

CHOW, MILLY

From: Abitan, Sandra <SAbitan@osler.com>
Sent: Wednesday, March 18, 2015 10:21 PM
To: Kelly.Tompkins@CliffsNR.com
Cc: mohammad@sympatico.ca; nigel.meakin@fticonsulting.com; sylvain.rigaud@nortonrosefulbright.com; CHOW, MILLY
Subject: FW: CDM Offer to Acquire the Chromite Project Assets - Confidential - LETTER OF INTENT
Attachments: CDM Offer Letter 18Mar2015.pdf
Importance: High

Dear Mr. Tompkins,

Further to our client's email below, attached please find our client's Letter of Intent for your consideration.

Thank you.

Sandra



Sandra Abitan
Partner

514.904.5648 DIRECT
514.917.7429 MOBILE
514.904.8101 FACSIMILE
sabitana@osler.com

Osler, Hoskin & Harcourt LLP
1000 De La Gauchetière Street West
Suite 2100
Montréal, Québec, Canada H3B 4W5

osler.com

From: Mohammad Al Zaibak <mohammad@sympatico.ca>
Subject: Re: CDM Offer to Acquire the Chromite Project Assets - Confidential
Date: March 18, 2015 5:19:56 PM EDT
To: "Tompkins, Kelly" <Kelly.Tompkins@CliffsNR.com>

Dear Kelly,

Thank you for your message last night regarding our offer. Clearly, I am surprised and disappointed in the answer that Cliffs does not believe our offer is compelling. Following my call with Moelis yesterday, I felt the communication was clear and was optimistic that we would be working today to complete a very efficient and attractive deal. I'd like to clarify a few points that I fear may continue to be misunderstood, as well as make what I believe to be, following discussions with my advisors, significant improvements to our initial offer.

Purchase Price

We would consider increasing the cash component of the purchase price payable at closing and reducing the deferred cash component thereof. As amended, CDM would pay US\$ 1 million dollars for the Chromite Project assets, less the total amount of all outstanding liabilities referenced in the Letter of Intent provided with our initial offer, payable in cash at closing, plus an additional US\$1 million in cash before December 31, 2015.

No Financing Contingency

For certainty, there is no financing contingency associated with our offer whatsoever. While our proposal included a deferred payment of US\$2 million – as noted above this has now been reduced to US\$1 million – this payment is not at risk to Cliffs in any way. Our intention is to make sure this payment would occur before completion of your CCAA process so everything is complete for that process; I explained to Moelis yesterday that we would be willing to provide appropriate and mutually acceptable assurances to this effect. I assumed your CCAA process would continue through year-end and, therefore, originally set this as the outside date for this payment. The deferral is simply to allow me to manage cash flow, and I know that we can work together to make this deferral work for both parties.

“As-is, where-is”

I understand that the CCAA process makes this a non-traditional transaction and that as a result, typical reps and warranties will not be made for the assets involved in the CCAA approval process. The reference to reps and warranties in our initial proposal was in this context, i.e. reps and warranties typical for an “as-is, where is” transaction other than with respect to normal corporate and title matters (subject to our discussion below regarding the form of the agreement). When Moelis raised this with me on our call, I indicated we were aligned on this point. Further, I understand that this transaction can only be completed as a “clean deal”, and I am prepared to complete the deal on this basis.

Form of Agreement

We understand that at this point you have invested significant time and effort negotiating with another potential purchaser, and your hesitation to engage with us reflects that effort. In order to convince you of our strong motivation to move forward with you, we are prepared to assume the agreement you have negotiated with this other party, subject only to a rapid review of the agreement and any provisions extraordinary or off-market for a transaction of this type. We expect to be able to identify any such provisions within 24 hours of receiving the agreement from you, and quickly come to a mutually acceptable agreement on these terms.

Expense Reimbursement

We are waiving the break fee and accepting an appropriate expense reimbursement in the event that Cliffs is legally required to accept a superior proposal.

Due Diligence

I also discussed with Moelis my very limited expectations around due diligence and can commit to this. In our proposal, we requested the ability to have an expert review the resource estimates. Given the existing disclosure of the Project resource and the rigor of Cliff’s geological studies, we are confident that this can be completed expeditiously. On the technical and economic aspects of the deal, this is all I require and it should be an easy step to complete very quickly. If this is a concern, please let me know and we can discuss it. Beyond that, all that is needed is review by my legal and financial advisors of your proposed deal structure, including

allocation of purchase price and associated tax implications. While our initial offer was not detailed on this point, I want to ensure that you understand the very limited context of the term "due diligence" in the proposal. In short, I am not looking for a general "due diligence" out. This should not be perceived as a meaningful risk on your end, but the necessary mechanics of completing the deal. CDM can commit to due diligence taking at the most 25 days, and further commits to doing everything we can to expedite this.

Deposit

My company's offer to deposit \$500,000 is additional evidence of my commitment to do this deal. To strengthen this commitment, CDM is willing to make this deposit non-refundable following execution of definitive agreements, subject only to Cliffs' failure to close or any failure to obtain required court approval.

Experienced Team and Advisors

I would also like to reiterate the importance of my experienced team in concluding an efficient transaction. As you know, core members of my team have significant mining experience. In addition, their knowledge of and experience with the Chromite Project assets, both technical and non-technical, will further ensure an efficient transaction.

Proposed Timeline to Close

Kelly, you should have a high degree of comfort that we can complete this deal and complete it quickly. We propose that due diligence can be completed and a definitive agreement can be executed within 25 days after the execution of the amended Letter of Intent; and following court approval, we can close within 5 business days. As I have told Moelis, I am committed to a very efficient transaction, and we will work to expedite this time period.

Extension of Offer

Our proposal was submitted with a deadline of yesterday. I expected that you would quickly come to a positive conclusion on the deal, so didn't see this as an issue. Based on our ongoing discussions, CDM is willing to extend our offer (as modified above) so that it now will remain open until 5:00 p.m. on Thursday, March 19, 2015. A revised Letter of Intent for your consideration that includes the modifications described above will follow shortly by separate email. However, please consider this email as modifying our proposal dated March 16, 2015, with the terms noted above.

We understand that you would like to have CDM enter into a non-disclosure agreement, which we are prepared to do. Please provide this NDA at your earliest convenience.

Kelly, I trust you will agree that it would be difficult for me to demonstrate any more clearly our willingness and ability to complete this deal very efficiently. I look forward to hearing from you. Please do not hesitate to call me if you would like to discuss any of the above or have any other questions.

Best regards,

Mohammad Al Zaibak
President and CEO
Canadian DEvelopment and
Marketing Corporation
Suite 2700, 161 Bay Street,

Toronto, Ontario M5J 2S1

+1 416 482 1789 Direct

+1 416 727 7789 Mobile

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CANADIAN DEVELOPMENT AND MARKETING CORPORATION

Suite 2700, Brookfield Place
161 Bay Street
Toronto
Ontario M5J 2S1
Canada
Phone: +1.416.482.1789
Fax: +1.416.322.5222

CONFIDENTIAL

March 18, 2015

Cliffs Natural Resources Inc.
200 Public Square, Suite 3300
Cleveland, Ohio 44114
U.S.A.

Cliffs Quebec Mine De Fer Limitee/
Cliffs Quebec Iron Mining Ltd.
1155 Rue University
Suite 508
Montréal QC H3B 3A7
Canada

Attention: P. Kelly Tompkins, Exec. VP, Business Development

Re: Offer to Acquire Chromite Project Assets

Dear Mr. Tompkins:

I am writing to you to express my company's interest in acquiring all of the assets related to Cliffs' Chromite Project. The proposed terms of the transaction are set out in the attached Letter of Intent.

By way of introduction, I am a Toronto-based businessman and have been in Canada since the late 1980's. During this time, I built and divested significant information technology services businesses. Additionally, I have become interested and involved in Canada's First Nations situation, and it is this interest that has attracted me to your Chromite Project opportunity and the Ring of Fire developments. Based on my involvement with the impacted communities through time, I believe there is an opportunity to formally partner with them for mutual benefit and this is my intention.

I am the President and Chief Executive Officer of Canadian Development and Marketing Corporation ("CDM"), the company that would either directly or through one of its affiliates acquire the Chromite Project assets. Under the proposal, CDM would pay US\$ **million** for the Chromite Project assets, less the total amount of all outstanding liabilities as detailed by Cliffs in Schedule 1 to the attached Letter of Intent, payable in cash at closing, **plus an additional US million** before December 31, 2015. CDM is fully capable of making these cash payments and there is no financing contingency associated with the offer. I would be pleased to provide verification of CDM's capacity to complete this transaction without need for outside financing. Importantly, I am the sole decision-maker of CDM, so I can offer you a very efficient deal.

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My assumption is that this would be structured as an equity purchase of the entities holding the assets of interest. I am prepared to commence negotiation of definitive agreements as soon as possible, understanding that you desire a very clean transaction.

In summary, CDM can offer you an attractive price and a very efficient and straightforward transaction. At the same time, CDM is not interested in this offer providing a basis for Cliffs to negotiate with any other party. For this reason, I am making this proposal on CDM's behalf on a strictly confidential basis and none of the terms herein may be disclosed either directly or indirectly to any third party, other than your legal and financial advisors who need to know in order to complete the purchase and sale transaction with CDM, provided they are bound by the confidentiality terms to be agreed by Cliffs and CDM.

If Cliffs is obligated under any other agreement to disclose this offer and/or this offer is subject to a right to match, we will retract the offer.

As you will see in the attached Letter of Intent, I am requesting an exclusivity period to complete the definitive agreements. I would like to receive your reply by 5:00 p.m. on March 19, 2015, and you should consider this proposal open until that time, provided that the confidentiality requested above is honoured.

My team and I are prepared to meet at your earliest opportunity to discuss this proposal. I believe this is a very good opportunity to create significant value for Cliffs' shareholders. I hope you share my enthusiasm, and I look forward to your prompt and favourable reply.

Best Regards,

Mohammad Al Zaibak
President and Chief Executive Officer

Enclosure

CANADIAN DEVELOPMENT AND MARKETING CORPORATION

Suite 2700, Brookfield Place
161 Bay Street
Toronto
Ontario M5J 2S1
Canada
Phone: +1.416.482.1789
Fax: +1.416.322.5222

CONFIDENTIAL

March 18, 2015

Cliffs Natural Resources Inc.
200 Public Square, Suite 3300
Cleveland, Ohio 44114
U.S.A.

Cliffs Quebec Mine De Fer Limitee/
Cliffs Quebec Iron Mining Ltd.
1155 Rue University
Suite 508
Montréal QC H3B 3A7
Canada

Attention: P. Kelly Tompkins, Exec. VP, Business Development

RE: Acquisition of Chromite Project Assets

Dear Mr. Tompkins:

This letter of intent (this "**Letter of Intent**") outlines the general terms and conditions pursuant to which Canadian Development and Marketing Corporation or its designated affiliate ("**Company**") proposes to engage in negotiations with Cliffs Natural Resources Inc. and Cliffs Quebec Mine De Fer Limitee/Cliffs Quebec Iron Mining Ltd. (together with their respective affiliates existing now or in the future, "**Cliffs**") to acquire all of the assets related to Cliffs' Chromite Project (the "**Project**") on substantially the proposed terms and conditions set forth in Exhibit A hereto (the "**Proposed Transaction**").

This proposal is subject to the terms and conditions of this Letter of Intent, including receipt of requisite internal approvals of each of Cliffs and Company, and the negotiation and execution of mutually acceptable definitive agreements governing the Proposed Transaction (the "**Definitive Agreements**").

1. Definitive Agreements. The obligations of Cliffs and Company to consummate the Proposed Transaction are subject to and conditioned upon, among other things, (a) the negotiation and execution of the Definitive Agreements, which we anticipate will be substantially in the form of your proposed agreement with a third party, (b) satisfaction of all conditions precedent to closing as identified in the Definitive Agreements, which we anticipate to be extremely limited, (c) the satisfactory completion of limited due diligence by Company with respect to the mineral resource at the Project and understanding Cliffs' proposed tax structuring for the Proposed Transaction, and (d) receipt by Cliffs and/or Company of any and all necessary governmental approvals, including a vesting order from the court with respect to certain of the Project assets. The rights and obligations of Cliffs and Company with respect to the Proposed Transaction shall be only as set forth in the

Definitive Agreements. The Definitive Agreements will generally reflect an “as is, where is” transaction, with limited representations other than with respect to corporate matters and title.

2. Exclusive Dealing.

- a. In order to induce Company to commit the resources and incur the legal and other expenses necessary to negotiate the Definitive Agreements with Cliffs, Cliffs hereby agrees that (a) Company shall have the sole and exclusive right to negotiate with Cliffs for transactions similar to or otherwise in conflict with the Proposed Transaction, or any other transaction involving an additional investment in or loan related to the Project (any such transaction, a “**Restricted Transaction**”) and (b) neither Cliffs nor any officers, directors, employees, agents, representatives or shareholders of Cliffs shall solicit directly or indirectly, favorably respond to indications of interest from, enter into negotiations with, or enter into any agreement with, any third party for any possible Restricted Transaction. In the event that Cliffs receives a proposal relating to any possible Restricted Transaction, Cliffs shall promptly reject such proposal and notify Company of the proposed Restricted Transaction (including the terms thereof and the identity of the persons or entity making such proposal). Cliffs agrees to promptly terminate any current discussions with third parties relating to any Restricted Transaction. In the event of any breach of this paragraph, Company shall be entitled to exercise all rights and remedies available to it at law and in equity.
- b. Following the execution of this Letter of Intent, upon request by Cliffs, Company will within five (5) business days of receipt of such request submit a **US\$500,000** deposit (the “**Deposit**”) to the CCAA monitor’s legal counsel (the “**Trustee**”), evidencing the commitment of Company to fund the balance of the purchase price on closing pursuant to the terms of the Definitive Agreements. The Trustee shall keep the Deposit until the closing of the Proposed Transaction, whereupon the Deposit, plus any accrued interest, will be applied against the purchase price. The Deposit will become non-refundable following the execution by the parties of the Definitive Agreements, unless the Proposed Transaction fails to close due to failure attributable to Cliffs or due to a failure to obtain court approval for the Proposed Transaction, in which case, the Trustee shall within five (5) business days of receipt of Company’s request therefore refund the Deposit plus any accrued interest to Company, without prejudice to the recourse available to Company against Cliffs. In the event that the parties fail to execute Definitive Agreements within the time period specified in Paragraph 8 of this Letter of Intent, the Deposit shall be refunded to Company by the Trustee, together with any accrued interest, within five (5) business days. The provisions of this Paragraph 2(b) shall survive any termination of this Letter of Intent.

3. Non-Disclosure.

- a. Neither Cliffs, Company, nor their respective officers, members, employees, trustees, agents or affiliates will disclose to the public or to any third party (i) the proposed terms and conditions of the Proposed Transaction, (ii) any plans or proposals with respect to the future operations, management or financing of the Project, or (iii) any other correspondence between Company and Cliffs related thereto, except:
 - i. as required by applicable law or the rules of any relevant stock exchange, by order or decree of a court or regulatory body having jurisdiction over such party, or in connection with such party’s enforcement of any rights it may have at law or equity;
 - ii. on a “need to know” basis to persons within such party’s organization, or outside of such party’s organization such as attorneys, accountants, bankers, financial advisors and other

consultants who may be assisting such party in connection with the transactions contemplated hereby and who agree to be bound by the nondisclosure obligations of this Paragraph 3; or

- iii. with the express prior written consent of Company.
- b. Neither Cliffs, Company, nor their respective officers, members, employees, trustees, agents or affiliates will disclose to the public or to any third party the fact that Cliffs and Company are contemplating the Proposed Transaction or the existence of this Letter of Intent until after the issuance of a mutually agreed upon press release announcing the signing of this Letter of Intent or the Definitive Agreements.

The provisions of this Paragraph 3 shall survive any termination of this Letter of Intent.

4. Expenses. Subject to Paragraph 5, whether or not the parties enter into the Definitive Agreements with respect to the Proposed Transaction, each of the parties hereto will pay its own costs and expenses, including, without limitation, legal, regulatory, or financial advisory and accounting fees and expenses, incurred at any time in connection with pursuing or consummating the Proposed Transaction. The provisions of this Paragraph 4 shall survive any termination of this Letter of Intent.
5. Expense Reimbursement. In the event that: (a) Cliffs receives during the term of this Letter of Intent an unsolicited, bona fide written proposal from a third party relating to any possible Restricted Transaction; (b) Cliffs and the CCAA monitor thereafter acting in good faith, determine that the third-party proposal would, if consummated in accordance with its terms, result in a transaction that is financially more favourable than Company's Proposed Transaction as set out in this Letter of Intent; and, (c) Cliffs accepts such third-party proposal; then Cliffs shall within five (5) business days of such acceptance pay to Company a fee of US\$250,000 to cover Company's fees and expenses related to negotiating the terms of the Definitive Agreements, and the Deposit shall be refunded to Company by the Trustee, together with any accrued interest, within five (5) business days of such acceptance. The provisions of this Paragraph 5 shall survive any termination of this Letter of Intent.
6. Definitive Agreements. This Letter of Intent is intended to express only a mutual indication of interest in the Proposed Transaction and does not represent any commitment or obligation on the part of Cliffs or Company with respect to the Proposed Transaction, except with respect to numbered Paragraph 2 (Exclusive Dealing), Paragraph 3 (Non-Disclosure), Paragraph 4 (Expenses), Paragraph 5 (Expense Reimbursement), this Paragraph 6 (Definitive Agreements), Paragraph 7 (Due Diligence), and Paragraph 8 (Termination), and no party hereto shall assert otherwise. Any decision by Company to make an offer, and any decision by Cliffs to accept such offer, relating to the Proposed Transaction and the consideration to be paid would be based upon the parties' mutual agreement on the full terms and conditions of the Definitive Agreements.
7. Due Diligence. Cliffs shall provide to Company (or agents as approved by Company) complete reasonable access to the books, records, personnel and properties of Cliffs in connection with Company's limited due diligence investigation (targeted principally at a final review of the Project mineral resource and reserve estimate and understanding Cliffs' proposed tax structuring for the Proposed Transaction).
8. Termination. If for any reason the Definitive Agreements relating to the Proposed Transaction have not been executed and delivered by 5:00 p.m., on the date which is twenty-five (25) days after the date this Letter of Intent is executed, this Letter of Intent and all obligations and liabilities of the parties under this Letter of Intent or otherwise related to the Proposed Transaction shall terminate

upon written notice of termination delivered by either party, except for the respective obligations of the parties under Paragraphs 2(b), 3, 4 and 5 of this Letter of Intent, which shall survive any termination of this Letter of Intent. The termination of this Letter of Intent shall not relieve any of the parties of liability for such party's breach of any of the provisions of this Letter of Intent or any other agreement between the parties.

9. Counterparts. This Letter of Intent may be executed in any number of counterparts and any party hereto may execute any such counterpart, each of which when executed and delivered, whether by electronic transmission or otherwise, shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.
10. Integration; Modifications. This Letter of Intent supersedes any prior written or oral understanding or agreements between the parties related to the Proposed Transaction. This Letter of Intent may be amended, modified or supplemented only by written agreement of the parties.
11. Governing Law. This Letter of Intent will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to its conflict of laws provisions, and the parties submit to the exclusive jurisdiction of the courts of Ontario and irrevocably waive any objection to such venue on the basis of inconvenient forum or otherwise.

[Signature page follows]

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If this Letter of Intent is acceptable to Cliffs, please have it executed in the space provided below and return the same to Mohammad Al Zaibak by hand delivery or via email at mohammad@sympatico.ca before 5:00 p.m., March 19, 2015, after which time, if not so executed and delivered, this Letter of Intent shall have no force or effect.

Very truly yours,

Canadian Development and Marketing Corporation

By: _____
Name: Mohammad Al Zaibak
Title: President and CEO

Acknowledged and agreed,
as of the _____ of _____:

Cliffs Natural Resources Inc.

By: _____
Name:
Title:

**Cliffs Quebec Mine De Fer Limitee/
Cliffs Quebec Iron Mining Ltd.**

By: _____
Name:
Title:

Exhibit A

Summary of Terms

Structure. Equity deal is preferred. Flexibility exists regarding whether the Proposed Transaction is structured as an asset or equity deal or some combination thereof. Deal-structuring decisions will need to consider the requirement to ensure Project-related joint venture interests, including the Big Daddy Joint Venture, withdrawal orders, and all pending applications for easements, aggregate and environmental assessments, as well as the transportation corridor litigation matter with KWG Resources Inc., are transferrable. Structuring of the transaction is subject to applicable tax review of Cliffs' proposed reorganization.

Assets. The assets will include all of the assets, rights, applications, agreements, and intellectual property related to the Project (the "Assets"), which include, among others, all of the Assets contained in the following corporate entities:

- a. Cliffs Chromite Ontario Inc.
- b. Cliffs Chromite Far North Inc.
- c. 2274659 Ontario Inc.
- d. [Cliffs to add any other related subsidiaries and affiliated companies]

Additionally, because of their strategic importance to the project, Cliffs' stock holdings in KWG Resources Inc. (believed to represent an approximate 15% ownership level in KWG), Debut Diamonds Inc., Eagle Hill Exploration Corp., and all other affiliated entities will be included in the Assets.

Liabilities. Based on our knowledge of the financial commitments and liabilities of the Project, we understand these to be limited, with no known material commitments beyond those listed in the attached Schedule 1. We would need Cliffs to confirm this understanding and provide a cap as part of the Definitive Agreements.

Purchase Price. The purchase price would include:

- a. **US\$22 million**, less the total amount of all outstanding liabilities for the commitments listed in Schedule 1, payable in cash at closing; and
- b. **US\$1 million**, after closing, payable in cash by December 31, 2015.

Limited Contingencies.

- c. No financing contingency.
- d. CCAA Court approval and a vesting order delivering to Company the Assets of the filing entities free and clear of any encumbrances or claims of any kind.

Closing. Closing as soon as possible. Execution of Definitive Agreements within twenty-five (25) days of entering into this Letter of Intent with closing to occur within five (5) business days following receipt of court approval.

Ordinary Course of Business. Cliffs will continue to operate the Assets in the normal course of business in compliance with all applicable laws, regulations and permits, with any unusual transactions disclosed to Company prior to closing. No material adverse change in the Assets, and receipt of applicable regulatory approvals, expiry of waiting periods.

Schedule 1

MATERIAL COMMITMENTS

1. Lease of Office Space between Oxford Properties Group Inc and Sun Life Assurance Company of Canada and Cliffs Chromite Ontario Inc. (fka Freewest Resources Canada Inc.), date June 28, 2011 for the premises located at 3250 Bloor Street West, Toronto
2. Research Agreement, between Cliffs Chromite Ontario Inc. and Laurentian University of Sudbury, dated April 1, 2012
3. **[Cliffs to add any other known liabilities]**