

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Commercial Division

File: No: 500-11-048114-157

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

**BLOOM LAKE GENERAL PARTNER
LIMITED, QUINTO MINING
CORPORATION, 8568391 CANADA
LIMITED AND CLIFFS QUÉBEC IRON
MINING ULC**

Petitioners

- and -

**THE BLOOM LAKE IRON ORE MINE
LIMITED PARTNERSHIP AND BLOOM
LAKE RAILWAY COMPANY LIMITED**

Mises-en-cause

- and -

FTI CONSULTING CANADA INC.

Monitor

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

INTRODUCTION

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

TERMS OF REFERENCE

3. In preparing this Report, the Monitor has relied upon unaudited financial information of the CCAA Parties, the CCAA Parties’ books and records, certain financial information prepared by the CCAA Parties and discussions with various parties (the “**Information**”).

4. Except as described in this Report:
 - (a) The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook;
 - (b) The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.
5. Future oriented financial information reported or relied on in preparing this Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
6. The Monitor has prepared this Report in connection with the CCAA Parties' Motion originally presentable February 19, 2015 (the "**February 19 Motion**"). The Report should not be relied on for other purposes.
7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the Initial Order, the Pre-filing Report of the Proposed Monitor or the First Report of the Monitor.

INADVERTENT OMISSION IN FIRST REPORT

8. As described in the Monitor's First Report, the February 19 Motion seeks, *inter alia*, priority for the CCAA Charges ahead of all Encumbrances on notice to affected parties. For greater certainty, the CCAA Charges only extend to assets or rights against assets over which the CCAA Parties hold or acquire title.

9. The February 19 Motion describes at paragraph 21 that there are 13 movable hypothecs registered against the CCAA Parties' Property in Quebec (the "**Movable Hypothecs**"). The Monitor understands that the claims related to the Movable Hypothecs are believed to be held by six different parties (the "**Movable Hypothec Creditors**").
10. Paragraphs 32 and 33 of the Monitor's First Report state:
 - “32. The known potential secured creditors whose claims, subject to having such claims verified and proven, will be subordinated to the CCAA Charges if the CCAA Parties' request for priority for the CCAA Charges is granted are parties with registered construction liens (the "**Construction Lien Creditors**").
 33. While the claims of Construction Lien Creditors have not been verified or proven, construction lien claims totalling approximately \$60.9 million have been registered against the real property assets.”
11. The Monitor's First Report inadvertently omitted from paragraph 32 reference to the Movable Hypothec Creditors which would be subordinated to the CCAA Charges in addition to the Construction Lien Creditors.
12. While the claims of Movable Hypothec Creditors have not been verified or proven, paragraph 149 of the Initial Motion indicated that the current amounts outstanding are approximately US\$139 million.
13. As stated in the First Report, the Monitor believes that the Construction Lien Creditors will benefit from the CCAA Proceedings as the CCAA Proceedings will facilitate the maximization of realizations from real estate assets subject to construction lien claims.

14. The Monitor also believes that the Movable Hypothec Creditors will benefit from the CCAA Proceedings as the CCAA Proceedings will facilitate either the assignment of the agreements of the Movable Hypothec Creditors to a new operator of Bloom Lake or maximization of realizations of the assets subject to the Movable Hypothecs.
15. The Monitor further notes that, as evidenced by pages 45 to 50 of the Master Loan and Security Agreement filed as Exhibit R-14 to the Initial Application, the claims of the Movable Hypothec Creditors are guaranteed by Cliffs Natural Resources Inc., the ultimate parent of the CCAA Parties.
16. Accordingly, the Monitor's recommendations that the CCAA Parties' request for priority for the CCAA Charges be granted by the Court set out in the First Report remains unchanged.

The Monitor respectfully submits to the Court this, its Second Report.

Dated this 19th day of February, 2015.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Bloom Lake General Partner Limited, Quinto Mining Corporation,
8568391 Canada Limited, Cliffs Québec Iron Mining ULC,
The Bloom Lake Iron Ore Mine Limited Partnership and
Bloom Lake Railway Company Limited



Nigel D. Meakin
Senior Managing Director



Steven Bissell
Managing Director