

PRIVATE AND CONFIDENTIAL

February 13, 2015

Cliffs Quebec Iron Mining ULC
1155 University Street, Suite 508
Montréal, Québec H3B 3A7

Dear Sirs/Mesdames

Re: Proposed Transaction

This letter outlines the proposed transaction (the "**Transaction**") between Cliffs Quebec Iron Mining ULC ("**Cliffs Quebec**"), Cliffs Greene B.V. ("**Cliffs Greene**"), Cliffs Netherlands B.V. ("**Cliffs Netherlands**") and together with Cliffs Quebec and Cliffs Greene, the "**Vendors**") and Noront Resources Ltd. ("**Noront**"), pursuant to which Noront will acquire: (a) all of the outstanding securities (the "**Securities**") of each of Cliffs Quebec's wholly-owned subsidiaries Cliffs Chromite Ontario Inc. ("**Cliffs Ontario**") and Cliffs Chromite Far North Inc. ("**Cliffs Far North**" and together with Cliffs Ontario, the "**Subsidiaries**"); (b) upon mutual agreement of the Parties following completion of due diligence, all of the outstanding securities of (i) Cliffs Greene and/or Cliffs Netherlands, or (ii) any subsidiaries of Cliffs Greene or Cliffs Netherlands (the "**Additional Subsidiaries**"); and (c) the common shares of KWG Resources Inc. ("**KWG**") and Debut Diamonds Inc. ("**Debut**") held by Cliffs Greene (to the extent Cliffs Greene is not otherwise acquired) (the "**Additional Securities**") for the consideration described below under the heading "Description of Transaction and Consideration". All dollar references herein are in United States dollars.

Noront has been advised by the Vendors that Cliffs Quebec has commenced restructuring proceedings in Montréal, Québec, under the Companies' Creditors Arrangement Act (Canada) ("**CCAA**"). The court has appointed FTI Consulting Canada Inc. as the monitor (the "**Monitor**") under the CCAA process.

1. Description of Noront: Noront is incorporated under the *Business Corporations Act* (Ontario) and is involved in the exploration and development of base and precious minerals.
2. Description of the Vendors and the Subsidiaries: Cliffs Quebec is an unlimited liability company and owns all of the outstanding securities of the Subsidiaries (other than certain Securities of Cliffs Far North that are owned by Cliffs Ontario). Each of Cliffs Ontario and Cliffs Far North is a privately held company incorporated under the *Canada Business Corporations Act* and, as of the date hereof, Cliffs Ontario has common shares issued and outstanding and Cliffs Far North has common shares and Class B preferred shares issued and outstanding and each has no other securities or debt obligations outstanding other than inter-company indebtedness which will be eliminated or otherwise dealt with in a manner satisfactory to Noront and the Vendors, acting reasonably, prior to Closing (as hereinafter defined). Noront understands that the Subsidiaries own, among other things, the Black Thor

Chromite Project and hold a majority interest in the Big Daddy Chromite Project located in the James Bay Lowlands, as well as third party royalties, joint venture interests, other mineral claims and associated technical data (the "**Property**").

3. Description of Transaction and Consideration: The Parties agree that on the closing of the Transaction (the "**Closing**") the Vendors will deliver: (a) all of the Securities of the Subsidiaries; (b) as applicable, all securities of the Additional Subsidiaries; and (c) the Additional Securities (to the extent Cliffs Greene is not acquired directly) (collectively, the "**Purchased Assets**"), to Noront and Noront will deliver the aggregate purchase price of \$20,000,000 in cash (the "**Cash Consideration**") to the Vendors which Cash Consideration is to be allocated amongst the Vendors in the Definitive Agreement in a manner satisfactory to the Vendors and the Monitor. The release of the Purchased Assets to Noront and the Cash Consideration to the Vendors in connection with the Closing of the Transaction will be subject to normal closing conditions typical of a transaction undertaken in the context of a CCAA sale process with respect to the Securities of the Subsidiaries, to be specified in the Definitive Agreement. To the extent any Additional Subsidiaries and/or Additional Securities are acquired outside the CCAA sale process, the Definitive Agreement will reflect normal closing conditions typical for a share acquisition transaction. The Vendors will make application to the court for, and will use commercially reasonable efforts to obtain, a final, non-appealable order of the applicable court approving the sale of the Securities of the Subsidiaries and/or the Purchased Assets subject to the CCAA process to Noront and vesting the Securities of the Subsidiaries and/or the Purchased Assets subject to the CCAA process in Noront with effect as of the Closing, free and clear of all liens or any other encumbrances or claims (other than permitted encumbrances agreed to by Noront and the Vendors) (the "**Approval and Vesting Order**").

While it is currently contemplated that the Transaction will be structured as described herein, the ultimate form of the Transaction will be determined by the Vendors and Noront based on corporate, tax and securities law and other considerations.

4. Due Diligence:

- (a) Noront and its representatives shall,
- (i) be entitled to reasonable access during normal business hours to all properties, information and records relating to the Purchased Assets and the Property, including, but not limited to, all equipment, assets, drill cores, assay results, maps and diagrams, books, contracts, financial statements, tax returns, forecasts, financial projections, studies, records, permits and licences and any other documentation (whether in writing or stored in computerized, electronic, disk, tape, microfilm or any other form) or materials of any nature whatsoever (the "**Diligence Materials**"), with the Vendors using reasonable efforts to make all Diligence Materials available to Noront no later than February 13, 2015;



- (ii) receive evidence from the Vendors that the Monitor has been informed of the Transaction and is supportive of the Transaction; and
 - (iii) perform a due diligence review and examination of the Subsidiaries, the Additional Subsidiaries and the Property and the business and affairs thereof up to the Definitive Agreement Date (as hereinafter defined), with Noront to be satisfied in its sole and absolute discretion with the results of such due diligence investigation.
 - (b) Until the completion of the Transaction, the Vendors shall notify Noront of any significant development or material change relating to the Purchased Assets or the Property, taken as a whole, promptly after becoming aware of any such development or change.
5. Definitive Agreement: Noront and the Vendors agree to use commercially reasonable efforts to negotiate and enter into a definitive agreement providing for the Transaction and consistent with the terms hereof (the "**Definitive Agreement**") as soon as practicable and in any event on or before February 25, 2015 (with the date of execution of the Definitive Agreement being the "**Definitive Agreement Date**"). The Definitive Agreement shall be in form and substance satisfactory to each of Noront and the Vendors and shall include customary terms and conditions for a transaction undertaken in the context of a CCAA sale and investment process and shall include as a schedule thereto a copy of the form of Approval and Vesting Order agreed to by the Vendors and Noront, it being understood that if such agreed upon form of Approval and Vesting Order is varied by the court, any variance shall be in form and substance acceptable to Noront and the Vendors. The Definitive Agreement will provide that the Transaction is to be undertaken on an "as is, where is" basis, with limited representations and warranties with respect to the Securities of the Subsidiaries to be agreed to by both Noront and the Vendors. The Definitive Agreement will also include such covenants, conditions, break fees and completion mechanics as may be agreed by the Vendors and Noront and as are typical for a transaction undertaken in the context of a CCAA sale and investment process, including provisions relating to any pre-acquisition reorganization of the Subsidiaries requested by Noront and agreed by the Vendors, with the final Definitive Agreement being subject to approval by the Monitor and the court. The Definitive Agreement will also include a prohibition on the Vendors, the Subsidiaries and the Additional Subsidiaries seeking alternative offers (unless otherwise directed or required by the court under the CCAA or other applicable law or regulation).
6. Conditions of Transaction: The Parties contemplate there will be a number of conditions precedent typical for the Closing of the Transaction in the context of a CCAA sale and investment process, including, without limitation, the following:
- (a) conditions in favour of each of Noront, the Vendors and the Subsidiaries,
 - (i) mutually acceptable and legally enforceable agreements and other documents (collectively the "**Transaction Documents**") shall have been entered into to



- give effect to the Transaction, with the Transaction Documents to contain such terms and conditions as may be specified in the Definitive Agreement or as the Parties may otherwise agree,
- (ii) all government, court, regulatory, stock exchange, bank, director and shareholder approvals, consents, waivers, orders, exemptions, releases and agreements necessary in connection with the Transaction, shall have been obtained in form and with terms reasonably satisfactory to Noront and the Vendors, and
 - (iii) there shall have been no action taken under any applicable law or by any government or governmental or regulatory authority or court which makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the completion of the Transaction; and
- (b) conditions in favour of only Noront,
- (i) Noront shall, concurrently with Closing, have entered into an acquisition term loan with Franco-Nevada Corporation to provide Noront with the necessary financing to satisfy payment of the Cash Consideration on Closing of the Transaction, the terms of which loan will be disclosed to the Vendors prior to entering into the Definitive Agreement, and containing such conditions to the closing of the loan as are acceptable to the Vendors, acting reasonably,
 - (ii) there shall have been no material adverse change in the Property or in the Subsidiaries, in any of the assets thereof or in the affairs thereof taken as a whole,
 - (iii) the Vendors shall deliver to Noront a certified copy of the Approval and Vesting Order,
 - (iv) upon completion of the Transaction, Noront will own 100% of the outstanding Securities of the Subsidiaries free and clear of all liens and encumbrances (other than permitted encumbrances agreed to by Noront and the Vendors);
 - (v) upon completion of the Transaction, Noront will own 100% of the outstanding shares of any Additional Subsidiaries free and clear of all liens and encumbrances (other than permitted encumbrances agreed to by Noront and the Vendors); and
 - (vi) upon completion of the Transaction, Cliffs Greene will deliver the Additional Securities to Noront free and clear of all liens and encumbrances (other than permitted encumbrances agreed to by Noront and the Vendors) (unless Cliffs Greene is acquired directly).

- (c) In addition, the Definitive Agreement shall contain covenants of the Vendors typical for a transaction undertaken in the context of a CCAA sale and investment process including, among others, that at least two (2) business days prior to serving its motion in support of the Approval and Vesting Order, that the Vendors will provide Noront's counsel with a copy of the service list to be used for the motion. Noront's counsel shall be entitled to make any additions thereto, acting reasonably.
7. No Solicitation: Commencing on the date of the acceptance of the terms of this letter by the Vendors and continuing until the first to occur of (a) the Definitive Agreement Date, and (b) March 6, 2015 (the "**Exclusivity Expiration Date**"), in each case unless otherwise directed or required by the court under the CCAA or other applicable laws or regulations: (i) the Vendors shall not, and shall cause the Subsidiaries not to, negotiate with any person other than Noront with respect to the sale of all or any portion of the Purchased Assets or the Property, (ii) the Vendors shall not, directly or indirectly, (A) encourage, solicit, initiate discussions with or engage in negotiations with any person or entity (whether such negotiations are initiated by the Vendors or the Subsidiaries or otherwise), other than Noront, relating in any way to the acquisition, sale or disposition of all or any portion of the Purchased Assets or the Property (a "**Competing Transaction**"), other than the Transaction or (B) enter into any letter of intent, contract or other agreement with any person or entity, other than Noront, providing for any Competing Transaction, and (iii) the Vendors shall, and shall cause the Subsidiaries to, suspend all discussions with third parties regarding any Competing Transaction.
8. Costs: Subject to Section 11, each of Noront and the Vendors shall pay its own costs and expenses (including all legal, accounting and financial advisory fees and expenses) in connection with the Transaction.
9. Public Announcements: Each of Noront and the Vendors shall not (and shall cause their respective affiliates, employees, officers, directors, representatives and advisors not to), without the prior written approval of the other Parties, disclose, directly or indirectly, in whole or in part (including but not limited to the issuing of any press release or the making of any other public announcement), the existence or terms of this letter or the fact that it is involved in discussions involving a possible Transaction, to any person, unless (i) in the opinion of such Party disclosure is required under applicable law, in which case such Party shall, to the extent reasonably practicable, consult and cooperate with the other Parties with respect to the content and timing of such disclosure; or (ii) the court requires such disclosure in connection with the CCAA process; provided that consistent with Section 7 hereof the Vendors will be permitted to inform third parties that the Vendors have entered into an exclusivity arrangement requiring that Competing Transaction discussions be suspended (without identifying Noront specifically). Each of Noront and the Vendors acknowledge and agree that the Monitor shall be entitled to make such disclosure concerning this letter and a possible Transaction as it considers necessary to fulfill its duties, save that Noront shall not be specifically identified unless a Definitive Agreement is executed.
10. Termination: This letter shall terminate upon the earlier of: (a) the Exclusivity Expiration Date; (b) execution of the Definitive Agreement; (c) the Vendors receiving an offer for a

Competing Transaction that did not result from a breach of the Vendors' obligations under Section 7, which is determined by the Vendors in good faith, the court or the Monitor to be superior to the Transaction, and the Vendors provide written notice to Noront that the Vendors have determined not to proceed with the Transaction; and (d) the mutual written agreement of the Parties. Notwithstanding the foregoing, the obligations of the Parties under Sections 8, 9, 10, 11, 12, 13 and 14 shall survive any such termination.

11. Expense Reimbursement: In the event that this letter is terminated by the Vendors in accordance with Section 10(c), upon such termination the Vendors shall reimburse Noront for the reasonable documented out-of-pocket fees, costs and expenses incurred by Noront in connection with the Transaction up to a maximum of \$100,000.
12. Confidentiality: This letter is subject to the terms of the confidentiality agreement entered into between Noront and the ultimate parent company of the Vendors dated October 22, 2014 (the "**Confidentiality Agreement**"). This letter and the Confidentiality Agreement contain the entire agreement between the Parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings with respect thereto.
13. Law: This letter shall be governed by and be construed in accordance with the laws of the Province of Ontario and Noront and the Vendors hereby irrevocably attorn to the jurisdiction of the courts of such province.
14. Binding Provisions: Notwithstanding anything to the contrary contained herein, this letter constitutes only a preliminary, non-binding expression of interest. It is not intended to, and does not, except as set forth in Sections 7, 8, 9, 10, 11, 12, 13, 14 and 15, which shall be binding and enforceable, create or constitute any legally binding obligation, liability or commitment to consummate the Transaction or to enter into the Definitive Agreement. Except as set forth in Sections 7, 8, 9, 10, 11, 12, 13, 14 and 15, no Party will have any rights or obligations whatsoever with respect to the Transaction by virtue of this letter or any other oral or written expression by any Party or their respective representatives, unless and until the Definitive Agreement has been executed and delivered by all of them as contemplated by Section 5 hereof.
15. General:
 - (a) No Party to this letter may assign or transfer any of their rights or obligations hereunder without the prior written consent of the other Parties, which consent shall not be unreasonably withheld, except that Noront may assign its obligations hereunder and under the Definitive Agreement to a wholly-owned direct or indirect subsidiary, provided that the obligations of such wholly-owned subsidiary shall be guaranteed by Noront.
 - (b) If any provision of this letter is invalid, illegal or incapable of being enforced by reason of any rule of law or public policy, then such provision will be severed from and will not affect any other provision of this letter. Upon such determination the



Parties hereto will use commercially reasonable efforts to negotiate to modify such terms or provisions so as to affect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible. All other provisions of this letter will, nevertheless, remain in full force and effect and no provision will be deemed dependent upon any other provision unless so expressed.

- (c) This letter may be executed in several counterparts, each of which will be deemed to be an original and all of which shall together constitute one and the same instrument. Delivery of a copy by facsimile or other electronic means will be deemed to be delivery of an original.



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If the foregoing accurately reflects the terms and conditions of our agreement, would you kindly indicate your acceptance hereof by signing and returning a copy of this proposal letter to Noront by facsimile or otherwise as soon as possible.

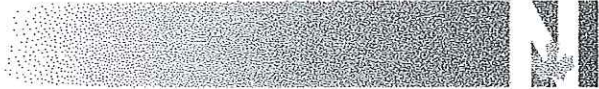
NORONT RESOURCES LTD.

By:

A handwritten signature in black ink, appearing to read "Greg Rieveley", written over a horizontal line.

Name: Greg Rieveley


Position: Chief Financial Officer



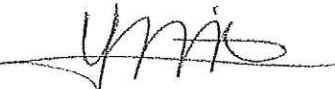
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Accepted this 13th day of February, 2015.

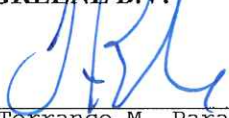
CLIFFS QUEBEC IRON MINING ULC

By: 
Name: P. Kelly Tompkins
Position: President

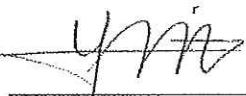
CLIFFS GREENE B.V.

By: 
Name: **Yasemin Demirtas**
Position: Director B


CLIFFS GREENE B.V.

By: 
Name: Terrance M. Paradie
Position: Director

CLIFFS NETHERLANDS B.V.

By: 
Name: **Yasemin Demirtas**
Position: Director A

CLIFFS NETHERLANDS B.V.

By: 
Name: Terrance M. Paradie
Position: Director