulp segment. The amount of Fibrek's sales, operating income and net income included in our Consolidated Statements of Operations included in our Unaudited Interim Consolidated Financial Statements ("Consolidated Statements of Operations") for both the three and six months ended June 30, 2012 were $74 million, $1 million and $2 million, respectively.

RESOLUTE FOREST PRODUCTS INC.

Consolidated Results of Operations

(Unaudited, in millions, except per share amounts)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Three Months Ended June 30, Change	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Six Months Ended June 30, Change
Sales	**$ 1,168**	$ 1,200	**$ (32)**	**$ 2,222**	$ 2,385	**$ (163)**
Operating (loss) income	**(36)**	52	**(88)**	**(10)**	79	**(89)**
Net (loss) income attributable to Resolute Forest Products Inc.	**(20)**	61	**(81)**	**3**	91	**(88)**
Net (loss) income per share attributable to Resolute Forest Products Inc. – basic	**(0.20)**	0.63	**(0.83)**	**0.03**	0.94	**(0.91)**
Net (loss) income per share attributable to Resolute Forest Products Inc. – diluted	**(0.20)**	0.63	**(0.83)**	**0.03**	0.94	**(0.91)**
Significant items that (unfavorably) favorably impacted operating (loss) income:						
Product pricing and foreign exchange – excluding Fibrek			**$ (7)**			**$ (9)**
Shipments – excluding Fibrek			**(99)**			**(228)**
Sales – Fibrek			**74**			**74**
Change in sales			**(32)**			**(163)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested – excluding Fibrek			**87**			**173**
Cost of sales, excluding depreciation, amortization and cost of timber harvested – Fibrek			**(61)**			**(61)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested			**26**			**112**
Change in depreciation, amortization and cost of timber harvested			**(3)**			**(6)**
Change in distribution costs			**8**			**20**
Change in selling, general and administrative expenses			**(1)**			**4**
Change in closure costs, impairment and other related charges			**(84)**			**(76)**
Change in net gain on disposition of assets			**(2)**			**20**
			$ (88)			**$ (89)**

Three months ended June 30, 2012 versus June 30, 2011

Sales

Excluding Fibrek's sales of $74 million in the second quarter of 2012, sales on a comparable basis decreased $106 million, or 8.8%, from $1,200 million in the second quarter of 2011 to $1,094 million in the second quarter of 2012. The decrease was primarily due to lower shipments in all of our product lines, an unfavorable currency exchange on our Canadian dollar denominated sales and lower transaction prices for newsprint, coated papers and market pulp, largely offset by higher transaction prices for specialty papers and wood products. The impact of each of these items is discussed further below under "Segment Results of Operations."

Operating (loss) income

Operating (loss) income decreased $88 million to an operating loss of $36 million in the second quarter of 2012 compared to operating income of $52 million in the second quarter of 2011. The above table presents the major items that impacted operating (loss) income. A brief explanation of these major items follows.

Excluding Fibrek's results, cost of sales, excluding depreciation, amortization and cost of timber harvested, on a comparable basis decreased $87 million in the second quarter of 2012 compared to the second quarter of 2011, primarily due to lower volumes ($53 million), a favorable currency exchange ($24 million, primarily due to the Canadian dollar) and lower costs for fuel ($7 million), labor and benefits ($11 million, primarily due to mill-level restructuring initiatives), timing of annual maintenance outages ($11 million), offset by higher costs for regular maintenance ($6 million) and energy ($13 million, primarily due to a retroactive energy rebate credit in the second quarter of 2011). In the second quarter of 2011, we were approved for participation in the Northern Industrial Electricity Rate Program ("NIER Program") in which we earn rebates on electricity purchased and consumed by our paper mills in the province of Ontario from April 1, 2010 through March 31, 2013, provided we comply with the conditions of the program. During the second quarter of 2011, we recorded a rebate of approximately $19 million, of which approximately $14 million represented a retroactive rebate from April 1, 2010 through the first quarter of 2011.

Distribution costs decreased $8 million in the second quarter of 2012 compared to the second quarter of 2011, primarily due to lower shipment volumes, partially offset by Fibrek's distribution costs of $7 million.

Selling, general and administrative costs increased $1 million in the second quarter of 2012 compared to the second quarter of 2011, primarily due to $3 million of transaction costs in connection with our acquisition of Fibrek and $3 million of Fibrek's selling, general and administrative expenses. These higher costs were offset by a $2 million refund in the second quarter of 2012 of certain group benefit premiums paid in prior years and $3 million of corporate employee termination costs recorded in the second quarter of 2011.

We recorded $88 million of closure costs, impairment and other related charges in the second quarter of 2012 compared to $4 million in the second quarter of 2011. We recorded a net gain on disposition of assets of $1 million in the second quarter of 2012 compared to $3 million in the second quarter of 2011. These items are discussed further below under "Segment Results of Operations – Corporate and Other."

Net (loss) income attributable to Resolute Forest Products Inc.

Net (loss) income attributable to Resolute Forest Products Inc. in the second quarter of 2012 was $20 million of net loss, or $0.20 per common share, a decrease of $81 million, or $0.83 per diluted common share, compared to $61 million of net income, or $0.63 per diluted common share, in the second quarter of 2011. The decrease was due to the decrease in operating income, as discussed above, as well as an increase in other expense, net and a decrease in the income tax benefit, which are discussed below, partially offset by a decrease in interest expense, as discussed below, and an increase in net loss attributable to noncontrolling interests. The increase in net loss attributable to noncontrolling interests was primarily due to our partner's share of the impairment, severance and other charges related to the assets held for sale for our interest in Bowater Mersey Paper Company Limited (our "Mersey operations") and the indefinite idling of its Mersey newsprint mill.

Six months ended June 30, 2012 versus June 30, 2011

Sales

Excluding Fibrek's sales of $74 million in the first six months of 2012, sales on a comparable basis decreased $237 million, or 9.9%, from $2,385 million in the first six months of 2011 to $2,148 million in the same period of 2012. The decrease was primarily due to lower shipments in all of our product lines, an unfavorable currency exchange on our Canadian dollar denominated sales and lower transaction prices for newsprint, coated papers and market pulp, largely offset by higher transaction prices for specialty papers and wood products. The impact of each of these items is discussed further below under "Segment Results of Operations."

Operating (loss) income

Operating (loss) income decreased $89 million to an operating loss of $10 million in the first six months of 2012 compared to operating income of $79 million in the first six months of 2011. The above table presents the major items that impacted operating (loss) income. A brief explanation of these major items follows.

Excluding Fibrek's results, cost of sales, excluding depreciation, amortization and cost of timber harvested, on a comparable basis decreased $173 million in the first six months of 2012 compared to the same period of 2011, primarily due to lower volumes ($134 million), a favorable currency exchange ($32 million, primarily due to the Canadian dollar) and lower costs for fuel ($13 million), labor and benefits ($14 million, primarily due to mill-level restructuring initiatives), timing of annual maintenance outages ($2 million) and other favorable cost variances. These lower costs were offset by higher costs for energy ($16 million, primarily due to the $14 million NIER Program retroactive rebate in the second quarter of 2011 and the lost income from the hydroelectric facilities of ACH Limited Partnership ("ACH"), which were sold in the second quarter of 2011), chemicals ($4 million) and regular maintenance ($5 million).

Distribution costs decreased $20 million in the first six months of 2012 compared to the same period of 2011, primarily due to lower shipment volumes, partially offset by Fibrek's distribution costs of $7 million.

Selling, general and administrative costs decreased $4 million in the first six months of 2012 compared to the same period of 2011, primarily due to an $11 million refund in the first six months of 2012 of certain group benefit premiums paid in prior years and $7 million of corporate employee termination costs recorded in the same period of 2011. These lower costs were partially offset by $7 million of transaction costs in connection with our acquisition of Fibrek, $3 million of Fibrek's selling, general and administrative expenses and $2 million of employee termination costs in the first six months of 2012.

We recorded $93 million of closure costs, impairment and other related charges in the first six months of 2012 compared to $17 million in the same period of 2011. We recorded a net gain on disposition of assets of $24 million in the first six months of 2012 compared to $4 million in the same period of 2011. These items are discussed further below under "Segment Results of Operations – Corporate and Other."

Net income attributable to Resolute Forest Products Inc.

Net income attributable to Resolute Forest Products Inc. in the first six months of 2012 was $3 million, or $0.03 per diluted common share, a decrease of $88 million, or $0.91 per diluted common share, compared to $91 million, or $0.94 per diluted common share, in the same period of 2011. The decrease was due to the decrease in operating income, as discussed above, as well as a decrease in other income, net and a decrease in the income tax benefit, which are discussed below, partially offset by a decrease in interest expense, as discussed below, and an increase in net loss attributable to noncontrolling. The increase in net loss attributable to noncontrolling interests was primarily due to our partner's share of the impairment, severance and other charges related to the assets held for sale for our interest in our Mersey operations and the indefinite idling of its Mersey newsprint mill.

Non-operating items – three and six months ended June 30, 2012 versus June 30, 2011

Interest expense

Interest expense decreased $10 million from $28 million in the second quarter of 2011 to $18 million in the second quarter of 2012. Interest expense decreased $24 million from $58 million in the first six months of 2011 to $34 million in the same period of 2011. These decreases were primarily due to the redemption of $264 million of the 2018 Notes (as defined under "Liquidity and Capital Resources") in the second and fourth quarters of 2011.

Other (expense) income, net

Other expense, net in the second quarter of 2012 and 2011 was $10 million and $2 million, respectively, primarily comprised of foreign currency exchange losses of $9 million and foreign currency exchange gains of $2 million, respectively, and costs for the resolution and settlement of disputed creditor claims and other post-emergence activities associated with the creditor protection proceedings of $3 million and $11 million, respectively. Other income, net in the first six months of 2012 and 2011 was $3 million and $17 million, respectively, primarily comprised of foreign currency exchange gains of $3 million and $30 million, respectively, and costs for the resolution and settlement of disputed creditor claims and other post-emergence activities associated with the creditor protection proceedings of $5 million and $22 million, respectively. Other (expense) income, net for both the second quarter and first six months of 2011 also included net gains on extinguishment of debt of $4 million.

Income tax (provision) benefit

In the second quarter and first six months of 2012, an income tax provision of $1 million and an income tax benefit of $9 million, respectively, were recorded on loss before income taxes of $64 million and $41 million, respectively, resulting in an effective tax rate of (2)% and 22%, respectively. Our effective tax rate in the second quarter of 2012 was impacted by an increase in our valuation allowance related to costs associated with the indefinite idling of our Mersey operations where we do not recognize tax benefits, favorable reorganization-related adjustments, as well as foreign exchange related items. Our effective tax rate in the first six months of 2012 was also impacted by favorable adjustments related to research and development tax incentives. In the second quarter and first six months of 2011, an income tax benefit of $39 million and $53 million, respectively, was recorded on income before income taxes of $22 million and $38 million, respectively, resulting in an effective tax rate of (177)% and (139)%, respectively. Our effective tax rate in the second quarter of 2011 was primarily impacted by tax benefits of $44 million related to the settlement of uncertain tax positions. Our effective tax rate in the first six months of 2011 was also impacted by a $10 million favorable reorganization-related adjustment, as well as foreign exchange related items. For additional information, see Note 13, "Income Taxes," to our Unaudited Interim Consolidated Financial Statements.

RESOLUTE FOREST PRODUCTS INC.

Our effective tax rate varies frequently and substantially from the weighted-average effect of both domestic and foreign statutory tax rates, primarily as a result of the tax treatment on foreign currency gains and losses. We have foreign subsidiaries whose unconsolidated local currency foreign exchange gains and losses are taxed in the local country. Upon consolidation, such gains and losses are eliminated, but the related local tax impacts remain. We also have foreign exchange gains and losses on the conversion of foreign currency denominated items, for which no tax expense or benefit is recorded. Due to the variability and volatility of foreign exchange rates, we are unable to estimate the impact of future changes in exchange rates on our effective tax rate.

Segment Results of Operations

We manage our business based on the products that we manufacture. Accordingly, our reportable segments correspond to our primary product lines: newsprint, coated papers, specialty papers, market pulp and wood products. None of the income or loss items following "Operating (loss) income" in our Consolidated Statements of Operations are allocated to our segments, since those items are reviewed separately by management. For the same reason, closure costs, impairment and other related charges, employee termination costs, net gain on dispositions of assets and other discretionary charges or credits are not allocated to our segments. Additionally, all selling, general and administrative expenses, excluding employee termination costs and certain discretionary charges and credits, are allocated to our segments. Depreciation expense is also allocated to our segments. For additional information regarding our segments, see Note 16, "Segment Information," to our Unaudited Interim Consolidated Financial Statements.

Newsprint

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	**Change**	**2012**	2011	**Change**
Average price (per metric ton)	**$ 651**	$ 663	**$ (12)**	**$ 655**	$ 658	**$ (3)**
Average cost (per metric ton)	**$ 601**	$ 625	**$ (24)**	**$ 613**	$ 625	**$ (12)**
Shipments (thousands of metric tons)	**639**	697	**(58)**	**1,272**	1,353	**(81)**
Downtime (thousands of metric tons)	**71**	31	**40**	**156**	53	**103**
Inventory at end of period (thousands of metric tons)	**82**	76	**6**	**82**	76	**6**
(Unaudited, in millions)						
Segment sales	**$ 416**	$ 462	**$ (46)**	**$ 832**	$ 891	**$ (59)**
Segment operating income	**32**	26	**6**	**53**	45	**8**
Significant items that (unfavorably) favorably impacted segment operating income:						
Product pricing and foreign exchange			**$ (8)**			**$ (5)**
Shipments			**(38)**			**(54)**
Change in sales			**(46)**			**(59)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested			**47**			**63**
Change in depreciation, amortization and cost of timber harvested			**(1)**			**1**
Change in distribution costs			**7**			**7**
Change in selling, general and administrative expenses			**(1)**			**(4)**
			$ 6			**$ 8**

Three months ended June 30, 2012 versus June 30, 2011

Segment sales decreased $46 million, or 10.0%, from $462 million in the second quarter of 2011 to $416 million in the second quarter of 2012 due to lower shipment volumes and lower transaction prices (largely due to export markets) and an unfavorable currency exchange on our Canadian dollar denominated sales. Shipments in the second quarter of 2012 decreased 58,000 metric tons, or 8.3%, compared to the second quarter of 2011, primarily related to export markets.

In the second quarter of 2012, downtime at our facilities was primarily market related.

Segment operating income increased $6 million to $32 million in the second quarter of 2012 compared to $26 million in the second quarter of 2011. The above table presents the items that impacted segment operating income. A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $47 million in the second quarter of 2012 compared to the second quarter of 2011, primarily due to lower volumes ($21 million), a favorable currency exchange ($11 million, primarily due to the Canadian dollar) and lower costs for wood and fiber ($7 million, primarily due to lower recycled newspaper prices), fuel ($3 million), labor and benefits ($5 million, primarily due to mill-level restructuring initiatives) and other favorable cost variances, partially offset by higher costs for energy ($10 million, primarily due to the $9 million NIER Program retroactive rebate in the second quarter of 2011 and the lost income from the hydroelectric facilities of ACH, which were sold in the second quarter of 2011).

Segment distribution costs decreased $7 million in the second quarter of 2012 compared to the second quarter of 2011 due to lower shipment volumes and lower distribution costs per ton.

Six months ended June 30, 2012 versus June 30, 2011

Segment sales decreased $59 million, or 6.6%, from $891 million in the first six months of 2011 to $832 million in the same period of 2012 due to lower shipment volumes and slightly lower transaction prices on export volumes. Shipments in the first six months of 2012 decreased 81,000 metric tons, or 6.0%, compared to the same period of 2011, primarily related to export markets.

Segment operating income increased $8 million to $53 million in the first six months of 2012 compared to $45 million in the same period of 2011. The above table presents the items that impacted segment operating income. A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $63 million in the first six months of 2012 compared to the same period of 2011, primarily due to lower volumes ($29 million), a favorable currency exchange ($15 million, primarily due to the Canadian dollar) and lower costs for wood and fiber ($12 million, primarily due to lower recycled newspaper prices), fuel ($4 million), labor and benefits ($9 million, primarily due to mill-level restructuring initiatives) and other favorable cost variances, partially offset by higher costs for energy ($15 million, primarily due to the $9 million NIER Program retroactive rebate in the second quarter of 2011 and the lost income from the hydroelectric facilities of ACH, which were sold in the second quarter of 2011).

Segment distribution costs decreased $7 million in the first six months of 2012 compared to the same period of 2011, primarily due to lower shipment volumes.

Newsprint Third-Party Data: North American newsprint demand declined 1.6% and global newsprint demand declined 2.1% in the first six months of 2012 compared to the same period of 2011. In the first six months of 2012, North American net exports of newsprint were 25.2% lower than the same period of 2011. In particular, exports to Asia and Latin America from North American producers have fallen 38.4% and 7.6%, respectively. Shipments to Asia from Western European producers were up 42.6%. Inventories for North American mills as of June 30, 2012 were 198,000 metric tons, which is 2.5% lower than as of June 30, 2011. The North American operating rate for newsprint was 92% in the first six months of 2012 compared to 91% in the same period of 2011.

Coated Papers

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	**Change**	**2012**	2011	**Change**
Average price (per short ton)	**$ 782**	$ 822	**$ (40)**	**$ 786**	$ 808	**$ (22)**
Average cost (per short ton)	**$ 756**	$ 682	**$ 74**	**$ 776**	$ 730	**$ 46**
Shipments (thousands of short tons)	**154**	161	**(7)**	**316**	330	**(14)**
Downtime (thousands of short tons)	**5**	–	**5**	**17**	2	**15**
Inventory at end of period (thousands of short tons)	**28**	33	**(5)**	**28**	33	**(5)**
(Unaudited, in millions)						
Segment sales	**$ 121**	$ 132	**$ (11)**	**$ 249**	$ 266	**$ (17)**
Segment operating income	**4**	23	**(19)**	**3**	26	**(23)**
Significant items that (unfavorably) favorably impacted segment operating income:						
Product pricing			**$ (5)**			**$ (6)**
Shipments			**(6)**			**(11)**
Change in sales			**(11)**			**(17)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested			**(8)**			**(4)**
Change in depreciation, amortization and cost of timber harvested			**(1)**			**(2)**
Change in selling, general and administrative expenses			**1**			**–**
			$ (19)			**$ (23)**

Three months ended June 30, 2012 versus June 30, 2011

Segment sales decreased $11 million, or 8.3%, from $132 million in the second quarter of 2011 to $121 million in the second quarter of 2012 due to lower shipment volumes and lower transaction prices.

Segment operating income decreased $19 million to $4 million in the second quarter of 2012 compared to $23 million in the second quarter of 2011. The above table presents the items that impacted segment operating income. A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, increased $8 million in the second quarter of 2012 compared to the second quarter of 2011, primarily due to higher costs for coating chemicals ($5 million), energy ($1 million), fuel ($1 million) and other unfavorable cost variances, partially offset by lower volumes ($2 million).

Six months ended June 30, 2012 versus June 30, 2011

Segment sales decreased $17 million, or 6.4%, from $266 million in the first six months of 2011 to $249 million in the same period of 2012 due to lower shipment volumes and lower transaction prices.

In the first six months of 2012, downtime at our facility was primarily maintenance related, which included a cold mill outage, as well as the installation of an after coater dryer on one of our paper machines.

Segment operating income decreased $23 million to $3 million in the first six months of 2012 compared to $26 million in the same period of 2011. The above table presents the items that impacted segment operating income. A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, increased $4 million in the first six months of 2012 compared to the same period of 2011, primarily due to higher costs for coating chemicals ($4 million), energy ($3 million), chemicals ($2 million) and the cold mill outage ($2 million), offset by lower volumes ($5 million) and lower costs for fuel ($2 million).

Coated Papers Third-Party Data: North American demand for coated mechanical papers decreased 4.1% in the first six months of 2012 compared to the same period of 2011. The North American operating rate for coated mechanical papers was 91% in the first six months of 2012 compared to 87% in the same period of 2011. North American coated mechanical mill inventories were at 17 days of supply as of June 30, 2012 compared to 21 days of supply as of June 30, 2011.

Specialty Papers

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	**Change**	**2012**	2011	**Change**
Average price (per short ton)	**$ 747**	$ 724	**$ 23**	**$ 748**	$ 710	**$ 38**
Average cost (per short ton)	**$ 676**	$ 698	**$ (22)**	**$ 690**	$ 698	**$ (8)**
Shipments (thousands of short tons)	**386**	442	**(56)**	**749**	915	**(166)**
Downtime (thousands of short tons)	**7**	26	**(19)**	**47**	58	**(11)**
Inventory at end of period (thousands of short tons)	**80**	76	**4**	**80**	76	**4**
(Unaudited, in millions)						
Segment sales	**$ 288**	$ 320	**$ (32)**	**$ 560**	$ 650	**$ (90)**
Segment operating income	**27**	11	**16**	**42**	11	**31**
Significant items that favorably (unfavorably) impacted segment operating income:						
Product pricing and foreign exchange			**$ 10**			**$ 28**
Shipments			**(42)**			**(118)**
Change in sales			**(32)**			**(90)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested			**41**			**108**
Change in depreciation, amortization and cost of timber harvested			**1**			**–**
Change in distribution costs			**3**			**10**
Change in selling, general and administrative expenses			**3**			**3**
			$ 16			**$ 31**

Three months ended June 30, 2012 versus June 30, 2011

Segment sales decreased $32 million, or 10.0%, from $320 million in the second quarter of 2011 to $288 million in the second quarter of 2012 due to lower shipment volumes, partially offset by higher transaction prices.

Segment operating income increased $16 million to $27 million in the second quarter of 2012 compared to $11 million in the second quarter of 2011. The above table presents the items that impacted segment operating income. A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $41 million in the second quarter of 2012 compared to the second quarter of 2011, primarily due to lower volumes ($25 million), a favorable Canadian dollar currency exchange ($8 million) and lower costs for fuel ($4 million), labor and benefits ($2 million, primarily due to mill-level restructuring initiatives) and other favorable cost variances. These lower costs were partially offset by higher costs for energy ($1 million, in part due to the $3 million NIER Program retroactive rebate in the second quarter of 2011).

Segment distribution costs decreased $3 million in the second quarter of 2012 compared to the second quarter of 2011 due to lower shipment volumes, partially offset by higher distribution costs per ton.

Six months ended June 30, 2012 versus June 30, 2011

Segment sales decreased $90 million, or 13.8%, from $650 million in the first six months of 2011 to $560 million in the same period of 2012 due to lower shipment volumes, partially offset by higher transaction prices. Lower shipment volumes resulted in part from the decision to cease paperboard production at our Coosa Pines, Alabama paper mill in the first quarter of 2011.

Segment operating income increased $31 million to $42 million in the first six months of 2012 compared to $11 million in the same period of 2011. The above table presents the items that impacted segment operating income. A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $108 million in the first six months of 2012 compared to the same period of 2011, primarily due to lower volumes ($80 million), a favorable Canadian dollar currency exchange ($11 million) and lower costs for energy ($2 million, despite the $3 million NIER Program retroactive rebate in the second quarter of 2011), fuel ($7 million), labor and benefits ($3 million, primarily due to mill-level restructuring initiatives) and other favorable cost variances.

Segment distribution costs decreased $10 million in the first six months of 2012 compared to the second quarter of 2011 due to lower shipment volumes, partially offset by higher distribution costs per ton.

Specialty Papers Third-Party Data: In the first six months of 2012 compared to the same period of 2011, North American demand for supercalendered high gloss papers was down 24.8%, for lightweight or directory grades was down 17.4%, for standard uncoated mechanical papers was down 8.6% and in total for all specialty papers was down 17.0%. The North American operating rate for all specialty papers was 91% in the first six months of 2012 compared to 87% in the same period of 2011. North American uncoated mechanical mill inventories were at 19 days of supply as of June 30, 2012 compared to 17 days of supply as of June 30, 2011.

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Market Pulp

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	**Change**	**2012**	2011	**Change**
Average price (per metric ton)	**$ 663**	$ 767	**$ (104)**	**$ 652**	$ 751	**$ (99)**
Average cost (per metric ton)	**$ 684**	$ 703	**$ (19)**	**$ 707**	$ 670	**$ 37**
Shipments (thousands of metric tons):						
Excluding Fibrek	**211**	223	**(12)**	**410**	462	**(52)**
Fibrek	**107**	–	**107**	**107**	–	**107**
Downtime (thousands of metric tons)	**52**	30	**22**	**129**	38	**91**
Inventory at end of period (thousands of metric tons):						
Excluding Fibrek	**55**	56	**(1)**	**55**	56	**(1)**
Fibrek	**59**	–	**59**	**59**	–	**59**
(Unaudited, in millions)						
Segment sales	**$ 211**	$ 171	**$ 40**	**$ 338**	$ 347	**$ (9)**
Segment operating (loss) income	**(7)**	14	**(21)**	**(28)**	37	**(65)**
Significant items that (unfavorably) favorably impacted segment operating (loss) income:						
Product pricing and foreign exchange – excluding Fibrek			**$ (24)**			**$ (44)**
Shipments – excluding Fibrek			**(10)**			**(39)**
Sales – Fibrek			**74**			**74**
Change in sales			**40**			**(9)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested – excluding Fibrek			**9**			**13**
Cost of sales, excluding depreciation, amortization and cost of timber harvested – Fibrek			**(61)**			**(61)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested			**(52)**			**(48)**
Change in depreciation, amortization and cost of timber harvested			**(3)**			**(4)**
Change in distribution costs			**(5)**			**(3)**
Change in selling, general and administrative expenses			**(1)**			**(1)**
			$ (21)			**$ (65)**

Three months ended June 30, 2012 versus June 30, 2011

Excluding Fibrek's sales of $74 million in the second quarter of 2012, segment sales on a comparable basis decreased $34 million, or 19.9%, from $171 million in the second quarter of 2011 to $137 million in the second quarter of 2012 due to lower transaction prices and lower shipment volumes.

Segment operating (loss) income decreased $21 million to an operating loss of $7 million in the second quarter of 2012 compared to operating income of $14 million in the second quarter of 2011. The above table presents the items that impacted segment operating (loss) income. A brief explanation of the major items follows.

Excluding Fibrek's results, segment cost of sales, excluding depreciation, amortization and cost of timber harvested, on a comparable basis decreased $9 million in the second quarter of 2012 compared to the second quarter of 2011, primarily due to lower volumes ($3 million), a favorable Canadian dollar currency exchange ($2 million) and lower costs for labor and benefits ($2 million) and timing of annual maintenance outages ($11 million), partially offset by higher costs for energy ($1 million, primarily due to the $2 million NIER Program retroactive rebate in the second quarter of 2011), regular maintenance ($4 million), chemicals ($2 million) and other unfavorable cost variances.

Segment distribution costs increased $5 million in the second quarter of 2012 compared to the second quarter of 2011, primarily due to Fibrek's distribution costs of $7 million, partially offset by lower shipment volumes, excluding Fibrek.

Six months ended June 30, 2012 versus June 30, 2011

Excluding Fibrek's sales of $74 million in the first six months of 2012, segment sales on a comparable basis decreased $83 million, or 23.9%, from $347 million in the first six months of 2011 to $264 million in the same period of 2012 due to lower transaction prices and lower shipment volumes.

Segment operating (loss) income decreased $65 million to an operating loss of $28 million in the first six months of 2012 compared to operating income of $37 million in the same period of 2011. The above table presents the items that impacted segment operating (loss) income. A brief explanation of the major items follows.

Excluding Fibrek's results, segment cost of sales, excluding depreciation, amortization and cost of timber harvested, on a comparable basis decreased $13 million in the first six months of 2012 compared to the same period of 2011, primarily due to lower volumes ($16 million) and a favorable Canadian dollar currency exchange ($3 million), partially offset by higher costs for energy ($1 million, primarily due to the $2 million NIER Program retroactive rebate in the second quarter of 2011), chemicals ($1 million), labor and benefits ($1 million) and other unfavorable cost variances.

Segment distribution costs increased $3 million in the second quarter of 2012 compared to the second quarter of 2011, primarily due to Fibrek's distribution costs of $7 million, partially offset by lower shipment volumes, excluding Fibrek.

Market Pulp Third-Party Data: Overall demand for chemical market pulp was up 1.6% in the first six months of 2012 compared to the same period of 2011, including a 15% increase in China and a 5.2% increase in Latin America, offset in part by a 5.2% reduction in North America and a 6.1% reduction in Western Europe (the world's largest pulp market). Overall softwood and hardwood pulp shipments were up 1.0% and 2.4% respectively, the latter driven mainly by eucalyptus pulp, which increased 3.6%. World market pulp producers shipped at 92% of capacity in the first six months of 2012 compared to 91% in the same period of 2011. World market pulp producer inventories of softwood and hardwood grades were at 29 days and 40 days, respectively, of supply as of June 30, 2012 compared to 28 days and 42 days, respectively, of supply as of June 30, 2011. World market pulp producer inventories of all grades were at 34 days of supply as of June 30, 2012 compared to 34 days of supply as of June 30, 2011.

Wood Products

	Three Months Ended June 30, 2012	2011	Change	Six Months Ended June 30, 2012	2011	Change
Average price (per thousand board feet)	**$ 343**	$ 290	**$ 53**	**$ 324**	$ 300	**$ 24**
Average cost (per thousand board feet)	**$ 314**	$ 325	**$ (11)**	**$ 317**	$ 322	**$ (5)**
Shipments (millions of board feet)	**384**	397	**(13)**	**751**	772	**(21)**
Downtime (millions of board feet)	**201**	150	**51**	**366**	243	**123**
Inventory at end of period (millions of board feet)	**116**	165	**(49)**	**116**	165	**(49)**
(Unaudited, in millions)						
Segment sales	**$ 132**	$ 115	**$ 17**	**$ 243**	$ 231	**$ 12**
Segment operating income (loss)	**12**	(14)	**26**	**6**	(17)	**23**
Significant items that favorably (unfavorably) impacted segment operating income (loss):						
Product pricing and foreign exchange			**$ 20**			**$ 18**
Shipments			**(3)**			**(6)**
Change in sales			**17**			**12**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested			**5**			**7**
Change in depreciation, amortization and cost of timber harvested			**1**			**(1)**
Change in distribution costs			**3**			**6**
Change in selling, general and administrative expenses			**–**			**(1)**
			$ 26			**$ 23**

Three months ended June 30, 2012 versus June 30, 2011

Segment sales increased $17 million, or 14.8%, from $115 million in the second quarter of 2011 to $132 million in the second quarter of 2012 due to significantly higher transaction prices, partially offset by lower shipment volumes and an unfavorable currency exchange on our Canadian dollar denominated sales.

In the second quarter of 2012, downtime at our facilities was primarily market related.

Segment operating income (loss) improved $26 million to operating income of $12 million in the second quarter of 2012 compared to an operating loss of $14 million in the second quarter of 2011. The above table presents the items that impacted segment operating income (loss). A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $5 million in the second quarter of 2012 compared to the second quarter of 2011, primarily due to lower volumes ($2 million), a favorable Canadian dollar currency exchange ($2 million) and other favorable cost variances.

Segment distribution costs decreased $3 million in the second quarter of 2012 compared to the second quarter of 2011, primarily due to farther shipping destinations.

Six months ended June 30, 2012 versus June 30, 2011

Segment sales increased $12 million, or 5.2%, from $231 million in the first six months of 2011 to $243 million in the same period of 2012 due to higher transaction prices, partially offset by lower shipment volumes and an unfavorable currency exchange on our Canadian dollar denominated sales.

In the first six months of 2012, downtime at our facilities was primarily market related.

Segment operating income (loss) improved $23 million to operating income of $6 million in the first six months of 2012 compared to an operating loss of $17 million in the same period of 2011. The above table presents the items that impacted segment operating income (loss). A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $7 million in the first six months of 2012 compared to the same period of 2011, primarily due to lower volumes ($4 million) and a favorable Canadian dollar currency exchange ($3 million).

Segment distribution costs decreased $6 million in the first six months of 2012 compared to the same period of 2011, primarily due to farther shipping destinations.

Wood Products Third-Party Data: Privately-owned housing starts in the U.S. increased 23.6% to a seasonally-adjusted annual rate of 760,000 units in June 2012, compared to 615,000 units in June 2011.

Corporate and Other

The following table is included in order to facilitate the reconciliation of our segment sales and segment operating income (loss) to our total sales and operating (loss) income in our Consolidated Statements of Operations.

	Three Months Ended June 30,			Six Months Ended June 30,		
(Unaudited, in millions)	**2012**	2011	**Change**	**2012**	2011	**Change**
Cost of sales, excluding depreciation, amortization and cost of timber harvested	**$ (11)**	$ (4)	**$ (7)**	**$ (17)**	$ (3)	**$ (14)**
Selling, general and administrative expenses	**(6)**	(3)	**(3)**	**–**	(7)	**7**
Closure costs, impairment and other related charges	**(88)**	(4)	**(84)**	**(93)**	(17)	**(76)**
Net gain on disposition of assets	**1**	3	**(2)**	**24**	4	**20**
Operating loss	**$ (104)**	$ (8)	**$ (96)**	**$ (86)**	$ (23)	**$(63)**

Cost of sales, excluding depreciation, amortization and cost of timber harvested

Cost of sales, excluding depreciation, amortization and cost of timber harvested, in corporate and other included ongoing costs related to closed mills and other miscellaneous adjustments. Additionally, in the second quarter of 2012, we recorded charges of $7 million for write-downs of inventory as a result of the indefinite idling of our Mersey newsprint mill.

Selling, general and administrative expenses

In the second quarter and first six months of 2012, we recorded $3 million and $7 million, respectively, of transaction costs in connection with our acquisition of Fibrek. In the second quarter and first six months of 2012, we also recorded $2 million and $11 million of refunds of certain group benefit premiums paid in prior years. In the second quarter and first six months of 2012, we recorded approximately $1 million and $3 million, respectively, of corporate employee termination costs. In the second quarter and first six months of 2011, we recorded approximately $3 million and $7 million, respectively, of corporate employee termination costs.

Closure costs, impairment and other related charges

In the second quarter of 2012, we recorded $70 million of long-lived asset impairment charges (including a $7 million writedown of an asset retirement obligation related to environmental liabilities) related to the assets held for sale for our interest in our Mersey operations and $18 million of severance costs and a pension plan curtailment loss, primarily as a result of the indefinite idling of our Mersey newsprint mill, as well as a pension plan settlement loss related to a workforce reduction at our Mersey operations in the fourth quarter of 2011. In the first six months of 2012, we also recorded $5 million of severance costs and a pension curtailment loss as a result of a workforce reduction at our Baie-Comeau paper mill, as well as an adjustment for severance and pension curtailment related to the permanent closure in December 2011 of a paper machine at our Kenogami paper mill.

In the second quarter of 2011, we recorded $4 million of accelerated depreciation related to the permanent closures of a de-inking line at our Alma, Quebec paper mill and a paper machine and a thermomechanical pulp line at our Baie-Comeau, Quebec paper mill, as well as additional severance costs as a result of the decision to cease paperboard production at our Coosa Pines paper mill. In the first six months of 2011, we also recorded $13 million of accelerated depreciation, long-lived asset impairment charges, severance costs and an other postretirement benefit plan curtailment loss as a result of the decision to cease paperboard production at our Coosa Pines paper mill.

For additional information, see Note 3, "Closure Costs, Impairment and Other Related Charges," to our Unaudited Interim Consolidated Financial Statements.

Net gain on disposition of assets

During the second quarter of 2012, we recorded a net gain on disposition of assets of $1 million related to the sale of our Petit Saguenay, Quebec sawmill, our recycling division's assets located in Phoenix, Arizona and various other assets. During the first six months of 2012, we also recorded a net gain on disposition of assets of $23 million related to the sale of a portion of our Mersey timberlands and various other assets. During the second quarter and first six months of 2011, we recorded a net gain on disposition of assets of $3 million and $4 million, respectively, related to the sale of our investment in ACH and various other assets.

For additional information, see Note 4, "Assets Held for Sale, Liabilities Associated with Assets Held for Sale and Net Gain on Disposition of Assets," to our Unaudited Interim Consolidated Financial Statements.

Liquidity and Capital Resources

Overview

In addition to cash and cash equivalents and net cash provided by operations, our principal external source of liquidity is the ABL Credit Facility, which is defined and discussed below. As of June 30, 2012, we had cash and cash equivalents of $510 million and had $472 million of availability under the ABL Credit Facility. We believe that these sources provide us with adequate liquidity. In 2012, we anticipate that we may use cash on hand to redeem 2018 Notes pursuant to existing redemption features in the notes indenture and repurchase shares of our common stock. Subsequent to June 30, 2012, we used cash on hand to repay $97 million of Fibrek's outstanding indebtedness, including accrued and unpaid interest (see Note 11, "Long-Term Debt," to our Unaudited Interim Consolidated Financial Statements for additional information regarding Fibrek's debt, which we assumed on the acquisition date). Subsequent to June 30, 2012, we also used $10 million of cash on hand as partial consideration in the second step transaction of the Fibrek acquisition.

10.25% senior secured notes due 2018

Our 10.25% senior secured notes (the "2018 Notes") have a maturity date of October 15, 2018. Interest is payable on the notes on April 15 and October 15 of each year until maturity. As of June 30, 2012 and December 31, 2011, the carrying value of the 2018 Notes was $619 million and $621 million, respectively, which included an unamortized premium of $33 million and $35 million, respectively.

ABL Credit Facility

Our senior secured credit facility (the "ABL Credit Facility"), as amended, has a maturity date of October 28, 2016 and provides an asset-based revolving credit facility of up to $600 million at any time, subject to borrowing base availability. As of June 30, 2012, we had no borrowings and $50 million of letters of credit outstanding under the ABL Credit Facility. As of June 30, 2012, we had $472 million of availability under the ABL Credit Facility, which was comprised of $253 million for the U.S. borrowers (Resolute FP US Inc. and AbiBow Recycling LLC) and $219 million for the Canadian borrower (Resolute FP Canada Inc.).

Flow of funds

Summary of cash flows

A summary of cash flows for the six months ended June 30, 2012 and 2011 was as follows:

(Unaudited, in millions)	2012	2011
Net cash provided by operating activities	**$ 173**	$ 15
Net cash provided by investing activities	**13**	266
Net cash used in financing activities	**(45)**	(303)
Net increase (decrease) in cash and cash equivalents	**$ 141**	$ (22)

Cash provided by operating activities

The $158 million increase in cash provided by operating activities in the first six months of 2012 compared to the same period of 2011 was primarily related to an increase in cash generated by the changes in working capital and lower pension contributions in the first six months of 2012 compared to the same period of 2011. The lower pension contributions were primarily due to $25 million of 2012 contributions to our Canadian pension plans that were prepaid in the third quarter of 2011.

Cash provided by investing activities

The $253 million decrease in cash provided by investing activities in the first six months of 2012 compared to the same period of 2011 was primarily due to lower proceeds from the disposition of assets (primarily the disposition of our investment in ACH in the first six months of 2011), the cash portion of the consideration paid for the acquisition of Fibrek in the first six months of 2012 and an increase in cash invested in fixed assets in the first six months of 2012 compared to same period of 2011. These changes were partially offset by a decrease in restricted cash in the first six months of 2012 compared to the same period of 2011, primarily due to the release of a tax indemnity given in connection with the sale of our interest in Manicouagan Power Company in 2009.

Capital expenditures for both periods include compliance, maintenance and value-added projects on efficient and lower-cost production facilities.

Cash used in financing activities

The $258 million decrease in cash used in financing activities in the first six months of 2012 compared to the same period of 2011 was primarily due to lower payments of long-term debt (which was partially related to the disposition of ACH in 2011) and lower dividends and distribution to noncontrolling interests in the first six months of 2012 compared to the same period of 2011, partially offset by purchases of treasury stock in the first six months of 2012.

Employee Benefit Plans

Canadian pension funding relief

Based on agreements reached before we emerged from the creditor protection proceedings, the provinces of Quebec and Ontario adopted in 2011 specific regulations, which we refer to as the "funding relief regulations," to implement funding relief measures with respect to aggregate solvency deficits in our material Canadian registered pension plans, which we refer to as the "affected plans." These plans represent approximately 80% of our unfunded pension obligations. The funding relief regulations are described in Note 18, "Pension and Other Postretirement Benefit Plans – Canadian pension funding relief," to our consolidated financial statements for the year ended December 31, 2011. The regulations provide that corrective measures would be required if the aggregate solvency ratio in the affected plans falls below a prescribed level under the target specified by the regulations, as of December 31 in any year through 2014. Thereafter, supplemental contributions would be required if the aggregate solvency ratio in the affected plans falls below a prescribed level under the target specified by the regulations as of December 31 in any year on or after 2015 for the remainder of the period covered by the regulations.

Upon obtaining actuarial valuations, we determined that the aggregate solvency ratio in the affected plans had not met the minimum solvency level prescribed in the regulations, as of December 31, 2011. Accordingly, we must adopt, by March 2013, corrective measures designed to attain the target solvency ratio prescribed in the regulations within five years. The difference between the solvency status as of December 31, 2011 and the target specified under the funding relief regulations represents the portion of the solvency deficit that is subject to corrective measures, and amounts to approximately Cdn$500 million ($500 million, based on the exchange rate in effect on June 30, 2012). The solvency deficit is highly sensitive to changes in interest rates on government treasury securities; a 1% increase in the applicable discount rate, which is correlated to treasury security yields, would decrease the solvency deficit by approximately $450 million and vice versa.

We will work with other plan stakeholders, including employees, retirees, unions and the provincial governments of Quebec and Ontario to develop corrective measures. With interest rates currently near historic lows, we will work with these stakeholders to develop corrective measures that balance the need to meet our undertakings to retirees, but also provide us the funding predictability we need to manage our business.

Recent Accounting Guidance

There is no new accounting guidance issued which we have not yet adopted that is expected to materially impact our results of operations or financial condition.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information relating to quantitative and qualitative disclosures about market risk is disclosed in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our 2011 Annual Report. There have been no material changes in our exposure to market risk as previously disclosed in our 2011 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures:

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a–15(e) and 15d–15(e) of the Securities Exchange Act of 1934, as of June 30, 2012. Based on that evaluation, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date in recording, processing, summarizing and timely reporting information required to be disclosed in our reports to the SEC.

(b) Changes in Internal Control over Financial Reporting:

In connection with the evaluation of internal control over financial reporting, there were no changes during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On June 12, 2012, we filed a motion for directives with the Quebec Superior Court in Canada, the court with jurisdiction in our 2010 creditor protection proceedings under the *Companies' Creditors Arrangement Act* (Canada), seeking an order to prevent pension regulators in each of Quebec, New Brunswick and Newfoundland and Labrador from declaring partial wind-ups of pension plans relating to employees of former Abitibi-Consolidated Inc. and Bowater Incorporated operations in these provinces, or a declaration that any claim for accelerated reimbursements of deficits arising from a partial wind-up is a barred claim under the creditor protection proceedings. These plans are subject to the funding relief regulations described above, and we contend, among other things, that any such declaration, if issued, would be inconsistent with the court's sanction order confirming the plan of reorganization and the terms of our emergence from the creditor protection proceedings. A partial wind-up would likely shorten the period in which any deficit within those plans would have to be funded. The pension regulators are expected to file contestations to our motion by the end of August 2012.

Information on our legal proceedings is presented under Part I, Item 3, "Legal Proceedings," in our 2011 Annual Report. Except as updated above, there have been no material changes to the legal proceedings described in our 2011 Annual Report.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risk factors set forth under Part I, Item 1A, "Risk Factors," in our 2011 Annual Report, which could materially affect our business, financial condition or future results. The risks described in this report and in our 2011 Annual Report are not the only risks we are facing. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially affect our business, financial condition or future results. There have been no material changes to the risk factors previously disclosed in our 2011 Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth information about our stock repurchases for the three months ended June 30, 2012:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs [(1)]
April 1 to April 30	–	$ –	–	$ –
May 1 to May 31	86,800	11.59	86,800	98,993,962
June 1 to June 30	967,467	11.51	967,467	87,861,199
Total	1,054,267	$ 11.51	1,054,267	$ 87,861,199

(1) On May 22, 2012, our board approved a share repurchase program of up to 10% of our common stock, for an aggregate purchase price of up to $100 million.

RESOLUTE FOREST PRODUCTS INC.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1*	Certificate of Amendment to the Third Amended and Restated Certificate of Incorporation of AbitibiBowater Inc., as filed with the Secretary of State of Delaware on May 23, 2012 (incorporated by reference from Exhibit 3.1 to Resolute Forest Products Inc.'s Current Report on Form 8-K filed May 29, 2012, SEC File No. 001-33776).
†10.1**	Resolute Forest Products Inc. Severance Policy – Chief Executive Officer and Direct Reports, effective as of August 1, 2012.
31.1**	Certification of President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Senior Vice President and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of President and Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Senior Vice President and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS***	XBRL Instance Document.
101.SCH***	XBRL Taxonomy Extension Schema Document.
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document.

* Previously filed and incorporated herein by reference.

** Filed with this Form 10-Q.

† This is a management contract or compensatory plan or arrangement.

*** Interactive data files furnished with this Form 10-Q, which represent the following materials from this Form 10-Q formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive (Loss) Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statement of Changes in Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Unaudited Interim Consolidated Financial Statements. Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions or other liability provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. In addition, users of this data are advised that, pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

RESOLUTE FOREST PRODUCTS INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

RESOLUTE FOREST PRODUCTS INC.

By	/s/ Jo-Ann Longworth
	Jo-Ann Longworth
	Senior Vice President and Chief Financial Officer
By	/s/ Silvana Travaglini
	Silvana Travaglini
	Vice President and Chief Accounting Officer

Dated: August 9, 2012

RESOLUTE FOREST PRODUCTS INC.

EXHIBIT INDEX

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Corporate Policy
Human Resources

Severance Policy – Chief Executive Officer and Direct Reports

I. Purpose

This Policy provides an eligible Executive with financial support in the event that his employment is terminated under circumstances entitling the eligible Executive to severance pay and benefits, as provided in this Policy.

II. Implementation Date

This Policy is effective August 1, 2012.

III. Eligible Employees

This Policy applies to the Chief Executive Officer and his direct reports in Job Grades 43 and above, determined at the time the termination is announced ("Eligible Executive"). An employee who is not a direct report of the Chief Executive Officer at the time his termination is announced is not covered by this Policy.

IV. Eligible Terminations

Except for the terminations noted below, severance pay and benefits under this Policy will be payable to an Eligible Executive for a Company-triggered termination or if an Eligible Executive voluntarily terminates his employment with the Company for "good reason" within 12 months after a "change in control" of the Company. Refer to the attached Appendix for a definition of "change in control" and "good reason." An Eligible Executive covered by U.S. Section 409A must be required to provide written notice to the Company of the existence of the condition constituting good reason within a period not to exceed 90 days of the initial existence of the condition. Upon the Eligible Executive's written notice, the Company will have a period of 30 days during which it may remedy the condition and not be required to pay the severance amount.

Terminations under the following circumstances are **not** eligible for severance pay and benefits under this Policy:

(1) Company-triggered terminations for just cause, as determined by the Company in its sole discretion;

(2) Company-triggered terminations where the Executive leaves employment with the Company before a date authorized by the Company; or

(3) Any voluntary termination (other than a termination for good reason within 12 months after a change in control).

V. Administrative Procedure for Granting Severance

If the employment of an Eligible Executive other than the Senior Vice President of Human Resources is being terminated, the Chair of the Board or Chief Executive Officer **and** the Senior Vice President of Human Resources must approve the termination before any announcement of the termination can be made. In the case of a termination of employment of the Senior Vice President of Human Resources, the Chair of the Board and the Chief Executive Officer must approve the termination before any announcement of the termination can be made.

Eligible Executives will be informed of the decision to terminate their employment in a face to face meeting with the Chief Executive Officer (or the Chair of the Board in the case of the Chief Executive Officer) and a senior Human Resources professional, and will be given a standard letter setting out the terms and conditions of the severance package.

VI. Amount of Severance Pay

Eligible Executives will be entitled to severance pay calculated as described below. The severance package will comply with all obligations of notice, termination and severance pay under applicable legislation and any common law (Civil Code in Quebec), and entitlements to pay in lieu of reasonable notice. Subject to the minimums and maximums below, severance pay will be based on the following criteria:

(a) Eligible Executives will receive six (6) weeks of "eligible pay" per year of continuous service, subject to the following:

- (1) The minimum severance amount will be 52 weeks of eligible pay.
- (2) The maximum severance amount will be 104 weeks of eligible pay.
- (3) Eligible Executive's with partial years of service will receive a prorated number of weeks of eligible pay for completed months of service.

(b) "Eligible Pay" means annual base pay as in effect at the termination of employment date and the average of the Eligible Executive's last two (2) incentive awards paid under a regular cash incentive plan or program, including the 2010 Short-Term Incentive Plan ("Incentive Awards"). Other cash recognition, non-recurring or multi-year incentive awards are not considered Incentive Awards for the purpose of this Policy. If an Incentive Award paid under the 2010 STIP is included, such award amount will be annualized. In any case, the award amount used to determine Eligible Pay is subject to a maximum of 125% of the Executive's target incentive (expressed in dollars) for the year in which the termination occurs.

VII. Payment of Severance and Waiver and Release

As a condition to the receipt of severance pay and benefits under this Policy, a terminating Executive must execute and not revoke a Waiver and Release Agreement in a form acceptable to the Company. For Canadian Eligible Executives, only severance pay amounts that exceed statutory requirements are conditioned on execution of a Waiver and Release Agreement that is not later revoked. The period for considering the Waiver and Release Agreement and related period of revocation will be provided in the notice of termination.

(a) **U.S. Eligible Executives**

Severance pay for Eligible Executives subject to U.S. Code Section 409A will be paid in the form of a lump sum payment as soon as practicable after an Eligible Executive signs the Waiver and Release Agreement and the seven (7) day period for revoking the Agreement expires, but in no event later than 45 days following the end of the year in which the Executive is terminated. The Eligible Executive will be given up to 45 days, as the Company determines, from the date of termination to review and consider the Waiver and Release Agreement.

(b) **Canadian Eligible Executives**

Severance pay for Eligible Executives subject to Canadian tax will be paid in the form of a lump sum payment, provided that in Ontario, the first eight (8) weeks of severance will be paid in the form of salary continuance, with full benefits and pension coverage, both subject to usual cost sharing arrangements.

For the avoidance of doubt, there will be no compounding effect between the statutory requirements and the severance pay offered by the Company.

VIII. Restrictive Covenants

As a condition to receiving severance pay and benefits under this Policy, the Eligible Executive must execute a Non-Compete Agreement in a form acceptable to the Company.

IX. Confidential Information

Severed Executives need to observe at all times the rules governing the protection of the Company's confidential information, before, on and after their termination of employment date. Payment of severance pay and the availability of related benefits will cease if an Eligible Executive discloses or improperly uses such confidential information. The Company will be entitled to seek recovery of any prior severance pay previously made to the Eligible Executive and/or seek any equitable relief.

X. Current Year Incentive Award

Eligibility for an Incentive Award for the year in which the Eligible Executive's employment terminates and for the prior year (in the event of termination after the performance year and before payment) will be governed by the provisions of the applicable incentive plan. Eligibility to other cash recognition, non-recurring or multi-year incentive awards will cease as of an Executive's termination of employment date, unless the governing plan documents provide otherwise.

XI. Equity-based Compensation

If the Eligible Executive has formerly received equity-based compensation awards, the Senior Vice President of Human Resources (or the Chief Executive Officer in the event of termination of the Senior Vice President of Human Resources) must provide notice of such Executive's termination date to the Director of Corporate Compensation, so that the third party administrator of the Company equity-based compensation plans can be advised on a timely basis. Any such awards will be governed by the provisions of the applicable award agreements and equity-based compensation plans.

XII. Vacation Credits

Any earned but unused vacation time will be paid in a lump sum shortly after the termination of employment date by the Eligible Executive. Current vacation time cannot be taken after the last worked day by the Eligible Executive and no further vacation pay will accrue after the termination of employment date.

XIII. Career Transition Counseling

The Company will make available career transition and outplacement counseling through an outside firm chosen by the Company. All severed Executives who receive severance pay should be encouraged to take advantage of these services in a timely manner.

Although the Executive has the choice whether to participate in the career transition and outplacement counseling program, an Executive who refuses to participate eliminates his right to any Company provided benefit related to career transition and outplacement counseling. In such cases, the Executive should also be reminded about his legal obligation to mitigate any income loss arising from the termination of employment.

XIV. Additional Provisions Applicable to Executives in Canada

(a) Benefits and Pension Plan

All benefits, including pension accruals (defined benefit or defined contribution) cease on the last day of work.

(b) Retiring Allowance

For severed Canadian Executives hired before 1996, subject to a maximum defined by tax rules, Revenue Canada allows a tax-deferred transfer of a portion of the severance pay to one's registered retirement savings plan ("RRSP") as a retiring allowance.

For any Canadian Eligible Executive, a portion of the Severance Pay can be transferred to the Eligible Executive's RRSP as a retiring allowance, subject to the RRSP deduction limit available according to the Executive's notice of assessment and upon presentation of written evidence of such RRSP deduction limit by the Executive to the Company.

An Executive wanting to take advantage of these possibilities must submit the relevant tax forms prior to any direct transfer being made to the financial institution holding his RRSP.

XV. Additional Provisions Applicable to U.S. Executives

(a) Medical and Dental Coverage

Upon termination of employment, an Eligible Executive's medical and dental benefits, if any, will cease as of the last day of the calendar month in which the termination occurs (the "Benefit Termination Date"), unless the governing plan documents provide otherwise. The Eligible Executive will be entitled to continue his medical and dental coverage after the Benefit Termination Date as required by U.S. law under the Consolidated Omnibus Budget Reconciliation Act (COBRA). Eligible Executives who elect to continue coverage through COBRA will be obligated to pay the full cost of the coverage, plus a two percent (2%) administrative charge.

(b) Other Company Benefits

All other Company benefits for an Eligible Executive (including, but not limited to, 401(k), life insurance, disability coverage, etc.) will cease as of an Executive's termination of employment date, unless the governing plan documents provide otherwise. All pay and other benefits (except benefits under this Policy) under any such plan, policy or arrangement of the Company that is payable on account of the Executive's termination of employment will be paid according to the terms of those established policies, plans and arrangements. Severance pay under this Policy will not be considered in the calculation of retirement plan benefits under any Company plan.

XVI. Return of Equipment, Materials

All materials and Company property including, but not limited to, computers and peripherals, records, files, telephone calling cards, building or parking access passes, blackberries, electronic devices, cellular phones, personal digital assistants (PDAs) and Company credit cards must be returned upon termination of employment. Employee data, strategic plans, financial information, customer lists or data, trademarks, patents and the like are Company property and must also be returned and must remain strictly confidential. Any questions about what other information is considered confidential should be addressed by the severed Executive to the Executive's superior and/or the Legal Department.

XVII. Policy Deviations/Amendment/Termination

The Board of Directors may approve deviations from this policy upon recommendation of the Human Resources and Compensation/Nominating and Governance Committee of the Board.

Eligible Executives do not have any vested right to severance pay and other related benefits, and the Company reserves the right in its sole discretion to amend or terminate this Policy at any time, in a writing signed by the Human Resources and Compensation/Nominating and Governance Committee of the Board of Directors.

Notwithstanding anything herein to the contrary, the Company may not reduce the protection offered pursuant to this Policy without providing to the Chief Executive Officer and his direct reports in Job Grades 43 and above then in office 12-months prior written notice of any such reduction. Any reduction in the protection offered pursuant to this Policy will be ineffective and may not be applied to an Eligible Executive before the expiry of a 12-months notice.

In the event of a change in control, in addition to the foregoing prior written notice requirement, the Company may not reduce the protection offered pursuant to this Policy to the Chief Executive Officer and his direct reports in Job Grades 43 and above in office on the effective date of the change in control, for any severance pay and benefits that may be offered to such officers upon an eligible termination that occurs during the 24-month period that begins on the effective date of the change in control. In other words, any reduction for severance pay and benefits payable upon an eligible termination following a change in control will be ineffective and may not be applied to an eligible termination that occurs during this 24-month period by the Eligible Executive. Any such reductions shall only be effective for an eligible termination that occurs after the foregoing 24-month period.

XVIII. Unauthorized Representation on Behalf of the Company

Except for cases where a termination of employment has been properly approved and administered in accordance to the Company guidelines, it is strictly forbidden for anyone to make verbal or written representations to future, current or past Executives about possible future severance entitlements. It is also forbidden to set pre-determined levels of severance pay and other related benefits in any conversations or documents related to the hire, transfer or re-assignment of any Eligible Executive, unless formally approved by the Human Resources and Compensation/Nominating and Governance Committee of the Board of Directors.

XIX. Recovery of Payments

An Eligible Executive will be required to return to the Company any severance and related benefits payment, or portion thereof, made by mistake of fact or law, and the Company shall have all remedies available at law for the recovery of such amounts, including the right to offset such amounts from any future amounts payable to the severed Executive by the Company in relation to his employment or the termination of his employment with the Company.

Without limiting the generality of the foregoing, the Company may offset and deduct any amount which the severed Executive is required to return to the Company, from any lump sum payable hereunder, or from any amount owed to the Eligible Executive pursuant to any short-term incentive plan, long-term incentive plan, deferred compensation arrangements, other compensation programs, or any supplemental pension plan. Any such offset from a plan, arrangement or program that provides for deferred compensation subject to Code Section 409A shall comply with the rules and limitations for offsets under Treasury Regulation Section 1.409A-3(j)(4)(xiii).

XX. Improper Personal or Professional Conduct

Severed Executives need to display the highest personal and professional standards at all times, prior and after their termination of employment date. Any improper personal or professional conduct such as, without limitation, unlawful behaviour, theft, fraud, misrepresentation, harassment, disparagement, defamation or speaking negatively of the Company, its personnel, its products and services, its customers, its suppliers, and any such conduct shall be sanctioned with the loss or reduction of severance pay and other related benefits.

XXI. Mandated Payments

Severance pay and other related benefits offered by the Company are the maximum made available in the event of involuntary termination of employment. To the extent that a federal, provincial, state or local law mandates the Company to make a payment to an Eligible Executive because of termination of employment or in accordance with a plant/work location closing law, the severance pay and other related benefits under this Policy will be reduced by the amount of such mandated payment(s). Similarly, in the event that a decision from the court of competent jurisdiction would result in a monetary award to a severed Executive, such monetary award would reduce the amount of severance pay under this Policy.

XXII. Source of Severance Pay

Notwithstanding anything contained hereunder, severance pay comes from the general funds of the Company and is not secured by a trust agreement or any other financial instrument (such as a letter of credit).

XXIII. No Assignment

The Severance Pay payable under this policy shall not be subject to anticipation, alienation, pledge, sale, transfer, assignment, garnishment, attachment, execution or encumbrance of any kind and any attempt to do so shall be void, except as required by law.

XXIV. Applicable Law

This severance Policy will be governed and construed in accordance with the law applicable in the state or province where the severed Executive reported to work on his last worked day, except where pre-empted by federal law.

For Eligible Executives subject to U.S. tax, it is intended that payments and benefits under this Policy be exempt from the provisions of section 409A of the Internal Revenue Code and Treasury regulations or other guidance thereunder. This Policy will be interpreted and administered in a manner consistent with this intent, and, if either party determines that any provision would cause payments and benefits under this Policy to be subject to but fail to comply with U.S. Section 409A, the parties will cooperate in preparing an amendment to comply with U.S. Section 409A (which amendment may be retroactive to the extent permitted under U.S. Section 409A).

The severance compensation provided by under this Policy constitutes an unfunded compensation arrangement for a member of a select group of the Company's management and any exemptions under ERISA, as applicable to such an arrangement, will be applicable to this Policy.

Approved by:
/s/ Richard B. Evans

Richard B. Evans
Chair of the Board of Directors

Adopted December 9, 2010
Amended August 1, 2012

Appendix

For purposes of the Severance Policy, the following shall apply:

(a) A change in control means any of the following:

(1) the acquisition, directly or indirectly and by any means whatsoever, by any Person, or by a group of Persons acting jointly or in concert, of that number of Voting Shares which is equal to or greater than 50% of the total issued and outstanding Voting Shares immediately after such acquisition;

(2) the election or appointment by any holder of Voting Shares, or by any group of holders of Voting Shares acting jointly or in concert, of a number of members of the Board of Directors of Resolute Forest Products Inc. equal to or greater than 50% of the members of the Board of Directors;

(3) any transaction or series of transactions, whether by way of reconstruction, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, whereby assets of Resolute Forest Products Inc. or any subsidiary become the property of any other Person (other than a subsidiary of Resolute Forest Products Inc.) if such assets which become the property of any other person have a fair market value (net of the fair market value of any then existing liabilities of Resolute Forest Products Inc. assumed by such other Person as part of the same transaction) equal to 50% or more of the Market Capitalization of Resolute Forest Products Inc. immediately before such transaction; or

(4) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in paragraphs (1), (2) and (3) above.

For purposes of the foregoing definition, the following terms have the following meanings:

(A) "Market Capitalization of Resolute Forest Products Inc." at any time means the product of (i) the number of outstanding common shares of Resolute Forest Products Inc. at that time, and (ii) the average of the closing prices for the common shares of Resolute Forest Products Inc. on the principal securities exchange (in terms of volume of trading) on which the common shares of Resolute Forest Products Inc. are listed at that time for each of the last 10 business days prior to such time on which the common shares of Resolute Forest Products Inc. traded on such securities exchange.

(B) "Person" shall mean any individual, corporation, partnership, group, association or other "person" as such term is used in Sections 13(d) and 14(d) of the Exchange Act.

(C) "Voting Shares" means any securities of Resolute Forest Products Inc. ordinarily carrying the right to vote at elections of directors.

Notwithstanding the foregoing, the following events do not constitute a change in control for purposes of this Policy: the Company's emergence from creditor protection on the Emergence Date; any and all related corporate restructuring transactions that occur coincident with or following emergence; the change in the Company's Board of Directors coincident with emergence; any change in shareholders coincident with emergence; and any other transactions coincident with or following emergence provided for in the plan of reorganization and related Canadian plan of arrangement that would otherwise constitute a change in control.

(b) "Good reason" means any of the following:

(1) a material adverse change in the Eligible Executive's status, title, position, duties or responsibilities (including in reporting line relationships) or any removal of the Eligible Executive from or failure to reappoint or reelect the Eligible Executive to any material office or position;

(2) a material reduction in compensation and benefits, in the aggregate, (in terms of benefit levels and/or reward opportunities which opportunities will be evaluated in light of the performance requirements thereof) to those provided for under the employee compensation and benefit plans, programs and practices in which the Eligible Executive was participating;

(3) a material reduction of the Executive's salary; or

(4) a material change in the geographic location at which the Eligible Executive is to perform services on behalf of the Corporation from the location immediately prior to the Change in Control.

EXHIBIT 31.1

Certification

I, Richard Garneau, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2012 of RESOLUTE FOREST PRODUCTS INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2012

/s/ Richard Garneau

Richard Garneau
President and Chief Executive Officer

EXHIBIT 31.2

Certification

I, Jo-Ann Longworth, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2012 of RESOLUTE FOREST PRODUCTS INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2012

/s/ Jo-Ann Longworth

Jo-Ann Longworth
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

Certification

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of RESOLUTE FOREST PRODUCTS INC. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2012 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2012	/s/ Richard Garneau
	Name: Richard Garneau
	Title: President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Resolute Forest Products Inc. and will be retained by Resolute Forest Products Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT 32.2

Certification

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of RESOLUTE FOREST PRODUCTS INC. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2012 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2012	/s/ Jo-Ann Longworth
	Name: Jo-Ann Longworth
	Title: Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Resolute Forest Products Inc. and will be retained by Resolute Forest Products Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of the Report or as a separate disclosure document.