

CANADA

PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

SUPERIOR COURT  
Commercial Division

File: No: 500-11-048114-157

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**IN THE MATTER OF THE *COMPANIES'*  
*CREDITORS ARRANGEMENT ACT, R.S.C.*  
1985, c. C-36, AS AMENDED:**

**BLOOM LAKE GENERAL PARTNER  
LIMITED, QUINTO MINING  
CORPORATION, 8568391 CANADA  
LIMITED, CLIFFS QUÉBEC IRON  
MINING ULC, WABUSH IRON CO.  
LIMITED AND WABUSH RESOURCES  
INC.**

Petitioners

- and -

**THE BLOOM LAKE IRON ORE MINE  
LIMITED PARTNERSHIP, BLOOM  
LAKE RAILWAY COMPANY LIMITED,  
WABUSH MINES, ARNAUD RAILWAY  
COMPANY AND WABUSH LAKE  
RAILWAY COMPANY LIMITED**

Mises-en-cause

- and -

**FTI CONSULTING CANADA INC.**

Monitor

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**FORTY-THIRD REPORT TO THE COURT  
SUBMITTED BY FTI CONSULTING CANADA INC.,  
IN ITS CAPACITY AS MONITOR**

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## INTRODUCTION

1. On January 27, 2015, Bloom Lake General Partner Limited (“**BLGP**”), Quinto Mining Corporation (“**Quinto**”), 8568391 Canada Limited (“**856**”) and Cliffs Québec Iron Mining ULC (“**CQIM**”) (collectively, the “**Bloom Lake Petitioners**”) sought and obtained an initial order (as amended, restated or rectified from time to time, the “**Bloom Lake Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) from the Superior Court of Québec (the “**Court**”), providing for, *inter alia*, a stay of proceedings against the Bloom Lake Petitioners until February 26, 2015, (the “**Bloom Lake Stay Period**”) and appointing FTI Consulting Canada Inc. as monitor (the “**Monitor**”). The relief granted in the Bloom Lake Initial Order was also extended to The Bloom Lake Iron Ore Mine Limited Partnership (“**Bloom Lake LP**”) and Bloom Lake Railway Company Limited (“**BLRC**” and, together with Bloom Lake LP, the “**Bloom Lake Mises-en-Cause**” and together with the Bloom Lake Petitioners, the “**Bloom Lake CCAA Parties**”). The proceedings commenced under the CCAA by the Bloom Lake CCAA Parties will be referred to herein as the “**CCAA Proceedings**”.

2. On May 20, 2015, the CCAA Proceedings were extended to include Wabush Iron Co. Limited (“**WICL**”), Wabush Resources Inc. (“**WRI**” and together with WICL, the “**Wabush Petitioners**”), Wabush Mines, Arnaud Railway Company (“**Arnaud**”) and Wabush Lake Railway Company Limited (“**WLRC**” and, collectively with Arnaud and Wabush Mines, the “**Wabush Mises-en-Cause**” and together with the Wabush Petitioners, the “**Wabush CCAA Parties**”) pursuant to an initial order (as amended, restated or rectified from time to time, the “**Wabush Initial Order**”) providing for, *inter alia*, a stay of proceedings against the Wabush CCAA Parties until June 19, 2015, (the “**Wabush Stay Period**”). The Bloom Lake CCAA Parties and the Wabush CCAA Parties will be referred to collectively herein as the “**CCAA Parties**”.
3. The Bloom Lake Stay Period and the Wabush Stay Period (together, the “**Stay Period**”) have been extended from time to time and currently expire on March 30, 2018.
4. On June 22, 2015, Mr. Justice Hamilton J.S.C. granted an Order (the “**June 22 Rep Order**”) *inter alia*:
  - (a) Appointing Michael Keeper, Terence Watt, Damin Lebel and Neil Johnson as representatives (the “**Representatives**”) of the Salaried Members (as defined in the June 22 Rep Order); and
  - (b) Appointing as legal counsel to the Representatives, Koskie Minsky LLP and Nicholas Scheib<sup>1</sup> (collectively “**Representative Counsel**”).
5. On November 5, 2015, Mr. Justice Hamilton J.S.C. granted an Order approving a procedure for the submission, evaluation and adjudication of claims against the CCAA Parties and their current and former directors and officers (as amended, the “**Claims Procedure**”).

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<sup>1</sup> Mr. Scheib resigned the position in June 2017 and was replaced by Fishman Flanz Meland Paquin LLP effective October 1, 2017, pursuant to an Order granted December 21, 2017.

6. On July 25, 2017, Mr. Justice Hamilton J.S.C. granted an Order (the “**Allocation Methodology Order**”) *inter alia* approving a methodology for the allocation of the proceeds of realizations and the costs of the CCAA Proceedings amongst the CCAA Parties and, to the extent necessary, amongst assets or asset categories (the “**Allocation Methodology**”)<sup>2</sup>.
7. To date, the Monitor has filed forty-two reports in respect of various aspects of the CCAA Proceedings. The purpose of this, the Monitor’s Forty-Third Report (this “**Report**”), is to provide information to the Court with respect to:
  - (a) The receipts and disbursements of the CCAA Parties for the period November 18, 2017 to March 9, 2018;
  - (b) The CCAA Parties’ current cash balances;
  - (c) The current status of the realization of the assets of the CCAA Parties;
  - (d) Potentially orphaned funds from the CQIM deferred profit sharing plan;
  - (e) The CRA ITA Audit, as defined in the Monitor’s Thirty-Fourth Report;
  - (f) A payment demand issued by Revenu Québec;
  - (g) The MFC Minimum Royalty Litigation;
  - (h) The progress of the Claims Procedure;
  - (i) The Pension Priority Motion and the Newfoundland Reference;

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<sup>2</sup> The City of Fermont sought and obtained leave to appeal one aspect of the Allocation Methodology Order, which appeal was heard March 14, 2018. The Court of Appeal reserved its decision.

- (j) The execution of a term sheet dated March 14, 2018, (the “**Restructuring Term Sheet**”) between certain of the CCAA Parties (collectively, the “**Participating CCAA Parties**”) and Cleveland-Cliffs Inc. on behalf of itself and its current and former subsidiaries and affiliates that are not CCAA Parties (collectively, the “**Non-Filed Affiliates**”) for the proposed terms of a plan of compromise or arrangement to be sponsored by the Non-Filed Affiliates; and
- (k) The CCAA Parties’ request for an extension of the Stay Period to June 29, 2018, and the Monitor’s recommendation thereon.

#### **TERMS OF REFERENCE**

- 8. In preparing this Report, the Monitor has relied upon unaudited financial information of the CCAA Parties, the CCAA Parties’ books and records, certain financial information prepared by the CCAA Parties and discussions with various parties (the “**Information**”).
- 9. Except as described in this Report:
  - (a) The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
  - (b) The Monitor has not examined or reviewed financial forecasts and projections referred to in this Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
- 10. The Monitor has prepared this Report in connection with the CCAA Parties’ motion for an extension of the Stay Period scheduled to be heard March 26, 2018, and this Report should not be relied on for other purposes.

11. Future oriented financial information reported or relied on in preparing this Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the Bloom Lake Initial Order, the Wabush Initial Order or previous reports of the Monitor.

**RECEIPTS & DISBURSEMENTS FOR THE PERIOD TO MARCH 9, 2018**

13. The CCAA Parties' actual cash flow on a consolidated basis for the period from November 18, 2017, to March 9, 2018, excluding proceeds of major asset realizations and payments on account of proven secured claims, is summarized below:

	Bloom Lake CCAA Parties	Wabush CCAA Parties
	\$000	\$000
<b>Receipts</b>	74	179
<b>Disbursements:</b>		
Payroll & Employee Benefits		
Termination & Severance		
Utilities		
Other Operating Disbursements	(3)	(47)
<b>Operating Cash Flows</b>	71	132
Receipt of DPS Funds	147	
Distributions to Secured Creditors	(3,441)	
Income Taxes on Sale of Assets		(2,093)
Restructuring Professional Fees	(560)	(512)
<b>Net Cash Flow</b>	<b>(3,783)</b>	<b>(2,473)</b>

## CURRENT CASH BALANCES

14. As previously reported, all of the CCAA Parties' accounts have now been closed and all transactions are being processed through the Monitor's accounts on behalf of the CCAA Parties. Total cash balances as at March 9, 2018, are summarized below:

	<b>Bloom Lake CCAA Parties</b>	<b>Wabush CCAA Parties</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Held by Monitor</b>			
Sale Proceeds Accounts	12	196	208
Operating Accounts	1,545	671	2,216
Minimum Royalty Deposits	0	6,563	6,563
DPS Funds	147		147
GIC Investments	100,425	38,540	138,965
<b>Total Held by Monitor</b>	<b>102,129</b>	<b>45,970</b>	<b>148,099</b>

## CURRENT STATUS OF ASSETS REALIZATIONS

### EMPLOYEE HOMES AND CONDITIONAL SALE EMPLOYEE HOMES

15. The basis of a transaction for the sale of the one remaining vacant employee home and the seven remaining Conditional Sale Employee Homes has been agreed in principal subject to documentation and any necessary consents.

### VACANT REAL PROPERTY

16. The avenues for gathering definitive information regarding the vacant real estate lots in the Town of Wabush held by the Wabush CCAA Parties and which were excluded from the Scully Mine Transaction have been exhausted. The parties that have previously expressed interest in the vacant properties have been invited to submit offers for those vacant real property interests believed to be owned by the Wabush CCAA Parties. The deadline for submission of such offers has been set as April 6, 2018.

### **NET SMELTER ROYALTY**

17. As reported in the Monitor's Fortieth Report, CQIM holds a 3% net smelter royalty in respect of a number of development properties located in the Kirkland Lake mining belt (the "NSR").
18. The CCAA Parties, in consultation with the Monitor, are considering their options to potentially realize value from the NSR.

### **POTENTIAL TAX REFUNDS AND REDUCTIONS**

19. As previously reported, the CCAA Parties have been seeking refunds in respect of various federal and provincial taxes and mining duties. In addition, and also as previously reported, a number of municipal tax contestations are being pursued against the City of Fermont and the City of Sept-Îles which, if successful, could lead to refunds or reductions in priority claims.
20. Progress on these matters has been slow, primarily as a result of tax audit procedures, the temporary secondment of the Revenu Québec representative with sole carriage of their file and scheduling matters over which the Monitor has no control. The Monitor continues its best efforts to progress matters given the constraints of dealing with the various tax authorities and tribunals.

### **THE DEFERRED PROFIT SHARING PLAN**

21. Historically, certain CQIM employees participated in a deferred profit sharing plan (the "DSP"). The Monitor was contacted by Desjardins Sécurité Financière Campagne D'Assurance Vie ("**Desjardins**"), a former administrator of the DSP, who informed the Monitor that Desjardins was holding, and needed to dispose of, approximately \$147,000 in funds relating to the period 2010 to 2014, which funds would belong to 41 former employees that it had been unable to trace.



22. CQIM is making efforts to locate the former employees in question and anticipates bringing a motion in due course to approve a process for dealing with the remaining funds. In the meantime, the funds have been transferred by Desjardins to the Monitor and are being held in trust.

#### **THE CRA ITA AUDIT**

23. The CCAA Parties have informed the Monitor that they have responded to twenty-two of twenty-five enquiries made during the CRA ITA Audit, which relates to the tax years 2010 to 2015, and intend to continue to follow-up on inquiries arising from the responses to the CRA Audit. The CCAA Parties have also informed the Monitor that CRA has provided a reassessment proposal related to one CRA ITA Audit matter and that the CCAA Parties are currently in the process of reviewing that proposal.

#### **THE REVENU QUEBEC PAYMENT DEMAND**

24. Revenu Québec has demanded payment of approximately \$700,000 related to a post-filing input tax credit refund in respect of which the input tax credits were subsequently denied on audit assessment. The CCAA Parties have engaged tax advisors to pursue an objection to the audit assessment.

#### **THE MFC MINIMUM ROYALTY LITIGATION**

25. The decision of the Honourable Mr. Justice Hamilton in the MFC Minimum Royalty Litigation was rendered on March 14, 2018. The decision, *inter alia*:
- (a) Declared that Wabush Mine was entitled not to pay the Minimum Royalty Payment set forth in the 1959 Lease for the period between July 1, 2015 and June 30, 2017;
  - (b) Declared that the Deposit Amounts, including any interest since December 1, 2017, are not due to MFC; and

- (c) Ordered the Monitor to transfer the Deposit Amounts, including any interest since December 1, 2017, to the general trust account opened by the Monitor in connection with the restructuring of the Wabush CCAA Parties.
26. Also on March 14, 2018, counsel to MFC informed the Monitor that MFC intends to seek leave to appeal the decision on the MFC Minimum Royalty Litigation and requested that the Monitor not transfer the Deposit Amounts. On March 16, 2108, counsel to the Monitor responded to counsel to MFC noting the Order for the Monitor to transfer the Deposit Amounts to the general trust account opened by the Monitor in connection with the restructuring of the Wabush CCAA Parties, but confirming that the funds will remain in that account and will not be distributed or disbursed to creditors without further order of the Court.

## **THE CLAIMS PROCEDURE**

### **CLAIMS**

27. The current status of the Claims Procedure is summarized below:

	Allowed/To Be Allowed		In Progress		In Dispute		To be Disallowed / Dispute Period Not Expired		Disallowance Final	
	#	\$000	#	\$000	#	\$000	#	\$000	#	\$000
<b>Secured</b>										
CQIM	3	66,194	1	194					9	104,721
Bloom Lake LP	20	143,495	1	20,409	2	3,661	2	7,137	15	119,539
Bloom Lake GP	1	1,001					1	26,415	5	1,483
Quinto Mining 8568391 Canada									1	161
Bloom Lake Railway										
Wabush Mines	1	839	4	56,274			1	15	1	25,774
WICL	1	8,863	1	239						
WRI	1	8,863	1	2,847			1	1,936		
Arnaud Railway			3	56,413			1	242		
Wabush Lake Railway			2	56,022						
<b>Total Secured</b>	<b>27</b>	<b>229,255</b>	<b>13</b>	<b>192,398</b>	<b>2</b>	<b>3,661</b>	<b>6</b>	<b>35,745</b>	<b>31</b>	<b>251,678</b>
<b>Unsecured</b>										
CQIM	73	1,890,377					1	6,541	20	37,449
Bloom Lake LP	203	1,350,219					1	6,338	77	73,190
Bloom Lake GP	5	590,830							13	27,041
Quinto Mining	5	16,952							11	100
8568391 Canada									9	25
Bloom Lake Railway									10	-
Wabush Mines	105	133,125	1,089	103,800	2	1,734	2	12,078	194	1,599,113
WICL	18	393,531							16	62,065
WRI	20	727,490							14	66,039
Arnaud Railway	11	28,636	449	27,900	2	1,608			24	2,376
Wabush Lake Railway	1	1,562	393	50,500					18	2,993
<b>Total Unsecured</b>	<b>441</b>	<b>5,132,722</b>	<b>1,931</b>	<b>182,200</b>	<b>4</b>	<b>3,342</b>	<b>4</b>	<b>24,957</b>	<b>406</b>	<b>1,870,391</b>
<b>Total</b>	<b>468</b>	<b>5,361,977</b>	<b>1,944</b>	<b>374,598</b>	<b>6</b>	<b>7,003</b>	<b>10</b>	<b>60,702</b>	<b>437</b>	<b>2,122,069</b>

Notes:

- Related Party Claims treated in accordance with the Restructuring Term Sheet.
- Quantum of Secured Claims subject to net value of collateral pursuant to Allocation Methodology.
- Unsecured Claims excludes deficiency on Secured Claims.

28. The claims in progress are summarized as follows:

- (a) Seven claims by three creditors are municipal tax claims in the aggregate amount of approximately \$24.3 million. As previously reported, a number of municipal tax contestations are being pursued that could result in reductions in the pre-filing claims if successful;

- (b) Six claims in the aggregate amount of approximately \$168.1 million are claims related to the Wabush Salaried Pension Plan and the Wabush Hourly Pension Plan, with claims of approximately \$56 million in the aggregate being filed on a joint and several basis against three of the Wabush CCAA Parties; and
  - (c) 1,931 claims in the aggregate amount of approximately \$182.2 million are claims of former employees in respect of OPEBs, of which 842 claims in the aggregate amount of approximately \$123.9 million are filed on a joint and several basis against two of the CCAA Parties.
29. The six claims in dispute are summarized as follows:
- (a) Two claims in the aggregate amount of approximately \$3.7 million are Construction Hypothec Claims. The quantum of those claims has been finally determined but the validity of the hypothec remains in dispute. That issue may be moot, depending on the outcome of the appeal of the Allocation Methodology Order by the City of Fermont. The Monitor is therefore awaiting the determination of the appeal before undertaking any further steps on the disputes; and
  - (b) Four claims in the aggregate amount of approximately \$3.3 million relate to employee grievances, filed joint and severally against Arnaud and Wabush Mines. The Monitor has been working with counsel to the USW to attempt to resolve these claims, or minimize the issues that would require adjudication by a Claims Officer or the Court.

***Pension Claims***

30. As previously reported, Morneau Shepell, the replacement administrator of the Wabush Salaried Pension Plan and the Wabush Hourly Pension Plan (the “**Pension Administrator**”) filed wind-up reports quantifying the wind-up deficits of the Wabush Salaried Pension Plan and the Wabush Hourly Pension Plan as at December 16, 2015 as \$27,450,000 and \$27,486,548 respectively. The wind-up reports were filed by the Pension Administrator in December 2016.
31. Also as previously reported, the Pension Administrator informed the Monitor that comments had been received from the regulators and that the Pension Administrator was required to file revised wind-up reports, incorporating the comments of the regulators.
32. On March 8, 2018, the Pension Administrator informed the Monitor that the revised wind-up reports had been approved by the relevant regulators. The revised wind-up reports quantify the wind-up deficits as follows:
  - (a) Wabush Salaried Pension Plan - \$27,341,000 as at December 16, 2015;
  - (b) Wabush Hourly Pension Plan - \$28,681,496 as at December 16, 2015.
33. The quantum of the Pension Claims will be allowed in the amounts of the wind-up deficits as at December 16, 2015. The question of which of the CCAA Parties is liable for what amount of the wind-up deficits and the priority thereof remain open questions.
34. As previously reported, the Monitor filed a motion for advice and directions with respect to the potential priority of the various aspects of the pension plan claims (the “**Pension Priority Motion**”). The Pension Priority Motion was heard June 28 and 29, 2017, and the decision of the Honourable Mr. Justice Hamilton J.S.C. in respect of the Pension Priority Motion (the “**Pension Priority Decision**”) was released September 11, 2017.

35. As reported in the Monitor's Fortieth Report, motions for leave to appeal the Pension Priority Decision were filed on October 2, 2017, by OSFI, the Newfoundland Regulator, the USW and Representative Counsel. No appeal was filed by the Pension Administrator or the Quebec Regulator. Leave to appeal was granted to the aforementioned appellants on October 31, 2017.
36. On or around November 10, 2017, the Monitor and the City of Sept-Îles each filed Notices of Incidental Appeal and Motions for Leave to Appeal, in both cases on a *de bene esse* basis. On November 17, 2017, the motions were referred to the Court of Appeal to hear the four appeals and two incidental appeals on the merits. A hearing of the matter before the Québec Court of Appeal is scheduled for June 11 and 12, 2018.

#### ***OPEB Claims***

37. The Monitor made settlement proposals in respect of the quantum of the OPEB Claims to Representative Counsel and the USW and received a counter-proposal on February 23, 2018. The Monitor has responded to that counter-proposal and Representative Counsel has said that it should be able to respond by March 23, 2018.
38. The Monitor remains optimistic that a mutually acceptable agreement on the quantum of the OPEB Claims might be reached. However, if no such agreement is reached in the near future, the Monitor would refer the matter for determination by the Court.

#### ***Related Party Claims***

39. As described later in this Report, the Restructuring Term Sheet provides for the settlement of the quantum of Related Party Claims if the plan of compromise or arrangement as contemplated therein is approved and implemented.

## **THE NEWFOUNDLAND REFERENCE**

40. As reported in the Monitor's Fortieth Report, the Newfoundland Reference was heard on September 21 and 22, 2017. The response to the Reference Questions was released by the Newfoundland COA on January 15, 2018 (the "**Reference Opinion**"), and is summarized as follows:

- (a) With respect to Reference Question 1: unpaid current service costs, unpaid special payments, and unpaid wind-up deficits fall within the scope of the deemed trusts under section 32 of the NLPBA;
- (b) With Respect to Reference Question 2:
  - (i) In respect of a particular class of workers, the employer would be bound to comply with one pension scheme, not with portions of two schemes;
  - (ii) Where a company has operations in more than one province, the employment-related laws of the province where the employees work would apply; and
  - (iii) It is not possible for the Newfoundland COA to answer the jurisdictional questions as to whether the NLPBA would apply to employees who work on a federal undertaking such as a railway or to employees who report for work in another province;

- (c) With respect to Reference Question 3: the lien and charge would be engaged upon the creation of a deemed trust under section 32, would attach to the assets held by the employer regardless of their location and would apply to the total of the accrued normal actuarial costs, special payments and all other amounts due to the pension fund from the employer that have not been remitted at the date of termination, together with any other payments necessary to fund the benefits provided under the plan.
41. An automatic right of appeal to the Supreme Court of Canada (the “**Supreme Court**”) exists in respect of the Reference Opinion and the Monitor filed a Notice of Appeal on February 12, 2018, in order to ensure that there was no prejudice to the Pensions Priority Motion in the event that the Pension Priority Decision is overturned on appeal. The City of Fermont also filed an appeal. The appeal of the Reference Opinion is tentatively scheduled to be heard by the Supreme Court on October 17, 2018.

#### **THE RESTRUCTURING TERM SHEET**

42. As reported previously, the Monitor had engaged in “without prejudice” discussions with legal counsel to Cleveland-Cliffs Inc. (formerly Cliffs Natural Resources, Inc., “**CCI**”) and its non-filed affiliates (“**CCI Counsel**”) with respect to the 2014 Reorganization and certain other transaction (the “**Non-Filed Affiliate Transaction Matters**”) and their effect on the CQIM estate and its creditors with a view to agreeing on the factual matrix of the Non-Filed Affiliate Transaction Matters and any potential claim arising therefrom, identifying any areas of dispute and determining the process for bringing any claim or proposed settlement forward for consideration by the stakeholders and the Court.



43. Since the date of the Monitor's Forty-First Report, those discussions continued and the outline of a proposal under which matters related to the Non-Filed Affiliate Transaction Matters could potentially be settled was tabled. The Monitor analysed the proposal and consulted with QNS&L, the largest individual third-party creditor of each of CQIM, BLGP, Bloom Lake LP, WICL and WRI<sup>3</sup>. After further negotiation, during which the Monitor continued to consult with QNS&L, the basis of a potential settlement was agreed, ultimately concluding in the execution of the Restructuring Term Sheet.
44. A copy of the Restructuring Term Sheet is attached hereto as **Appendix A**<sup>4</sup>. Capitalized terms used hereinafter not otherwise defined are as defined in the Restructuring Term Sheet.
45. Pursuant to the Restructuring Term Sheet, the Participating CCAA Parties will prepare and file a joint plan of compromise and arrangement (the "**Proposed Plan**") to, *inter alia*:
- (a) Effect the distribution of the net proceeds of realization in the estates of the Participating CCAA Parties;

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<sup>3</sup> The allowed claims of QNS&L represent approximately 66% of third-party claims against CQIM, 79% of third-party claims against BLGP, 65% of third-party claims against Bloom Lake LP, 49% of third-party claims against WICL and 29% of third-party claims against WRI. These estimates make certain assumptions regarding the outcome of unresolved claims, including that the Pension Claims are unsecured.

<sup>4</sup> Subsequent to the filing of the Stay Extension Motion, it was discovered that Schedule "A" to the Restructuring Term Sheet, being the summary of Non-Filed Affiliate Unsecured Interco Claims, inadvertently included a Non-Filed Affiliate Unsecured Interco Claim held by Knoll Lake Minerals Limited ("**Knoll Lake**"). Knoll Lake was not a wholly-owned subsidiary and the shares in Knoll Lake held by WICL and WRI were transferred to Tacora as part of the Scully Mine Transaction in July 2017. The parties to the Restructuring Term Sheet agreed, with the Monitor's consent, to remove the Knoll Lake claim to correct Schedule "A". The copy of the Restructuring Term Sheet attached to this Report includes the corrected Schedule "A". The impact of the removal of the Knoll Lake claim on the estimated distributions to Affected Third Party Creditors under the Proposed Plan is *de minimis*.

- (b) Resolve any claims that the Participating CCAA Parties may have against the Non-Filed Affiliates in respect of, among other things, the Non-Filed Affiliate Transaction Matters; and
  - (c) Resolve the claims filed pursuant to the Claims Procedure Order by the Non-Filed Affiliates and the CCAA Parties.
46. The Non-Filed Affiliates have agreed to sponsor the Proposed Plan by foregoing the benefit of any distributions or payments they may otherwise be entitled to receive as creditors of the Participating CCAA Parties (the “**Non-Filed Affiliate Amounts**”) and providing the Non-Filed Affiliate Cash Contribution of \$5 million. While the value of the Non-Filed Affiliate Amounts is dependent on a number of factors, including the resolution of any unresolved third-party claims, the final determination of the Pension Priority Motion and the amounts ultimately recovered in respect of the potential tax refunds, the Monitor’s current estimate is that the value of the Non-Filed Affiliate Amounts would likely be in the range of approximately \$57 million to approximately \$95 million. Accordingly, it is estimated that the overall increase in the aggregate amounts that would be distributed to unsecured creditors of the CCAA Parties as a result of the proposed settlement and the Proposed Plan would be likely be in the range of approximately \$62 million to approximately \$100 million.
47. Under the Proposed Plan, the Non-Filed Affiliates would receive customary releases. Such releases will explicitly not release claims as asserted against named defendants in proceedings titled *Neil Johnson et al. v. Cliffs Mining Company et al.*, in the Supreme Court of Newfoundland and Labrador, No. 2017 01G4037 CP (the “**Salaried Class Action**”) or claims as asserted by the United Steelworkers in proceedings commenced by Jim Skinner and Brian Gaulton in the Supreme Court of Newfoundland and Labrador under Court File No. 2017 01 G 4310 CP (the “**USW Class Action**”).

48. The Proposed Plan will resolve the claims filed pursuant to the Claims Procedure Order by the Non-Filed Affiliates and the CCAA Parties as follows:
- (a) The unsecured claims of the Non-Filed Affiliates (the “**Non-Filed Affiliates Unsecured Interco Claims**”) will be in amounts not greater than the amounts set out on Schedule “A” to the Restructuring Term Sheet plus any applicable Deficiency Claims, or such lower amounts as provided in the Proposed Plan;
  - (b) The secured claims of Non-Filed Affiliates (the “**Non-Filed Affiliate Secured Interco Claims**”) will be in amounts not greater than the amounts set out on Schedule “B” to the Restructuring Term Sheet, subject to the Allocation Methodology and any final determination of the Pension Priority Motion, or such lower amounts as provided in the Proposed Plan; and
  - (c) The pre-filing claims by CCAA Parties against other CCAA Parties (the “**CCAA Party Pre-Filing Interco Claims**”), shall be allowed in the amounts set out on Schedule “C” to the Restructuring Term Sheet.
49. The amounts set out on Schedules “A”, “B” and “C” to the Restructuring Term Sheet are the amounts of the claims as filed in the Claims Procedure, as adjusted for the various issues identified in the Monitor’s Thirty-Ninth Report.
50. Other key terms of the Proposed Plan are summarized as follows:
- (a) For the purposed of the Proposed Plan, there will be limited substantive consolidation of:
    - (i) CQIM and Quinto;
    - (ii) BLGP and Bloom Lake LP; and
    - (iii) WICL, WRI and Wabush Mines.

- (b) There will be five classes of creditors under the Proposed Plan and creditors:
- (i) the CQIM/Quinto Unsecured Creditor Class, being creditors with affected unsecured claims against CQIM or Quinto;
  - (ii) the BL Parties Unsecured Creditor Class, being creditors with affected unsecured claims against BLGP or Bloom Lake LP;
  - (iii) the Wabush Mines Parties Unsecured Creditor Class, being creditors with affected unsecured claims against WICL, WRI or Wabush Mines;
  - (iv) the Arnaud Unsecured Creditor Class, being creditors with affected unsecured claims against Arnaud; and
  - (v) the Wabush Railway Unsecured Creditor Class, being creditors with affected unsecured claims against WLRC;
- (c) Secured Creditors will receive on account of their proven secured claims the net proceeds of the assets subject to their collateral as determined by the Allocation Methodology, and in the case of the Wabush CCAA Parties, also subject to the final determination of the Pension Priority Motion;

- (d) Affected unsecured creditors will receive their pro-rata share of amounts available to the applicable Unsecured Creditor Class as determined pursuant to the Allocation Methodology and adjusted for the treatment of the Non-Filed Affiliate Amounts, which will be contributed by the Non-Filed Affiliates for the benefit of creditors in the CQIM/Quinto Unsecured Creditor Class (including any CCAA Parties that are creditors of CQIM or Quinto) and the Non-Filed Affiliate Cash Contribution, which will be shared by third party creditors of the Participating CCAA Parties in the manner described in the Restructuring Term Sheet; and
  - (e) If the Proposed Plan is approved and implemented, distributions will be made to affected unsecured creditors periodically at times determined appropriate by the Monitor. An interim distribution will be made to creditors in the CQIM/Quinto Unsecured Creditor Class and the Bloom Lake Unsecured Creditor Class as soon as practicable following implementation of the Proposed Plan. An interim distribution will be made to creditors in the Wabush Mines Unsecured Creditor Class, the Wabush Railway Unsecured Creditor Class and the Arnaud Unsecured Creditor Class as soon as practicable following determination of the issues relating to the Pension Claims that are the subject matter of the Pension Priority Motion.
51. The Proposed Plan will not determine the matters subject to the Pension Priority Motion and all parties will reserve all rights in respect thereof.

52. It is anticipated that the Proposed Plan will be filed in the near future together with a motion for an Order convening meetings of creditors for the purposes of voting on the Proposed Plan (the “**Meetings Order**”) and a motion for approval of a procedure for the submission and adjudication of post-filing claims (the “**Post-Filing Claims Procedure Order**”) to ensure that amounts owing in respect of post-filing goods and services are paid and to assist in the determination of appropriate reserves for interim distributions under the Proposed Plan. The Monitor will provide a separate report on the Proposed Plan, the proposed Meeting Order and the proposed Post-Filing Claims Procedure in due course.
53. The Restructuring Term Sheet may be terminated by any party if:
  - (a) The CCAA Parties have not filed a motion for the Meeting Order on or before March 30, 2018; or
  - (b) The Proposed Plan has not been implemented on or before June 29, 2018.
54. The CCAA Parties are in the process of preparing materials for motions to be filed seeking:
  - (a) An Order accepting the filing of the Proposed Plan and convening meetings of creditors for the purposes of voting on the Proposed Plan; and
  - (b) A post-filing claims procedure Order.
55. The Monitor will provide a separate report in respect of those motions in due course, which report will provide further details of the Monitor’s analysis of the potential benefits of the Proposed Plan to third-party creditors.

## **REQUEST FOR AN EXTENSION OF THE STAY PERIOD**

56. The Stay Period currently expires on March 30, 2018. Additional time is required for the CCAA Parties and the Monitor to complete the CCAA Proceedings, including the following activities:
- (a) Completing activities necessary to deal with the remaining assets of the CCAA Parties, including the potential tax refunds;
  - (b) Continuing to address, to the extent necessary and appropriate, the CRA ITA Audit;
  - (c) Continuing to deal with the appeals and cross-appeals in respect of the Pension Priority Decision and the Newfoundland Reference;
  - (d) Completing the Claims Procedure;
  - (e) Filing the plan of compromise or arrangement as contemplated by the Restructuring Term Sheet, convene meetings of creditors to vote on the plan of compromise or arrangement and seek Court sanction of the plan of compromise or arrangement if it is approved by the creditors;
  - (f) Completing the other activities described in this Report; and
  - (g) Undertaking the other activities necessary to complete the CCAA Proceedings.
57. The continuation of the stay of proceedings is necessary to provide the stability needed to complete the foregoing activities. Accordingly, the CCAA Parties now seek an extension of the Stay Period to June 29, 2018.

58. As the CCAA Parties no longer have any operations, future receipts and disbursements other than the legal and professional costs of the CCAA Proceedings will be *de minimis*. Accordingly, consistent with the approach taken in connection with the previous extension of the Stay Period, no weekly cash forecast has been prepared for the proposed extension of the Stay Period as such a weekly forecast would provide no meaningful information.
59. The CCAA Parties have sufficient liquidity to fund the CCAA Proceedings during the requested extension of the Stay Period.
60. The CCAA Proceedings are complex and various aspects of the CCAA Parties are intertwined. The co-ordination of the various estates is, in the Monitor's view, critical to maximize efficiency and effectiveness. It is also the Monitor's view that a continuation of the CCAA Proceedings is, at the current time, the most efficient and effective way that such co-ordination can be achieved and that the proceedings can be completed for the benefit of all stakeholders. The Monitor will continue to work with the CCAA Parties to endeavour to ensure that cost efficiency is maximized during any extension of the Stay Period.
61. Based on the information currently available, the Monitor believes that creditors of the CCAA Parties would not be materially prejudiced by an extension of the Stay Period to June 29, 2018.
62. The Monitor also believes that the CCAA Parties have acted, and are acting, in good faith and with due diligence and that circumstances exist that make an extension of the Stay Period appropriate.
63. The Monitor therefore respectfully recommends that this Honourable Court grant the CCAA Parties' request for an extension of the Stay Period to June 29, 2018.



The Monitor respectfully submits to the Court this, its Forty-Third Report.

Dated this 19<sup>th</sup> day of March, 2018.

FTI Consulting Canada Inc.

In its capacity as Monitor of

Bloom Lake General Partner Limited, Quinto Mining Corporation,

8568391 Canada Limited, Cliffs Québec Iron Mining ULC,

Wabush Iron Co. Limited, Wabush Resources Inc.,

The Bloom Lake Iron Ore Mine Limited Partnership,

Bloom Lake Railway Company Limited, Wabush Mines,

Arnaud Railway Company and Wabush Lake Railway Company Limited



Nigel D. Meakin  
Senior Managing Director



Steven Bissell  
Managing Director

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# **Appendix A**

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## **The Restructuring Term Sheet**

**PROPOSED TERMS OF PLAN OF COMPROMISE OR ARRANGEMENT FOR  
CLIFFS QUÉBEC IRON MINING ULC  
AND OTHER CCAA PARTIES (AS DEFINED HEREIN)**

**TERM SHEET**

This Term Sheet dated as of March 14, 2018 (including schedules thereto, the “**Term Sheet**”) describes the principal terms of a proposed Plan of Compromise or Arrangement (the “**Proposed Plan**”) for Cliffs Québec Iron Mining ULC (“**CQIM**”) and certain other Applicants and Mises-en-Cause in the *Companies’ Creditors Arrangement Act* (Canada) (the “**CCAA**”) proceedings that are ongoing in the Superior Court of Québec (Commercial Division) (the “**Court**”) under Court File No. 500-11-048114-157 (the “**CCAA Proceedings**”).

1. On January 27, 2015, Bloom Lake General Partner Limited (“**BLGP**”), Quinto Mining Corporation (“**Quinto**”), 8568391 Canada Limited (“**8568391**”) and CQIM sought and obtained an initial order in the CCAA Proceedings from the Court (the “**BL Initial Order**”). The relief granted in the BL Initial Order extended to The Bloom Lake Iron Ore Mine Limited Partnership (“**BLLP**”) and Bloom Lake Railway Company Limited (“**BLRC**”, together with BLGP, Quinto, 8568391, CQIM, and BLLP, the “**BL CCAA Parties**”). Under the BL Initial Order, FTI Consulting Canada Inc. was appointed Monitor (the “**Monitor**”) in the CCAA Proceedings.
2. On May 20, 2015, the CCAA Proceedings were extended by a further initial order (the “**Wabush Initial Order**”) to include Wabush Iron Co. Limited, Wabush Resources Inc., Wabush Mines, Arnaud Railway Company (“**Arnaud**”) and Wabush Lake Railway Company Limited (“**Wabush Railway**”) (collectively, the “**Wabush CCAA Parties**” and, together with the BL CCAA Parties, the “**CCAA Parties**”) <sup>1</sup>.
3. On July 15, 2017, the Court granted an Order, *inter alia*, approving a methodology for the allocation of proceeds of realizations of the CCAA Parties’ assets and the costs of the CCAA Proceedings amongst the CCAA Parties and, to the extent necessary, amongst assets or asset categories (as may be amended on appeal by Ville de Fermont under Court File Number 500-09-027026-178, the “**Allocation Methodology**”).
4. As of the date of this Term Sheet, substantially all material assets of the CCAA Parties have been sold. With the exception of certain sale proceeds distributed, or to be distributed, to parties with secured or other accepted priority claims and amounts expended on operating costs and the fees and expenses of the CCAA Proceedings, the Monitor currently holds the net sale proceeds from these transactions determined by the Monitor in accordance with the Allocation Methodology, together with any cash on hand at the commencement of the CCAA Proceedings that has not been expended during the CCAA Proceedings and all accrued interest on the foregoing.

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<sup>1</sup> For reference, the CCAA Parties are: Cliffs Québec Iron Mining ULC, Bloom Lake General Partner Limited, Quinto Mining Corporation, 8568391 Canada Limited, Wabush Iron Co. Limited, Wabush Resources Inc., The Bloom Lake Iron Ore Mine Limited Partnership, Bloom Lake Railway Company Limited, Wabush Mines, Arnaud Railway Company and Wabush Lake Railway Company Limited.

5. The following material outstanding items remain to be completed in the CCAA Proceedings:
- a. Resolution of any claims that may exist against Cleveland-Cliffs Inc. (the “**Parent**”), its current and former direct and indirect subsidiaries and all of its current and former affiliates that are not also CCAA Parties (the Parent and all such subsidiaries and affiliates, including subsidiaries of the CCAA Parties, collectively, the “**Non-Filed Affiliates**”), including (without limitation) in respect of the following matters as identified by the Monitor in its Twelfth Report and Nineteenth Report:
    - i. a series of reorganization transactions entered into between certain of the CCAA Parties and certain Non-Filed Affiliates in December 2014 involving a cash payment of US\$142 million by CQIM and a transfer of the Australian subsidiaries of CQIM; and
    - ii. certain other payments made by the CCAA Parties to certain Non-Filed Affiliates during the statutory review period provided under Sections 95 and 96 of the *Bankruptcy and Insolvency Act* (Canada) and Section 36.1 of the CCAA on account of debts owing to those certain Non-Filed Affiliates in an aggregate amount of approximately US\$30.6 million(together, the “**Non-Filed Affiliate Transaction Matters**”);
  - b. Resolution of the quantum of remaining claims, including material claims of certain Non-Filed Affiliates and certain CCAA Parties, that have not yet been finally determined in accordance with the Amended Claims Procedure Order dated November 16, 2015, granted in the CCAA Proceedings (as it may be further amended or restated from time to time, the “**Amended Claims Procedure Order**”);
  - c. Determining the proper characterization of claims of certain Non-Filed Affiliates and certain CCAA Parties filed pursuant to the Amended Claims Procedure Order;
  - d. Resolution of priority arguments asserted pursuant to the *Pension Benefits Act* (Newfoundland and Labrador), the *Pension Benefits Standards Act* (Canada) and the *Supplemental Pension Plans Act* (Quebec) in connection with the claims arising from any failure of the Wabush CCAA Parties to make certain normal course payments or special payments under the Wabush CCAA Parties’ pension plans and for the wind-up deficit under the Wabush CCAA Parties’ pension plans (the “**Pension Priority Matter**”); and
  - e. Distribution of the net proceeds of asset realizations, the remaining balance of cash on hand at the commencement of the CCAA Proceedings, and accrued interest on the foregoing, as determined by the Monitor in accordance with the Allocation Methodology, by way of interim distributions, as expeditiously as possible, and by way of final distributions after completion of all remaining matters in the CCAA Proceedings.

6. The CCAA Parties, other than 8568391<sup>2</sup> and BLRC<sup>3</sup>, (as the remaining CCAA Parties may be substantively consolidated for the purposes of the Plan, the “**Participating CCAA Parties**”) with the support of the Monitor and the Non-Filed Affiliates, intend to prepare and present to affected unsecured creditors of the Participating CCAA Parties the Proposed Plan to effect distributions of net proceeds of asset realizations, the remaining balance of cash on hand at the commencement of the CCAA Proceedings, and accrued interest on the foregoing, and to resolve the outstanding matters described in paragraph 5 above, with the exception of the Pension Priority Matter, efficiently and in a manner that the Participating CCAA Parties and the Monitor believe is in the best interests of the Participating CCAA Parties and their stakeholders.
7. The Non-Filed Affiliates have agreed to support the Proposed Plan by foregoing the benefit of any distributions or payments they may otherwise be entitled to receive as creditors of the Participating CCAA Parties and providing the Non-Filed Affiliate Cash Contribution (each as defined below).
8. The Non-Filed Affiliates and the Participating CCAA Parties have agreed to resolve the claims of Non-Filed Affiliates against the Participating CCAA Parties, the Non-Filed Affiliate Transaction Matters and any other claims by any person against the Non-Filed Affiliates or by any Participating CCAA Parties against any other Participating CCAA Parties on the terms set out in this Term Sheet, subject to implementation of the Proposed Plan.
9. The Non-Filed Affiliates hereby confirm that they are not aware of any transactions between the Non-Filed Affiliates and the CCAA Parties that are not disclosed in the books and records of the CCAA Parties that have been made available to the Monitor and that could be subject to challenge or review pursuant to Sections 95 to 101 of the *Bankruptcy and Insolvency Act* or Section 36.1 of the CCAA.

A summary of the material terms of the Proposed Plan is set out below. Additional matters may be added to the Proposed Plan as necessary to respond to the Participating CCAA Parties’ circumstances as the CCAA Proceedings continue.

## **Parties**

The Proposed Plan will be presented on behalf of all Participating CCAA Parties as a Joint Plan of Compromise and Arrangement.

The Proposed Plan will provide for the compromise of all claims against the Participating CCAA Parties, other than the Unaffected Claims (as defined below).

The Proposed Plan will not determine the Pension Priority Matter and all interested parties will reserve all rights in respect of their positions on the Pension Priority Matter.

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<sup>2</sup> 8568391 is not the subject of any allowed Claims pursuant to the Amended Claims Procedure Order.

<sup>3</sup> BLRC is not the subject of any allowed Claims pursuant to the Amended Claims Procedure Order.

**Limited Consolidation**      **Substantive** There will be a single Proposed Plan that will be subject to approval by each Unsecured Creditor Class as provided below, and which will provide for distinct distributions with respect to each estate without substantive consolidation, save with respect to the consolidation of: (i) CQIM and Quinto<sup>4</sup> (together, "**CQIM/Quinto Parties**"); (ii) BLGP and BLLP (together, "**BL Parties**"); and (iii) Wabush Iron Co. Limited, Wabush Resources Inc. and Wabush Mines (together, "**Wabush Mines Parties**"), as may be amended by the Participating CCAA Parties with the consent of the Monitor and the Parent, acting reasonably.

**Plan Sponsor** The Parent and certain other Non-Filed Affiliates as the Non-Filed Affiliates may determine, will agree to provide a cash contribution to fund additional distributions to unsecured creditors of the Participating CCAA Parties under the Proposed Plan in the amount of C\$5 million (the "**Non-Filed Affiliate Cash Contribution**")<sup>5</sup>, which will be allocated to the Unsecured Creditor Classes as follows: C\$4 million to the CQIM/Quinto Unsecured Creditor Class (as defined below) and C\$1 million to be allocated to the other Unsecured Creditor Classes (as defined below) pro-rata based upon the proven affected unsecured claims in each such other Unsecured Creditor Class (excluding the claims of the Non-Filed Affiliates against each such Participating CCAA Party (all such Non-Filed Affiliate unsecured claims being the "**Non-Filed Affiliate Unsecured Interco Claims**") and the claims of the CCAA Parties).

The Non-Filed Affiliate Cash Contribution will be delivered to the Monitor no later than 3 business days before the meeting of creditors to vote on the Proposed Plan. The Monitor shall return the Non-Filed Affiliate Cash Contribution to the Parent forthwith if: (a) the Proposed Plan is not approved by the requisite majorities of each Unsecured Creditor Class (as defined below) or sanctioned by the Court or if the Plan is not otherwise implemented in accordance with its terms, or (b) this Term Sheet is terminated in accordance with the provisions under the heading 'Termination Rights' below.

Subject to approval of the Proposed Plan by each Unsecured Creditor Class and sanction of the Court, the Parent and the other Non-Filed Affiliates will also agree to forego the benefit of any

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<sup>4</sup> No parties other than certain of the CCAA Parties and certain of the Non-Filed Affiliates hold allowed/unresolved claims against Quinto.

<sup>5</sup> The Non-Filed Affiliate Cash Contribution shall only be available to third party unsecured creditors of the Participating CCAA Parties with proven claims and will not be available for distribution in respect of any deemed trust or other priority claims that may be asserted against the Participating CCAA Parties, including in connection with the Pension Priority Matter.

amounts otherwise payable or distributable to them under the Proposed Plan on account of Non-Filed Affiliate Unsecured Interco Claims and the benefit of any amounts they are otherwise entitled to receive on account of their secured claims against the Participating CCAA Parties and such amounts shall be made available for distribution to other creditors of the CQIM/Quinto Parties.<sup>6</sup>

### **Determination of Claims**

Claims against all Participating CCAA Parties will be determined in accordance with the Amended Claims Procedure Order for the purposes of the Proposed Plan: For ease of reference:

1. If allowed, the Non-Filed Affiliate Unsecured Interco Claims will be in amounts not greater than the amounts set out on Schedule "A" hereto plus any applicable Deficiency Claims, or such lower amounts as provided in the Proposed Plan.
2. If allowed, the Non-Filed Affiliate secured claims (the "**Non-Filed Affiliate Secured Interco Claims**") will be in amounts not greater than the amounts set out on Schedule "B" hereto, subject to the the Allocation Methodology and any final determination of the Pension Priority Matters, or such lower amounts as provided in the Proposed Plan.
3. The pre-filing claims by CCAA Parties against other CCAA Parties (the "**CCAA Party Pre-Filing Interco Claims**"), shall be allowed in the amounts set out on Schedule "C" hereto.

"**Deficiency Claims**" means, in respect of a creditor holding valid security, the amount by which such creditor's secured claim (including, without limitation, Non-Filed Affiliate Secured Interco Claims) exceeds the value recoverable by such creditor from the proceeds of their collateral, as determined by the Monitor in accordance with the Allocation Methodology.

### **Classification of Creditors**

Affected unsecured creditors (including, for greater certainty, any creditors in respect of their Deficiency Claims) of each of the Participating CCAA Parties shall be entitled to vote their proven claims and unresolved claims on the Proposed Plan in the following classes:

1. the **CQIM/Quinto Unsecured Creditor Class**: being creditors with affected unsecured claims against any of the CQIM/Quinto Parties;

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<sup>6</sup> Including any CCAA Parties holding CCAA Party Pre-Filing Interco Claims.

2. the **BL Parties Unsecured Creditor Class**: being creditors with affected unsecured claims against any of the BL Parties;
3. the **Wabush Mines Parties Unsecured Creditor Class**: being creditors with affected unsecured claims against any of the Wabush Mines Parties;
4. the **Arnaud Unsecured Creditor Class**: being creditors with affected unsecured claims against Arnaud Railway Company;
5. the **Wabush Railway Unsecured Creditor Class**: being creditors with affected unsecured claims against Wabush Lake Railway Company Limited

(each, an “**Unsecured Creditor Class**” and, collectively, the “**Unsecured Creditor Classes**”).

The Participating CCAA Parties and the Monitor may amend the Unsecured Creditor Classes if any of such classifications are not approved by the Court or if necessary to maintain consistency with any amendments to the proposed limited substantive consolidation described above.

The Plan Administrator of each pension plan shall be entitled to vote on the Proposed Plan in connection with the pension-related claims, without prejudice to the arguments that may be raised in the Pension Priority Matter. These claims will be treated as unresolved claims for the purposes of the Proposed Plan and will be accounted for in the Unresolved Claims Reserve (as defined below) or a separate reserve as may be considered appropriate by the Participating CCAA Parties with the consent of the Monitor pending final determination of the Pension Priority Matter, and will be tabulated separately from the remaining unsecured claims in the applicable Unsecured Creditor Class for voting purposes on the Proposed Plan.

Secured creditors, to the extent of the realized value available for distribution to them from the sale of their collateral, shall be unaffected by the Proposed Plan (other than the Non-Filed Affiliates who will forego the benefit of any amount which they would have been entitled to receive in respect of such claims) and shall not be permitted to vote on the Proposed Plan.

In accordance with the CCAA, the Participating CCAA Parties and the Non-Filed Affiliates (to the extent claims of the Non-Filed Affiliates are allowed), as related parties, will only be permitted to vote their unsecured claims, if any, against, but not for, the Proposed Plan. However, the Participating CCAA Parties and the Non-Filed Affiliates (to the extent claims of the Non-Filed Affiliates are allowed) agree not to vote against the Proposed Plan provided



it is consistent with this Term Sheet.

**Treatment of Unsecured Creditors** The Unsecured Creditor Cash Pool for each Unsecured Creditor Class will be distributed on a pro-rata basis based upon the value of each proven unsecured claim relative to the value of all proven unsecured claims in such Unsecured Creditor Class.

No distributions or payments on account of any other secured or unsecured claims (other than claims secured by the Court-ordered charges) shall be made by the Wabush CCAA Parties until, and only to the extent proceeds are available following, final determination of the Pension Priority Matter.

**Treatment of Secured Creditors** Secured creditors shall receive, on account of their proven secured claims, any net proceeds (after application of the Allocation Methodology) from their collateral remaining in the Participating CCAA Parties' possession as of the effective date of the Proposed Plan to the extent not previously distributed to prior ranking secured creditors. Non-Filed Affiliates will forego the benefit of any amounts to which they would otherwise have been entitled on account of their secured claims and such amounts otherwise payable to the Non-Filed Affiliates shall be added to the Unsecured Creditor Cash Pool for the CQIM/Quinto Parties.

For the purposes of determining distributions to secured creditors, all secured creditors are assumed to recover first from the proceeds of their collateral, with any remaining unsatisfied claim being treated as an unsecured claim.

Beneficiaries of the Court-ordered charges granted in the CCAA Proceedings shall be unaffected by the Proposed Plan and all amounts secured by the Court-ordered charges shall continue to be secured by a charge on the remaining property of the CCAA Parties, including all remaining cash held by the Participating CCAA Parties, the Administrative Reserve (as defined below) and any remaining property of the CCAA Parties (including any tax refunds); provided, however, that the Interim Lender Charge (as defined in the Wabush Initial Order) and the Sale Advisor Charge (as defined in the Orders of the Court granted on June 9, 2015 and April 17, 2015) shall be terminated, and the Directors' Charge (as defined in the BL Initial Order and the Wabush Initial Order) shall attach solely to the D&O Reserve (as defined below).

No payments on account of any secured claims (other than claims secured by the Court-ordered charges) shall be made by the Wabush CCAA Parties until, and only to the extent proceeds are

available following, resolution of the Pension Priority Matter.

**Treatment of Potential Pension Deemed Trust**

The priority of claims that were the subject of the Monitor's Motion for Directions on pension matters dated September 20, 2016 in the CCAA Proceedings shall be determined by final non-appealable court order on that Motion or agreement of the parties, and not under the terms of the Proposed Plan.

**Treatment of Equity Holders**

The equity interests, as defined in the CCAA, in the Participating CCAA Parties will remain unaffected by the Proposed Plan.

All equity claims, as defined in the CCAA, will be released without consideration.

**Statutory Requirements**

The Proposed Plan will comply with Section 6(3), Section 6(5) and Section 6(6) of the CCAA.

The Proposed Plan will provide for the compromise of a claim under Section 19(2) of the CCAA only if the holder of such claim has voted for the acceptance of the Proposed Plan.

The Proposed Plan will provide for payments to former employees in an amount necessary to ensure such former employees' payments are no less than:

1. the amounts such former employees would have been qualified to receive under paragraph 136(1)(d) of the Bankruptcy and Insolvency Act (Canada) if the Participating CCAA Parties had become bankrupt on the date of court sanction of the Proposed Plan, which, for greater certainty, excludes any OPEB, pension contribution, and termination and severance entitlements;
2. the amounts for wages, salaries, commissions or compensation for services rendered by such former employees after the commencement of the CCAA Proceedings to the applicable Participating CCAA Party, which, for greater certainty, excludes any OPEB, pension contribution, and termination and severance entitlements; and
3. any amounts in excess of (1) and (2) above, that the Participating CCAA Parties former employees would have been entitled to receive pursuant to the Wage Earner Protection Program Act if the applicable Participating CCAA Party had become bankrupt on the date of court sanction of the Proposed Plan

(the payments as set out above are, collectively, referred to

herein as the “**Employee Priority Amounts**”).

**Unaffected Claims**

The following claims shall be unaffected pursuant to the Proposed Plan:

1. Secured claims including any tax claims secured by a lien ranking in priority to unsecured claims, to the extent of the realized value available for distribution on such claims from the sale of collateral determined by the Monitor in accordance with the Allocation Methodology;
2. Amounts payable under Sections 6(3), 6(5) and 6(6) of the CCAA,
3. Employee Priority Amounts, to the extent not covered by Section 6(5) of the CCAA;
4. Any Excluded Claims (as defined in the Amended Claims Procedure Order);
5. In respect of the Wabush CCAA Parties, any priority claim or deemed trust resulting from the final determination or resolution of the Pension Priority Matter; and
6. Any amounts payable from the Administrative Reserve.

**Unsecured Creditor Cash Pool**

The Unsecured Creditor Cash Pool for each Participating CCAA Party (or group of Participating CCAA Parties if consolidated) shall be composed of:

1. cash on hand for such Participating CCAA Party or Participating CCAA Parties at the commencement of the CCAA Proceedings in accordance with the Allocation Methodology;
2. the proceeds generated from the sale of such Participating CCAA Party’s or Participating CCAA Parties’ assets, both before and after the date of implementation of the Proposed Plan, in accordance with the Allocation Methodology; and
3. any cash received by such Participating CCAA Party or Participating CCAA Parties, before and after implementation of the Proposed Plan from tax refunds, accounts receivable, claims against third parties or otherwise;

less:

1. costs and expenses paid during the CCAA Proceedings and allocated to such Participating CCAA Party or Participating CCAA Parties in accordance with the

Allocation Methodology;

2. amounts payable to unaffected creditors as of the implementation date of the Proposed Plan, as described above, allocated to the CCAA Parties in accordance with the Allocation Methodology;
3. a reserve for unresolved claims, until such claims are finally determined in accordance with the Amended Claims Procedure Order (the “**Unresolved Claims Reserve**”);
4. a reserve for the estimated costs and expenses to complete the administration of the estates of the CCAA Parties until such administration is completed, in an amount to be determined by the Monitor and the CCAA Parties from time to time (the “**Administrative Reserve**”).
5. To the extent any directors or officers remain after the implementation of the Plan, a reserve for any claims against the directors or officers of the Participating CCAA Parties that would be secured by the Directors’ Charge in an amount to be agreed between the Monitor and independent counsel to the directors and officers or as otherwise determined by the Court if an amount cannot be agreed, which amount shall not exceed the aggregate amount of the Directors’ Charges granted pursuant to the BL Initial Order and the Wabush Initial Order, respectively (the “**D&O Reserve**”).
6. Such other reserve as the Participating CCAA Parties may deem necessary or appropriate, with the consent of the Monitor.

The Unsecured Creditor Cash Pools shall be adjusted to reflect (i) the Non-Filed Affiliate Cash Contribution, (ii) the intent of the Non-Filed Affiliates to forego the benefit of any amounts to which they would otherwise have been entitled on account of their secured and unsecured claims, and (iii) distributions made on account of unsecured claims of Participating CCAA Parties.

## Releases

Subject to the exceptions set out below, the following parties shall receive the benefit of comprehensive releases of claims and permanent injunctions against proceedings in respect of all such released claims:

1. The CCAA Parties, the Parent and the other Non-Filed Affiliates and their respective current and former employees, financial advisors, legal counsel and agents;
2. All current and former directors and officers of the CCAA Parties, the Parent and the other Non-Filed Affiliates; and

3. the Monitor and its affiliates, and each of their respective employees, partners, legal counsel and agents.

The following claims are not to be released under the Proposed Plan:

1. claims described in Section 5.1(2) of the CCAA against directors of the CCAA Parties;
2. claims against any person for fraud or wilful misconduct;
3. Unaffected Claims;
4. claims as asserted in proceedings titled *Neil Johnson et al. v. Cliffs Mining Company et al.*, Supreme Court of Newfoundland and Labrador, No. 2017 01G4037 CP;
5. claims as asserted by the United Steelworkers in proceedings commenced by Jim Skinner and Brian Gaulton in the Supreme Court of Newfoundland and Labrador (Trial Division (General) under Court File No. 2017 01 G 4310 CP; and
6. rights to any distributions under the CCAA Plan.

## **Distributions**

Following implementation of the Proposed Plan, distributions will be made to affected unsecured creditors periodically at times determined appropriate by the Monitor.

An interim distribution will be made to creditors in the CQIM/Quinto Unsecured Creditor Class and the Bloom Lake Unsecured Creditor Class as soon as practicable following implementation of the Proposed Plan.

An interim distribution will be made to creditors in the Wabush Mines Unsecured Creditor Class, the Wabush Railway Unsecured Creditor Class and the Arnaud Unsecured Creditor Class as soon as practicable following resolution of the Pension Priority Matter.

Final distributions shall be made after completion of all remaining matters in the CCAA Proceedings and the elimination of the Administrative Reserve, the Unresolved Claims Reserve, any D&O Reserve, and any other reserve established pursuant to the proposed Plan.

Payments shall be made, upon or forthwith following implementation of the Proposed Plan, to Unaffected Claim holders, including to secured creditors (other than Non-Filed Affiliates) in accordance with their respective priorities and to the extent of the value of the collateral of such secured creditors as determined by the Monitor in accordance with the Allocation Methodology.

No distributions or payments on account of any secured or unsecured claims (other than claims secured by the Court-ordered charges) shall be made by the Wabush CCAA Parties until, and only to the extent proceeds are available following, resolution of the Pension Priority Matter.

## **Tax Matters**

The structure of the Proposed Plan may be modified as necessary to achieve the commercial intention set out in this Term Sheet in a tax efficient manner.

Any time after the final distribution from the applicable Unsecured Creditor Cash Pool of any Participating CCAA Party and prior to the termination of the CCAA Proceedings, at the request of the Parent, such Participating CCAA Party and its subsidiaries, with the consent of the Monitor acting reasonably, may be wound up or dissolved in a tax efficient and orderly manner in accordance with applicable corporate law.

The Participating CCAA Parties agree, subject to the paragraph below, to execute, deliver and file such agreements, designations and/or joint elections under the Income Tax Act (Canada) or any other applicable taxing statute as may be requested by the Non-Filed Affiliates (or any one of them) (each, a "**Tax Filing**"), provided that either (a) such execution, delivery and filing does not give rise to any liability to any of the Participating CCAA Parties or (b) any such liability is indemnified by the applicable Non-Filed Affiliates in a manner satisfactory to the Participating CCAA Parties and the Monitor. The Participating CCAA Parties shall be reimbursed by the Non-Filed Affiliates for any costs incurred in connection with executing, delivering and filing each such Tax Filing.

Notwithstanding the foregoing, the Participating CCAA Parties shall not execute, deliver or file any Tax Filing which is potentially detrimental to the timing or quantum of recoveries to creditors of the Participating CCAA Parties or otherwise potentially detrimental to the timely completion of the CCAA proceedings or any steps which the Monitor reasonably believes should be undertaken to complete the CCAA proceedings (a "**Detrimental Tax Filing**"). Prior to executing, delivering or filing any Tax Filing, the applicable Participating CCAA Parties shall obtain confirmation from the Monitor that it does not consider the proposed Tax Filing to be a Detrimental Tax Filing. If the Monitor determines that the proposed Tax Filing is or may be a Detrimental Tax Filing, the applicable CCAA Parties shall not execute, deliver or file such Tax Filing unless otherwise authorized to do so by the Court. For greater certainty, the applicable Participating CCAA Parties and the Non-Filed Affiliates may at any time seek an order of the Court authorizing and directing the applicable Participating CCAA Parties to execute, deliver and file the Tax Filing, including, without limitation, on the basis that it is not a Detrimental Tax Filing.

**Conditions**

The Proposed Plan shall be subject to definitive documentation on terms acceptable to the Participating CCAA Parties, the Monitor and the Parent, each in their sole discretion, and consistent with the terms of this Term Sheet. The Proposed Plan shall be implemented once the order sanctioning the Proposed Plan becomes a final order.

The Proposed Plan shall be subject to approval of each of the Unsecured Creditor Classes and court sanction as required under the CCAA.

**Termination Rights**

Any party may terminate this Term Sheet if the CCAA Parties have not filed the Meeting Order Motion on or before March 30, 2018, or such later date as may be agreed to by the Monitor, the Participating CCAA Parties and the Parent.

Any party may terminate this Term Sheet if, other than as a result of a breach by such party of its obligations hereunder, the Proposed Plan is not implemented on or before June 29, 2018, or such later date as may be agreed to by the Monitor, the Participating CCAA Parties and the Parent.

If the Term Sheet is terminated pursuant to this Section, the obligations of the parties hereunder (other than with respect to the return of the Non-Filed Affiliate Cash Contribution delivered to the Monitor pursuant to this Term Sheet and the Proposed Plan) shall be at an end and no party shall have any liability hereunder.

*[Signatures on subsequent page]*

IN WITNESS HEREOF, the parties hereby execute this binding Term Sheet as at the date above.

**CLEVELAND-CLIFFS INC., ON BEHALF OF  
ITSELF AND THE OTHER NON-FILED  
AFFILIATES**

Per: *James D. Graham*  
Name: James D. Graham  
Title: Executive Vice President,  
Chief Legal Officer & Secretary

**CLIFFS QUÉBEC IRON MINING ULC, ON  
BEHALF OF ITSELF AND THE OTHER  
PARTICIPATING CCAA PARTIES**

Per: *Clifford T. Smith*  
Name: Clifford Smith  
Title: President



**Schedule "A"**  
**Non-Filed Affiliate Unsecured Interco Claims**

Schedule A - Non-Filed Affiliate Unsecured Interco Claims

	Debtor							Total
	Bloom Lake CCAA Parties						Total	
	CQIM/Quinto	Bloom Lake LP	Total	WICL/WRI/WM	Wabush Lake Railway	Arnaud Railway		
Cleveland-Cliffs International Holding Co.	-		-	117,066,682			117,066,682	117,066,682
Cliffs Canadian Shared Services Inc.	-	374,793	374,793				-	374,793
Cliffs International Management Company LLC	1,616,210	1,408,810	3,025,021	324,581			324,581	3,349,601
Cliffs Mining Company	1,753,324	173,237	1,926,561	549,623,203		1,084,122	550,707,325	552,633,886
Cliffs Mining Services Company	-	27,911,822	27,911,822	3,065,257			3,065,257	30,977,079
CLIFFS NATURAL RESOURCES INC.	55,060,060	122,294,633	177,354,693	108,963,422		23,093	108,986,515	286,341,208
Cliffs Natural Resources Luxembourg S.ar.L	566,735,982		566,735,982				-	566,735,982
Cliffs Natural Resources Pty Ltd.	293,401,553	474	293,402,027				-	293,402,027
CLIFFS NETHERLANDS B.V.	-		-	2,917,552			2,917,552	2,917,552
Cliffs UTAC Holdings LLC	7,656		7,656				-	7,656
Northshore Mining Company	-	5,603	5,603	1,862			1,862	7,465
TILDEN MINING COMPANY LLC	-		-	63,640			63,640	63,640
<b>Total</b>	<b>918,574,784</b>	<b>152,169,372</b>	<b>1,070,744,156</b>	<b>782,026,198</b>	<b>-</b>	<b>1,107,215</b>	<b>783,133,413</b>	<b>1,853,877,570</b>

Note - Excluding Deficiency Claims

**Schedule "B"**  
**Non-Filed Affiliate Secured Interco Claims**

Schedule B - Non-Filed Affiliate Secured Interco Claims

	Debtor							Total
	Bloom Lake CCAA Parties						Total	
	CQIM/Quinto	Bloom Lake LP	Total	WICL/WRI/WM	Wabush Lake Railway	Arnaud Railway		
Cliffs Mining Company				8,862,833			8,862,833	8,862,833
CLIFFS NATURAL RESOURCES INC.	62,614,190	111,144,305	173,758,495				-	173,758,495
<b>Total</b>	<b>62,614,190</b>	<b>111,144,305</b>	<b>173,758,495</b>	<b>8,862,833</b>	-	-	<b>8,862,833</b>	<b>182,621,328</b>

**Schedule "C"**  
**CCAA Party Pre-Filing Interco Claims**

Schedule C - CCAA Party Pre-Filing Interco Claims

	Debtor							Total
	Bloom Lake CCAA Parties			WICL/WRI/WM	Wabush Lake Railway	Arnaud Railway	Total	
	CQIM/Quinto	Bloom Lake LP	Total					
ARC - Arnaud Railway Company	1,780,021		1,780,021				-	1,780,021
BLIOM - The Bloom Lake Iron Ore Mine Limited Partnership	11,465		11,465			11,710,818	11,710,818	11,722,283
CQIM - Cliffs Quebec Iron Mining ULC	-	495,265,137	495,265,137				-	495,265,137
QMC - Quinto Mining Corporation	20,425,496		20,425,496				-	20,425,496
WLRC - Wabush Lake Railway Company Limited	-		-			45,345	45,345	45,345
WICL - Wabush Iron Co. Limited	69,840,432	3,449,806	73,290,238	2,081	417,500	3,056,445	3,476,025	76,766,263
WRI - Wabush Resources Inc.	36,586,055	9,408,212	45,994,267		1,141,361	8,335,447	9,476,808	55,471,076
<b>Total</b>	<b>128,643,469</b>	<b>508,123,156</b>	<b>636,766,624</b>	<b>2,081</b>	<b>1,558,861</b>	<b>23,148,054</b>	<b>24,708,996</b>	<b>661,475,620</b>