

(REDACTED)

**From:** Mohammad Al Zaibak  
**To:** Tompkins, Kelly  
**Subject:** CDM Offer to Acquire the Chromite Project Assets - Confidential  
**Date:** Monday, March 16, 2015 10:31:47 PM  
**Attachments:** CDM Offer Letter 16March2015.pdf

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Dear Kelly,

Please find attached signed a signed copy of our proposal to acquire all of the assets associated with Cliffs' Chromite Project.

I understand these assets are subject to a court process associated with a CCAA filing. I also understand this proposal will be shared in confidence with and reviewed by the Monitor in relation to that filing. I trust you will find our proposal compelling and hope it will have your support.

As stated in the attached documents, I am prepared to commence negotiation of definitive agreements as soon as practical and am looking forward to working with you on a very efficient transaction.

I would appreciate it if we can discuss this proposal directly and talk about next steps. Please contact me at your earliest convenience.

Best regards,

Mohammad Al Zaibak  
President and CEO  
Canadian DEvelopment and  
Marketing Corporation  
Suite 2700, 161 Bay Street,  
Toronto, Ontario M5J 2S1  
+1 416 482 1789 Direct  
+1 416 727 7789 Mobile

CANADIAN DEVELOPMENT AND MARKETING CORPORATION

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

March 16, 2015

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

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

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

Re: Offer to Acquire Chromite Project Assets

Dear Mr. Tompkins:

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

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

I am the President and Chief Executive Officer of Canadian Development and Marketing Corporation ("CDM"), the company that would either directly or through one of its affiliates acquire the Chromite Project assets. Under the proposal, CDM would pay US      million for the Chromite Project assets, less the total amount of all outstanding liabilities as detailed by Cliffs in Schedule I to the attached Letter of Intent, payable in the form of US      million, less these liabilities, in cash at closing, plus an additional US\$2 million in cash by December 31, 2015. CDM is fully capable of making these cash payments and there is no financing contingency associated with the offer. I would be pleased to provide verification of CDM's capacity to complete this transaction without need for outside financing. Importantly, I am the sole decision-maker of CDM, so I can offer you a very efficient deal.

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

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

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

As you will see in the attached Letter of Intent, I am requesting an exclusivity period to complete the definitive agreements. I would like to receive your reply by 5:00 p.m. on March 17, 2015, and you should consider this proposal open until that time, provided that the confidentiality requested above is honoured.

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

Best Regards,

A handwritten signature in black ink, consisting of a long horizontal line with several diagonal strokes crossing it from the bottom left to the top right.

Mohammad Al Zaibak  
President and Chief Executive Officer

Enclosure

CANADIAN DEVELOPMENT AND MARKETING CORPORATION

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March 16, 2015

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200 Public Square, Suite 3300  
Cleveland, Ohio 44114  
U.S.A.

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

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

RE: Acquisition of Chromite Project Assets

Dear Mr. Tompkins:

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

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

1. Definitive Agreements. The obligations of Cliffs and Company to consummate the Proposed Transaction are subject to and conditioned upon, among other things, (a) the negotiation and execution of the Definitive Agreements, (b) satisfaction of all conditions precedent to closing as identified in the Definitive Agreements, (c) the satisfactory completion of basic due diligence by Company, (d) receipt by Cliffs and/or Company of any necessary or proper third-party consents or approvals, and (e) receipt by Cliffs and/or Company of any and all necessary governmental approvals. The rights and obligations of Cliffs and Company with respect to the Proposed Transaction shall be only as set forth in the Definitive Agreements.

2. Exclusive Dealing.

- a. In order to induce Company to commit the resources and incur the legal and other expenses necessary to negotiate the Definitive Agreements with Cliffs, Cliffs hereby agrees that (a) Company shall have the sole and exclusive right to negotiate with Cliffs for transactions similar to or otherwise in conflict with the Proposed Transaction, or any other transaction involving an additional investment in or loan related to the Project (any such transaction, a "**Restricted Transaction**") and (b) neither Cliffs nor any officers, directors, employees, agents, representatives or shareholders of Cliffs shall solicit directly or indirectly, favorably respond to indications of interest from, enter into negotiations with, or enter into any agreement with, any third party for any possible Restricted Transaction. In the event that Cliffs receives a proposal relating to any possible Restricted Transaction, Cliffs shall promptly reject such proposal and notify Company of the proposed Restricted Transaction (including the terms thereof and the identity of the persons or entity making such proposal). In the event that Cliffs is required by law to accept any such proposal relating to a Restricted Transaction (a "Superior Proposal"), Cliffs shall first provide Company the right to match the terms of such a Superior Proposal (less the amount of the break fee provided in Paragraph 5 of this Letter of Intent), and in the event that Company, in its sole discretion, agrees to match such Superior Proposal, Cliffs shall be obligated to proceed with Company on such terms, i.e., terms that are economically neutral to Cliffs. Cliffs agrees to promptly terminate any current discussions with third parties relating to any Restricted Transaction. In the event of any breach of this paragraph, Company shall be entitled to exercise all rights and remedies available to it at law and in equity.
- b. Following the execution of this Letter of Intent, upon request by Cliffs, Company will within five (5) business days of receipt of such request submit a **US\$500,000** deposit (the "**Deposit**") to the CCAA monitor's legal counsel (the "**Trustee**"), evidencing the commitment of Company to fund the balance of the purchase price on closing pursuant to the terms of the Definitive Agreements. The Trustee shall keep the Deposit until the closing of the Proposed Transaction, whereupon the Deposit, plus any accrued interest, will be applied against the purchase price. The Deposit is fully refundable, and if the Proposed Transaction fails to close for any reason or this Letter of Intent is terminated, the Trustee shall within five (5) business days of receipt of Company's request therefore refund the Deposit plus any accrued interest to Company, without prejudice to the recourse available to Company against Cliffs. The provisions of this Paragraph 2(b) shall survive any termination of this Letter of Intent.

3. Non-Disclosure.

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

contemplated hereby and who agree to be bound by the nondisclosure obligations of this Paragraph 3; or

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

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

- 4. Expenses. Whether or not the parties enter into the Definitive Agreements with respect to the Proposed Transaction, each of the parties hereto will pay its own costs and expenses including, without limitation, legal, regulatory, or financial advisory and accounting fees and expenses, incurred at any time in connection with pursuing or consummating the Proposed Transaction. The provisions of this Paragraph 4 shall survive any termination of this Letter of Intent.
- 5. Break Fee. If (a) Cliffs breaches its obligations in Paragraph 2 of this Letter of Intent or Cliffs terminates negotiations toward Definitive Agreements with Company, and (b) within one (1) year after the date of such breach or the termination date, as the case may be, Cliffs signs a letter of intent or other agreement relating to the acquisition of a material portion of the Project or the shares, assets or business related thereto, in whole or in part, whether directly or indirectly, through purchase, merger, consolidation or otherwise and such transaction is ultimately consummated, then, immediately upon the closing of such transaction, Cliffs shall pay to Company the sum of US\$500,000, plus Company's reasonable out-of-pocket fees and expenses related to negotiating the terms of the Definitive Agreements. This fee will not serve as the exclusive remedy to Company under this Letter of Intent in the event of a breach by Cliffs of Paragraph 2 of this Letter of Intent or any other of the binding provisions, and Company will be entitled to all other rights and remedies provided by law or in equity. The provisions of this Paragraph 5 shall survive any termination of this Letter of Intent.
- 6. Definitive Agreements. This Letter of Intent is intended to express only a mutual indication of interest in the Proposed Transaction and does not represent any commitment or obligation on the part of Cliffs or Company with respect to the Proposed Transaction, except with respect to numbered Paragraph 2 (Exclusive Dealing), Paragraph 3 (Non-Disclosure), Paragraph 4 (Expenses), Paragraph 5 (Break Fee), this Paragraph 6 (Definitive Agreements), Paragraph 7 (Due Diligence), and Paragraph 8 (Termination), and no party hereto shall assert otherwise. Any decision by Company to make an offer, and any decision by Cliffs to accept such offer, relating to the Proposed Transaction and the consideration to be paid would be based upon the parties' mutual agreement on the full terms and conditions of the Definitive Agreements.
- 7. Due Diligence. Cliffs shall provide to Company (or agents as approved by Company) complete reasonable access to the books, records, personnel and properties of Cliffs in connection with Company's basic due diligence investigation for purposes of negotiating the Definitive Agreements.
- 8. Termination. If for any reason the Definitive Agreements relating to the Proposed Transaction have not been executed and delivered by 5:00 p.m., on the date which is thirty (30) days after the date this Letter of Intent is executed, this Letter of Intent and all obligations and liabilities of the parties under this Letter of Intent or otherwise related to the Proposed Transaction shall terminate upon written

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


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

[Signature page follows]

If this Letter of Intent is acceptable to Cliffs, please have it executed in the space provided below and return the same to Mohammad Al Zaibak by hand delivery or via email at mohammad@sympatico.ca before 5:00 p.m., March 17, 2015, after which time, if not so executed and delivered, this Letter of Intent shall have no force or effect.

Very truly yours,

**Canadian Development and Marketing Corporation**

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

Acknowledged and agreed,  
as of the \_\_\_\_ of \_\_\_\_\_:

**Cliffs Natural Resources Inc.**

By: \_\_\_\_\_  
Name:  
Title:

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

By: \_\_\_\_\_  
Name:  
Title:



**Exhibit A****Summary of Terms**

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

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

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

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

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

**Purchase Price.** The purchase price would include:

- a. **US\$21 million**, less the total amount of all outstanding liabilities as listed in Schedule 1, payable in cash at closing; and,
- b. **US\$2 million**, after closing, payable in cash by December 31, 2015.

**Limited Contingencies.**

- a. No financing contingency.
- b. CCAA Court approval and a vesting order delivering to Company the Assets of the filing entities free and clear of any encumbrances or claims of any kind.
- c. While we understand considerable and competent work has been done over several years and that the resource is 43-101 compliant, we would require the opportunity to have a final review of that estimate by a qualified expert.

**Closing.** Closing within forty-five (45) days of entering into this Letter of Intent pursuant to the terms of Definitive Agreements containing representations, warranties and indemnification provisions typically found in agreements to purchase assets of this nature. Given our understanding of the assets and liabilities, we would expect these to be limited.

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

Schedule 1

**MATERIAL COMMITMENTS**

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