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August 5, 2020

VIA E-MAIL

Reference: 11573/374

Twin Falls Power Corporation Limited

c/o Shawn Kavanaugh
Cox & Palmer LLP
Suite 1000 Scotia Centre
235 Water Street
St. John's, NL A1C 1B6

RE: Twin Falls Power Corporation Limited ("Twinco")

Dear Shawn:

As you are aware, we are counsel to Wabush Resources Inc. ("Wabush Resources") and Wabush Iron Co. Limited ("Wabush Iron", together with Wabush Resources, "Wabush"); Wabush Resources and Wabush Iron, together with the other parties who are subject to the proceedings, the "CCAA Parties") commenced under *Companies' Creditors Arrangement Act* (the "CCAA Proceedings") before the Québec Superior Court in Montréal.

Subsequent to our call on February 10, 2020 (the "February 2020 Call") with representatives of Twinco and its shareholders and the CCAA Monitor, we sent a list of questions to you on February 18, 2020 which, among other things, sought to confirm Twinco's assets and clarify liability for Twinco's environmental obligations post July 1974 when Churchill Falls (Labrador) Limited ("CFLCo") took over possession and control of the Twinco plant and assets pursuant to the Operating Lease dated November 30, 1967, as amended (the "Operating Lease").

On May 26, 2020, you forwarded responses to our questions prepared by Todd Newhook of Nalcor Energy dated May 26, 2020 (the "May Response") which, among other things, confirmed that Twinco no longer owns any assets and that the Twinco plant and equipment are owned by CFLCo or related parties. As Nalcor Energy is the majority shareholder of CFLCo and CFLCo is the majority shareholder of Twinco we assume that the May Response is on behalf of Twinco and also CFLCo.

As I had indicated in my initial letter to you dated December 20, 2019, for many years prior to the commencement of the CCAA Proceedings, Wabush had sought a distribution of the remaining cash held by Twinco and to wind up the company. Since the commencement of the CCAA Proceedings in 2015, on behalf of the CCAA Parties, we continued those efforts and in my December 2019 letter we expressed the desire of the CCAA Parties to work cooperatively with Twinco, CFLCo and IOC to find an acceptable resolution to monetize and dispose of the Wabush interest in Twinco, failing which the CCAA Parties may have no alternative but to file an application under Section 214 and/or Section 241 of the *Canada Business Corporations Act* ("CBCA") to seek a winding up and dissolution of Twinco, a

distribution of Twinco's cash and cash equivalents to its shareholders, a declaration with respect to the CFLCo indemnity under the Operating Lease (the "CFLCo Indemnity"), an accounting from Twinco and reimbursement by CFLCo of any monies expended by Twinco for environmental liabilities for the benefit of Twinco's shareholders, and such ancillary and supplemental or alternative relief as is just and equitable.

We have reviewed and considered the May Response with the CCAA Parties and the Monitor. We disagree with the positions stated therein with regard to the respective liabilities of Twinco and CFLCo for environmental costs and liabilities related to the Twinco plant, equipment and other assets and we reiterate our position that (i) CFLCo is liable for all environmental liabilities pursuant to the CFLCo Indemnity and under the law, (ii) all expenses that may have been incurred by Twinco relating to environmental costs should be reimbursed by CFLCo pursuant to the CFLCo Indemnity, and (iii) Twinco should be forthwith wound up and dissolved and its cash and cash equivalents be distributed to its shareholders.

While we had been hopeful that a consensual resolution could be achieved, we have concluded based on the February 2020 Call and the May Response and the lack of desire of Twinco and CFLCo to engage in a constructive manner, that a consensual resolution is no longer possible. Notwithstanding that it has been admitted that "Twinco no longer has any activity or purpose...",¹ that CFLCo has been in possession and control of the Twinco plant and Twinco assets for over 45 years since 1974, and CFLCo is the current owner of the Twinco plant and assets, rather than acting in the best interests of the company, and with fair regard to the interests of all of its shareholders, not just CFLCo, Twinco/CFLCo are continuing to be focussed solely on protecting CFLCo against its clear contractual and statutory liabilities.

In light of the foregoing, please be advised that we have now been instructed by the CCAA Parties to prepare the court materials for the aforementioned relief under the CBCA within the CCAA Proceedings.

Yours very truly



Milly Chow

c: J. Graham, Wabush
B. Boucher, Blakes
N. Meakin, FTI
S. Rigaud, Norton Rose
M. McClure, IOC
D. Pope, Nalcor/CF(L)Co
T. Newhook, Nalcor
P. Hickman, Nalcor

¹ See letter from Twinco to CFLCo dated August 6, 2018.