

BOWATER INCORPORATED
AUDIT COMMITTEE CHARTER

As adopted on February 26, 2004

1. Purpose

The Audit Committee and its Chair are appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- Monitor the integrity of Bowater's financial reporting process and systems of internal controls.
- Monitor the independence and qualifications of Bowater's independent auditors.
- Monitor the performance of Bowater's internal auditors and independent auditors.
- Monitor Bowater's compliance with legal and regulatory requirements.
- Provide an open avenue of communication among the Board of Directors, management, independent auditors and internal auditors. The Audit Committee shall make regular reports to the Board.

While the Audit Committee has the duties and responsibilities set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that Bowater's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors.

2. Composition and Meetings

The Audit Committee is composed of at least three Directors, each of whom is an independent Director, free from any relationship that could interfere with the exercise of his or her independence from management and Bowater, and satisfies the independence and qualification requirements of the Securities and Exchange Commission, the New York Stock Exchange, and the Company's Corporate Governance Principles concerning membership. All members of the Committee are financially literate, which means they have a basic understanding of finance and accounting and are able to read and understand fundamental financial statements. At least one member of the Committee has accounting or related financial management expertise. No member of the Committee may simultaneously serve on the audit committees of more than two other public companies without the approval of the Board of Directors.

The Committee has four regularly scheduled meetings annually and meets more frequently if circumstances dictate. The Committee maintains minutes of all meetings and reports, through its

Chair, to the Board of Directors on significant aspects of its activities. The Committee meets at least annually, in separate executive sessions, with management, the internal auditors and the independent auditors to discuss any matters that the Committee or any of these groups believes should be discussed. In addition, the Committee, through its Chair or another member designated by the Chair, meets with management, the internal auditors and the independent auditors quarterly, in separate executive sessions if deemed necessary, to review Bowater's financial statements and significant findings based upon the auditors' limited review procedures.

3. Duties and Responsibilities

To fulfill its duties and responsibilities, the Committee, to the extent that it deems necessary or appropriate, will:

Review Procedures

- Review and reassess the adequacy of this Charter annually. Submit the Charter to the Board of Directors for approval and have it published in Bowater's proxy statement as required by the Securities and Exchange Commission ("SEC").
- In consultation with management, independent auditors and internal auditors, consider the integrity of Bowater's financial reporting processes and controls. Discuss significant financial risk exposures, if any, and the steps management has taken to monitor, control and report any such exposures. Review significant findings prepared by the independent auditors and internal auditors, together with management's responses.
- Discuss with management Bowater's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance, if any, provided to analysts and ratings agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made). The Audit Committee may form and delegate authority for such discussions to subcommittees consisting of one or more members when appropriate.
- Review with financial management and the independent auditors Bowater's quarterly financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to filing with the SEC. Discuss any significant changes to Bowater's accounting policies and any items required to be communicated by the independent auditors in accordance with American Institute of Certified Public Accountants, Statement on Auditing Standards 61, as amended (SAS 61).
- Review disclosures made to the Audit Committee by Bowater's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in Bowater's internal controls as well as the procedures undertaken by the CEO and CFO in connection with the preparation of such certifications.

- Review Bowater’s annual audited financial statements, including disclosure made in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” prior to filing with the SEC. Discuss with management and the independent auditors, as applicable, significant financial reporting issues and judgments made in connection with the preparation of Bowater’s financial statements, including, but not limited to, any significant changes in Bowater's selection or application of accounting principles, any major issues as to the adequacy of Bowater's internal controls and any special steps adopted in light of material control deficiencies, and the effect of SEC regulatory and accounting initiatives and off balance sheet structures on Bowater's financial statements. Based upon such review and discussion, recommend to the Board whether the audited financial statements should be included in Bowater's Form 10-K.
- Prepare a report to be included in Bowater’s annual proxy statement that discloses the Committee’s review of the audited financial statements, the required discussions (SAS 61) with the independent auditors, whether the Committee has recommended to the Board of Directors that the financial statements be included in Bowater’s Annual Report on Form 10-K, and any other matters required by the SEC.

Independent Auditors

- Have the sole authority to appoint, retain or replace the independent auditors. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditors (including resolution of any disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditors shall report directly to the Audit Committee.
- Review the independence, performance and qualifications of the independent auditors at least annually. As part of such review, the Audit Committee shall obtain and review a report from the independent auditors at least annually regarding (a) the independent auditors’ internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carries out by the firm, and (c) any steps taken to deal with any such issues.
- Review the performance of the internal auditors at least annually.
- Preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for Bowater by its independent auditors, subject to the de minimus exceptions for the non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.

- Approve the fees and other significant compensation to be paid to the independent auditors.
- Review and discuss reports from the independent auditors on:
 - (a) All critical accounting policies and practices to be used.
 - (b) All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors.
 - (c) Other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
 - (d) The independent auditors' attestation report regarding the management internal control report of the Company to be included in the Company's annual report.
- Require the independent auditors to submit annually to the Audit Committee a formal written statement, delineating all relationships between the independent auditors and Bowater in accordance with Independence Standards Board (ISB) No. 1. Actively engage in a dialogue with the independent auditors about any relationships or services that could impact their objectivity and independence. Take appropriate action in response to the independent auditors' report regarding their independence.
- Review and approve the independent auditors' audit plan and discuss scope, staffing (including experience and qualifications), locations, reliance upon management and internal audit and general audit approach.
- Discuss the results of the audit with the independent auditors. Discuss matters required to be communicated to audit committees in accordance with SAS 61, including but not limited to any problems or difficulties arising in the course of the audit and management's response.
- Consider the independent auditors' judgments about the quality and appropriateness of Bowater's accounting policies as applied in its financial reporting
- Ensure the rotation of the audit partners as required by Section 10A of the Exchange Act.
- Recommend to the Board of Directors policies for the Company's hiring of employees or former employees of the independent auditors who participated in any capacity in the audit of the Company.

Internal Audit Department

- Review and approve the budget, plan, changes in the plan, activities, organizational structure and qualifications of the internal auditors.

- Review the appointment, performance and replacement of the senior internal audit executive or service provider.
- Review significant observations and recommendations made by the internal auditors, together with management's response and follow-up to these reports.

Legal Compliance

- Retain independent legal, accounting or other advisors to the extent it deems necessary or appropriate. Bowater shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee or for performing other audit, review or attestation services.
- Review, with Bowater's General Counsel, any legal matter that could have a material impact on Bowater's financial statements.
- Establish procedures for the receipt, retention and treatment of complaints received by Bowater regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Others

- Annually review the Committee's own performance.
- Consider such other matters as the Committee or the Board determines appropriate.

Adopted by the Board of Directors, May 12, 2000
Amended and Restated, February 26, 2004