

CANADA

PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

**SUPERIOR COURT**

Commercial Division

(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., c. 36, as amended)

N°: 500-11

**IN THE MATTER OF THE PLAN OF COMPROMISE OR  
ARRANGEMENT OF:**

**BLOOM LAKE GENERAL PARTNER LIMITED**, a corporation incorporated pursuant to the laws of Ontario, having its head office at 1155 Rue University, Suite 508, Montréal, Québec.

-and-

**BLOOM LAKE RAILWAY COMPANY LIMITED**, a corporation incorporated pursuant to the laws of Newfoundland and Labrador, having its head office at 1155 Rue University, Suite 508, Montréal, Québec.

-and-

**QUINTO MINING CORPORATION**, a corporation incorporated pursuant to the laws of British Columbia, having its head office at 1155 Rue University, Suite 508, Montréal, Québec.

-and-

**8568391 CANADA LIMITED**, a corporation incorporated pursuant to the laws of Canada, having its head office at 1155 Rue University, Suite 508, Montréal, Québec.

-and –

**CLIFFS QUÉBEC IRON MINING ULC**, an unlimited liability company governed by the laws of British Columbia, having its head office at 1155 Rue University, Suite 508, Montréal, Québec.

Petitioners

**THE BLOOM LAKE IRON ORE MINE LIMITED PARTNERSHIP**, a limited partnership formed pursuant to the laws of Ontario, having its head office at 1155 Rue University, Suite 508, Montréal, Québec.

Mise-en-cause

-and-

**FTI CONSULTING CANADA INC.**, a corporation incorporated pursuant to the laws of Canada, having its registered office at 79 Wellington Street West, Suite 2010, Toronto, Ontario.

Proposed Monitor

**MOTION FOR THE ISSUANCE OF AN INITIAL ORDER**  
(Sections 4, 5, 11 and *ff.* of the *Companies' Creditors Arrangement Act* ("**CCAA**"))

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**TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN THE COMMERCIAL DIVISION FOR THE DISTRICT OF MONTRÉAL, THE CCAA PARTIES SUBMIT:**

**1. INTRODUCTION**

1. Bloom Lake General Partner Limited ("**Bloom Lake GP**"), Bloom Lake Railway Company Limited ("**Bloom Lake Railway Company**"), Quinto Mining Corporation ("**Quinto**"), 8568391 Canada Limited ("**8568391**") and Cliffs Québec Iron Mining ULC, formerly Cliffs Québec Iron Mining Limited ("**CQIM**") (collectively, the "**Petitioners**") are debtor companies under the CCAA.
2. While The Bloom Lake Iron Ore Mine Limited Partnership ("**Bloom Lake LP**"), the *mise-en-cause* in these CCAA proceedings (the "**Mise-en-cause**"), is not a petitioner in these proceedings, it seeks to have the protections and authorizations of these proceedings extended to it as it is intertwined with the Petitioners and forms an integral part of the business, operations and/or assets of certain of the Petitioners and more specifically, the Bloom Lake Mine (as defined below).
3. As described herein, the Petitioners and Bloom Lake LP (collectively, the "**CCAA Parties**") are affiliated companies and their activities, together, comprise substantially all of the Canadian operations of, and related to, the mine located approximately 13 km north of Fermont, Québec in the Labrador Trough, a mature mining district located in Québec and Labrador, known as the Bloom Lake Mine (the "**Bloom Lake Mine**") and the Leased Port Premises (as defined below).
4. A chart illustrating the basic corporate structures of the CCAA Parties is communicated herewith as **Exhibit R-1**. All of the Petitioners, with the exception of Bloom Lake GP, are indirect wholly-owned subsidiaries of Cliffs Natural Resources Inc. ("**CNR**"), an international mining and natural resources company listed on the New York Stock Exchange under the symbol "CLF".
5. Bloom Lake GP and Bloom Lake LP are held 82.848% by CQIM, a Petitioner in these CCAA proceedings, and 17.152 % by an unrelated third party, being Wugang Canada Resources Investment Limited ("**WISCO**"), a subsidiary of Wuhan Iron Steel (Group) Corporation.



6. The CCAA Parties seek protection under the CCAA to facilitate the reorganization of their businesses and operations through a sale of assets or a plan of arrangement and reorganization. More specifically, the CCAA Parties hereby seek the issuance of an initial CCAA order substantially in the form and substance of the draft Initial Order communicated herewith as **Exhibit R-2** (the "**Draft Initial Order**").
7. The Bloom Lake Mine was acquired as part of a share acquisition of Consolidated Thompson Iron Mines Limited ("**CTML**") (now CQIM). Since its acquisition, the Bloom Lake Mine has never been profitable and has suffered operating losses. As a result, it has required significant funding for operations. Since March 2013, that funding has been provided solely by non-Canadian affiliates of the CCAA Parties.
8. Losses associated with the operation of the Bloom Lake Mine increased substantially, especially through 2014, due to a number of factors, including the following:
  - a) unanticipated significant additional costs with respect to the Bloom Lake Mine discovered post-acquisition with respect to the tailing ponds, water management and other environmental matters;
  - b) significant costs associated with the extraction, processing and shipment of iron ore from the Bloom Lake Mine and the loading thereof onto ocean-going vessels for delivery to overseas customers; and
  - c) the significant decline in the market price per tonne of iron ore over the last 12-18 months;
9. Based on market conditions over the past 12-18 months, the CCAA Parties believe it is necessary to either materially reduce its operating costs or expand their capacity in order to reduce the marginal cost per tonne for the extraction, processing and transportation of the iron ore for delivery to customers in order to achieve long term feasibility.
10. It was also the CCAA Parties' belief that if such cost savings could be achieved, there would be adequate demand for the increased capacity of Bloom Lake Mine's high grade iron ore from Asian steel producers and other end users to generate sufficient revenues to make the Bloom Lake Mine sustainable on a long term basis.
11. Significant efforts were undertaken to find buyers, partners and/or investors for the operations and/or assets of the CCAA Parties to offset the losses and assist in the development of the Bloom Lake Mine to the next phase.
12. These efforts were, however, hampered by the economic slowdown in China and other parts of Asia, and in particular the decreased demand for iron ore. This led to a significant decrease over the last 12 months in the price of iron ore, which dropped from USD\$134 per tonne as at January 2, 2014 to approximately USD\$67 per tonne as at January 22, 2015.
13. As result, in the fall of 2014, CNR announced that it was exiting the Canadian iron ore business and that the operations at the Bloom Lake Mine would be suspended. It also announced that it would be exploring options in respect of its other Canadian subsidiaries.

14. Despite further significant efforts since that time, those efforts have not been successful and no acceptable option has been identified. CNR and its affiliates are not prepared to continue to fund further losses of the CCAA Parties except as may be required to execute the proposed CCAA proceedings described herein on a priority secured basis.
15. Except for non-material amounts of revenue from service arrangements with respect to the ArcelorMittal Mining Canada G.P. ("**ArcelorMittal**") construction mining camp ("**ArcelorMittal Mining Camp**"), given the suspension of operations at the Bloom Lake Mine, none of the CCAA Parties are generating any further revenue, nor are they expected to generate any revenue in the foreseeable future.
16. As a result of the liquidity crisis, the CCAA Parties are no longer capable of meeting their obligations as they generally become due without significant additional financing. In addition, the value of the CCAA Parties' assets are less than their liabilities. The CCAA Parties are now insolvent and therefore seek protection from their creditors from this Court under the CCAA.
17. These CCAA proceedings will allow the CCAA Parties to attempt to preserve and maximize the value of their businesses and assets and will provide the CCAA Parties with the stability they require to consider and review all restructuring and reorganization options. The CCAA Parties will be seeking the approval of the Court to conduct an orderly sale and investor solicitation process at a subsequent hearing before the Court.
18. If the CCAA Parties do not have sufficient liquidity or resources to fund these CCAA proceedings, the CCAA Parties are in the process of negotiating a commitment for additional liquidity through debtor-in-possession (DIP) financing from their non-Canadian affiliates, subject to approval of the Court.
19. When the Bloom Lake Mine was operational, Bloom Lake Railway Company provided essential transportation services to the Bloom Lake Mine. It is believed that the prospects of finding potential investors and/or purchasers for some or all of the other CCAA Parties or their assets would be significantly enhanced if the Bloom Lake Railway Company is included as a petitioner in these CCAA proceedings.
20. At this time, the proposed consolidation of the proceedings in respect of the CCAA Parties is for administrative purposes only and does not effect a consolidation of the assets and property of the CCAA Parties, including for the purposes of any plan or plans of arrangement that may be hereafter proposed.
21. Unless provided otherwise in the Draft Initial Order herein (Exhibit R-2), the CCAA Parties will continue to maintain their separate property and assets.
22. Unless expressly provided to the contrary, any reference herein to monetary amounts refers to Canadian dollars.



## 2. THE CCAA PARTIES' CORPORATE STRUCTURE

### 2.1 The Bloom Lake Mine

#### 2.1.1 Bloom Lake GP/Bloom Lake LP

23. Bloom Lake GP is a corporation incorporated pursuant to the laws of Ontario as appears from the company profile communicated herewith as **Exhibit R-3**.
24. Bloom Lake GP's head office is located at 1155 Rue University, Suite 508, Montréal, Québec (the "**Montréal Head Office**") as it appears from page 5 of the CNR 2013 Annual Report communicated herewith as **Exhibit R-4**.
25. As noted above, Bloom Lake GP is owned 82.848% by CQIM and 17.152% by WISCO, an unrelated third party.
26. Bloom Lake GP is the General Partner of Bloom Lake LP (the "**General Partner**"). The primary business of Bloom Lake GP is the operation of the Bloom Lake Mine.
27. The Bloom Lake Mine is managed by CQIM pursuant to a management contract described below. That contract provides for a yearly annual fee, calculated and payable monthly and is based on the level of commercial production by Bloom Lake LP.
28. As commercial production has ceased at the Bloom Lake Mine, Bloom Lake LP and CQIM will have to come to an agreement on fair compensation for CQIM's management services after the date of the Initial Order.
29. Bloom Lake LP is a limited partnership formed pursuant to the laws of Ontario as appears from the partnership profile report communicated herewith as **Exhibit R-5**.
30. Bloom Lake LP's head office is located at the Montréal Head Office as it appears from page 5 of the CNR 2013 Annual Report (Exhibit R-4).
31. The limited partnership units in Bloom Lake LP are held 82.848% by CQIM and 17.152% by WISCO.
32. At the time that CNR indirectly acquired the shares of CTML (now CQIM) in May 2011, CQIM had a 75% interest in Bloom Lake LP. That interest increased to 82.848% on November 20, 2013 upon the dilution of WISCO's interest resulting from WISCO's failure to honour capital calls under the limited partnership agreement and pursuant to a settlement agreement entered into on December 5, 2012.
33. All of Bloom Lake GP and Bloom Lake LP's revenues and substantially all of their liabilities have been generated from their operations in Québec related to the Bloom Lake Mine.

#### 2.1.2 Bloom Lake Railway Company

34. Bloom Lake Railway Company is a corporation incorporated pursuant to the laws of Newfoundland & Labrador as appears from the company profile report communicated herewith as **Exhibit R-6**.

35. Bloom Lake Railway Company's head office is located at the Montréal Head Office as it appears from page 5 of the CNR 2013 Annual Report (Exhibit R-4).
36. Bloom Lake Railway Company is a wholly-owned subsidiary of CQIM.
37. The rail assets comprising the Bloom Lake Railway are owned by CQIM.
38. Bloom Lake Railway Company's primary business was the operation of a short-line railway comprising a 32 kilometre rail spur contained wholly within Newfoundland & Labrador (the "**Bloom Lake Railway**"). The Bloom Lake Railway connects the Bloom Lake Mine to the railway generated by Northern Land Company Limited. (the "**Northern Land Railway**"), the Québec North Shore & Labrador operated railway (the "**QNS&L Railway**"), and ultimately to the railway owned by Arnaud Railway Company (an affiliate of the Petitioners) (the "**Arnaud Railway**") running from the junction where the Arnaud Railway meets the QNS&L Railway north of the Town of Sept-Îles, Québec, to the Bay of Sept-Îles, Québec, for the transport of iron ore concentrate to the Leased Port Premises and ultimately to the Pointe-Noire Port (as defined below) located at the Port of Sept-Îles.
39. The Bloom Lake Railway is operated by Western Labrador Rail Services Inc., an affiliate of Genesee & Wyoming, pursuant to a Railroad Operation and Maintenance Services Agreement.
40. Bloom Lake Railway Company suspended operations in December 2014 and has no employees.

### **2.1.3 Quinto**

41. Quinto is a corporation incorporated pursuant to the laws of British Columbia as it appears from the company profile report communicated herewith as **Exhibit R-7**.
42. Quinto's head office is located at the Montréal Head Office as it appears from page 5 of the CNR 2013 Annual Report (Exhibit R-4).
43. Quinto is a wholly-owned subsidiary of CQIM.
44. Substantially all of Quinto's assets are mining claims related to, and located in proximity to the Bloom Lake Mine and located in Québec.
45. Quinto owns a mine located on the west side of Saddle Mountain overlooking the town of Lumby, British Columbia (the "**Lumby Mine**"). However, the Lumby Mine is not operational and no mining or exploration activities have occurred on the site since 1994. In 2011, Quinto reclaimed the Lumby Mine, which reclamation is subject to ongoing monitoring by the Ministry of Energy and Mines of British Columbia. In connection with the reclamation of the Lumby Mine Site, Quinto may continue to have certain non-material liabilities estimated to be approximately \$5,000.
46. Quinto has no employees.



**2.1.4 8568391**

47. 8568391 is a corporation incorporated pursuant to the laws of Canada, having its head office located at the Montréal Head Office as appears from the company profile communicated herewith as **Exhibit R-8**.
48. 8568391 is a wholly-owned subsidiary of CQIM.
49. 8568391's only purpose is to hold bare legal title to the ArcelorMittal Mining Camp and related assets located at Mont Wright near the Bloom Lake Mine. The ArcelorMittal Mining Camp consists of various buildings including 792 rooms for employee housing, a cafeteria, kitchen, gym and lockers and infrastructure related thereto.
50. The land on which the ArcelorMittal Mining Camp is located is owned by ArcelorMittal.
51. Pursuant to a services agreement, CQIM provides certain services to ArcelorMittal in respect of the ArcelorMittal Mining Camp.
52. 8568391 has no employees.

**2.2 CQIM**

53. As noted above, CQIM, formerly CTML, was acquired indirectly by CNR in May 2011.
54. Following the acquisition, as part of an internal reorganization, the amalgamated CTML changed its name and was continued as a British Columbia corporation.
55. On December 4, 2014, as part of a larger internal corporate group reorganization, CQIM was converted into an unlimited liability company under the laws of British Columbia as appears from the company profile report communicated herewith as **Exhibit R-9**.
56. CQIM's head office is located at the Montréal Head Office as it appears from page 5 of the CNR 2013 Annual Report (Exhibit R-4).
57. CQIM holds a majority interest in Bloom Lake GP and Bloom Lake LP. The other Petitioners, Quinto, 8568391 and Bloom Lake Railway Company, are wholly-owned subsidiaries of CQIM.
58. As discussed above, CQIM owns the rail assets comprising the Bloom Lake Railway.
59. Pursuant to a management agreement, CQIM manages the Bloom Lake Mine.
60. As described below, mining operations at the Bloom Lake Mine have been suspended and it has been transitioned to care and maintenance mode.
61. In addition to the other Petitioners, CQIM also holds a 100% percent interest in the following subsidiaries: Cliffs Canadian Shared Services Inc., 2313245 Ontario Inc., Cliffs Chromite Ontario Inc. and Cliffs Chromite Far North Inc. and Wabush Resources Inc. ("**Wabush Resources**").
62. Primarily through its wholly-owned subsidiaries Cliffs Chromite Ontario Inc. and Cliffs Chromite Far North Inc., CQIM holds interests in certain chromite projects located in

lands known as the Ring of Fire located 550 kilometres northeast of Thunder Bay, Ontario and 240 kilometres north of Nakina, Ontario ("**Ring of Fire**").

63. Through its wholly-owned subsidiary, Wabush Resources, CQIM also holds a majority interest in an iron ore mine and processing facility located near Wabush City and Labrador City, Newfoundland & Labrador in the Labrador Trough known as the Wabush Mine (the "**Wabush Mine**").
64. The Wabush Mine is owned pursuant to the Wabush Mines joint venture, an unincorporated joint venture ("**Wabush Mines Joint Venture**") by Wabush Resources as to 73.2% and Wabush Iron Co. Limited ("**Wabush Iron**") as to 26.8%. Cliffs Mining Company, the parent company of Wabush Iron, is the managing agent of the Wabush Mines Joint Venture.
65. Wabush Mines Joint Venture also operated, through its managing agent, the port facilities located at Pointe-Noire, Québec in the Bay of Sept-Îles, Québec (the "**Pointe-Noire Port**") and a pellet production facility (the "**Pointe-Noire Pellets**") located at the Pointe-Noire Port.
66. As a result of the depressed global market for steel, particularly in Asia, the corresponding significant decline in the price for iron ore and the high cost structure of the Wabush Mine, operations at the Wabush Mine were not economically sustainable. Pointe-Noire Pellets was idled in June 2013 and the mining operations at the Wabush Mine were suspended in March 2014 and then permanently idled in November 2014.
67. Wabush Mines Joint Venture is currently in the preliminary stages of reclaiming the Wabush Mine.
68. Similar to the Bloom Lake Mine, iron ore concentrate from the Wabush Mine was transported by rail by the Wabush Lake Railway Company, Limited, and then transferred to the Northern Land Railway, the QNS&L Railway and the Arnaud Railway for delivery to the Pointe-Noire Port through CQIM leased property and then ultimately shipped from the Pointe-Noire Port to Wabush Mine customers.
69. CQIM holds a lease from the Sept-Îles Port Authority of real property at the Bay of Sept-Îles (the "**Leased Port Premises**") on which it has constructed storage, laydown and transiting facilities. CQIM also has rights, pursuant to the lease, to load iron ore over Dock 31 located at the Pointe-Noire Port and has constructed a series of conveyers from the Leased Port Premises to and across Dock 31 in this regard.
70. As further described below, CQIM also provides administrative and other support to the entities which manage the Wabush Mine, Pointe-Noire Port and Ring of Fire.
71. The majority of CQIM's employees, assets and those assets of its subsidiaries, and its activities are located or conducted in Québec. Substantially all of its revenues and liabilities have been derived from its operations in Québec.
72. None of the Ring of Fire entities, Wabush Resources, Wabush Iron, nor other Wabush related entities are petitioners in these CCAA proceedings.



73. At this time, the intent is to attempt to find buyers for the assets of Wabush Mines Joint Venture, which includes Wabush Mine, the Pointe-Noire Port and Pointe-Noire Pellet, without the need for a CCAA filing. However, circumstances arising in the future may necessitate those entities being added as petitioners and mise-en-cause in these CCAA proceedings.

### 2.3 Other Corporate Matters

74. In 2014 the CNR group completed a corporate reorganization (the “**2014 Reorganization**”), one of the primary purposes of which was to separate ownership of CNR’s Australian and Canadian operations with a view to attracting new direct investment opportunities and/or potential joint venture partners (the “**2014 Reorganization**”).
75. Prior to the 2014 Reorganization, CQIM had served as a holding company for two of CNR’s Australian subsidiaries, Cliffs Australia Holdings Pty Ltd. and Cliffs Natural Resources Holdings Pty Ltd. (collectively, the “**Australian Affiliates**”).
76. As part of the 2014 Reorganization, CQIM transferred its entire equity interest in the Australian Affiliates to CQIM’s direct parent, Cliffs Natural Resources Luxembourg S.à r.L. (“**CNR Lux**”), as consideration in partial repayment of the principal amount owing under two unsecured intercompany notes owing by CQIM to CNR Lux.
77. The aggregate outstanding principal amount of such notes was accordingly reduced by an amount equal to the fair market value of the Australian Affiliates, the recorded amount of such reduction being based on such fair market value determined at the time of such transfer based on an independent third party valuation of the Australian Affiliates.
78. The CCAA Parties have advised the proposed Monitor of the 2014 Reorganization and the reasons for the 2014 Reorganization and understands that the proposed Monitor intends to provide a report to the Court on the 2014 Reorganization in due course.
79. The CCAA Parties will cooperate with the Monitor to the extent that the Monitor requires any additional information regarding the 2014 Reorganization

### 2.4 The CCAA Parties’ activities are conducted on a consolidated basis

80. The head offices of each of the CCAA Parties are located at the Montréal Head Office, the whole as it appears from page 5 of the CNR 2013 Annual Report (Exhibit R-4).
81. As described above, CQIM manages the Bloom Lake Mine and its day to day operations pursuant to a management contract.
82. In addition, CQIM provides administrative and other support to the entities which manage the Wabush Mine, the Pointe-Noire Port, Pointe-Noire Pellet and Ring of Fire.
83. The CCAA Parties’ activities are conducted on a consolidated basis, as more fully appears from pages 7, 32-33, 61-62 of the CNR 2013 Annual Report (Exhibit R-4).
84. In light of the above, the procedural consolidation of the proceedings for administrative purposes in respect of the CCAA Parties is appropriate and necessary.

### 3. THE CCAA PARTIES' BUSINESSES AND AFFAIRS

#### 3.1 The Bloom Lake Mine

85. A map showing the geographical location of the Bloom Lake Mine and the site are communicated herewith as **Exhibit R-10**.
86. CNR indirectly acquired CQIM and thereby the Bloom Lake Mine and Quinto for approximately USD\$4.9 billion in 2011. Since 2011, CQIM has invested approximately USD\$1.6 billion, including in Phase II, in the Bloom Lake Mine.
87. Bloom Lake Mine is managed by CQIM.
88. The Labrador Trough is the fifth largest iron ore exporting basin in the world. Prior to being idled, the Bloom Lake Mine was one of the largest iron ore mining operations in the Labrador Trough.
89. All iron ore produced from the Bloom Lake Mine was exported. Historically, 95% of total annual production was exported to steel producers in China, Japan and Korea.
90. The Bloom Lake Mine had an estimated current capacity of 7.2 million metric tonnes annually, representing 13.5% of total Canadian capacity. Since its acquisition, the Bloom Lake Mine had produced between 3.5 million and 5.9 million metric tonnes annually (CNR Annual Report 2013 at pages 9 and 43 (Exhibit 4)).
91. As of December 31, 2013, the Bloom Lake Mine had proven iron ore mineral reserves of 250 million metric tonnes and probable iron ore mineral reserves of 765.3 million metric tonnes, totalling approximately 1.015 million metric tonnes (CNR Annual Report 2013 at page 51 (Exhibit 4)).
92. Pricing for customers of the Bloom Lake Mine consisted primarily of short-term pricing arrangements linked to the spot market.
93. In 2011, 2012, 2013 and 2014, the five largest customers of the Bloom Lake Mine accounted for total revenues of USD\$571 million, USD\$583 million, USD\$627 million and USD\$500 million, respectively.
94. Certain of the iron ore production at the Bloom Lake Mine was subject to various off-take arrangements with iron ore customers, many of whom are significant producers of steel or sellers of iron ore in Asia.
95. Iron ore concentrate from the Bloom Lake Mine was transported by the Bloom Lake Railway on its 32 kilometre rail spur, transferred to the Northern Land Railway, the QNS&L Railway and then to Arnaud Railway at Arnaud Junction, Québec, for transportation to Pointe-Noire Port at the Bay of Sept-Iles. Most of the iron ore concentrate was then loaded onto transshipping vessels from Dock 31 at the Pointe-Noir Port over which CQIM has certain rights of use and access from the Sept-Iles Port Authority pursuant to the lease agreement with such Port Authority.
96. Transshipping was required because Dock 31 is limited in the size of ships which it can receive. Accordingly, iron ore for many customers was loaded onto smaller



“transshipping” ships (operated by Canada Steamship Lines, a division of The CSL Group pursuant to a Transshipping Agreement with CQIM) which ferried multiple loads of ore concentrate to ocean-going vessels a short distance off-shore in the Bay of Sept-Iles for transport to overseas customers.

97. Phase I of the Bloom Lake Mine development was commissioned in 2010 prior to its acquisition by CNR. During Phase I, the following was developed: an open pit iron ore mine, transportation infrastructure including infrastructure related to the Bloom Lake Railway, a concentrator utilizing single stage crushing and a mill and gravity separation to produce iron ore concentrate. Further, over 40,000 metres of diamond drilling was completed which increased proven and probable mineral reserves by 80% from 580 million to over one billion metric tonnes.
98. Based on current market conditions, it is the CCAA Parties' view that in order for the Bloom Lake Mine to be viable and sustainable, it is necessary to either materially reduce operating costs or expand operations by developing Phase II of the project which would increase the total site production volume to approximately 14 million tonnes per annum and offset the high operating costs.
99. While a significant amount of work has been undertaken in relation to Phase II and a significant quantity of Phase II related assets have been acquired, significant additional work would be required to commission Phase II operations, including: expansion of the mine and of the mine's processing capabilities, and significant capital investment would be required for common infrastructure necessary to sustain current operations and support the expansion.
100. Phase I operations at the Bloom Lake Mine continued until early December, 2014.
101. For reasons discussed below, particularly the costs of Phase II, the failure to find a partner to assist with the funding of Phase II, the depressed market for iron ore, and the inability to obtain additional third-party funding, the process of commissioning Phase II was delayed.
102. For the reasons described herein, the transition of the Bloom Lake Mine to care and maintenance mode commenced on or about November 21, 2014 and mining operations were suspended in December, 2014.
103. Since the suspension of mining activities, Bloom Lake LP has completed processing the remaining iron ore for shipment to the Pointe-Noire Port and loading on customer ships while continuing the transition of the Bloom Lake Mine to care and maintenance mode.
104. On or about January 15, 2015, the last shipment of iron ore was dispatched from Pointe-Noire.
105. As of December 31, 2013, a total of approximately USD\$1.6 billion had been expended for Phase I and Phase II. Another USD\$1.2 billion is required to complete Phase II.
106. The Amended and Restated Limited Partnership Agreement in respect of Bloom Lake LP, provides that the general partner shall be deemed to have resigned as general partner upon the bankruptcy, insolvency, dissolution or winding-up of the general partner but such resignation does not take effect until the earlier of certain steps or events,

including that a replacement agent would first need to be appointed before the resignation takes effect.

107. The Petitioners, through CQIM, own approximately 83% of the limited partnership units in Bloom Lake LP and, therefore, controls the appointment of any replacement General Partner
108. In order to avoid disruption to the *status quo* and the Petitioners' restructuring efforts, the stay being sought in the Draft Initial Order will preserve the status quo of the CCAA Parties, in particular, Bloom Lake GP and Bloom Lake LP by staying any automatic resignation and replacement of the General Partner.

## **3.2 Employees**

### **3.2.1 Employee Head Counts**

109. Prior to the transition of the Bloom Lake Mine, Bloom Lake Mine was a significant employer and a major contributor to the economic activity in the Fermont, Québec area.
110. All of Bloom Lake LP's employees, except one (who is employed at the Montréal Head Office), are employed at the Bloom Lake Mine.
111. Hourly employees at the Bloom Lake Mine are represented by the United Steel Workers Local 9996. In August 2013, CQIM entered into a new collective agreement for the period September 10, 2013 to September 9, 2016.
112. As described in the summary chart below, from before the transition of Bloom Lake Mine to care & maintenance on November 21, 2014 to after the transition on January 24, 2015, when the Bloom Lake Mine was transitioned to care and maintenance mode, the number of active employees at Bloom Lake Mine fell from approximately 567 to 112.
113. In addition, approximately 330 unionized employees have been placed on lay-off with recall rights in hopes that one or more buyers and/or investors would result in a re-start of operations at the Bloom Lake Mine.



Date	Active Salaried	Active Hourly/Unionized	Total Active Employees	Non-Active (Leave of Absence/ Leave with Pay)	Hourly on Lay-off subject to recall rights	Total Employees (Salaried, Hourly, Leave, Lay-Off)
As at November 21, 2014 (prior to transition to care & maintenance)	170	397	567*	14	0	581
As at January 24, 2015 (after transition to care & maintenance)	37*	75	112*	2	330	444

114. Prior to the transition of the Bloom Lake Mine to care and maintenance mode, CQIM employed approximately 22 salaried employees at the Montréal Head Office. As at January 24, 2015, that number had decreased to approximately 9 salaried employees.
115. Due to the Bloom Lake Mine being transitioned into care and maintenance mode, additional terminations and lay-offs are scheduled to occur during the course of the CCAA proceedings while the CCAA Parties attempt to minimize costs and find a buyer or buyers and/or investors for their businesses.
116. The other CCAA Parties do not have any employees.

### 3.2.2 Employee Entitlements

117. Subject to the terms of the collective bargaining agreement, Bloom Lake LP employees have recall rights up to 36 months depending on years of service.
118. All salaried employees of the CCAA Parties who have been terminated have received or will receive their accrued and unpaid wages (including any bonuses), accrued and unpaid vacation indemnities (calculated as per company policies) and statutory severance and termination entitlements (the “**Employee Entitlements**”). In order to treat all employees of the CCAA Parties equally, the CCAA Parties intend to pay Employee Entitlements to all other former salaried employees who have been or will be terminated without cause, including any salaried employees who have not to date received such payments.
119. All hourly employees of the CCAA Parties who have been laid off have been or will be provided with their Employee Entitlements. In order to treat all employees equally, the CCAA Parties intend to pay Employee Entitlements to all other hourly employees who have been or will be laid off.

120. All salaried and hourly employees of the CCAA Parties who have been terminated and all employees who are on lay-off have been or will be provided with all regular group insurance coverage (with the exception of long and short-term disability coverage) for 16 weeks from their respective date of lay-off.
121. As with Employee Entitlements, the CCAA Parties intend to continue to pay and provide these benefits to all other salaried and hourly employees who have been or will be terminated without cause or laid-off.
122. The estimated amounts in respect of the pre-filing and post-filing Employee Entitlements and continuation of benefits as set out above are included in the CCAA Parties' weekly cash flow forecast to April 24, 2015 discussed in more detail below (as such cash flow forecast may be amended from time to time, the "**January 23 Forecast**") are communicated herewith as **Exhibit R-11**.
123. Shortly prior to the motion for the relief being requested in the Draft Initial Order, CQIM entered into employee retention agreements with three employees. These agreements provide for aggregate payments in June 2015. The agreements and the amounts payable thereunder have been reviewed by the Monitor and the Monitor has informed the CCAA Parties that it is satisfied that the amounts are reasonable.
124. In addition to the benefits described above, Bloom Lake LP will also provide terminated employees with certain job placement services. All other additional benefits previously provided to former employees that were not part of the standard group insurance coverage will not be provided to former employees and employees post-CCAA filing.
125. All statutory employer remittances are current.

### **3.3 Pension Plans**

126. The pension plans for employees at the Bloom Lake Mine and the Montréal Head Office are defined contribution schemes. Wabush Mines Joint Venture is the administrator of both of these defined contribution schemes.
127. Contributions under the defined contribution schemes are paid with each payroll. The defined contribution schemes also include an employer matching provision whereby the relevant CCAA party as employer contributes a minimum of 6% of each employee's eligible wages with each payroll.
128. All employee and employer contributions are paid current and future contribution amounts have been included in the January 23 Forecast.

### **3.4 Employee Housing Arrangements**

129. CQIM owns 28 houses and 2 buildings, with each building having a 99 room capacity, in the Town of Fermont used by employees for temporary accommodations during their shifts.
130. 8568391 holds the bare legal title and CQIM holds the beneficial interest in a building for employees at the ArcelorMittal Mining Camp that has the capacity to house 792 employees.



131. The ArcelorMittal Mining Camp is subject to a services agreement with ArcelorMittal that permits ArcelorMittal to use rooms in the building as temporary housing for its own employees.

**4. ASSETS**

132. The aggregate net book values of property, plant, equipment, cash, restricted cash, receivables, inventory, goodwill and intangibles of the CCAA Parties as of December 31, 2014 based on unaudited internal financial statements are shown in the following chart. As a result of the suspension of all mining operations, significant material impairment charges are pending which will result in a material adjustment to these numbers. Subject to the qualifications above, the net book value of the assets broken down by legal entity is provided in the chart communicated herewith as **Exhibit R-12**.

<b>Nature</b>	<b>Net Book Value</b>
Property, plant and equipment	\$953,779,959
Cash	\$17,202,359
Restricted Cash	Nil
Trade and other receivables	\$75,021,842
Receivables from associated companies	\$210,458,481
Inventory	\$27,464,647
Goodwill and intangibles	\$1,638,649
<b>TOTAL</b>	<b>\$1,285,565,937</b>

133. As a result of significant and ongoing losses, in October 2014, the assets of CQIM and its investment in Bloom Lake Mines were written down by approximately USD\$6.3 billion.
134. Goods and services tax, harmonized sales tax and Québec sales tax refunds estimated to be approximately \$27 million are owing to the CCAA Parties, subject to audit, together with potential refunds which are owing in respect of payroll deductions. These amounts have not been included in the January 23 Forecast because the quantum, if any, and timing of these refunds are uncertain.
135. Pursuant to the sale in April 2012 by Quinto of certain graphite mining claims located in Québec to Mason Graphite Corp. ("**Mason**"), Quinto is still owed \$7.5 million.
136. Payment by Mason of the balance of \$7.5 million is conditional on the earlier of the passage of set time periods and the completion of a feasibility study and the achievement of commercial production.

137. If Mason completes a feasibility study prior to one or both of the first two payment dates noted below, then the payments become due within 5 business days of completion of the feasibility study. If Mason achieves commercial production prior to the two payment dates, then the payments become due within 5 business days of achieving commercial production.
138. If the conditions set out above are not satisfied, then Mason will be required to pay the balance outstanding as follows: \$1.25 million to Quinto on each of April 5, 2015 and October 5, 2015 and \$2.5 million on each of October 5, 2016 and April 5, 2017.
139. While the April payment falls within the January 23 Forecast period, the amount of the April payment has not been included in the January 23 Forecast due the risk of a delay in receiving payment. The remaining payments described above have not been included in the January 23 Forecast as they fall outside the forecast period.

## **5. INDEBTEDNESS**

### **5.1 Overview**

140. As described in greater detail below, the CCAA Parties have estimated outstanding liabilities of approximately \$6.49 billion as of November 30, 2014.

### **5.2 Intercompany Indebtedness**

141. As of December 31, 2014, the outstanding indebtedness of the CCAA Parties to non-filing affiliated entities is estimated to be approximately USD\$1,211,225,810 as summarized in the chart communicated herewith as **Exhibit R-13**.
142. In addition to the amounts described above, there are also obligations which have been guaranteed by affiliates of the CCAA Parties which may give rise to additional intercompany claims against the CCAA Parties.
143. Historically, intercompany funding has taken place between the CCAA Parties and the CCAA Parties intend for such arrangements to continue between the CCAA Parties as required during the CCAA proceedings on terms consistent with the CCAA Parties' cash flow forecasts and as approved by the Monitor.
144. In order to protect the interests of the separate stakeholder constituencies of the individual CCAA Parties, the CCAA Parties seek the granting of a charge to secure such funding (the '**Intercompany Charge**'). Such Intercompany Charge would only apply to funding provided after the commencement of the CCAA proceedings.
145. Pursuant to the Draft Initial Order, the Intercompany Charge is to rank subordinate to the Administration Charge (as defined below) and the D&O Charge. The CCAA Parties intend to deal with the priority of the Intercompany Charge vis-à-vis other secured creditors at a later date.

### **5.3 Equipment Financing**

146. The indebtedness and obligations of the CCAA Parties with respect to the lease and financing of equipment is described below.



147. As the CCAA Parties currently have no mining operations, they are not using the equipment which is subject to the various financing arrangements. The January 23 Forecast does not provide for payment in respect of these arrangements. Therefore, if granted the relief sought on this Motion, and subject to further Order of the Court, the CCAA Parties do not intend to make any payments pursuant to these financing arrangements during these CCAA proceedings.

### 5.3.1 Key Bank Facility

148. Pursuant to a master loan and security agreement between CQIM, Bloom Lake LP, Wabush Mines Joint Venture and Key Equipment Finance Inc., a financing arm of Key Bank (“Key”), Key advanced 10 loans to Bloom Lake LP and 3 loans to CQIM in the aggregate principal amount of USD\$164,829,438 to finance the acquisition of certain mining equipment and rail cars for use at or in connection with the Bloom Lake Mine as more particularly described in the loan agreement schedules to the master loan and security agreement. Copies of the master loan and security agreement, including the assignment documents are communicated herewith as **Exhibit R-14**.
149. Most of the loans were subsequently assigned by Key to third party lenders. The current holder of the loans, the original principal amount of each loan, and the current amount outstanding as at January 23, 2015 are summarized in the chart below.

<b>Borrower</b>	<b>Lender/Assignee</b>	<b>Principal Loan Amount (in USD)</b>	<b>Current Amounts Outstanding (in USD)</b>
CQIM	Key	\$24,842,747.40	\$20,848,104.53
CQIM	Bank of Nova Scotia	\$33,871,318.92	\$28,112,450.98
CQIM	Bank of Nova Scotia	\$1,031,807	\$866,568.39
<b>Subtotal for CQIM:</b>		<b>\$59,745,873.72</b>	<b>\$49,827,123.90</b>
Bloom Lake LP	Key	\$4,010,488.00	\$3,466,172.89
Bloom Lake LP	Bank of Nova Scotia	\$8,710,091.40	\$7,245,005.94
Bloom Lake LP	Bank of Nova Scotia	\$19,533,337.16	\$16,212,240.94
Bloom Lake LP	Bank of Nova Scotia	\$9,465,637.94	\$7,949,760.91
Bloom Lake LP	Bank of the West	\$11,453,805.23	\$9,769,931.48
Bloom Lake LP	BBVA Compass Financial Corporation	\$11,118,255.52	\$9,483,712.37
Bloom Lake LP,	SunTrust Equipment Finance & Leasing Corp	\$16,713,827.94	\$14,256,655.35
Bloom Lake LP	BBVA Compass Financial Corporation	\$13,446,239.40	\$11,621,278.63
Bloom Lake LP	Signature Financial LLC	\$4,007,305.66	\$3,463,422.54

<b>Borrower</b>	<b>Lender/Assignee</b>	<b>Principal Loan Amount (in USD)</b>	<b>Current Amounts Outstanding (in USD)</b>
Bloom Lake LP	Cole Taylor Equipment Finance, LLC	\$6,624,576.12	\$5,725,469.44
<b>Subtotal for Bloom Lake LP:</b>		\$105,083,564.36	\$89,193,650.49
<b>TOTAL:</b>		<b>\$164,829,438</b>	<b>\$139,020,774.39</b>

### 5.3.2 CFSL

150. Pursuant to a master lease agreement and related schedules (the “CFSL Leases”), CQIM, Bloom Lake GP and Bloom Lake LP leased certain mining equipment from Caterpillar Financial Services Limited (“CFSL”).
151. As the terms of CFSL Leases expire, the practice of CQIM, Bloom Lake GP and Bloom Lake LP has been to buy out the equipment which was subject to such expired leases.
152. As at January 23, 2015, the only leased equipment subject to unexpired CFSL Leases are as follows:
- a) a 2010 793D5 Highway Truck with serial # CAT0793DKFDB01199, and a 2010 793D-4 Highway Truck with serial #CAT0793DPFDB01198 pursuant to Lease Contract No. 7 dated February 12, 2010 which lease expires on March 1, 2015, with a monthly payment of USD\$44,709.25 for each truck leased thereunder; and
  - b) a 2010 793D highway truck with serial # CAT0793DEFDB01200, and a 2010 Caterpillar 793D highway truck with serial # CAT0793DCEFDB01201 pursuant to Lease Contract No. 8 dated March 10, 2010 which lease expires on April 1, 2015, with a monthly payment of USD\$44,722.66 for each truck leased thereunder.
153. The aggregate outstanding balance of the remaining CFSL Leases (inclusive of their respective purchase options) is estimated to be approximately USD\$3.3 million. Pursuant to the terms of the CFSL Leases, a surety bond in the amount of USD\$10,957,415 had been provided to CFSL by a non-filing affiliate.

### 5.3.3 CIORL

154. Pursuant to a railcar leasing agreement, CQIM has leased certain railcars from Canadian Iron Ore Railcar Leasing LP (“CIORL”). The outstanding balance remaining on the CIORL lease is estimated to be approximately USD\$34,800,000.
155. The obligations of CQIM under the CIORL lease are guaranteed by Bloom Lake LP and secured by an irrevocable standby letter of credit in the amount of USD\$10,000,000 which has been provided by a non-filing affiliate.



#### **5.4 Construction and Mining Liens**

156. As of January 22, 2015, there were 15 legal hypothecs in the aggregate amount of approximately \$54 million in favor of persons having taken part in the construction or renovation of an immovable, registered against property of the Bloom Lake LP and CQIM (collectively the "**Legal Hypothecs**"), as more fully appears from a table summarizing the Legal Hypothecs of construction and a copy of the Legal Hypothecs of construction registered as of January 22, 2015, communicated herewith, en liasse, as **Exhibit R-15**.

#### **5.5 Worldlink Arbitration**

157. In October 2011, CQIM, Bloom Lake GP and Bloom Lake LP commenced an arbitration claim in the International Court of Arbitration of the International Chamber of Commerce ("**ICA**") against Worldlink Resources Limited ("**Worldlink**"), a former customer of the Bloom Lake Mine. The claim was with respect to alleged breaches of an off-take agreement dated August 2011 between the parties for the purchase and sale of iron concentrate produced at the Bloom Lake Mine.
158. CQIM, Bloom Lake GP and Bloom Lake LP claimed damages in excess of USD\$85 million. Worldlink counterclaimed for damages in excess of USD\$100 million.
159. The claims were heard in May 2014. On November 6, 2014, the ICA awarded Worldlink damages in the principal amount of approximately USD\$71 million plus attorneys' fees and accrued interest from the date of termination of the off-take agreement.
160. CQIM, Bloom Lake GP and Bloom Lake LP made submissions to the ICA to clarify and/or correct the amount of pre-award interest granted to Worldlink pursuant to the award. CQIM, Bloom Lake GP and Bloom Lake LP submitted that Worldlink's claim for approximately USD\$20.8 million in pre-award interest was incorrectly calculated and should instead have been approximately USD\$6.6 million. On January 26, 2015, the ICA dismissed such submissions.
161. On December 22, 2014, a motion was heard before the Québec Superior Court for the homologation of the Worldlink arbitration award. The Court ordered that motives of contestation were to be filed by CQIM, Bloom Lake GP and Bloom Lake LP by January 19, 2015 and that the hearing of the motion for homologation is to be held on February 6, 2015.
162. The motives of contestation were filed on January 19, 2015.
163. Subsequent to the motion on December 22, 2014, Worldlink has requested, among other things, that the CCAA Parties provide it with advance notice of this motion seeking relief under the CCAA and that the homologation proceedings be carved out from the stay of proceedings. In the absence of such notice, Worldlink has requested that the CCAA Parties advise the court of Worldlink's position regarding such notice and other issues.
164. Copies of correspondence between counsel for Worldlink and counsel for CQIM, Bloom Lake GP and Bloom Lake LP are communicated herewith as **Exhibit R-16**.

## 5.6 Trade Creditors

165. As at January 1, 2015, the CCAA Parties have an estimated total amount outstanding to trade creditors of approximately USD\$183,928,720.

## 5.7 Contracts

166. Due to the CCAA Parties' current circumstances, including the cessation of mining operations and these CCAA proceedings, numerous contracts to which the CCAA Parties are parties have become redundant. Accordingly, if the relief sought on this Motion is granted, it is the intention of CCAA Parties to serve notices of termination of certain contracts pursuant to the CCAA as soon as practicable.
167. The CCAA Parties are also parties to numerous contracts known as "take or pay" contracts. These "take or pay" contracts provide for charges based on the usage of services related to the transportation and shipping of iron ore, with significant minimum monthly payments.
168. As the CCAA Parties currently have no mining operations, they are not using any such services. Therefore, if granted, the relief sought on this Motion, and subject to further Order of the Court, the CCAA Parties do not intend to make any payments pursuant to any such contracts during these CCAA proceedings.
169. The CCAA Parties intend to disclaim many of their contracts as soon as practicable if the relief sought by this Motion is granted.

## 5.8 Environmental Issues

170. On November 27, 2014, the Québec Ministry of Natural Resources approved the Bloom Lake Mine Rehabilitation Plan (the "**Bloom Lake Mine Closure Plan**"). Pursuant to the Bloom Lake Mine Closure Plan, and absent the CCAA proceedings, Bloom Lake LP is required to provide \$41,714,425 in financial assurances by the end of November, 2016. Initially, \$20,857,213 (50%) must be provided by February 27, 2015 with \$10,428,606 (25%) due on November 27, 2015 and \$10,428,606 (25%) due on November 27, 2016. The CCAA Parties do not intend to provide the financial assurances during the stay period in the event that the relief sought on this Motion under the CCAA is granted. Therefore, the payment of these financial assurances is not included in the January 23 Forecast attached to this Motion.
171. On December 19, 2014, Bloom Lake GP was ordered to pay \$7.5 million in the Criminal and Penal Division of the Court of Québec in Montréal, after pleading guilty to 45 charges under the *Fisheries Act* (Canada), resulting from several incidents including the breach of a tailings pond dam. Such amount has been paid.

## 5.9 Municipal Tax Proceedings

172. Bloom Lake GP is currently involved in two separate municipal tax valuation proceedings involving Bloom Lake GP, one related to Phase I and Phase II, and the other for the employee housing and related facilities.



173. Bloom Lake GP has filed an application for review and a motion with the Tribunal administratif du Québec (the “TAQ”) with respect to the 2013-2015 municipal assessment for Phase I of the Bloom Lake Mine. While the Fermont municipal assessor has agreed not to increase the current municipal assessment amount from \$180,000,000, Bloom Lake GP continues to dispute this assessment. Discussions with the Fermont Municipal assessor are continuing.
174. The Fermont municipal assessor and Bloom Lake GP have agreed on the Phase II municipal assessment for 2013. The municipal assessor has agreed to issue a certificate of modification reducing the Phase II municipal assessment for 2013-2015 from \$198,000,000 to \$138,000,000. This certificate will be effective as of April 1, 2013.
175. Bloom Lake GP has also filed a motion with the TAQ with respect to certificates of modification issued by the Fermont municipal assessor related to the expansion of the workers’ residence at the Bloom Lake Mine to add a cafeteria and sports complex, which expansion has been completed. The 2013-2015 assessment value after modification is \$12,786,600.
176. With respect to the municipal assessment matters described above, Bloom Lake GP has paid all of the municipal tax invoices as they have become due, including invoices for municipal taxes which remain in dispute with respect to valuation.
177. Subject to further Order of the Court, the CCAA Parties do not intend to make any payments with respect to any municipal tax amounts during these CCAA proceedings, pending sale of their real property assets.

#### **5.10 Beumer Litigation**

178. On July 12, 2013, Beumer Corporation (“Beumer”) commenced Federal Court proceedings in Ohio against Bloom Lake LP with respect to outstanding payments for Beumer’s design and construction of various conveyor assets and an ore storage structure at the Bloom Lake Mine. Pursuant to an escrow agreement with Beumer, Bloom Lake LP paid the final payment of \$6,330,854 (the “Escrowed Funds”) with respect to Beumer’s work into escrow with the Bank of Montréal in Montréal, Québec, pending final resolution of this litigation.
179. Beumer originally claimed damages of \$7,362,438 and subsequently commenced an arbitration claim against Bloom Lake LP for the amount of the Escrowed Funds. Bloom Lake LP anticipates asserting counterclaims against Beumer in excess of the amount of the Escrowed Funds as a result of defects and delays by Beumer.
180. On September 10, 2013, Bloom Lake LP commenced a motion to dismiss Beumer’s claim. This motion was denied as the Court held that it was moot in light of Beumer filing an Amended Complaint. Bloom Lake LP filed another motion to dismiss Beumer’s claim on October 15, 2013, which was denied on December 1, 2014.
181. Bloom Lake LP strongly disputes Beumer’s claims and is pursuing its own claims against Beumer. On October 31, 2014, Bloom Lake LP filed a statement of claim for \$12,354,929.50 alleging Beumer’s performance failures on the project.

182. On June 12, 2014, the Federal Court denied a motion by Beumer to refer the dispute to arbitration.
183. Beumer filed a motion to dismiss this claim on January 5, 2015. Bloom Lake LP's response to this motion is not yet due and has not been filed.
184. If the relief sought on this Motion under the CCAA is granted, upon further order of the Court and on notice to Beumer, Bloom Lake LP intends to seek the release of the Escrowed Funds.
185. The Escrowed Funds are not currently included in the January 23 Forecast but will be included if these funds are released during the forecast period to Bloom Lake LP on further order of the Court.

#### **5.11 Registrations in Québec, Ontario, Newfoundland and British Columbia registries**

186. For ease of reference, summaries of the search results in respect of the CCAA Parties are communicated herewith:
  - a) Real estate search report (Québec) on the CCAA Parties immovable property; communicated herewith as **Exhibit R-17**;
  - b) RPMRR (Québec) search results summary on CCAA Parties' movable property; communicated herewith as **Exhibit R-18**;
  - c) Personal Property Security Act (Ontario, British Columbia and Newfoundland & Labrador) search results summary on CCAA Parties' movable property; communicated herewith as **Exhibit R-19**; and
  - d) Search results summary from the Public register of real and immovable mining rights granted under the Mining Act (Québec) on CQIM's, Bloom Lake GP's and Quinto's mining rights; communicated herewith *en liasse* as **Exhibit R-20**.

Copies of the raw search results will be available at the hearing of the motion.

#### **5.12 Foreign Exchange Agreements**

187. CQIM and Bloom Lake LP are party to numerous foreign exchange forward purchase agreements which fall due approximately weekly until September 29, 2015. Based on the January 22, 2015 spot rate, the estimated aggregate mark-to-market liability in respect of these agreements is USD\$1,890,923 for CQIM and USD\$17,132,381 for Bloom Lake LP, for a total net liability of USD\$19,023,304.
188. Based on current foreign exchange rates, the CCAA Parties do not anticipate completing the foreign exchange forward purchase agreements.

#### **6. CASH MANAGEMENT SYSTEM**

189. Until recently, the CCAA Parties were part of a centralized cash management system for, among other things, the collection of customer receipts and the payment of



suppliers, payroll, employee-related benefits and lease financing amounts. This centralized cash management system was managed by CNR with support from CQIM at the Montréal Head Office with respect to payroll, vendor communications and accounts payable.

190. On January 19, 2015, Bank of Montréal ("**BMO**") advised that due to its concerns with a possible CCAA filing by CQIM and its related Canadian entities, BMO would be terminating the Canadian cash management services that it had been providing to the Canadian subsidiaries of CNR in respect of the "zero balance account structure" and various overdraft and payment risk credit lines with respect to the CCAA Parties.
191. As a consequence of the termination of those particular cash management services by BMO, the CCAA Parties have now transitioned the operation of their bank accounts at BMO to a pre-funded structure.

## **7. FINANCIAL RESULTS AND LOSSES**

192. For the eleven-month period ended November 30, 2014, the CCAA Parties recorded an aggregate net loss estimated to be approximately USD\$5.8 billion, inclusive of approximately USD\$5.5 billion of asset impairment charges, as appears from the financial statements of the CCAA Parties communicated herewith as **Exhibit R-21**, which financial statements have not been prepared in accordance with generally accepted accounting principles, as more specifically set out in the notes in Exhibit R-21.

## **8. EVENTS LEADING TO THE COURT FILING**

193. A combination of factors have caused liquidity demands for the CCAA Parties including, among other things:
- a) Unanticipated significant additional costs with respect to the Bloom Lake Mine discovered post-acquisition with respect to the tailing ponds, water management and other environmental matters;
  - b) The depressed global market for steel, particularly in Asia, and the resulting decrease in the price of iron ore. Since 2011, when Bloom Lake Mine was acquired, the price of iron ore has fallen from USD\$190 per tonne to below USD\$67 per tonne;
  - c) The significant costs associated with the extraction, transportation and shipping of iron ore concentrate from the Bloom Lake Mine and the development of Phase II of the Bloom Lake Mine, which development would have provided increased production at a lower marginal cost per tonne;
  - d) The failure to find investment partners for the commissioning of Phase II of the Bloom Lake Mine and/or the failure to find a buyer or buyers for the Canadian iron ore business, including the Bloom Lake Mine;
  - e) WISCO's continuing failure to fund operations at the Bloom Lake Mine despite the terms of the limited partnership agreement and the settlement agreement entered into on December 5, 2012. The last funds advanced by WISCO were in March 2013 when WISCO advanced USD\$5.7 million representing 25% of a

cash call made by Bloom Lake LP. Pursuant to a cash call in the aggregate amount of USD\$507,211,299 on July 2, 2013, WISCO was required to advance USD\$126,802,824. As WISCO failed to advance this amount, it was funded by CQIM resulting in the dilution of WISCO's interest in Bloom Lake LP, as described above;

- f) Notices of default have been delivered under significant commercial contracts and demands for payment have been made on the CCAA Parties;
  - g) Approximately \$54 million of construction liens have been filed against the properties related to Bloom Lake Mine, as described above;
  - h) The arbitration award in favour of Worldlink against CQIM, Bloom Lake GP and Bloom Lake LP, in the principal amount of over USD\$70 million, plus significant accruing interest, and the pending hearing seeking homologation of the arbitration award in Québec;
  - i) Inability to negotiate cost reductions in certain material logistics and other contracts; and
  - j) The CCAA Parties do not have sufficient resources or the ability to generate sufficient funds to pay the Worldlink arbitration award and/or to satisfy their other outstanding obligations in the normal course.
194. Beginning in early 2014, the CCAA Parties have engaged in numerous efforts to find a solution to the financial challenges facing the CCAA Parties, which included, amongst other things, the following:
- a) seeking financial contribution and support from WISCO, its business partner in the Bloom Lake Mine;
  - b) seeking investments, support and other financial contributions from its overseas customers;
  - c) seeking investment, support and other financial contributions from other potential customers and end users of iron ore;
  - d) seeking to reduce costs through re-negotiation of certain material contracts;
  - e) seeking buyer or buyers for the iron ore business or parts thereof; and
  - f) seeking financing or other investment contributions from financial institutions and investment and pension funds.
195. These efforts proved unsuccessful and losses relating to the operations of the CCAA Parties continued to escalate to unsustainable levels.
196. In the late fall 2014, CNR announced that it was pursuing exit options for its Canadian iron ore operations which may result in the closure of the Bloom Lake Mine, as it appears from the CNR press release dated November 19, 2014 communicated herewith as **Exhibit R-22**.



197. CNR also announced that despite the continued interest of prospective equity partners in the Bloom Lake Mine and its high quality ore, the potential investment was not achievable within a time frame acceptable to CNR. With expansion no longer viable, CNR shifted its focus to executing an exit option for its Canadian iron ore operations that minimized the cash out flows and associated liabilities, all as it appears from the CNR press release dated November 19, 2014 (Exhibit R-22).
198. Subsequent to that announcement and until shortly before the finalization of this Motion, efforts were made to:
  - a) secure a buyer or buyers for the Canadian iron ore business, including the Bloom Lake Mine, with the assistance of Investissement Québec;
  - b) reduce operating costs by transitioning the Bloom Lake Mine into care & maintenance mode and substantially reducing its workforce; and
  - c) seek additional funding for the ongoing expenses associated with the care & maintenance of the Bloom Lake Mine from WISCO and/or the CCAA Parties' non-Canadian affiliates.
199. In respect of its efforts to find a buyer or buyers for the Canadian iron ore business, including the Bloom Lake Mine, contact was made, and negotiations ensued, with a number of potential purchasers, including parties who have investments in and/or are operators of, similar businesses.
200. In respect of its efforts to obtain additional funding for its ongoing care and maintenance expenses at the Bloom Lake Mine, requests were made to WISCO to provide funding, which it declined to do.
201. Given WISCO's failure to commit to provide any financial support to the Bloom Lake Mine, Bloom Lake GP sought additional funding from the CCAA Parties' non-Canadian affiliates who indicated that they were prepared to provide funding on a secured basis.
202. Notwithstanding that WISCO's consent or approval is not required for secured funding to the Bloom Lake Mine because of CQIM's majority interest in Bloom Lake GP and Bloom Lake LP, an attempt was made on a cooperative basis to negotiate reasonable terms, on an interest free basis, with WISCO with respect to secured funding for the Bloom Lake Mine. These efforts were unsuccessful as the parties were not able to reach a consensus prior to the filing of this Motion on the amount and terms of such funding.
203. At this time, given the growing pressures that have been asserted by creditors on the CCAA Parties, the continued financial losses and the significant but unsuccessful efforts to consummate a solution to their financial issues outside of a CCAA filing, the CCAA Parties have no other alternative but to seek protection from their creditors under the CCAA so that they can continue to pursue restructuring and/or sale options under a court-supervised process.

**9. 13 WEEK FORECAST**

204. Based on the financial position of the CCAA Parties, it is the position of the CCAA Parties that the assumptions set out in the January 23 Forecast (Exhibit R-11), the January 23 Forecast are fair and reasonable.
205. The January 23 Forecast has been prepared by the CCAA Parties' management in consultation with FTI Consulting Canada Inc. ("FTI"), the proposed Monitor. FTI has advised that it will be filing a pre-filing report on the January 23 Forecast.
206. Based on the January 23 Forecast, the CCAA Parties expect to be able to pay their post-filing obligations in the ordinary course without additional funding during the 13 week forecast period. After this period, the CCAA Parties may require additional funding by way of interim debtor-in-possession funding. The CCAA Parties would seek approval of interim debtor-in-possession funding, if necessary, at a future date.
207. As described above, the CCAA Parties are not using the equipment which is subject to the various financing arrangements and the January 23 Projections do not provide for payments in respect of these arrangements. Therefore, subject to further Order of the Court, the CCAA Parties do not intend to make any payments pursuant to these financing arrangements during these CCAA proceedings.
208. As described above, for similar reasons, the CCAA Parties, subject to further Order of the Court, also do not intend to make any payments with respect to usage agreements which provide for minimum monthly payments.
209. Certain non-filing affiliates of the CCAA Parties provide certain services to the CCAA Parties, including accounting, treasury and other services. The CCAA Parties will require continued access to these services during these CCAA proceedings and will be charged for these services consistent with historic practice or as otherwise agreed with the Monitor. Payment for such services is provided for in the January 23 Forecast.
210. In addition, certain costs, such as insurance premiums, are paid by non-filing affiliates on behalf of the CCAA Parties. To the extent such payments are made after the date of the Initial Order, the CCAA Parties intend to reimburse the relevant non-filing affiliates for such amounts.

**10. NEED FOR CREDITOR PROTECTION**

**10.1 The CCAA Parties are Insolvent**

211. Notwithstanding significant efforts of management and the Board of Directors of the CCAA Parties and affiliates, the CCAA Parties are currently insolvent.
212. Except for certain non-material amounts of revenue, the CCAA Parties are no longer generating any revenue and no further revenue is anticipated to be generated in the short term.
213. The CCAA Parties have limited cash resources and such resources are insufficient to pay their liabilities in the normal course.



214. Based on the January 23 Forecast filed, the CCAA Parties are anticipated to have sufficient funding and liquidity to cover anticipated post-filing costs and expenses during the 13 week forecast period. The CCAA Parties will be seeking Court approval of debtor-in-possession financing, if needed, prior to such date.

## **11. PROPOSED RESTRUCTURING**

215. The CCAA Parties require the benefit of the relief requested in this Motion, including a stay of proceedings, in order to allow them to explore further restructuring and/or sale efforts, engage in further discussions with key stakeholders such as employees, suppliers, governmental authorities, equipment lessors, lenders and affected communities under the stability and guidance of a court supervised process, and to generally pursue available options for the benefit of all stakeholders.

216. With the protection from their creditors requested herein, the CCAA Parties will focus their resources on:

- a) obtaining court approval for and implementing a Sale and Investor Solicitation Process (“SISP”) in consultation with the Monitor, as may be approved by this Court;
- b) continuing care and maintenance efforts at the Bloom Lake Mine to maintain the status quo during these proceedings;
- c) based on the availability of resources, taking other steps to preserve and maintain the value of the CCAA Parties’ assets and properties; and
- d) such other matters that may arise throughout the process.

217. The CCAA Parties intend to seek the Court’s approval of the SISP within the initial stay period on notice to interested parties, including those parties holding a contractual right or rights in respect of certain of the assets of the CCAA Parties.

218. Given a reasonable period of time to implement a SISP, the overall value of the CCAA Parties’ businesses and assets will likely be maximized for the benefit of their stakeholders.

219. In the CCAA Parties’ view, the prospects for these restructuring efforts are significantly enhanced if the CCAA Parties obtain the relief being sought on this motion by the granting of protection under the CCAA by this Court on the terms of the Draft Initial Order (Exhibit R-2).

## **12. RELIEF SOUGHT**

### **12.1 General**

220. The CCAA Parties are deeply concerned that unless a stay of proceedings is granted pursuant to the terms of the CCAA, certain suppliers, creditors and other stakeholders may attempt to take steps to try to improve their positions in comparison to other similarly situated stakeholders. This would jeopardize and potentially deplete the value of the CCAA Parties’ estates to the detriment of all stakeholders and disrupt the ongoing

restructuring efforts. The granting of the CCAA stay will preserve the status quo and permit the CCAA Parties to continue with their restructuring efforts.

221. In the event of a forced liquidation and permanent termination of operations, the value of the CCAA Parties' assets will be substantially reduced as the Bloom Lake Mine would need to be reclaimed. It is the CCAA Parties' view that pursuing options under the CCAA will yield significantly better results for the diverse group of stakeholders than any conceivable liquidation scenario.
222. On this present Motion, the CCAA Parties seek an initial stay period of 30 days (the "**Stay Period**"). Before the expiration of this initial 30-day period, the CCAA Parties intend to return to this Court for a hearing(s), on notice to interested parties for, among other things, approval of the granting of priority for the court approved charges set out in the Draft Initial Order (Exhibit R-2), approval of a SISP and related matters, an extension of the Stay Period and any other matters which may require the Court's attention at that time.

## **12.2 Appointment of the Proposed Monitor**

223. FTI has been retained by the CCAA Parties to act as Monitor in the event of an Initial Order being granted in these CCAA proceedings.
224. Prior to these proceedings, FTI has been assisting the CCAA Parties as financial advisor and is familiar with the CCAA Parties' assets, businesses and personnel. In this role, FTI has obtained significant information in respect of the businesses, operations and assets of the CCAA Parties, an understanding of the many issues faced by the CCAA Parties and relevant to their restructuring efforts and a familiarity with the management and personnel of the CCAA Parties. FTI is therefore in the CCAA Parties' view best qualified to act as Monitor and it is appropriate that FTI be appointed Monitor.
225. FTI is prepared to act as Monitor during these CCAA proceeding and to assist the CCAA Parties with preparation of the January 23 Forecast and with all aspects in relation to a restructuring pursuant to, and subject to, the terms of the Initial Order of the Court and the statutory provisions of the CCAA.
226. If so directed by the Court, FTI is also prepared to monitor the operations of the CCAA Parties, to provide direction and guidance to management during the CCAA proceedings, and to generally assist the CCAA Parties with their restructuring efforts.
227. Subject to court approval, FTI has consented to act as Monitor of the CCAA Parties in their CCAA proceedings.
228. The CCAA Parties have been informed by FTI that it is a licensed trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act* (Canada). FTI is not subject to any of the restrictions on who may be appointed monitor as set out in section 11.7(2) of the CCAA.
229. At no time during the preceding two years has FTI been:
- a) a director, officer or employee of the CCAA Parties;



- b) related to the CCAA Parties or to any former director or officer of the CCAA Parties; or
  - c) the CCAA Parties' auditor, accountant or legal counsel, or a partner or employee of the auditor, accountant or legal counsel of the CCAA Parties.
230. FTI is not a trustee under a trust indenture issued by the CCAA Parties or any person related to the CCAA Parties, and is not a holder of a power of attorney granted by the CCAA Parties or by any person related to the CCAA Parties. FTI is not related to a trustee or holder of a power of attorney noted above.
231. Therefore, FTI is qualified to act as Monitor and there is no restriction on FTI being appointed Monitor in these CCAA proceedings.

### **12.3 Administration Charge**

232. Counsel for the CCAA Parties, the independent counsel for the CCAA Parties' Directors and Officers (as defined below), the Proposed Monitor and the Proposed Monitor's counsel are essential to the restructuring and/or sale efforts contemplated in these proceedings.
233. They have each advised that they are prepared to provide or continue to provide professional services to the CCAA Parties only if they are protected by a charge over the assets of the CCAA Parties.
234. The Monitor currently holds a retainer in the amount of \$75,000.
235. It is contemplated that the CCAA Parties will be invoiced and pay fees and expenses of the beneficiaries of the Administration Charge on a weekly basis and a court ordered charge is sought as security for the fees and disbursements relating to services rendered up to a maximum amount of \$2.5 million with the priority set out in the Draft Initial Order (Exhibit R-2).
236. Pursuant to the Draft Initial Order, the charge sought by the CCAA Parties in favour of their counsel, the Proposed Monitor, the Proposed Monitor's counsel and independent counsel for the CCAA Parties' Directors and Officers would rank behind the security or other encumbrances over the property of the CCAA Parties in favour of any parties not served with notice of the presentation of this Motion. However, as provided in the Draft Initial Order (Exhibit R-2) it is the intention of the CCAA Parties to seek priority over all creditors at a later date. Creditors with security interests which would be affected by such priority will be served with notice of this motion.
237. The amount of the charge has been determined not on the basis of the total fees payable to these professionals during the proceedings but on an assessment of what could be an amount outstanding to these professionals at any given time in the proceedings.

### **12.4 Directors & Officers' Protection**

238. Restructuring efforts for the CCAA Parties will be significantly enhanced with continuity on the boards' of directors (collectively, the "Directors") as well as continuity in the

make-up of their respective officers (collectively, the “**Officers**”), given the complexity of the CCAA Parties’ businesses and assets and the historical and specialized expertise and knowledge they possess with respect to the CCAA Parties’ businesses, assets and the mining industry as a whole.

239. CNR maintains primary and excess directors’ and officers’ liability insurance policies for the directors and officers of its subsidiaries which include the Directors and Officers of the CCAA Parties (together, the “**D&O Insurance**”).
240. The D&O Insurance contains limits and exclusions that could potentially affect the total amount of insurance available to the Directors and Officers of the CCAA Parties. For example:
  - a) The D&O Insurance has an aggregate limit of liability (inclusive of defence costs) of USD\$215 million and expires on July 15, 2015. Additionally, USD\$45 million of the D&O Insurance limit only applies in narrow circumstances and is only available to covered claims made during the policy period where CNR fails or refuses to indemnify insured Directors & Officers;
  - b) The aggregate limit of liability applies to all covered claims made during the policy period. All insureds (including the directors and officers of CNR and of CNR subsidiaries which are not CCAA Parties) share the limits available under the D&O Insurance, which could further reduce amounts available to satisfy claims of the Directors and Officers;
  - c) Certain insureds who are not CCAA Parties have already provided notice of claims unrelated to the CCAA filing to the D&O Insurance carriers which is impairing the aggregate limits of liability under the relevant policies; and
  - d) Certain claims and certain types of losses are excluded under the D&O Insurance which may mean that not all post-filing claims which could be made against the Directors and Officers would be covered. Some principal exclusions include:
    - i) Claims for actual or alleged bodily injury or property damage;
    - ii) Losses that constitute compensation earned by the claimant in the course of employment but unpaid by the insured, including salary, wages, commissions, bonuses or incentive compensation;
    - iii) Losses for any actual or alleged violation of the responsibilities, obligations or duties imposed upon fiduciaries by the Employee Retirement Income Security Act of 1974 (ERISA) or a similar Canadian statute;
    - iv) Losses that constitute fines, penalties or taxes imposed by law;
    - v) Losses that constitute costs associated in testing for, monitoring or cleaning up pollutants;



- vi) Fines penalties or taxes imposed by law other than penalties assessed against any insured Person pursuant to the Foreign Corrupt Practices Act; and
  - vii) Any amount of Loss attributable to the cost of any non-monetary relief, including costs associated with complying with injunctive relief.
241. A number of the foregoing exclusions may preclude coverage for employee wages, pension contributions and other employment-related claims, taxes and/or penalties. These exclusions in the D&O Insurance could foreclose any recovery for such claims under the D&O Insurance. These claims account for approximately half of the estimated post-filing amounts outstanding from time to time that the Directors and Officers would be exposed to.
242. The Directors and Officers have expressed significant concern with respect to potential personal liability if they continue in their current capacities through this restructuring process. In the CCAA Parties' view it is important that adequate protection be afforded to the Directors and Officers to provide incentive for them to remain as Directors and Officers, respectively, of the CCAA Parties.
243. In light of the potential for significant personal liability, all of the Directors and Officers of the CCAA Parties, other than the representative for WISCO on the Bloom Lake GP board, have advised that they will not continue their service and involvement in the proposed restructuring unless the Draft Initial Order (Exhibit R-2) grants a charge as security for the CCAA Parties' obligations to the Directors and Officers in the manner and with the priority as described above. The CCAA Parties have not been advised of the WISCO's Bloom Lake GP board representative's position with respect his continued service and involvement on the Bloom Lake GP board.
244. The CCAA Parties have made inquiries through an insurance broker who has advised that no additional directors' and officers' insurance is obtainable by the CCAA Parties.
245. With the assistance of FTI, a calculation has been performed to estimate the potential quantum of post-filing amounts outstanding from time to time for which Directors and Officers may have potential personal liability under various statutes.
246. This amount has been calculated as up to approximately \$3.5 million, depending on certain assumptions.
247. The CCAA Parties propose that a charge in favour of the Directors and Officers be granted in the amount of \$3.5 million (the "**D&O Charge**") to the extent such claims are not covered by the D&O Insurance, in order to provide a reasonable level of protection to the Directors and Officers.
248. The CCAA Parties believe that the amount of the D&O Charge is fair and reasonable in the circumstances.

## **12.5 Execution Notwithstanding Appeal**

249. In view of the urgency and severity of the circumstances confronting the CCAA Parties, it is essential that execution of the order requested be granted notwithstanding appeal.

**13. CONCLUSIONS**

250. The Draft Initial Order (Exhibit R-2) presented on this Motion is based on the form of standard CCAA Initial Order approved by the Superior Court of Québec, Commercial Division (the "**Model Order**"). A black-lined version comparing the Model Order to the Draft Initial Order is communicated as **Exhibit R-23**.
251. For the reasons set forth above, the CCAA Parties believe that it is both appropriate and necessary that the relief being sought in the Draft Initial Order (Exhibit R-2) be granted for the purposes of maximizing the restructuring and realization efforts of the CCAA Parties for the benefit of their stakeholders.
252. The CCAA Parties respectfully submit that this motion should be granted in accordance with its conclusions.
253. The present motion is well-founded in fact and in law.

**FOR THESE REASONS, MAY IT PLEASE THE COURT TO:**

**GRANT** the present Motion for the Issuance of an Initial Order;

**ISSUE** an Initial Order in the form of the Draft Initial Order (Exhibit R-2) communicated in support hereof;

**THE WHOLE WITHOUT COSTS**, save and except in case of contestation.

Montréal, January 26, 2015

  
**BLAKE, CASSELS & GRAYDON LLP**  
Attorneys for the CCAA Parties



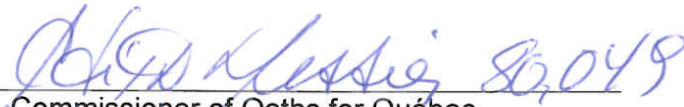
**AFFIDAVIT**

I, the undersigned, **CLIFFORD T. SMITH**, the Executive Vice-President and a director of the Petitioners, Bloom Lake General Partner Limited and Cliffs Québec Iron Mining ULC, having a place of business at 1155 Rue University, Suite 508, in the city and district of Montréal, Québec, solemnly affirm that all the facts alleged in the present Motion for the Issuance of an Initial Order are true.

AND I HAVE SIGNED:

  
\_\_\_\_\_  
**CLIFFORD T. SMITH**

SOLEMNLY DECLARED before me  
at Montréal, Québec,  
this 26th day of January, 2015

  
\_\_\_\_\_  
Commissioner of Oaths for Québec



N°: 500-11

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**SUPERIOR COURT  
DISTRICT OF MONTREAL  
(Commercial Division)**

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**IN THE MATTER OF THE PLAN OF COMPROMISE  
OR ARRANGEMENT OF:**

**BLOOM LAKE GENERAL PARTNER LIMITED &  
ALS.**

Petitioners

-and-

**THE BLOOM LAKE IRON ORE MINE LIMITED  
PARTNERSHIP**

Mise-en-cause

-and-

**FTI CONSULTING CANADA INC.**

Proposed Monitor

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**MOTION FOR THE ISSUANCE OF AN INITIAL  
ORDER AND AFFIDAVIT**  
(Section 4, 5, 11 and ff. of CCAA)

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**ORIGINAL**

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