

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Commercial Division

File: No: 500-11-048114-157

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

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

Petitioners

- and -

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

Mises-en-cause

- and -

FTI CONSULTING CANADA INC.

Monitor

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

INTRODUCTION

1. On January 27, 2015, Bloom Lake General Partner Limited (“**BLGP**”), Quinto Mining Corporation (“**Quinto**”), 8568391 Canada Limited (“**856**”) and Cliffs Québec Iron Mining ULC (“**CQIM**”) (collectively, the “**Bloom Lake Petitioners**”) sought and obtained an initial order (as amended, restated or rectified from time to time, the “**Bloom Lake Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) from the Superior Court of Québec (the “**Court**”), providing for, *inter alia*, a stay of proceedings against the Bloom Lake Petitioners until February 26, 2015, (the “**Bloom Lake Stay Period**”) and appointing FTI Consulting Canada Inc. as monitor (the “**Monitor**”). The relief granted in the Bloom Lake Initial Order was also extended to The Bloom Lake Iron Ore Mine Limited Partnership (“**BLLP**”) and Bloom Lake Railway Company Limited (“**BLRC**” and, together with BLLP, the “**Bloom Lake Mises-en-Cause**” and together with the Bloom Lake Petitioners, the “**Bloom Lake CCAA Parties**”). The proceedings commenced under the CCAA by the Bloom Lake CCAA Parties will be referred to herein as the “**CCAA Proceedings**”.
2. On May 20, 2015, the CCAA Proceedings were extended to include Wabush Iron Co. Limited (“**WICL**”), Wabush Resources Inc. (“**WRI**” and together with WICL, the “**Wabush Petitioners**”), Wabush Mines, Arnaud Railway Company (“**Arnaud**”) and Wabush Lake Railway Company Limited (“**Wabush Railway**” and, collectively with Arnaud and Wabush Mines, the “**Wabush Mises-en-Cause**” and together with the Wabush Petitioners, the “**Wabush CCAA Parties**”) pursuant to an initial order (as amended, restated or rectified from time to time, the “**Wabush Initial Order**”) providing for, *inter alia*, a stay of proceedings against the Wabush CCAA Parties until June 19, 2015, (the “**Wabush Stay Period**”). The Bloom Lake CCAA Parties and the Wabush CCAA Parties will be referred to collectively herein as the “**CCAA Parties**”.

3. The Bloom Lake Stay Period and the Wabush Stay Period (together, the “**Stay Period**”) have been extended from time to time and currently expire on February 28, 2020.
4. On November 5, 2015, Mr. Justice Hamilton J.S.C. (as he then was) granted an Order (the “**Claims Procedure Order**”) approving a procedure for the submission, evaluation and adjudication of claims against the CCAA Parties and their current and former directors and officers (as amended, the “**Claims Procedure**”).
5. On March 26, 2018, Mr. Justice Hamilton J.S.C. (as he then was) granted an Order (the “**Post-Filing Claims Procedure Order**”) approving a procedure for the submission, evaluation and adjudication of claims against the CCAA Parties or their directors and officers arising since the commencement dates of the CCAA Proceedings (the “**Post-Filing Claims Procedure**”).
6. On June 29, 2018, Mr. Justice Hamilton J.S.C. (as he then was) granted an Order (the “**Sanction Order**”), *inter alia*, sanctioning the amended and restated joint plan of compromise and arrangement of the Participating CCAA Parties dated May 16, 2018 (as amended from time to time, the “**Plan**”).
7. On July 31, 2018, the Monitor issued and filed the Plan Implementation Date Certificate, *inter alia* certifying that:
 - (a) The Monitor had received from each of the Participating CCAA Parties and the Parent, the applicable Conditions Certificate confirming fulfilment or waiver of the conditions precedent to implementation of the Plan as set out in Section 11.3 of the Plan, and in accordance with the Sanction Order, and
 - (b) The Plan Implementation Date had occurred in accordance with the Plan.

8. The first interim distributions to Affected Third Party Unsecured Creditors were made from each of the Unsecured Creditor Cash Pools and Pension Cash Pools in August and September 2018¹, with approximately \$132.4 million being distributed to Affected Third Party Unsecured Creditors pursuant to the Plan.
9. To date, the Monitor has filed fifty-three reports in respect of various aspects of the CCAA Proceedings. The purpose of this, the Monitor's Fifty-Fourth Report (this "**Report**"), is to provide information to the Court with respect to:
 - (a) The receipts and disbursements of the CCAA Parties for the period October 1, 2019 to January 31, 2020;
 - (b) The CCAA Parties' current cash balances;
 - (c) The progress of the Claims Procedure;
 - (d) The progress of the Post-Filing Claims Procedure;
 - (e) Matters completed since the date of the Monitor's Fifty-Second Report;
 - (f) The progress of other ongoing matters to be completed in the CCAA Proceedings; and
 - (g) The CCAA Parties' request for an extension of the Stay Period to November 30, 2020 (the "**Stay Extension Motion**"), and the Monitor's recommendation thereon.

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

TERMS OF REFERENCE

10. In preparing this Report, the Monitor has relied upon unaudited financial information of the CCAA Parties, the CCAA Parties' books and records, certain financial information prepared by the CCAA Parties and discussions with various parties (the "**Information**").
11. Except as described in this Report:
 - (a) The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - (b) The Monitor has not examined or reviewed financial forecasts and projections referred to in this Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
12. The Monitor has prepared this Report in connection with the Stay Extension Motion which is scheduled to be heard February 19, 2020, and should not be relied on for other purposes.
13. Future oriented financial information reported or relied on in preparing this Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the previous reports of the Monitor or the Plan.

RECEIPTS & DISBURSEMENTS FOR THE PERIOD TO JANUARY 31, 2020

15. The CCAA Parties' actual cash flow on a consolidated basis for the period from October 1, 2019 to January 31, 2020, is summarized below:

	Bloom Lake CCAA Parties	Wabush CCAA Parties
	\$000	\$000
Receipts	184	840
Disbursements:		
Payroll & Employee Benefits		
Termination & Severance		
Utilities		
Other Operating Disbursements	(2)	(108)
Operating Cash Flows	182	732
Net Tax Refunds	32	655
Allocation Methodology Transfers	716	(716)
Transfer from Related Party Distributions		
Third Party Distributions		
BLRC Payment	(572)	572
Restructuring Professional Fees	(446)	(374)
Net Cash Flow	(88)	869

CURRENT CASH BALANCES

16. As previously reported, all transactions are being processed through the Monitor's accounts on behalf of the CCAA Parties. As at January 31, 2020, the Monitor held approximately \$41.7 million on behalf of the Bloom Lake CCAA Parties and approximately \$7.8 million on behalf of the Wabush CCAA Parties, each net of unrepresented cheques.

17. Unpresented cheques include 40 cheques in the aggregate amount of \$124,039.94 issued in respect of the interim distributions under the Plan. These cheques are stale-dated and payments will be reissued on the request of the creditor entitled to such payment or together with the final distributions under the Plan. Representative Counsel and USW Counsel have been providing assistance in endeavouring to locate former employees with uncashed distributions.

THE CLAIMS PROCEDURE

18. All claims filed pursuant to the Claims Procedure Order have now been finally determined, with the exception of the claims described below:
 - (a) Certain claims of Revenu Québec (“**RQ**”) in the aggregate amount of \$13,565,511.95 in respect of sales and corporate taxes;
 - (b) The claims of the City of Fermont in the amount of \$27,010,686.80 with respect to property taxes, the determination of which is dependent on the outcome of the municipal tax contestations as discussed later in this Report;
 - (c) The claims of two construction legal hypothec creditors in the aggregate amount of \$3,862,078.26. While the aggregate quantum of these claims has been allowed, the determination of the portion that is secured on proceeds of realization and the portion that is unsecured is also dependent on the outcome of the municipal tax contestations; and
 - (d) The claims of the Commission Scolaire du Fer (“**CSF**”) remain subject to the CSF Claim Amendment Motion, which is contested and is discussed later in this Report, and are also dependent on the outcome of the municipal tax contestations.

THE POST-FILING CLAIMS PROCEDURE

19. All Post-Filing Claims and the one D&O Post-Filing Claim that were filed in accordance with the Post-Filing Claims Procedure Order have been finally determined, except two claims, each in the amount of \$11,983,831.37, by City of Vermont, which claims are subject to the municipal tax contestations.
20. As previously reported, in addition to the Post-Filing Claims filed by other creditors in accordance with the provisions of the Post-Filing Claims Procedure Order, CSF sent an email to the Monitor on May 18, 2018, prior to the Post-Filing Claims Bar Date stating:

“Je vous transmets en annexe le solde dû à la Commission Scolaire en date 21 mai 2018.

Lors de notre dernier courriel en décembre 2015, le solde qui vous a été acheminé était de 2,123,051.83\$ (voir courriel transféré). Le nouveau solde dû à la Commission Scolaire du Fer est de 2,410,156.68\$, incluant les intérêts courus depuis cette période.”²

21. CSF did not file a Post-Filing Proof of Claim as required by the Post-Filing Claims Procedure Order. The alleged Claims of CSF are subject to the CSF Claim Amendment Motion, as further discussed later in this Report.

MATTERS COMPLETED SINCE THE MONITOR’S FIFTY-SECOND REPORT

22. Several open matters have been completed since the date of the Monitor’s Fifty-Second Report, summarized as follows:

² English translation: “I am sending you the balance due to the School Board dated May 21, 2018. In our last email in December 2015, the balance that was sent to you was \$ 2,123,051.83 (see email forwarded). The new balance due to the Commission Scolaire du Fer is \$ 2,410,156.68, including accrued interest since that period.”

THE BLRC MOTION

23. The BLRC Motion was heard on December 3, 2019, and an Order was granted that *inter-alia*:
- (a) provided that the Wabush Late Claims, being unsecured Claims of \$617,740.16 by WRI and \$226,513.17 by WICL, were allowed against the Bloom Lake Railway Company as if they had been filed before the Claims Bar Date required by the Claims Procedure Order;
 - (b) authorized the CCAA Parties to make certain modifications to the Plan to facilitate the BLRC Motion; and
 - (c) required BLRC to distribute to the Wabush Mines Unsecured Creditors Pool the cash held by the Monitor for BLRC (the “**BLRC Payment**”).
24. The BLRC Payment, net of costs pursuant to the Allocation Order, was made on December 10, 2019 in the amount of \$572,292.46.

CITY OF FERMONT MUNICIPAL TAX CONTESTATIONS

25. The Land Only Appeal, of the contestation of the assessed value of the Bloom Lake Mine for the 2013-2015 triennial tax roll of the City of Fermont, was heard by the Court of Québec in September 2019. On November 4th, 2019 the Court issued its decision denying the Land Only Appeal. A motion for judicial review of that decision has been filed.

CRA AND RQ TAX AUDITS AND OTHER TAX MATTERS

26. Since the Monitor’s Fifty-Second Report, the following tax related matters have been resolved:
- (a) RQ has completed its audits of Arnaud’s 2017 and 2018 income tax returns (2017 as amended) and issued refunds to Arnaud during the period totalling approximately \$600,000;

- (b) RQ was holding up the release of certain post-filing QST refunds owed to WICL on account of WICL not having filed an income tax return for the 2015 calendar year. WICL contested that the return was not required due to WICL's status as a non-resident corporation and that it did not meet the requirements to file. RQ has accepted WICL's assertion and released its hold on the refunds which totalled approximately \$3,000;
 - (c) In November 2019, CRA initiated an audit of WICL's income tax return for the 2018 calendar year and had several inquiries specifically related to the proceeds of disposition of residential properties reported on the return. After responding to CRA's inquiries, an assessment was rendered by CRA in which receipts, incorrectly reported as sale proceeds, were recharacterized as rental income and a refund of approximately \$10,000 was issued to WICL; and
 - (d) The Monitor received correspondence from CRA in December indicating that WICL had not filed quarterly GST/HST returns for Q4 2015 to Q3 2016. After investigating, the Monitor determined that the GST/HST activity for these periods had been reported but incorrectly as combined GST/HST/QST returns with RQ instead of separate returns with RQ and CRA. The Monitor assisted WICL with the filing of the missing CRA returns.
27. However, as detailed later in this Report, there are a substantial number of tax related matters which are still ongoing with CRA and RQ.

DC PLAN AND WABUSH GROUP RRSP PLAN

28. Sun Life has informed the CCAA Parties that the Wabush Mines Registered Retirement Savings Plan for salaried and unionized employees of Wabush Mines (the "**Wabush Group RRSP Plan**") has now been wound-up and terminated, effective as at December 31, 2017.

29. On February 13th, 2020, Retraite Quebec informed the CCAA Parties that all the assets of the Cliffs Canadian Canadian Retirement Plan, (the "**DC Plan**") been transferred and that Retraite Quebec intends to request that CRA strike the plan from its records. Accordingly, the DC Plan has been closed terminated effective retroactively as at December 31, 2018.

DISSOLUTION OF 8568391

30. Effective November 21, 2019, 8568391 was wound-up and dissolved pursuant to the provisions of the Sanction Order and 8568391 ceased to be a CCAA Party.

ONGOING MATTERS TO BE COMPLETED IN THE CCAA PROCEEDINGS

31. Apart from final resolution of the outstanding claims described earlier in this Report and the final distributions pursuant to the Plan, the key matters to be completed in the CCAA Proceedings are summarized as follows:

- (a) The completion of various CRA and RQ tax audits, assessments and other tax-related matters, and the collection of any remaining refund amounts owing to the CCAA Parties. The CRA and RQ tax audits are discussed in more detail later in this Report;
- (b) The resolution of matters in respect of the shares of Twin Falls Power Corporation Limited ("**Twin Falls**"), as further discussed later in this Report;
- (c) The adjudication of the pending contestation of certain City of Fermont municipal tax assessments, or the settlement thereof. The status of such contestation is discussed in more detail later in this Report;
- (d) The determination of the CSF Claim Amendment Motion, the hearing of which has been postponed pending a decision on the judicial review of the Land Only Appeal as discussed later in this Report;

- (e) The dissolution of various CCAA Parties, if appropriate, as contemplated by the Plan or the Sanction Order;
- (f) The collection of any amounts recoverable from the FX Class Action Claims and the Canadian FX Class Action Claims as described in the Monitor's Forty-Seventh and Fifty-Second Reports;
- (g) The payment of final distributions under the Plan;
- (h) The filing of final tax returns; and
- (i) The completion of the necessary statutory and administrative steps for the termination of the CCAA Proceedings and the discharge of the Monitor.

CRA AND RQ TAX AUDITS AND OTHER TAX MATTERS

32. Despite the best efforts of the Monitor and the CCAA Parties, the pace of the activity by the tax authorities continues to be slow and there has been little progress on the issues reported in the Monitor's Fifty-Second Report.
33. While a number of CRA and RQ audits and assessments have been resolved, audits, assessments or appeals relating to 123 taxation periods for various of the CCAA Parties remain in progress, summarized as follows:
- (a) 80 sales tax periods are currently under audit by RQ and RQ has yet to issue a notice of assessment for 20 further sales tax periods. Four sales tax assessments by RQ are currently under appeal; and
 - (b) 14 income tax periods and one sales tax period are currently under audit by CRA and CRA has yet to issue a notice of assessment for a further three sales tax periods and one income tax period.
34. The key open tax matters are summarized as follows:

- (a) CRA continues with its audits of the 2015-2018 income tax returns of CQIM, BLLP and WRI. In early January, the CCAA parties completed their response to CRA's initial audit requests. CRA is currently working on an additional set of requests stemming from its review of the initial information and has indicated they will be sent to the CCAA Parties;

- (b) In October 2019, the CRA informed the Monitor and the CCAA Parties that they had accepted in principle, the adjustments made by Arnaud to its 2016 and 2017 income tax returns as a result of the allocation of expenses in accordance with the Allocation Methodology approved by the Court. However, the allocation of the professional fees would require adjustments in the returns of the other CCAA Parties which had not been amended including: CQIM, BLLP and WRI whose 2015-2018 income tax returns are under audit (as discussed above). Due to these ongoing audits, CRA informed the Monitor that the Arnaud adjustments are on hold until such time that all of the audits are completed;

- (c) CRA held a security deposit of approximately \$429,000 in respect of the HST account of CMC in its capacity as agent for Wabush Mines, the return of which was requested in June 2018. On April 22, 2019, CRA advised that approximately \$424,000 (the “**Excess Security Deposit**”) would be released. In July 2019, CRA informed the Monitor that a portion of the Excess Security Deposit had been applied to offset 2008 income tax obligations of CMC (obligations in its own right, not as agent for Wabush Mines) and a cheque for the balance of approximately \$288,000 was issued to CMC (the “**Partial Refund**”). By letter dated July 31, 2019, the Monitor disputed CRA’s offset of the Excess Security Deposit. CRA claimed to have not received the July 31 letter, which was resubmitted on October 3, 2019. No response has been received to date from CRA. To preserve the Partial Refund from becoming stale-dated, CMC endorsed the cheque to WRI and the Monitor cashed it on January 28, 2020. The balance of the Excess Security Deposit, in the approximate amount of \$136,000 remains in dispute;
- (d) RQ is withholding sales tax refunds in respect for WRI for April 2018 to December 2019 and an income tax refund for WRI for 2012 because of outstanding payroll remittance summaries. Those payroll remittance summaries were filed in accordance with the protocol agreed with RQ in advance of the Monitor making the interim distributions under the Plan but were not processed by RQ. In October 2019, RQ informed the Monitor that it is in the process of resolving this issue but despite the numerous follow-ups by the Monitor, this issue remains unresolved;

- (e) RQ is auditing CQIM's sales tax returns for January 2015 to December 2017, which audit commenced in April 2018. Various correspondence was exchanged between April 2018 and February 2019, at which time the auditor apparently switched focus to the November 2018 sales tax return (discussed below) and the January 2015 to December 2017 audits remain uncompleted. Due to the ongoing audits, RQ has yet to release approximately \$10,000 of refunds for the periods under audit and approximately \$6,000 of refunds included in CQIM's June and July 2019 QST returns;
- (f) RQ is auditing the November 2018 sales tax returns for CQIM, WRI and BLLP on which input tax credits were claimed on account of distributions related to claims arising from the disclaimer of contracts³ during the CCAA Proceedings. There has been no communications from RQ indicating that there has been any progress on this issue since the Fifty-Second Report;
- (g) On February 5, 2020, the Monitor received a call from the RQ auditor responsible for the sales tax audits of BLLP, WRI and Arnaud described above. The auditor informed the Monitor that all of the sales tax audits were on hold pending the outcome of RQ's audit of CQIM and their technical interpretation on the input tax credits claimed on account of distributions related to claims arising from the disclaimer of contracts;
- (h) On October 8, 2019, the RQ expanded the scope of its BLLP sales tax audit to include the periods of April 2016 to August 2019. A response to the initial audit request was provided on October 11th, 2019. A follow-up request was issued by RQ on October 24, 2019, and a response was provided on the same day;

³ Pursuant to section 182(1) of the *Excise Tax Act*, such payments are deemed to include sales taxes.

- (i) RQ denied the refund claimed on the November 2018 sales tax returns for Arnaud related to input tax credits were claimed on account of distributions related to claims arising from disclaimer of contracts during the CCAA Proceedings. As permitted under the relevant legislation, the amounts were reclaimed on the May 2019 return, which is now under audit by RQ. An audit request was received on October 3, 2019, for which a response was submitted on October 23, 2019. RQ recently informed the Monitor that this audit had been transferred to the RQ auditor who is responsible for the audits of the November 2018 sales tax returns of CQIM, BLLP and WRI, as all of these returns include similar adjustments;

- (j) A notice of objection to the disallowance of input tax credits for October 2016 to January 2017 claimed by Wabush Mines through its managing agent, Cliffs Mining Company, was filed in April 2018. In October 2019, the Monitor was informed by RQ that the objection had been assigned to an appeals officer. Subsequently, the Monitor and representatives of Ryan ULC (“**Ryan**”), the tax consultant engaged by the Wabush CCAA Parties to assist with the objection, have had discussions with the auditor in respect of the objection and the scope of RQ’s review. In December 2019, the appeals officer requested copies of all of the joint venture and ancillary agreements related to the Wabush Mines Joint Venture. On January 28, 2020, copies of the requested agreements, some dating to the 1960’s, and a summary listing thereof were transmitted to RQ; and

- (k) In October 2019, RQ issued notices of assessment for payroll taxes owing by WRI, Arnaud and BLLP for 2018 in respect of amounts withheld from distributions under the Plan. All remittances of payroll taxes were made in accordance with the protocol agreed with RQ in advance of the Monitor making the interim distributions under the Plan. It appears that the remittances were not correctly matched by RQ, leading to the issuance of the notices of assessment, including penalties and interest. In October 2019, RQ informed the Monitor it would be able to swiftly resolve this issue. Despite a number of follow-ups, there has been no response or resolution from RQ on this matter.
35. Potential sales tax refunds of approximately \$10.6 million claimed by the CCAA Parties remain outstanding. Given the limited success that the Monitor and the CCAA Parties have had in their attempts to get the tax authorities to resolve issues on a timely basis such that the Final Distribution can be made and the CCAA Proceedings can be completed, the assistance of the Court may need to be sought to expeditiously resolve matters.

TWIN FALLS SHARES

36. Twin Falls is owned 33.3% by Churchill Falls (Labrador) Corporation (“**Churchill Falls**”), 49.6% by Iron Ore Company of Canada (“**IOC**”), 12.5% by WRI and 4.6% by WICL.

37. The Monitor understands that Churchill Falls is owned 65.8% by Nalcor Energy, a provincial Crown corporation under the Government of Newfoundland and Labrador, and 34.2% by Hydro Québec. Churchill Falls holds Class A Common Shares of Twin Falls, which carry four votes per share; all other shareholders hold Class B Common Shares, which carry one vote per share. Furthermore, Churchill Falls has the right to appoint three directors of Twin Falls and IOC, WRI or WICL each have the right to appoint one director. For each additional director appointed by any of IOC, WRI or WICL, Churchill is entitled an additional appointment. The nominee directors of WRI and WICL resigned in July 2017 in conjunction with the sale of the Scully Mine.

38. Pursuant to a sub-lease dated as of November 15, 1961 (as amended, the “**Churchill Falls Sub-Lease**”), Twin Falls had obtained the rights to develop a 225 megawatt hydroelectric plant on the Unknown River in Labrador (the “**Twin Falls Plant**”). The Twin Falls Plant was formally used to supply power from the iron ore mines in Labrador City and the Town of Wabush and for the construction of the Churchill Falls hydroelectric generating station in Churchill Falls, Newfoundland. The Churchill Falls Sub-Lease also contained rights to Churchill Falls to suspend the Churchill Falls Sub-Lease.

39. Pursuant to an operating lease dated as of November 30, 1967 (as amended, the “**Churchill Falls Operating Lease**”), which became operative upon Churchill Falls’ exercise of the suspension rights contained in the Churchill Falls Sublease, Churchill Falls obtained the right to export and transmit hydroelectric power and assumed all of Twin Falls’ obligations under the Churchill Falls Sub-Lease and indemnified Twin Falls resulting from Churchill Falls’ exercise of its rights or from use of enjoyment of the assets granted under the Churchill Falls Operating Lease or failure to carry out its covenants under the Churchill Falls Operating Lease.

40. Pursuant to a letter dated April 26, 1974, Churchill Falls advised Twin Falls that it exercised its right to suspend the Churchill Falls Sublease as of July 1, 1974. Generating operations ceased in July 1974 when the Twin Falls Plant was placed into extended shut-down. The Churchill Falls Sub-Lease and Churchill Falls Operating Lease expired on December 31, 2014.
41. The CCAA Parties and the Monitor understand that the Twin Falls Plant and related assets are located on lands now owned by Churchill Falls and are in the possession and control of Churchill Falls or third parties through arrangements with Churchill Falls.
42. The most recent available financial statements of Twin Falls show cash, cash equivalents and short-term investments of approximately \$5.9 million and total liabilities of less than \$50,000.
43. Even before the commencement of the CCAA Proceedings, the CCAA Parties had been trying to persuade Twin Falls to make a distribution to shareholders. Such efforts have continued during the CCAA Proceedings. To date, Twin Falls has refused to make any distribution to shareholders, stating concerns related to contingent environmental liabilities.
44. It is the understanding of the CCAA Parties and the Monitor that no order or other enforcement mechanism of any type has been issued or initiated by any government agency with respect to environmental remediation, assessment or monitoring. The CCAA Parties and the Monitor further understand that Twin Falls is not subject to any contractual or other obligation with respect to environmental remediation, assessment or monitoring and that the monitoring currently being carried out, and any environmental remediation obligation, is the responsibility of Churchill Falls.

45. In December 2019, the CCAA Parties wrote to Twin Falls, copying its shareholders, requesting a meeting or conference call to explore ways to resolve this matter. Counsel to Twin Falls replied to the CCAA Parties letter but did not commit to a follow up meeting. On January 21, 2020 the CCAA Parties wrote again to Twin Falls seeking a conference call or meeting date and a teleconference occurred on February 10, 2020, with representatives of the CCAA Parties, the Monitor, Churchill Falls and IOC.
46. During the teleconference, Twin Falls continued to assert that the funds were needed for future environmental liabilities. Given the assumption of liabilities by Churchill Falls and its indemnity of Twin Falls, the CCAA Parties and the Monitor are unclear as to why that would be the case. Accordingly, the CCAA Parties will be seeking further information in respect of that assertion and will be continuing the efforts to realize value for the estate. Such efforts may include seeking relief from the Court if matters cannot be satisfactorily resolved in the near future.

CITY OF FERMONT MUNICIPAL TAX CONTESTATIONS

47. As previously reported, there were two bases to the contestation of the assessed value of the Bloom Lake Mine for the 2013-2015 triennial tax roll:
 - (a) That the mine is not taxable (the “**Land Only Appeal**”); and
 - (b) That, in the event that the Land Only Appeal fails and the mine is therefore taxable, the assessed value should be reduced from \$318 million to \$105 million (the “**Assessed Value Appeal**”).
48. The Tribunal Administrative du Quebec (“**TAQ**”) issued a decision rejecting the Land Only Appeal, which decision was been appealed with leave. A hearing on the merits proceeded before the Court of Québec on September 17 and 18, 2019. On November 4, 2019, the Court rendered its decision and upheld the decision of the TAQ which had denied the Land Only Appeal (the “**November Ruling**”).

49. A motion for a judicial review of the November Ruling was filed and a pre-trial conference was held on February 10, 2020 which set June 3 and 4, 2020, or September 23 and 24, 2020, as dates on which the Court will hear the motion for judicial review on the merits.
50. On January 14, 2020 a pre-trial conference held regarding the Assessed Value Appeal in which a second pre-trial conference was scheduled for June 3, 2020.
51. In parallel with the appeals, the Monitor continues in its effort to determine whether a reasonable settlement can be reached.

THE CSF CLAIM AMENDMENT MOTION

52. As previously reported, on September 27, 2018, CSF filed the CSF Amendment Motion seeking to amend its Affected Third Party General Unsecured Claims, which had been allowed in the aggregate amount of \$2,119,207.96 pursuant to the Claims Procedure Order⁴ (collectively, the “**CSF Claims**”), in order to convert such claims, in whole or in part, to Third Party Secured Claims, which would be unaffected under the Plan.
53. The Monitor consulted with a number of major creditors whose distributions could be impacted by the CSF Amendment Motion. Each of the creditors that provided a response to the Monitor in connection with those consultations stated that it supported the Monitor objecting to the CSF Amendment Motion.
54. CSF subsequently amended its motion on December 11, 2018, and February 4, 2019, to seek declarations from the Court:
 - (a) Allowing its pre-filing claim as amended, including a secured claim in the aggregate amount of \$607,377.71 and an unsecured claim in the amount of \$4,440.79; and

⁴ The remaining \$3,843.87 of the amount claimed in the Proof of Claim filed by CSF was disallowed.

- (b) Declaring that its post-filing claim in the aggregate amount of \$1,784,329.60 was duly filed before the Post-Filing Claims Bar Date or, in the alternative, allowing the late filing of that claim.
55. The value of the CSF Claims are derived off of the assessed value of the underlying properties, and a majority of the CSF Claim relates to the value of the Bloom Lake Mine. Accordingly, the CSF Claim is affected by both the Land Only Appeal and the Assessed Value Appeal, both of which are still ongoing.
56. On December 20, 2019, the Court ordered that the CSF Amendment Motion continue to be postponed until such time that a decision is rendered on the judicial review of the Land Only Appeal;

WABUSH SERVER

57. The Wabush CCAA Parties use a third-party server hosting service to maintain a server (and a backup) containing the Wabush CCAA Parties human resource ERP system. These records constitute part of the books and records purchased by Société ferroviaire et portuaire de Pointe-Noire S.E.C (“**SFPPN**”) as part of the Pointe-Noire Transaction, although the server unit was not itself specifically a purchased asset. The Monitor and CCAA Parties are working with SFPPN on a minor amendment to Pointe-Noire Transaction agreement to add the server as a purchased asset so that the information contained on the server can be transferred to SFPPN as contemplated by the Pointe-Noire transaction agreement, together with the server. Under such agreement, the CCAA Parties retain certain rights to access the books and records transferred to SFPPN.

FINAL DISTRIBUTIONS

58. Consistent with comments made in previous reports of the Monitor, it is not currently anticipated that a further interim distribution will be made prior to the final distribution. The timing and quantum of the final distribution is dependent on the resolution of the various outstanding matters in the CCAA Proceedings, including the various municipal tax contestations, the various tax audits and the collection of tax refunds believed to be owing. The timing for resolution of these matters is uncertain and largely outside of the control of the Monitor and the CCAA Parties.

REQUEST FOR EXTENSION OF STAY PERIOD

59. The Stay Period currently expires on February 28, 2020. Additional time is required for the CCAA Parties and the Monitor to complete the activities necessary to finalize the CCAA Proceedings, including the activities described earlier in this Report.
60. The CCAA Parties now seek an extension of the Stay Period to November 30, 2020.
61. As the CCAA Parties no longer have any operations, future receipts and disbursements, other than the legal and professional costs of the CCAA Proceedings, will be *de minimis*. Accordingly, consistent with the approach taken in connection with previous extensions of the Stay Period, no weekly cash forecast has been prepared for the proposed extension of the Stay Period as such a weekly forecast would provide no meaningful information.
62. The CCAA Parties have sufficient liquidity to fund the CCAA Proceedings during the requested extension of the Stay Period.
63. Based on the information currently available, the Monitor believes that creditors of the CCAA Parties would not be materially prejudiced by an extension of the Stay Period to November 30, 2020.

64. The Monitor also believes that the CCAA Parties have acted, and are acting, in good faith and with due diligence.
65. The Monitor therefore respectfully recommends that this Honourable Court grant the CCAA Parties' request for an extension of the Stay Period to November 30, 2020.

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

Dated this 14th day of February, 2020.

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



Nigel D. Meakin
Senior Managing Director



Michael Basso
Senior Director