

CANADA

PROVINCE OF QUÉBEC
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, CLIFFS QUÉBEC IRON
MINING ULC, WABUSH IRON CO.
LIMITED AND WABUSH RESOURCES
INC.**

Petitioners

- and -

**THE BLOOM LAKE IRON ORE MINE
LIMITED PARTNERSHIP, BLOOM
LAKE RAILWAY COMPANY LIMITED,
WABUSH MINES, ARNAUD RAILWAY
COMPANY AND WABUSH LAKE
RAILWAY COMPANY LIMITED**

Mises-en-cause

- and -

FTI CONSULTING CANADA INC.

Monitor

**FIFTY-SEVENTH 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 (“**BLGP**”), Quinto Mining Corporation (“**Quinto**”), 8568391 Canada Limited (“**856**”) and Cliffs Québec Iron Mining ULC (“**CQIM**”) (collectively, the “**Bloom Lake Petitioners**”) sought and obtained an initial order (as amended, restated or rectified from time to time, the “**Bloom Lake Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) from the Superior Court of Québec (the “**Court**”), providing for, *inter alia*, a stay of proceedings against the Bloom Lake Petitioners until February 26, 2015, (the “**Bloom Lake Stay Period**”) and appointing FTI Consulting Canada Inc. as monitor (the “**Monitor**”). The relief granted in the Bloom Lake Initial Order was also extended to The Bloom Lake Iron Ore Mine Limited Partnership (“**BLLP**”) and Bloom Lake Railway Company Limited (“**BLRC**” and, together with the Bloom Lake Petitioners, the “**Bloom Lake CCAA Parties**”). The proceedings commenced under the CCAA by the Bloom Lake CCAA Parties will be referred to herein as the “**CCAA Proceedings**”.
2. On May 20, 2015, the CCAA Proceedings were extended to include Wabush Iron Co. Limited (“**WICL**”), Wabush Resources Inc. (“**WRI**” and together with WICL, the “**Wabush Petitioners**”), Wabush Mines, Arnaud Railway Company (“**Arnaud**”) and Wabush Lake Railway Company Limited (“**Wabush Railway**” and, together with the Wabush Petitioners, the “**Wabush CCAA Parties**”) pursuant to an initial order (as amended, restated or rectified from time to time, the “**Wabush Initial Order**”) providing for, *inter alia*, a stay of proceedings against the Wabush CCAA Parties until June 19, 2015, (the “**Wabush Stay Period**”). The Bloom Lake CCAA Parties and the Wabush CCAA Parties will be referred to collectively herein as the “**CCAA Parties**”.
3. The Bloom Lake Stay Period and the Wabush Stay Period (together, the “**Stay Period**”) have been extended from time to time and currently expire on November 30, 2021.

4. On November 5, 2015, Mr. Justice Hamilton J.S.C. (as he then was) granted an Order (the “**Claims Procedure Order**”) approving a procedure for the submission, evaluation and adjudication of claims against the CCAA Parties and their current and former directors and officers (as amended, the “**Claims Procedure**”).
5. On March 26, 2018, Mr. Justice Hamilton J.S.C. (as he then was) granted an Order (the “**Post-Filing Claims Procedure Order**”) approving a procedure for the submission, evaluation and adjudication of claims against the CCAA Parties or their directors and officers arising since the commencement dates of the CCAA Proceedings (the “**Post-Filing Claims Procedure**”).
6. On June 29, 2018, Mr. Justice Hamilton J.S.C. (as he then was) granted an Order (the “**Sanction Order**”), *inter alia*, sanctioning the amended and restated joint plan of compromise and arrangement of the Participating CCAA Parties dated May 16, 2018 (as amended from time to time, the “**Plan**”).
7. On July 31, 2018, the Monitor issued and filed the Plan Implementation Date Certificate, *inter alia* certifying that:
 - (a) The Monitor had received from each of the Participating CCAA Parties and the Parent, the applicable Conditions Certificate confirming fulfilment or waiver of the conditions precedent to implementation of the Plan as set out in Section 11.3 of the Plan, and in accordance with the Sanction Order, and
 - (b) The Plan Implementation Date had occurred in accordance with the Plan.

8. The first interim distributions to Affected Third Party Unsecured Creditors were made from each of the Unsecured Creditor Cash Pools and Pension Cash Pools in August and September 2018¹, with approximately \$132.4 million being distributed to Affected Third Party Unsecured Creditors pursuant to the Plan.
9. To date, the Monitor has filed fifty-six reports in respect of various aspects of the CCAA Proceedings. The purpose of this, the Monitor's Fifty-Seventh Report (this "**Report**"), is to provide information to the Court with respect to:
 - (a) The receipts and disbursements of the CCAA Parties for the period May 1, 2021 to October 31, 2021;
 - (b) The CCAA Parties' current cash balances;
 - (c) The progress of the Claims Procedure;
 - (d) Matters completed since the date of the Monitor's Fifty-Sixth Report;
 - (e) The progress of ongoing matters to be completed in the CCAA Proceedings; and
 - (f) The CCAA Parties' request for an extension of the Stay Period to June 30, 2022 (the "**Stay Extension Motion**"), and the Monitor's recommendation thereon.

TERMS OF REFERENCE

10. 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**").

¹ Distributions on account of the Salaried Late Employee Claims and the USW Late Employee Claims were made in January 2019.

11. 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 Chartered Professional Accountants of Canada Handbook; and
 - (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 Chartered Professional Accountants of Canada Handbook.
12. The Monitor has prepared this Report in connection with the Stay Extension Motion which is scheduled to be heard November 26, 2021, and should not be relied on for other purposes.
13. 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.
14. 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 previous reports of the Monitor or the Plan.

EXECUTIVE SUMMARY

15. In summary, and for the reasons set out in this Report, it is the Monitor's view that:
 - (a) The CCAA Parties have acted, and are acting, in good faith and with due diligence; and
 - (b) Creditors of the CCAA Parties would not be materially prejudiced by an extension of the Stay Period to June 30, 2022.

16. The Monitor therefore respectfully recommends that this Honourable Court grant the CCAA Parties' request for an extension of the Stay Period to June 30, 2022.

RECEIPTS & DISBURSEMENTS FOR THE PERIOD TO OCTOBER 31, 2021

17. The CCAA Parties' actual cash flow on a consolidated basis for the period from May 1, 2021 to October 31, 2021, is summarized below:

	Bloom Lake CCAA Parties	Wabush CCAA Parties
	\$000	\$000
Receipts	26	8
Operating Disbursements	(9)	(1)
Operating Cash Flow	17	7
Net Tax Refunds	576	556
Restructuring Professional Fees	(731)	(412)
Third Party Secured Distributions	(1,165)	(577)
Third Party Unsecured Distributions	(21,244)	(2,028)
Net Cash Flow	(22,547)	(2,454)

18. Receipts are the interest earned on funds held by the Monitor.
19. Operating disbursements consist of records storage costs and bank charges.
20. Net Tax Refunds are comprised of income tax refunds of \$34,169.82, GST/HST refunds of \$216,130.51 and QST refunds of \$882,032.56.
21. Primary activities giving rise to Restructuring Professional Fees during the period included dealing with the various tax authorities in respect of income and sales tax issues, including obtaining the Net Tax Refunds, the Set-Off Motion, matters relating to the negotiations to realize the CCAA Parties' interest in Twin Falls and matters related thereto, including the Expansion of the Monitor's Powers Motion and the Twinco Motion to Dismiss the Application for Lack of Jurisdiction and for *Forum Non-Conveniens*, as well as the CFLCo Contestation, and advancing the Wabush Mines Appeal against RQ. The break-down of Restructuring Professional Fees is summarized as follows:

	Bloom Lake	Wabush
	CCAA Parties	CCAA Parties
	\$000	\$000
Company counsel	318	285
Company tax advisors		3
Monitor	154	18
Monitor's counsel	259	93
Representative counsel		13
Total	731	412

CURRENT CASH BALANCES

22. As previously reported, all transactions are being processed through the Monitor's accounts on behalf of the CCAA Parties. As at October 31, 2021, the Monitor held approximately \$11.9 million on behalf of the Bloom Lake CCAA Parties and approximately \$6.2 million on behalf of the Wabush CCAA Parties, each net of unrepresented cheques and uncashed distributions.
23. 202 cheques in the aggregate amount of \$4,476,219.47 issued in respect of the interim distributions under the Plan remain uncashed. Two of the cheques account for \$4,228,300.82 of the amount and were to payable to one creditor. Excluding those two cheques, a total of 200 cheques in the aggregate amount of \$247,918.65 remain uncashed. The distributions will be reissued on the request of the creditor entitled to such payment or together with the final distributions under the Plan.

THE CLAIMS PROCEDURE

24. All claims filed pursuant to the Claims Procedure Order have now been finally determined, with the exception of claims of taxation authorities which may be affected by the outcome of various unresolved tax matters, including any appeal of the decision issued by the Court in respect of the Set-Off Motion.

MATTERS COMPLETED SINCE THE MONITOR'S FIFTY-SIXTH REPORT

25. Several open matters have been completed since the date of the Monitor's Fifty-Sixth Report, summarized as follows:

SECOND INTERIM DISTRIBUTION

26. The second interim distribution to Affected Third Party Unsecured Creditors was made from each of the Unsecured Creditor Cash Pools in May 2021, with approximately a further \$23.3 million being distributed to Affected Third Party Unsecured Creditors pursuant to the Plan.

THE CSF CLAIMS

27. In its Fifty-Sixth Report, the Monitor reported that agreement had been reached between the Monitor and CSF to settle the claims of CSF and the CSF Claim Amendment Motion and that execution copies of the settlement agreement had been circulated for signature by the parties. The settlement agreement was executed on May 21, 2021.

THE SET-OFF MOTION

28. The Set-Off Motion was described at paragraphs 54 *et seq* of the Monitor's Fifty-Sixth Report and was heard on August 19 and 20, 2021.
29. The Court's decision in respect of the Set-Off Motion was issued on November 8, 2021 (the "**Set-Off Decision**"). The Set-Off Decision declared, *inter alia*, that:
- (a) The Damage Payment ITCs constitute post-filing amounts that cannot be offset against the pre-filing claims of RQ;
 - (b) RQ shall pay to the Monitor the Damage Payment ITCs in the amount of \$7,459,257.85, plus interest; and
 - (c) RQ shall pay to Monitor the post-filing ITCs and ITRs in the amount of \$234,755.16, plus interest.

30. In addition to the amounts that RQ has been ordered to pay in the Set-Off Decision, input tax credits in the aggregate amount of approximately \$2.7 million have been claimed by the CCAA Parties in respect of distributions on account of damage claims in the second interim distribution.

CRA AND RQ TAX AUDITS AND OTHER TAX MATTERS

31. All known material income tax audit matters have been resolved without resultant cash tax liabilities and all previously open CRA income tax audits have now been closed.
32. A number of minor open matters with RQ regarding sales taxes have been resolved.

ONGOING MATTERS TO BE COMPLETED IN THE CCAA PROCEEDINGS

33. Apart from the Final Distributions as defined in and to be made pursuant to the Plan, the key matters to be completed in the CCAA Proceedings are summarized as follows:
- (a) The completion of reconciliation of credits applied by RQ and the collection of any remaining refund amounts owing to the CCAA Parties;
 - (b) Completion of efforts to realize on the value of the CCAA Parties' interest in Twin Falls, and settlement of various matters related thereto, including the appeal by CFLCo of the decision of the Court in respect of the Expansion of the Monitor's Powers Motion;
 - (c) Final disposal of the Wabush Mines Appeal (as defined below);
 - (d) Final disposal of the Set-Off Motion if RQ chooses to seek leave to appeal the Set-Off Decision;
 - (e) Completing the final distribution under the Plan and dealing with associated tax matters;

- (f) The issuance of tax reporting slips in respect of the Second Interim Distribution and any further distributions to Employees under the Plan;
- (g) Destruction of books and records, as described in the Stay Extension Motion;
- (h) The filing of final tax returns;
- (i) The dissolution of the CCAA Parties after the Final Distribution, if appropriate, as contemplated by the Plan; and
- (j) The completion of the necessary statutory and administrative steps for the termination of the CCAA Proceedings and the discharge of the Monitor.

RQ TAX AUDITS AND OTHER TAX MATTERS

34. The key open tax matters are summarized as follows:
- (a) The appeal of the disallowance by RQ of input tax credits for October 2016 to January 2017 claimed by Wabush Mines through its managing agent, CMC (the “**Wabush Mines Appeal**”); and
 - (b) The potential appeal by RQ of the Set-Off Decision; and
 - (c) The appeal of a notice of assessment in respect of the BLLP sales tax return for February 2021.

THE SET-OFF MOTION

35. As noted earlier in this Report, the Set-Off Decision was issued by the Court on November 8, 2021. Pursuant to the provisions of the CCAA, the deadline for RQ to seek leave to appeal is November 29, 2021. A representative of RQ has informed the Monitor’s Counsel that an appeal has been recommended and authorization to file a motion for leave to appeal has been sought.

FINAL DISTRIBUTION

36. The timing and quantum of the Final Distribution is dependent on the resolution of the various outstanding matters in the CCAA Proceedings, including the collection of tax refunds believed to be owing and the final determination of the Set-Off Motion and the Wabush Mines Appeal. The timing for resolution of these matters is uncertain and largely outside of the control of the Monitor and the CCAA Parties.

REQUEST FOR EXTENSION OF STAY PERIOD

37. The Stay Period currently expires on November 30, 2021. Additional time is required for the CCAA Parties and the Monitor to complete the activities necessary to finalize the CCAA Proceedings, including the activities described earlier in this Report.
38. The CCAA Parties now seek an extension of the Stay Period to June 30, 2022.
39. As the CCAA Parties no longer have any operations, future receipts and disbursements, other than the legal and professional costs of the CCAA Proceedings, will be *de minimis*. Accordingly, consistent with the approach taken in connection with previous extensions of the Stay Period, no weekly cash forecast has been prepared for the proposed extension of the Stay Period as such a weekly forecast would provide no meaningful information.
40. The CCAA Parties have sufficient liquidity to fund the CCAA Proceedings during the requested extension of the Stay Period.
41. Based on the information currently available, the Monitor believes that creditors of the CCAA Parties would not be materially prejudiced by an extension of the Stay Period to June 30, 2022.
42. The Monitor also believes that the CCAA Parties have acted, and are acting, in good faith and with due diligence.

43. The Monitor therefore respectfully recommends that this Honourable Court grant the CCAA Parties' request for an extension of the Stay Period to June 30, 2022.

The Monitor respectfully submits to the Court this, its Fifty-Seventh Report.

Dated this 18th day of November, 2021.

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



Nigel D. Meakin
Senior Managing Director