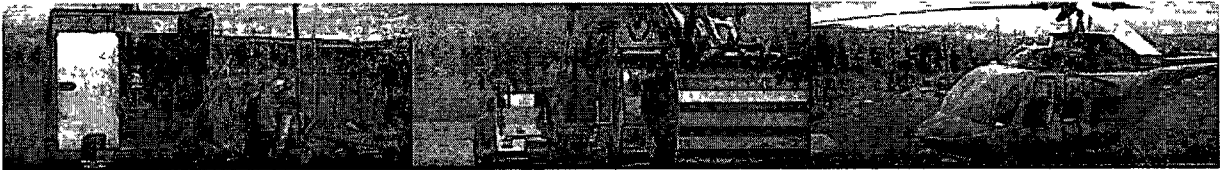


Final Report

An Analysis of the Economic Impacts Associated With the Kami Iron Ore Project: A 8 Mtpa, 26 Year Project



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Table of Contents

Executive	1
1 0 Introduction.....	1
2.0 Methodology .	3
3.0 Employment and Income Impacts.....	6
3 1 ADV's Capital and Operating Expenditure Profiles	6
3 2 Cost Decomposition .	7
3.3 Total Direct Employment and Labour Income	8
3.4 Direct Employment and Income by Region.....	8
3.5 Indirect Income and Employment	11
3 6 Induced Income and Employment	13
3.7 Total Project Income and Employment Impacts.	14
3.8 Gross Domestic Product (GDP) ..	17
4 0 Taxation.....	18
4 1 Direct, Indirect and Induced Taxes.....	18
5 0 Sensitivity Analysis	22
6 0 Conclusion	27
Appendix A: Detailed Tables ..	29

List of Figures

Figure 1 : Kami Iron Ore Project.....	2
Figure 2: Capital Expenditure Direct Employment Income by Region	9
Figure 3: Operating Expenditure Direct Employment Income by Region	11
Figure 4 Total Project Indirect Employment by Region	12
Figure 5: Project Indirect Income by Region (\$M CDN)	13
Figure 6. Income Benefits for the Canadian Economy (2017 CDN\$, Millions).....	15
Figure 7: Income Benefits for the Canadian Economy (2017 CDN\$, Millions)..	16
Figure 8: Employment Benefits for the Canadian Economy (PY)	17
Figure 9. Employment Benefits for the Canadian Economy (PY) ...	17
Figure 10: GDP (2017 \$CDN, Millions). ..	18

Figure 11 Treasury Benefits for Canada (2017 CDN\$, Millions)	20
Figure 12: Cash Flow Split – ADV, Royalties, Federal and Provincial Direct Taxes (2017 CDN\$, Millions)	21
Figure 13. NPV (8%) Sensitivity – Capex and Prices (CDN \$)	26
Figure 14: NPV (8%) Sensitivity – Opex and Prices (CDN \$)	26
Figure A 1: IRR Sensitivity – Capex and Prices (CDN \$)	36
Figure A 2: IRR Sensitivity – Opex and Prices (CDN \$)	37
Figure A 3: NL Employment Sensitivity – Capex and Prices (CDN \$)	37
Figure A 4: NL Employment Sensitivity – Opex and Prices (CDN \$)	38
Figure A 5: NL Income Sensitivity – Capex and Prices (CDN \$)	39
Figure A 6. NL Income Sensitivity – Opex and Prices (CDN \$)	39
Figure A 7: NL Taxes Sensitivity – Capex and Prices (CDN \$)	40
Figure A 8: NL Taxes Sensitivity – Opex and Prices (CDN \$)	40
Figure A 9: NL GDP Sensitivity – Capex and Prices (CDN \$)	41
Figure A 10: NL GDP Sensitivity – Opex and Prices (CDN \$)	41

List of Tables

Table ES 1: Summary of Key Parameters and Cash Flow Verification Results – Kami Iron Ore Base Project (2017\$, Millions)	ii
Table ES 2. Economic Impacts – Total Income (2017 CDN\$, Millions)	v
Table ES 3 Economic Impacts – Total Employment (PY)	vi
Table ES 4 Newfoundland and Labrador Economic Impacts – Employment (PY)	vii
Table ES 5 Economic Impacts – GDP (2017 CDN\$, Millions)	viii
Table ES 6. Economic Impacts – Treasury (2017\$, Millions)	ix
Table ES 7: Sensitivity Scenarios	x
Table 1: Capital Cost Estimates (2017\$, Millions)	6
Table 2. Operating Cost Estimates (2017\$, Millions)	6
Table 3. Direct Costs by Project Category and Cost Type (2017 CDN\$, Millions)	7
Table 4: Total Labour Cost, Direct Labour Income and Direct Employment (PY)	8
Table 5: Direct Income and Employment by Project Category, Area and Region: Capital Expenditures (2017\$, Millions CDN and PY)	9

Table 6: Direct Income and Employment by Project Category, Area and Region: Operations (2017\$, Millions CDN and PY)	10
Table 7: Direct Income and Employment by Area: Total Project (2017\$, Millions CDN and PY).....	11
Table 8: Total Indirect Employment by Project Category and Region (PY)	12
Table 9: Total Indirect Income by Project Category and Region (2017\$, Millions).....	13
Table 10. Induced Income and Employment Parameters.....	14
Table 11 Direct, Indirect and Induced Income Summary (2017\$, Millions)	14
Table 12: Direct, Indirect and Induced Employment Summary (PY).....	16
Table 13: GDP from Capital and Operating Expenditures (2017\$, Millions)....	18
Table 14 Tax Parameter Input Summary	19
Table 15: Direct, Indirect and Induced Taxes – Total Project (2017\$, Millions)	19
Table 16: Net Direct Cash Flow Split – ADV, Royalties, IBAs, Federal and Provincial (2017\$, Millions)	20
Table 17: Sensitivity Scenarios	22
Table 18. Capital Cost Sensitivity (\$M CDN).....	22
Table 19 Operating Costs Sensitivity (\$M CDN)	23
Table 20. FOB Sept Ilse Price Sensitivity (\$M CDN)	24
Table 21: NPV (8%) Sensitivities (\$M)	25
Table A 1: Capture Rates/Supply Factors (M CDN\$)	29
Table A 2: Value Added Factors	30
Table A 3: Capital Cost Sensitivity and Price Sensitivity... ..	31
Table A 4: Operating Cost Sensitivity and Price Sensitivity.....	33
Table A 5: IRR Sensitivities	36
Table A 6. NL Employment Sensitivities (PY)	37
Table A 7: NL Income Sensitivities (\$M)	38
Table A 8: NL Taxes Sensitivities (\$M)	39
Table A 9: NL GDP Sensitivities (\$M).	40

Executive

This report was prepared by Dr. Wade Locke and Strategic Concepts, Inc. (SCI) on behalf of Alderon Iron Ore Corp. (ADV). It evaluates the economic impacts expected to emanate from the capital and operating expenditures associated with the development of the Kamistatusset (Kami) Iron Ore Project (Project) in Labrador. The economic impacts identified are based on the construction and operations of the 8 mtpa/26 year project, including a two-year construction period and twenty-four years of operations. The economic impacts are analyzed for the economies of Newfoundland and Labrador (NL), Quebec (QC), Ontario (ON), the Rest of Canada (ROC) and the country as a whole (CDN).

Alderon Iron Ore Corp ("Alderon") acquired a 100% interest in the Kami project on December 8, 2010 from Altius Minerals Corporation ("Altius"). On December 2012, Alderon issued a NI 43-101 Report summarizing the results of a Feasibility Study of the Kami Project. Over the next two years the company made significant progress towards completing engineering on the design and construction of the project as well as obtaining the necessary permits for the project to proceed. However, in December 2014 Alderon placed the Kami project on hold when it announced a cash preservation program resulting from the severe downturn in prices for iron ore.

In March 2017 Alderon received the results of a new preliminary economic assessment ("PEA") of the Kami project that was completed by the engineering consulting group BBA Inc. The PEA was prepared as a result of a re-scoping exercise targeted at identifying capital and operating cost savings in the project that had arisen over the last few years as a result of the depressed state of the iron ore market. Changes in the ownership of complementary infrastructure and the management of assets in the Labrador Trough (including the acquisition by Société du Plan Nord of rail and port infrastructure) and the idling of the neighbouring Wabush Scully Mine combined with improved market conditions created an ideal time for and the re-boot of the Kami Project. The Kami project offers the possibility of generating significant economic benefits to Canada and in particular to the provinces of Newfoundland and Labrador.

The economic impacts associated with the development of Kami project as defined in the new PEA were analyzed from four perspectives:

1. A cash-flow perspective, utilizing a ring-fenced assumption for the operating and capital cost projections and the production profile that was provided in the 2017 PEA
2. An economic impact perspective, which considered direct, indirect and induced impacts on employment, income, GDP and taxation on the broader economy
3. A taxation and treasury perspective, which measured direct, indirect and induced taxation impacts
4. A sensitivity perspective whereby the economic impacts associated with changes in commodity prices and capital and operating costs were analyzed.

The primary source of information used in the economic impact analysis was the production profile, operating cost assumptions and capital cost projections contained in the March 2017 PEA. The 2017 PEA also contained financial projections for a base case project. The Base Case Costs contained in that report were categorized specifically for use in this analysis. Included in the capital and operating costs identified were multiples for major classifications of expenditures — labour, materials, equipment and external services. The economic

impact parameters used in the analysis were gathered from a number of sources including Statistics Canada, other similar economic impact assessments on mining projects, including other iron ore projects operating and being developed in Northern Canada, ADV and the experience of the study team which has been undertaking similar studies for the past twenty years.

The Base Case economic impacts generated by the project were identified and recorded. A sensitivity analysis was completed whereby capital and operating costs along with pricing parameters were modified to determine impacts on project viability and key economic indicators including taxation, employment and incomes.

The study team developed a cash flow model for the Base Case incorporating capital and operating costs as well as production profiles derived from discussions with Alderon representatives, including the engineering firm of BBA. The revenue projections used in the analysis were also contained in the PEA. The cash flow model served as the primary input for the economic impact analysis. A summary of the key parameters used in developing the Base Case cash flow are provided in Table ES1.

Table ES 1: Summary of Key Parameters and Cash Flow Verification Results – Kami Iron Ore Base Project (2017\$, Millions)

Construction		
Construction Phase	Relative year 0	
Period (Years)	2	
Production		
First Production	Relative year 1	
End of Production	Relative year 24	
Total Production	182 MT	
Period (Years)	24	
Exchange Rate (US \$/CDN \$)	0.77	
Concentrate Price FOB Sept 11es	\$65.30 US/t	\$84.80 CDN/t
Revenue and Capital Expenditures \$M		
	US \$	CDN \$
Revenue	\$11,886	\$15,436
Construction Capital (Year -1 to 0)	\$903	\$1,172
Sustaining Capital (Relative year 1 to 24)	\$217	\$323
Closure/Rehabilitation Cost	\$32	\$42
Total Capital	\$1,152	\$1,538
Operating Cost	\$5,657	\$7,347
Opex/tonne	\$31.08	\$40.36
Total Operating and Capital Costs	\$6,841	\$8,885
Cash Flow Verification		
	US \$	CDN \$
Royalties	\$357	\$463
Direct Taxes		
	US \$	CDN \$
NL CIT	\$637	\$826
NL Mine	\$485	\$635
Federal CIT	\$637	\$826
Total	\$1,758	\$2,287
After Tax Cash Flow		
	US \$	CDN \$
Net Cash Flow	\$2,916	\$3,783

IRR (after-tax)	18.5%	18.5%
NPV 8% (after-tax)	\$659	\$853
NPV 10% (after-tax)	\$441	\$571

The Kami project is anticipated to produce 182 MT of iron ore concentrate over a 24 year operational period. Using an average concentrate price of \$84.80 CDN/t, the project will generate approximately \$15.4 billion CDN in revenue and a net cash flow of \$3.8 billion CDN. The project has an estimated total cost of \$8.9 billion to build and operate. The estimated capital cost of the project is \$1.5 billion CDN including \$323 million CDN in sustaining capital and \$42 million CDN in closure costs. Operating expenditures over the 24-year life of the mine are anticipated to reach \$7.3 billion CDN. The project will generate more than \$460 million CDN in royalties and \$2.3 billion CDN in taxes, including \$635 million CDN in mining taxes to the Government of Newfoundland and Labrador.

Figure ES 1. Capital, Operations and Total Project Capital Expenditures by Type (US\$)

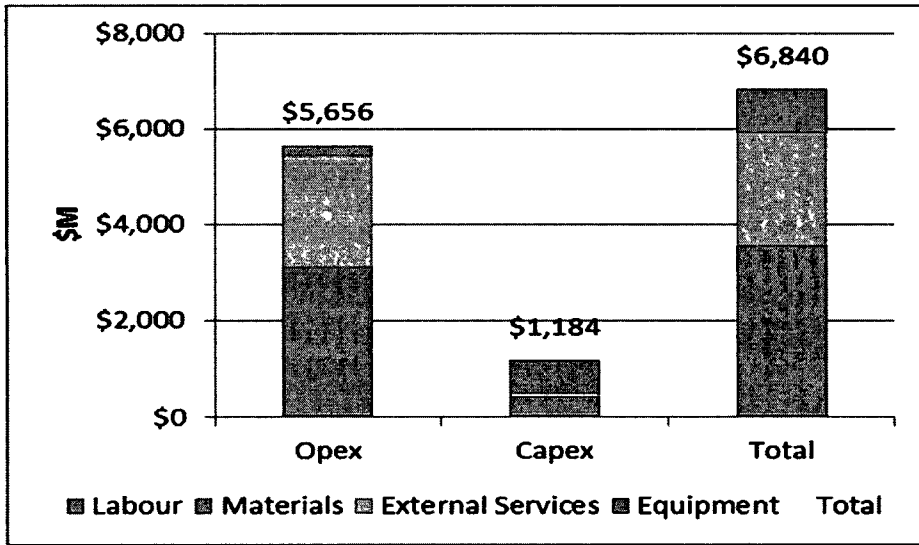
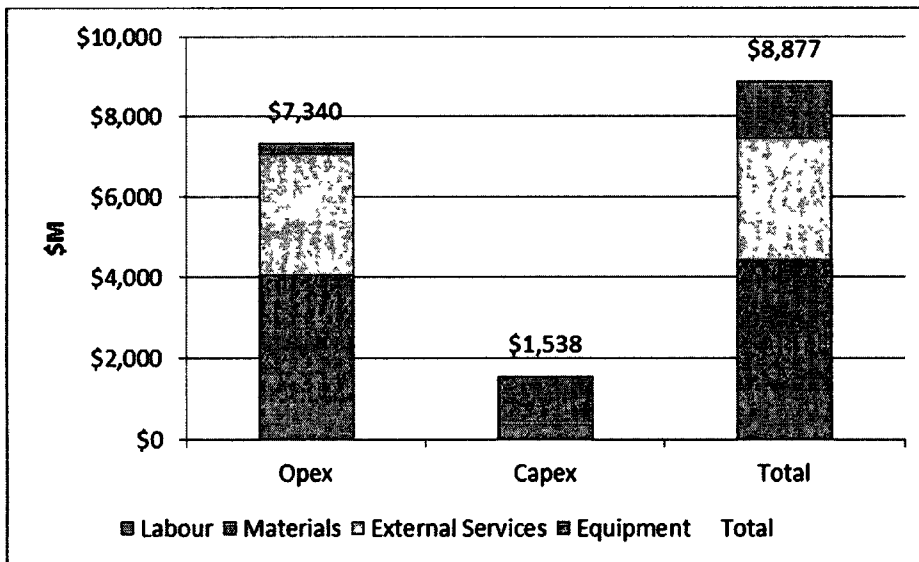


Figure ES 2. Capital, Operations and Total Project Capital Expenditures by Type (CDN\$)



Economic Impacts

The Kami iron ore mine will have significant economic implications for the Canadian economy and in particular the economies of Quebec and Newfoundland and Labrador. The mine will also have significant federal and provincial Treasury impacts.

Capital and operating expenditures associated with the Kami project are expected to create in excess of 100,000 person years of employment, including in excess of 11,100 person years of direct employment. The project will also generate approximately \$7.6 billion CDN in income to workers and businesses and \$19.5 billion in GDP.

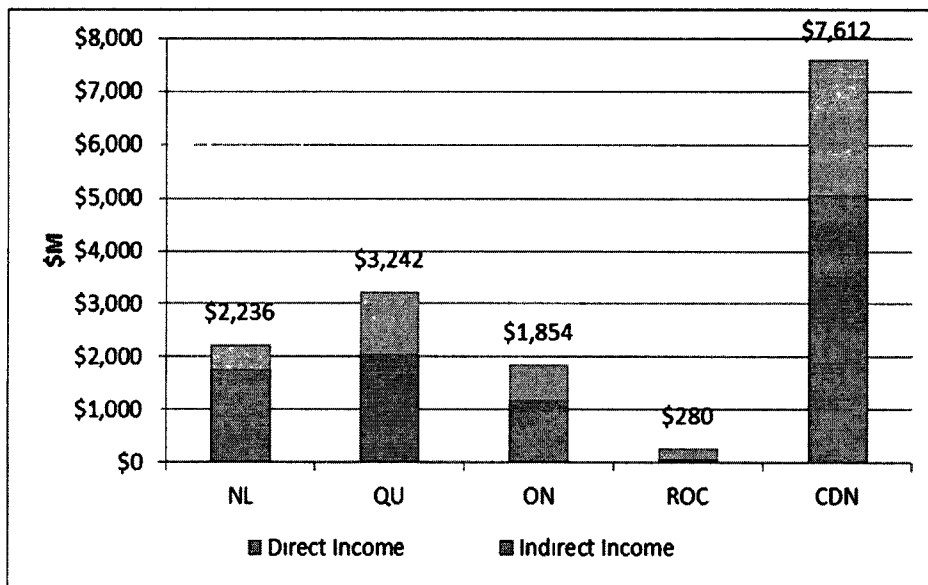
Newfoundland and Labrador is expected to receive almost 32,000 person years of employment, including 10,000 direct years of employment. Workers and business in Newfoundland and Labrador are expected to receive approximately \$2.2 billion CDN in incomes. Quebec is expected to receive approximately 42,260 person years of employment including approximately 834 direct years of employment. Workers and businesses in Quebec are expected to receive approximately \$3.2 billion in incomes.

A summary of the key economic impacts for the iron ore mine on Canada and select provinces (NL, QC, ON and ROC) is provided in Table ES 2 to 5 and Figures ES 3 to 6 for income and employment.

Table ES 2. Economic Impacts – Total Income (2017 CDN\$, Millions)

		CDN	NL	QC	ON	ROC
Direct	Operations	\$692	\$655	\$37	\$0	\$0
Direct	Capital	\$252	\$182	\$42	\$18	\$9
<i>Sub-Total Direct</i>		\$943	\$837	\$79	\$18	\$9
Indirect	Total	\$4,131	\$938	\$1,973	\$1,155	\$66
Induced	Total	\$2,537	\$461	\$1,190	\$681	\$205
Total		\$7,612	\$2,236	\$3,242	\$1,854	\$280

Figure ES 3: Economic Impacts – Total Income (2017 CDN\$, Millions)



These results illustrate the significant level of benefits that would be expected to accrue to QC as the main supplier of many of the non-labour inputs required by ADV. The vast majority of these items are expected to be sourced in Quebec and Ontario because each of their large manufacturing and industrial economic bases. Additionally, QC will receive direct and indirect benefits related to the operation of the railway and port facilities situated in Quebec. Businesses in Newfoundland and Labrador are anticipated to supply roughly 30%

of the materials, goods and services required by the project during construction and 40% during operations Alderon will enter into a benefits plan with the provincial government that will likely include terms and conditions for attempting to enhance the purchase of goods and services from local companies

Table ES 3 Economic Impacts – Total Employment (PY)

		CDN	NL	QC	ON	ROC
Direct	Operations	8,511	8,120	391	-	(0)
Direct	Capital	2,620	1,897	442	190	90
Sub-Total Direct		11,131	10,017	834	190	90
Indirect	Total	45,903	12,502	21,086	11,688	627
Induced	Total	43,371	9,465	20,344	11,633	1,929
Total		100,405	31,984	42,263	23,512	2,646

Figure ES 4: Economic Impacts – Total Employment (PY)

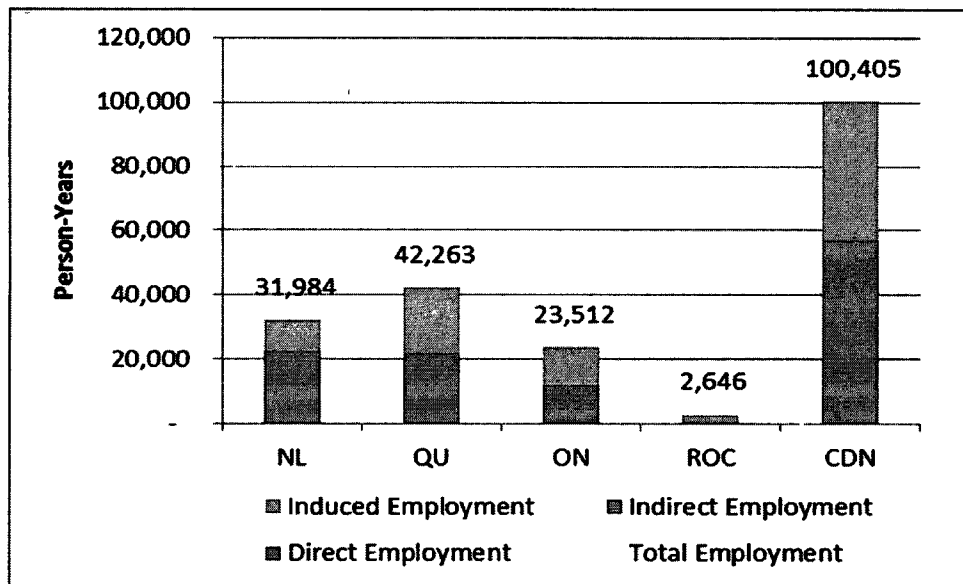
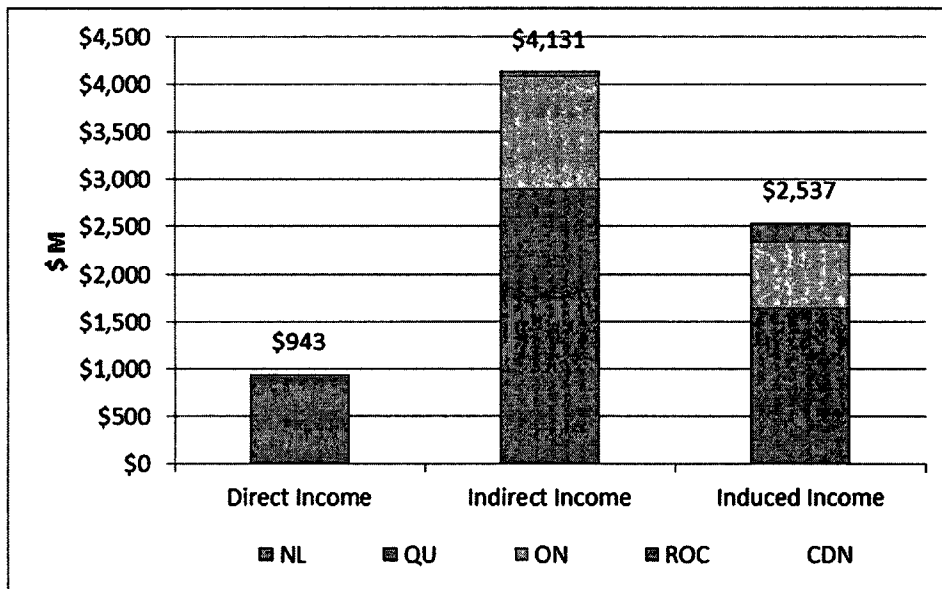


Figure ES 5. Income Benefits for the Canadian Economy (2017 CDN\$, Millions)



(Operations – 85%, Capital – 15%)

Direct employment in Newfoundland and Labrador is estimated to peak during construction at 1,100 person years, which increases to 3,500 person years when indirect and induced employment is considered. During operations, Newfoundland and Labrador direct employment will peak at 420 person years and total employment will peak at 3,500 person years when indirect and induced employment is considered. This corresponds to an annual average of 400 person years of direct employment during operations and an average 1,280 person years of total employment.

Table ES 4. Newfoundland and Labrador Economic Impacts – Employment (PY)

Newfoundland and Labrador Share of Canadian Employment	
Direct Capital Phase Employment	72.42%
Direct Operating Phase Employment	95.40%
Total Direct Employment	89.99%
Indirect Employment	27.24%
Induced Employment	21.82%
Total Employment	31.85%
Newfoundland and Labrador Peak and Annual Direct Employment	
Peak Construction Phase	1,089
Average Construction Phase (two years)	545
Peak Operations Phase	420
Average Operations Phase	338

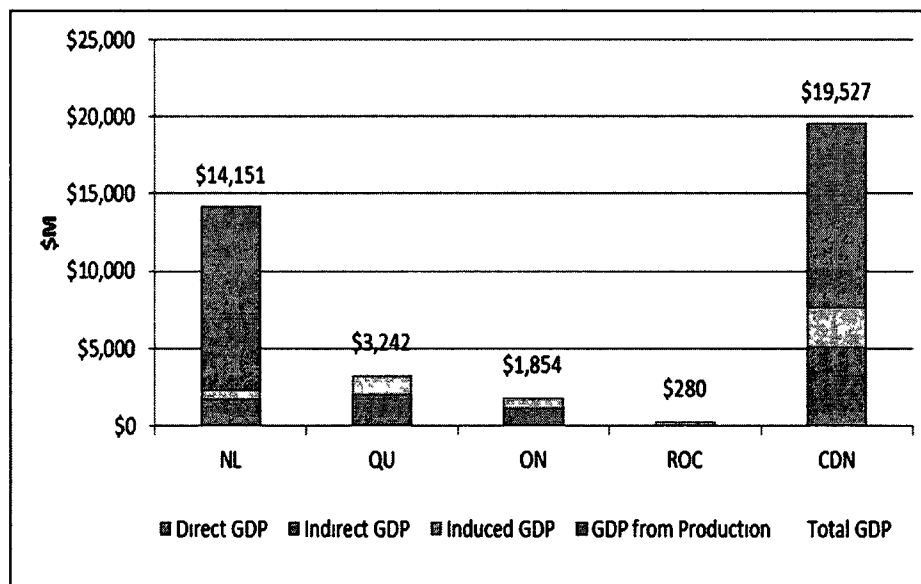
At the national level, the Kami Project is expected to generate almost \$19.5 billion CDN in GDP, decomposed into \$7.6 billion CDN in income and \$11.9 billion CDN in GDP from production.

Newfoundland and Labrador factors of production will receive approximately \$2.2 billion CDN in labour incomes and profits. When the value of production, estimated at \$11.9 billion CDN, is added to the local factor incomes, provincial GDP is expected to reach \$14.2 billion CDN dollars over the life of the project. Estimates for incomes to factors of production and GDP from production are illustrated in Table ES 5 and Figure ES 6.

Table ES 5: Economic Impacts – GDP (2017 CDN\$, Millions)

GDP	CDN	NL	QC	ON	ROC
Direct GDP	\$943	\$837	\$79	\$18	\$9
Indirect GDP	\$4,131	\$938	\$1,973	\$1,155	\$66
Induced GDP	\$2,537	\$461	\$1,190	\$681	\$205
Total GDP from Income	\$7,612	\$2,236	\$3,242	\$1,854	\$280
Net GDP from Production	\$11,915	\$11,915	\$0	\$0	\$0
Total GDP	\$19,527	\$14,151	\$3,242	\$1,854	\$280

Figure ES 6: GDP (2017 CDN\$, Millions)



Treasury Impacts

The Kami mine is expected to generate an estimated \$2.0 billion in total revenues to the federal treasury (CDN) and \$2.4 billion CDN to the provincial treasuries over the life of the project. Newfoundland and Labrador is expected to receive \$1.8 billion in treasury payments while Quebec will receive \$460 million. This includes direct taxes paid by the company, direct personal taxes paid by individuals working on the project and indirect and induced tax impacts.

A summary of the taxation impacts on the Canadian and selected provincial treasury's is provided in Table ES 6, Figure ES 6 and Figure ES 7.

Table ES 6. Economic Impacts – Treasury (2017\$, Millions)

	CDN	NL	QC	ON	Combined
Direct Taxes	\$997	\$1,595	\$19	\$3	\$2,615
Indirect Taxes	\$468	\$96	\$239	\$46	\$849
Induced Taxes	\$521	\$92	\$201	\$102	\$916
Total Taxes	\$1,986	\$1,783	\$459	\$151	\$4,380

Figure ES 7: Taxes (2017 CDN\$, Millions)

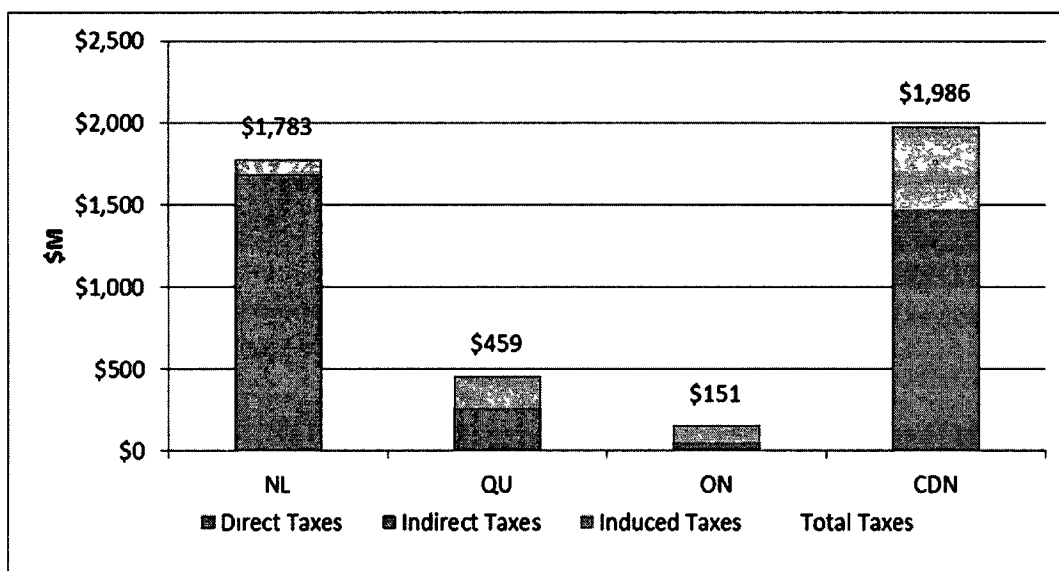
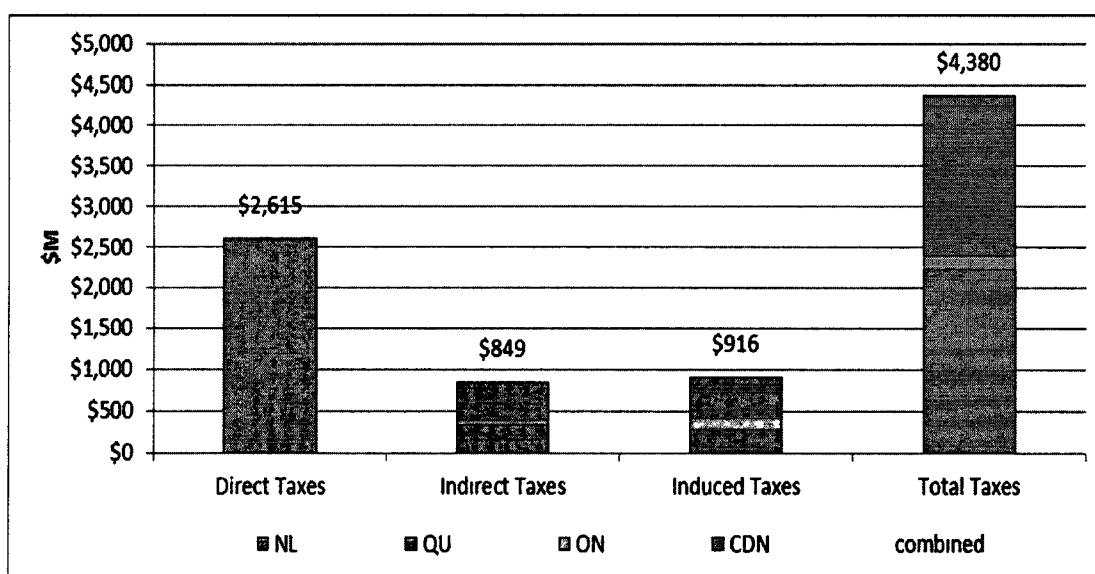


Figure ES 8: Treasury Benefits for Canada (2017 CDN\$, Millions)



Scenario and Sensitivity Analysis

A sensitivity analysis was undertaken to illustrate the potential changes in economic impacts when various commodity prices, and capital and operating costs were factored into the project's cash flow. The range of cost sensitivities used in the analysis is provided in Table ES 7. The base case scenario was analyzed to determine implications associated with + or - 25% changes in capital costs, operating costs and commodity prices.

Table ES 7 Sensitivity Scenarios

	Value	Change from Base Case	Value	Change from Base Case
	\$ US	\$US	\$CDN	\$CDN
Base Capex (M \$CDN)	\$1,184		\$1,538	
Base Capex + 25% (M \$CDN)	\$1,425	\$241	\$1,848	\$310
Base Capex - 25% (M \$CDN)	\$944	-\$240	\$1,228	-\$310
Base Opex (\$31.08 US/tonne or \$40.36)	\$5,657		\$7,347	
Base Opex + 25% (\$38.85 US/tonne or \$50.45)	\$7,071	\$1,414	\$9,184	\$1,837
Base Opex - 25% (\$23.31 US/tonne or \$30.27)	\$4,243	-\$1,414	\$5,510	-\$1,837
Sept Ilse FOB Base Price	\$65		\$85	
Sept Ilse FOB Base Price + 25%	\$82	\$16	\$106	\$21
Sept Ilse FOB Base Price - 25%	\$49	-\$16	\$64	-\$21

A summary of sensitivity impacts arising from changes in capital and operating costs combined with variations in commodity pricing is contained in section five of this report. The sensitivity analysis illustrates impacts on project viability as indicated by IRR, NPV and net cash flow calculations. The analysis also shows impacts on the treasury and the economy in terms of employment, incomes and GDP.

Key Observations

Based on the economic impact model and related analysis undertaken in this study, a number of observations have been made, including:

- ADV's operations will generate significant economic benefits throughout the country, particularly in NL where the mining activity will take place and through the purchase of goods, services and equipment in QNT and QUE.
- The economic model measures employment, income, GDP and taxation impacts over a twenty six year period that includes two years of construction capital expenditures and twenty four years of operational expenditures. This model does not include new discoveries or additional expansion.
- From a taxation perspective under the Base Case, the provincial governments are the greatest recipients of direct, indirect and induced taxation revenues with \$2.4 billion in taxation revenue being collected. The federal government will collect \$4.4 billion in revenues from the project.

- The Base Case project was demonstrated to be fairly robust when analyzed using different capital and operating costs and commodity prices. Using an 8% discount rate, the NPV starts to turn negative with a combination of commodity prices near \$64 CDN per tonne and capital costs approaching \$1.8 billion CDN (\$10 CDN per tonne) or commodity prices near \$64 CDN and operating costs approaching \$9.2 billion CDN (\$50.45 CDN/tonne).
- From an alternative perspective, the base case project continues to yield a positive NPV with capital costs increasing by 25% or operating costs remaining constant at base prices or lower.
- From a project cash flow perspective, ADV is the greatest recipient with \$3.8 billion CDN in net cash flow to its treasury, while the Government of Newfoundland and Labrador is the biggest recipient of direct taxation revenue with \$1.6 billion CDN being collected.

1.0 Introduction

This report, prepared by Strategic Concepts, Inc (SCI) and Dr Wade Locke on behalf of Alderon Iron Ore Corp. (ADV), evaluates the economic impacts expected to emanate from the capital and operating expenditures associated with the development of the Kami Iron Ore Project (Project) in Labrador. The economic impacts are analyzed for the economies of Newfoundland and Labrador (NL), Quebec (QC), Ontario (ON), the Rest of Canada (ROC) and the country as a whole (CDN).

The economic impacts associated with the project were analyzed from five perspectives.

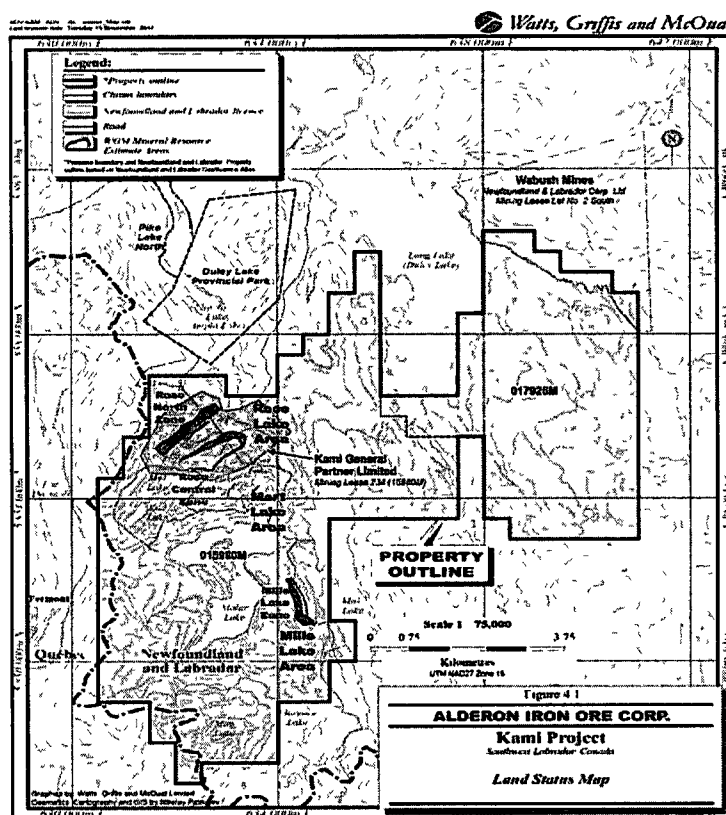
1. A cash-flow perspective, utilizing a ring-fenced assumption for the operating and capital cost projections and the production profile that was provided by various consultants on behalf of ADV.
2. An economic impact perspective, which considered direct, indirect and induced impacts on employment, income, GDP and taxation on the broader economy
3. A taxation and treasury perspective, which measured direct, indirect and induced taxation impacts
4. A sensitivity perspective whereby the economic impacts associated with changes in commodity prices, and capital and operating costs were analyzed.

1.1 Project Description

Alderon Iron Ore Corp is focused on the exploration and development of its Kami Iron Ore Property, which is strategically located next to the mining towns of Wabush and Labrador City. The property includes 305 claims in Labrador.

Kami is located 6.4km East of Consolidated Thompson's Bloom Lake Deposit and is in close proximity to a road (~2.5km), a common carrier railway (~15km) and a hydro power station (~15.5km). The multi-user railway will transport the material to a deep-sea port which will provide year round access to the global market.

Figure 1 . Kami Iron Ore Project



1.2 Scope of Work

The analysis was conducted from capital and operating cost estimates for the Project that were provided by the company. The total project period covered is 26 years.

1.3 Report Structure

This report consists of six sections. The introduction and project description are contained in Section 1. The methodology utilized in this analysis is described in Section 2 and the summary economic results for income and employment are provided in Section 3. This is followed in Section 4 by detailed estimates of provincial and federal tax revenues. In Section 5, a sensitivity analysis of project scenarios whereby the commodity prices, development scenarios, and capital and operating costs were altered. A conclusion is offered in Section 6 and detailed appendix of summary tables is attached in Appendix A.

2.0 Methodology

The model used to measure economic impacts, the Strategic Concepts Inc. (SCI) model, was developed specifically for resource projects and has been applied to a number of iron ore projects being proposed or in operations in Canada.¹

The economic impact model is based on the principal of tracking expenditures through the economy and applying reasonable coefficients to determine direct, indirect and induced impacts on employment, incomes, gross domestic product, and taxation.² The economic impact parameters used in the analysis were derived from data obtained from a number of sources including Statistics Canada, the Canada Revenue Agency, various provincial government departments and agencies and from economic impact assessments on other mining projects. The primary sources of information used in the economic impact analysis were construction phase expenditure profiles and the ongoing operating costs that were prepared by ADV and provided to SCI for the purpose of estimating the economic impacts that are presented in this report.

The working basis underlying the SCI model is that the economic impacts that flow throughout the economy emanate from the project's construction and operations expenditures. These impacts are magnified as labour and business incomes associated with the expenditure activities are re-spent throughout the economy.

Core cost components that drive the economic impact analysis are costs associated with labour, materials, services and equipment. The decomposition of expenditures into these cost types allows for a more precise calculation of employment and incomes generated by the capital and operating phases of each of the project components. From ADV's expenditure decomposition, the direct employment and income impacts were calculated by applying an estimate of labour cost per person year of employment³ to the direct expenditures allocated to labour.

Next, indirect impacts are estimated by applying supply or capture rates for materials, services and equipment. The expected proportions of each expenditure component to be purchased by jurisdiction were provided by

1 A sample list of the projects analyzed with this model include IOC's iron ore operations in Labrador City as well as its expansion projects, New Millennium Capital's proposed iron ore developments in Labrador (Labmag) and Quebec (Kemag), Tata Steel's DSO iron ore project in Labrador and AcerlorMittal's proposed Mary River iron ore project in Nunavut

2 Direct impacts are those associated directly with the project. For example, direct operating employment is composed of people who operate the facilities or are engaged in maintenance activities. On the other hand, direct capital phase employment is composed on individuals directly involved in construction activities such as building power plants or operating heavy equipment used to construct the mine in Labrador. Indirect impacts are those impacts associated with materials, services and equipment purchased by the project during its operating and construction phases. This would include, for instance, the extra workers needed by the contractor to meet the project's needs for concrete or the extra employees needed by the contractor who supplies services to ADV during the operations phase of the project. Induced impacts are those occur in the services sector throughout the economy as direct and indirect incomes get spent throughout the economy. This would include extra employment in restaurants, hotels and the retail sector that is supported by the project.

3 In this analysis, a person year of employment has been defined as 2,000 hours per annum, worked by one or more individuals within the calendar year considered.

ADV and are detailed in this report. Within each jurisdiction, SCI weights these capture rates by value-added parameters to more accurately reflect the import content of each component. More specifically, the value-added parameters utilized are contingent on both the type of goods and services required and the ability of the business communities in Labrador, and across the country, to supply and/or add value to the particular type of good or service required by the project. From this detail, it is possible to derive the indirect employment and incomes that flow from the business opportunities associated with the project. By way of illustration, indirect income impacts are calculated as the product of the direct expenditure impacts, the assumed capture rate and the estimated valued added factors. From this income, employment estimates are obtained by dividing indirect income by an average representative income associated with indirect employment.

Following this is the calculation of induced economic impacts that result from construction and operations. These are determined by applying an appropriate income multiplier to the direct and indirect incomes generated by jurisdiction. In the context of the current analysis, because there is no attempt to measure the value of output produced in this analysis except in Newfoundland and Labrador, GDP and income effects are equivalent and are reported simply as income effects for all jurisdiction but Newfoundland and Labrador and Canada as a whole.

The final step for this economic analysis involved calculating taxation impacts for the provincial and federal treasuries utilizing taxation scalars. The direct and indirect personal income tax parameters were obtained from the most recent taxation statistics available through the Canada Revenue Agency's website. They were estimated based on the implied average tax rates and federal/provincial government split of taxes for income ranges that correspond to the direct and indirect labour incomes earned by workers associated with the project. The indirect corporation income taxes were taken to be the current tax rate in each jurisdiction applied to the estimate of corporate profits associated with the indirect income estimate for the project.⁴ The induced tax parameters for personal income and corporate income tax parameters were derived by using Ordinary Least Squares regression to each of the taxes and GDP calculation within each jurisdiction. Induced HST revenues were calculated by applying the statutory rates to induced GDP in each jurisdiction.

One of the most important concepts to appreciate in assessing the economic impacts of any project is the leakage from the local economy because leakages determine the size of the income multiplier that can be expected for a given level of expenditure. Leakages are the different ways by which money spent in the area can be withdrawn from the local economy, rather than be re-spent. High leakages will result in relatively low impacts through small income multipliers and vice versa. There are three main sources of leakages that reduce the amount of money available for re-spending in the local economy: (1) imports of goods and services, (2) government taxes, and (3) savings and retained earnings.

As well, an Input-Output (IO) profile was developed in support of this report using data reflecting the iron ore industry in Canada. The input-output analysis was run to determine reasonable ranges of the leakages that

⁴ The proportion of indirect income allocated to corporate profits were derived as the average proportion of corporate income profits as a share of GDP, which was derived from the most recent Provincial Economic Accounts data for Canada and the provinces

result for the various types of expenditures. These estimated coefficients were utilized to confirm and refine the portion of project expenditures that can reasonably be expected to be produced within each province. The coefficients generated through this work, along with the study team's experience with similar resource projects and from discussions with ADV officials, are reflected in the value-added capture rates used in this report.

3.0 Employment and Income Impacts

The most intuitive way to understand the methodology underlying SCI's model, and to review the results, is to visualize the estimation procedure as consisting of a number of sequential steps. In this report, each step in the economic impact analysis is listed in turn, along with its corresponding methodological approach, associated details and results.

3.1 ADV's Capital and Operating Expenditure Profiles

The starting point for SCI's model was ADV's capital and operating cost estimates prepared by the engineering firm BBA in a revised March 2017 Preliminary Economic Assessment of the Kami project. The estimates covered annual expenditures during construction and operations by type and project component. This also included further breakdowns by employment, materials, equipment, and services.

Table 1 and Table 2 below summarize, respectively, the direct capital and operating costs used to drive the economic impact analysis in the Base Case. The Base Case being an 8 mtpa project operating for 26 years that includes 2 years of planned construction. All dollar estimates presented in this report are expressed in 2017 Canadian dollars, unless otherwise indicated.

Table 1: Capital Cost Estimates (2017\$, Millions)

Capital Expenditures (Including Sustaining and Closure Costs Used in Economic Impact analysis)	Total (US\$)	Total (CDN\$)
Mining Equipment CAPEX	\$325	\$422
Concentrator and Site Infrastructure CAPEX	\$827	\$1,074
Rehabilitation and Closure Costs	\$32	\$42
Capital – Total	\$1,184	\$1,538
Construction Capex	\$903	\$1,172
Sustaining Capex	\$249	\$323
Rehabilitation and Closure Costs	\$32	\$42

Table 2: Operating Cost Estimates (2017\$, Millions)

Operating Expenditures	Total (US\$)	Total (CDN\$)
Mining OPEX	\$2,032	\$2,639
Concentrator OPEX	\$1,010	\$1,311
General Kami Site OPEX	\$92	\$119
Sales, General and Administration OPEX	\$404	\$524
Environmental and Tailings Management OPEX	\$190	\$247
Rail and Port OPEX	\$1,930	\$2,507
Operating – Total	\$5,657	\$7,347

The project analyzed in this report has an estimated cost of approximately \$8.9 billion CDN to construct and operate, with a total of \$1.5 billion CDN in capital expenditures including sustaining and closure costs and \$7.3 billion CDN in operating expenditures.

3.2 Cost Decomposition

In this step, the costs associated with each project's major categories of expenditures were broken down into cost types consistent with ADV's engineering analysis and cost estimates. These categories included the following:

- Labour
- Materials
- Equipment
- Services & Other

The breakdown by cost type enables the SCI model to achieve a level of analysis of how different types of expenditures flow through the economy. Table 3 presents the results from this decomposition exercise for capital and operating costs.

Table 3 • Direct Costs by Project Category and Cost Type (2017 CDN\$, Millions)

Functional Category	Total	Labour	Materials	Services & Other	Equipment
Capital Expenditures					
Mining Equipment CAPEX	\$422	\$147	\$43	\$30	\$203
Concentrator and Site Infrastructure	\$1,074	\$155	\$115	\$268	\$537
Rehabilitation and Closure Costs	\$42	\$12	\$29	\$0	\$0
Capital – Total	\$1,538	\$314	\$187	\$298	\$740
Capital %		20.44%	12.17%	19.38%	48.10%
Operating Expenditures					
Mining OPEX	\$2,639	\$545	\$1,703	\$392	\$0
Concentrator OPEX	\$1,311	\$199	\$888	\$0	\$224
General Kami Site OPEX	\$119	\$18	\$95	\$0	\$0
Sales, General and Administration OPEX	\$524	\$81	\$312	\$131	\$0
Environmental and Tailings Management	\$247	\$10	\$174	\$0	\$62
Rail and Port OPEX	\$2,507	\$11	\$33	\$2,434	\$28
Operating – Total	\$7,347	\$865	\$3,204	\$2,957	\$314
Operating %		11.77%	43.61%	40.25%	4.27%
Total Project Expenditures					
Total Project Cost	\$8,885	\$1,179	\$3,391	\$3,255	\$1,054
Total Project Cost %		13.27%	38.17%	36.63%	11.86%

Approximately 20% of the construction expenditures are accounted for by labour. The majority of construction phase expenditures (48%) are allocated to equipment and the residual 32% comes from materials purchases (12%) and services (19%). During the operation phase, labour accounts for 12% of the expenditures, with materials representing 44% and the remaining 44% split between services (40%) and equipment (4%).

3.3 Total Direct Employment and Labour Income

The next step was to determine the labour costs and incomes generated for various project components. This was achieved by first determining, in consultation with ADV officials, employment targets and the full costs per person year of employment for each project component. Following this was a decomposition of the full costs per person year of employment into the income received by the workers and the associated labour benefits, such as pensions, payroll taxes, vacation pay, etc. This enabled SCI to estimate the incomes earned by labour for each of the functional categories. SCI's model then divided the total labour income by the total cost of one person year of employment to yield the total number of person years of employment generated by expenditures. The direct project employment and labour by project component is illustrated in Table 4 below

Table 4: Total Labour Cost, Direct Labour Income and Direct Employment (PY)

Project Component	Labour Cost (\$M CDN)	Cost per PY (CDN \$)	Direct Employment (PY)	Direct Labour Income (\$M CDN)
Mining OPEX	\$545	\$100,000	5,448	\$436
Concentrator OPEX	\$199	\$100,000	1,992	\$159
General Kami Site OPEX	\$18	\$100,000	183	\$15
Sales, General and Administration OPEX	\$81	\$120,000	677	\$65
Environmental and Tailings Management OPEX	\$10	\$100,000	104	\$8
Rail and Port OPEX	\$11	\$100,000	106	\$9
Total Opex	\$865		8,511	\$692
Mining Equipment CAPEX	\$147	\$120,000	1,227	\$118
Concentrator and Site Infrastructure CAPEX	\$155	\$120,000	1,290	\$124
Rehabilitation and Closure Costs	\$12	\$120,000	103	\$10
Total - Capex	\$314		2,620	\$252

3.4 Direct Employment and Income by Region

Following the calculation of total project employment, the next step involves the estimation of the shares of direct employment and income by the expected geographic residency of workers. The labour shares were determined in consultation with ADV's human resources personnel and project estimators at BBA Engineering. The numbers are based on their internal review of labour supply requirements, availability issues and labor coefficients found in a Canada wide input-output model run on representative project expenditures in Newfoundland and Labrador. The input-output model simulated the mobility of construction labour based on statistics. By applying the provincial percentages to these project figures on a functional category basis, SCI derived the direct employment and income attributable to provincial-based labour.

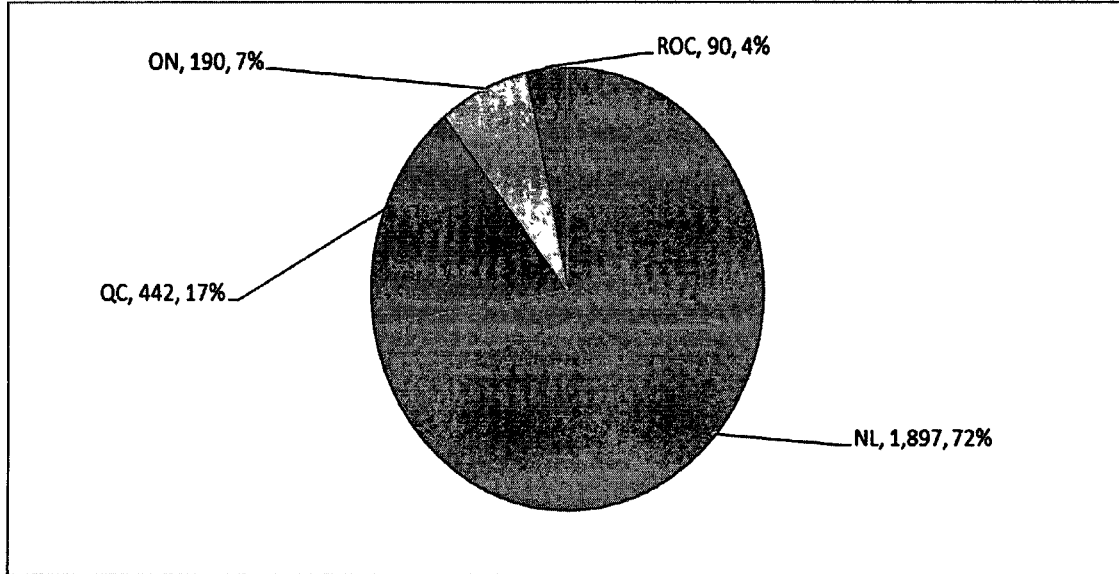
Table 5 lists the breakdown of direct employment, labour cost and labour income by region and by functional category for ADV's capital costs. Figure 2 illustrates the direct employment by region for capital expenditure.

Capital expenditures are expected to generate 2,620 direct person years of employment and \$250 million direct incomes to labour. During capital phase, approximately 72% of the direct employment (1,900 person years) and 72% of the direct labour income (\$180 million) is expected to accrue to workers in Newfoundland and Labrador

Table 5: Direct Income and Employment by Project Category, Area and Region: Capital Expenditures (2017\$, Millions CDN and PY)

	CDN	NL	QC	ON	ROC
Capital Expenditure Program					
Mining Equipment CAPEX					
Labour cost	\$147	\$118	\$22	\$7	\$0
Direct employment	1,227	982	184	61	0
Direct labour income	\$118	\$94	\$18	\$6	\$0
Concentrator and Site Infrastructure					
Labour cost	\$155	\$101	\$31	\$15	\$8
Direct employment	1,290	838	258	129	64
Direct labour income	\$124	\$80	\$25	\$12	\$6
Rehabilitation and Closure Costs					
Labour cost	\$12	\$9	\$1	\$1	\$1
Direct employment	103	77	0	0	26
Direct labour income	\$10	\$7	\$0	\$0	\$2
Total Capex					
Labour cost	\$314	\$228	\$54	\$24	\$16
Direct employment	2,620	1,897	442	190	90
Direct labour income	\$252	\$182	\$42	\$18	\$9

Figure 2: Capital Expenditure Direct Employment Income by Region

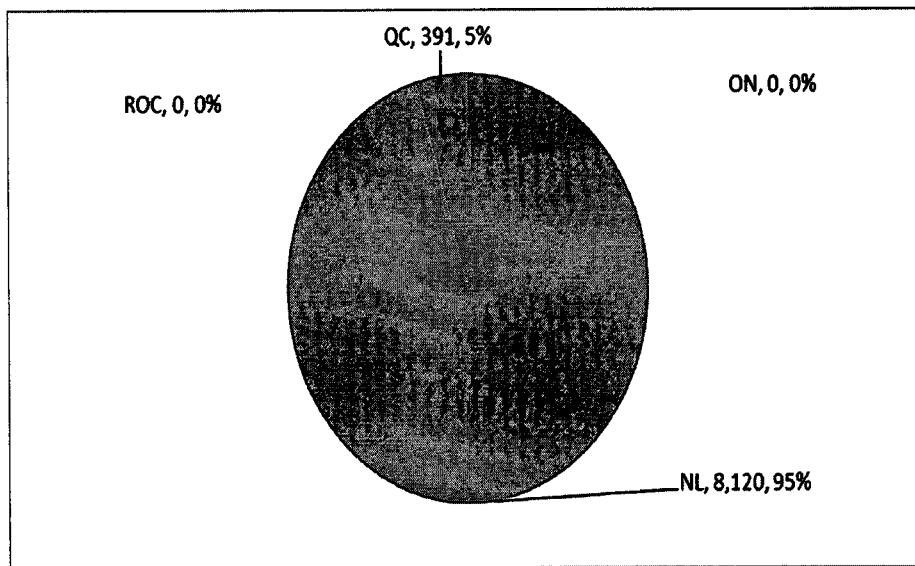


In addition to the employment and income impacts from construction, another 8,510 direct person years of employment and \$690 million of direct labour income are expected to be generated during operations, with approximately 95% (8,100 PY) of employment taking place in NL. The geographical distribution of direct of labour and incomes earned from operational expenditures are illustrated in Table 6 and Figure 3.

Table 6: Direct Income and Employment by Project Category, Area and Region: Operations (2017\$, Millions CDN and PY)

	CDN	NL	QC	ON	ROC
Operating Expenditure Program					
Mining OPEX					
Labour cost	\$545	\$545	\$0	\$0	\$0
Direct employment	5,448	5,448	0	0	0
Direct labour income	\$436	\$436	\$0	\$0	\$0
Concentrator OPEX					
Labour cost	\$199	\$199	\$0	\$0	\$0
Direct employment	1,992	1,992	0	0	0
Direct labour income	\$159	\$159	\$0	\$0	\$0
General Kami Site OPEX					
Labour cost	\$18	\$18	\$0	\$0	\$0
Direct employment	183	183	0	0	0
Direct labour income	\$15	\$15	\$0	\$0	\$0
Sales, General and Administration OPEX					
Labour cost	\$81	\$41	\$41	\$0	\$0
Direct employment	677	338	338	0	0
Direct labour income	\$65	\$32	\$32	\$0	\$0
Environmental and Tailings					
Labour cost	\$10	\$10	\$0	\$0	\$0
Direct employment	104	104	0	0	0
Direct labour income	\$8	\$8	\$0	\$0	\$0
Rail and Port OPEX					
Labour cost	\$11	\$5	\$5	\$0	\$0
Direct employment	106	53	53	0	0
Direct labour income	\$9	\$4	\$4	\$0	\$0
Total Opex					
Labour cost	\$865	\$819	\$46	\$0	\$0
Direct employment	8,511	8,120	391	0	0
Direct labour income	\$692	\$655	\$37	\$0	\$0

Figure 3: Operating Expenditure Direct Employment Income by Region



Construction and operational expenditures associated with the Kami Iron Ore Project are expected to create approximately 11,130 person years of direct employment and generate approximately \$940 million in direct labour incomes

Table 7 summarizes the anticipated geographical distribution of Direct Income and Employment impacts anticipated over the life of the project Newfoundland and Labrador workers are anticipated to receive 90% of direct incomes and direct person years of employment generated by the Kami project.

Table 7: Direct Income and Employment by Area: Total Project (2017\$, Millions CDN and PY)

	CDN	NL	QC	ON	ROC
Total Project					
Labour cost	\$1,179	\$1,046	\$100	\$24	\$16
Direct employment	11,131	10,017	834	190	90
Direct labour income	\$943	\$837	\$79	\$18	\$9

3.5 Indirect Income and Employment

For the non-labour components of project expenditures, the amount supplied by firms in each region (i.e., the capture rate or supply factor) and the expected value-added component (i.e., net of imports) were estimated. As an additional check, a hypothetical, but representative, expenditure profile was analyzed utilizing an input-output model for Canada. This supplementary analysis allowed SCI to confirm that the assumed capture rates and value-added factors were consistent with the range of known inter-firm linkages established within this input-output framework. The capture rate or supply factors and the value-added factors or import-adjusted parameters are provided in Appendix A.

The results of the indirect employment and income estimates are summarized below in Table 8 and Table 9, respectively. As well, the results for total project employment and income by jurisdiction are presented in Figure 4 and Figure 5. The results clearly indicate that ON and QC are the greatest recipient of indirect benefits.

from ADV's capital expenditures, with a combined total of almost 18,580 (\$600 m incomes) and 26,100 (\$1.2 billion incomes) indirect person years of employment. These results illustrate the significant level of benefits that would be expected to accrue to QC as the main supplier of many of the non-labour inputs required by ADV given QC's and ON's respective industrial economic bases. Additionally, QC will receive the indirect benefits related to the operation of the railway and port in Quebec. NL is also a significant beneficiary with approximately 12,500 indirect person years of employment being generated through the purchase of non-labour items in the province. This corresponds to \$450 million CDN in indirect income which accrue to Newfoundland and Labrador workers and businesses.

Table 8: Total Indirect Employment by Project Category and Region (PY)

	CDN	NL	QC	ON	ROC
Capital Expenditure Program					
Mining Equipment CAPEX	1,424	284	1,475	1,942	0
Concentrator and Site Infrastructure	4,730	1,271	1,451	1,264	1,673
Rehabilitation and Closure Costs	178	29	87	111	20
Total Capex	6,333	1,584	3,215	3,608	115
Operating Expenditure Program					
Mining OPEX	12,798	3,425	6,767	6,112	5
Concentrator OPEX	6,795	1,863	3,513	3,181	64
General Kami Site OPEX	582	154	305	272	7
Sales, General and Administration OPEX	2,707	1,175	747	1,412	38
Environmental and Tailings Management	1,444	382	705	676	62
Rail and Port OPEX	15,244	3,919	10,769	3,322	415
Total Opex	39,570	10,918	22,886	14,976	512
Total Project	45,903	12,502	26,101	18,584	627

Figure 4: Total Project Indirect Employment by Region

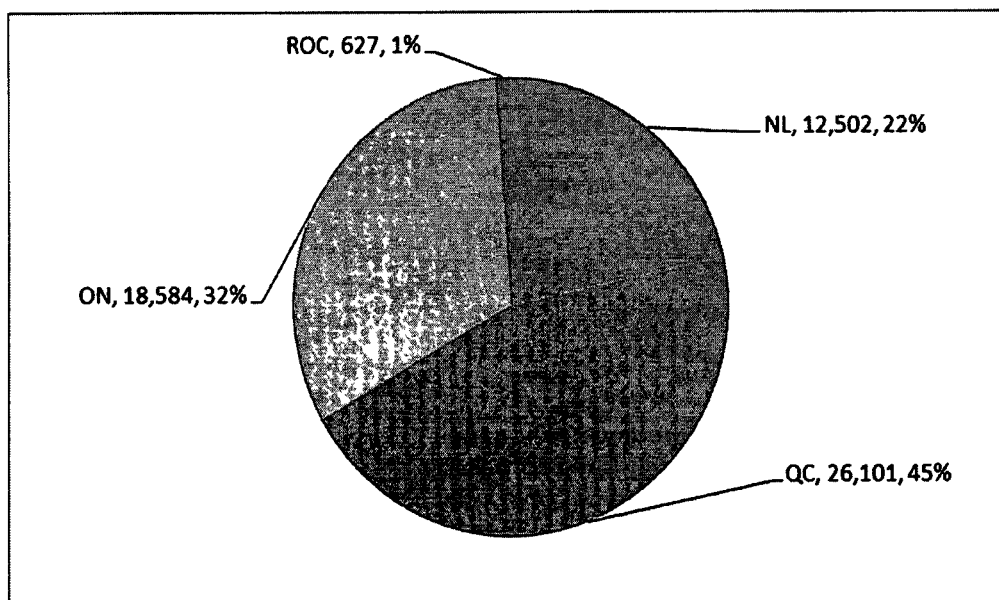
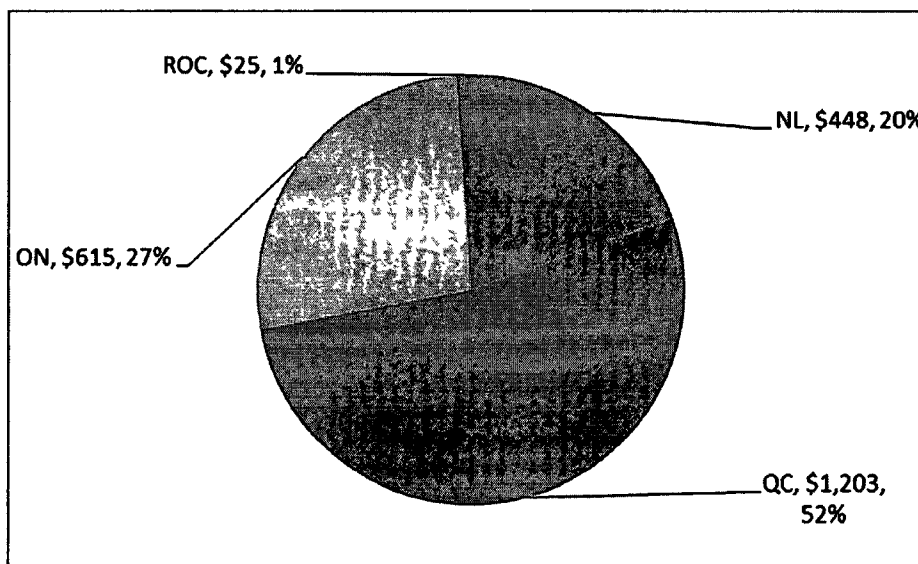


Table 9: Total Indirect Income by Project Category and Region (2017\$, Millions)

	CDN	NL	QC	ON	ROC
Capital Expenditure Program					
Mining Equipment CAPEX	\$128	\$21	\$144	\$194	\$0
Concentrator and Site Infrastructure	\$426	\$95	\$135	\$117	\$167
Rehabilitation and Closure Costs	\$16	\$2	\$9	\$12	\$1
Total Capex	\$570	\$119	\$308	\$351	\$12
Operating Expenditure Program					
Mining OPEX	\$1,152	\$254	\$603	\$574	\$9
Concentrator OPEX	\$612	\$135	\$317	\$299	\$12
General Kami Site OPEX	\$52	\$12	\$28	\$26	\$1
Sales, General and Administration OPEX	\$244	\$90	\$70	\$121	\$15
Environmental and Tailings Management	\$130	\$29	\$64	\$63	\$6
Rail and Port OPEX	\$1,372	\$300	\$984	\$343	\$8
Total Opex	\$3,561	\$329	\$895	\$265	\$14
Total Project	\$4,131	\$448	\$1,203	\$615	\$25

Figure 5. Project Indirect Income by Region (\$M CDN)



3.6 Induced Income and Employment

Induced income was calculated by applying an income multiplier to the direct and indirect incomes generated by the company's capital and operating expenditures. Income multipliers are derived by estimating, via ordinary least squares, the marginal propensities to consume, to tax and to import within each jurisdiction from data available in the most recent Provincial Economic Accounts. Induced employment was then calculated

from the induced income by applying an average income per induced person year of employment (ranging from \$48,750 to \$58,500, depending on geographic location) ⁵

Table 10 presents the induced income multipliers and applicable incomes used to derive the induced economic impacts for the project.

Table 10: Induced Income and Employment Parameters

	Induced Income	Induced Income	Implied Employment
CDN	\$58,500	1 50	9 02
NL	\$48,750	1 26	3 19
QC	\$58,500	1 58	50 70
ON	\$58,500	1 58	123 52

* Note QC and ON Implicit Employment Multiplier reflects low direct employment in that jurisdiction

The calculation of induced employment is not done through the use of an explicit employment multiplier in the SCI model. Rather, induced employment was calculated after dividing induced income by using the average cost per person year of employment in the broader economy. Following the calculation of induced income and employment, it is then possible to calculate the implied employment multiplier for each jurisdiction by taking the ratio of total employment to direct employment. That is, the employment multiplier was solved implicitly as a benchmark indicator of the reasonableness of the modeling approach, but it was not utilized explicitly in any of the calculations that generated economic impacts within the model. The implicit employment multiplier calculated for the project was 3.2 for NL, 50.7 for QUE, 123.5 for ON and 9.0 for Canada.

3.7 Total Project Income and Employment Impacts

Total direct, indirect and induced impacts on income and employment from combined capital and operation expenditures by geographical distribution are summarized in Table 11.

Table 11: Direct, Indirect and Induced Income Summary (2017\$, Millions)

	CDN	NL	QC	ON	ROC
Income Associated with Capital and Operating Expenditures					
Direct	\$252	\$182	\$42	\$18	\$9
Indirect	\$570	\$119	\$216	\$224	\$12
Induced	\$411	\$78	\$150	\$140	\$42
Total Capital	\$1,232	\$379	\$408	\$382	\$63
Direct	\$692	\$655	\$37	\$0	\$0
Indirect	\$3,561	\$819	\$1,757	\$931	\$54
Induced	\$2,127	\$383	\$1,040	\$540	\$163
Total Operating	\$6,380	\$1,857	\$2,834	\$1,472	\$217
Total Project	\$7,612	\$2,236	\$3,242	\$1,854	\$280

⁵ The induced income parameters were estimated from the most recent Statistics Canada data on service sector wage rates in each jurisdiction. Each wage rate was adjusted for non-wage costs and profits and overhead to derive the value utilized in this analysis.

Total income to persons and businesses in Canada arising from the construction and operation of the Kami Iron Ore Project is estimated to be \$7.6 billion. Regionally, labour and businesses in Newfoundland and Labrador will receive approximately 29% of the estimated income benefits, while other Canadian jurisdictions will receive the remaining 71% of the Project's income benefits. Quebec is anticipated to receive the highest level of incomes with \$3.2 billion or 43% of incomes generated. This distribution of benefits reflects the significant indirect and induced economic impacts accruing to the provinces in the rest of Canada that have more diversified economic bases and are characterized by lower import leakages relative to Newfoundland and Labrador. Figure 6 below illustrates the income by region generated by capital expenditures.

Figure 6. Income Benefits for the Canadian Economy (2017 CDN\$, Millions)

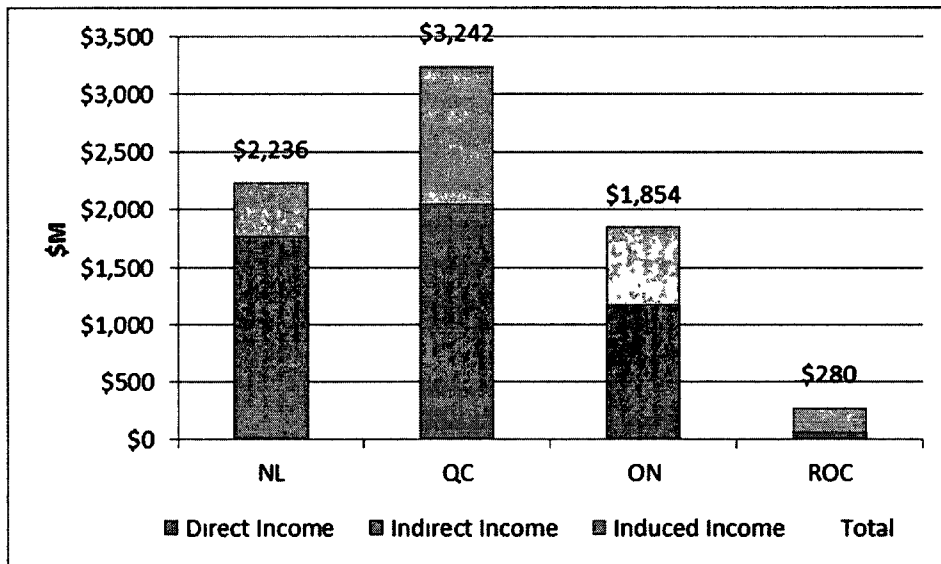
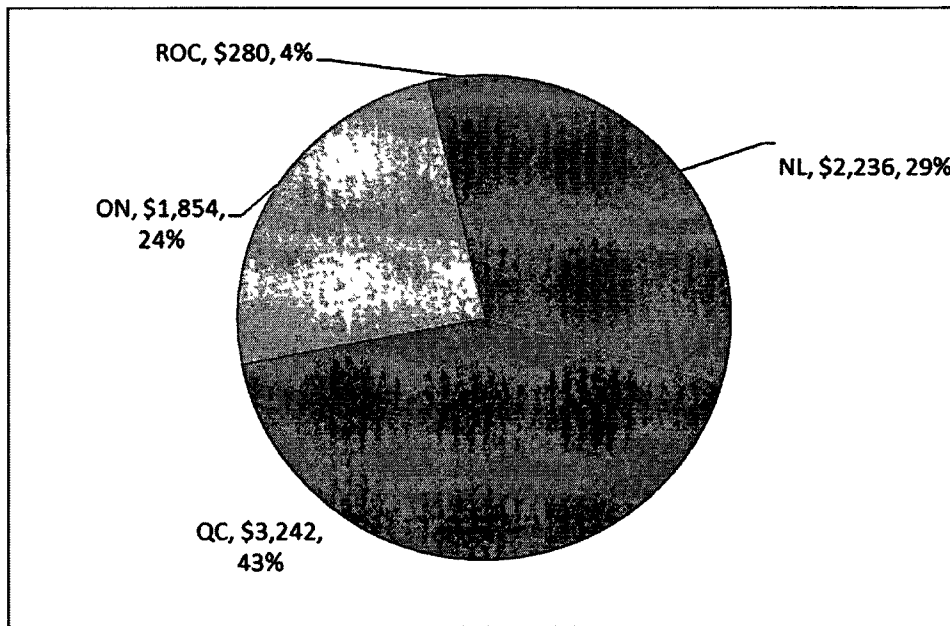


Figure 7: Income Benefits for the Canadian Economy (2017 CDN\$, Millions)



Total employment arising from the construction and operation of the Kami Iron Ore Project is estimated to be more than 100,000 full-time equivalent jobs across Canada, nearly 32,000 person years of which are expected to be in Newfoundland and Labrador. Quebec is expected to receive 42,260 person years. Approximately 15% of the employment occurs during the capital phase and the remaining 85% is accounted for by operating activity. The project is expected to generate an implied employment multiplier of 3.2 for Newfoundland and Labrador. The implied employment multipliers in Quebec (50.7) and Ontario (123.8) reflect the statistical mobility of construction workers in those provinces and each jurisdiction's manufacturing capacity relative to other locations in Canada.

Table 12: Direct, Indirect and Induced Employment Summary (PY)

Employment	CDN	NL	QC	ON	ROC
Employment Associated with Capital and Operating Expenditures					
Direct	2,620	1,897	442	190	90
Indirect	6,333	1,584	2,293	2,340	115
Induced	7,021	1,605	2,561	2,399	456
Total Capital	15,973	5,086	5,297	4,930	661
Direct	8,511	8,120	391	0	0
Indirect	39,570	10,918	18,793	9,348	512
Induced	36,351	7,860	17,783	9,234	1,473
Total Operating	84,432	26,898	36,967	18,582	1,985
Total Project	100,405	31,984	42,263	23,512	2,646
Implied Employment Multiplier	9.0	3.2	50.7	123.5	29.4

Figure 8: Employment Benefits for the Canadian Economy (PY)

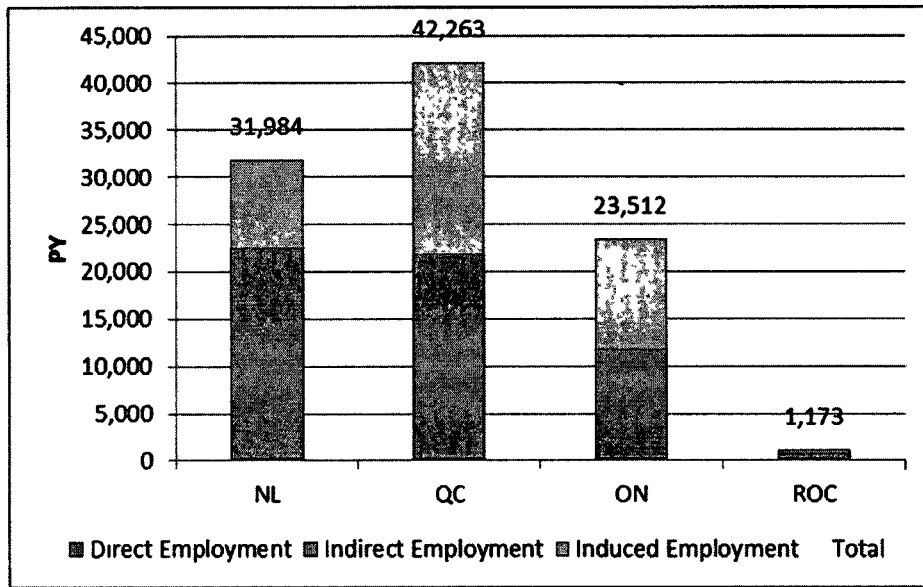
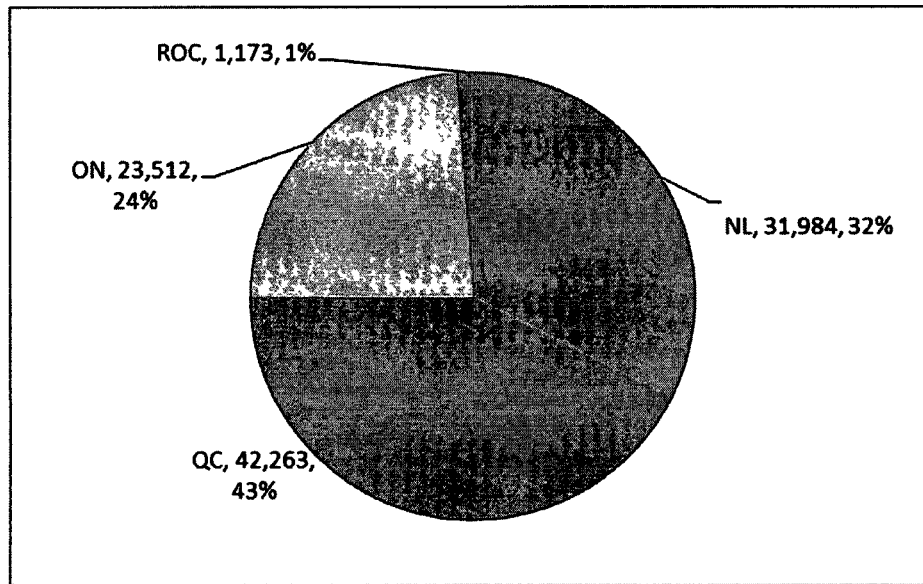


Figure 9: Employment Benefits for the Canadian Economy (PY)



3.8 Gross Domestic Product (GDP)

GDP will be generated from the project through the value of production at the mine site as well as through direct and spin-off (i.e., indirect and induced) employment and incomes generated by companies that supply goods and services to the project. A summary of the total income impacts and GDP from production is summarized in Table 13 and displayed in Figure 10. At the national level, the Base case iron ore project is

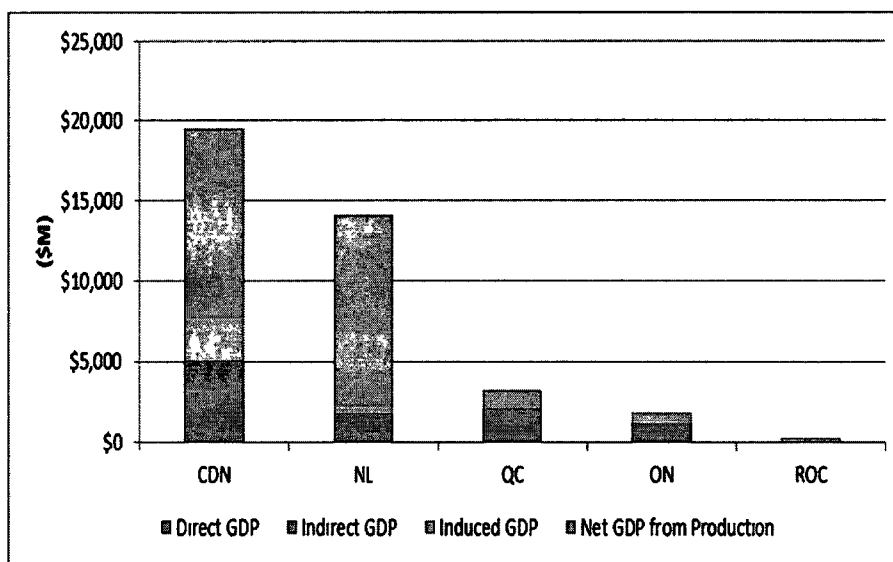
expected to generate \$19.5 billion in GDP including \$7.6 billion in incomes and \$11.9 billion in GDP from production

Newfoundland and Labrador factors of production will receive approximately \$2.2 billion in labour incomes and profits. When the value of production, estimated at \$11.9 billion, is added to the local factor incomes, Newfoundland and Labrador's GDP is expected to reach \$14.2 billion dollars over the life of the project. The geographical distribution of incomes to factors of production and GDP from production is illustrated below. The project is expected to contribute \$3.2 billion towards Quebec's GDP.

Table 13: GDP from Capital and Operating Expenditures (2017\$, Millions)

GDP	CDN	NL	QC	ON	ROC
Direct GDP	\$943	\$837	\$79	\$18	\$9
Indirect GDP	\$4,131	\$938	\$1,973	\$1,155	\$66
Induced GDP	\$2,537	\$461	\$1,190	\$681	\$205
Total GDP from Income	\$7,612	\$2,236	\$3,242	\$1,854	\$280
Net GDP from Production	\$11,915	\$11,915	\$0	\$0	\$0
Total GDP	\$19,527	\$14,151	\$3,242	\$1,854	\$280

Figure 10: GDP (2017 \$CDN, Millions)



4.0 Taxation

4.1 Direct, Indirect and Induced Taxes

Direct taxes include the payroll and personal income taxes paid to both levels of government by ADV's direct employees during construction and operations. The tax parameter data was gathered from a number of sources including Statistics Canada, Canada Revenue Agency, various provincial Departments of Finance, other government departments and agencies and from economic impact assessments on other iron ore projects. Indirect taxes were calculated by first breaking indirect and induced income into labour and business income.

and then by taking the share of personal income tax and corporate income tax that stems from this income. Induced taxes were derived by applying tax parameters to induced income. The induced and indirect tax parameters are based on econometric analysis of the broader economy and parameter values obtained from a representative input-output model of the Project.

Table 14 summarizes the tax parameter inputs that were used in this analysis.

Table 14: Tax Parameter Input Summary

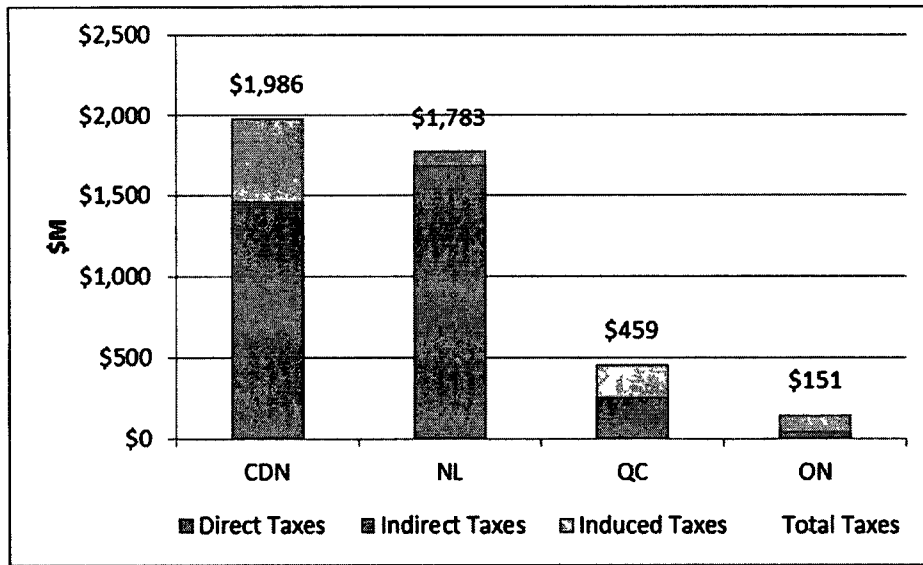
		CDN	NL	ON	QC
Direct Tax Impact Parameters					
Direct PIT (as a % of Total Direct Income)			32.2%	31.9%	35.5%
Prov Share of total PIT (as a % of total PIT)			43.6%	55.0%	55.0%
CAN share of total PIT (as a % of total PIT)			56.4%	45.0%	45.0%
Payroll taxes (as a % of Total Direct Income)			2.0%	0.0%	0.0%
Health tax (% of Direct Labour Income)			0.0%	0.0%	4.0%
Indirect Tax Impact Parameters					
CIT					
Profits (as a % of Indirect GDP)	14.6%				
CIT rate (as a % of Indirect profits)		15.0%	15.0%	10.0%	11.7%
PIT					
Wages (as a % of Indirect GDP)	66.9%				
Indirect PIT (as a % of Total Indirect Income)			24.3%	25.0%	26.7%
Prov share of total PIT (as a % of total PIT)			43.8%	55.0%	55.0%
CAN share of total PIT (as a % of total PIT)			56.2%	45.0%	45.0%
Other					
NF payroll taxes (as a % of Total Indirect Income)			1.5%	0.0%	0.0%
QC health taxes (as a % of Total Indirect Income)			0.0%	0.0%	5.0%
Induced Tax Impact Parameters					
CIT Parameter (as a % of Induced GDP)		3.1%	1.2%	1.5%	1.6%
PIT Parameter (as a % of Induced GDP)		12.4%	8.0%	8.0%	8.1%
Consumption Tax Parameter (as a % of Induced GDP)		5.0%	8.0%	8.0%	8.0%
Wages (as a % of Induced GDP)	66.9%				
Profits (as a % of Induced GDP)		6.0%			
Payroll Tax Parameter			1.0%	0.0%	0.0%
Health Tax Parameter			0.0%	0.0%	5.0%

The direct, indirect and induced taxes for each jurisdiction analyzed are presented in Table 15 and Figure 11. The project generates close to \$1.8 billion in direct, indirect and induced taxes for the Government of Newfoundland and Labrador. The Federal Government (CDN) receives close to \$2.0 billion in direct, indirect and induced taxes.

Table 15: Direct, Indirect and Induced Taxes – Total Project (2017\$, Millions)

Taxes	CDN	NL	QC	ON
Direct Taxes	\$997	\$1,595	\$19	\$3
Indirect Taxes	\$468	\$96	\$239	\$46
Induced Taxes	\$521	\$92	\$201	\$102
Total Taxes	\$1,986	\$1,783	\$459	\$151

Figure 11: Treasury Benefits for Canada (2017 CDN\$, Millions)

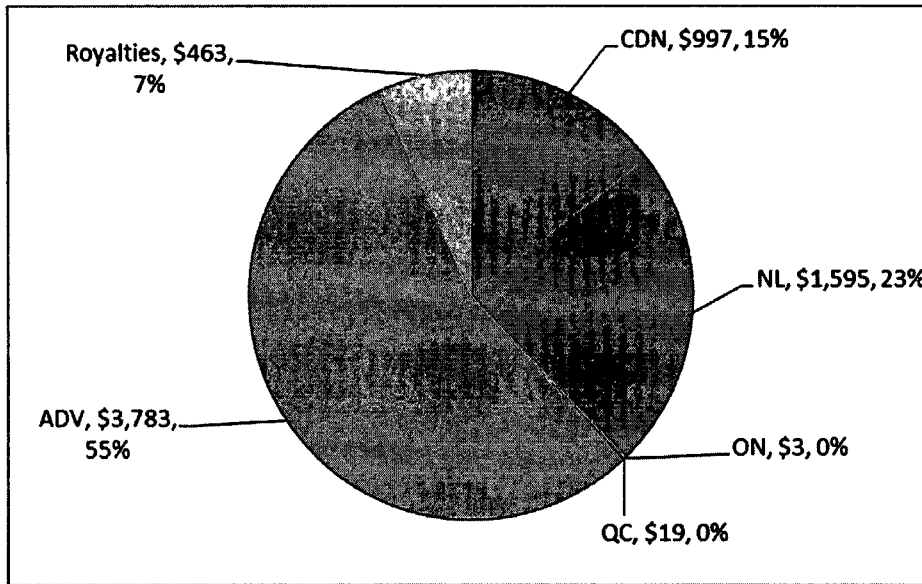


From a project cash perspective, Table 16 and Figure 12 demonstrate that ADV is the greatest recipient with \$3.8 billion CDN in net cash flow and Newfoundland and Labrador the biggest recipient of direct taxation revenue with \$1.6 billion CDN being collected. The Project is also expected to generate \$463 million in royalty payments to royalty holders.

Table 16: Net Direct Cash Flow Split – ADV, Royalties, IBAs, Federal and Provincial (2017\$, Millions)

Total Direct Net Project Cash Flow	
CDN	\$997
NL	\$1,595
ON	\$3
QC	\$19
ADV	\$3,783
Royalties	\$463

Figure 12 Cash Flow Split – ADV, Royalties, Federal and Provincial Direct Taxes (2017 CDN\$, Millions)



5.0 Sensitivity Analysis

A sensitivity analysis was undertaken to illustrate the potential economic impacts under various commodity prices, and capital and operating costs. The range of cost sensitivities used in the analysis is provided in Table 17. The base case scenario was analyzed to determine implications associated with + or - 25% changes in capital costs, operating costs and commodity prices

Table 17: Sensitivity Scenarios

	Value	Change from Base Case	Value	Change from Base Case
	\$ US	\$US	\$CDN	\$CDN
Base Capex (M \$CDN)	\$1,184		\$1,538	
Base Capex + 25% (M \$CDN)	\$1,425	\$241	\$1,848	\$310
Base Capex - 25% (M \$CDN)	\$944	-\$240	\$1,228	-\$310
Base Opex (\$31.08 US/tonne or \$40.36)	\$5,657		\$7,347	
Base Opex + 25% (\$38.85 US/tonne or \$50.45)	\$7,071	\$1,414	\$9,184	\$1,837
Base Opex - 25% (\$23.31 US/tonne or \$30.27)	\$4,243	-\$1,414	\$5,510	-\$1,837
Sept Ilse FOB Base Price	\$65		\$85	
Sept Ilse FOB Base Price + 25%	\$82	\$16	\$106	\$21
Sept Ilse FOB Base Price - 25%	\$49	-\$16	\$64	-\$21

A summary of sensitivity impacts arising from changes in capital costs is contained in Table 17. Increasing or decreasing the capital costs by 25% has significant impacts on project viability as indicated by IRR, NPV and net cash flow calculations. A 25% increase in capital costs, assuming base case prices, will lower the project's NPV at 8% by \$170 million or 19.9% while a 25% decrease in capital costs results in a \$162 million or 19.0% gain in NPV. Similarly, a 25% decrease in capital costs will increase the project's net cash flow by \$137.0 million, from \$3.78 billion CDN to \$3.92 billion CDN. Conversely, increasing capital costs increases total employment, incomes and overall taxation

Table 18: Capital Cost Sensitivity (\$M CDN)

Capex Sensitivity					
	Base Case (\$1,538 M)	Base Case Plus 25% (\$1,848)	Base Case Minus 25% (\$1,228M)	Change from Base Case (+25%)	Change from Base Case (-25%)
Capital Costs (\$M)	\$1,538	\$1,848	\$1,228	\$310	-\$310
Operating Costs (\$M)	\$7,347	\$7,347	\$7,347	\$0	\$0
Opex/tonne (CDN \$/t)	\$40.36	\$40.36	\$40.36	\$0	\$0
FOB Sept Ilse Price (CDN \$/t)	\$84.80	\$84.80	\$84.80	\$0	\$0
Concentrate production (Mt)	182	182	182	0	0
Revenue (\$M)	\$15,436	\$15,436	\$15,436	\$0	\$0
Royalties (\$M)	\$463	\$463	\$463	\$0	\$0
IBA (\$)					
Net Cash Flow (\$M)	\$3,783	\$3,634	\$3,920	-\$149	\$137
NPV (8%) (\$M)	\$853	\$683	\$1,015	-\$170	\$162

Capex Sensitivity					
	Base Case (\$1,538 M)	Base Case Plus 25% (\$1,848)	Base Case Minus 25% (\$1,228M)	Change from Base Case (+25%)	Change from Base Case (-25%)
IRR	18.5%	14.9%	24.0%	-3.6%	5.5%
CDN Taxes (\$M)	\$1,986	\$1,995	\$1,976	\$8	-\$11
NL Taxes (\$)	\$1,783	\$1,661	\$1,919	-\$122	\$136
QU Taxes (\$M)	\$459	\$471	\$448	\$11	-\$11
ON Taxes (\$M)	\$151	\$157	\$144	\$7	-\$7
CDN Employment (PY)	100,405	103,560	97,250	3,155	-3,155
NL Employment (PY)	31,984	32,924	31,044	940	-940
QU Employment (PY)	42,263	43,339	41,187	1,076	-1,076
ON Employment (PY)	23,512	24,530	22,494	1,018	-1,018
CDN Income (\$M)	\$7,612	\$7,855	\$7,369	\$243	-\$243
NL Income (\$M)	\$2,236	\$2,305	\$2,167	\$69	-\$69
QU Income (\$M)	\$3,242	\$3,325	\$3,159	\$83	-\$83
ON Income (\$M)	\$1,854	\$1,933	\$1,775	\$79	-\$79
CDN GDP (\$M)	\$19,527	\$19,770	\$19,284	\$243	-\$243
NL GDP (\$M)	\$14,151	\$14,220	\$14,082	\$69	-\$69
QU GDP (\$M)	\$3,242	\$3,325	\$3,159	\$83	-\$83
ON GDP (\$M)	\$1,854	\$1,933	\$1,775	\$79	-\$79

A summary of operating cost sensitivities is contained in Table 19. Increasing or decreasing the operating costs by 25% also has significant impacts on project viability as indicated by IRR, NPV and net cash flow calculations. A 25% increase in operating costs will lower the project's NPV at 8% by \$390 million or 45.7%. While lowering operating costs by 25% results in a \$380 million or 44.5% increase in NPV. Conversely, increasing operating costs increases total employment, incomes and taxation.

Table 19. Operating Costs Sensitivity (\$M CDN)

Opex Sensitivity					
	Base Case	Base Case Plus 25%	Base Case Minus 25%	Change from Base Case (+25%)	Change from Base Case (-25%)
Capital Costs (\$M)	\$1,538	\$1,538	\$1,538	\$0	\$0
Operating Costs (\$M)	\$7,347	\$9,184	\$5,510	\$1,837	-\$1,837
Opex/tonne (CDN\$/t)	\$40.36	\$50.45	\$30.27	\$10	-\$10
FOB Sept Ilse Price (CDN\$/t)	\$84.80	\$84.80	\$84.80	\$0	\$0
Concentrate production (Mt)	182	182	182	0	0
Revenue (\$M)	\$15,436	\$15,436	\$15,436	\$0	\$0
Royalties (\$M)	\$463	\$463	\$463	\$0	\$0
IBA (\$)					
Net Cash Flow (\$M)	\$3,783	\$2,689	\$4,863	-\$1,094	\$1,080
NPV (8%) (\$M)	\$853	\$464	\$1,234	-\$390	\$380
IRR	18.5%	13.9%	22.6%	-4.5%	4.1%
CDN Taxes (\$M)	\$1,986	\$1,993	\$1,977	\$6	-\$9

Opex Sensitivity					
	Base Case	Base Case Plus 25%	Base Case Minus 25%	Change from Base Case (+25%)	Change from Base Case (-25%)
NL Taxes (\$)	\$1,783	\$1,345	\$2,239	-\$438	\$456
QU Taxes (\$M)	\$459	\$559	\$359	\$100	-\$100
ON Taxes (\$M)	\$151	\$180	\$121	\$29	-\$29
CDN Employment (PY)	100,405	121,513	79,297	21,108	-21,108
NL Employment (PY)	31,984	38,708	25,259	6,724	-6,724
QU Employment (PY)	42,263	51,505	33,022	9,242	-9,242
ON Employment (PY)	23,512	28,157	18,866	4,646	-4,646
CDN Income (\$M)	\$7,612	\$9,207	\$6,017	\$1,595	-\$1,595
NL Income (\$M)	\$2,236	\$2,700	\$1,772	\$464	-\$464
QU Income (\$M)	\$3,242	\$3,950	\$2,534	\$708	-\$708
ON Income (\$M)	\$1,854	\$2,222	\$1,486	\$368	-\$368
CDN GDP (\$M)	\$19,527	\$20,241	\$18,812	\$715	-\$715
NL GDP (\$M)	\$14,151	\$13,735	\$14,567	-\$416	\$416
QU GDP (\$M)	\$3,242	\$3,950	\$2,534	\$708	-\$708
ON GDP (\$M)	\$1,854	\$2,222	\$1,486	\$368	-\$368

Changes in commodity prices have direct impacts on taxation, GDP and key indicators of project viability. Table 20 illustrates that a 25% increase in iron ore prices will result in a 25% or \$3.9 billion CDN increase in revenues, a 8.3 % increase in the project's IRR, and an increase of \$1.1 billion CDN or 5.9% in treasury payments to the government of Newfoundland and Labrador and a \$2.9 billion increase in GDP. A 25% decrease in iron ore prices would have a dramatic effect on the project's viability lowering its IRR to just 8.3% and its NPV at 8% to just \$40 million for a decrease of \$816million

Table 20: FOB Sept Ilse Price Sensitivity (\$M CDN)

Price Sensitivity					
	Base Case	Base Case Plus 25%	Base Case Minus 25%	Change from Base Case (+25%)	Change from Base Case (-25%)
Capital Costs (\$M)	\$1,538	\$1,538	\$1,538	\$0	\$0
Operating Costs (\$M)	\$7,347	\$7,347	\$7,347	\$0	\$0
Opex/tonne (CDN\$/t)	\$40.36	\$40.36	\$40.36	\$0	\$0
FOB Sept Ilse Price (CDN\$/t)	\$84.80	\$106.00	\$63.60	\$21	-\$21
Concentrate production (Mt)	182	182	182	0	0
Revenue (\$M)	\$15,436	\$19,295	\$11,577	\$3,859	-\$3,859
Royalties (\$M)	\$463	\$579	\$347	\$116	-\$116
IBA (\$)					
Net Cash Flow (\$M)	\$3,783	\$5,990	\$1,510	\$2,207	-\$2,274
NPV (8%) (\$M)	\$853	\$1,629	\$37	\$775	-\$816
IRR	18.5%	26.8%	8.5%	8.3%	-10.0%

Price Sensitivity					
	Base Case	Base Case Plus 25%	Base Case Minus 25%	Change from Base Case (+25%)	Change from Base Case (-25%)
CDN Taxes (\$M)	\$1,986	\$2,461	\$1,496	\$474	-\$490
NL Taxes (\$)	\$1,783	\$2,838	\$811	\$1,055	-\$972
QU Taxes (\$M)	\$459	\$459	\$459	\$0	\$0
ON Taxes (\$M)	\$151	\$151	\$151	\$0	\$0
CDN Employment (PY)	100,405	100,405	100,405	0	0
NL Employment (PY)	31,984	31,984	31,984	0	0
QU Employment (PY)	42,263	42,263	42,263	0	0
ON Employment (PY)	23,512	23,512	23,512	0	0
CDN Income (\$M)	\$7,612	\$7,612	\$7,612	\$0	\$0
NL Income (\$M)	\$2,236	\$2,236	\$2,236	\$0	\$0
QU Income (\$M)	\$3,242	\$3,242	\$3,242	\$0	\$0
ON Income (\$M)	\$1,854	\$1,854	\$1,854	\$0	\$0
CDN GDP (\$M)	\$19,527	\$23,386	\$15,668	\$3,859	-\$3,859
NL GDP (\$M)	\$14,151	\$18,010	\$10,292	\$3,859	-\$3,859
QU GDP (\$M)	\$3,242	\$3,242	\$3,242	\$0	\$0
ON GDP (\$M)	\$1,854	\$1,854	\$1,854	\$0	\$0

Varying capital and operating costs along with commodity prices have significant effects on NPV and IRR as highlighted in Appendix A Table 21 and Figures 13 and 14 summarize impacts on NPV using various commodity prices and changes in operating and capital costs. Using an 8% discount rate, the project's NPV turns negative, -\$476 million CDN with a 25% drop in commodity prices near and a 25% increase in operating costs. From an alternative perspective, the base case project could yield a positive NPV with a 25% increase in capital costs using the base case price of \$65.30 US per ton or \$84.80 CDN/tonne. Sensitivity impacts on IRR, employment, incomes and GDP are contained in Appendix A.

Table 21 NPV (8%) Sensitivities (\$M)

	NPV at Various Prices		
	\$84.80	\$106.00	\$63.60
Base Capex + Base Opex + Various Prices	\$853	\$1,629	\$37
Base Capex (+25%) + Base Opex + Various Prices	\$683	\$1,464	-\$166
Base Capex (-25%) + Base Opex + Various Prices	\$1,015	\$1,786	\$227
Base Capex + Base Opex + Various Prices	\$853	\$1,629	\$37
Base Capex + Base Opex (+25%) + Various Prices	\$464	\$1,246	-\$439
Base Capex + Base Opex (-25%) + Various Prices	\$1,234	\$2,009	\$451

Figure 13: NPV (8%) Sensitivity – Capex and Prices (CDN \$)

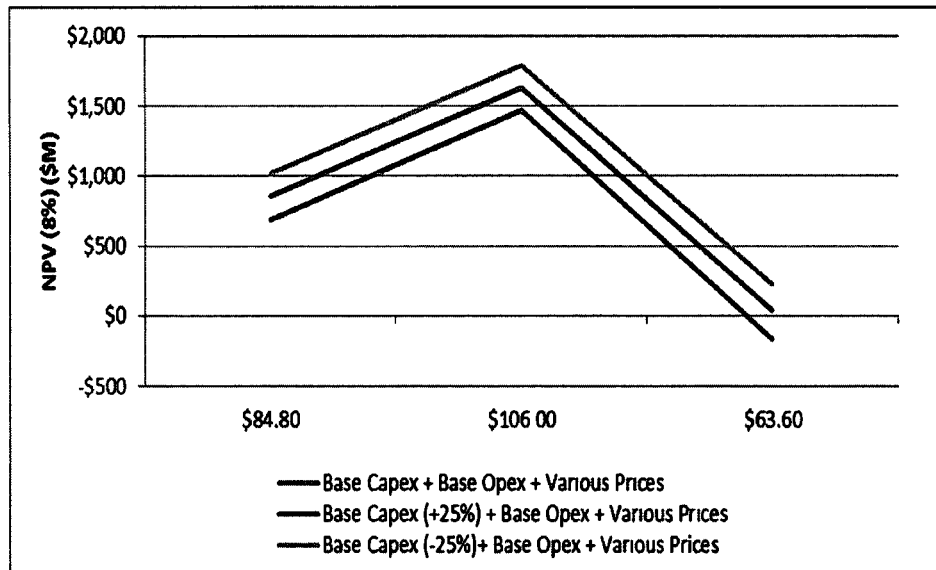
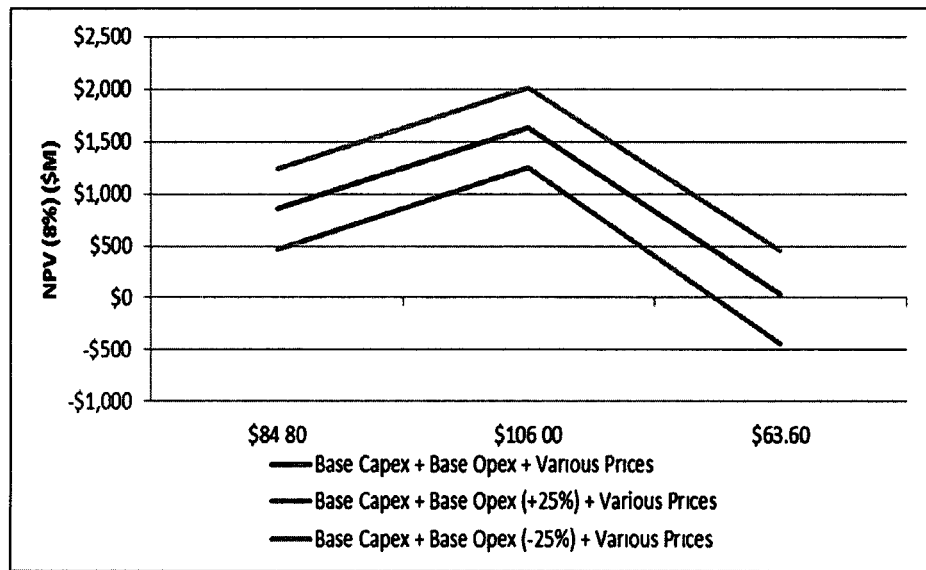


Figure 14. NPV (8%) Sensitivity – Opex and Prices (CDN \$)



6.0 Conclusion

The Kami iron ore mine will have significant economic implications for the Canadian economy and in particular the economies of Quebec and Newfoundland and Labrador. The mine will also have significant federal and provincial Treasury impacts.

The iron ore mine will involve an expenditure of approximately \$8.9 billion CDN to develop and operate over its planned twenty-four year operating life. This expenditure includes an estimated \$1.2 billion CDN in construction capital expenditures, \$323 million CDN in sustaining capital expenditures, \$42 million CDN in rehabilitation and closure costs, and \$7.3 billion CDN in operating expenditures.

These combined expenditures are projected to create nearly 100,000 person years of employment, including 11,000 person years of direct employment. The project will also generate approximately \$7.6 billion in income to workers and business and \$19.5 billion in GDP.

Newfoundland and Labrador is expected to receive approximately 32,000 person years of employment, including approximately 10,000 direct years of employment. Workers and business in Newfoundland and Labrador are expected to receive approximately \$2.2 billion in incomes.

Quebec is expected to receive approximately 42,200 person years of employment including approximately 830 direct years of employment. Workers and business in Quebec are expected to receive approximately \$3.2 billion in incomes.

NL and QC are the greatest recipients of benefits from ADV's expenditures, with a combined total of 32,000 and 42,000 person years of employment, respectively. These results illustrate the significant level of benefits that would be expected to accrue to QC as the main supplier of many of the non-labour inputs required by ADV.

In NL, 16.0% or 5,100 person years of the employment generated by project expenditures occurs during the construction phase, with the remaining 84.0% being generated during the operations phase. The corresponding numbers for Canada are 84.0% of the employment occurs during ongoing operations and the remaining 16.0% is accounted for by the construction activities associated with capital expenditures.

Total income to persons and businesses in Canada arising from the construction and operation of the Kami Iron Ore project is estimated to be \$7.6 billion. Regionally, NL labour and businesses will receive approximately 29.0% or \$2.2 billion of the estimated income benefits in the form of wages and profits, while other Canadian jurisdictions will receive 31.0% or \$5.4 billion of the project's income benefits. Analyzing the expenditures from a different perspective, approximately 16.0% or \$1.2 billion of the Canadian income benefits result from the capital phase of the project, while the remaining 84.0% or \$6.4 billion are generated by ongoing operations. These combined expenditures

are projected to create nearly 11,000 person years of direct employment, with 10,000 person years of direct employment being created in Newfoundland and Labrador.

At the national level, the Kami Iron Ore Project is expected to generate almost \$19.5 billion in GDP, decomposed into \$7.6 billion in income and \$12.0 billion in GDP from production.

Newfoundland and Labrador factors of production will receive approximately \$2.2 billion in labour incomes and profits. When the value of production, estimated at \$12.0 billion, is added to the local factor incomes, provincial GDP is expected to reach \$14.0 billion dollars over the life of the project.

The Kami Iron Ore mine is expected to generate an estimated \$2.8 billion in total revenues to the federal treasury and \$2.4 billion to the provincial treasuries over the life of the project. Newfoundland and Labrador is expected to receive \$1.8 billion in treasury payments while Quebec will receive \$460 million. This includes direct taxes paid by the company, direct personal taxes paid by individuals working on the project and indirect and induced tax impacts.

Increasing or decreasing the capital costs by 25% has significant impacts on project viability as indicated by IRR, NPV and net cash flow calculations. A 25% increase in capital costs, assuming base case prices, will lower the project's NPV at 8% by \$170 million or 19.9% while a 25% decrease in capital costs results in a \$162 million or 19.0% gain in NPV. Similarly, a 25% decrease in capital costs will increase the project's net cash flow by \$137.0 million, from \$3.78 billion CDN to \$3.92 billion CDN. Conversely, increasing capital costs increases total employment, incomes and overall taxation.

Appendix A: Detailed Tables

Table A 1: Capture Rates/Supply Factors (M CDN\$)

	Cost	Cost Breakdown	Supply Factors				
			CDN	NL	QU	ONT	ROC
Operating Expenditure							
Mining OPEX (M\$)	\$1,979	100%	100%	52%	31%	12%	5%
Labour	\$409	21%	100%	100%	0%	0%	0%
Materials	\$1,277	65%	100%	40%	39%	15%	6%
Services & Other	\$294	15%	100%	40%	40%	15%	5%
Equipment	\$0	0%	100%	40%	40%	15%	5%
Concentrator OPEX (M\$)	\$983	100%	100%	49%	33%	13%	5%
Labour	\$149	15%	100%	100%	0%	0%	0%
Materials	\$666	68%	100%	40%	39%	15%	6%
External services	\$0	0%	0%	0%	0%	0%	0%
Equipment	\$168	17%	100%	40%	40%	15%	5%
General Kami Site OPEX (M\$)	\$89	95%	80%	32%	32%	12%	4%
Labour	\$14	15%	0%	0%	0%	0%	0%
Materials	\$71	80%	100%	40%	40%	15%	5%
Services & Other	\$0	0%	0%	0%	0%	0%	0%
Equipment	\$0	0%	0%	0%	0%	0%	0%
Sales, General and Administration	\$393	100%	100%	64%	20%	13%	2%
Labour	\$61	15%	100%	50%	50%	0%	0%
Materials	\$234	60%	100%	70%	10%	20%	0%
Services & Other	\$98	25%	100%	60%	27%	5%	8%
Equipment	\$0	0%	100%	40%	35%	15%	10%
Environmental and Tailings	\$185	100%	100%	43%	35%	14%	8%
Labour	\$8	4%	100%	100%	0%	0%	0%
Materials	\$131	71%	100%	40%	35%	15%	10%
Services & Other	\$0	0%	0%	0%	0%	0%	0%
Equipment	\$47	25%	100%	40%	40%	15%	5%
Rail and Port OPEX (M\$)	\$1,880	100%	100%	40%	60%	0%	0%
Labour	\$8	0%	0%	0%	0%	0%	0%
Materials	\$25	1%	100%	30%	49%	15%	6%
Services & Other	\$1,826	97%	100%	40%	60%	0%	0%
Equipment	\$21	1%	100%	25%	59%	15%	1%

	Cost	Cost Breakdown	Supply Factors				
			CDN	NL	QU	ONT	ROC
Capital Expenditure							
Mining	\$422	100%	86%	45%	24%	16%	1%
Labour	\$147	35%	100%	80%	15%	5%	0%
Materials	\$43	10%	100%	25%	40%	30%	5%

Services & Other	\$30	7%	100%	30%	40%	30%	0%
Equipment	\$203	48%	70%	25%	25%	20%	0%
Concentrator and Site Infrastructure	\$1,074	100%	90%	39%	27%	20%	4%
Labour	\$155	14%	100%	65%	20%	10%	5%
Materials	\$115	11%	100%	40%	30%	25%	5%
Services & Other	\$268	25%	100%	50%	25%	25%	0%
Equipment	\$537	50%	80%	25%	30%	20%	5%
Rehabilitation and Closure Costs	\$42	100%	100%	40%	27%	27%	100%
Labour	\$12	30%	100%	75%	10%	10%	100%
Materials	\$29	70%	100%	25%	35%	35%	100%
Services & Other	\$0	0%	100%	50%	25%	20%	100%
Equipment	\$0	0%	70%	25%	25%	20%	70%

Table A 2. Value Added Factors

	Value Added Factors			
	CDN	NL	QU	ONT
Operating Expenditure				
Mining OPEX (M\$)	100%	100%	45%	100%
Labour	55%	30%	45%	55%
Materials	55%	30%	45%	55%
Services & Other	55%	30%	45%	55%
Equipment	55%	30%	45%	55%
Concentrator OPEX (M\$)	100%	100%	100%	100%
Labour	55%	30%	45%	55%
Materials	55%	30%	45%	55%
Services & Other	55%	30%	45%	55%
Equipment	55%	30%	45%	55%
General Kami Site OPEX (M\$)	100%	100%	100%	100%
Labour	55%	30%	45%	55%
Materials	55%	30%	45%	55%
Services & Other	55%	30%	45%	55%
Equipment	55%	30%	45%	55%
Sales, General and Administration OPEX	100%	100%	100%	100%
Labour	55%	30%	45%	55%
Materials	55%	30%	45%	55%
Services & Other	55%	30%	45%	55%
Equipment	55%	30%	45%	55%
Environmental and Tailings	100%	100%	100%	100%
Labour	55%	30%	45%	55%
Materials	55%	30%	45%	55%
Services & Other	55%	30%	45%	55%
Equipment	55%	30%	45%	55%

Rail and Port OPEX (M\$)	100%	100%	100%	100%
Labour	55%	30%	45%	55%
Materials	55%	30%	45%	55%
Services & Other	55%	30%	45%	55%
Equipment	55%	30%	45%	55%

	Value Added Factors			
	CDN	NL	QU	ONT
Capital Expenditure				
Mining Equipment CAPEX				
Labour	100%	100%	100%	100%
Materials	55%	30%	35%	35%
Services & Other	55%	30%	35%	35%
Equipment	55%	30%	35%	35%
Concentrator and Site Infrastructure CAPEX				
Labour	100%	100%	100%	100%
Materials	55%	30%	35%	35%
Services & Other	55%	30%	35%	35%
Equipment	55%	30%	35%	35%
Rehabilitation and Closure Costs CAPEX				
Labour	100%	100%	100%	100%
Materials	55%	30%	35%	35%
Services & Other	55%	30%	35%	35%
Equipment	55%	30%	35%	35%

Table A 3: Capital Cost Sensitivity and Price Sensitivity

Capex Sensitivity – Base Case Price (\$84.80 CDN/t)					
	Base Case Capex (\$1,538 M)	Base Case Capex Plus 25% (\$1,848M)	Base Case Capex Minus 25% (\$1,228M)	Change from Base Case (+25%)	Change from Base Case (-25%)
Capital Costs (\$M)	\$1,538	\$1,848	\$1,228	\$310	-\$310
Operating Costs (\$M)	\$7,347	\$7,347	\$7,347	\$0	\$0
Opex/tonne (\$/t)	\$40.36	\$40.36	\$40.36	\$0	\$0
FOB Sept ilse Price	\$85	\$85	\$85	\$0	\$0
Concentrate	182	182	182	0	0
Revenue (\$M)	\$15,436	\$15,436	\$15,436	\$0	\$0
Royalties (\$M)	\$463	\$463	\$463	\$0	\$0
IBA (\$)					
Net Cash Flow (\$M)	\$3,783	\$3,634	\$3,920	-\$149	\$137
NPV (8%) (\$M)	\$853	\$683	\$1,015	-\$170	\$162
IRR	18.46%	14.90%	23.98%	-3.56%	5.53%
CDN Taxes (\$M)	\$1,986	\$1,995	\$1,976	\$8	-\$11

Economic Impact Analysis of ADV's Kami Iron Ore Project

NL Taxes (\$)	\$1,783	\$1,661	\$1,919	-\$122	\$136
QU Taxes (\$M)	\$459	\$471	\$448	\$11	-\$11
ON Taxes (\$M)	\$151	\$157	\$144	\$7	-\$7
CDN Employment (PY)	100,405	103,560	97,250	3,155	-3,155
NL Employment (PY)	31,984	32,924	31,044	940	-940
QU Employment (PY)	42,263	43,339	41,187	1,076	-1,076
ON Employment (PY)	23,512	24,530	22,494	1,018	-1,018
CDN Income (\$M)	\$7,612	\$7,855	\$7,369	\$243	-\$243
NL Income (\$M)	\$2,236	\$2,305	\$2,167	\$69	-\$69
QU Income (\$M)	\$3,242	\$3,325	\$3,159	\$83	-\$83
ON Income (\$M)	\$1,854	\$1,933	\$1,775	\$79	-\$79
CDN GDP (\$M)	\$19,527	\$19,770	\$19,284	\$243	-\$243
NL GDP (\$M)	\$14,151	\$14,220	\$14,082	\$69	-\$69
QU GDP (\$M)	\$3,242	\$3,325	\$3,159	\$83	-\$83
ON GDP (\$M)	\$1,854	\$1,933	\$1,775	\$79	-\$79
Capex Sensitivity – Base Case Price (\$106.00 CDN/t)					
	Base Case Capex (\$1,538 M)	Base Case Capex Plus 25% (\$1,848M)	Base Case Capex Minus 25% (\$1,228M)	Change from Base Case (+25%)	Change from Base Case (-25%)
Capital Costs (\$M)	\$1,538	\$1,848	\$1,228	\$310	-\$310
Operating Costs (\$M)	\$7,347	\$7,347	\$7,347	\$0	\$0
Opex/tonne (\$/t)	\$40 36	\$40 36	\$40 36	\$0	\$0
FOB Sept Ilse Price	\$106 00	\$106 00	\$106 00	\$0	\$0
Concentrate	182	182	182	0	0
Revenue (\$M)	\$19,295	\$19,295	\$19,295	\$0	\$0
Royalties (\$M)	\$579	\$579	\$579	\$0	\$0
IBA (\$)					
Net Cash Flow (\$M)	\$5,990	\$5,849	\$6,123	-\$140	\$133
NPV (8%) (\$M)	\$1,629	\$1,464	\$1,786	-\$164	\$158
IRR	26 79%	21 90%	34 48%	-4 89%	7 68%
CDN Taxes (\$M)	\$2,461	\$2,471	\$2,449	\$10	-\$12
NL Taxes (\$)	\$2,838	\$2,706	\$2,979	-\$132	\$141
QU Taxes (\$M)	\$459	\$471	\$448	\$11	-\$11
ON Taxes (\$M)	\$151	\$157	\$144	\$7	-\$7
CDN Employment (PY)	100,405	103,560	97,250	3,155	-3,155
NL Employment (PY)	31,984	32,924	31,044	940	-940
QU Employment (PY)	42,263	43,339	41,187	1,076	-1,076
ON Employment (PY)	23,512	24,530	22,494	1,018	-1,018
CDN Income (\$M)	\$7,612	\$7,855	\$7,369	\$243	-\$243
NL Income (\$M)	\$2,236	\$2,305	\$2,167	\$69	-\$69
QU Income (\$M)	\$3,242	\$3,325	\$3,159	\$83	-\$83
ON Income (\$M)	\$1,854	\$1,933	\$1,775	\$79	-\$79
CDN GDP (\$M)	\$23,386	\$23,629	\$23,143	\$243	-\$243
NL GDP (\$M)	\$18,010	\$18,079	\$17,941	\$69	-\$69
QU GDP (\$M)	\$3,242	\$3,325	\$3,159	\$83	-\$83

Economic Impact Analysis of ADV's Kami Iron Ore Project

ON GDP (\$M)	\$1,854	\$1,933	\$1,775	\$79	-\$79
Capex Sensitivity – Base Case Price (\$63.60 CDN/t)					
	Base Case Capex (\$1,538 M)	Base Case Capex Plus 25% (\$1,848M)	Base Case Capex Minus 25% (\$1,228M)	Change from Base Case (+25%)	Change from Base Case (-25%)
Capital Costs (\$M)	\$1,538	\$1,848	\$1,228	\$310	-\$310
Operating Costs (\$M)	\$7,347	\$7,347	\$7,347	\$0	\$0
Opex/tonne (\$/t)	\$40 36	\$40 36	\$40 36	\$0	\$0
FOB Sept Ilse Price	\$63 60	\$63 60	\$63 60	\$0	\$0
Concentrate	182	182	182	0	0
Revenue (\$M)	\$11,577	\$11,577	\$11,577	\$0	\$0
Royalties (\$M)	\$347	\$347	\$347	\$0	\$0
IBA (\$)					
Net Cash Flow (\$M)	\$1,510	\$1,311	\$1,691	-\$199	\$181
NPV (8%) (\$M)	\$37	-\$166	\$227	-\$204	\$190
IRR	8 50%	6 16%	11 96%	-2 34%	3 46%
CDN Taxes (\$M)	\$1,496	\$1,496	\$1,496	-\$1	\$0
NL Taxes (\$)	\$811	\$748	\$892	-\$63	\$81
QU Taxes (\$M)	\$459	\$471	\$448	\$11	-\$11
ON Taxes (\$M)	\$151	\$157	\$144	\$7	-\$7
CDN Employment (PY)	100,405	103,560	97,250	3,155	-3,155
NL Employment (PY)	31,984	32,924	31,044	940	-940
QU Employment (PY)	42,263	43,339	41,187	1,076	-1,076
ON Employment (PY)	23,512	24,530	22,494	1,018	-1,018
CDN Income (\$M)	\$7,612	\$7,855	\$7,369	\$243	-\$243
NL Income (\$M)	\$2,236	\$2,305	\$2,167	\$69	-\$69
QU Income (\$M)	\$3,242	\$3,325	\$3,159	\$83	-\$83
ON Income (\$M)	\$1,854	\$1,933	\$1,775	\$79	-\$79
CDN GDP (\$M)	\$15,668	\$15,911	\$15,425	\$243	-\$243
NL GDP (\$M)	\$10,292	\$10,361	\$10,223	\$69	-\$69
QU GDP (\$M)	\$3,242	\$3,325	\$3,159	\$83	-\$83
ON GDP (\$M)	\$1,854	\$1,933	\$1,775	\$79	-\$79

Table A 4· Operating Cost Sensitivity and Price Sensitivity

Opex Sensitivity – Base Case Price (\$84.80 CDN/t)					
	Base Case Opex (\$5,657 M)	Base Case Opex Plus 25% (\$7,071M)	Base Case Opex Minus 25% (\$4,243M)	Change from Base Case (+25%)	Change from Base Case (-25%)
Capital Costs (\$M)	\$1,538	\$1,538	\$1,538	\$0	\$0
Operating Costs (\$M)	\$7,347	\$9,184	\$5,510	\$1,837	-\$1,837
Opex/tonne (\$/t)	\$40 36	\$50 45	\$30 27	\$10 09	-\$10 09
FOB Sept Ilse Price	\$84 80	\$84 80	\$84 80	\$0	\$0

Economic Impact Analysis of ADV's Kami Iron Ore Project

Concentrate	182	182	182	0	0
Revenue (\$M)	\$15,436	\$15,436	\$15,436	\$0	\$0
Royalties (\$M)	\$463	\$463	\$463	\$0	\$0
IBA (\$)					
Net Cash Flow (\$M)	\$3,783	\$2,689	\$4,863	-\$1,094	\$1,080
NPV (8%) (\$M)	\$853	\$464	\$1,234	-\$390	\$380
IRR	18.46%	13.94%	22.57%	-4.52%	4.11%
CDN Taxes (\$M)	\$1,986	\$1,993	\$1,977	\$6	-\$9
NL Taxes (\$)	\$1,783	\$1,345	\$2,239	-\$438	\$456
QU Taxes (\$M)	\$459	\$559	\$359	\$100	-\$100
ON Taxes (\$M)	\$151	\$180	\$121	\$29	-\$29
CDN Employment (PY)	100,405	121,513	79,297	21,108	-21,108
NL Employment (PY)	31,984	38,708	25,259	6,724	-6,724
QU Employment (PY)	42,263	51,505	33,022	9,242	-9,242
ON Employment (PY)	23,512	28,157	18,866	4,646	-4,646
CDN Income (\$M)	\$7,612	\$9,207	\$6,017	\$1,595	-\$1,595
NL Income (\$M)	\$2,236	\$2,700	\$1,772	\$464	-\$464
QU Income (\$M)	\$3,242	\$3,950	\$2,534	\$708	-\$708
ON Income (\$M)	\$1,854	\$2,222	\$1,486	\$368	-\$368
CDN GDP (\$M)	\$19,527	\$20,241	\$18,812	\$715	-\$715
NL GDP (\$M)	\$14,151	\$13,735	\$14,567	-\$416	\$416
QU GDP (\$M)	\$3,242	\$3,950	\$2,534	\$708	-\$708
ON GDP (\$M)	\$1,854	\$2,222	\$1,486	\$368	-\$368
Opex Sensitivity – Base Case Price (\$106.00 CDN/t)					
	Base Case Opex (\$5,657 M)	Base Case Opex Plus 25% (\$7,071M)	Base Case Opex Minus 25% (\$4,243M)	Change from Base Case (+25%)	Change from Base Case (-25%)
Capital Costs (\$M)	\$1,538	\$1,538	\$1,538	\$0	\$0
Operating Costs (\$M)	\$7,347	\$9,184	\$5,510	\$1,837	-\$1,837
Opex/tonne (\$/t)	\$40.36	\$50.45	\$30.27	\$10	-\$10
FOB Sept Ilse Price	\$106.00	\$106.00	\$106.00	\$0	\$0
Concentrate	182	182	182	0	0
Revenue (\$M)	\$19,295	\$19,295	\$19,295	\$0	\$0
Royalties (\$M)	\$579	\$579	\$579	\$0	\$0
IBA (\$)					
Net Cash Flow (\$M)	\$5,990	\$4,906	\$7,070	-\$1,084	\$1,081
NPV (8%) (\$M)	\$1,629	\$1,246	\$2,009	-\$383	\$380
IRR	26.79%	22.79%	30.60%	-4.01%	3.81%
CDN Taxes (\$M)	\$2,461	\$2,470	\$2,452	\$9	-\$9
NL Taxes (\$)	\$2,838	\$2,387	\$3,293	-\$451	\$455
QU Taxes (\$M)	\$459	\$559	\$359	\$100	-\$100
ON Taxes (\$M)	\$151	\$180	\$121	\$29	-\$29
CDN Employment (PY)	100,405	121,513	79,297	21,108	-21,108
NL Employment (PY)	31,984	38,708	25,259	6,724	-6,724
QU Employment (PY)	42,263	51,505	33,022	9,242	-9,242

Economic Impact Analysis of ADV's Kami Iron Ore Project

ON Employment (PY)	23,512	28,157	18,866	4,646	-4,646
CDN Income (\$M)	\$7,612	\$9,207	\$6,017	\$1,595	-\$1,595
NL Income (\$M)	\$2,236	\$2,700	\$1,772	\$464	-\$464
QU Income (\$M)	\$3,242	\$3,950	\$2,534	\$708	-\$708
ON Income (\$M)	\$1,854	\$2,222	\$1,486	\$368	-\$368
CDN GDP (\$M)	\$23,386	\$24,100	\$22,671	\$715	-\$715
NL GDP (\$M)	\$18,010	\$17,594	\$18,426	-\$416	\$416
QU GDP (\$M)	\$3,242	\$3,950	\$2,534	\$708	-\$708
ON GDP (\$M)	\$1,854	\$2,222	\$1,486	\$368	-\$368
Opex Sensitivity – Base Case Price (\$63.60 CDN/t)					
	Base Case Opex (\$5,657 M)	Base Case Opex Plus 25% (\$7,071M)	Base Case Opex Minus 25% (\$4,243M)	Change from Base Case (+25%)	Change from Base Case (-25%)
Capital Costs (\$M)	\$1,538	\$1,538	\$1,538	\$0	\$0
Operating Costs (\$M)	\$7,347	\$9,184	\$5,510	\$1,837	-\$1,837
Opex/tonne (\$/t)	\$40.36	\$50.45	\$30.27	\$10	-\$10
FOB Sept Ilse Price	\$63.60	\$63.60	\$63.60	\$0	\$0
Concentrate	182	182	182	0	0
Revenue (\$M)	\$11,577	\$11,577	\$11,577	\$0	\$0
Royalties (\$M)	\$347	\$347	\$347	\$0	\$0
IBA (\$)					
Net Cash Flow (\$M)	\$1,510	\$305	\$2,645	-\$1,205	\$1,135
NPV (8%) (\$M)	\$37	-\$439	\$451	-\$476	\$413
IRR	8.51%	1.82%	13.75%	-6.68%	5.24%
CDN Taxes (\$M)	\$1,496	\$1,484	\$1,500	-\$12	\$4
NL Taxes (\$)	\$811	\$501	\$1,198	-\$309	\$387
QU Taxes (\$M)	\$459	\$559	\$359	\$100	-\$100
ON Taxes (\$M)	151	180	121	29	-29
CDN Employment (PY)	100,405	121,513	79,297	21,108	-21,108
NL Employment (PY)	31,984	38,708	25,259	6,724	-6,724
QU Employment (PY)	42,263	51,505	33,022	9,242	-9,242
ON Employment (PY)	23,512	28,157	18,866	4,646	-4,646
CDN Income (\$M)	\$7,612	\$9,207	\$6,017	\$1,595	-\$1,595
NL Income (\$M)	\$2,236	\$2,700	\$1,772	\$464	-\$464
QU Income (\$M)	\$3,242	\$3,950	\$2,534	\$708	-\$708
ON Income (\$M)	\$1,854	\$2,222	\$1,486	\$368	-\$368
CDN GDP (\$M)	\$15,668	\$16,382	\$14,953	\$715	-\$715
NL GDP (\$M)	\$10,292	\$9,876	\$10,708	-\$416	\$416
QU GDP (\$M)	\$3,242	\$3,950	\$2,534	\$708	-\$708
ON GDP (\$M)	\$1,854	\$2,222	\$1,486	\$368	-\$368

Table A 5: IRR Sensitivities

	IRR at Various Prices		
	\$84.80	\$106.00	\$63.60
Base Capex + Base Opex + Various Prices	18.46%	26.79%	8.50%
Base Capex (+25%) + Base Opex + Various Prices	14.90%	21.90%	6.16%
Base Capex (-25%) + Base Opex + Various Prices	23.98%	34.48%	11.96%
Base Capex + Base Opex + Various Prices	18.46%	26.79%	8.51%
Base Capex + Base Opex (+25%) + Various Prices	13.94%	22.79%	1.82%
Base Capex + Base Opex (-25%) + Various Prices	22.57%	30.60%	13.75%

Figure A 1. IRR Sensitivity – Capex and Prices (CDN \$)

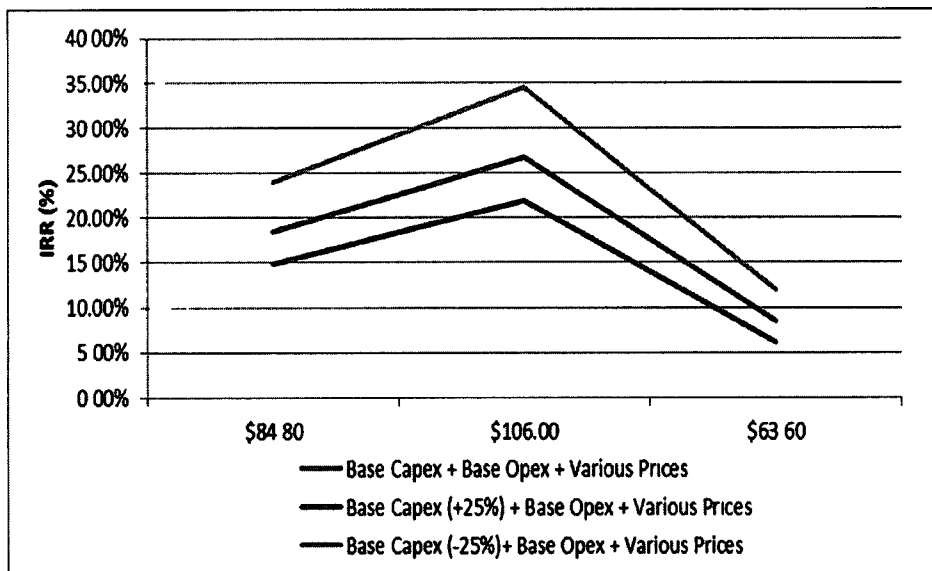


Figure A 2. IRR Sensitivity – Opex and Prices (CDN \$)

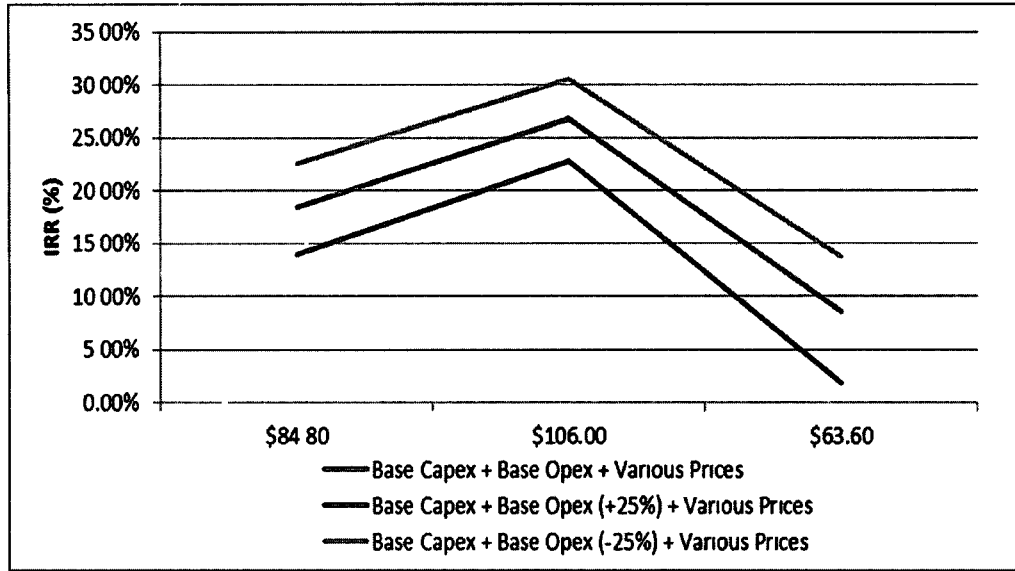


Table A 6 NL Employment Sensitivities (PY)

	NL Employment at Various Prices		
	\$84.80	\$106.00	\$63.60
Base Capex + Base Opex + Various Prices	31,984	31,984	31,984
Base Capex (+25%) + Base Opex + Various Prices	32,924	32,924	32,924
Base Capex (-25%) + Base Opex + Various Prices	31,044	31,044	31,044
Base Capex + Base Opex + Various Prices	31,984	31,984	31,984
Base Capex + Base Opex (+25%) + Various Prices	38,708	38,708	38,708
Base Capex + Base Opex (-25%) + Various Prices	25,259	25,259	25,259

Figure A 3. NL Employment Sensitivity – Capex and Prices (CDN \$)

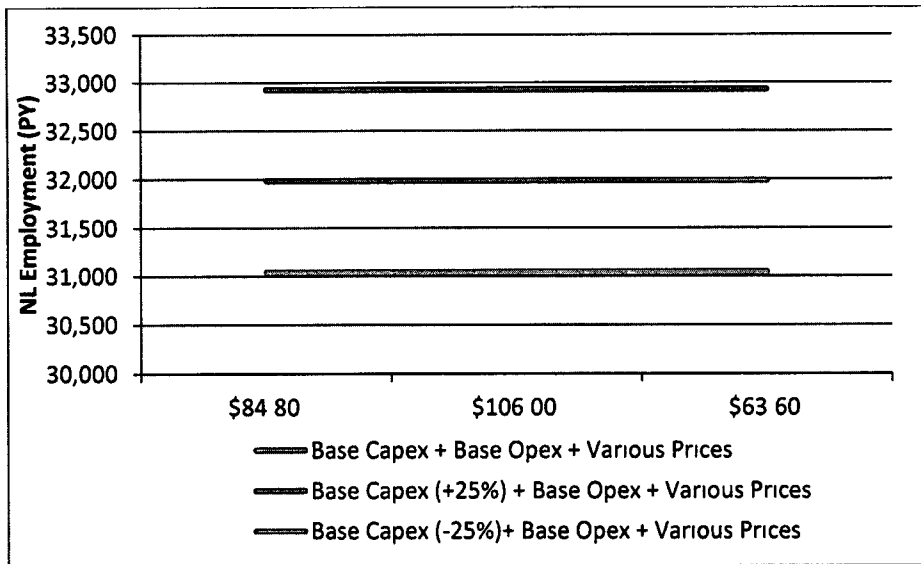


Figure A 4. NL Employment Sensitivity – Opex and Prices (CDN \$)

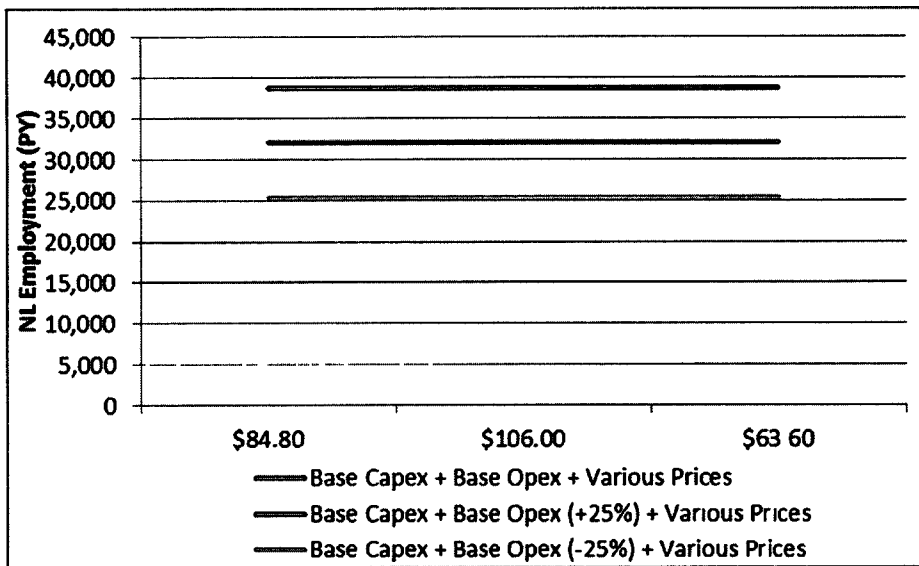


Table A 7. NL Income Sensitivities (\$M)

	NL Income at Various Prices		
	\$84.80	\$106.00	\$63.60
Base Capex + Base Opex + Various Prices	\$2,236	\$2,236	\$2,236
Base Capex (+25%) + Base Opex + Various Prices	\$2,305	\$2,305	\$2,305
Base Capex (-25%)+ Base Opex + Various Prices	\$2,167	\$2,167	\$2,167
Base Capex + Base Opex + Various Prices	\$2,236	\$2,236	\$2,236
Base Capex + Base Opex (+25%) + Various Prices	\$2,700	\$2,700	\$2,700
Base Capex + Base Opex (-25%) + Various Prices	\$1,772	\$1,772	\$1,772

Figure A 5. NL Income Sensitivity – Capex and Prices (CDN \$)

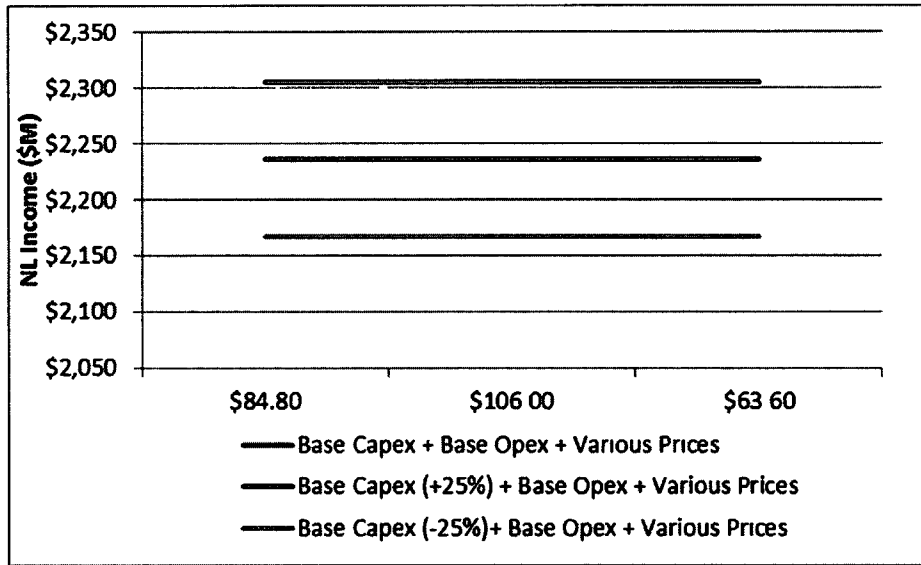


Figure A 6 NL Income Sensitivity – Opex and Prices (CDN \$)

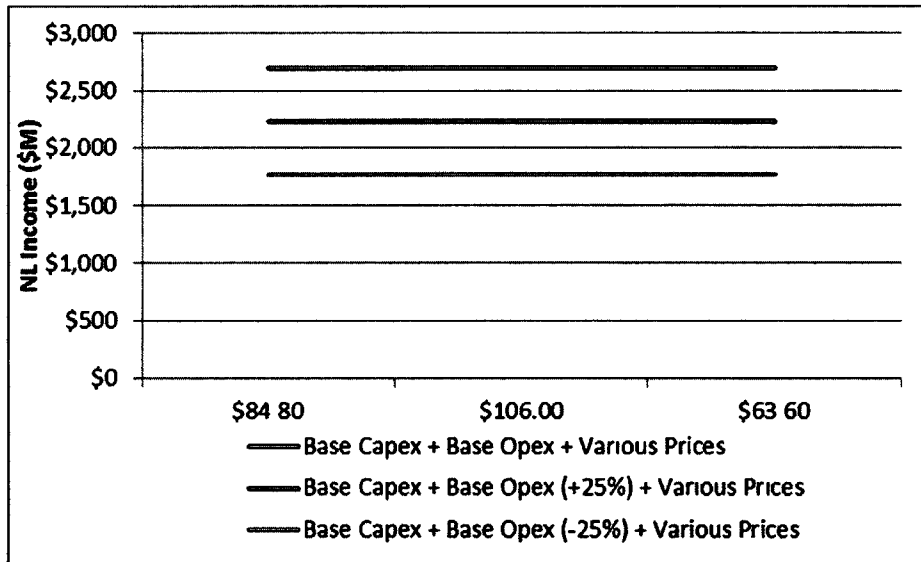


Table A 8 NL Taxes Sensitivities (\$M)

	NL Taxes at Various Prices		
	\$84.80	\$106.00	\$63.60
Base Capex + Base Opex + Various Prices	\$1,783	\$2,838	\$811
Base Capex (+25%) + Base Opex + Various Prices	\$1,661	\$2,706	\$748
Base Capex (-25%) + Base Opex + Various Prices	\$1,919	\$2,979	\$892

Base Capex + Base Opex + Various Prices	\$1,783	\$2,838	\$811
Base Capex + Base Opex (+25%) + Various Prices	\$1,345	\$2,387	\$501
Base Capex + Base Opex (-25%) + Various Prices	\$2,239	\$3,293	\$1,198

Figure A 7: NL Taxes Sensitivity – Capex and Prices (CDN \$)

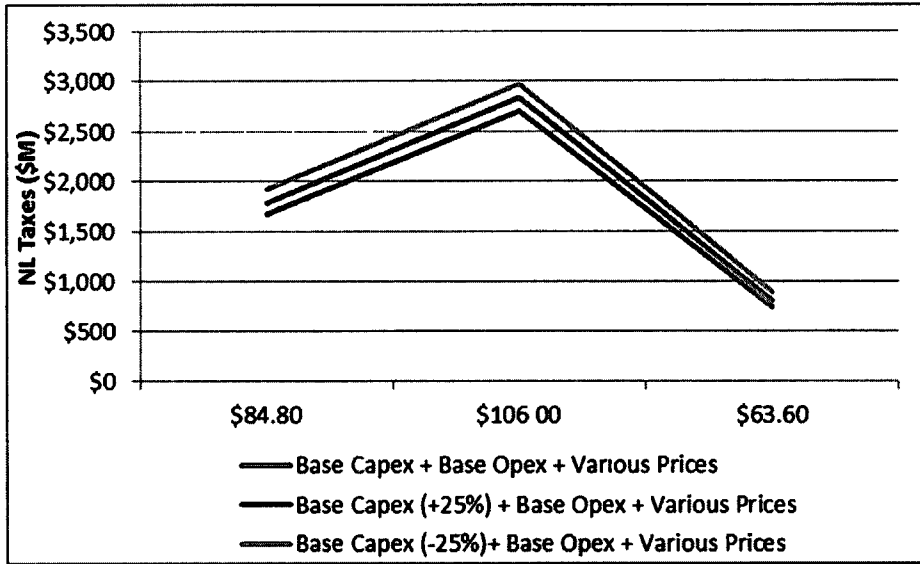


Figure A 8: NL Taxes Sensitivity – Opex and Prices (CDN \$)

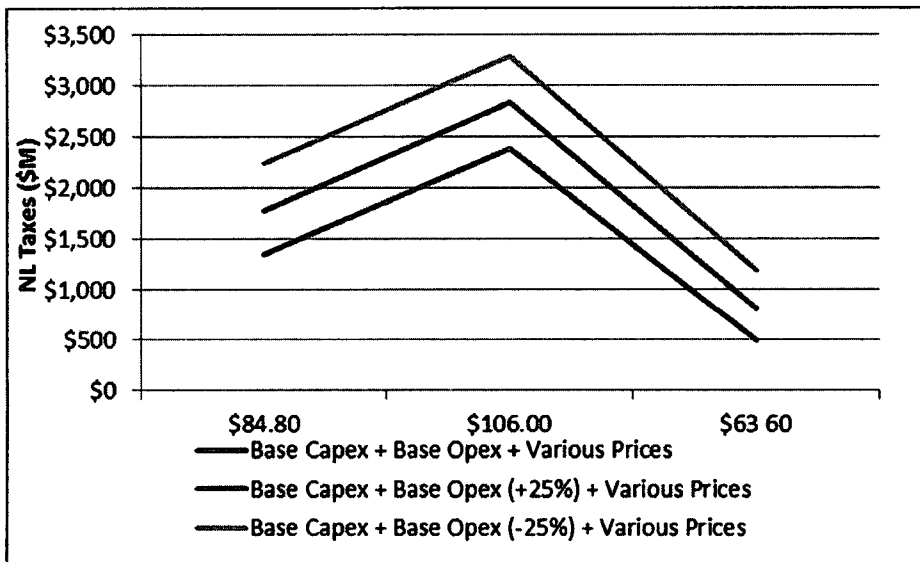


Table A 9: NL GDP Sensitivities (\$M)

	NL GDP at Various Prices		
	\$84.80	\$106.00	\$63.60
Base Capex + Base Opex + Various Prices	\$14,151	\$18,010	\$10,292

Base Capex (+25%) + Base Opex + Various Prices	\$14,220	\$18,079	\$10,361
Base Capex (-25%)+ Base Opex + Various Prices	\$14,082	\$17,941	\$10,223
Base Capex + Base Opex + Various Prices			
	\$14,151	\$18,010	\$10,292
Base Capex + Base Opex (+25%) + Various Prices	\$13,735	\$17,594	\$9,876
Base Capex + Base Opex (-25%) + Various Prices	\$14,567	\$18,426	\$10,708

Figure A 9: NL GDP Sensitivity – Capex and Prices (CDN \$)

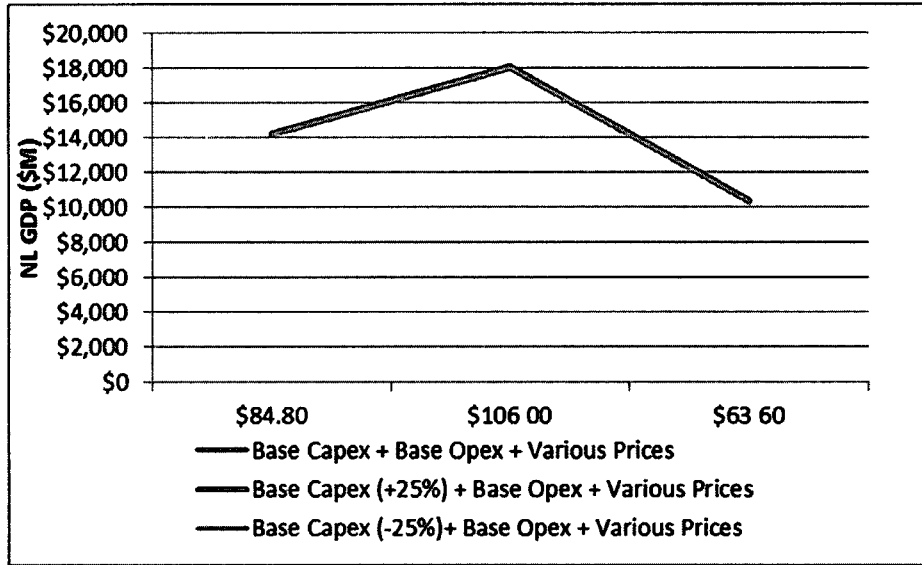
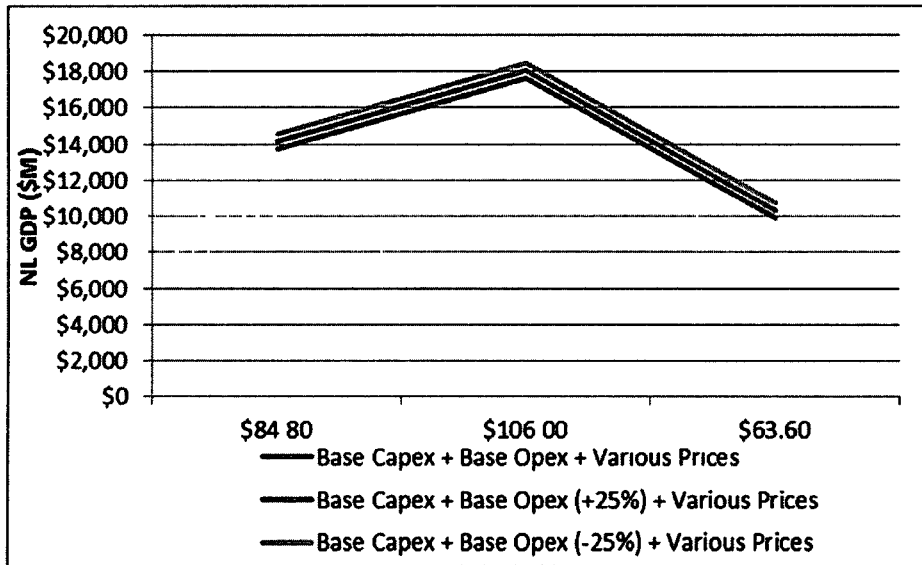


Figure A 10: NL GDP Sensitivity – Opex and Prices (CDN \$)



**SUPERIOR COURT
DISTRICT OF MONTREAL
N° : 500-11-048114-157**

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

**BLOOM LAKE GENERAL PARTNER LIMITED,
QUINTO MINING CORPORATION, 8568391 CANADA
LIMITED AND CLIFFS QUEBEC IRON MINING ULC.,
WABUSH IRON CO. LIMITED, WABUSH
RESOURCES INC.**

Petitioners/Respondents

-and-

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

Mises-en-cause

-and-

FTI CONSULTING CANADA INC

Monitor

-and-

**THE KAMI MINE LIMITED PARTNERSHIP
-and
ALDERON IRON ORE CORP.**

Petitioners

EXHIBIT P-1

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Borden Ladner Gervais

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February 11, 2014

Cliffs Natural Resources Inc. Announces Significant Reduction in 2014 Capital Expenditures



- Bloom Lake Mine Expansion Capital Curtailed, Cliffs to Run Phase I Operation Only
- Company Will Idle Wabush Mine by End of First-Quarter 2014
- Cash Flow Priorities to Drive Near-term Capital Allocation Decisions

CLEVELAND - Feb. 11, 2014 - Cliffs Natural Resources Inc. (NYSE: CLF) (Paris: CLF) announced today it expects its full-year 2014 capital expenditures to be in a range of \$375 - \$425 million, a greater than 50% year-over-year reduction from its full-year 2013 capital spending of \$862 million. This decrease is driven by a significant reduction in the Company's expansion and tailings and water management capital spending at its Bloom Lake Mine in Québec. Cliffs also announced that it will idle production at its Wabush Mine in the Province of Newfoundland and Labrador by the end of the first quarter of 2014.

Gary Halverson, president and chief operating officer, said, "Sharper capital allocation must drive our decisions. Today's announcement to reduce overall capital spending is an important first step." Mr. Halverson further noted that, "Bloom Lake's ore body is well suited for a global market that increasingly values quality and diversification of supply, but it also requires time and capital to be properly developed, built out, and operated to realize its full potential. Ultimately we must extract the highest value from Bloom Lake for our shareholders and operating Phase I preserves all possible options for this asset. Given the wide range of outlooks for iron ore prices, we reduced our 2014 capital expenditures at Bloom Lake Mine as we evaluate the best alternatives for this asset as part of our overall focus on enhancing value for shareholders."

Bloom Lake Mine

In the current pricing environment, Cliffs expects to produce and sell 5.5 - 6.5 million tons from Bloom Lake Mine's first phase in 2014, which is in line with full-year 2013 results. Cliffs expects Bloom Lake Mine's full-year 2014 cash costs to be \$85 - \$90 per ton versus fourth-quarter 2013's results of \$89 per ton. Cliffs indicated that it would idle Phase I if pricing significantly decreased for an extended period of time. With the Phase II expansion indefinitely suspended, the Company has made adjustments to various components of the mine plan, largely in the project's tailings and water management strategy. This has enabled Cliffs to defer and lower its year-over-year capital spending while continuing to operate Phase I.

Cliffs expects Bloom Lake Mine's full-year 2014 capital expenditures to be approximately \$200 million. This is comprised of \$65 million in carryover capital spending from 2013, with required license-to-operate and sustaining capital expenditures making up the remainder.

Wabush Mine

Cliffs' Wabush Scully Mine in Newfoundland and Labrador will be idled by the end of the first quarter of 2014. With costs unsustainably high, including fourth-quarter 2013 cash costs of \$143 per ton, it is not economically viable to continue running this operation. As previously disclosed, Cliffs idled Wabush Mine's Pointe Noire pellet plant in June of 2013. Approximately 500 employees at both the Wabush Scully Mine and the Pointe Noire rail and port operation in Québec will be impacted by these actions.

Gary Halverson continued, "Over the past three years we have seen pricing drop and Wabush Mine's costs escalate all while we have made significant capital investments into the operation. This is a regrettable but necessary decision. We simply cannot continue operating a high-cost mine while pricing and freight markets are so volatile. We do value the hard work of all our employees and are committed to easing the transition for the people and communities, including providing severance and

other support services as a result of this decision "

Cliffs anticipates incurring idle costs related to Wabush Mine of approximately \$100 million in 2014. Also, due to the idling of Wabush Mine, Cliffs' will record impairment and write-off charges of approximately \$183 million, which will be reflected in its fourth-quarter 2013 results. Cliffs will continue operating the port at Pointe Noire in Sept-Îles, Québec.

2014 Capital Allocation

Cliffs expects its full-year 2014 consolidated capital expenditures to be \$375 - \$425 million. This includes approximately \$100 million in cash-carryover capital, with the remainder primarily comprised of sustaining and license-to-operate capital. The first priority for any additional cash generated in excess of consolidated capital expenditures and dividend payments during the year will be to lower the Company's net debt position. Cliffs is in the process of evaluating a range of options for the next best use of the capital, all of which must have attractive return rates and drive long-term shareholder value.

Mr. Halverson added, "We will adhere to a return-driven approach to allocating capital. This will establish a prudent balance among key priorities relating to liquidity management, business investment, and capital allocation initiatives that provide for a more direct return to enhance long-term shareholder value."

Conference Call Information

As previously disclosed, Cliffs Natural Resources Inc. intends on announcing its fourth-quarter and full-year 2013 results after-market close on Thursday, Feb. 13, 2014. Cliffs will host a conference call to discuss the results at 10:00 a.m. ET on Friday, Feb. 14, 2014. The call will be broadcast live and archived on Cliffs' website: www.cliffsnaturalresources.com

About Cliffs Natural Resources Inc.

Cliffs Natural Resources Inc. is an international mining and natural resources company. A member of the S&P 500 Index, the Company is a major global iron ore producer and a significant producer of high- and low-volatile metallurgical coal. Cliffs' strategy is to continually achieve greater scale and diversification in the mining industry through a focus on serving the world's largest and fastest growing steel markets. Driven by the core values of social, environmental and capital stewardship, Cliffs associates across the globe endeavor to provide all stakeholders operating and financial transparency.

The Company is organized through a global commercial group responsible for sales and delivery of Cliffs' products and a global operations group responsible for the production of the minerals the Company markets. Cliffs operates iron ore and coal mines in North America and an iron ore mining complex in Western Australia.

Forward-Looking Statements

This release contains forward-looking statements within the meaning of the federal securities laws. Although the Company believes that its forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties relating to Cliffs' operations and business environment that are difficult to predict and may be beyond Cliffs' control. Such uncertainties and factors may cause actual results to differ materially from those expressed or implied by forward-looking statements for a variety of reasons including without limitation: trends affecting our financial condition, results of operations or future prospects, particularly the continued volatility of iron ore and coal prices, uncertainty or weaknesses in global economic conditions, including downward pressure on prices, reduced market demand, increases in supply and any slowing of the economic growth rate in China, our ability to successfully identify and consummate any strategic investments or capital projects and complete planned divestitures, our ability to successfully integrate acquired companies into our operations and achieve post-acquisition synergies, including without limitation, Cliffs Quebec Iron Mining Limited (formerly Consolidated Thompson Iron Mining Limited), our ability to cost effectively achieve planned production rates or levels, changes in sales volume or mix, the outcome of any contractual disputes with our customers, joint venture partners or significant energy, material or service providers or any other litigation or arbitration, the impact of price-adjustment factors on our sales contracts, the ability of our customers and joint venture partners to meet their obligations to us on a timely basis or at all, our ability to reach agreement with our iron ore customers regarding modifications to sales contract pricing escalation provisions to reflect a shorter-term or spot-based pricing mechanism, our actual economic iron ore and coal reserves or reductions in current mineral estimates, including whether any mineralized material qualifies as a reserve, the impact of our customers using other methods to produce steel or reducing their steel production, events or circumstances that could impair or adversely impact the viability of a mine and the carrying value of associated assets, as well as any resulting impairment charges, the results of prefeasibility and feasibility studies in relation to development projects, impacts of existing and increasing governmental regulation and related costs and liabilities, including failure to receive or maintain required operating and environmental permits, approvals, modifications or other authorization of, or from, any governmental or regulatory entity and costs related to implementing improvements to ensure compliance with regulatory changes, uncertainties associated with natural disasters, weather conditions, unanticipated geological conditions, supply or price of energy, equipment failures and other unexpected events, adverse changes in currency values, currency exchange rates, interest rates and tax laws, availability of capital and our ability to maintain adequate liquidity and successfully implement our financing plans, our ability to maintain appropriate relations with

unions and employees and enter into or renew collective bargaining agreements on satisfactory terms, risks related to international operations, the potential existence of significant deficiencies or material weakness in our internal controls over financial reporting, problems or uncertainties with leasehold interests, productivity, tons mined, transportation, mine-closure obligations, environmental liabilities, employee-benefit costs and other risks of the mining industry, and other factors and risks that are set forth in the Company's most recently filed reports with the Securities and Exchange Commission. The information contained herein speaks as of the date of this release and may be superseded by subsequent events. Except as may be required by applicable securities laws, we do not undertake any obligation to revise or update any forward-looking statements contained in this release.

Important Additional Information

Cliffs, its directors and certain of its executive officers may be deemed to be participants in the solicitation of proxies from Cliffs stockholders in connection with the matters to be considered at Cliffs' 2014 Annual Meeting. Cliffs intends to file a proxy statement with the U.S. Securities and Exchange Commission (the "SEC") in connection with any such solicitation of proxies from Cliffs stockholders. **CLIFFS STOCKHOLDERS ARE STRONGLY ENCOURAGED TO READ ANY SUCH PROXY STATEMENT AND ACCOMPANYING WHITE PROXY CARD WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION.** Information regarding the ownership of Cliffs' directors and executive officers in Cliffs stock, restricted stock and options is included in their SEC filings on Forms 3, 4 and 5. More detailed information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, will be set forth in the proxy statement and other materials to be filed with the SEC in connection with Cliffs' 2014 Annual Meeting. Information can also be found in Cliffs' Annual Report on Form 10-K for the year ended Dec. 31, 2012, filed with the SEC on Feb. 12, 2013. Stockholders will be able to obtain any proxy statement, any amendments or supplements to the proxy statement and other documents filed by Cliffs with the SEC for no charge at the SEC's website at www.sec.gov. Copies will also be available at no charge at Cliffs' website at www.cliffsnr.com or by contacting Carolyn Cheverne, Vice President, General Counsel & Secretary at (216) 694-7605.

SOURCE: Cliffs Natural Resources Inc.

**News releases and other information on the Company are available on the Internet at:
<http://www.cliffsnaturalresources.com>**

Follow Cliffs on Twitter at <http://twitter.com/CliffsNR>

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Source Cliffs Natural Resources Inc via Globenewswire*

News Provided by Acquire Media

**SUPERIOR COURT
DISTRICT OF MONTREAL
N° : 500-11-048114-157**

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

**BLOOM LAKE GENERAL PARTNER LIMITED,
QUINTO MINING CORPORATION, 8568391 CANADA
LIMITED AND CLIFFS QUEBEC IRON MINING ULC.,
WABUSH IRON CO. LIMITED, WABUSH
RESOURCES INC**

Petitioners/Respondents

-and-

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

Mises-en-cause

-and-

FTI CONSULTING CANADA INC.

Monitor

-and-

THE KAMI MINE LIMITED PARTNERSHIP

-and

ALDERON IRON ORE CORP.

Petitioners

EXHIBIT P-2

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**NEWS RELEASE****Alderon Engages BBA, Inc. to Prepare PEA on New Kami Mine Concept
Incorporating Idled Wabush Scully Mine**

October 19, 2016

(TSX: ADV)

Alderon Iron Ore Corp. (TSX: ADV) ("Alderon" or the "Company") announces an update on the re-scoping process that it has been undertaking on the Kami Iron Ore Project located in Western Labrador ("Kami Project"). The focus of the process has been to re-scope the capital and operating costs of the Kami Project in order to identify savings that have arisen from the current depressed state of the market and changes in ownership and management of assets in the Labrador Trough, the idling of the neighbouring Wabush Scully Mine ("Wabush") and evaluating strategic alternatives for the Company. Alderon's strategic partner Hesteel Group Co. Ltd ("Hesteel") remains committed to the Kami Project and has been actively involved in the re-scoping process and provided its input on key elements. Hesteel recently changed its name from Hebei Iron & Steel Group Co. Ltd. to reflect its international focus.

With respect to the current status of the Wabush Mine, since May 20, 2015 Wabush Mines and related subsidiaries and affiliates (the "Wabush CCAA Parties") have been in proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA"). Based on filings in the CCAA proceedings, only four employees have been retained to assist in safeguarding the assets and no suitors have emerged that are willing to purchase the mine. Alderon on the other hand has a viable plan to utilize the Wabush Mine and ensure the future of the region by developing the Kami Project. Once the Kami Project moves into construction it will bring much needed construction jobs to the region, followed by years of employment once mining operations commence at the Kami Project.

There are several key elements that the Company and its external technical consultants have been evaluating throughout the re-scoping process in order to develop a new capital and operating cost profile for the Kami Project. The most significant changes that have been examined are with respect to infrastructure requirements, in particular stockyard and terminal facilities, tailings storage and related infrastructure. In addition, as part of the exercise general cost reductions as a result of the depressed state of the market, reduced freight rates and the devaluation of the Canadian dollar against the U.S. dollar have been examined in detail. Alderon has retained BBA, Inc. based in Montreal, Quebec to complete the re-scoping process by preparing a new preliminary economic assessment ("PEA") report on the Kami Project. BBA, Inc. led the preparation of the Company's feasibility study dated December 17, 2012. The Company expects to release the results of the PEA and file a technical report prepared in accordance with National Instrument 43-101 in Q1 2017.

Key Elements of Project Re-scope

The key elements of the project re-scope are port and tailings infrastructure requirements. With respect to tailings and related infrastructure, Alderon has been evaluating the use of the pit at the Wabush Mine that is located in Wabush approximately six kilometers from the Kami Project. Mining operations at the Wabush Mine were suspended in March 2014 with the large majority of the workforce being laid off shortly thereafter. The Wabush Mine was permanently idled in November 2014.

The existing infrastructure at the Wabush Mine can reduce the initial and sustaining capital costs of the Kami Project. In particular, Alderon, Hesteel and others have analyzed the Wabush Mine in detail and

concluded that there are no economic reserves remaining in the pit. Given that the Wabush Mine is fully depleted of economic reserves, the remaining pit can be used as a tailings storage and management facility for the Kami Project. This negates the need to build an independent tailings deposition facility for the Kami Project and as a result would significantly reduce the capital expenditures associated with it.

With respect to the port terminal facilities, on March 8, 2016 the Government of Quebec became the owner of rail, stockyard and terminal facilities located in Pointe-Noire area of the Port of Sept-Îles. The Government of Quebec acquired these facilities from Cliffs Natural Resources and has announced its plans to use these assets to create a multi-user terminal facility at the Port of Sept-Îles that will be open to all market participants. The multi-user facility may be accessed by participants as either a partner in a newly formed limited partnership or as a non-partner regular user. The Company's ability to access the multi-user terminal facility will result in a significant capital cost savings as it will no longer need to construct its own stockyard and material handling facilities. The multi-user terminal facility will allow the Company to connect to the completed multi-user dock facility that the Company has an existing contract to ship 8 million tonnes per annum of material through.

Status of Wabush Mine CCAA Proceedings

In the CCAA proceedings, FTI Consulting Canada Inc. (the "Monitor") has been appointed as the monitor for the purpose of overseeing the proceedings and arranging for the orderly liquidation of assets. The Monitor has established a website where information regarding the proceedings is publicly available. The Monitor files periodic reports with the Court regarding the progress of the proceedings, the most recent report is the twenty-fourth report to the Court dated October 6, 2016 (the "October 2016 Report").

Based on information on the Monitor's website, on May 19, 2016 a notice was sent to interested parties confirming that a potential purchaser for the Wabush Mine would not proceed with the transaction and the Wabush CCAA Parties, in consultation with the Monitor, started the process of analyzing liquidation offers for the liquidation of equipment located at the Wabush Mine and other assets. Subsequent to this notice, the liquidation of assets at the Wabush Mine commenced. This includes the completed or intended sale of three Caterpillar generator sets, 104 single family homes, two apartment buildings, a staff house, nine Komatsu Haul Trucks, and real estate, machinery, equipment and other chattels used in connection with the Wabush Terminal Station and Wabush Substation. The Monitor has also confirmed that it has accepted a proposal, subject to negotiation of a definitive asset purchase agreement and Court approval, for the sale of the major mobile equipment at the Wabush Mine.

The Monitor further reports that on August 30, 2016, in anticipation of a further process to seek proposals for the remaining movable assets at the Wabush Mine, the Wabush CCAA Parties issued to MFC Industrial Ltd. ("MFC") a Notice of Intent to Dismantle or Destroy Infrastructure or Fixtures located at the Wabush Mine.

The following excerpts from the October 2016 Report demonstrate that the Monitor has devoted significant time and effort to find a purchaser for the Wabush Mine but a purchaser is not forthcoming and the liquidation of the remaining assets is the only option

"The Monitor and the Wabush CCAA Parties expended significant time and effort endeavouring to obtain a proposal from the Wabush Interested Party. Notwithstanding these efforts, it became increasingly apparent that it was unlikely that any proposal for the acquisition of the Wabush Mine would be forthcoming."

"The Wabush CCAA Parties, in consultation with the Monitor, are considering various alternatives with respect to the Wabush Mine, which alternatives could involve continuing to hold all or parts of the Wabush Mine to effect the realization of the remaining assets as described below, terminating the mining lease between predecessors of MFC and WICL dated

September 2, 1959, (the "MFC Sub-Lease"), abandoning the property or any combination of the foregoing "

"The Wabush CCAA Parties and the Monitor would welcome a proposal for the acquisition of the Wabush mine and related assets at an appropriate price. Regrettably, approximately eighteen months after the SISP Order was granted, there is no proposal from MFC or from any interested party "

"While parties have shown some interest in the Wabush Mine assets, no party has been prepared to proceed with a proposal to buy those assets. This includes the party with whom MFC signed a support agreement as discussed earlier in this report "

"As noted in paragraph 7 of the MFC Stay Objection, the marketing efforts have clearly demonstrated that there is no party with any interest in purchasing the mining assets and reopening the mine in the near future. Furthermore, it does not appear that MFC intends to restart operations in the near future even if it acquired the assets "

Alderon has long recognized that there are no economic reserves remaining at the Wabush Mine and has not made a proposal in the CCAA process to acquire the Wabush Mine and operate it as a going concern. However, as discussed in the press release, it has a viable plan to use the depleted pit to ensure growth and prosperity for the region. The PEA will incorporate the use of the pit at the Wabush Mine into the re-scope of the Kami Project and Alderon will work with stakeholders to acquire access at the conclusion of the CCAA proceedings.

About Alderon

Alderon is a leading iron ore development company in Canada. The Kami Project, owned 75% by Alderon and 25% by Hesteel Group Co. Ltd. (formerly Hebei Iron & Steel Group Co. Ltd.) ("Hesteel") through The Kami Mine Limited Partnership, is located within Canada's premier iron ore district and is surrounded by two producing iron ore mines. Its port handling facilities are located in Sept-Îles, the leading iron ore port in North America. Hesteel is Alderon's strategic partner in the development of the Kami Project and China's second largest steel producer.

For more information on Alderon, please visit our website at www.alderonironore.com.

ALDERON IRON ORE CORP.

On behalf of the Board

"Mark J Morabito"

Chairman & CEO

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Cautionary Note Regarding Forward-Looking Information

This press release contains "forward-looking information" within the meaning of the U.S. Private Securities Litigation Reform Act and Canadian securities laws concerning anticipated developments and events that may occur in the future. Forward-looking information contained in this press release includes, but are not limited to, statements with respect to (i) the details of the re-scoping of the Kami Project including potential capital and operating cost savings, (ii) the timing of the preparation of the PEA, (iii) the ability to access the multi-user terminal facility and Wabush Mine, and (iv) the development of the Kami Project.

In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information contained in this press release is based on certain factors and assumptions regarding among other things: receipt of governmental and other approvals; the estimation of mineral reserves and resources; the realization of reserve and resource estimates; iron ore and other metal prices; the timing and amount of future development expenditures; the estimation of initial and sustaining capital requirements; the estimation of labour and operating costs; the availability of necessary financing and materials to continue to explore and develop the Kami Project in the short and long-term; the progress of exploration and development activities; the receipt of necessary regulatory approvals; the estimation of insurance coverage; assumptions with respect to currency fluctuations and exchange rates; environmental risks, title disputes or claims; and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include risks inherent in the exploration and development of mineral deposits, including risks relating to changes in project parameters as plans continue to be redefined including the possibility that mining operations may not commence at the Kami Project, risks relating to variations in mineral resources, grade or recovery rates resulting from current exploration and development activities, risks relating to the ability to access rail transportation, sources of power and port facilities, risks relating to changes in iron ore prices and the worldwide demand for and supply of iron ore and related products, risks related to increased competition in the market for iron ore and related products and in the mining industry generally, risks related to current global financial conditions, uncertainties inherent in the estimation of mineral resources, access and supply risks, reliance on key personnel, operational risks inherent in the conduct of mining activities including the risk of accidents, labour disputes, increases in capital and operating costs and the risk of delays or increased costs that might be encountered during the development process, regulatory risks, including risks relating to the acquisition of the necessary licences and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities at the Kami Project may not be available on satisfactory terms, or at all, risks related to disputes concerning property titles and interest, risks related to disputes with Aboriginal groups, environmental risks and the additional risks identified in the "Risk Factors" section of the Company's Annual Information Form for the most recently completed financial year, or other reports and filings with applicable Canadian securities regulators. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information is made as of the date of this press release. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking information.

**SUPERIOR COURT
DISTRICT OF MONTREAL
N° : 500-11-048114-157**

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

**BLOOM LAKE GENERAL PARTNER LIMITED,
QUINTO MINING CORPORATION, 8568391 CANADA
LIMITED AND CLIFFS QUEBEC IRON MINING ULC.,
WABUSH IRON CO. LIMITED, WABUSH
RESOURCES INC.**

Petitioners/Respondents

-and-

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

Mises-en-cause

-and-

FTI CONSULTING CANADA INC.

Monitor

-and-

THE KAMI MINE LIMITED PARTNERSHIP

-and

ALDERON IRON ORE CORP.

Petitioners

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January 13, 2017

VIA E-MAIL [oaasen@alderonironore.com]

Reference 11573/374

Olen Aasen
General Counsel & Corporate Secretary
Alderon Iron Ore Corp
1240 - 1140 West Pender Street
Vancouver, BC, Canada V6E 4G1

Re: Non-binding Proposal

Dear Mr Aasen

I refer to your letter of December 21, 2016 sent by you on behalf of Alderon's Chairman and CEO, Mark Morabito (the "Letter") addressed to Cliffs Natural Resources Inc and FTI Consulting Canada Inc. We are counsel for the Wabush Parties as defined in the Letter which has been referred to me for response on behalf of the Wabush Parties and FTI Consulting Canada Inc in its capacity as Monitor of the Wabush Parties.

The Monitor and the Wabush Parties have reviewed and considered the Letter, being a non-binding proposal for a potential transaction involving the Scully Assets as defined in the Letter, and advise that the non-binding proposal and the description of the proposed transaction are not acceptable to the Wabush Parties and the Wabush Parties do not intend to engage in any negotiations in respect of the non-binding proposal and proposed transaction as described in the Letter at this time. If your client is prepared to submit a proposal for the acquisition of the entirety of the assets related to the Scully Mine on reasonable terms and conditions, including, without limitation, as they relate to price and assumption of liabilities, the Wabush Parties and the Monitor would give it due consideration.

Yours very truly,



Steven J Weisz

SJW/ab

c. Nigel Meakin, FTI Consulting Canada Inc.
Sylvain Rigaud, Norton Rose Fulbright Canada LLP

23058974 2

**SUPERIOR COURT
DISTRICT OF MONTREAL
N° : 500-11-048114-157**

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

-and-

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

Mises-en-cause

-and-

FTI CONSULTING CANADA INC.

Monitor

-and-

**THE KAMI MINE LIMITED PARTNERSHIP
-and
ALDERON IRON ORE CORP.**

Petitioners

EXHIBIT P-4

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Me Vanessa Jodoin
Dossier 560420-000005

Jodoin, Vanessa

Objet: TR Scully Mine - Sale Procedures and Form of Definitive Agreement
Pièces jointes: Scully Mine Sale Procedures pdf, CLEAN COPY - Form of Definitive Agreement.doc,
CLEAN COPY - Schedules to Definitive Agreement docx, CLEAN COPY - Form of Access
Agreement docx

From: CHOW, MILLY [mailto: MILLY.CHOW@blakes.com]

Sent: February 27, 2017 7.15 AM

To: Olen Aasen <oaasen@alderonironore.com>

Cc: SHALVIRI, ARYO <ARYO.SHALVIRI@blakes.com>, MCKEE, TOM <TOM.MCKEE@blakes.com>, Meakin, Nigel <Nigel.Meakin@fticonsulting.com>; Cobb, Evan <evan.cobb@nortonrosefulbright.com>; Rigaud, Sylvain (Sylvain Rigaud@nortonrosefulbright.com) <Sylvain.Rigaud@nortonrosefulbright.com>

Subject: Scully Mine - Sale Procedures and Form of Definitive Agreement

Mr Aasen, Alderon had previously expressed an interest in acquiring certain of the Scully Mine Assets, the terms of which were not acceptable to the company and Alderon was invited to submit another proposal for the acquisition of the entirety of the Scully Mine Assets, on reasonable terms and conditions. As you may know, the CCAA Parties have been in discussions with representatives of several Prospective Bidders who are interested in the Scully Mine Assets.

Given the multiple interests being expressed in the Scully Mine Assets, the Vendors, in consultation with the Monitor, have determined that it is appropriate that formal written sale procedures (as attached as Schedule "A", the "Sale Procedures") be established at this juncture so that Prospective Bidders have a clear understanding of the process that the Vendors intend to follow, and require Prospective Bidders to follow, moving forward. The Sale Procedures will apply to all Prospective Bidders to ensure that we have a fair and transparent process for all parties concerned and will be of assistance in obtaining Court approval of a Successful Bid, if any.

In order to facilitate the review and comparison of multiple bids by the Vendors and Monitor in a fair and transparent manner, the Vendors, in consultation with the Monitor, require that all Prospective Bidders work off the same baseline asset purchase agreement in the form of the attached Form of Definitive Agreement that is now being provided to all Prospective Bidders. As you will see from the attached blacklined draft of the Form of Definitive Agreement showing changes made from the form of draft APA originally provided to you, the changes are not extensive. The Vendors remain available to discuss, prior to the Binding Offer Deadline, terms or specific language that you might seek to include in your Binding Offer. As noted in the Sale Procedures, a mark-up (in the form of a blackline and clean word version) of your Binding Offer, showing changes to the Form of Definitive Agreement, will be required to be submitted with your Binding Offer.

The Sale Procedures shall apply to all Prospective Bidders for the acquisition of the Scully Mine Assets, effective as at the date hereof. Capitalized terms used herein shall have the meanings given to them in the Sale Procedures.

The Sale Procedures set out, among other things

- (a) the requirement that all Binding Offers for the Scully Mine Assets, together with a deposit of CAD\$750,000 and the other items set out in the Sale Procedures, must be received by the Vendors no later than **5:00 p.m. (Toronto time) on Monday, March 27, 2017** or such later date and/or time as the Vendors may, in consultation with the Monitor, determine appropriate (the "**Binding Offer Deadline**"),
- (b) the manner and timeline in which Prospective Bidders may submit a Binding Offer for all or substantially all of the Scully Mine Assets and the required contents of a Binding Offer. These are not

designed to preclude discussions or negotiations with the various Prospective Bidders prior to the Binding Offer Deadline,

- (c) the process and criteria for the ultimate selection of a Successful Bid (if any), and
- (d) the process for obtaining approval of a Successful Bid (if any)

Prior to the Binding Offer Deadline

- (a) each Prospective Bidder will continue to have an opportunity to complete due diligence (including any site visits arranged or to be arranged on reasonable notice to the Vendors), provided that access to certain due diligence information may require entry into a confidentiality agreement, in form and substance satisfactory to the Vendors, in consultation with the Monitor,
- (b) the Vendors, with the assistance of the Monitor, will exercise commercially reasonable efforts (with due regard to the limited number of employees employed by the Vendors) to satisfy any reasonable due diligence request from a Prospective Bidder,
- (c) Prospective Bidders will be entitled to seek to clarify with the Vendors the terms in respect of any Binding Offer that is intended to be ultimately submitted by a Prospective Bidder and the Vendors may discuss or negotiate with or provide any Prospective Bidder with further mark-ups of the proposed form of Definitive Agreement submitted by the Prospective Bidder (or any part thereof) prior to the Binding Offer Deadline, and
- (d) further to the request of the Honourable Mr Justice Stephen W Hamilton on January 30, 2017, the Monitor intends to report to the Court on the establishment of the Sale Procedures on or around February 28, 2017 and on a confidential and sealed basis, the status of the Sale Procedures and the status of any discussions or negotiations with any of the Prospective Bidders

Attached you will find

- 1 The Sale Procedures
- 2 The Form of the Definitive Agreement (clean word version)
- 3 The Form of the Access Agreement to be attached as Exhibit "A" to the APA (clean word version)
- 4 The Schedules to the Form of Definitive Agreement (clean word version)

We would of course be pleased to answer any questions that you might have

Regards,
Milly

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**SUPERIOR COURT
DISTRICT OF MONTREAL
N° : 500-11-048114-157**

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

**BLOOM LAKE GENERAL PARTNER LIMITED,
QUINTO MINING CORPORATION, 8568391 CANADA
LIMITED AND CLIFFS QUEBEC IRON MINING ULC.,
WABUSH IRON CO. LIMITED, WABUSH
RESOURCES INC.**

Petitioners/Respondents

-and-

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

Mises-en-cause

-and-

FTI CONSULTING CANADA INC.

Monitor

-and-

**THE KAMI MINE LIMITED PARTNERSHIP
-and
ALDERON IRON ORE CORP.**

Petitioners

EXHIBIT P-5

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WABUSH MINES

REVIEW OF SCULLY MINE RESERVES

for

**DEPARTMENT OF NATURAL RESOURCES
GOVERNMENT OF NEWFOUNDLAND AND LABRADOR**

**March 2006
Toronto, Ontario**

**Graham Farquharson, P.Eng.
Henrik Thalenhorst, P.Geo.
Strathcona Mineral Services Limited**

March 29, 2006

Department of Natural Resources
Government of Newfoundland and Labrador
P O Box 8700
50 Elizabeth Avenue
St John's, Newfoundland A1B 4J6

Attention Allister W Taylor, Assistant Deputy Minister

Dear Sirs

Wabush Mines

Enclosed is our review of the status of mineral reserves at the Scully Mine of Wabush Mines and the procedures that have been followed in estimating those reserves. The reserve estimates have been prepared in accordance with general mining industry standards.

The manganese content in the ore, which is a specific characteristic of the Scully Mine deposits, is the primary market limitation to exploiting more of the remaining resources than is currently planned and that are not included in the most recent reserve estimates.

Cleveland-Cliffs Inc, as the managers of the Wabush Mines joint venture, have been examining the possibility of installing a manganese reduction plant and if feasible this project could allow the current blend of pellet products to be produced through to 2021. Encouragement and support for this endeavour should be given by all stakeholders because of the significant benefits of extended mine life for the employees of Wabush Mines and the community of Wabush.

We apologize for the very late delivery of our comments on this important matter.

Yours sincerely,

Graham Farquharson

GF jb

Table of Contents

	Page
SUMMARY	1
INTRODUCTION	3
SCULLY RESERVE AND OPERATING NOMENCLATURE	5
GEOLOGICAL BACKGROUND	8
SCULLY OPERATIONS.	12
WATER PROBLEMS	12
MANGANESE BLEND HISTORY	12
RESERVE REPORTING TERMINOLOGY	14
RECENT RESERVE HISTORY	14
CURRENT RESERVES AND MINE PLAN	17
THE INFLUENCE OF A HIGHER PELLET PRICE	18
THE EFFECT OF A MANGANESE REDUCTION PLANT	20
REFERENCES.	22

List of Tables

Table		Page
1	Upper Wabush Iron-Formation - Stratigraphic Column	9
2	Scully Mine Reserves, 1997 to 2005	15
3	Scully Mine Reserves January 1, 2004 and 2005	17
4	Summary of Manganese Reduction Plant Impact	21

List of Figures

Figure		Page
1	Site Plan	7
2	Cross Section 14 000E	10
3	Cumulative Mn Frequency for Samples by Stratigraphic Unit	11
4	Average Mn Grade of Pellets, 1965 to 2004	13
5	Wabush Operating Costs and World Pellet Price, 1992 to 2005	19

Summary

Wabush Mines has had approximately 40 years of operating history at the Scully Mine producing up to 6 million long tons of iron ore pellets per year and has faced a number of technical and marketing challenges that have never allowed Wabush Mines to consistently achieve satisfactory levels of profitability during that period

While initially in the mid-1960's the Scully Mine was developed as a captive source of iron ore for the joint venture partners at that time, the many changes that have occurred since in the steel industry, and particularly over the past ten years, have resulted in changes in specifications for iron ore products sold to the steel industry as well as fundamental changes in the structure of the iron ore and steel industries and therefore changes in the composition of the joint venture participants in Wabush Mines

There are unique circumstances pertaining to the Scully Mine deposits that present obstacles to the production of quality pellets. A major challenge is the high manganese content in the lower units of the geological formation in the stratigraphic column at the Scully Mine. Specifications by the steel industry on the maximum permissible manganese content in pellets have restricted mining to ore units that have less than 2% manganese, which after concentrating results in a similar manganese content in the pellet product. As much as 60% of the production from Wabush Mines, with its high-manganese pellets, has recently been sold in China, as the traditional North American markets are no longer as receptive to this quality of product.

Cleveland-Cliffs Inc., as the manager of the Wabush joint venture, have been following generally accepted procedures in the mining industry for estimating mineral reserves at the Scully Mine. Because of the scale of the iron ore operations and the size of the resource, it has not been considered necessary to redo the reserve estimates each year starting from the original data base. Cleveland-Cliffs have had a policy of generally updating the reserve estimates through a detailed review every third year, and interim reserve estimates are based upon subtracting recent production following the most recent detailed review. Cleveland-Cliffs had estimated the Scully Mine reserves as of the end of 1996 to have a reserve base that could produce 270 million long tons of pellets over the life of the mine, and then subtracted production over the next five years to arrive at a new pellet reserve estimate of 244 million long tons at the end of 2001.

During the 2002 detailed review of the reserves, recognition was made for the first time of the adjustments that would be necessary because of the change in market specifications for manganese content in pellets and this eliminated a large tonnage that would not allow a life-of-mine blended grade of 1.4% manganese. The reserve estimate, therefore, at the end of 2002 decreased to 86 million long tons of pellets with a much reduced mine life. Cleveland-Cliffs may have been in a position to make the adjustments to reserves because of the manganese content before 2002, but that cannot be stated for certain without good knowledge of the history of developments affecting the marketing of Wabush pellets.

In 2003 there was a further reduction in the reserves because of experience with water inflow in the open pit at the west-end of the property, which contains perhaps the best quality ore now

available at the Scully Mine because of its low manganese content, with the water flow causing a change in the mine plan due to it being no longer feasible to mine as deep as originally planned. In addition, in 2003 the Canadian dollar commenced its strengthening vs the U S dollar along with increased operating costs. All of these factors in 2003 resulted in a year-end pellet reserve estimate of 61 million tons or sufficient for 10 years of operation at full capacity.

Production in 2004 was affected by a labour strike and as of the beginning of 2005 there remained 57 million long tons of pellet reserves.

As a result of our review we can confirm that Cleveland-Cliffs have been following standard procedures in the application of technical and economic factors for determining mineral reserves and subsequent mine plans. There is no evidence to support any suggestion of "high-grading" as can often be done in a gold or base metal deposit. Changes in iron ore grades are not significant with regard to their iron content, and in the case of the Scully Mine the grade selection process, or grade control, is very much focused on ensuring that the manganese grade is such that only acceptable products are produced from mining the iron ore.

There remains at the Scully Mine substantial resources of high-manganese iron ore, primarily at depth below the existing operations, and the emphasis for Wabush Mines must now be to determine whether or not any of that resource can be incorporated in the long-term mine plans, while the mine and associated infrastructure are still in operation and operating at a scale to provide reasonable unit costs.

Cleveland-Cliffs have previously examined the possibility of installing a manganese reduction plant that would reduce the manganese content of ore processed to allow production of the current pellet products to continue, with their manganese content of either 1.2% or 2.0%, from ores that would contain up to 4.0% manganese. Those studies on manganese reduction in the past have provided some encouragement. The most recent report that we have reviewed was a memorandum prepared by Cleveland-Cliffs staff in June 2005 that suggested favourable economics for the installation of a manganese reduction plant with the economics becoming more favourable if the plant was operational as early as 2008. The capital cost of the manganese reduction plant would appear to result in an additional cost of less than \$2 per ton of additional pellets produced over the extended life of the project. The incremental operating costs for the manganese reduction plant were also very modest, and not really significant with reference to the large additional tonnage of pellets produced. The cost factors therefore for the manganese reduction plant do not appear to be an impediment to proceeding with such a project.

We are not certain as to how confident Cleveland-Cliffs are on the technical process involved with the manganese reduction plant, but if more test work remains to be done then this should be expedited.

From our discussions with management at Cleveland-Cliffs it would appear that the biggest concern about such an investment is whether or not the market will be prepared to take pellets for a number of years into the future that will always have a higher manganese content than normally

sold in the iron ore pellet market. The current relatively buoyant iron ore markets would appear to offer as good an opportunity as can ever be anticipated for the participants in the Wabush Mines joint venture to move ahead with whatever is required to determine the feasibility of constructing the manganese reduction plant at the Scully Mine.

If the decision on such a process is positive, then it would appear that the possibility of extending the life of the Wabush Mines operations from 2013 to perhaps 2021 may be attainable, and this prospect would help to alleviate the concerns from other stakeholders, such as the Wabush Mines employees and the Government of Newfoundland and Labrador, that Wabush Mines is headed for closure as early as 2013.

Introduction

Wabush Mines has conducted iron ore mining operations at Wabush, Labrador since 1965 with the mining and concentrating at Wabush and the subsequent stage of pelletizing being done at a plant at Pointe Noire on the St Lawrence River near Sept-Isles, Québec. Since 1967 annual capacity of the Wabush operation has been approximately six million long tons of pellets.

Wabush Mines is an unincorporated joint venture with the following current participants in the joint venture:

Stelco Inc	-	44.6%
Dofasco Inc	-	28.6%
Cleveland-Cliffs Inc	-	26.8%

Wabush Mines is managed on behalf of the joint venture by Cliffs Mining Co., a subsidiary of Cleveland-Cliffs Inc.

Three large iron ore operations are located in close proximity to each other, very near the border between Québec and Labrador, with the largest community in the area being Labrador City which serves as the base for the Iron Ore Company of Canada (IOC) and adjoins the community of Wabush. Québec Cartier Mining Company is the third producer in the area and is associated with the community of Fermont located on the Québec side of the border. Québec Cartier Mining has its own rail link to the St Lawrence River, whereas IOC and Wabush use the railroad owned and operated by IOC which leads to Sept-Isles, with a short extension to Pointe Noire owned by Wabush Mines. Wabush Mines is the smallest of the three operations and has always been considered to have less favourable economics because of lower production rate, quality issues because of the manganese content in the ore, large de-watering requirements in the mining operations, the use of a competitor's railroad, and finally the diverse ownership that Wabush Mines has had since the formation of the original joint venture.

Over the past 25 years iron ore markets have generally been very stable with there always being adequate supply to meet demand. As a result there has been very little price change for iron ore products and any changes that have occurred have been due to temporary changes in economic conditions affecting the steel industry as the almost exclusive market for the iron ore products.

However, in 2003 global demand for iron ore began to increase and accelerated further in 2004 and 2005, primarily as a result of very strong demand from China. This led to significant increases in pricing for iron ore products in 2004 and 2005 with a further increase expected in 2006. The price increases have also been related to the very strong position for the principal iron ore suppliers as the consequence of three of those suppliers now being responsible for more than 70% of iron ore production sold to non-integrated steel producers.

Prior to the relatively recent strong demand for iron ore the steel producers had been increasing the tightness for specifications for iron ore products such as the pellets produced by Wabush Mines. Manganese is the main non-iron element affecting the quality of the Wabush pellets with all other elements generally meeting typical market specifications for pellets.

In general we understand that steel producers require the production of hot metal containing less than 0.4% manganese, and any manganese that is retained in the slag is considered to be deleterious and undesirable. As a consequence pellets from Wabush Mines with a manganese content of 1.2 to 2.0% have to be blended in with low-manganese iron ore in order to meet the specifications generally established by the steel producers. Maintaining a satisfactory manganese content is therefore the major technical challenge facing Wabush Mines in terms of product quality, which is a challenge not faced by the neighbouring operations at IOC where mining occurs higher up the stratigraphic column where the manganese content is much lower. The challenge of marketing the Wabush pellets is illustrated by the fact that the joint venture participants in Wabush Mines do not take a share of production in proportion to their interest in the joint venture, which at one time in the early years of the joint venture we understand they did.

Until 2002 Wabush Mines included in their mineral reserves material that graded up to 4% manganese which resulted in a reserve base sufficient for the production of about 250 million long tons of pellets, which would have been sufficient for about 40 years of mine operations. In 2002 it was belatedly recognized that the mine could no longer mine and produce pellets for sale into the global market starting with material that had such a high manganese content. As a consequence, the mineral reserves were reduced in 2002 to an amount required to produce less than 90 million long tons of pellets with a manganese content of 1.2 to 2.0%, and which would have been sufficient to keep the Wabush operations going until 2016.

In 2003 difficulties with handling water inflow into the mining operations on the western part of the property restricted the depth to which mining could be planned in that area, and together with the strengthening of the Canadian dollar with respect to the U.S. dollar and a continuing increase in operating costs, resulted in a further reduction in the reserve estimate of marketable Wabush pellets to about 60 million long tons and the mine life would extend to 2013.

In early 2005 officials of the United Steel Workers of America, representing employees of Wabush Mines, contacted the Minister of Natural Resources of the Government of Newfoundland and Labrador to express concern about the diminishing projected life for Wabush Mines and therefore for the community of Wabush. There are slightly more than 400 employees of Wabush Mines located at Wabush, and more than 300 employees working at the Pointe Noire location. As a consequence, the Minister of Natural Resources, through the Assistant Deputy Minister, Allister Taylor, engaged Strathcona Mineral Services Limited to review information provided by Cleveland-Cliffs on the Wabush operations including mineral reserve statements to determine if the most recent public statements of mineral reserves are reasonable and reflect good mining practice consistent with maintaining an economic mining operation for as long as possible and thus providing the economic foundation for the community at Wabush and the employees located at Wabush and Pointe Noire.

Initial meetings with representatives of Cleveland-Cliffs were followed by a visit to Wabush during the period July 12-15, 2005 with the participants in that visit being John Davis of the Department of Natural Resources, and Graham Farquharson and Henrik Thalenhorst of Strathcona. Our principal contacts with Cleveland-Cliffs, and Wabush Mines during our site visit, for providing information and background on the Wabush operation were as follows:

- | | | |
|----------------------------|---|-------------------------------|
| Richard Fink | - | management and project issues |
| Dianne Darch
Ron Graber | - | geology and mineral reserves |
| William Bell | - | mining operations |

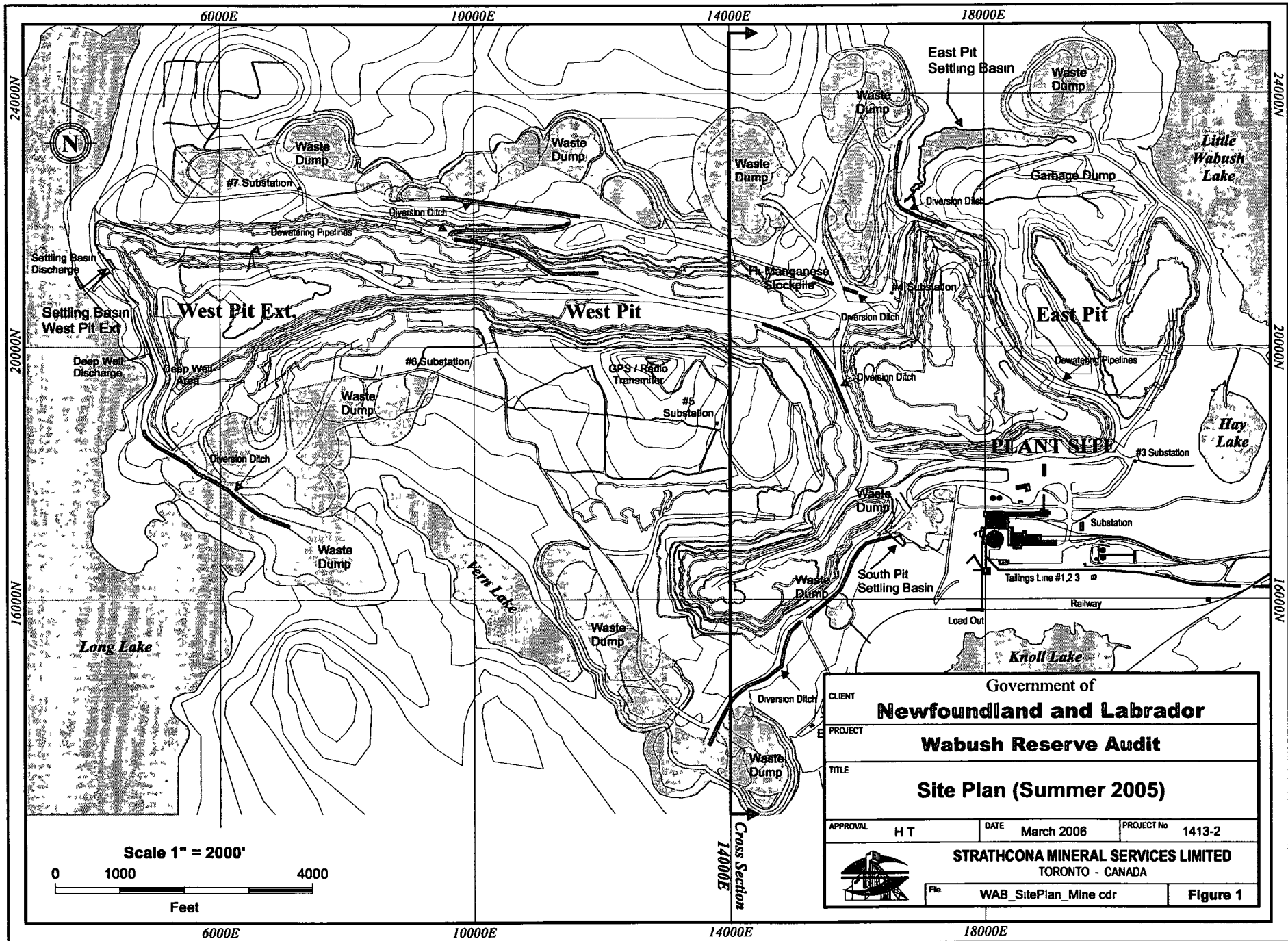
Our report, with our observations on the historical development of the mineral reserves for Wabush Mines and the reasons for changes that have occurred, has been substantially delayed solely because of circumstances preventing Graham Farquharson from being able to complete the assignment in a reasonable time period and we apologize for the resulting inconvenience to the interested parties.


Scully Reserve and Operating Nomenclature

The North American iron ore sector uses terms and some measures that are particular to iron ore and that would not necessarily be found in other sectors of the mining industry. The following list defines or explains some of these terms that are in effect at the Scully Mine:

Long ton	All mass measurements are in long tons (ore and waste, concentrate, pellets). One long ton is 2240 pounds or 1016 kilograms and is thus very similar to one metric tonne of 1000 kilograms.
----------	---

Crude Ore	Iron ore in the ground with in-situ assays for iron, manganese and other elements of interest in the determination of the quality of the iron ore
Strip Ratio	Ratio of mined waste plus overburden to crude ore. The ratio at Scully has historically ranged from 0.12 to 0.67, averaging about 0.6 since 1996.
All Material Ratio	The ratio of total long tons mined (ore plus waste) to long tons of pellets produced. This ratio at Scully is historically around 4.0, but has averaged closer to 4.5 since 1996.
Weight Recovery	Ratio of mass of pellets recovered from a unit of crude ore in the ground. At Scully, the weight recovery has ranged from 32 to 37% (nearly three long tons of crude ore are required to produce one long ton of pellets). The weight recovery ratio reflects the iron grade of the crude ore, the dilution experienced during mining, the iron grade of the pellets (typically 64% Fe), the recovery in the concentrator, any losses during transportation and pelletizing, and any substances added during pelletizing. The weight recovery is an important economic factor to be considered during grade control and reserve estimation.
Manganese Blend	The Scully operation produces two types of pellets, one with 1.2% Mn and one with 2% Mn. The manganese blend is the ratio of the two products. The current ratio of 60/40 translates into an average pellet content of 1.5% Mn. The former ratio of 75/25 translated into an average pellet content of 1.4% Mn. The manganese blend is an important economic and marketing factor to be considered during reserve estimation.



CLIENT				Government of Newfoundland and Labrador			
PROJECT				Wabush Reserve Audit			
TITLE				Site Plan (Summer 2005)			
APPROVAL	HT	DATE	March 2006	PROJECT No	1413-2		
				STRATHCONA MINERAL SERVICES LIMITED			
				TORONTO - CANADA			
File		WAB_SitePlan_Mine cdr		Figure		1	

Geological Background

The Scully operation recovers iron ore from an ancient sedimentary package, referred to as the Wabush Iron-Formation by Gross (1972), that is equivalent to the Sokoman Formation farther north in the Labrador Trough at Schefferville. While the Sokoman Formation has recorded one episode of folding and metamorphism (the Hudsonian orogeny 1.8 billion years ago), the equivalent to the south has experienced an additional younger episode of folding and metamorphism during the Grenvillian orogeny 1.0 billion years ago. As a result, the metamorphic grade in the Wabush area is higher than in Schefferville, which has resulted in an increased grain size, making beneficiation easier. However, the additional episode of folding has complicated the structural pattern in the Wabush area. Small-scale structures on the scale of the bench height (10 to 15 metres) are still being defined by detailed geological mapping as part of the daily grade-control activities.

The Wabush Iron-Formation comprises five members (**Table 1**) totalling more than 300 metres in thickness, and is illustrated in **Figure 2** along a north-south section, 14000E, through the centre of the Scully property. Two of the members have no iron content of economic interest, being the Middle Quartzite used as a marker bed, and the Basal Silicates at the bottom of the Wabush Iron-Formation where the iron content is contained within silicates that are not valued as iron ore. The iron in the Upper, Middle and Lower Members, in contrast, is mostly in its oxide form, mainly as hematite (Fe_2O_3) – also called specularite in its coarse-grained form – and to a lesser extent as magnetite (Fe_3O_4). Small amounts of iron are in silicates such as amphiboles (grunerite) and in carbonates such as ankerite ($\text{Ca}[\text{Fe,Mg,Mn}][\text{CO}_3]_2$) but are not recovered into the final concentrates. The main gangue mineral in the Wabush Iron-Formation is quartz or silica (SiO_2) that would constitute about 50% of the ore, and the ore beds have been thus been called quartz-specularite schists.

The individual sedimentary units within the Wabush Iron-Formation are correlatable over the area of the Scully mine operations despite being folded and faulted, and have relatively consistent contents of iron, manganese and other elements affecting processing and marketing.

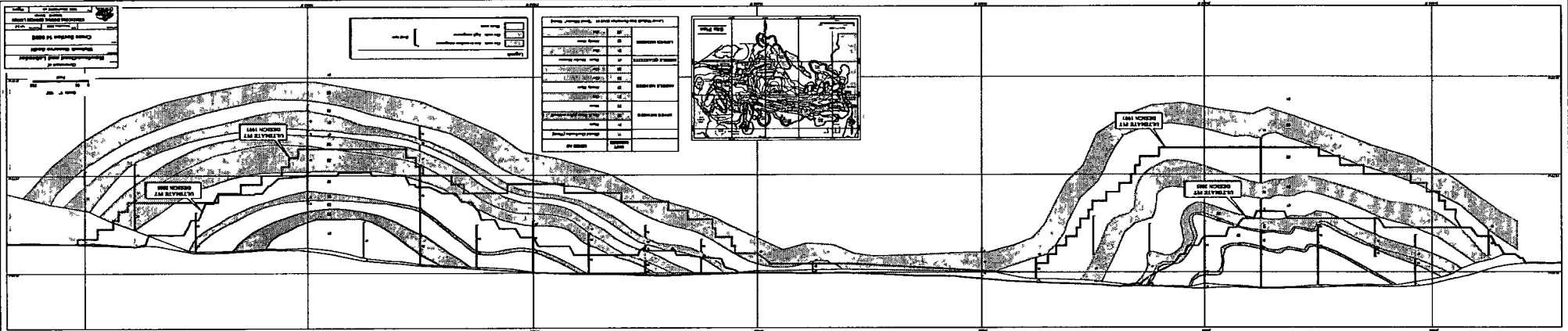
Table 1
Upper Wabush Iron-Formation – Stratigraphic Column

Member	Metres (m)	Unit No.	Mined as	Weight Recovery	Mn Content in Concentrate (%)
Glacial Overburden (Waste)					
Upper Member	135	21	Waste		
		22	Ore & Waste (often oxidized)	Low	0.8
		23	Waste		
Middle Member	120	31	Ore	High	1.3
		32	Mostly Waste		
		33	Ore	High	1.5
		34	Ore	Variable	1.6
Middle Quartzite	12	41	Waste - Marker Horizon		
Lower Member	70	51	Ore	High	2.7
		52	Mostly Waste		
		53	Ore	High	2.7
Lower Wabush Iron-Formation (Unit 61 - "Basal Silicates", Waste)					

The weight recoveries in those units from which ore is being recovered are always variable, i.e., not the entire horizon labelled "Ore" in Table 1 will be mined as such, since some part of the unit will fall below the cut-off grade of 25% weight recovery. However, in the units with "high" weight recovery the proportion below the cut-off grade will be smaller than in those units with a "low" weight recovery.

Unlike the neighbouring deposits being worked by the Iron Ore Company (IOC), the Scully deposit area has been subjected to deep weathering and oxidation that reaches depths in excess of the final pit outline in many areas. This has led to the local transformation of what would otherwise be ore into waste, since the products of the weathering, chiefly goethite (FeO[OH]), cannot be tolerated in the concentrate. Large amounts of heavily oxidized material are found in the Upper Member (Unit 22 - Table 1) and are usually classified as waste in mining.

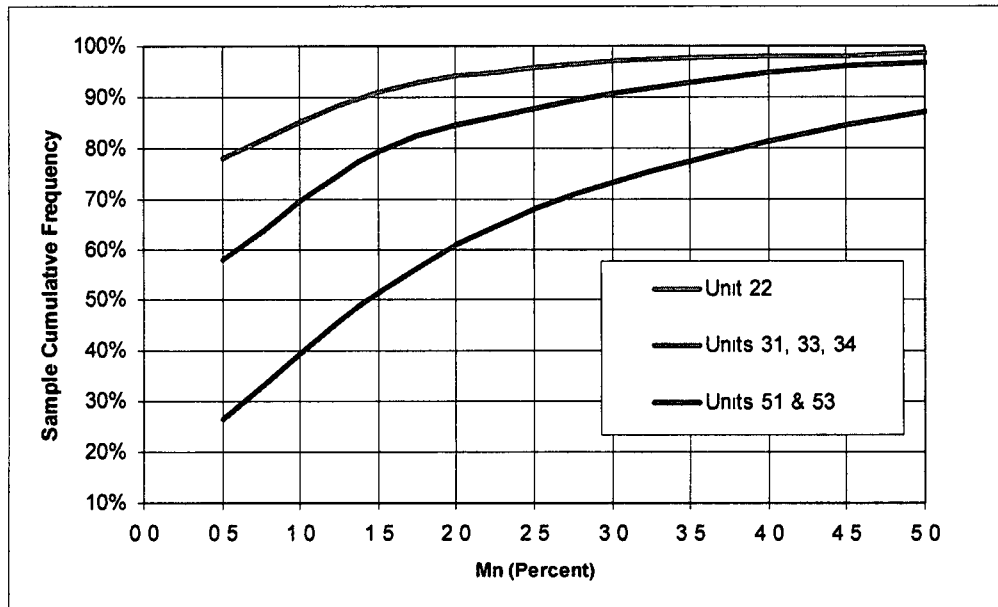
The Middle Member has the best quality ore on the Scully property with the highest iron content and therefore the best weight recovery, and the lowest manganese content. The ore units in the Lower Member have lower iron content than in the Middle Member, but more importantly have a high manganese level thus necessitating blending with ore from the Middle Member to result in a concentrate meeting market specifications.



As O’Leary (1979) has shown, the manganese grade in the final concentrate closely matches the manganese grade in the crude ore, indicating that on average about two-thirds of the manganese is being rejected in the concentration process. The overall manganese distribution in the Upper Wabush Iron-Formation is controlled by the stratigraphy, with higher manganese concentrations found in the lower, older units, and the lowest concentrations in the youngest, as indicated in **Table 1**. It appears that the deep weathering has re-distributed the manganese within each stratigraphic unit, but has not added or subtracted manganese to any large extent. As a result of the re-distribution, the manganese concentration within one particular unit can vary dramatically over short distances, which must be contended with during grade control.

Figure 3 shows the cumulative frequency distribution of manganese of all drill hole sample intervals within the Lower, Middle and Upper Member units from which ore is being mined at Scully.

Figure 3
Cumulative Mn Frequency for Samples by Stratigraphic Unit



The three curves in **Figure 3** illustrate as an example that, at a cut-off grade of 1.5% manganese, some 90% of the samples of unit 22 have manganese values below that cut-off grade. For the Middle Member units 31, 33 and 34, the number of samples below the cut-off of 1.5% is reduced to 80%, while for units 51 and 53 of the Lower Member this figure is only 50%. Given the stringent limits on the manganese content of the concentrate produced at Scully, the mine has to practice “low-grading” with respect to manganese from the natural endowment, and mineralized material with otherwise sufficiently high crude iron values becomes waste if the manganese content is too

high Manganese grade control in the Middle Member units has to receive particular attention given that those units represent the greatest proportion of the tonnage to be mined in the current long-term plan

Scully Operations

Mining is by conventional open-pit methods on 40-foot (twelve-metre) benches at a nominal rate of 40 000 long tons per day. A total of four individual pits are in operation (East Pit, South Pit, West Pit and West Pit Extension), as shown in **Figure 1**. In 2004 the West Pit and West Pit Extension together produced about two-thirds of the ore, being favoured because of their lower manganese content. Total mining in 2004 was 11.4 million long tons of ore with a head grade of 34.2% Fe, plus 5.8 million long tons of waste and overburden for a strip ratio of 0.51. About three months of production were lost in 2004 due to a labour strike.

After crushing and grinding, the ore is beneficiated on spirals to a product grading 60 to 61% Fe and 5% silica (SiO₂). The spiral concentrate is upgraded by hydrosizing and high-tension electrostatic separators to the final concentrate that in 2004 amounted to 3.8 million tonnes and assayed 64% Fe, 3% SiO₂ and 1.7% Mn. The concentrator plant does not have a good performance with ore that is high in magnetite, and a head grade with less than 15% of this mineral is required.

The concentrate produced in the Scully concentrator is shipped to the pellet plant in Pointe-Noire (five to six million long tons annually, depending on markets). While the project owners have traditionally taken the entire output of the operation, much of the pellet production is now being sold to China.

Water Problems

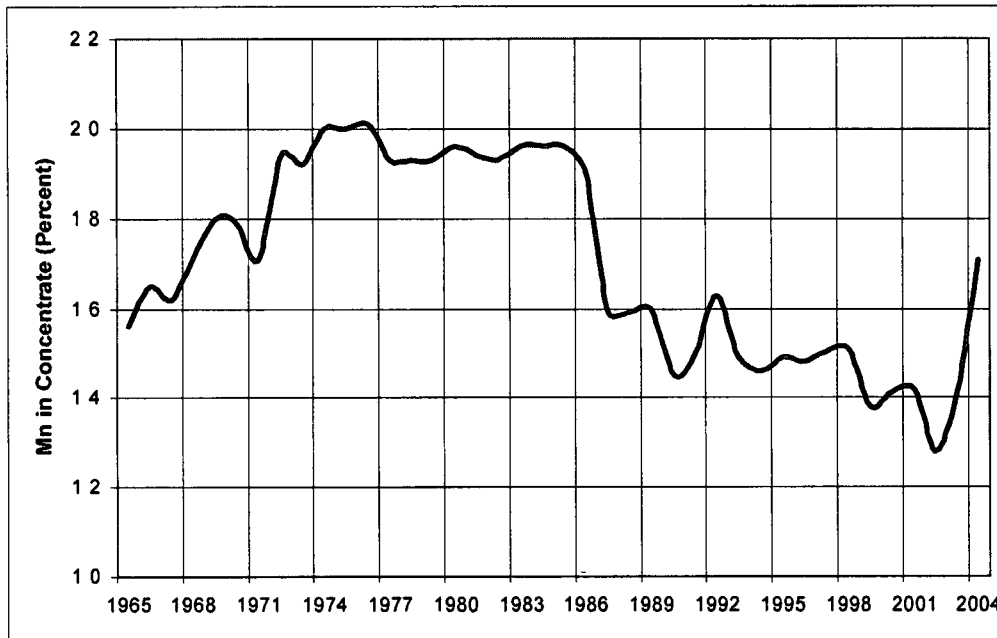
All of the pit floors of the Scully operation are below the water level in the surrounding lakes, and seepage from the lakes adjacent to the West Pit Extension and the East Pit have led to operational difficulties through ice build-up in the winter. Of considerable concern are two sink holes that have formed in Long Lake just to the west of the pit, and water is being drawn into the pit. It appears that at least one of the sink holes formed around a diamond drill hole drilled from the lake ice. At the time of our visit in July 2005 a battery of pumping wells on the western pit wall did not prevent a substantial amount of lake water entering the northwestern part of the West Pit Extension, where more pumping is required.

Hydrological studies were being undertaken, and it was hoped that an engineering solution could be found to stop the influx of the water since there is an engineering and economic limit to the quantity of water that can be pumped. The western part of the open-pit operation at Scully with its low-manganese ore may be in jeopardy, but we have no further information since our visit to the Wabush property.

Manganese Blend History

The manganese blend produced by the Scully mine has changed over time, from generally higher levels in the past to lower levels more recently. This is shown in **Figure 4**, the data for which were contained in a poorly-legible print of a spreadsheet, so that a few of the individual figures may not be entirely correct.

Figure 4
Average Mn Grade of Pellets, 1965 to 2004



We are advised by Cleveland-Cliffs that the sharp drop in the manganese grade of the pellets from 1986 to 1987 was entirely due to the Wabush owners and customers declining to purchase high-manganese pellets during the period of reduced economic activity in the steel industry that commenced in 1987. The very restricted outlets for much of the Wabush pellet production because of the manganese content continued in effect until 2004 when strong iron ore demand allowed more Wabush pellets to be sold.

Reserve Reporting Terminology

The Scully Mine reserves are determined by Cleveland-Cliffs, the project operator, in accordance with guidelines of the Securities and Exchange Commission (SEC) which do not recognize the term "mineral resources" or its equivalent as defined by the codes of the Canadian Institute of Mining and Metallurgy, (CIM) and the U.S. Society of Mining Engineers (SME). Thus only that part of a mineral deposit that can be economically and legally extracted or produced can be identified and reported as an ore reserve.

In the case of the Scully Mine, the distinction between the CIM reserve definitions as required by National Instrument 43-101 for Canadian public companies, and the SEC rules, would be of minor importance for reserve reporting, since the process of reserve estimation as prescribed internally by Cleveland-Cliffs complies with general industry standards without reference to specific reporting requirements and rules. Following the CIM guidelines, the additional tonnages that would become available if a manganese reduction plant was to be built (see below), would qualify as "additional mineral resources."

Recent Reserve History

The mineral reserves at the Scully mine have been quoted both as long tons of crude ore and as long tons of final product (pellets). In many cases, after a new complete reserve estimation had been completed, the reserves in the following years were simply calculated by subtracting the subsequent cumulative production from the earlier reserve estimate. An example was the period 1997-2002. If there are changes in market conditions or operating costs during a period, then the process of subtracting production tonnages from an earlier detailed reserve estimate can result in published reserve estimates that do not reflect current market and economic conditions. **Table 2** summarizes the recent Scully mine reserve history, expressed in terms of pellets rather than crude ore, and presents available reserve data for a few selected earlier years.

Table 2
Scully Mine Reserves, 1997 to 2005
 – million long tons of pellets –

December 31	Original Estimate	By Subtraction	Manganese Cut-Off
1965	204		Unknown
1986	341		Unknown
1988	319		Unknown
1993	284		Unknown
1994		279	Unknown
1995	312		Unknown
1996	270		4%
1997		265	4%
1998		260	4%
1999		255	4%
2000		248	4%
2001		244	4%
2002	86		1 4% (75/25 blend)
2003	61		1 44% (70/30 blend)
2004		57	1 44% (70/30 blend)

After a review of the SEC 10-K reports filed by Cleveland-Cliffs for the years 1993 to 2004, and with particular note of the references to the reserves of the Scully mine, and taking into account the information provided by Graber (2005), the following observations and conclusions can be made

- 1 The public mineral reserve reporting by Cleveland-Cliffs as reflected in the 10-K reports was presented without much supporting detail in the 1990s but changed to somewhat more detail starting with the annual report for 2003. There is still very little real information even in the most recent 10-K reports that would allow a knowledgeable person to critically assess the reserve estimates. This practice appears to reflect the corporate philosophy that “*Ore reserve estimates are highly confidential and information should only be shared with authorized personnel*” (Cleveland-Cliffs Inc, 1999, page 3)
- 2 The subtraction of production tonnage from previous estimates of reserve tonnage over an extended period of time, such as happened for the years 1997 to 2001, disregards any changes in economic parameters, particularly the increase in operating costs that took

place in those years (**Figure 5** below) A corporate policy manual on ore reserve estimation (Cleveland-Cliffs Inc, 1999) requires “updating” of reserves at least every three years

- 3 The original 1996 reserve estimate was based on the expectation that long-term marketable product could be produced from all material below a 4% manganese cut-off grade However, as was shown in **Figure 4**, there was a major change in 1987 as to what the market would accept for manganese content in Wabush pellets This important market factor was not reflected in the Wabush reserve estimates reported by Cleveland-Cliffs until 2003
- 4 Material with a magnetite content of greater than 15% magnetite was included in the reserves that was later proven not to be viable concentrator feed Treating such material would require capital expenditures for grinding and magnetic separation, and Cleveland-Cliffs advise that the tonnage of such high-magnetite material is not sufficient to justify the capital expenditure
- 5 There was no engineered pit design incorporated into the reserves before 2003, so that ore reported as reserves was tied up by the ramp system However, this item would be expected to be of comparatively smaller impact
- 6 The basic drill hole coverage of the Scully deposit at 75 metres (250 feet) is too open to resolve the small-scale fold structures within the deposit In-fill and definition drilling is continuing While the additional drilling helps grade control, it is not obvious that the evolving better geological understanding of the deposit has affected the reserve estimate

From these observations we conclude that the 1996 mineral reserve estimate for the Scully mine was flawed and biased high in tonnage, mainly due to the high manganese cut-off grade and the inclusion of the high-magnetite ore By the end of 2001, operating cost increases since 1997, without corresponding iron ore price increases, had rendered the reserve statement as of December 31, 2001 invalid with respect to current economics, and similarly the projected mine life of about 40 years The mineral reserve estimate as of December 31, 2002 reflected many of the foregoing observations, most of which were acknowledged by Cleveland-Cliffs in their internal communications, and consequently the year-end 2002 reserve estimate was a much more realistic assessment of the economic reserve base at the Scully mine

Additional items that affected the further reserve tonnage reduction at the end of 2003 compared to 2002 are

- 7 The ultimate mining depth in the West Pit, that contains most of the low-manganese ore, had to be limited due to the water inflow from Long Lake as described above This is significant beyond the tonnage lost in the West Pit, as the loss further limits the blending possibilities for the overall reserves and the ability to blend in high-manganese ore

8 Adverse changes in economic parameters including increased unit operating costs and the change in the Canadian dollar in 2003 from 1.54 to 1.31 to the U.S. dollar

Figure 2 is a somewhat simplified cross section through the Scully deposit on line 14 000 E that shows the basic folded stratigraphy as discussed above, and the 1997 ultimate pit in comparison with the current ultimate pit. As illustrated, the reduction in mineable ore is restricted to the stratigraphically and structurally lower parts of the deposit, avoiding much of the high-manganese mineralization in units 51 and 53 (the stratigraphic effect) and excessive waste mining (the topographic effect)

Current Reserves and Mine Plan

The January 1, 2005 mineral reserves (or December 31, 2004) as estimated by Cleveland-Cliffs are summarized and compared to the year-earlier reserves in **Table 3** (source: Wabush Mines, 2005)

Table 3
Scully Mine Reserves January 1, 2004 and 2005
– thousands of long tons –

		January 1, 2004	January 1, 2005
Crude Ore	Long Tons	165 373	154 000
	Crude Fe	35.8%	No Data
	Crude Magnetite	3.6%	No Data
	Weight Recovery	36.9%	37.1%
Waste	Long Tons	111 905	106 100
	Strip Ratio	0.68	0.69
Concentrate & Pellets	Long Tons	61 017	57 200
	Fe	65.8%	No Data
	Mn	1.52%	No Data
	SiO ₂	3.24%	No Data

Mine production in 2004 was 11.4 million long tons of ore, and 5.8 million long tons of waste and overburden, with the stripping ratio being 0.51, or less than the average of 0.68 required to maintain the balance between waste and ore over the remaining life of the mine. Pellet production of 3.8 million long tons in 2004 was less than the planned production of 6.0 million long tons because of a labour strike. The items in **Table 3** for which no data was available for the January 1, 2005 reserve estimate can be assumed to be very close to the data values for the previous year.

when a reserve estimate was done in the normal detail by Cleveland-Cliffs, whereas the reserve data for January 1, 2005 resulted from the subtraction of 2004 production tonnages from the prior detailed estimate

A report prepared by AMEC Earth & Environmental of St John's for Wabush Mines on the long-term mine development plan for submission to the Department of Natural Resources in 2004 makes reference to a mine plan that was developed based on the January 1, 2004 reserves and that is informally known as the 10-K Plan. The Scully mine reserves would be exhausted at the end of 2013 according to this mine plan under the assumption of nearly full plant output. Changes in key economic parameters could affect the forecast date of reserve exhaustion because there remains a large tonnage of iron mineralization excluded from the 10-K Plan because of either high manganese content, or high magnetite content, or because the stripping ratio is too high to be economic at the pellet prices and production costs used in developing the 10-K Plan.

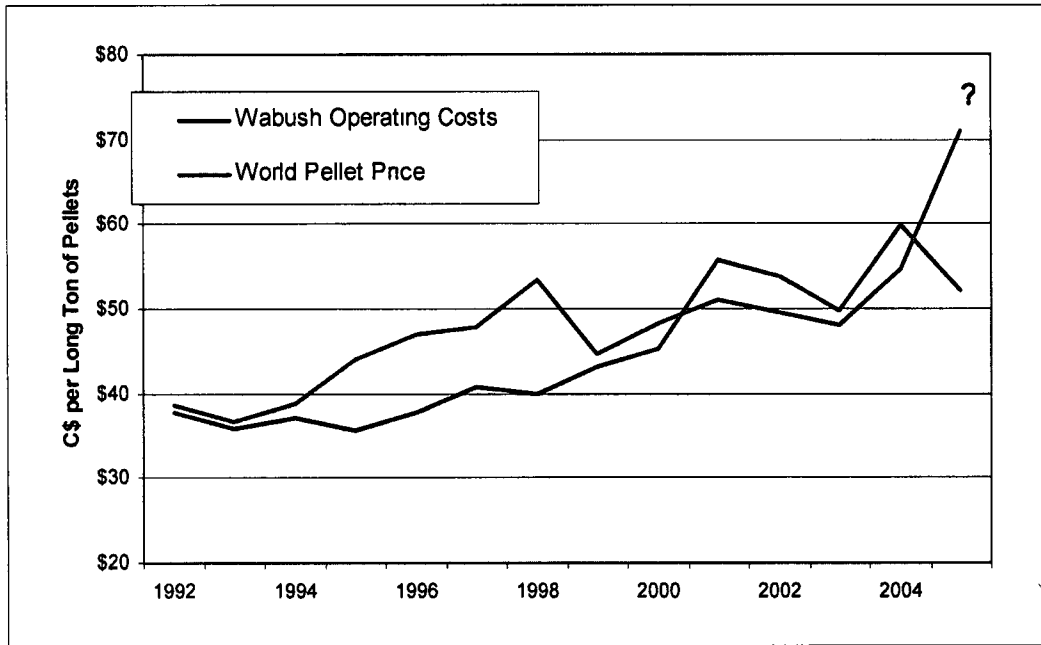
The mineral reserve estimate produced at the beginning of 2005 is again derived by subtraction from the estimate prepared a year earlier. A new estimate from first principles was being prepared at the time of our visit to the Wabush site in July 2005 and was expected to be completed by the end of the third quarter of 2005. It was to take into account the additional geological and hydrological information developed in 2004 and 2005, and to update the economic parameters, including pellet prices, exchange rate and unit operating costs. Expectations were that the positive and negative influences of those various parameters would more or less offset each other, and that the overall remaining production life of the mine would not change by more than one or at most two years from the 2004 mine plan.

Substantial changes in key parameters from those that were incorporated in the 2004 life-of-mine plan would have an impact on the projected mine life. Those sensitive key parameters would include an escalation of the water control challenges in the West Extension Pit, an increase in production costs, and on the positive side, the continuation of the strong global demand for iron ore that commenced in 2004 with the consequent effect on pellet prices.

The Influence of a Higher Pellet Price

The reserve estimate of 57 million long tons of pellets as of January 1, 2005, and the 10-K Plan, were originally developed in late 2003 and were based on a set of economic parameters that have now changed. Despite a noticeable further strengthening of the Canadian dollar with respect to the U S dollar in 2005 (which adversely affects the cost of a product sold in U S dollars), and continuing pressure on the unit operating costs, pellet prices (in Canadian dollars) have increased to a greater extent than the two cost items, providing for a positive operating margin which has not always occurred with the Wabush operations (Figure 5).

Figure 5
Wabush Operating Costs and World Pellet Price, 1992 to 2005¹



In 2004 and 2005 global iron ore prices increased as a result of strong demand with China responsible for much of that demand. Pellets from Canadian iron ore producers were reported by Natural Resources Canada to have increased in price by 21% in 2004 and by 86% in 2005. The impact of those price increases on sales revenue for Wabush Mines was not provided in the data made available for this review but in a press release of April 17, 2005, Cleveland-Cliffs reported that the 2005 increases in international pellet pricing would result in an increase of US\$7.74 per ton of pellets sold from their six mining operations above the average 2004 realization of US\$44.19 per ton.

If there was a continued positive trend in iron ore pricing, and thus far in 2006 there is the expectation that price increases will continue in the near term although not at the same rate as in 2004-2005, then one would think there would be the potential to extend the Scully operations to depth subject to limitations due to increased mining costs and maintaining a blend of manganese grades in the Wabush pellet products that meet market requirements. With reference to **Figure 2** (Section 14000E through the Scully mine), the substantial difference between the depth of the ultimate pit as designed in 2005 versus that which was planned in 1997 is notable. First and

¹ The data for **Figure 5** have been derived from a presentation to the Minister of Natural Resources on February 16, 2005 by Wabush Mines plus budget data for 2005.

foremost in assessing whether an increase in depth beyond that planned in 2005 is feasible will be the determination of whether the blend of manganese grades in the iron ore pellets would be as marketable as those being delivered at present. If that prospect was encouraging then a new mine design could be considered with the new pellet prices and expected mining costs being the primary determinants of what stripping ratio can be tolerated to allow economic extraction of additional reserves.

In a review of long-term mine planning options by Cleveland-Cliffs and as summarized in a report dated June 30, 2005 by S. J. Shoemaker, the Cleveland-Cliffs engineering group that evaluated the influence of the higher pellet price concluded that “ *this plan is not considered viable due to the very high material movement requirements in a very small mining footprint requiring long lead times before ore is available for processing* ” (Shoemaker, 2005, page 9). This indicates that the current pit configuration creates physical constraints toward such an expansion that would require funding a substantial pre-stripping campaign. The study reported that the life-of-mine stripping ratio would increase to 1.12 from the current 0.68 and would require moving about 120 million tons of waste to get access to about 50 million tons more of ore. The mine life would be extended to 2016 from the 2013 anticipated in the 10-K Plan.

The Effect of a Manganese Reduction Plant

Cleveland-Cliffs has also evaluated the effect that the installation of a manganese reduction plant would have on the Scully reserves as reported by Shoemaker (2005). The plant, studies for which have been undertaken in the past, is assumed to reduce the manganese in the concentrate by 40% at a modest cost per long ton of pellets, without a reduction in weight recovery. The process is based on rejection of high-manganese non-magnetic material through one stage of low-intensity magnetic separation followed by two stages of high-intensity magnetic separation using rare-earth magnets. The pellet products would continue to have a manganese content of 1.2% to 2.0% and a lower-grade manganese pellet would not be produced. The main function of the manganese reduction plant would be to allow the mining of high-manganese ore, that is now considered waste, and thereby extend the life of the mine. Total cost of the manganese reduction plan was estimated in 2005 at about \$40 million.

Shoemaker (2005) presents three scenarios that are distinguished by the different dates at which the manganese reduction plant becomes operational, and compares those scenarios to the current 10-K Plan, and the pit expansion plan based on higher pellet prices and current operating costs discussed in the previous section. The following is a summary.

Table 4
Summary of Manganese Reduction Plant Impact
– thousands of long tons –

	Current 10-K Plan	Pit Expansion Plan	Manganese Reduction Plant Operational in		
			2008	2010	2012
Crude ore mined (long tons)	148 901	196 922	281 788	230 444	179 410
Strip ratio	0 68	1 12	0 58	0 62	0 64
Pellet produced (long tons)	53 662	71 662	101 662	83 662	65 662
All material ratio	4 7	5 8	4 4	4 5	4 5
Mn in Concentrate without reduction	1 5%	1 5%	2 4%	2 2%	1 9%
with reduction	N/A	N/A	1 5%	1 5%	1 5%
Last Production Year	2013	2016	2021	2018	2015

The effect on the reserves of a manganese reduction plant would be quite significant, adding from two to eight years of production and reserves to the Scully operation depending on the year in which the reduction plant starts to operate. The approximate capital costs for the plant are substantial in absolute terms, but quite modest when related to each long ton of pellets added to the reserves. Under the assumptions of the Cleveland-Cliffs study, the net present value of the mine plan increases for the longer-life scenarios using the manganese reduction plant as compared to the 10-K Plan or the pit expansion plan. A key result of this study is that the strip ratio would actually be slightly reduced compared to the 10-K Plan, making it more practical from a mining point of view than the higher strip ratio for the pit extension plan that was primarily based on the continuity of an increased pellet price as discussed in the previous section.

The calculations and projections for the manganese reduction plan are based on a preliminary feasibility study that was undertaken several years ago and is in need of an update, which we understood Cleveland-Cliffs was intending to do. In our discussions with Cleveland-Cliffs management they have quite correctly emphasized that the success of a manganese reduction plant would very much depend on there being a continuing market for the current quality of Wabush pellets with their higher manganese content than is acceptable to much of the steel industry. It is not known whether the current owners of Wabush Mines, or other customers now buying the Wabush pellets, would be prepared to make a long-term commitment to purchase the Wabush pellets that would support an investment in the manganese reduction plant.

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**SUPERIOR COURT
DISTRICT OF MONTREAL
N° : 500-11-048114-157**

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

**BLOOM LAKE GENERAL PARTNER LIMITED,
QUINTO MINING CORPORATION, 8568391 CANADA
LIMITED AND CLIFFS QUEBEC IRON MINING ULC.,
WABUSH IRON CO. LIMITED, WABUSH
RESOURCES INC.**

Petitioners/Respondents

-and-

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

Mises-en-cause

-and-

FTI CONSULTING CANADA INC.

Monitor

-and-

**THE KAMI MINE LIMITED PARTNERSHIP
-and
ALDERON IRON ORE CORP.**

Petitioners

EXHIBIT P-6

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February 13, 2014

Cliffs Natural Resources Inc. Reports Full-Year 2013 Revenue of \$5.7 Billion; Cash Flow from Operations More Than Doubles to \$1.1 Billion



- Net Debt Reduced to \$2.7 Billion, Year-over-year SG&A and Exploration Expenses Decrease 32% or \$135 Million
- Fourth-quarter Results Include \$183 Million in Pre-tax Wabush-related Charges and Chromite Project Goodwill Impairment of \$81 Million
- Full-year 2014 Capital Expenditure Expectation Range of \$375 - \$425 Million, over 50% Lower Than Full-year 2013 Capital Expenditures Results of \$862 Million

CLEVELAND-Feb. 13, 2014-Cliffs Natural Resources Inc. (NYSE: CLF) (Paris: CLF) today reported fourth-quarter and full-year results for the period ended Dec 31, 2013. Full-year revenues of \$5.7 billion decreased \$181 million, or 3%, from the previous year. The lower revenues were primarily driven by slightly lower global iron ore sales volumes and significantly lower market pricing for metallurgical coal products. This was partially offset by a 12% increase in coal sales volumes. Cost of goods sold decreased by 3% to \$4.5 billion driven by lower cost rates for Cliffs' North American Coal business and favorable foreign exchange rates. For the full year, Cliffs recorded net income attributable to Cliffs' shareholders of \$414 million, or \$2.37 per diluted share, compared with a net loss of \$899 million, or \$6.32 per diluted share, in 2012. The full-year results for both 2013 and 2012 include special item charges related to certain asset and goodwill impairments and noncontrolling interest adjustments. Excluding these special items, which are detailed in the attached "Non-GAAP Reconciliation", full-year 2013 adjusted net income attributed to Cliffs' shareholders was \$672 million, or \$3.85 per diluted share, higher than full-year 2012's adjusted net income of \$493 million, or \$3.46 per diluted share.

Gary Halverson, Cliffs' President and Chief Executive Officer, said, "Through a Company-wide focus to improve our cost profile and financial position, we ended the year with over a billion dollars in cash flow from operations, paid down the entire balance on our revolving credit facility, and achieved \$1.5 billion in adjusted EBITDA. Looking ahead, sharper capital allocation that increases shareholder value must drive our decisions. The first step in this process is significantly cutting our capital spending and idling and or exploring alternatives for underperforming assets in our portfolio."

Fourth-Quarter Consolidated Results

Fourth-quarter 2013 consolidated revenues decreased slightly to \$1.5 billion driven by lower market pricing and sales volumes for metallurgical coal products. This was partially offset by a 10% increase in global seaborne iron ore pricing to an average of \$135 per ton for a 62% Fe fines product (C F R China). Cost of goods sold decreased by 6% to \$1.2 billion, primarily driven by favorable foreign exchange rates, lower costs at Wabush Mine, and lower cost rates for Cliffs' North American Coal business. Lower cost of goods sold resulted in a 23% increase in consolidated sales margin to \$295 million, from \$239 million in last year's comparable quarter.

Cliffs' fourth-quarter 2013 SG&A expenses were \$64 million and included \$8 million in severance-related costs. Excluding these costs, fourth-quarter 2013 SG&A expenses were \$56 million, an 18% decrease when compared to the year-ago quarter of \$68 million, which also excludes \$12 million of special items. Year-over-year exploration expenses decreased \$35 million, or 72%, to \$13 million in the fourth quarter of 2013. The decrease was driven by the Company's initiative to reduce exploration spending, as well as to scale back on chromite project-development spending. During the fourth quarter of 2013, Cliffs announced it was indefinitely suspending major components of its Chromite Project in Northern Ontario given the uncertain timeline and risks associated with the development of necessary infrastructure to bring this project online.

As previously disclosed, during fourth-quarter 2013, the Company recorded \$183 million in charges related to its Wabush Mine in Eastern Canada. These charges were comprised of a \$155 million non-cash asset impairment charge, which was reflected within the goodwill and long-lived asset impairment line on the consolidated income statement, and a \$28 million supplies inventory write-down charge, which was reflected in the fourth quarter of 2013's cost of goods sold line item. Also during the quarter, Cliffs recorded a non-cash goodwill impairment charge of \$81 million related to the aforementioned suspension of its Chromite Project.

Fourth-quarter 2013 miscellaneous - net income increased to \$50 million and was comprised of \$45 million in proceeds from

insurance recoveries primarily related to the Company's North American Coal mines, a favorable impact of \$28 million related to foreign currency exchange remeasurements, and an unfavorable penalty of \$16 million incurred from a minimum tonnage rail shipment contract obligation not being met as a result of the delay in the Bloom Lake Phase II expansion

Fourth-quarter 2013 results included an income tax benefit of \$14 million versus an expense of \$491 million reported in the previous year's comparable quarter. As previously disclosed, the prior year's fourth quarter income tax expense included \$541 million in non-cash valuation allowances related to two of the Company's deferred tax assets.

For the fourth quarter of 2013, Cliffs recorded net income attributable to Cliffs' common shareholders of \$31 million, or \$0.20 per diluted share, compared with a loss of \$1.6 billion, or \$11.36 per diluted share, in the fourth quarter of 2012. Excluding the special items detailed in the attached "Non-GAAP Reconciliation," fourth-quarter 2013 adjusted net income attributable to Cliffs' shareholders was \$218 million, or \$1.22 per diluted share, up from \$89 million, or \$0.63 per diluted share, in the fourth quarter of 2012.

U.S. Iron Ore

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
<u>Volumes - In Thousands of Long Tons</u>				
Total sales volume	6,204	6,234	21,299	21,633
Total production volume	5,494	6,253	20,271	21,992
<u>Sales Margin - In Millions</u>				
Revenues from product sales and services	\$ 773.7	\$ 780.6	\$ 2,667.9	\$ 2,723.3
Cost of goods sold and operating expenses	518.9	513.3	1,766.0	1,747.1
Sales margin	\$ 254.8	\$ 267.3	\$ 901.9	\$ 976.2
<u>Sales Margin - Per Long Ton</u>				
Revenues from product sales and services*	\$ 112.70	\$ 112.06	\$ 113.08	\$ 114.29
Cash cost**	65.51	64.55	65.08	64.50
Depreciation, depletion and amortization	6.13	4.64	5.65	4.66
Cost of goods sold and operating expenses*	71.64	69.19	70.73	69.16
Sales margin	\$ 41.06	\$ 42.87	\$ 42.35	\$ 45.13

* Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin. Revenues per ton also exclude venture partner cost reimbursements.

** Cash cost per ton is defined as cost of goods sold and operating expenses per ton less depreciation, depletion and amortization per ton.

U.S. Iron Ore pellet sales volume was relatively flat in the fourth quarter of 2013 compared to the prior year. During the quarter, there was increased domestic demand and a catch-up of tonnage resulting from the end of a customer's force majeure. This was offset by lower sales volume from the expiration of a customer contract.

Fourth-quarter 2013 revenues per ton were \$112.70, up 1% from \$112.06 in the year-ago quarter. The increase was primarily attributable to higher pricing for one customer due to the reset of their contract base rate. This was partially offset by customer mix, increased sales to seaborne customers, which have lower realized pricing due to higher freight and handling costs, and an unfavorable true-up on hot-rolled steel pricing.

Cash cost per ton in U.S. Iron Ore was \$65.51, up 1% from \$64.55 in the prior year's fourth quarter. The slight increase was due to lower production volumes and the resulting unfavorable impact on the mines' cost-per-ton rate.

Eastern Canadian Iron Ore

	Three Months Ended	Year Ended
--	--------------------	------------

	December 31,		December 31,	
	2013	2012	2013	2012
<u>Volumes - In Thousands of Metric Tons</u>				
Total sales volume	2,164	2,295	8,551	8,934
Total production volume	2,326	2,326	8,655	8,515
<u>Sales Margin - In Millions</u>				
Revenues from product sales and services	\$ 235.3	\$ 231.1	\$ 978.7	\$ 1,008.9
Cost of goods sold and operating expenses	286.3	309.5	1,082.0	1,130.3
Sales margin	\$ (51.0)	\$ (78.4)	\$ (103.3)	\$ (121.4)
<u>Sales Margin - Per Metric Ton</u>				
Revenues from product sales and services	\$ 108.73	\$ 100.70	\$ 114.45	\$ 112.93
Cash cost*	110.03	116.56	105.66	108.59
Depreciation, depletion and amortization	22.27	18.30	20.87	17.93
Cost of goods sold and operating expenses	132.30	134.86	126.53	126.52
Sales margin	\$ (23.57)	\$ (34.16)	\$ (12.08)	\$ (13.59)

Cash cost per ton is defined as cost of goods sold and operating expenses per ton less depreciation, depletion and * amortization per ton

Eastern Canadian Iron Ore sales volume was 2.2 million tons, a decrease of 6% versus the prior year's quarter. The decrease was primarily driven by December's extremely cold weather, which limited the loading of ships at the Pointe Noire port. During the fourth quarter of 2013, sales volume at Bloom Lake Mine was 1.3 million tons, down 6%, from 1.4 million tons in the prior year's quarter. Wabush Mine sold 670,000 tons of iron ore concentrate and 150,000 tons of iron ore pellets versus 900,000 tons of iron ore pellets in the prior year's comparable quarter.

Revenues per ton in Eastern Canadian Iron Ore were \$108.73, up 8% from \$100.70 in the prior year's fourth quarter. The higher per-ton revenues were attributable to a 10% year-over-year increase in seaborne iron ore pricing and higher quality premiums versus the prior year. During the quarter, Bloom Lake and Wabush Mine realized quality premiums of \$12 and \$8 per ton, respectively. These increases were partially offset by the quarter's product mix, which was comprised of a higher proportion of iron ore concentrate versus pellets compared to the prior year's fourth quarter, and higher freight rates.

Cash cost per ton in Eastern Canadian Iron Ore was \$110.03, down 6% from \$116.56 in the year-ago quarter. Fourth-quarter 2013 cash costs at Wabush Mine were \$143 per ton, down 14% from 2012's comparable quarter, primarily due to the absence of pelletizing costs from the Pointe Noire pellet plant. Wabush Mine's fourth-quarter 2013 cash costs included the previously mentioned supplies inventory write-down of \$28 million, or \$34 per ton.

The year-over-year decrease in Eastern Canadian Iron Ore's cash costs per ton was partially offset by higher cash costs at Bloom Lake Mine of \$90 per ton, an increase of 5% from the prior year's comparable quarter. This was primarily due to higher mining costs driven by increased year-over-year strip ratios and additional overburden removal activities.

Asia Pacific Iron Ore

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
<u>Volumes - In Thousands of Metric Tons</u>				
Total sales volume	2,978	2,841	11,043	11,681
Total production volume	2,723	3,237	11,109	11,260
<u>Sales Margin - In Millions</u>				
Revenues from product sales and services	\$ 324.8	\$ 284.0	\$ 1,224.3	\$ 1,259.3
Cost of goods sold and operating expenses	213.0	229.0	857.2	948.3
Sales margin	\$ 111.8	\$ 55.0	\$ 367.1	\$ 311.0

Sales Margin - Per Metric Ton

Revenues from product sales and services	\$ 109.07	\$ 99.96	\$ 110.87	\$ 107.81
Cash cost*	58.90	65.86	63.71	68.18
Depreciation, depletion and amortization	12.63	14.75	13.92	13.00
Cost of goods sold and operating expenses	<u>71.53</u>	<u>80.61</u>	<u>77.63</u>	<u>81.18</u>
Sales margin	<u>\$ 37.54</u>	<u>\$ 19.35</u>	<u>\$ 33.24</u>	<u>\$ 26.63</u>

* Cash cost per metric ton is defined as cost of goods sold and operating expenses per metric ton less depreciation, depletion and amortization per metric ton

Fourth-quarter 2013 Asia Pacific Iron Ore sales volume increased 5% to 3.0 million tons, from 2.8 million tons in 2012's fourth quarter. The increase was attributable to the timing of shipments in 2013.

Revenues per ton for the fourth quarter of 2013 increased 9% to \$109.07, from \$99.96 in the prior year's fourth quarter. The increase was primarily driven by higher market pricing and lump premiums. Revenues per ton for the fourth quarter of 2013 were unfavorably impacted by a foreign exchange hedging loss of \$2 per ton versus a gain of \$2 per ton in the prior year's quarter.

Fourth-quarter 2013 cash cost per ton in Asia Pacific Iron Ore decreased 11% to \$58.90, from \$65.86 in 2012's comparable quarter. The decrease was primarily due to favorable foreign exchange rate variances of \$7 per ton.

North American Coal

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
<u>Volumes - In Thousands of Short Tons</u>				
Total sales volume	1,777	1,913	7,274	6,512
Total production volume	1,685	1,855	7,221	6,394
<u>Sales Margin - In Millions</u>				
Revenues from product sales and services	\$ 183.4	\$ 240.2	\$ 821.9	\$ 881.1
Cost of goods sold and operating expenses	204.5	245.8	836.4	882.9
Sales margin	<u>\$ (21.1)</u>	<u>\$ (5.6)</u>	<u>\$ (14.5)</u>	<u>\$ (1.8)</u>
<u>Sales Margin - Per Short Ton</u>				
Revenues from product sales and services*	\$ 89.70	\$ 110.14	\$ 101.20	\$ 119.79
Cash cost**	85.14	98.07	85.47	104.99
Depreciation, depletion and amortization	16.43	15.00	17.72	15.08
Cost of goods sold and operating expenses*	<u>101.57</u>	<u>113.07</u>	<u>103.19</u>	<u>120.07</u>
Sales margin	<u>\$ (11.87)</u>	<u>\$ (2.93)</u>	<u>\$ (1.99)</u>	<u>\$ (0.28)</u>

* Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin

** Cash cost per ton is defined as cost of goods sold and operating expenses per ton less depreciation, depletion and amortization per ton

For the fourth quarter of 2013, North American Coal sales volume was 1.8 million tons, a 7% decrease from the 1.9 million tons sold in the prior year's comparable quarter. The decrease was due to lower domestic demand and export sales. Also, in the prior year's fourth quarter, Oak Grove Mine's sales volume was higher due to catch-up commitments related to the severe weather damage force majeure.

North American Coal's 2013 fourth-quarter revenues per ton were down 19% to \$89.70, versus \$110.14 in the fourth quarter of

2012 The year-over-year decrease was primarily driven by lower market pricing for metallurgical coal products and customer mix

Cash cost per ton decreased 13% to \$85.14, from \$98.07 in the year-ago quarter. The decrease was primarily due to a lower year-over-year cost rate, driven by improved operating efficiencies

Cash Flow and Liquidity

For the fourth quarter, Cliffs generated \$460 million in cash from operations, versus generating \$239 million in 2012's comparable quarter. Full-year 2013 cash flow from operations increased 123% over full-year 2012 to \$1.1 billion. The full-year and fourth-quarter increases in cash flow from operations were primarily driven by lower exploration and SG&A expenses, working capital improvements and the collection of insurance proceeds. Also, full-year 2012 cash flow from operations was unfavorably impacted as the period included large tax payments related to 2011's higher-than-expected profitability. The Company reduced capital expenditures by 64% to \$119 million in the fourth quarter of 2013 versus spending \$334 million in the prior year's fourth quarter, driven by decreased spending in Eastern Canada.

Cliffs' strong fourth quarter operating cash flow enabled the Company to pay down its revolving credit facility in its entirety and end the year with \$336 million of cash and cash equivalents. At year end, Cliffs had \$3.0 billion in total long-term debt, including the Company's equipment loan financing. During the fourth quarter of 2013, Cliffs received \$103 million from equipment loan financing arrangements.

Cliffs reported depreciation, depletion and amortization of \$155 million during the fourth quarter of 2013.

Outlook

In 2014, Cliffs expects accelerating economic growth in the United States to support domestic steel production and thus demand for steelmaking raw materials. The Company expects China's economy will expand at a pace near the official government target rate, primarily driven by fixed asset investment. As a result, increased steel production will continue to require both domestic and imported steelmaking raw materials to satisfy demand. Growth in these key markets is anticipated to provide continued demand for Cliffs' products.

Due to the commodity pricing volatility for the products Cliffs sells and for the purpose of providing a full-year outlook, Cliffs will utilize the year-to-date average 62% Fe seaborne iron ore spot price as of Jan. 31, 2014, which was \$128 per ton (C.F.R. China), as a base price assumption for providing its full-year 2014 revenues-per-ton sensitivities for the Company's iron ore business segments. With \$128 per ton as a base price assumption for full-year 2014, included in the table below is the expected revenues-per-ton range for the Company's iron ore business segments and the per-ton sensitivity for each \$10 per ton variance from the base price assumption.

	2014 Full-Year Realized Revenue Sensitivity Summary (1)		
	U.S.	Eastern Canadian	Asia Pacific
	Iron Ore (2)	Iron Ore (3)	Iron Ore (4)
Revenues Per Ton	\$105 - \$110	\$95 - \$100	\$100 - \$105
Sensitivity Per Ton (+/- \$10)	+/- \$2	+/- \$9	+/- \$9

(1) Based on the average year-to-date 62% Fe seaborne iron ore fines price (C.F.R. China) of \$128 per ton as of Jan. 31, 2014.

(2) U.S. Iron Ore tons are reported in long tons.

(3) Eastern Canadian Iron Ore tons are reported in metric tons, F.O.B. Eastern Canada.

(4) Asia Pacific Iron Ore tons are reported in metric tons, F.O.B. the port.

The revenues-per-ton sensitivities consider various contract provisions and lag-year adjustments contained in certain supply agreements. Actual realized revenues per ton for the full year will depend on iron ore price changes, customer mix, freight rates, production input costs and/or steel prices (all factors contained in certain of Cliffs' supply agreements).

U.S. Iron Ore Outlook (Long Tons)

For 2014, Cliffs is maintaining its full-year sales and production volume expectation of 22 - 23 million tons from its U.S. Iron Ore business.

The U S Iron Ore revenues-per-ton sensitivity included within the 2014 revenue sensitivity summary table above also includes the following assumptions

- 2014 average hot-rolled steel pricing of approximately \$640 per ton
- 25 - 30% of the expected 2014 sales volume is linked to seaborne iron ore pricing

Cliffs' full-year 2014 U S Iron Ore cash-cost-per-ton expectation is \$65 - \$70 This expectation includes the year-over-year fixed cost leverage from higher sales volumes, however, this is more than offset by increased planned maintenance activity Depreciation, depletion and amortization for full-year 2014 is expected to be approximately \$7 per ton

Eastern Canadian Iron Ore Outlook (Metric Tons, F O B Eastern Canada)

Cliffs' full-year 2014 Eastern Canadian Iron Ore expected sales and production volumes are 6 - 7 million tons, comprised of virtually all iron ore concentrate This includes 500,000 tons from Wabush Mine and the remainder from Bloom Lake Mine

The Eastern Canadian Iron Ore revenues-per-ton sensitivity is included within the 2014 revenues-per-ton sensitivity table above Full-year 2014 cash cost per ton in Eastern Canadian Iron Ore is expected to be \$85 - \$90 Depreciation, depletion and amortization is expected to be approximately \$25 per ton for full-year 2014

Asia Pacific Iron Ore Outlook (Metric Tons, F O B the port)

Cliffs' full-year 2014 Asia Pacific Iron Ore expected sales and production volumes are 10 - 11 million tons The product mix is expected to be approximately half lump and half fines iron ore

The Asia Pacific Iron Ore revenues-per-ton sensitivity is included within the 2014 revenues-per-ton sensitivity table above Full-year 2014 Asia Pacific Iron Ore cash cost per ton is expected to be approximately \$60 - \$65, lower than the previous year's cash costs primarily due to favorable foreign exchange rate assumptions Cliffs anticipates depreciation, depletion and amortization to be approximately \$14 per ton for full-year 2014

North American Coal Outlook (Short Tons, F O B the mine)

For 2014, Cliffs is increasing its North American Coal expected sales and production volumes to 7 - 8 million tons, driven by higher thermal coal production The sales volume mix is anticipated to be approximately 67% low-volatile metallurgical coal and 21% high-volatile metallurgical coal, with thermal coal making up the remainder

Cliffs' full-year 2014 North American Coal revenues-per-ton outlook is \$85 - \$90 Cliffs has approximately 50% of its expected 2014 sales volume committed and priced at approximately \$87 per short ton at the mine The revenue-per-ton expectation includes all anticipated thermal coal sales volume for 2014, which realizes a lower price than the Company's metallurgical coal products Cash cost per ton is anticipated to be \$85 - \$90 Full-year 2014 depreciation, depletion and amortization is expected to be approximately \$15 per ton

The following table provides a summary of Cliffs' 2014 guidance for its four business segments

	2014 Outlook Summary			
	U.S.	Eastern Canadian	Asia Pacific	North American
	Iron Ore (1)	Iron Ore (2)	Iron Ore (3)	Coal (4)
Sales volume (million tons)	22 - 23	6 - 7	10 - 11	7 - 8
Production volume (million tons)	22 - 23	6 - 7	10 - 11	7 - 8
Cash cost per ton	\$65 - \$70	\$85 - \$90	\$60 - \$65	\$85 - \$90
DD&A per ton	\$7	\$25	\$14	\$15

(1) U S Iron Ore tons are reported in long tons

(2) Eastern Canadian Iron Ore tons are reported in metric tons, F O.B Eastern Canada

(3) Asia Pacific Iron Ore tons are reported in metric tons, F O B the port

(4) North American Coal tons are reported in short tons, F O B the mine

SG&A Expenses and Other Expectations

The Company is reducing its year-over-year SG&A and exploration expenses by approximately \$90 million. Full-year 2014 SG&A expenses are expected to be approximately \$185 million. The decrease is primarily driven by expected reductions in employee-related expenses, outside services and legal settlements. Cliffs' full-year cash outflow expectation for exploration and chromite-related spending is approximately \$15 million.

Also, as previously disclosed, Cliffs is expected to incur approximately \$100 million in costs related to the Wabush Mine. The Company expects its full-year 2014 depreciation, depletion and amortization to be approximately \$600 million.

Capital Budget Update

Cliffs expects its full-year 2014 capital expenditures budget to be \$375 - \$425 million. This includes approximately \$100 million in cash carryover capital, with the remainder primarily comprised of sustaining and license-to-operate capital.

Conference Call Information

Cliffs Natural Resources Inc. will host a conference call tomorrow, Feb. 14, 2014, at 10 a.m. ET. The call will be broadcast live and archived on Cliffs' website: www.cliffsnaturalresources.com

About Cliffs Natural Resources Inc.

Cliffs Natural Resources Inc. is an international mining and natural resources company. A member of the S&P 500 Index, the Company is a major global iron ore producer and a significant producer of high- and low-volatile metallurgical coal. Cliffs' strategy is to continually achieve greater scale and diversification in the mining industry through a focus on serving the world's largest and fastest growing steel markets. Driven by the core values of social, environmental and capital stewardship, Cliffs associates across the globe endeavor to provide all stakeholders operating and financial transparency.

The Company is organized through a global commercial group responsible for sales and delivery of Cliffs' products and a global operations group responsible for the production of the minerals the Company markets. Cliffs operates iron ore and coal mines in North America and an iron ore mining complex in Western Australia.

News releases and other information on the Company are available on the Internet at <http://www.cliffsnaturalresources.com>

Follow Cliffs on Twitter at <http://twitter.com/CliffsNR>

Forward-Looking Statements

This release contains statements that constitute "forward-looking statements" within the meaning of the federal securities laws. As a general matter, forward-looking statements relate to anticipated trends and expectations rather than historical matters. Forward-looking statements are subject to uncertainties and factors relating to Cliffs' operations and business environment that are difficult to predict and may be beyond our control. Such uncertainties and factors may cause actual results to differ materially from those expressed or implied by the forward-looking statements. These statements speak only as of the date of this release, and we undertake no ongoing obligation, other than that imposed by law, to update these statements.

Uncertainties and risk factors that could affect Cliffs' future performance and cause results to differ from the forward-looking statements in this release include, but are not limited to: trends affecting our financial condition, results of operations or future prospects, particularly the continued volatility of iron ore and coal prices, uncertainty or weaknesses in global economic conditions, including downward pressure on prices, reduced market demand, increases in supply and any slowing of the economic growth rate in China, our ability to successfully identify and consummate any strategic investments or capital projects and complete planned divestitures, our ability to successfully integrate acquired companies into our operations and achieve post-acquisition synergies, including without limitation, Cliffs Quebec Iron Mining Limited (formerly Consolidated Thompson Iron Mining Limited), our ability to cost effectively achieve planned production rates or levels, changes in sales volume or mix, the outcome of any contractual disputes with our customers, joint venture partners or significant energy, material or service providers or any other litigation or arbitration, the impact of price-adjustment factors on our sales contracts, the ability of our customers and joint venture partners to meet their obligations to us on a timely basis or at all, our ability to reach agreement with our iron ore customers regarding modifications to sales contract pricing escalation provisions to reflect a shorter-term or spot-based pricing mechanism, our actual economic iron ore and coal reserves or reductions in current mineral estimates, including whether any mineralized material qualifies as a reserve, the impact of our customers using other methods to produce steel or reducing their steel production, events or circumstances that could impair or adversely impact the viability of a mine and the carrying value of associated assets, as well as any resulting impairment charges, the results of prefeasibility and feasibility studies in relation to development projects, impacts of existing and increasing governmental regulation and related costs and liabilities, including failure to receive or maintain required operating and environmental permits, approvals, modifications or other authorization of, or from, any governmental or regulatory entity and costs related to implementing improvements to ensure compliance with regulatory changes, uncertainties associated with natural disasters, weather conditions, unanticipated geological conditions, supply or price of energy, equipment failures and other unexpected events, adverse changes in currency values, currency exchange rates, interest rates and tax laws, availability of capital and our ability

to maintain adequate liquidity and successfully implement our financing plans, our ability to maintain appropriate relations with unions and employees and enter into or renew collective bargaining agreements on satisfactory terms, risks related to international operations, the potential existence of significant deficiencies or material weakness in our internal controls over financial reporting, and problems or uncertainties with leasehold interests, productivity, tons mined, transportation, mine-closure obligations, environmental liabilities, employee-benefit costs and other risks of the mining industry. The information contained herein speaks as of the date of this release and may be superseded by subsequent events. Except as may be required by applicable securities laws, we do not undertake any obligation to revise or update any forward-looking statements contained in this release.

Important Additional Information

Cliffs, its directors and certain of its executive officers may be deemed to be participants in the solicitation of proxies from Cliffs shareholders in connection with the matters to be considered at Cliffs' 2014 Annual Meeting. Cliffs intends to file a proxy statement with the U.S. Securities and Exchange Commission (the "SEC") in connection with any such solicitation of proxies from Cliffs shareholders. **CLIFFS SHAREHOLDERS ARE STRONGLY ENCOURAGED TO READ ANY SUCH PROXY STATEMENT AND ACCOMPANYING WHITE PROXY CARD WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION.** Information regarding the ownership of Cliffs' directors and executive officers in Cliffs shares, restricted shares and options is included in their SEC filings on Forms 3, 4 and 5. More detailed information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, will be set forth in the proxy statement and other materials to be filed with the SEC in connection with Cliffs' 2014 Annual Meeting. Information can also be found in Cliffs' Annual Report on Form 10-K for the year ended Dec. 31, 2012, filed with the SEC on Feb. 12, 2013. Shareholders will be able to obtain any proxy statement, any amendments or supplements to the proxy statement and other documents filed by Cliffs with the SEC for no charge at the SEC's website at www.sec.gov. Copies will also be available at no charge at Cliffs' website at www.cliffsnr.com or by contacting Carolyn Cheverine, Vice President, General Counsel & Secretary at (216) 694-7605. Shareholders may also contact D.F. King & Co., Inc., Cliffs' proxy solicitor, toll-free at (800) 487-4870 or by email at cliffs@dfking.com.

SOURCE: Cliffs Natural Resources Inc.

INVESTOR RELATIONS AND GLOBAL COMMUNICATIONS CONTACTS:

Jessica Moran	Patricia Persico
Director, Investor Relations	Director, Global Communications
(216) 694-6532	(216) 694-5316

FINANCIAL TABLES FOLLOW

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CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES STATEMENTS OF UNAUDITED CONDENSED CONSOLIDATED OPERATIONS

	(In Millions, Except Per Share Amounts)			
	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	\$ 1,417.8	\$ 1,424.3	\$ 5,346.6	\$ 5,520.9
Freight and venture partners' cost reimbursements	98.0	111.6	344.8	351.8
	1,515.8	1,535.9	5,691.4	5,872.7
COST OF GOODS SOLD AND OPERATING EXPENSES	(1,221.3)	(1,297.3)	(4,542.1)	(4,700.6)
SALES MARGIN	294.5	238.6	1,149.3	1,172.1
OTHER OPERATING INCOME (EXPENSE)				
Selling, general and administrative expenses	(63.7)	(80.0)	(231.6)	(282.5)
Exploration costs	(13.1)	(47.6)	(59.0)	(142.8)
Impairment of goodwill and other long-lived assets	(250.8)	(1,049.9)	(250.8)	(1,049.9)

Miscellaneous - net	49.8	(31.1)	63.1	(5.7)
	<u>(277.8)</u>	<u>(1,208.6)</u>	<u>(478.3)</u>	<u>(1,480.9)</u>
OPERATING INCOME	16.7	(970.0)	671.0	(308.8)
OTHER INCOME (EXPENSE)				
Changes in fair value of foreign currency contracts, net	(0.9)	(0.4)	(3.5)	(0.1)
Interest expense, net	(44.6)	(59.8)	(179.1)	(195.6)
Other non-operating income (expense)	1.2	2.0	0.9	2.7
	<u>(44.3)</u>	<u>(58.2)</u>	<u>(181.7)</u>	<u>(192.9)</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY LOSS FROM VENTURES	(27.6)	(1,028.2)	489.3	(501.7)
INCOME TAX BENEFIT (EXPENSE)	13.9	(491.1)	(55.1)	(255.9)
EQUITY LOSS FROM VENTURES, net of tax	(0.5)	(382.1)	(74.4)	(404.8)
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>(14.2)</u>	<u>(1,901.4)</u>	<u>359.8</u>	<u>(1,162.5)</u>
INCOME and GAIN ON SALE FROM DISCONTINUED OPERATIONS, net of tax	-	30.8	2.0	35.9
NET INCOME (LOSS)	<u>(14.2)</u>	<u>(1,870.6)</u>	<u>361.8</u>	<u>(1,126.6)</u>
LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTEREST	57.5	252.4	51.7	227.2
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	<u>\$ 43.3</u>	<u>\$ (1,618.2)</u>	<u>\$ 413.5</u>	<u>\$ (899.4)</u>
PREFERRED STOCK DIVIDENDS	<u>(12.8)</u>	<u>-</u>	<u>(48.7)</u>	<u>-</u>
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	<u>\$ 30.5</u>	<u>\$ (1,618.2)</u>	<u>\$ 364.8</u>	<u>\$ (899.4)</u>
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - BASIC				
Continuing operations	\$ 0.20	\$ (11.58)	\$ 2.39	\$ (6.57)
Discontinued operations	-	0.22	* 0.01	0.25
	<u>\$ 0.20</u>	<u>\$ (11.36)</u>	<u>\$ 2.40</u>	<u>\$ (6.32)</u>
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - DILUTED				
Continuing operations	\$ 0.20	\$ (11.58)	\$ 2.36	\$ (6.57)
Discontinued operations	-	0.22	0.01	0.25
	<u>\$ 0.20</u>	<u>\$ (11.36)</u>	<u>\$ 2.37</u>	<u>\$ (6.32)</u>
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	153,038	142,409	151,726	142,351
Diluted	153,700	142,409	174,323	142,351
CASH DIVIDENDS DECLARED PER DEPOSITARY SHARE	\$ 0.44	\$ -	\$ 1.66	\$ -
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.15	\$ 0.63	\$ 0.60	\$ 2.16

CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES

STATEMENTS OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL POSITION

	(In Millions)	
	December 31,	December 31,
	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 335.5	\$ 195.2
Accounts receivable, net	270.0	329.0
Inventories	391.4	436.5

Supplies and other inventories	216.0	289 1
Deferred and refundable income taxes	110.7	105 4
Other current assets	236.4	294 8
TOTAL CURRENT ASSETS	1,560.0	1,650 0
PROPERTY, PLANT AND EQUIPMENT, NET	11,153.4	11,207 3
OTHER ASSETS		
Other non-current assets	408.5	717 6
TOTAL OTHER ASSETS	408.5	717 6
TOTAL ASSETS	\$ 13,121.9	\$ 13,574 9
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 345.5	\$ 555 5
Accrued employment costs	129.0	135 6
Income taxes payable	61.7	28 3
State and local taxes payable	61.7	65 9
Current portion of debt	20.9	94 1
Accrued expenses	206.4	258 9
Accrued royalties	57.3	48 1
Other current liabilities	203.0	195 1
TOTAL CURRENT LIABILITIES	1,085.5	1,381 5
TOTAL POSTEMPLOYMENT BENEFIT LIABILITIES	294.0	618 3
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	309.7	252 8
DEFERRED INCOME TAXES	1,146.5	1,108 1
LONG-TERM DEBT	3,022.6	3,960 7
OTHER LIABILITIES	379.3	492 6
TOTAL LIABILITIES	6,237.6	7,814 0
<u>EQUITY</u>		
CLIFFS SHAREHOLDERS' EQUITY	6,069.5	4,632 7
NONCONTROLLING INTEREST	814.8	1,128 2
TOTAL EQUITY	6,884.3	5,760 9
TOTAL LIABILITIES AND EQUITY	\$ 13,121.9	\$ 13,574 9

CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES

STATEMENTS OF UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS

	(In Millions)	
	Year Ended	
	December 31,	
	2013	2012
OPERATING ACTIVITIES		
Net income	\$ 361.8	\$ (1,126 6)
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation, depletion and amortization	593.3	525 8
Impairment of goodwill and other long-lived assets	250.8	1,049 9
Derivatives and currency hedges	3.6	4 1
Equity (income) loss in ventures (net of tax)	74.4	404 8
Deferred income taxes	(138.1)	127 0

Changes in deferred revenue and below-market sales contracts	(52.8)	(24 5)
Other	(6.9)	(45 0)
Changes in operating assets and liabilities		
Receivables and other assets	138.8	(74 8)
Product inventories	30.8	39 9
Payables and accrued expenses	(109.8)	(366 1)
Net cash provided by operating activities	1,145.9	514 5
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(861.6)	(1,127 5)
Proceeds from sale of Sonoma	-	152 6
Other investing activities	50.3	13 1
Net cash used by investing activities	(811.3)	(961 8)
FINANCING ACTIVITIES		
Net proceeds from issuance of Series A, Mandatory Convertible Preferred Stock, Class A	709.4	-
Net proceeds from issuance of common shares	285.3	-
Net proceeds from issuance of senior notes	-	497 0
Repayment of term loan	(847.1)	(124 8)
Borrowings under credit facilities	670.5	1,012 0
Repayment under credit facilities	(995.5)	(687 0)
Proceeds from equipment loans	164.8	-
Debt issuance costs	-	(4 3)
Repayment of senior notes	-	(325 0)
Contributions by joint ventures, net	23.3	95 4
Common stock dividends	(91.9)	(307 2)
Preferred stock dividends	(35.7)	-
Other financing activities	(55.0)	(36 5)
Net cash (used in) provided by financing activities	(171.9)	119 6
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(22.4)	1 3
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	140.3	(326 4)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	195.2	521 6
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 335.5	\$ 195 2

CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES

NON-GAAP RECONCILIATION - ADJUSTED EARNINGS

In addition to the consolidated financial statements presented in accordance with U.S. GAAP, the Company has presented Adjusted Net Income attributable to Cliffs' shareholders, which is a non-GAAP financial measure that management uses in evaluating operating performance. The presentation of this measure is not intended to be considered in isolation from, as a substitute for, or as superior to, the financial information prepared and presented in accordance with U.S. GAAP. The presentation of this measure may be different from non-GAAP financial measures used by other companies. A reconciliation of this measure to its most directly comparable GAAP measure is provided in the table below.

	(In Millions, Except Per Share Amounts)			
	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ (14.2)	\$ (1,901 4)	\$ 359.8	\$ (1,162 5)
Less non-cash items				
Goodwill impairment charges	(80.9)	(1,000 0)	(80.9)	(1,000 0)

Wabush-related costs*	(182.6)	(49.9)	(184.3)	(49.9)
Other impairment charges	(15.3)	-	(15.3)	-
Amapa impairment charge	-	(365.4)	(67.6)	(365.4)
MRRT valuation allowance	4.3	(314.7)	13.6	-
AMT valuation allowance	-	(226.4)	(24.4)	(226.4)
Tax impact	54.7	-	55.2	-
NET INCOME ATTRIBUTABLE TO CONTINUING OPERATIONS, net of tax - ADJUSTED	205.6	55.0	663.5	479.2
INCOME and GAIN ON SALE FROM DISCONTINUED OPERATIONS, net of tax	-	30.8	2.0	35.9
NET INCOME - ADJUSTED	205.6	85.8	665.5	515.1
LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	57.5	252.4	51.7	227.2
Less special charges				
Noncontrolling interest adjustment	(45.1)	(249.3)	(45.1)	(249.3)
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - ADJUSTED	\$ 218.0	\$ 88.9	\$ 672.1	\$ 493.0
PREFERRED STOCK DIVIDENDS	(12.8)	-	(48.7)	-
NET INCOME ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS - ADJUSTED	\$ 205.2	\$ 88.9	\$ 623.4	\$ 493.0
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - ADJUSTED BASIC				
Continuing operations	\$ 1.34	\$ 0.41	\$ 4.10	\$ 3.21
Discontinued operations	-	0.22	0.01	0.25
	\$ 1.34	\$ 0.63	\$ 4.11	\$ 3.46
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - ADJUSTED DILUTED				
Continuing operations	\$ 1.22	\$ 0.41	\$ 3.84	\$ 3.21
Discontinued operations	-	0.22	0.01	0.25
	\$ 1.22	\$ 0.63	\$ 3.85	\$ 3.46
Weighted average number of shares				
Basic	153.0	142.4	151.7	142.4
Employee stock plans	0.7	-	0.5	-
Depositary Shares	25.2	-	22.1	-
Diluted**	178.9	142.4	174.3	142.4

*Wabush-related costs include write-downs of \$28 million and \$30 million in the fourth-quarter and full-year 2013, respectively. This was attributed to a supplies inventory write down, which is reported in Cost of Goods Sold on the Statement of Operations.

**Quarterly weighted-average diluted shares outstanding include shares that were considered antidilutive for calculating earnings per share.

CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES

NON-GAAP RECONCILIATION - EBITDA AND ADJUSTED EBITDA

In addition to the consolidated financial statements presented in accordance with U.S. GAAP, the Company has presented EBITDA and adjusted EBITDA, which are non-GAAP financial measures that management uses in evaluating operating performance. The presentation of these measures is not intended to be considered in isolation from, as a substitute for, or as superior to, the financial information prepared and presented in accordance with U.S. GAAP. The presentation of these measures may be different from non-GAAP financial measures used by other companies. A reconciliation of these measures to its most directly comparable GAAP measure is provided in the table below.

(In Millions)

(In Millions)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Net Income (Loss)	(14.2)	(1,870.6)	361.8	(1,126.6)
Less				
Interest expense, net	(44.6)	(59.8)	(179.1)	(195.6)
Income tax (expense) benefit	13.9	(491.1)	(55.1)	(255.9)
Depreciation, depletion and amortization	(155.3)	(144.0) -	(593.0) -	(526.0)
EBITDA	<u>\$ 171.8</u>	<u>\$ (1,175.7) -</u>	<u>\$ 1,189.0 -</u>	<u>\$ (149.1)</u>
Less non-cash items				
Goodwill impairment charges	(80.9)	(1,000.0)	(80.9)	(1,000.0)
Noncontrolling interest adjustment	45.0	249.0	45.0	249.0
Wabush-related costs*	(182.6)	(49.9)	(184.3)	(49.9)
Other impairment charges	(15.3)	-	(15.3)	-
Amapa impairment charge	-	(365.4)	(67.6)	(365.4)
Adjusted EBITDA	<u>\$ 405.6</u>	<u>\$ (9.4)</u>	<u>\$ 1,492.1</u>	<u>\$ 1,017.2</u>

*Wabush-related costs include write-downs of \$28 million and \$30 million in the fourth-quarter and full-year 2013, respectively. This was attributed to a supplies inventory write down, which is reported in Cost of Goods Sold on the Statement of Operations.

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News Provided by Acquire Media

**SUPERIOR COURT
DISTRICT OF MONTREAL
N° : 500-11-048114-157**

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

**BLOOM LAKE GENERAL PARTNER LIMITED,
QUINTO MINING CORPORATION, 8568391 CANADA
LIMITED AND CLIFFS QUEBEC IRON MINING ULC.,
WABUSH IRON CO. LIMITED, WABUSH
RESOURCES INC**

Petitioners/Respondents

-and-

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

Mises-en-cause

-and-

FTI CONSULTING CANADA INC.

Monitor

-and-

**THE KAMI MINE LIMITED PARTNERSHIP
-and
ALDERON IRON ORE CORP.**

Petitioners

EXHIBIT P-7

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NEWS RELEASE

Cliffs Natural Resources Inc. Reports Fourth-Quarter and Full-Year 2014 Results

- Reports Fourth-Quarter Adjusted EBITDA¹ of \$297 million
- Reports U.S. Iron Ore Realized Pricing of \$99 Per Ton in the Fourth Quarter
- Seaborne Iron Ore Businesses Record Impairment Charges of \$1.2 Billion in Fourth Quarter

CLEVELAND—Feb. 2, 2015—Cliffs Natural Resources Inc (NYSE: CLF) today reported fourth-quarter and full-year results for the period ended Dec. 31, 2014. Fourth-quarter 2014 consolidated revenues of \$1.3 billion decreased \$231 million, or 15 percent, from the prior year's fourth quarter. This decrease was primarily driven by lower revenues from the Asia Pacific Iron Ore and Eastern Canadian Iron Ore segments. In these segments, realized revenues are closely tied to seaborne iron ore prices, which were 45 percent lower compared to the fourth quarter of 2013. The decrease in consolidated revenues was partially offset by increased revenues from U.S. Iron Ore, where sales volumes increased by 26 percent and the revenue rate only decreased by 12 percent when compared to the prior-year quarter. Cost of goods sold decreased by 9 percent to \$1.1 billion, primarily driven by reduced sales volumes from Wabush and cost-cutting efforts achieved across all business units through reduced headcounts, improved labor productivity, decreased spending on contractors and favorable foreign exchange rates. This decrease was partially offset by increased sales volumes from U.S. Iron Ore.

For the fourth quarter of 2014, Cliffs recorded a net loss attributable to Cliffs' common shareholders of \$1.3 billion, or \$8.25 per diluted share. These results include Eastern Canadian Iron Ore operating margins, asset impairment charges and other items. Excluding these items totaling \$1.4 billion, Cliffs reported fourth-quarter adjusted net income² of \$166 million, or \$1.00 per diluted share.

For the fourth-quarter 2014, adjusted EBITDA¹ was \$297 million.

Full-Year Consolidated Results

Full-year 2014 revenues were \$4.6 billion and cost of goods sold was \$4.2 billion. For the full year, Cliffs recorded a net loss attributable to Cliffs' common shareholders of \$7.2 billion, or \$47.29 per diluted share. The full-year results include Eastern Canadian Iron Ore operating margins, charges related to certain asset and goodwill impairments and other items. Excluding these items totaling \$7.5 billion, Cliffs reported full-year adjusted net income² of \$259 million, or \$1.73 per diluted share.

For the full-year 2014, adjusted EBITDA¹ was \$930 million.

The following table provides a summary of adjusted EBITDA¹ by operating segment:

	Adjusted EBITDA ¹ by Segment (in millions)				
	U.S. Iron Ore	Asia Pacific Iron Ore	North American Coal	Corporate/ Other	Total
Q4 2014 Adjusted EBITDA ¹ (in millions)	\$ 275.4	\$ 30.1	\$ 4.0	\$ (12.1)	\$ 297.4
Full-Year 2014 Adjusted EBITDA ¹ (in millions)	\$ 831.2	\$ 264.6	\$ (28.5)	\$ (137.6)	\$ 929.7

NOTE: All activity for Eastern Canadian Iron Ore has been excluded in the Adjusted EBITDA¹ calculation.

Lourenco Goncalves, Cliffs' Chairman, President and Chief Executive Officer, said, "The execution of our strategy is starting to show results. We have demonstrated our discipline and commitment to fix Cliffs by exiting unprofitable operations, divesting non-core mines, reducing a significant amount of debt and focusing on cost reductions at all levels of the business." Mr. Goncalves added, "The new Cliffs is a differentiated mining company, fully committed to satisfying the requirements of our domestic customers in the United States and a lot less dependent on the iron ore trade with China. While other mining companies will continue to suffer the consequences of an oversupplied seaborne iron ore market, Cliffs is focused on its core business in the United States."

On January 27, 2015, Cliffs announced that Bloom Lake General Partner Limited and certain of its affiliates, including Cliffs Quebec Iron Mining ULC (collectively, "Bloom Lake Group") commenced restructuring proceedings in Montreal, Quebec, under the Companies' Creditors Arrangement Act (Canada) ("CCAA"). The initial CCAA order will address the Bloom Lake Group's immediate liquidity issues and permit the Bloom Lake Group to preserve and protect its assets for the benefit of all stakeholders while restructuring and sale options are explored.

Cliffs' fourth quarter 2014 SG&A expenses were \$42 million and included \$3 million in severance-related costs. Excluding these costs, fourth-quarter 2014 SG&A expenses were \$39 million, a 30 percent decrease when compared to a fourth-quarter 2013 expense of \$56 million, which also excludes \$8 million of severance-related costs.

During the fourth quarter of 2014, miscellaneous-net expense was \$68 million and included a previously-announced \$96 million charge related to an arbitration claim decided against certain Bloom Lake entities which are subject to the CCAA. These charges were partially offset by a favorable impact of \$22 million related to foreign currency exchange re-measurements.

During the fourth quarter, Cliffs recorded impairment charges attributable to Cliffs' shareholders of \$1.2 billion, including approximately \$940 million related to Eastern Canadian Iron Ore and driven by the previously-announced exit of these operations. The impairment charges also included approximately \$250 million related to Asia Pacific Iron Ore, which was driven by reduced benchmark price assumptions over the remaining life of mine. These charges resulted in tax benefits totaling approximately \$180 million.

As previously announced, during the fourth quarter the Company completed the sale of its Cliffs Logan County Coal assets for \$174 million in cash and the assumption of certain liabilities, of which \$155 million has been collected. The Company recorded a loss on the sale of these assets of \$420 million. Fourth-quarter 2014 results included an income tax benefit of \$306 million. The tax benefit includes the benefits related to impairment charges, as well as a \$190 million U.S. benefit on the recognition of a loss on a financial guaranty and the sale of Cliffs Logan County Coal.

U.S. Iron Ore

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
<u>Volumes - In Thousands of Long Tons</u>				
Total sales volume	7,818	6,204	21,840	21,299
Total production volume	6,175	5,494	22,431	20,271
<u>Sales Margin - In Millions</u>				
Revenues from product sales and services	\$ 863.2	\$ 773.7	\$ 2,506.5	\$ 2,667.9
Cost of goods sold and operating expenses	614.5	518.9	1,796.1	1,766.0
Sales margin	\$ 248.7	\$ 254.8	\$ 710.4	\$ 901.9
<u>Sales Margin - Per Long Ton</u>				
Revenues from product sales and services*	\$ 98.93	\$ 112.70	\$ 102.36	\$ 113.08
Cash production cost ³	59.06	61.86	64.09	64.65
Non-production cash cost ³	4.70	3.66	0.82	0.43
Cash cost ³	63.76	65.52	64.91	65.08
Depreciation, depletion and amortization	3.35	6.12	4.92	5.65
Cost of goods sold and operating expenses*	67.11	71.64	69.83	70.73
Sales margin	\$ 31.82	\$ 41.06	\$ 32.53	\$ 42.35

* Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin. Revenues per ton also exclude venture partner cost reimbursements.

U.S. Iron Ore pellet sales volume in the fourth quarter of 2014 was 7.8 million tons, a 26 percent increase when compared with 6.2 million tons sold in the fourth quarter of 2013. The increase was primarily driven by increased customer demand in the Great Lakes. The increase was also attributable to continued catch-up from the delayed start of the shipping season in the spring of 2014, which included collaboration with rail providers to ensure delivery of approximately 240,000 tons of pellets that had been stockpiled during the previous winter and were shipped to customers before the end of 2014.

Cash production cost per ton³ in U.S. Iron Ore was \$59.06, down 5 percent from \$61.86 in the prior year's fourth quarter. The decrease was primarily driven by a sustainable reduction in employment and related costs, as well as lower Pension & OPEB rates and profit sharing costs.

Asia Pacific Iron Ore

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
<u>Volumes - In Thousands of Metric Tons</u>				
Total sales volume	2,915	2,978	11,531	11,043
Total production volume	3,042	2,723	11,352	11,109
<u>Sales Margin - In Millions</u>				
Revenues from product sales and services	\$ 167.1	\$ 324.8	\$ 866.7	\$ 1,224.3
Cost of goods sold and operating expenses	156.8	213.0	745.0	857.2
Sales margin	\$ 10.3	\$ 111.8	\$ 121.7	\$ 367.1
<u>Sales Margin - Per Metric Ton</u>				
Revenues from product sales and services*	\$ 54.96	\$ 109.07	\$ 74.56	\$ 110.87
Cash production cost ³	42.90	57.52	49.41	58.02
Non-production cash cost ³	0.87	1.38	1.95	5.69
Cash cost ³	43.77	58.90	51.36	63.71
Depreciation, depletion and amortization	7.65	12.63	12.65	13.92
Cost of goods sold and operating expenses*	51.42	71.53	64.01	77.63
Sales margin	\$ 3.54	\$ 37.54	\$ 10.55	\$ 33.24

*Cliffs began selling a portion of its product on a CFR basis in 2014. As such, the information above excludes revenues and expenses related to freight, which are offsetting and have no impact on sales margin.

Fourth quarter 2014 Asia Pacific Iron Ore sales volume decreased 2 percent to 2.9 million tons, from 3.0 million tons in 2013's fourth quarter. The decrease was attributed to port maintenance timing.

Cash production cost per ton³ in Asia Pacific Iron Ore was \$42.90, down 25 percent from \$57.52 in the prior year's fourth quarter. The decrease was primarily driven by increased production tons and realizing efficiencies in adjustments to the mine plan to reduce material movement, as well as favorable exchange rate variances of approximately \$4 per ton.

North American Coal

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
<u>Volumes - In Thousands of Short Tons</u>				
Total sales volume	1,931	1,777	7,400	7,274
Total production volume	2,040	1,685	7,536	7,221
<u>Sales Margin - In Millions</u>				
Revenues from product sales and services	\$ 171.3	\$ 183.4	\$ 687.1	\$ 821.9
Cost of goods sold and operating expenses	181.7	204.5	822.9	836.4
Sales margin	\$ (10.4)	\$ (21.1)	\$ (135.8)	\$ (14.5)
<u>Sales Margin - Per Short Ton</u>				
Revenues from product sales and services*	\$ 74.52	\$ 89.70	\$ 77.31	\$ 101.20
Cash production cost ³	57.28	81.78	68.64	75.27
Non-production cash cost ³	15.01	3.36	12.58	10.20
Cash cost ³	72.29	85.14	81.22	85.47
Depreciation, depletion and amortization	7.61	16.43	14.45	17.72
Cost of goods sold and operating expenses*	79.90	101.57	95.67	103.19
Sales margin	\$ (5.38)	\$ (11.87)	\$ (18.36)	\$ (1.99)

* Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin

For the fourth quarter of 2014, North American Coal sales volume was 1.9 million tons, a 9 percent increase from 1.8 million tons sold in the prior year's comparable quarter. The increase was primarily driven by higher thermal sales from Cliffs Logan County Coal, which was removed from the portfolio during the quarter as a result of the sale, and increased sales from Pinnacle

Fourth quarter 2014 cash production cost per ton³ in North American Coal was \$57.28, down 30 percent from \$81.78 in the prior year's fourth quarter. The decrease was primarily driven by increased production and efficiencies, as well as balancing employment and related costs while reducing external service spend

Eastern Canadian Iron Ore

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
<u>Volumes - In Thousands of Metric Tons</u>				
Total sales volume	1,356	2,164	7,228	8,551
Total production volume	1,372	2,326	6,220	8,655
<u>Sales Margin - In Millions</u>				
Revenues from product sales and services	\$ 83.1	\$ 235.3	\$ 563.4	\$ 978.7
Cost of goods sold and operating expenses	163.0	286.3	808.3	1,082.0
Sales margin	\$ (79.9)	\$ (51.0)	\$ (244.9)	\$ (103.3)
<u>Sales Margin - Per Metric Ton - Bloom Lake only*</u>				
Revenues from product sales and services	\$ 62.55	\$ 104.39	\$ 81.19	\$ 110.79
Cash production cost ³	80.88	84.10	81.04	86.20
Non-production cash cost ³	31.48	6.01	10.50	3.67
Cash cost ³	112.36	90.11	91.54	89.87
Depreciation, depletion and amortization	5.16	28.85	19.78	25.79
Cost of goods sold and operating expenses	117.52	118.96	111.32	115.66
Sales margin	\$ (54.97)	\$ (14.57)	\$ (30.13)	\$ (4.87)

* As a result of the Wabush mine idle, all revenue and cost activity related to the Wabush mine has been excluded from the Per Ton Information above. Per Ton Information relates to Bloom Lake mine only.

Eastern Canadian Iron Ore sales volume was 1.4 million tons, a decrease of 37 percent versus the prior year's quarter. The segment's sales volume decrease was primarily driven by significantly reduced shipments from Wabush Mine, which was idled in the first quarter of 2014. The total shipments included 1.3 million tons from Bloom Lake mine, a 2 percent decrease from the prior-year quarter. During the fourth quarter of 2014, production was ceased at this operation.

Cash Flow and Liquidity

At the end of fourth quarter of 2014, Cliffs had net debt of \$2.7 billion with no drawings on its revolving credit facility. This compares to \$3.0 billion of net debt at the end of the third quarter of 2014 with no drawings on the revolving credit facility.

As previously announced, during the fourth quarter of 2014 and the beginning of January 2015, the Company reduced its net debt balance by more than \$400 million from the end of the third quarter of 2014. This accelerated debt reduction was achieved through the repayment of short-term debt as well as the repurchase of more than \$200 million in aggregate principal amount of senior notes in the open market at an average discount of 34 percent to par, capturing a total discount of approximately \$70

million, of which \$16 million was recorded in the fourth quarter. As of today, Cliffs has net debt of approximately \$2.6 billion.

The Company decreased its fourth-quarter 2014 capital spending by \$69 million, or 57 percent compared to the fourth quarter of 2013, to \$51 million, mainly attributable to the previously-announced cease of Eastern Canadian operations. Cliffs also reported depreciation, depletion and amortization of \$74 million in the fourth quarter of 2014.

Outlook

Beginning in 2015, in order to provide more financial transparency to Cliffs' stakeholders, the Company will be providing full-year expected revenues-per-ton ranges based on different assumptions of seaborne iron ore prices. Cliffs indicated that each different pricing assumption holds all other assumptions constant, including customer mix, as well as industrial commodity prices, freight rates, energy prices, production input costs and/or hot-band steel prices (all factors contained in certain of Cliffs' supply agreements).

Cliffs previously furnished 2015 pricing expectations in an 8-K filed on Nov 19, 2014. Due to the significant decline in both hot-band steel and energy prices, the Company has since lowered its assumptions with respect to these contract inputs. As a result, certain revenues-per-ton range assumptions differ slightly from the information furnished on Nov 19, 2014.

2015 Full-Year Realized Revenues-Per-Ton Range Summary		
Platts IODEX (1)	U.S. Iron Ore (2)	Asia Pacific Iron Ore (3)
\$50	\$75 - \$80	\$30 - \$35
\$55	\$80 - \$85	\$35 - \$40
\$60	\$80 - \$85	\$40 - \$45
\$65	\$80 - \$85	\$45 - \$50
\$70	\$80 - \$85	\$50 - \$55
\$75	\$80 - \$85	\$55 - \$60
\$80	\$85 - \$90	\$60 - \$65

- (1) The Platts IODEX is the benchmark assessment based on a standard specification of iron ore fines with 62% iron content (C F R China)
- (2) U S Iron Ore tons are reported in long tons of pellets
- (3) Asia Pacific Iron Ore tons are reported in metric tons of lumps and fines, F O B the port

U.S. Iron Ore Outlook (Long Tons)

For 2015, Cliffs expects full-year sales and production volume of approximately 22 million tons from its U S Iron Ore business. As previously disclosed, Cliffs does not plan to export any pellets out of the Great Lakes in 2015.

Cliffs' full-year 2015 U.S. Iron Ore cash production cost expectation³ is \$55 - \$60 per ton. The Company's cash cost of goods sold per ton³ expectation is \$60 - \$65. This expectation reflects operational improvements including reduced headcount, more efficient maintenance practices and improvements in logistics. Depreciation, depletion and amortization for full-year 2015 is expected to be approximately \$5 per ton.

Asia Pacific Iron Ore Outlook (Metric Tons, F O B the port)

Cliffs' full-year 2015 Asia Pacific Iron Ore expected sales and production volume is approximately 11 million tons. The product mix is expected to be approximately 51% lump and 49% fines iron ore. This expectation assumes no divestiture of this business in 2015, which may or may not occur.

Based on an average exchange rate of \$0.81 U S Dollar to Australian Dollar, full-year 2015 Asia Pacific Iron Ore cash production cost per ton³ is expected to be approximately \$40 - \$45. Cash cost of goods sold per ton³ is also expected to be \$40 - \$45. This expectation reflects operational improvements and a more favorable foreign exchange rate compared to 2014. Cliffs indicated that for every \$0.01 change in this exchange rate on a full-year basis, the Company's cash cost of goods sold is impacted by approximately \$7 million.

Cliffs anticipates depreciation, depletion and amortization to be approximately \$2 per ton for full-year 2015.

North American Coal Outlook (Short Tons, F O B the mine)

Cliffs' full-year 2015 North American Coal expected sales and production volume is approximately 5.5 million tons of low-vol metallurgical coal from the two remaining mines, Pinnacle and Oak Grove. This expectation assumes no additional divestiture of this business in 2015, which may or may not occur.

Cliffs' full-year 2015 North American Coal revenues-per-ton outlook is \$70 - \$75. Cliffs has approximately 41% of its expected 2015 sales volume committed and priced at approximately \$77 per short ton at the mine.

Cliffs' full-year 2015 North American Coal cash production cost³ expectation is \$65 - \$70 per ton. The Company's cash cost of goods sold per ton³ expectation is \$70 - \$75 Full-year 2015 depreciation, depletion and amortization is expected to be approximately \$2 per ton.

The following table provides a summary of Cliffs' 2015 guidance for its three remaining business segments

	2015 Outlook Summary		
	U.S. Iron Ore (A)	Asia Pacific Iron Ore (B)	North American Coal (C)
Sales volume (million tons)	22	11	5.5
Production volume (million tons)	22	11	5.5
Cash production cost per ton³	\$55 - \$60	\$40 - \$45	\$65 - \$70
Cash cost of goods sold per ton³	\$60 - \$65	\$40 - \$45	\$70 - \$75
DD&A per ton	\$5	\$2	\$2

- (A) U S Iron Ore tons are reported in long tons of pellets
- (B) Asia Pacific Iron Ore tons are reported in metric tons of lumps and fines
- (C) North American Coal tons are reported in short tons

SG&A Expenses and Other Expectations

The Company is reducing its year-over-year SG&A expenses by approximately \$70 million Full-year 2015 SG&A expenses are expected to be approximately \$140 million. The decrease is primarily driven by a reduction in headcount and reduced outside services spending as a result of a smaller global footprint Cliffs' full-year cash outflow expectation for exploration spending is expected to be less than \$5 million

Consolidated full-year 2015 depreciation, depletion and amortization is expected to be approximately \$150 million

Capital Budget Update

Cliffs expects its full-year 2015 capital expenditures budget to be \$125 - \$150 million

Conference Call Information

Cliffs Natural Resources Inc. will host a conference call tomorrow, Feb 3, 2015, at 10 a.m. ET. The call will be broadcast live and archived on Cliffs' website www.cliffsnaturalresources.com

About Cliffs Natural Resources Inc.

Cliffs Natural Resources Inc. is a leading mining and natural resources company in the United States. The Company is a major supplier of iron ore pellets to the North American steel industry from its mines and pellet plants located in Michigan and Minnesota. Cliffs also operates an iron ore mining complex in Western Australia. Additionally, Cliffs produces low-volatile metallurgical coal in the U.S. from its mines located in West Virginia and Alabama. Driven by the core values of social, environmental and capital stewardship, Cliffs' employees endeavor to provide all stakeholders operating and financial transparency. News releases and other information on the Company are available on the Internet at <http://www.cliffsnaturalresources.com>

Forward-Looking Statements

This release contains forward-looking statements within the meaning of the federal securities laws. Although the Company believes that its forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties relating to Cliffs' operations and business environment that are difficult to predict and may be beyond Cliffs' control. Such uncertainties and factors may cause actual results to differ materially from those expressed or implied by forward-looking statements for a variety of reasons including without limitation our ability to successfully execute an exit option for Bloom Lake mine that minimizes the cash outflows and associated liabilities of our Canadian operations including the CCAA process, trends affecting our financial condition, results of operations or future prospects, particularly the continued volatility of iron ore and coal prices, our actual levels of capital spending, uncertainty or weaknesses in global economic conditions, including downward pressure on prices, reduced market demand and any slowing of the economic growth rate in China, our ability to successfully identify and consummate any strategic investments and complete planned divestitures, the outcome of any contractual disputes with our customers, joint venture partners or significant energy, material or service providers or any other litigation or arbitration, the ability of our customers and joint venture partners to meet their obligations to us on a timely basis or at all, our ability to reach agreement with our iron ore customers regarding any modifications to sales contract provisions, the impact of price-adjustment factors on our sales contracts, changes in sales volume or mix, our actual economic iron ore and coal reserves or reductions in current mineral estimates, including whether any mineralized material qualifies as a reserve, the impact of our customers using other methods to produce steel or reducing their steel production, events or circumstances that could impair or adversely impact the viability of a mine and the carrying value of associated assets, the results of prefeasibility and feasibility studies in relation to projects, impacts of existing and increasing governmental regulation and related costs and liabilities, including failure to receive or maintain required operating and environmental permits, approvals, modifications or other authorization of, or from, any governmental or regulatory entity and costs related to implementing improvements to ensure compliance with regulatory changes, our ability to cost-effectively achieve planned production rates or levels, uncertainties associated with natural disasters, weather conditions, unanticipated geological conditions, supply or price of energy, equipment failures and other unexpected events, adverse changes in currency values, currency exchange rates, interest rates and tax laws, availability of capital and our ability to maintain adequate liquidity and

successfully implement our financing plans; our ability to maintain appropriate relations with unions and employees and enter into or renew collective bargaining agreements on satisfactory terms, risks related to international operations, availability of capital equipment and component parts, the potential existence of significant deficiencies or material weakness in our internal control over financial reporting, problems or uncertainties with productivity, tons mined, transportation, mine-closure obligations, environmental liabilities, employee-benefit costs and other risks of the mining industry, and other factors and risks that are set forth in the Company's most recently filed reports with the U S Securities and Exchange Commission. The information contained herein speaks as of the date of this release and may be superseded by subsequent events. Except as may be required by applicable securities laws, we do not undertake any obligation to revise or update any forward-looking statements contained in this release.

SOURCE: Cliffs Natural Resources Inc.

MEDIA CONTACT:

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Director, Global Communications
(216) 694-5316

FINANCIAL TABLES FOLLOW

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**CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES STATEMENTS OF UNAUDITED CONDENSED
CONSOLIDATED OPERATIONS**

	(In Millions, Except Per Share Amounts)			
	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	\$ 1,160.5	\$ 1,417.8	\$ 4,230.8	\$ 5,346.6
Freight and venture partners' cost reimbursements	124.2	98.0	392.9	344.8
	<u>1,284.7</u>	<u>1,515.8</u>	<u>4,623.7</u>	<u>5,691.4</u>
COST OF GOODS SOLD AND OPERATING EXPENSES	<u>(1,116.0)</u>	<u>(1,221.3)</u>	<u>(4,172.3)</u>	<u>(4,542.1)</u>
SALES MARGIN	168.7	294.5	451.4	1,149.3
OTHER OPERATING INCOME (EXPENSE)				
Selling, general and administrative expenses	(42.4)	(63.7)	(208.7)	(231.6)
Exploration costs	(0.1)	(13.1)	(8.8)	(59.0)
Impairment of goodwill and other long-lived assets	(1,237.5)	(250.8)	(9,010.6)	(250.8)
Gain (loss) on disposal of other assets	(424.9)	(1.9)	(423.0)	16.7
Miscellaneous - net	(68.2)	51.7	(226.3)	46.4
	<u>(1,773.1)</u>	<u>(277.8)</u>	<u>(9,877.4)</u>	<u>(478.3)</u>
OPERATING INCOME	<u>(1,604.4)</u>	<u>16.7</u>	<u>(9,426.0)</u>	<u>671.0</u>
OTHER INCOME (EXPENSE)				
Interest expense, net	(50.3)	(44.6)	(185.2)	(179.1)
Other non-operating income (expense)	16.3	0.3	26.8	(2.6)
	<u>(34.0)</u>	<u>(44.3)</u>	<u>(158.4)</u>	<u>(181.7)</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY LOSS FROM VENTURES	<u>(1,638.4)</u>	<u>(27.6)</u>	<u>(9,584.4)</u>	<u>489.3</u>
INCOME TAX BENEFIT (EXPENSE)	305.6	13.9	1,317.9	(55.1)
EQUITY LOSS FROM VENTURES, net of tax	(0.1)	(0.5)	(9.9)	(74.4)
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>(1,332.9)</u>	<u>(14.2)</u>	<u>(8,276.4)</u>	<u>359.8</u>
INCOME and GAIN ON SALE FROM DISCONTINUED OPERATIONS, net of tax	—	—	—	2.0
NET INCOME (LOSS)	<u>(1,332.9)</u>	<u>(14.2)</u>	<u>(8,276.4)</u>	<u>361.8</u>
LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	83.0	57.5	1,087.4	51.7
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	<u>\$ (1,249.9)</u>	<u>\$ 43.3</u>	<u>\$ (7,189.0)</u>	<u>\$ 413.5</u>
PREFERRED STOCK DIVIDENDS	<u>(12.8)</u>	<u>(12.8)</u>	<u>(51.2)</u>	<u>(48.7)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	<u>\$ (1,262.7)</u>	<u>\$ 30.5</u>	<u>\$ (7,240.2)</u>	<u>\$ 364.8</u>
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - BASIC				
Continuing operations	\$ (8.25)	\$ 0.20	\$ (47.29)	\$ 2.39
Discontinued operations	—	—	—	0.01
	<u>\$ (8.25)</u>	<u>\$ 0.20</u>	<u>\$ (47.29)</u>	<u>\$ 2.40</u>
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - DILUTED				
Continuing operations	\$ (8.25)	\$ 0.20	\$ (47.29)	\$ 2.36
Discontinued operations	—	—	—	0.01
	<u>\$ (8.25)</u>	<u>\$ 0.20</u>	<u>\$ (47.29)</u>	<u>\$ 2.37</u>
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	153,136	153,038	153,098	151,726
Diluted	153,136	153,700	153,098	174,323
CASH DIVIDENDS DECLARED PER DEPOSITARY SHARE	\$ 0.44	\$ 0.44	\$ 1.75	\$ 1.66
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.15	\$ 0.15	\$ 0.60	\$ 0.60

CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES
STATEMENTS OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL POSITION

		(In Millions)	
		December 31,	
		2014	2013
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$	290.9	\$ 335.5
Accounts receivable, net		205.6	270.0
Inventories		326.7	391.4
Supplies and other inventories		195.2	216.0
Income tax receivable		260.7	74.1
Other current assets		175.9	273.0
TOTAL CURRENT ASSETS		1,455.0	1,560.0
PROPERTY, PLANT AND EQUIPMENT, NET		1,412.7	11,153.4
OTHER ASSETS			
Deferred income taxes		166.1	41.5
Other non-current assets		165.4	367.0
TOTAL OTHER ASSETS		331.5	408.5
TOTAL ASSETS	\$	3,199.2	\$ 13,121.9
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$	272.1	\$ 345.5
Accrued employment costs		99.5	129.0
Income taxes payable		1.0	55.6
State and local taxes payable		52.5	61.7
Current portion of debt		21.8	20.9
Accrued expenses		255.3	206.4
Accrued royalties		31.2	57.3
Other current liabilities		232.4	209.1
TOTAL CURRENT LIABILITIES		965.8	1,085.5
TOTAL POSTEMPLOYMENT BENEFIT LIABILITIES		395.2	294.0
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS		256.0	309.7
DEFERRED INCOME TAXES		51.3	1,146.5
LONG-TERM DEBT		2,962.3	3,022.6
OTHER LIABILITIES		267.7	379.3
TOTAL LIABILITIES		4,898.3	6,237.6
<u>EQUITY</u>			
CLIFFS SHAREHOLDERS' EQUITY		(1,396.1)	6,069.5
NONCONTROLLING INTEREST		(303.0)	814.8
TOTAL EQUITY		(1,699.1)	6,884.3
TOTAL LIABILITIES AND EQUITY	\$	3,199.2	\$ 13,121.9

CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES
STATEMENTS OF UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS

	(In Millions)	
	Year Ended December 31,	
	2014	2013
OPERATING ACTIVITIES		
Net income (loss)	\$ (8,276.4)	\$ 361.8
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation, depletion and amortization	504.0	593.3
Impairment of goodwill and other long-lived assets	9,010.6	250.8
Equity loss in ventures (net of tax)	9.9	74.4
Deferred income taxes	(1,149.2)	(138.1)
Changes in deferred revenue and below-market sales contracts	(18.0)	(52.8)
Loss on sale of Cliffs Logan County Coal	419.6	—
Other	(37.7)	(3.3)
Changes in operating assets and liabilities		
Receivables and other assets	(101.7)	138.8
Product inventories	37.8	30.8
Payables and accrued expenses	(40.0)	(109.8)
Net cash provided by operating activities	<u>358.9</u>	<u>1,145.9</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(284.1)	(861.6)
Proceeds from sale of Cliffs Logan County Coal	155.0	—
Other investing activities	25.5	50.3
Net cash used in investing activities	<u>(103.6)</u>	<u>(811.3)</u>
FINANCING ACTIVITIES		
Net proceeds from issuance of Series A, Mandatory Convertible Preferred Stock, Class A	—	709.4
Net proceeds from issuance of common shares	—	285.3
Repayment of term loan	—	(847.1)
Borrowings under credit facilities	1,206.8	670.5
Repayment under credit facilities	(1,206.8)	(995.5)
Proceeds from equipment loans	—	164.8
Repayments of equipment loans	(20.9)	(3.0)
Repurchase of debt	(28.8)	—
Contributions by joint ventures, net	(25.7)	23.3
Common stock dividends	(92.5)	(91.9)
Preferred stock dividends	(51.2)	(35.7)
Other financing activities	(69.2)	(52.0)
Net cash used in financing activities	<u>(288.3)</u>	<u>(171.9)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(11.6)	(22.4)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(44.6)</u>	<u>140.3</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	335.5	195.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 290.9</u>	<u>\$ 335.5</u>

¹ CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES
NON-GAAP RECONCILIATION - EBITDA AND ADJUSTED EBITDA

In addition to the consolidated financial statements presented in accordance with U S GAAP, the Company has presented EBITDA and adjusted EBITDA on both a consolidated basis and on a segment basis, which are non-GAAP financial measures that management uses in evaluating operating performance. The presentation of these measures is not intended to be considered in isolation from, as a substitute for, or as superior to, the financial information prepared and presented in accordance with U S GAAP. The presentation of these measures may be different from non-GAAP financial measures used by other companies. A reconciliation of these measures on a segment basis is provided on page 2 of the news release. A summary of these consolidated measures to their most directly comparable GAAP measures is provided in the table below.

	(In Millions)			
	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
Net Income (Loss)	\$ (1,332.9)	\$ (14.2)	\$ (8,276.4)	\$ 361.8
Less				
Interest expense, net	(50.3)	(44.6)	(185.2)	(179.1)
Income tax benefit (expense)	305.6	13.9	1,317.9	(55.1)
Depreciation, depletion and amortization	(73.6)	(155.3)	(504.0)	(593.3)
EBITDA	<u>\$ (1,514.6)</u>	<u>\$ 171.8</u>	<u>\$ (8,905.1)</u>	<u>\$ 1,189.3</u>
Less				
Impairment of goodwill and other long-lived assets	\$ (1,237.5)	\$ (250.8)	\$ (9,010.6)	\$ (250.8)
Loss on sale of Cliffs Logan County Coal	(419.6)	—	(419.6)	—
Wabush mine impact	11.2	(26.7)	(158.7)	(72.7)
Bloom Lake mine impact	(88.5)	(6.7)	(137.9)	46.5
Litigation judgment	(96.3)	—	(96.3)	(9.6)
Foreign exchange remeasurement	22.3	27.4	30.7	64.0
Proxy contest and change in control costs in SG&A	(0.4)	—	(26.6)	—
Severance in SG&A	(3.2)	(8.3)	(15.8)	(16.4)
Adjusted EBITDA	<u>\$ 297.4</u>	<u>\$ 436.9</u>	<u>\$ 929.7</u>	<u>\$ 1,428.3</u>

² CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES
NON-GAAP RECONCILIATION - ADJUSTED EARNINGS

In addition to the consolidated financial statements presented in accordance with U S GAAP, the Company has presented Adjusted Net Income attributable to Cliffs' shareholders, which is a non-GAAP financial measure that management uses in evaluating operating performance. The presentation of this measure is not intended to be considered in isolation from, as a substitute for, or as superior to, the financial information prepared and presented in accordance with U S GAAP. The presentation of this measure may be different from non-GAAP financial measures used by other companies. A reconciliation of this measure to its most directly comparable GAAP measure is provided in the table below.

	(In Millions)			
	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
Net Income (Loss) from Continuing Operations Attributable to Cliffs Shareholders	\$ (1,249.9)	\$ 43.3	\$ (7,189.0)	\$ 411.5
Income from Discontinued Operations, net of tax	—	—	—	2.0
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ (1,249.9)	\$ 43.3	\$ (7,189.0)	\$ 413.5
PREFERRED STOCK DIVIDENDS	(12.8)	(12.8)	(51.2)	(48.7)
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	\$ (1,262.7)	\$ 30.5	\$ (7,240.2)	\$ 364.8
Less				
Impairment of goodwill and other long-lived assets	\$ (1,237.5)	\$ (250.8)	\$ (9,010.6)	\$ (250.8)
Impairment of other long-lived assets attributable to the noncontrolling interest	60.3	—	1,057.7	—
Loss on sale of Cliffs Logan County Coal	(419.6)	—	(419.6)	—
Wabush mine impact	(4.1)	(29.6)	(237.5)	(104.5)
Bloom Lake mine impact	(121.6)	3.2	(41.3)	(41.1)
Litigation judgment	(96.3)	—	(96.3)	(9.6)
Foreign exchange remeasurement	22.3	27.4	30.7	64.0
Proxy contest and change in control costs in SG&A	(0.4)	—	(26.6)	—
Severance in SG&A	(3.2)	(8.3)	(15.8)	(16.4)
Tax impact of financial restructuring and sale of Cliffs Logan County Coal	190.2	—	144.3	—
Tax effect of other adjustments	181.5	8.4	1,260.7	17.3
Income tax valuation allowances	—	—	(144.4)	—
NET INCOME ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS - ADJUSTED	\$ 165.7	\$ 280.2	\$ 258.5	\$ 705.9
Weighted Average Number of Shares				
Basic	153.1	153.0	153.1	151.7
Employee Stock Plans	0.3	0.7	0.7	0.5
Depository Shares	25.2	25.2	25.2	22.1
Diluted	178.6	178.9	179.0	174.3
Earnings per Common Share Attributable to Cliffs Common Shareholders - Basic				
Continuing operations	\$ 1.08	\$ 1.83	\$ 1.69	\$ 4.64
Discontinued operations	—	—	—	0.01
	\$ 1.08	\$ 1.83	\$ 1.69	\$ 4.65
Earnings per Common Share Attributable to Cliffs Common Shareholders - Diluted				
Continuing operations	\$ 1.00	\$ 1.64	\$ 1.73	\$ 4.32
Discontinued operations	—	—	—	0.01
	\$ 1.00	\$ 1.64	\$ 1.73	\$ 4.33

**³ CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES
NON-GAAP RECONCILIATION EXPLANATIONS**

Cash production cost, non-production cash cost, and cash cost per ton are non-GAAP financial measures that management uses in evaluating operating performance. The presentation of these measures is not intended to be considered in isolation from, as a substitute for, or as superior to, the financial information prepared and presented in accordance with U.S. GAAP. The presentation of these measures may be different from non-GAAP financial measures used by other companies.

- Cash production cost per ton is defined as cost of goods sold and operating expenses per ton less depreciation, depletion and amortization, as well as period costs, costs of services and inventory effects per ton.
- Non-production cash cost per ton is defined as the sum of period costs (including royalties), costs of services, and inventory effects per ton.
- Cash cost per ton is defined as cost of goods sold and operating expenses per ton less depreciation, depletion and amortization per ton.

**SUPERIOR COURT
DISTRICT OF MONTREAL
N° : 500-11-048114-157**

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

**BLOOM LAKE GENERAL PARTNER LIMITED,
QUINTO MINING CORPORATION, 8568391 CANADA
LIMITED AND CLIFFS QUEBEC IRON MINING ULC.,
WABUSH IRON CO. LIMITED, WABUSH
RESOURCES INC.**

Petitioners/Respondents

-and-

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

Mises-en-cause

-and-

FTI CONSULTING CANADA INC.

Monitor

-and-

**THE KAMI MINE LIMITED PARTNERSHIP
-and
ALDERON IRON ORE CORP.**

Petitioners

EXHIBIT P-8

BLG
Borden Ladner Gervais

1000, rue De La Gauchetiere Ouest
Bureau 900
Montréal, QC, Canada H3B 5H4
Tél 514 879 1212
Télec 514 954 1905
Me Vanessa Jodoin
Dossier 560420-000005

SCHEDULE "A"



ATIPP Request

Confirmation Code **JLXD4K**
 Submitted Date **February 22nd 2017**

Applicant Information

First Name	Olen
Last Name	Aasen
Email	oaasen@alderonironore.com
Daytime Phone	604-681-8030 (ext 242)
Fax	604-681-8039
Mailing Address	Alderon Iron Ore Corp 1240 - 1140 West Pender Street Vancouver, B C V6E 4G1

Information Being Requested

Type of Request	<u>General Information</u>
Government Department	<u>Natural Resources</u>
Information / Records Description	Any and all reports from independent experts or consultants commissioned by the Department of Natural Resources, Government of Newfoundland and Labrador, to review, study or estimate the status of mineral reserves at the Scully Mine, Wabush Mines, Wabush, NL including but not limited to reports updating or supplementing the March 29, 2006 report entitled Wabush Mines Review of Scully Mine Reserves for Department of Natural Resources Government of Newfoundland and Labrador prepared by Graham Farquharson, P Eng and Henrik Thalenhorst, P Geo
Requested Filetype	<u>pdf</u>

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Mises-en-cause

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-and
ALDERON IRON ORE CORP.**

Petitioners

EXHIBIT P-9

BLG
Borden Ladner Gervais

1000, rue De La Gauchetière Ouest
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Tél 514 879 1212
Télec 514 954 1905
Me Vanessa Jodoin
Dossier 560420-000005



Government of Newfoundland and Labrador
Department of Natural Resources

March 7, 2017

Olen Aasen
Alderon Iron Ore Corp.
1240-1140 West Pender Street
Vancouver, BC
V6E 4G1

Dear Mr. Aasen:

Re: Your request for access to information under Part II of the *Access to Information and Protection of Privacy Act* (File # NR-17-2017)

This is to confirm that on February 23, 2017, the Department of Natural Resources received your request for access to the following records/information:

Any and all reports from independent experts or consultants commissioned by the Department of Natural Resources, Government of Newfoundland and Labrador, to review, study or estimate the status of mineral reserves at the Scully Mine, Wabush Mines, Wabush, NL. Including but not limited to reports updating or supplementing the March 29, 2006 report entitled Wabush Mines Review of Scully Mine Reserves for Department of Natural Resources Government of Newfoundland and Labrador prepared by Graham Farquharson, P.Eng. and Henrik Thalenhorst, P.Geo.

I note that there are 3 reports responsive to your request:

Wabush Mines, Review of Scully Mine Reserves, 2006, By Farquharson and Thalenhorst

Wabush Mines Viability Analysis, 2016, by Rance and Associates

Wabush Mines, 2016, by Strathcona Minerals

Please be advised that a decision has been made by the Deputy Minister for the Department of Natural Resources to provide access to the 2006 report identified above,

but has decided to refuse access to the 2016 reports identified above in accordance with the following exceptions to disclosure, as specified in the *Access to Information and Protection of Privacy Act* (the Act):

Section 29(1)(a)

The head of a public body may refuse to disclose to an applicant information that would reveal advice, proposals, recommendations, analyses or policy options developed by or for a public body or minister;

Section 35(1)(d)

The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose information, the disclosure of which could reasonably be expected to result in the premature disclosure of a proposal or project or in significant loss or gain to a third party;

Section 35(1)(f)

The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose positions, plans, procedures, criteria or instructions developed for the government of the province or a public body, or considerations which relate to those negotiations;

Section 35(1)(g)

The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose information, the disclosure of which could reasonably be expected to prejudice the financial or economic interest of the government of the province or a public body.

The Department of Natural Resources asserts that the Wabush Mines situation is an ongoing matter and the disclosure of these reports, which were generated to provide advice to the public body, could negatively impact the management of the file. As the public is aware there is uncertainty surrounding the future of the mine and as such release of these reports at this time would impact government's ability to proceed in the best interests of the people of the province, the current owners, the government and any possible future development.

Please be advised that you may appeal this decision and ask the Information and Privacy Commissioner to review the decision to deny access to the requested information, as set out in section 42 of the Act (a copy of this section of the Act has been enclosed for your reference). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner. Your appeal should identify your concerns with the request and why you are submitting the appeal.

The appeal may be addressed to the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P. O. Box 13004, Stn. A
St. John's, NL. A1B 3V8

Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500

You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act (a copy of this section of the Act has been enclosed for your reference).

Please be advised that this letter will be published following a 72 hour period after it is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the letter posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any questions, please feel free to contact me by telephone at 729-0463 or rhynes@gov.nl.ca.

Sincerely,

A handwritten signature in black ink, appearing to be 'Rod Hynes', written over a horizontal line.

Rod Hynes
ATIPP Coordinator

**SUPERIOR COURT
DISTRICT OF MONTREAL
N° : 500-11-048114-157**

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COMPANY, WABUSH LAKE RAILWAY COMPANY,
LIMITED**

Mises-en-cause

-and-

FTI CONSULTING CANADA INC

Monitor

-and-

**THE KAMI MINE LIMITED PARTNERSHIP
-and
ALDERON IRON ORE CORP.**

Petitioners

EXHIBIT P-10

BLG
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