

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, 8568391 CANADA
LIMITED, 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

**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, Quinto Mining Corporation, 8568391 Canada Limited and Cliffs Québec Iron Mining ULC (collectively, the “**Bloom Lake Petitioners**”) sought and obtained an initial order (as amended 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 and Bloom Lake Railway Company Limited (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, Wabush Resources Inc., Wabush Mines, Arnaud Railway Company and Wabush Lake Railway Company Limited (collectively the “**Wabush CCAA Parties**”) pursuant to an initial order (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 has been extended from time to time. Pursuant to an Order of Mr. Justice Hamilton J.S.C., granted on April 17, 2015, the Bloom Lake Stay Period was extended to July 31, 2015.
4. The CCAA Parties requested certain relief in a comeback motion heard on June 9, 2015 (the “**Wabush Comeback Motion**”). Certain of the relief requested at that time was granted by the Court, namely:
 - (i) Approving the Sale and Investor Solicitation Process (“**SISP**”) *nunc pro tunc* as it relates to the Wabush CCAA Parties and approving the amendment and restatement of the SISP to reflect the inclusion of the Wabush CCAA Parties in the CCAA Proceedings;
 - (ii) Approving the Moelis Engagement Letter (as defined in the Sixth Report of the Monitor dated June 1, 2015 (the “**Sixth Report**”)) *nunc pro tunc* as it applies to the Wabush CCAA Parties;

- (iii) Creating a charge over the property of each Wabush CCAA Party securing the Monthly Retainer Fee, Transaction Fees (as such terms are defined in the Moelis Engagement Letter) and expenses reimbursable pursuant to the Moelis Engagement Letter payable by each Wabush CCAA Party, on a several basis, to a maximum of US\$5 million;
 - (iv) Providing priority for the Administration Charge and the Directors' Charge (each as defined in the Wabush Initial Order; and collectively with the Interim Lender Charge, defined as the "**Wabush CCAA Charges**") over any and all other existing hypothecs, mortgages, liens, security interests, priorities, trusts, deemed trusts (statutory or otherwise) charges, encumbrances or security of whatever nature or kind (collectively, the "**Encumbrances**") affecting the Property (as defined in the Wabush Initial Order) whether or not charged by such Encumbrances; and
 - (v) Extending the Wabush Stay Period to July 31, 2015.
5. Other portions of the relief requested at the Wabush Comeback Motion were objected to, and remain outstanding, namely:
- (i) Providing priority for the Interim Lender Charge over any and all Encumbrances affecting the Property whether or not charged by such Encumbrances; and
 - (ii) Suspending the payment by the Wabush CCAA Parties of Monthly Amortization Payments, Yearly Catch Up Amortization Payments (together the "**Amortization Payments**") and OPEB Payments, each as defined in the Sixth Report.

6. The hearing of issues with respect to these two remaining items of relief was postponed until a hearing now set for June 22, 2015 (the “**June 22nd Hearing**”).
7. On June 9th, the Court established timelines and a protocol for the June 22nd Hearing. In particular, the arguments and authorities of objecting parties were to be submitted by June 15th, and the response from the Wabush CCAA Parties, the Interim Lender and the Monitor by June 19th.
8. In addition to the two postponed items of relief, an additional motion was filed by four individuals who are retirees of the Wabush CCAA Parties (these four individuals being the “**Proposed Representatives**”), wherein the Proposed Representatives request that they be appointed as representatives of active and retired salaried / non-union employees of the Wabush CCAA Parties. This motion (the “**Salaried Representation Motion**”) is also scheduled to be heard on June 22nd.
9. The United Steelworkers of America, Locals 6254 and 6285 (the “**USW**”) served a Notice of Objection on June 5, 2015 followed by an Argumentation Outline on June 15, 2015, requesting that two employees of the Locals be appointed as representatives of the unionized employees and unionized retirees of the Wabush CCAA Parties, and that the Wabush CCAA Parties fund the activities performed by these two employees on behalf of the unionized employees and unionized retirees. These requests (the “**USW Representation Motion**”) are also scheduled to be heard on June 22nd.
10. The Salaried Representation Motion and the USW Representation Motion are herein collectively referred to as the “**Representation Motions**”.

11. To date, the Monitor has filed six reports in respect of various aspects of the CCAA Proceedings. In its Sixth Report, the Monitor addressed all relief originally scheduled for June 9th, including the two items of relief which were postponed to the June 22nd Hearing (as set out in paragraph 5, above). The purpose of this, the Monitor's Seventh Report, is to respond to the Representation Motions which are scheduled to be heard on June 22nd after first dealing with the requested priority of the Interim Lender Charge and suspension of Amortization and OPEB payments requested by the CCAA Parties.

TERMS OF REFERENCE

12. In preparing this Report, the Monitor has relied upon certain financial information prepared by the CCAA Parties and discussions with various parties (the "**Information**").
13. 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.
14. 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.
15. The Monitor has prepared this Report in connection with the relief to be sought at the June 22nd Hearing, and in particular to address the Representation Motions. The Report should not be relied on for other purposes.

16. 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 Bloom Lake Initial Order, the Wabush Initial Order or previous reports of the Monitor.

EXECUTIVE SUMMARY

17. Capitalized terms used in the Executive Summary are as defined in the relevant section of the Report.

PRIORITY OF THE WABUSH CCAA CHARGES

18. As set out in its Sixth Report, the Monitor is of the view that the Wabush CCAA Parties' request for an Order providing priority for the Wabush CCAA Charges, including the Interim Lender Charge, over the Encumbrances is reasonable, appropriate and justified in the circumstances. The Monitor continues to respectfully recommend that such Order be granted.

SUSPENSION OF AMORTIZATION PAYMENTS AND OPEB PAYMENTS

19. As set out in its Sixth Report, the Monitor is of the view that the continuation of activities to safeguard the assets of the Wabush CCAA Parties while continuing to seek buyers for the assets will maximize recoveries for stakeholders. Continuation of such activities would not be possible without the Interim Financing, which would not be available in the event that the Wabush CCAA Parties are required to make the Amortization Payments and the OPEB Payments. Furthermore, the Wabush CCAA Parties are unable to make the Amortization Payments and the OPEB Payments without additional funding.
20. Accordingly, the Monitor continues to support the Wabush CCAA Parties' request for suspension of the Amortization Payments and the OPEB Payments.

REPRESENTATION MOTIONS

21. The Monitor has consulted with counsel for the CCAA Parties, counsel for the Interim Lender, counsel for the Proposed Representatives, and with representatives of the USW, in reaching its views and recommendations. The Monitor is of the view that:
- (a) The Monitor supports the appointment of the Proposed Representatives as representatives of active and retired salaried / non-union employees of the Wabush CCAA Parties. The Monitor also recognizes the need for the Proposed Representatives to retain Representative Counsel (as defined below), the costs of which would be funded by the Wabush CCAA Parties. The Wabush CCAA Parties, however, have no revenues, and are currently being funded pursuant to the terms of an Interim Financing Term Sheet that provides that payment of professional costs (other than those agreed to by the Interim Lender) is an event of default. Just prior to finalizing this Seventh Report, the Monitor was advised that an agreement has been reached, but that it remains subject to documentation; and
 - (b) With respect to the request for an Order appointing certain employees of the USW as representatives of active and retired USW union members, and approving funding by the Wabush CCAA Parties of these representatives, the Monitor does not believe that it is required given that the USW already serves as the representative for union members, and the costs for the proposed employee representatives are already funded by past and future union dues. In addition, the Monitor understands that the Wabush CCAA Parties and the Interim Lender do not support an Order requiring the funding of the activities undertaken by the USW.

REQUEST FOR PRIORITY FOR THE INTERIM LENDER CHARGE

22. For the reasons set out in paragraphs 45 to 58 of its Sixth Report, the Monitor continues to respectfully recommend that the Wabush CCAA Parties' request for priority for the Interim Lender Charge be granted by the Court.

SUSPENSION OF AMORTIZATION PAYMENTS AND OPEB PAYMENTS

23. For the reasons set out in paragraphs 69 to 74 of its Sixth Report, the Monitor continues to support the Wabush CCAA Parties' request for suspension of the Amortization Payments and the OPEB Payments.

SALARIED REPRESENTATION MOTION

24. The Salaried Representation Motion seeks to appoint four individuals (the Proposed Representatives) to represent active and retired salaried / non-union employees of the Wabush CCAA Parties, and to appoint and fund representative counsel.

25. In the “Motion for an Order Appointing the Petitioners-Mises-en-cause as Representatives of Salaried / Non-Union and Retired Employees of the Wabush CCAA Parties”, a description of the formation of the “Salaried Steering Committee” is provided. In the affidavit of Michael Keeper sworn June 15, 2015, filed in support of that motion, more detail is given on pages 7 through 11 of that affidavit with respect to the formation of the Salaried Steering Committee, and with respect to the four individuals serving on it and now seeking appointment as the Proposed Representatives (being Michael Keeper, Terence Watt, Damien Lebel, and Neil Johnson). In addition, the Monitor has spoken to representatives of Koskic Minsky LLP (“**KM**”) and to Mr. Nicholas Scheib of Étude Légale Scheib (“**Scheib**”) (KM and Scheib are collectively referred to as “**Representative Counsel**”) to determine if the four individuals put forward are committed to serving as diligent representatives of the groups that they propose to represent.
26. Representative Counsel view the four Proposed Representatives as being both ready and capable of fairly representing the groups that they would be speaking for. They noted that these four individuals are all retirees, and therefore are not personally representative of active employees, but are confident that the four individuals will be able to capably represent the interests of both groups.
27. The Monitor supports the request for an Order appointing the Proposed Representatives to represent the interests of active and retired salaried / non-union employees, particularly in light of the potential cost savings that may result from the organization of a disparate group, inasmuch as Representative Counsel would be a single point of contact and discussion for most issues, and prevent the attendant cost and delay inherent in dealing with various ad hoc groups that might otherwise appear.

28. The Monitor does not object to the proposed appointment of Representative Counsel. KM and Mr. Scheib are knowledgeable in the area, and KM has had significant experience as representative counsel in other CCAA files.
29. With respect to the request that the Wabush CCAA Parties fund the costs of Representative Counsel, the Monitor recognizes that this is appropriate under the circumstances and reflects precedent set in other leading CCAA proceedings in Canada.
30. As noted above, the Wabush CCAA Parties have no revenues, and are currently being funded pursuant to the terms of the Interim Financing Term Sheet under which it is an event of default if the Wabush CCAA Parties pay professional costs that are not approved by the Interim Lender. For ease of reference, a copy of the Interim Financing Term Sheet is attached hereto as Appendix A.
31. The Monitor understands that the Wabush CCAA Parties and the Interim Lender have held discussions with Representative Counsel for the purposes of developing an agreement to fund Representative Counsel in these proceedings. Just prior to finalizing this Seventh Report, the Monitor was advised that an agreement has been reached, but that it remains subject to documentation.

FORM OF REPRESENTATION ORDER

32. If the Proposed Representatives are appointed, and if Representative Counsel is also appointed and funded in some fashion, the Monitor is of the view that the appointments and the conditions of these appointments should be set out in detail in an Order of the Court (a “**Representation Order**”).

33. Assuming an agreement as to representation and funding is successfully documented, the Monitor will review any proposed form of Representation Order, and anticipates that the Representation Order would, among other things:
- (a) Appoint the Proposed Representatives, but also allow for the replacement of the Proposed Representatives or the appointment of additional representatives, on consent of the major affected parties or by further Order of the Court;
 - (h) Carefully define the scope of the representation, and provide limits on the activities that can be undertaken by Representative Counsel;
 - (c) Provide for adequate notice / publication of the Representation Order and the substance of that Order;
 - (d) Allow members of the active and retired salaried / non-union group to opt out of representation by both the Proposed Representatives and Representative Counsel;
 - (e) Authorize the Proposed Representatives to act on behalf of and to bind all active and retired salaried / non-union employees in the representative group, other than those who have previously and properly exercised their rights to opt out;
 - (f) Set monthly and aggregate caps on the amount that will be funded by the Wabush CCAA Parties;
 - (g) Provide some means to ensure that the funding will be made, subject to the monthly and aggregate caps on funding;
 - (h) Provide that invoices from Representative Counsel are to be reviewed and approved by the Monitor prior to payment; and

- (i) Allow the Proposed Representatives and the Monitor (and perhaps others) to seek advice and directions with respect to any matter relating to the Representation Order, including deadlocks and conflicts of interest.

USW REPRESENTATION MOTION

34. The USW is seeking an order that two employees of its locals (Local 6254 and Local 6285) be appointed to represent the interests of and provide advice to unionized employees and unionized retirees of the Wabush CCAA Parties, and that the costs associated with these activities be funded by the Wabush CCAA Parties.
35. The Monitor does not believe that an Order is required given that the USW already acts in a representative capacity with respect to its union members and that the costs of the two individuals who wish to be appointed as representatives are funded from past and future union dues.
36. With respect to the USW Representation Motion, the Monitor has had discussions with both the Wabush CCAA Parties and the Interim Lender, and understands that they do not support either a representation order, or the funding of the USW local executives.
37. Finally, as noted above, the Interim Financing Term Sheet contemplates the setting of periodic budgets, and the adherence to those budgets by the Wabush CCAA Parties, and the current budget does not contain any allowance for funding as requested by the USW Representation Motion.

38. The Monitor takes this opportunity to address a statement in the USW's motion materials expressing concern that the Monitor has engaged a summer student to reply to calls made to the Monitor's hotline from French-speaking stakeholders, including specifically members of the unions. The Monitor has addressed this issue directly with representatives of the USW, and clarified the fact that the individual engaged by the Monitor is actually an articling student employed by the Monitor's counsel, Norton Rose Fulbright Canada LLP, with a background in labour law.

OTHER MATTER

39. The Monitor was recently advised by the Newfoundland and Labrador Superintendent of Pensions (the "**Superintendent**") that there could be amounts still owing in respect to Monthly Amortization Payments for the period January through April 2015 and that a letter indicating this shortfall had been sent earlier today to the Wabush CCAA Parties. The Monitor has discussed this issue with the Wabush CCAA Parties and understands that they are investigating the discrepancy and will advise the Monitor and follow up directly with the Superintendent in this regard.
40. The Monitor will report back on this issue to the Court once the situation is clarified, but does not believe that issues relating to unpaid pre-filing Monthly Amortization Payments has or should have an impact on the relief requested by the Wabush CCAA Parties as of the Wabush Filing Date.

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

Dated this 19th day of June, 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,

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



Steven Bissell

Managing Director

Appendix A

Interim Financing Term Sheet dated as of May 19, 2015

INTERIM FINANCING TERM SHEET

Dated as of May [19], 2015

WHEREAS, the Borrowers (as defined below) have requested that the Interim Lender (as defined below) provide financing to fund certain of the Borrowers' obligations during the pendency of the Borrowers' proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") to be commenced before the Quebec Superior Court [Commercial Division] (the "**Court**") and in accordance with the terms and conditions set out herein;

AND WHEREAS, the Interim Lender has agreed to provide funding in order to fund certain obligations of the Borrowers in the context of their CCAA Proceedings in accordance with the terms set out herein;

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

1. **BORROWERS:** Wabush Resources Inc. and Wabush Iron Co. Limited (each a "**Borrower**" and collectively the "**Borrowers**").
2. **LENDER:** Cliffs Mining Company (in its capacity as lender under the Interim Facility, the "**Interim Lender**").
3. **GUARANTORS:** Guarantees by Compagnie de Chemin de fer Arnaud Arnaud Railway Company and Wabush Lake Railway Company, Limited (the "**Guarantors**", and together with the Borrowers, the "**Credit Parties**").
4. **DEFINED TERMS:** Capitalized terms used in this Interim Financing Term Sheet have the meanings given thereto in Schedule "**A**".
5. **PURPOSE:** To provide for the short-term liquidity needs of the Credit Parties pursuant to the Agreed Budget while under CCAA protection and as more fully set forth herein.
6. **INTERIM FACILITY AND MAXIMUM AMOUNT:** A super priority (debtor-in-possession), interim, non-revolving credit facility (the "**Interim Facility**") up to a maximum principal amount of US\$10,000,000 (as such amount may be reduced from time to time pursuant to Section 22 hereof, the "**Maximum Amount**"), subject to the terms and conditions contained herein. Interim Advances shall be deposited into the Deposit Account, and utilized by the Borrowers in

accordance with the terms hereof.

The Interim Facility shall be comprised of two tranches:

1. Tranche A – in the aggregate maximum amount not exceeding US\$2,000,000; and
2. Tranche B – in the aggregate maximum amount not exceeding the Maximum Amount, less all amounts advanced under Tranche A.

Interim Advances shall be made to the Borrowers from the Interim Facility (such advances being referred to herein as “**Interim Advances**”, and “**Interim Advance**” means each such advance) by the Interim Lender in accordance with the conditions set out in Section 16.

7. **CONDITIONS PRECEDENT TO INTERIM ADVANCES UNDER TRANCHES A AND B:**

The Interim Lender’s agreement to make Interim Advances to the Borrowers is subject to the satisfaction of the following conditions precedent as determined by the Interim Lender in its sole discretion (unless otherwise specified herein):

1. The Court shall have issued the Initial Order on or before May 20, 2015, substantially in the form attached hereto as Schedule “E”, approving this Interim Financing Term Sheet and the Interim Facility and granting the Interim Lender a charge in the principal amount of CDN\$15,000,000 (the “**Interim Lender Charge**”) on the Collateral securing all obligations owing by the Credit Parties to the Interim Lender hereunder including, without limitation, all principal, interest and Interim Financing Fees and Expenses (collectively, the “**Interim Financing Obligations**”), which shall have priority over the Existing CMC Liens, and such Initial Order shall not have been stayed, vacated or otherwise caused to be ineffective or amended, restated or modified in a way that adversely impacts the rights and interests of the Interim Lender in a material manner, without the consent of the Interim Lender.

2. The Interim Financing Credit Documentation shall be satisfactory to the Interim Lender, acting reasonably, and shall have been executed by the Credit Parties and the Interim Lender;

3. The Interim Lender shall, acting reasonably, be satisfied that the Credit Parties have complied with and are continuing to comply in all material respects with all applicable laws, regulations and policies in relation to their businesses other than as may be permitted under a Restructuring Court Order or as to which any enforcement in respect of non-compliance is stayed by a Restructuring Court Order, provided the issuance of such Restructuring Court Order does not result in the occurrence of an Event of Default;

4. The Interim Lender shall have received a written request for an Interim Advance from the Borrowers, substantially in the form of Schedule "C" hereto (a "**Drawdown Certificate**"), which shall be executed by an officer on behalf of the Borrowers and shall certify, *inter alia*, that the requested Interim Advance is within the Maximum Amount and the Agreed Budget, and that the Borrowers and each of the other Credit Parties are in compliance with the Interim Financing Credit Documentation and the Restructuring Court Orders;

5. The Interim Lender shall have received the Agreed Budget in accordance with the terms of this Interim Financing Term Sheet;

6. The requested Interim Advance shall not, if advanced to the Borrowers, cause the aggregate amount of all outstanding Interim Advances to exceed the Maximum Amount or be greater than the amount shown on the Agreed Budget;

7. All Interim Financing Fees and Expenses for which invoices have been provided to the Borrowers shall have been paid, or will be paid from the proceeds of the requested Interim Advance within such period of time as is acceptable to the Interim Lender in its discretion;

8. No Default or Event of Default has occurred or will occur as a result of the requested Interim Advance; and

9. The Interim Lender is satisfied that no Material Adverse Change shall have occurred after the date of the issuance of the Initial Order.

For greater certainty, the Interim Lender shall not be obligated to advance or otherwise make available any funds pursuant to this Interim Financing Term Sheet unless and until all of the foregoing conditions have been satisfied and all of the foregoing documentation and confirmations have been obtained, each in form and content satisfactory to the Interim Lender.

8. **ADDITIONAL CONDITIONS
PRECEDENT TO INTERIM
ADVANCES UNDER TRANCHE B:**

In addition to the satisfaction of the conditions precedent set out in Section 7, the Interim Lender's agreement to make Interim Advances to the Borrowers under Tranche B is subject to the satisfaction of the following conditions precedent (the conditions under Section 7 and Section 8, the "**Funding Conditions**"), as determined by the Interim Lender, acting reasonably:

1. The Borrowers' application materials in connection with its application for the Interim Financing Priority Order shall be satisfactory to the Interim Lender and such application shall be brought before the Court on or before June 19, 2015, on notice to all parties on the service list in connection with the CCAA Proceedings and to such other parties as are acceptable to the Interim Lender.

2. Within thirty (30) days of the issuance of the Initial Order, the Court shall have issued an order (the "**Interim Financing Priority Order**"), in form and substance acceptable to the Interim Lender, providing that the Interim Lender Charge shall have priority over all Liens, other than:

- (a) an administration charge on the Collateral in an aggregate amount not to exceed CDN\$1.75 million (the "**Administration Charge**");
- (b) a directors and officers liability charge on the Collateral in an amount not to exceed CDN\$2 million (the "**Directors' Charge**"); and

- (c) the Permitted Priority Liens other than the Priority Charges;
3. The Interim Financing Priority Order shall not have been stayed, vacated or otherwise caused to be ineffective or amended, restated or modified in a manner that adversely impacts the rights and interests of the Interim Lender in a material manner, without the consent of the Interim Lender.
4. There are no Liens ranking in priority to the Interim Lender Charge, other than the Permitted Priority Liens; and

9. **COSTS AND EXPENSES**

The Borrowers shall pay all of the Interim Lender's reasonable legal fees and out-of-pocket disbursements and any costs of realization or enforcement, in each case in connection with or otherwise related to the Interim Facility, the Interim Lender Charge, the Interim Financing Credit Documentation or the CCAA Proceedings (collectively, the "**Interim Financing Fees and Expenses**").

10. **INTERIM FACILITY SECURITY AND DOCUMENTATION:**

All obligations of the Credit Parties under or in connection with the Interim Facility, this Interim Financing Term Sheet and any other documentation in respect of the Interim Facility that is requested by the Interim Lender (which shall be in form and substance satisfactory to the Interim Lender, acting reasonably, and shall not include a credit agreement) shall be secured by the Interim Financing Security (such documentation, together with the Interim Financing Security collectively, the "**Interim Financing Credit Documentation**") and the Interim Lender Charge. The Interim Financing Credit Documentation shall be subject to prior approval of the Monitor.

The Interim Financing Obligations shall be secured by:

1. the Interim Lender Charge; and
2. contractual security and contractual hypothecary documents granted by the Credit Parties (the "**Interim Financing Security**"), which shall grant a Lien on all Collateral, but excluding (i) such assets, if any, as the Interim

Lender, in its discretion, determines to be immaterial or to be assets for which the costs and other burdens of establishing and perfecting a security interest outweigh the benefits of establishing and perfecting such security interest, and (ii) such other exceptions agreed to by the Interim Lender and the Borrowers.

The Interim Financing Security shall be priority Liens, subordinate only to the Permitted Priority Liens. Notwithstanding the foregoing, and subject to the concluding sentence of this paragraph, no proceeds of any Interim Advance may be used to (a) investigate, object to or challenge in any way any claims of the Interim Lender against any of the Credit Parties in respect of the Interim Facility or of Cliffs Mining Company under the Pre-Filing Secured Credit Agreement, or (b) investigate, object to or challenge in any way the validity or enforceability of the Interim Financing Security Liens. Nothing in this paragraph shall restrict the Credit Parties or the Monitor, including the engagement by the Monitor of independent legal counsel, from (and receiving their fees, costs and expenses therefor) (i) assessing the validity and enforceability of the Existing CMC Liens in respect of advances under the Pre-Filing Secured Credit Agreement, and (ii) conducting a claims process in accordance with any Restructuring Court Order.

11. CASH MANAGEMENT SYSTEM:

Subject to the Agreed Budget and other limitations set forth herein, the Borrowers may only request and apply Interim Advances through the Borrowers' existing cash management system or otherwise as agreed to with the Interim Lender, acting reasonably. Except as set out in the Agreed Budget, the Borrowers shall not effect, and shall not permit to occur, any distribution of funds (whether from proceeds of the Interim Facility or otherwise) from the Credit Parties to any subsidiary or affiliate that is not a Credit Party.

12. PERMITTED LIENS AND PRIORITY:

All Collateral will be free and clear of all other Liens, except for the Permitted Liens.

13. MONITOR:

The monitor in the CCAA Proceedings is FTI Consulting Canada Inc. (the "**Monitor**"). The Monitor shall be authorized to have direct discussions with the Interim Lender, and the Interim Lender shall be entitled to receive

information from the Monitor as may be requested by the Interim Lender from time to time.

14. REPAYMENT:

The Interim Facility shall be repayable in full on the earlier of: (i) the occurrence of any Event of Default hereunder which is continuing and has not been cured; (ii) the implementation of a plan of compromise or arrangement within the CCAA Proceedings (a "**Plan**") which has been approved by the requisite majorities of the Credit Parties' creditors and by order entered by the Court; (iii) conversion of the CCAA Proceedings into a proceeding under the *Bankruptcy and Insolvency Act* (Canada); (iv) the sale of all or substantially all of the Collateral; and (v) six months from the date of the Initial Order (the earliest of such dates being the "**Maturity Date**"). The Maturity Date may be extended from time to time at the request of the Borrowers and with the prior written consent of the Interim Lender for such period and on such terms and conditions as the Borrowers and the Interim Lender may agree, provided that no extension of the Maturity Date shall be by more than an aggregate additional six months from the Maturity Date, without the approval of the Court.

The commitment in respect of the Interim Facility shall expire on the Maturity Date (as may be extended pursuant to the terms hereof) and all amounts outstanding under the Interim Facility shall be repaid in full no later than the Maturity Date (as may be extended pursuant to the terms hereof), without the Interim Lender being required to make demand upon the Borrowers or to give notice that the Interim Facility has expired and the obligations are due and payable. The order of the Court sanctioning any Plan shall not discharge or otherwise affect in any way any of the obligations of the Borrowers and the other Credit Parties to the Interim Lender under the Interim Facility, other than after the permanent and indefeasible payment in cash to the Interim Lender of all obligations under the Interim Facility on or before the date the Plan is implemented.

15. AGREED BUDGETS:

Attached hereto as Schedule "**B**" is a 13-week detailed budget (the "**Initial Agreed Weekly Budget**"), which is in form and substance satisfactory to the Interim Lender.

By no later than the Friday of the second week following the date of the Initial Agreed Weekly Budget, and every two (2) weeks thereafter, the Borrowers will provide the Interim Lender with an updated weekly budget for the following 13-week period, in reasonably similar form to the Initial Agreed Weekly Budget (as updated, the “**Updated Weekly Budget**”) describing the Borrowers’ updated cash flow requirements, which must be prepared by the Borrowers in good faith and reviewed by the Monitor. If the Interim Lender determines that an Updated Weekly Budget has resulted in the occurrence of an Updated Budget Default, the Interim Lender shall provide written notice to the Borrowers and the Monitor stating that the Updated Weekly Budget has resulted in the occurrence of an Updated Budget Default by the close of business on the third Business Day following receipt of such Updated Weekly Budget, failing which such Updated Weekly Budget shall be deemed not to have resulted in the occurrence of an Updated Budget Default. The latest Updated Weekly Budget for which and as long as no notice of an Updated Budget Default has been given by the Interim Lender in accordance with this Section 15 shall be the “**Agreed Budget**” for the purpose of this Interim Financing Term Sheet.

16. AVAILABILITY UNDER INTERIM FACILITY:

Provided that a Default or an Event of Default has not occurred, each Interim Advance shall be made by the Interim Lender to the Borrowers within two (2) Business Days after satisfaction, as determined by Interim Lender in its discretion, acting reasonably, of all of the applicable Funding Conditions set out in this Interim Financing Term Sheet. The Interim Lender shall advise Borrowers of such satisfaction or non-satisfaction within two (2) Business Days of receipt of a Drawdown Certificate from the Borrowers. In accordance with the Agreed Budget, the Borrowers anticipate delivering a Drawdown Certificate to the Interim Lender on a weekly basis.

Interim Advances shall be available to the Borrowers in United States dollars. Each Interim Advance shall be in an aggregate amount that is a multiple of US\$100,000, and shall not be less than US\$100,000.

All proceeds of Interim Advances shall be deposited into the Deposit Account. The Deposit

Account shall be subject to a priority Lien in favour of the Interim Lender, subordinate only to the Permitted Priority Liens.

Notwithstanding the foregoing, to the extent that an emergency cash need arises in respect of any Credit Party that is not contemplated in the Agreed Budget, the Borrowers may request an Interim Advance from the Interim Lender by providing written particulars relating to such emergency cash need, which Interim Advance shall only be permitted with the prior written consent of the Interim Lender, in its sole and absolute discretion. If such requested emergency Interim Advance is so consented to by the Interim Lender, such Interim Advance shall be made from the Interim Facility and deposited into the Deposit Account.

17. USE OF PROCEEDS:

The Borrowers are authorized to use Interim Advances: (i) to provide working capital and for other general corporate purposes of the Credit Parties; (ii) to make payments necessary to comply with the Initial Order; (iii) to provide guarantees, letters of credit, and other forms of credit support related to the Credit Parties; and (iv) to pay the fees and expenses of the Credit Parties' legal counsel, the Credit Parties' sales advisor, the Monitor, the Monitor's legal counsel, the Interim Lender's legal counsel, independent counsel to the directors and officers of the Credit Parties and such other agents, advisors and consultants of the Credit Parties as provided for in the Agreed Budget, in each case of the foregoing paragraphs (i) to (iv), consistent with the Agreed Budget in all material respects to the extent reasonably practicable in the circumstances; provided that no proceeds from the Interim Facility or the Collateral shall be used other than in accordance with this Interim Financing Term Sheet unless otherwise agreed in writing by the Interim Lender.

18. EVIDENCE OF INDEBTEDNESS:

The Interim Lender's accounts and records constitute, in the absence of manifest error, *prima facie* evidence of the indebtedness of the Borrowers to the Interim Lender pursuant to the Interim Facility.

19. PREPAYMENTS:

Provided the Monitor is satisfied that there are sufficient cash reserves in the Credit Parties to satisfy amounts secured by the Permitted Priority Liens, the Borrowers may prepay any amounts outstanding under the Interim Facility at any time prior to the Maturity Date (as may be extended pursuant to the terms of this Interim Financing Term Sheet), without any prepayment fee or penalty.

20. FEES & INTEREST RATE:

The Interim Advances shall bear interest at the prevailing 3 month LIBO Rate rate plus 2%, which rate shall be reset quarterly. Interest on Interim Advances shall accrue monthly in arrears and be added to the principal amount outstanding under the Interim Facility on the first business day of each month.

21. CURRENCY:

Unless otherwise stated, all monetary denominations shall be in lawful currency of the United States. Any payment under this Interim Financing Term Sheet which any Credit Party pays to the Interim Lender in a currency other than US Dollars (the "**Other Currency**"), whether voluntarily or pursuant to an order or judgment of a court or tribunal of any jurisdiction, will only discharge the Credit Parties' liability under this Agreement to the extent of US Dollar Equivalent Amount of the Other Currency so paid.

22. MANDATORY REPAYMENTS:

Unless otherwise consented to in writing by the Interim Lender, and provided the Monitor is satisfied that there are sufficient cash reserves in the Credit Parties to satisfy amounts secured by the Permitted Priority Liens, Interim Advances to the Borrowers shall be forthwith repaid and the Maximum Amount shall be permanently reduced: (i) upon a sale of any of the Collateral out of the ordinary course of business, in an amount equal to the net cash proceeds of such sale (for greater certainty, net of reasonable costs and closing adjustments); (ii) upon receipt by any of the Credit Parties of insurance proceeds with respect to the Collateral, and (iii) upon receipt by any of the Credit Parties of a refund or payment on account of Taxes from any Governmental Entity, excluding refunds or payments on account of sales taxes.

23. REPRESENTATIONS AND WARRANTIES:

Each of the Credit Parties represents and warrants to the Interim Lender, upon which the Interim Lender relies in entering into this Interim Financing

Term Sheet and the other Interim Financing Credit Documentation, as follows:

- (a) The transactions contemplated by this Interim Financing Term Sheet and the other Interim Financing Credit Documentation:
 - (i) upon the granting of the Initial Order, are within the powers of each of the Credit Parties;
 - (ii) have been duly authorized by all necessary corporate and, if required, shareholder approval of each of the Credit Parties;
 - (iii) have been duly executed and delivered by or on behalf of each of the Credit Parties;
 - (iv) upon the granting of the Initial Order, constitute legal, valid and binding obligations of each of the Credit Parties; and
 - (v) upon the granting of the Initial Order, do not require the consent or approval of, registration or filing with, or any other action by, any governmental authority, other than filings which may be made to register or otherwise record the Interim Lender Charge or the Interim Financing Security.
- (b) The activities at the Wabush Mine by the Credit Parties will be conducted in material compliance with all applicable provincial and federal laws, subject to the provisions of the CCAA and any Restructuring Court Order, unless (i) otherwise ordered by the Court, or (ii) the sanctions for non-compliance are stayed by a Restructuring Court Order.
- (c) Each of the Credit Parties has maintained its obligations for payroll, source deductions, current normal cost pension liabilities, retail sales tax, Québec sales tax, goods and services tax and harmonized sales tax, as applicable, and is not in arrears in respect of payment of these obligations.

- (d) All representations and warranties made by each of the Credit Parties in all Interim Financing Credit Documentation are true and correct in all material respects as of the time such representations and warranties were made.

The Interim Lender represents and warrants to the Credit Parties, upon which the Credit Parties rely in entering into this Interim Financing Term Sheet and the other Interim Financing Credit Documentation, that the performance of the Interim Lender's obligations hereunder are within the Interim Lender's corporate powers and have been duly authorized by all necessary corporate and shareholder action, as applicable, and the Interim Lender has, or has unrestricted access to, sufficient financial resources to make Interim Advances in accordance with the terms hereof.

24. AFFIRMATIVE COVENANTS:

In addition to all of the other covenants and obligations contained herein, the Credit Parties covenant and agree to perform and do each of the following until the Interim Facility is permanently and indefeasibly repaid in full and terminated:

- (a) Allow the Interim Lender or its agents and advisors, on reasonable notice during regular business hours, to enter on and inspect each of the Credit Parties' assets and properties, and provide the Interim Lender and their agents or advisors, on reasonable notice and during normal business hours, full access to the books and records of the Credit Parties' and cause management thereof to fully cooperate with the Interim Lender, its agents and advisors.
- (b) Use reasonable efforts to keep the Interim Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Credit Parties, the development of a Plan or a Restructuring Option.
- (c) Deliver to the Interim Lender the Updated Weekly Budget as and when set out herein, and such other reporting and other information from time to time reasonably

requested by the Interim Lender. Without limiting the foregoing, the Borrowers shall use commercially reasonable efforts to deliver to the Interim Lender copies of any financial reporting provided to the Monitor in a timely manner and forthwith provide to the Interim Lender any reports or commentary received from the Monitor regarding the financial position of the Borrowers.

- (d) Use the proceeds of the Interim Facility only for the purposes described in Section 17, and in a manner consistent with the restrictions set out herein.
- (e) Comply with the provisions of the court orders made in the CCAA Proceedings applicable to the Credit Parties (collectively, the “**Restructuring Court Orders**” and each a “**Restructuring Court Order**”); provided that if any such Restructuring Court Order contravenes this Interim Financing Term Sheet or any of the Interim Financing Credit Documentation so as to adversely impact the rights or interests of the Interim Lender in a material manner, the same shall be an Event of Default hereunder.
- (f) Preserve, renew and keep in full force its respective corporate existence and its respective material licenses, permits, approvals, etc. required in respect of its business, properties, assets or any activities or operations carried out therein, unless otherwise agreed by the Interim Lender.
- (g) Use commercially reasonable efforts consistent with the Agreed Budget to (i) maintain the insurance, in existence as at the date hereof, with respect to the Collateral subject to the Interim Lender Charge, or (ii) obtain insurance over such Collateral where none exists or has expired, on terms acceptable to the Interim Lender, acting reasonably.
- (h) Conduct all activities in a manner consistent with the Agreed Budget.
- (i) Forthwith notify the Interim Lender of the occurrence of any Default or Event of

Default, including an Updated Budget Default.

- (j) Provide the Interim Lender with draft copies of all motions, applications, proposed orders or other material or documents that any of them intend to file within the CCAA Proceedings as soon as practically possible prior to any such filing.
- (k) Provide to the Interim Lender regular updates regarding the status of the CCAA Proceedings including, without limitation, reports on the progress of any Plan, Restructuring Option, the SISP and any information which may otherwise be confidential subject to same being maintained as confidential by the Interim Lender. Notwithstanding the foregoing disclosure obligation or any other term of this Interim Financing Term Sheet, none of the CCAA Parties shall be obligated to disclose to the Interim Lender any information regarding the identify of any bidders or the details of bids received by the Borrower or the Monitor as part of the SISP unless such information is otherwise disclosed to other stakeholders in the CCAA Proceedings.

25. NEGATIVE COVENANTS:

The Credit Parties covenant and agree not to do the following, other than with the prior written consent of the Interim Lender:

- (a) Transfer, lease or otherwise dispose of all or any part of its property, assets or undertaking over CDN\$100,000 at any one time, or through a series of related transactions over CDN\$1,000,000 in the aggregate after the date hereof (excluding dispositions of employee housing or obsolete assets), without the prior written consent of the Interim Lender, not to be unreasonably withheld, or the Court. For greater certainty, in the case of any transfer, lease, sale or other disposition of any property, assets or undertaking of the Credit Parties, or any affiliates or subsidiaries thereof, all proceeds of such transfer, lease, sale or other disposition shall be subject to the provisions herein under Section 22.

- (b) Make any payment of principal or interest in respect of existing (pre-filing) debt or obligation other than as may be permitted by a Restructuring Court Order that does not result in an Event of Default, and is provided for in the Agreed Budget.
- (c) Create or permit to exist indebtedness for borrowed money other than existing (pre-filing) debt, debt contemplated by this Interim Financing Term Sheet and post-filing trade payables.
- (d) Make any payments not consistent with the Agreed Budget.
- (e) Make or give any additional financial assurances, in the form of bonds, letters of credit, financial guarantees or otherwise, to any person or Governmental Entity.
- (f) Create, permit to exist or seek or support a motion by another party to provide to any third party a Lien on the Collateral which is senior to or *pari passu* with the Interim Lender Charge, other than the Permitted Priority Liens.
- (g) Change its name, amalgamate, consolidate with or merge into, or enter into any similar transaction with any other entity except as part of a transaction under a sale and investor solicitation process approved by a Restructuring Court Order, and on terms and conditions satisfactory to the Interim Lender, acting reasonably.
- (h) Make any payment in respect of post-employment benefit payments, special or amortization payments, solvency deficiencies or wind-up shortfalls in relation to any pension plan, provided however that the Credit Parties shall be entitled to make normal cost payments under defined benefit plans.

26. INDEMNITY AND RELEASE:

The Credit Parties agree, on a joint and several basis, to indemnify and hold harmless the Interim Lender and its directors, officers, employees, agents, attorneys, advisors and affiliates (all such persons and entities being referred to hereafter as

"Indemnified Persons") from and against any and all actions, suits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever (excluding indirect or consequential damages and claims for lost profits) which may be incurred by or asserted against or involve any Indemnified Person (collectively, **"Claims"**) as a result of or arising out of or in any way related to or resulting from the Interim Facility, this Interim Financing Term Sheet or any other Interim Financing Credit Documentation (regardless of whether such Claim is made in the CCAA Proceedings or any other proceeding, including a bankruptcy or insolvency proceeding) and, upon demand, to pay and reimburse any Indemnified Person for any legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including, without limitation, any inquiry or investigation) or claim (whether or not any Indemnified Person is a party to any action or proceeding out of which any such expenses arise); provided, however, the Borrowers and other Credit Parties shall not be obligated to indemnify pursuant to this paragraph any Indemnified Person against any loss, claim, damage, expense or liability (x) to the extent it resulted from the gross negligence or willful misconduct of such Indemnified Person as finally determined by a court of competent jurisdiction, or (y) to the extent arising from any dispute solely among Indemnified Persons other than any claims arising out of any act or omission on the part of the Borrowers or the other Credit Parties. The Credit Parties shall not be responsible or liable to any Indemnified Person or any other person for consequential or punitive damages. Each Indemnified Party undertakes to repay any and all costs paid to such Indemnified Party in accordance with this Section 26 if it is ultimately determined that such Indemnified Party is not entitled to be indemnified therefor.

The indemnities granted under this Interim Financing Term Sheet shall survive any termination of the Interim Facility.

27. EVENTS OF DEFAULT:

The occurrence of any one or more of the following events shall constitute an event of default (**"Event of Default"**) under this Interim Financing

Term Sheet:

- (a) the issuance of an order of the Court (including any Restructuring Court Order) or any other court of competent jurisdiction:
 - (i) dismissing the CCAA Proceedings or lifting the stay in the CCAA Proceedings to permit (A) the enforcement of any Lien against either Borrower or any of the other Credit Parties, or a material portion of their property, assets or undertaking, or (B) the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against either Borrower or any of the other Credit Parties;
 - (ii) granting any Lien which is senior to or *pari passu* with the Interim Lender Charge, other than the Priority Charges;
 - (iii) staying, reversing, vacating or otherwise modifying the Interim Financing Credit Documentation or any Restructuring Court Order in a manner adverse to the interests of the Interim Lender;
 - (iv) adversely impacting the rights and interests of the Interim Lender in a material manner, without the prior written consent of the Interim Lender; or
 - (v) directing either Borrower to pay any post-employment benefits, amortization payments, special payment, solvency deficiencies or wind-up shortfalls in relation to any pension plan administered by either Borrower or any of the other Credit Parties as of the date hereof;
- (b) the filing of any pleading by any Credit Party seeking any of the matters set forth in clause (a) above or failure of the Credit Parties to diligently oppose any party that brings an

application or motion for the relief set out in paragraph (a) above and/or fails to secure the dismissal of such motion or application within 60 days from the date such application or motion is brought;

- (c) failure of any of the Credit Parties to comply with any negative covenants in this Interim Financing Term Sheet, which default has not been remedied or cured within five (5) Business Days;
- (d) an Updated Weekly Budget contemplates or forecasts an adverse change or changes from the then existing Agreed Budget and such change(s) constitute a Material Adverse Change, or any Updated Weekly Budget forecasts that borrowings under the Interim Facility will exceed the Maximum Amount at any time (unless and until the Interim Lender consents to increase the Maximum Amount, which shall be in the Interim Lender's sole and absolute discretion) (each, an "**Updated Budget Default**"), or the occurrence of any negative variance in "Net Cash Flow" as shown on the Agreed Budget that is greater than 10% in any given week, or an Updated Weekly Budget is not delivered to the Interim Lender within two (2) Business Days of the time period specified herein;
- (e) a Restructuring Court Order is made, a liability arises or an event occurs, including any change in the business, assets, or conditions (financial or otherwise), of any of the Credit Parties, that will in the Interim Lender's judgment, acting reasonably, materially further impair either Borrower's or the other Credit Parties' financial condition or ability to comply with its obligations under this Interim Financing Term Sheet, any other Interim Financing Credit Documentation, or any Restructuring Court Order or carry out a Plan or Restructuring Option reasonably acceptable to the Interim Lender (a "**Material Adverse Change**");
- (f) any representation or warranty by either Borrower or any of the other Credit Parties herein or in any Interim Financing Credit Documentation shall be incorrect or

misleading in any material respect when made;

- (g) borrowings under the Interim Facility exceed the Maximum Amount at any time without the prior consent of the Interim Lender;
- (h) any material violation or breach of any Restructuring Court Order upon receipt by either Borrower or any of the other Credit Parties of notice from the Interim Lender of such violation or breach;
- (i) an event of default has occurred under any of the Interim Financing Credit Documentation;
- (j) any proceeding, motion or application is commenced or filed by any of the Credit Parties, or if commenced by another party, supported or otherwise consented to by any Credit Party, seeking the invalidation, subordination or other challenging of the terms of the Interim Facility, the Interim Lender Charge, this Interim Financing Term Sheet, or any of the other Interim Financing Credit Documentation or, unless the Plan or Restructuring Option provides for repayment in full of the Interim Facility, the approval of any Plan or Restructuring Option which does not have the prior written consent of the Interim Lender;
- (k) any Plan is sanctioned or any Restructuring Option is consummated by any of the Credit Parties that is not consistent with or contravenes any provision of this Interim Financing Term Sheet or other Interim Financing Credit Documentation in a manner that is adverse to the interests of the Interim Lender or would reasonably be expected to adversely affect the interests of the Interim Lender, unless the Interim Lender has consented thereto;
- (l) except as set out in the Agreed Budget, or as otherwise agreed to in writing by the Interim Lender, any of the Credit Parties are required by any Governmental Entity to make expenditures or pay damages, fines, claims, costs or expenses to remediate, or in respect of, any Environmental Liabilities, and such

requirement is not stayed by a Restructuring Court Order;

- (m) if either Borrower or any of the other Credit Parties pays or agrees to pay any of the legal, consulting or other professional fees and/or disbursements incurred by any other party in the CCAA Proceedings without the prior consent of the Interim Lender, other than the Interim Financing Fees and Expenses and the professional fees and disbursements of the Credit Parties, the Monitor, the Monitor's legal counsel and independent counsel to the directors and officers of the Credit Parties;
- (n) failure of any Credit Party to perform or comply with any other term or covenant under this Interim Financing Term Sheet or any other Interim Financing Credit Documentation, and such default shall continue unremedied for a period of three (3) Business Days; and
- (o) if any Credit Party commences an action or takes any other proceeding to obtain any form of relief against Cliffs Mining Company (including in its capacity as Interim Lender) or any affiliate thereof, including, without limitation, a proceeding to recover damages or to obtain payment of any amounts purported to be owing by Cliffs Mining Company or any affiliate thereof to any Credit Party if Cliffs Mining Company or such affiliate disputes such debt.

28. REMEDIES:

Upon the occurrence of an Event of Default, and subject to the Restructuring Court Orders, the Interim Lender may, in its sole discretion, elect to terminate the Interim Lender's commitments to make Interim Advances to the Borrowers hereunder and declare the obligations in respect of the Interim Financing Credit Documentation to be immediately due and payable and cease making any further Interim Advances. Without limiting the foregoing remedies, upon the occurrence of an Event of Default, the Interim Lender may, in its sole discretion, elect to permanently reduce the Maximum Amount. In addition, upon the occurrence of an Event of Default, the Interim Lender may, in its sole discretion, subject to any

Restructuring Court Order:

- (a) apply to a court for the appointment of a receiver, an interim receiver or a receiver and manager over the Collateral, or for the appointment of a trustee in bankruptcy of either Borrower or any of the other Credit Parties;
- (b) set-off or combine any amounts then owing by the Interim Lender to the Credit Parties against the obligations of any of the Credit Parties to the Interim Lender hereunder;
- (c) apply to the Court for an order, on terms satisfactory to the Monitor and the Interim Lender, providing the Monitor with the power, in the name of and on behalf of the Borrowers or any of the Credit Parties, to take all necessary steps in the CCAA Proceedings;
- (d) subject to obtaining prior approval from the Court, exercise the powers and rights of a secured party under the *Personal Property Security Act* (Newfoundland and Labrador), the *Personal Property Security Act* (Ontario), the *Civil Code of Québec* or any legislation of similar effect; and
- (e) subject to obtaining prior approval from the Court, exercise all such other rights and remedies under the Interim Financing Credit Documentation, the Restructuring Court Orders and applicable law.

29. INTERIM LENDER'S APPROVALS:

Any consent, approval, instruction or other expression of the Interim Lender to be delivered in writing may be delivered by any written instrument, including by way of electronic mail, by the Interim Lender, or its counsel, pursuant to the terms hereof.

30. TERMINATION BY CREDIT PARTIES:

At any time following the indefeasible payment in full in immediately available funds of all of the outstanding Interim Financing Obligations, the Credit Parties shall be entitled to terminate this Interim Financing Term Sheet upon notice to the Interim Lender. Effective immediately upon such termination, all obligations of the Credit Parties and the Interim Lender under this Interim

Financing Term Sheet and the other Interim Financing Credit Documentation shall cease, except for those obligations in Section 26 that explicitly survive termination.

31. TAXES:

All payments by the Borrowers and any other Credit Parties under this Interim Financing Term Sheet and the other Interim Financing Credit Documentation to the Interim Lender, including any payments required to be made from and after the exercise of any remedies available to the Interim Lender upon an Event of Default, shall be made free and clear of, and without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision of any country (collectively "**Taxes**"); provided, however, that if any Taxes are required by applicable law to be withheld ("**Withholding Taxes**") from any amount payable to the Interim Lender under any Interim Financing Credit Documentation, the amount so payable to the Interim Lender shall be increased to the extent necessary to yield to the Interim Lender on a net basis after payment of all Withholding Taxes, the amount payable under such Interim Financing Credit Documentation at the rate or in the amount specified in such Interim Financing Credit Documentation and the Borrowers shall provide evidence satisfactory to the Interim Lender that the Taxes have been so withheld and remitted.

If the Credit Parties pay an additional amount to the Interim Lender to account for any deduction or withholding, the Interim Lender shall reasonably cooperate with the applicable Credit Parties to obtain a refund of the amounts so withheld, including filing income tax returns in applicable jurisdictions, claiming a refund of such tax and providing evidence of entitlement to the benefits of the Canada-US tax treaty. The amount of any refund so received, and interest paid by the tax authority with respect to any refund, shall be paid over by the Interim Lender to the applicable Credit Parties promptly. If reasonably requested by the Credit Parties, the Interim Lender shall apply to the relevant taxing authority to obtain a waiver from such withholding requirement, and the Interim

Lender shall cooperate with the applicable Credit Parties and assist such Credit Parties to minimize the amount of deductions or withholdings required.

32. FURTHER ASSURANCES:

The Credit Parties shall, at their expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the Interim Lender may reasonably request for the purpose of giving effect to this Interim Financing Term Sheet.

33. ENTIRE AGREEMENT; CONFLICT:

This Interim Financing Term Sheet, including the schedules hereto and the Interim Financing Credit Documentation, constitute the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Interim Financing Term Sheet and any of the other Interim Financing Credit Documentation, this Interim Financing Term Sheet shall govern.

34. AMENDMENTS, WAIVERS, ETC.:

No waiver or delay on the part of the Interim Lender in exercising any right or privilege hereunder or under any other Interim Financing Credit Documentation will operate as a waiver hereof or thereof unless made in writing by the Interim Lender and delivered in accordance with the terms of this Interim Financing Term Sheet, and then such waiver shall be effective only in the specific instance and for the specific purpose given.

35. ASSIGNMENT:

The Interim Lender may assign this Interim Financing Term Sheet and its rights and obligations hereunder, in whole or in part, or grant a participation in its rights and obligations hereunder, (i) at any time to an affiliate of the Interim Lender; (ii) prior to the occurrence of an Event of Default, subject to the consent of the Borrowers, not to be unreasonably withheld; and (iii) following the occurrence of an Event of Default, to any party acceptable to the Interim Lender in its sole and absolute discretion (subject in all cases to providing the Monitor with reasonable evidence that such assignee has the financial capacity to fulfill the obligations of the Interim Lender hereunder). Neither this Interim Financing Term Sheet nor any right or obligation

hereunder may be assigned by any Credit Party.

36. SEVERABILITY:

Any provision in this Interim Financing Term Sheet or any other Interim Financing Credit Documentation which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

37. NO THIRD PARTY BENEFICIARY:

No person, other than the Credit Parties and the Interim Lender, is entitled to rely upon this Interim Financing Term Sheet and the parties expressly agree that this Interim Financing Term Sheet does not confer rights upon any party not a signatory hereto.

38. COUNTERPARTS AND FACSIMILE SIGNATURES:

This Interim Financing Term Sheet may be executed in any number of counterparts and by facsimile or other electronic transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

39. NOTICES:

Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by fax or electronic mail to the attention of the person as set forth below:

In the case of the Interim Lender, to

Cliffs Mining Company
200 Public Square, Suite 3300
Cleveland, OH 44114-2315

Attention: James Graham
Fax: 216.694.6509
Email: james.graham@CliffsNR.com

With a copy to:

Thornton Grout Finnigan LLP
100 Wellington Street West, Suite 3200
P.O. Box 329, Toronto-Dominion Centre
Toronto, Ontario M5K 1K7

Attention: Grant B. Moffat

Fax: (416) 304-1313
Email: gmoftat@tgf.ca

In the case of the Borrowers or any of the other Credit Parties, to:

Wabush Resources Inc. & Wabush Iron Co.
Limited:
c/o Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000
Toronto, ON M5L 1A9

Attention: Steven Weisz / Milly Chow
Fax: 416.863.2653
Email: steven.weisz@blakes.com
milly.chow@blakes.com

In either case, with a copy to the Monitor:

FTI Consulting Canada Inc.
TD Waterhouse Tower, Suite 2010
79 Wellington Street
Toronto, Ontario M5K 1G8

Attention: Nigel Meakin / Steven Bissell
Fax: (416) 649-8101
Email: nigel.meakin@fticonsulting.com
steven.bissell@fticonsulting.com

And a copy to:

Norton Rose Fulbright Canada LLP
200 Bay Street, Suite 3800
P.O. Box 84
Royal Bank Plaza, South Tower
Toronto, Ontario M5J 2Z4

Attention: Sylvain Rigaud / Evan Cobb
Fax: (514) 286-5474/(416) 216-3930
Email: sylvain.rigaud@nortonrosefulbright.com
evan.cobb@nortonrosefulbright.com

Any such notice shall be deemed to be given and received when received, unless received after 5:00 Eastern Time or on a day other than a Business Day, in which case the notice shall be deemed to be received the next Business Day.

40. ENGLISH LANGUAGE:

The parties hereto confirm that this Interim Financing Term Sheet and all related documents have been drawn up in the English language at their request. *Les parties aux présentes confirment que le présent acte et tous les documents y relatifs furent rédigés en anglais à leur demande.*

41. GOVERNING LAW AND JURISDICTION:

This Interim Financing Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein. Without prejudice to the ability of the Interim Lender to enforce this Interim Financing Term Sheet in any other proper jurisdiction, the Credit Parties irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of Quebec, and further acknowledge and agree that any disputes arising in respect of the Interim Financing Credit Documentation shall be heard by the CCAA Court.

42. JOINT & SEVERAL

The obligations of the Credit Parties hereunder and under the other Interim Financing Credit Documentation are joint and several.

[signature pages follow on separate pages]

IN WITNESS HEREOF, the parties hereby execute this Interim Financing Term Sheet as at the date first above mentioned.

Interim Lender

CLIFFS MINING COMPANY

Per: _____
Name:
Title:
I have authority to bind the corporation.

Borrowers

WABUSH RESOURCES INC.

Per: _____
Name:
Title:
I have authority to bind the corporation.

WABUSH IRON CO. LIMITED

Per: _____
Name:
Title:
I have authority to bind the corporation.

Guarantors

**COMPAGNIE DE CHEMIN DE FER ARNAUD
ARNAUD RAILWAY COMPANY**

Per: _____
Name:
Title:
I have authority to bind the corporation.

**WABUSH LAKE RAILWAY COMPANY,
LIMITED**

Per:

Name:

Title:

I have authority to bind the corporation.

SCHEDULE "A"

DEFINED TERMS

"**Administration Charge**" has the meaning given thereto in Section 8.2(a).

"**Agreed Budget**" has the meaning given thereto in Section 15.

"**Borrowers**" has the meaning given thereto in Section 1.

"**Business Day**" means any day other than a Saturday, Sunday or any other day in which banks in Montreal, Québec are not open for business.

"**CCAA**" has the meaning given thereto in the Recitals.

"**CCAA Proceedings**" has the meaning given thereto in the Recitals.

"**Collateral**" means all now owned or hereafter acquired assets and property of each of the Credit Parties, real and personal, tangible or intangible.

"**Court**" has the meaning given thereto in the Recitals.

"**Credit Parties**" means the Borrowers and the Guarantors, collectively.

"**Default**" means an event or circumstance which, after the giving of notice or the passage of time, or both, will result in an Event of Default.

"**Deposit Account**" means the account in the name of Wabush Resources Inc. with the Bank of Montreal, or such other account with a financial institution acceptable to the Interim Lender as may be approved in writing by the Interim Lender.

"**Directors' Charge**" has the meaning given thereto in Section 7.2(b).

"**Drawdown Certificate**" has the meaning given thereto in Section 7.4.

"**Environmental Liabilities**" means all liabilities, obligations, responses, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs and other costs and expenses, including fines, penalties, sanctions and interest incurred as a result of or related to any claim, investigation, proceeding or demand of any Governmental Entity against any of the Credit Parties including, without limitation, arising under or related to any law relating to the environment or in connection with any substance which is or is deemed under any applicable law to be, alone or in combination, hazardous, hazardous waste, toxic, a pollutant, a contaminant or source of pollution or contamination whether on, at, in, under, from or about or in the vicinity of any real or personal property owned by any of the Credit Parties.

"**Equivalent Amount**" means, with respect to an amount in one currency, the amount in another currency that could be purchased by the amount in the first currency determined by reference to the noon spot rate of the Bank of Canada for converting the first currency to the other currency at the time of determination.

"**Event of Default**" has the meaning given thereto in Section 27.

“Existing CMC Liens” means the Liens granted by the Borrowers in favour of Cliffs Mining Company to secure obligations under the Pre-Filing Secured Credit Agreement.

“Filing Date” means May 20, 2015.

“Final Order” means all applicable appeal periods related to the subject order have expired and any appeal or motion for leave to appeal has been finally disposed of with no further right of appeal or leave to appeal.

“Funding Conditions” has the meaning given thereto in Section 8.

“Governmental Entity” means any federal, provincial, state, municipal, local or other government, governmental or public department, commission, board, bureau, agency or instrumentality, domestic or foreign and any subdivision, agent, commission, board or authority of any of the foregoing.

“Guarantors” has the meaning given thereto in Section 3.

“Indemnified Persons” has the meaning given thereto in Section 26.

“Initial Agreed Weekly Budget” has the meaning given thereto in Section 15.

“Initial Order” means the initial order of the Court dated May 20, 2015 pursuant to which the Borrowers became subject to the CCAA Proceedings.

“Interim Advance” and **“Interim Advances”** have the meanings given thereto in Section 6.

“Interim Lender Charge” has the meaning given thereto in Section 7.1.

“Interim Financing Credit Documentation” has the meaning given thereto in Section 10.

“Interim Facility” has the meaning given thereto in Section 6.

“Interim Financing Fees and Expenses” has the meaning given thereto in Section 9.

“Interim Lender” has the meaning given thereto in Section 2.

“Interim Financing Obligations” has the meaning given thereto in Section 7.1.

“Interim Financing Priority Order” has the meaning given thereto in Section 8.2.

“Interim Financing Security” has the meaning given thereto in Section 10.2.

“LIBO Rate” means (a) the applicable ICE Benchmark Administration Interest Settlement Rate as at 11:45 a.m. London, England time (subject to any intra-day refixing and republication) two Business Days prior to the first day of the relevant interest period; or (b) if the rate in paragraph (a) of this definition is not available for any particular day, the interest rate per annum offered to the Creditor for London interbank deposits of U.S. Dollars, for delivery in immediately available funds on the first day of the relevant interest period, of amounts comparable to the principal amount of the relevant Interim Advance to which such LIBO Rate is to apply with maturities comparable to the interest period for which such LIBO Rate will apply as of approximately 11:45 a.m. (London, England time) two Business Days prior to the first day of the relevant interest

period, and if, in either case, that rate is less than zero, the LIBO Rate shall be deemed to be zero.

“Liens” means all liens, hypothecs, charges, mortgages, trusts, deemed trusts (statutory or otherwise), encumbrances and security interests of every kind and nature whatsoever granted by the Credit Parties or against the Collateral.

“Material Adverse Change” has the meaning given thereto in Section 27(e).

“Maturity Date” has the meaning given thereto in Section 14.

“Maximum Amount” has the meaning given thereto in Section 6.

“Monitor” has the meaning given thereto in Section 13.

“Permitted Liens” means (i) the Interim Lender Charge and the Interim Financing Security; (ii) any charges created under the Initial Order or other order of the Court in the CCAA Proceedings subsequent in priority to the Interim Lender Charge, the limit and priority of each of which shall be acceptable to the Interim Lender in its discretion; (iii) validly perfected Liens existing prior to the date hereof; (iv) inchoate statutory Liens arising after the Filing Date in respect of any accounts payable arising after the Filing Date in the ordinary course of business, subject to the obligation to pay all such amounts as and when due; and (v) the Permitted Priority Liens.

“Permitted Priority Liens” means: (i) the Priority Charges; (ii) statutory super-priority Liens for unpaid employee source deductions; (iii) those Liens evidenced by the registrations listed in Schedule “D” hereto; (iv) Liens for unpaid municipal property taxes or utilities that are given first priority over other Liens by statute; and (v) such other Liens as may be agreed to in writing by the Interim Lender. For greater certainty, Liens arising from the construction, repair, maintenance and/or improvement of real or personal property, including mining claims, shall not be “Permitted Priority Liens”.

“Plan” has the meaning given thereto in Section 14.

“Pre-Filing Secured Credit Agreement” means the Demand Credit Agreement dated February 23, 2015 among Wabush Iron Co. Limited and Wabush Resources Inc., as borrowers, and Cliffs Mining Company, as lender.

“Priority Charges” means the Administration Charge and the Directors’ Charge.

“Restructuring Court Order” and **“Restructuring Court Order”** have the meanings given thereto in Section 24(e).

“Restructuring Option” means any transaction involving the refinancing of any Credit Party, the sale of all or substantially all of the assets of any Credit Party or any other restructuring of the Credit Parties’ businesses and operations, including any liquidation, bankruptcy or other insolvency proceeding in respect of any of the Credit Parties.

“SISP” means the Sales and Investment Solicitation Process in respect of, among other things, certain assets of the Credit Parties, approved by the Court on April 17, 2015.

“Taxes” has the meaning given thereto in Section 31.

“Updated Budget Default” has the meaning given thereto in Section 27(d).

“Updated Weekly Budget” has the meaning given thereto in Section 15.

“Wabush Mine” means iron ore mine and processing facility located near the town of Wabush and Labrador City, Newfoundland & Labrador owned by the Borrowers.

“Withholding Taxes” has the meaning given thereto in Section 31.

SCHEDULE "B"
INITIAL AGREED WEEKLY BUDGET

See attached.

SCHEDULE "C"

FORM OF DRAWDOWN CERTIFICATE

DRAWDOWN CERTIFICATE

TO: **Cliffs Mining Company** (the "Interim Lender")

FROM: Wabush Resources Inc. & Wabush Iron Co. Limited
(collectively, the "**Borrowers**")

DATE: _____, 2015

1. This certificate is delivered to you, as Interim Lender, in connection with a request for a Interim Advance pursuant to the Interim Financing Term Sheet made as of May 19, 2015 between the Borrowers and the Interim Lender, as amended, supplemented, restated or replaced from time to time (the "**Interim Financing Term Sheet**"). All defined terms used, but not otherwise defined, in this certificate shall have the respective meanings set forth in the Interim Financing Term Sheet, unless the context requires otherwise.
2. The Borrowers hereby request a Interim Advance as follows:
 - (a) Date of Interim Advance: _____
 - (b) Aggregate amount of Interim Advance (US\$): _____
3. All of the representations and warranties of the Credit Parties as set forth in the Interim Financing Term Sheet are true and accurate as at the date hereof, as though made on and as of the date hereof.
4. All of the covenants of the Credit Parties contained in the Interim Financing Term Sheet together with all of the Funding Conditions applicable to the Interim Advance hereby requested and contained in the Interim Financing Term Sheet, and all other terms and conditions contained in the Interim Financing Term Sheet to be complied with by the Credit Parties, not properly waived in writing by the Interim Lender, have been fully complied with.
5. In addition to the foregoing, the Borrowers and the other Credit Parties are in compliance with the Interim Financing Credit Documentation and the Restructuring Court Orders.
6. The Interim Advance hereby requested is within the Maximum Amount and consistent with the relevant Agreed Budget.

7. No Default or Event of Default has occurred nor will any such event occur as a result of the Interim Advance hereby requested.

WABUSH RESOURCES INC.

Per: _____

Name:

Title:

I have authority to bind the corporation.

WABUSH IRON CO. LIMITED

Per: _____

Name:

Title:

I have authority to bind the corporation.

SCHEDULE "D"
PRIORITY REGISTRATIONS
NIL

SCHEDULE "E"

INITIAL ORDER