

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Commercial Division

File: No: 500-11-048114-157

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

**BLOOM LAKE GENERAL PARTNER
LIMITED, QUINTO MINING
CORPORATION, 8568391 CANADA
LIMITED AND CLIFFS QUÉBEC IRON
MINING ULC**

Petitioners

- and -

**THE BLOOM LAKE IRON ORE MINE
LIMITED PARTNERSHIP AND BLOOM
LAKE RAILWAY COMPANY LIMITED**

Mises-en-cause

- and -

FTI CONSULTING CANADA INC.

Monitor

**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 (“**Bloom Lake GP**”), Quinto Mining Corporation, 8568391 Canada Limited and Cliffs Québec Iron Mining ULC (“**CQIM**”) (collectively, the “**Petitioners**”) sought and obtained an initial order (the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) from the Superior Court of Quebec (the “**Court**”), providing for, *inter alia*, a stay of proceedings against the Petitioners until February 26, 2015, (the “**Stay Period**”) and appointing FTI Consulting Canada Inc. as monitor (the “**Monitor**”). The relief granted in the Initial Order was also extended to The Bloom Lake Iron Ore Mine Limited Partnership (“**Bloom Lake LP**”) and Bloom Lake Railway Company Limited (the “**Mises-en-Cause**” and together with the Petitioners, the “**CCAA Parties**”). The proceedings commenced under the CCAA by the CCAA Parties will be referred to herein as the “**CCAA Proceedings**”.
2. The Stay Period has been extended from time to time. Pursuant to the Order of Mr. Justice Hamilton, J.S.C. granted on April 17, 2015 (the “**April 17 Stay Order**”), the Stay Period was extended to July 31, 2015.
3. To date, the Monitor has filed three reports in respect of various aspects of the CCAA Proceedings. The purpose of this, the Monitor’s Fourth Report, is to inform the Court on the following:

- (a) The receipt of a letter (the “**KWG Letter**”) on April 16, 2015 from KWG Resources Inc. (“**KWG**”) informing the Monitor of its intentions to submit an offer for certain of the assets that are subject to the Chromite SPA without complying with the mechanism provided by the Chromite SPA for submitting a Superior Offer and the Monitor’s response thereto;
- (b) The CCAA Parties’ request for an Order (the “**Amended Chromite Approval and Vesting Order**”), which provides, *inter alia*, for:
 - (i) approval of the proposed transaction (the “**Chromite Transaction**”) contemplated by the Share Purchase Agreement dated as of March 22, 2015, as amended and restated as of April 17, 2015 (the “**Amended Chromite SPA**”) by and between CQIM, Cliffs Greene B.V., Cliffs Netherlands B.V., Wabush Resources Inc., Cliffs Canadian Shared Services Inc., Cliffs Natural Resources Exploration Canada Inc. and “CanCo”, as vendors (collectively, the “**Sellers**”), Noront Resources Ltd., as parent (“**Noront**”), and 9201955 Canada Inc. as purchaser (the “**Purchaser**”); and
 - (ii) the vesting of all of CQIM’s right, title and interest in and to the Amalco Shares¹ in and with the Purchaser, free and clear of all encumbrances.
- (c) The Notice of Objection to the Chromite Approval and Vesting Order dated April 13, 2015 (the “**Chromite Objection**”) filed by Eabametoong First Nation, Ginoogaming First Nation, Constance Lake First Nation and Long Lake# 58 First Nation (collectively the “**Objecting First Nations**”); and

¹ The Amalco Shares as defined in the Amended Chromite SPA.

- (d) The Monitor's comments and recommendations with respect to the request for the Amended Chromite Approval and Vesting Order and the Chromite Objection.

TERMS OF REFERENCE

- 4. 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**").
- 5. 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 Canadian Institute of Chartered Accountants Handbook;
 - (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 Canadian Institute of Chartered Accountants Handbook.
- 6. 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.
- 7. The Monitor prepared its Third Report dated April 7, 2015 (the "**Third Report**") in connection with the CCAA Parties' motions presentable April 17, 2015, including the Chromite Motion. At the hearing on April 17, 2015, the CCAA Parties informed the Court of the need to file the Amended Chromite Motion and the Chromite Motion was adjourned by the Court to April 24, 2015.

8. The Amended Chromite Motion was subsequently served on April 18, 2015. This Fourth Report has been prepared in connection with the Amended Chromite Motion and should not be relied on for other purposes.
9. 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 Initial Order, the Pre-filing Report of the Proposed Monitor or previous reports of the Monitor.

EXECUTIVE SUMMARY

10. The Monitor is of the view that, in the circumstances:
 - (a) The Chromite Marketing Process was fair, transparent and reasonable;
 - (b) The methodology used for the allocation of the Purchase Price is fair and reasonable;
 - (c) The Supplemental Bid Process was fair and reasonable to both Noront and the New Offeror and was designed to maximize proceeds for the estate;
 - (d) The results of the Chromite Marketing Process and the Supplemental Bid Process indicate that the Purchase Price is fair and reasonable; and
 - (e) The relief requested in the Chromite Objection would be detrimental to the CCAA Parties and their stakeholders with no clear likelihood that granting the relief requested would result in a more favourable outcome than closing the transaction contemplated by the Amended Chromite SPA.
11. Accordingly, the Monitor supports the Amended Chromite Motion and respectfully recommends that the Amended Chromite Approval and Vesting Order be granted by the Court.

THE KWG LETTER

12. The KWG Letter was received on April 16, 2015 and the Monitor replied on the morning of April 17, 2015 to inform KWG that approval of the Chromite Transaction would be postponed to April 24, 2015.²

REQUEST FOR THE CHROMITE APPROVAL AND VESTING ORDER

13. Capitalized terms used in this section of this Report not otherwise defined are as defined in the Amended Chromite Motion or the Amended Chromite SPA.

BACKGROUND

14. The CCAA Parties' Motion For The Issuance Of An Approval and Vesting Order With Respect To The Sale Of The Chromite Shares dated April 2, 2015 (the "**Chromite Motion**") was returnable April 17, 2015 and was adjourned to April 24, 2017 as a result of the events described in the CCAA Parties' Amended Motion For The Issuance Of An Approval And Vesting Order With Respect To The Sale Of The Chromite Shares dated April 18, 2015 (the "**Amended Chromite Motion**").
15. The Chromite Marketing Process was described in the Chromite Motion.
16. The key terms and conditions of the Chromite SPA were described in the Monitor's Third Report.
17. In paragraphs 10 and 11 of its Third Report, the Monitor stated:

"10. The Monitor is of the view that, in the circumstances:

(a) The Chromite Marketing Process was fair, transparent and reasonable;

² The CCAA Parties also refer to the KWG Letter and their position regarding same is described at paragraphs 79.14 to 79.18 of the Amended Chromite Motion.

- (b) Further canvassing of the market is not necessary;
- (c) The results of the Chromite Marketing Process indicate that the Purchase Price is fair and reasonable; and
- (d) The methodology used for the allocation of the Purchase Price is fair and reasonable.

11. Accordingly, the Monitor supports the Chromite Motion and respectfully recommends that the Chromite Approval and Vesting Order be granted by the Court.”

EVENTS SUBSEQUENT TO THE MONITOR’S THIRD REPORT

- 18. The events subsequent to the Monitor’s Third Report are described in the Amended Chromite Motion. In particular, paragraphs 79.2 to 79.10 of the Amended Chromite Motion describe the circumstances of the New Offer, the Supplemental Bid Process, the Revised New Offer and the Revised Noront Offer.
- 19. The CCAA Parties consulted with the Monitor throughout the period following receipt of the New Offer, including on the assessment of the New Offer, the development and implementation of the Supplemental Bid Process and the assessment of the Revised New Offer and the Revised Noront Offer.

THE AMENDED CHROMITE SPA

20. A redacted copy of the Amended Chromite SPA is attached to the Amended Chromite Motion as Exhibit R-11. The only redactions are to maintain as confidential the Purchase Price and the allocation of the portion of the Purchase Price among the Sellers. Paragraph 79.12 of the Amended Chromite Motion states that a partially unredacted copy of the Amended Chromite SPA showing the Purchase Price and the portion of the Purchase Price allocated to CQIM will be filed if the Amended Chromite Approval and Vesting Order is granted, such that only the allocation of the portion Purchase Price payable to each of the Sellers that are not CCAA Parties would remain redacted.
21. The key changes in the provisions of the Amended Chromite SPA as compared to the Chromite SPA are as follows:
- (a) The Purchase Price has been increased by a material amount;
 - (b) The non-solicitation provisions have been amended to:
 - (i) Remove the ability for the Sellers to pursue a Superior Proposal and terminate the Amended Chromite SPA; and
 - (ii) Oblige the Sellers to inform the Purchaser of the identity of the Person making an Acquisition Proposal except under certain limited circumstances;
 - (c) The condition of the Chromite SPA that all Required Consents shall have been obtained in form and on terms satisfactory to the Purchaser, Noront and the Sellers, each acting reasonably has been removed;
 - (d) A provision has been added pursuant to which the Amended Chromite SPA may be terminated by the Purchaser or Noront if the Amended Approval and Vesting Order has not been granted by 5:00 pm EDT on April 27, 2015;

- (e) The Expense Reimbursement provisions of the Chromite SPA have been deleted; and
- (f) The allocation of the Purchase Price amongst the Sellers has been amended, using a methodology consistent with the allocation methodology used in the Chromite SPA, to reflect the higher Purchase Price.

THE CHROMITE OBJECTION

22. In the Chromite Objection, the Objecting First Nations assert, *inter alia*, that:
- (a) The Chromite Marketing Process was not fair, open, transparent and reasonable but was overly restrictive, narrow and exclusive; and
 - (b) The Objecting First Nations should be provided the opportunity to determine whether to make an offer for the purchase of some or all of the Chromite Shares or Chromite Assets, as defined in the Chromite Objection.
23. The Chromite Objection requests that the Court:
- (a) Dismiss the [Amended] Chromite Motion;
 - (b) In the alternative, order:
 - (i) An adjournment *sine die* of the [Amended] Chromite Motion to allow for the submission of competing bids from the Objecting First Nations or others on the basis of a timetable to be agreed or otherwise ordered; or
 - (ii) A hearing to establish a “Bidding Process Order”; or

- (iii) An adjournment *sine die* of the [Amended] Chromite Motion to allow for a litigation timetable to be set by the Court.

THE MONITOR'S COMMENTS AND RECOMMENDATION

- 24. In its Third Report, the Monitor stated that it had considered the conduct of the Chromite Marketing Process in light of the principles of leading decisions regarding Court-approved sales of assets³ and is satisfied that the Chromite Marketing Process was fair, transparent and reasonable in the circumstances. The Monitor's position in that regard remains unchanged.
- 25. The Supplemental Bid Process was developed by the CCAA Parties in consultation with Moelis and the Monitor and following discussions with both Noront and the New Offeror.
- 26. The concept of holding an auction was considered, however neither Noront nor the New Offeror were willing to participate in such an auction. Accordingly, the Supplemental Bid Process provided for a deadline for the submission of best and final bids ("**Final Bids**") by Noront and the New Offeror by no later than 5:00 p.m. (Toronto time) on Wednesday, April 15, 2015 (the "**Bid Deadline**"). While the Bid Deadline was short, the New Offeror and Noront had each indicated that time was of the essence.

³ *Royal Bank of Canada v. Soundair Corp.* (1991) 4 O.R. (3d) 1 (C.A.), 1991 CanLII 2727 (ON CA); *Aveos Fleet Performance Inc./Aveos performance aéronautique inc. (Arrangement relatif à)*, 2012 QCCS 4074 (CanLII); *White Birch Paper Holding Company (Arrangement relatif à)*, 2010 QCCS 4915 (CanLII), leave to appeal refused 2010 QCCA 1950 (CanLII); *Re. AbitibiBowater inc. (Arrangement relatif à)*, 2009 QCCS 6460 (CanLII).

27. The Monitor understands that both Noront and the New Offeror expressed the desire that any further process have finality following the submission of Final Bids. The Supplemental Bid Process therefore allowed for Final Bids to remove section 7.1(d) and the related provisions of the Chromite SPA which relate to the ability of the Sellers to entertain an alternative proposal and to terminate the agreement in favour of a Superior Proposal.
28. Only Noront and the New Offeror were invited to participate in the Supplemental Bid Process as no other party had submitted a Superior Proposal to the Chromite SPA.
29. The Monitor is of the view that, in the circumstances, the Supplemental Bid Process provided for a process that was fair and reasonable to both Noront and the New Offeror and that would maximize proceeds for the CCAA Parties' estate.
30. While the Objecting First Nations were not included on the list of Interested Parties developed by Moelis with the assistance of CQIM and Cliffs Natural Resources Inc., the ultimate parent of the CCAA Parties ("CNR"), in or about October 2014 as part of the Chromite Marketing Process, knowledge of CNR's desire to sell the Ring of Fire was publicly available by, at the latest, September 17, 2014 as described in the Chromite Motion.
31. While it is possible that the Objecting First Nations may not previously have been aware of the efforts to sell, the Chromite Objection makes it clear that they became aware of the Chromite SPA on March 23, 2015. Furthermore, the Chromite Motion, which included the Chromite SPA as an exhibit, was served on April 2, 2015 and posted to the Monitor's Website on April 6, 2015.

32. Despite having been aware of the Chromite SPA since at least March 23, 2015 and by April 6, 2015 at the latest were able to see the specific provisions of the Chromite SPA that enabled the Sellers to terminate the Chromite SPA in the event of a Superior Proposal, it does not appear that the Objecting First Nations made any effort to contact the CCAA Parties, CNR, Moelis or the Monitor to express a desire to be given the opportunity to bid until the filing of the Chromite Objection on April 13, 2015.
33. As described in the Amended Chromite Motion, the Additional LOI originally submitted by the New Offeror included due diligence requirements. The New Offer submitted by the New Offeror on April 13, 2015, which led to the instigation of the Supplemental Bid Process, contained no such due diligence condition, notwithstanding that the New Offeror had not been given the opportunity to conduct due diligence in the period between the submission of the Additional LOI and the submission of the New Offer.
34. The Objecting First Nations had the opportunity to submit a Superior Proposal but chose not to do so. By their own admission, they do not currently have sufficient financing to fund an offer for the Chromite Shares and want to undertake due diligence to determine whether to even make such an offer. The Chromite Objection states that time is required to conduct due diligence and to obtain financing, but it gives no indication as to what period of time the Objecting First Nations would require to do so. However, in discussions subsequent to the filing of the Chromite Objection, counsel to the Objecting First Nations indicated that weeks if not months would likely be required to complete such activities.
35. The Monitor has asked Noront whether it would be prepared to extend the deadline of April 27, 2015 for obtaining the Amended Chromite Approval and Vesting Order. Noront has informed the Monitor that it is not prepared to do so.

36. The Amended Chromite SPA represents a transaction which, if approved, should close within days of the Amended Chromite Approval and Vesting Order being granted and yield a Purchase Price that is materially higher than any other offer received.
37. The Monitor also notes that, to the best of its knowledge, the Objecting First Nations are not creditors of the CCAA Parties and no creditor has filed a Notice of Objection in relation to the Chromite Motion.
38. Dismissing the Amended Chromite Motion would afford the opportunity for the Objecting First Nations to seek financing and consider submitting an offer. However, there is no certainty that such financing will be available to the Objecting First Nations, nor that the Objecting First Nations will submit an offer and, even if an offer was submitted, there is no indication that any such offer would be at a price greater than the Purchase Price of the Amended Chromite SPA.
39. While the Chromite assets are not of a nature that would, in and of itself, create an urgency to complete the sale, both Noront and the New Offeror have indicated that time is of the essence. Accordingly, there is no certainty that they would be prepared to submit offers in a process of further marketing of the Chromite assets nor that, if they did so, such offers would be at the level of the Purchase Price in the Amended Chromite SPA.
40. Based on the foregoing, the Monitor supports the Amended Chromite Motion and respectfully recommends that the Amended Chromite Approval and Vesting Order be granted by the Court.

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

Dated this 20th day of April, 2015.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Bloom Lake General Partner Limited, Quinto Mining Corporation,
8568391 Canada Limited, Cliffs Québec Iron Mining ULC,
The Bloom Lake Iron Ore Mine Limited Partnership and
Bloom Lake Railway Company Limited



Nigel D. Meakin
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