CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

S U P E R I O R   C O U R T
Commercial Division

File: No: 500-11-048114-157

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

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

Petitioners

\- and -

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

Mises-en-cause

\- and -

FTI CONSULTING CANADA INC.

Monitor

SIXTEENTH 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 "**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 Quebec (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 ("**Bloom Lake LP**") and Bloom Lake Railway Company Limited (together with Bloom Lake LP, 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 and Wabush Lake Railway Company Limited (collectively 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**") and approving an interim financing term sheet dated May 19, 2015 (the "**Interim Financing Term Sheet**"), providing an interim facility of up to US$10 million (the "**Interim Financing**"). 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 January 29, 2016.

4. On April 17, 2015, Mr. Justice Hamilton J.S.C. granted an Order (the "**SISP Order**") approving, as it relates to the Bloom Lake CCAA Parties, a sale and investor solicitation process (as may be amended from time to time, the "**SISP**") involving the business and assets of the Bloom Lake CCAA Parties. The SISP was subsequently amended and restated to reflect the inclusion of the Wabush CCAA Parties in the CCAA Proceedings and was approved *nunc pro tunc* as it relates to the Wabush CCAA Parties pursuant to an Order granted June 9, 2015 (together with the April 17, 2015 Order, the "**SISP Order**").

5. On November 5, 2015, Mr. Justice Hamilton J.S.C. granted an 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 Order**").

6. To date, the Monitor has filed fifteen reports in respect of various aspects of the CCAA Proceedings. The purpose of this, the Monitor's Sixteenth 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 December 19, 2015, to January 8, 2016;

   (b) The CCAA Parties' revised and extended cash flow forecast for the period January 9 to April 22, 2016 (the "**January 19 Forecast**");

   (c) The extension of the Outside Maturity Date of the Interim Financing Term Sheet;

   (d) The execution of an agreement, subject to Court approval, dated as of December 23, 2015, (the "**Pointe-Noire APA**") by and between CQIM, WICL, WRI and Arnaud as vendors (collectively, the "**Pointe-Noire Vendors**") and Investissement Québec as purchaser (the "**Pointe-Noire Purchaser**"), pursuant to which the Pointe-Noire Purchaser will acquire the Pointe-Noire Vendors' right, title and interest in certain assets related to the Pointe-Noire Port Facility, including the Pellet Plant and the Arnaud Railway (the "**Pointe-Noire Transaction**");

   (e) Developments with respect to the potential sale of the Wabush Mine;

   (f) Receipt by the Bloom Lake CCAA Parties of a letter of intent with respect to a proposed restructuring that could generate significant proceeds for the estate in addition to the proceeds generated by the various proposed sale transactions (the "**Restructuring Letter of Intent**");

(g) The Notice of Objection (as amended, the "**UNNU Objection**") filed by Groupe UNNU-EBC S.E.N.C. ("**Groupe UNNU**") and EBC Inc. ("**EBC**" and together with Groupe UNNU, "**UNNU**") in respect of the request by certain of the Bloom Lake CCAA Parties for an approval and vesting order (the "**Bloom Lake AVO**") in connection with an agreement dated December 11, 2015, (the "**Bloom Lake APA**") by and between CQIM, Quinto Mining Corporation, Bloom Lake GP, Bloom Lake Railway Company Limited and Bloom Lake LP as vendors (collectively, the "**Bloom Lake Vendors**"), Québec Iron Ore Inc. as purchaser (the "**Bloom Lake Purchaser**") and Champion Iron Limited as guarantor (the "**Bloom Lake Guarantor**"), pursuant to which the Bloom Lake Purchaser will acquire the Bloom Lake Vendors' right title and interest in certain of the Bloom Lake Vendors' assets related to the Bloom Lake Mine (the "**Bloom Lake Transaction**") and the Notices of Objections filed by various creditors adopting the UNNU Objection;

(h) An alternative to the Bloom Lake Transaction proposed by UNNU, namely that Bloom Lake LP be placed into bankruptcy so that a trustee in bankruptcy can hold the Bloom Lake Mine until approximately November 2018 in the hope that the iron ore market recovers and the Bloom Lake Mine can be sold for a higher price at that time (the "**UNNU Alternative Scenario**") as set forth in:

(i) The UNNU Objection; and

(ii) The motion filed by UNNU for the issuance of the Bankruptcy Order in respect of Bloom Lake LP (as amended from time to time, the "**UNNU Bankruptcy Motion**")[1];

(i) The CCAA Parties' request for an extension of the Stay Period to April 22, 2016 and the Monitor's recommendation thereon.

TERMS OF REFERENCE

7. 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**").

8. 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.

[1] In support of the UNNU Objection and the UNNU Bankruptcy Motion, UNNU filed a report prepared by PricewaterhouseCoopers Inc. ("**PwC**") dated January 11, 2016 (the "**PwC Report**").

9. The Monitor has prepared this Report in connection with the Motion for the granting of the Bloom Lake AVO (the "**Bloom Lake Approval Motion**"), originally scheduled to be heard January 13, 2016, and postponed until a hearing scheduled to commence January 27, 2016, the UNNU Bankruptcy Motion scheduled to be heard at the same hearing, and the CCAA Parties' motion to extend the Stay Period scheduled to be heard January 27, 2016. The Report should not be relied on for other purposes.

10. 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.

11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the Bloom Lake Initial Order, the Wabush Initial Order or previous reports of the Monitor.

EXECUTIVE SUMMARY

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

13. The Monitor is of the view that:

    (a) The Bloom Lake Transaction is the highest and best transaction in respect of the Bloom Lake Mine resulting from the SISP and the consideration appears to be fair and reasonable in the circumstances;

    (b) There is no evidence to suggest that the alternatives currently available would deliver a better recovery for the creditors of the Bloom Lake Vendors' estates;

(c) Continuing to hold the Bloom Lake Mine would require significant additional expense with no guarantee that incremental value would be obtained;

(d) The UNNU Alternative Scenario is not in the best interests of the Bloom Lake Vendors' stakeholders generally;

(e) The approval of the Bloom Lake Transaction is in the best interests of the Bloom Lake Vendors' stakeholders generally; and

(f) Accordingly, the Monitor supports the Bloom Lake Vendors' request for approval of the Bloom Lake Transaction and the granting of the Bloom Lake AVO.

14. The Monitor is also of the view that:

(a) The CCAA Parties have acted, and are acting, in good faith and with due diligence;

(b) Circumstances exist that make an extension of the Stay Period appropriate; and

(c) Creditors would not be materially prejudiced by an extension of the Stay Period to April 22, 2016.

15. Accordingly, the Monitor respectfully recommends that the CCAA Parties' request for an extension of the Stay Period to April 22, 2016 be granted.

RECEIPTS & DISBURSEMENTS FOR THE PERIOD TO JANUARY 8, 2016

THE BLOOM LAKE CCAA PARTIES

16. The Bloom Lake CCAA Parties' actual cash flow on a consolidated basis for the period from December 19, 2015 to January 8, 2016, was approximately $2 million better than the December 30 Forecast, as summarized below:

	Forecast $000	Actual $000	Variance $000
Receipts	**115**	**38**	**(77)**
Disbursements:			
Payroll & Employee Benefits	(367)	(434)	(67)
Termination & Severance	0	0	0
Utilities	(541)	(40)	501
Other Operating Disbursements	(890)	(425)	465
Operating Cash Flows	**(1,683)**	**(861)**	**822**
Restructuring Professional Fees	(1,218)	(79)	1,139
Projected Net Cash Flow	**(2,901)**	**(940)**	**1,961**
Beginning Cash Balance	**28,252**	**28,252**	0
Projected Net Cash Flow	(2,901)	(940)	1,961
Foreign Exchange Gain/(Loss)	0	511	511
Ending Cash Balance	**25,351**	**27,823**	**2,472**

17. Explanations for the key variances in actual receipts and disbursements as compared to the December 30 Forecast are as follows:

(a) The favourable variance of approximately $0.5 million in utility costs is a timing variance expected to reverse in future periods;

(b) The favourable variance of approximately $0.5 million in other operating disbursements consists of favourable timing variance totalling approximately $0.2 million expected to reverse in future periods and favourable permanent variances totalling approximately $0.3 million as a result of lower than forecast requirements for maintenance and repairs, contractors and other costs;

(c) The favourable variance of approximately $1.1 million in aggregate professional fees is believed to be a result of timing variances that are expected to reverse in future periods; and

(d) The foreign exchange gain arises as the Bloom Lake CCAA Parties hold certain funds and make certain payments in U.S. dollars and actual exchange rates vary from those used in the December 30 Forecast.

18. The Bloom Lake Initial Order permits inter-company funding between the Bloom Lake CCAA Parties. To date inter-company funding in the amount of approximately $4.1 million has been advanced from Bloom Lake LP to CQIM since the start of the CCAA Proceedings.

THE WABUSH CCAA PARTIES

19. The Wabush CCAA Parties' actual cash flow, excluding Interim Financing draws, on a consolidated basis for the period from December 19, 2015 to January 8, 2016, was approximately $1 million better than the December 30 Forecast, as summarized below:

	Forecast	Actual	Variance
	$000	**$000**	**$000**
Receipts	**63**	**85**	**22**
Disbursements:			
Payroll & Employee Benefits	(511)	(483)	28
Termination & Severance	0	0	0
Contractors	(106)	(49)	57
Utilities	(308)	(141)	167
Other Operating Disbursements	(139)	(63)	76
Operating Cash Flows	**(1,001)**	**(651)**	**350**
Restructuring Professional Fees	(658)	(36)	622
Projected Net Cash Flow	**(1,659)**	**(687)**	**972**
Beginning Cash Balance	**843**	**843**	**0**
Interim Financing Draws	972	975	3
Projected Net Cash Flow	(1,659)	(687)	972
Foreign Exchange Gain/(Loss)	0	2	2
Ending Cash Balance	**156**	**1,133**	**977**

Interim Financing Facility (C$)			
Limit	13,889	14,148	259
Drawn	(9,375)	(9,550)	(175)
Available	**4,514**	**4,598**	**84**
Interim Financing Facility (US$)			
Limit	10,000	10,000	0
Drawn	(6,750)	(6,750)	0
Available	**3,250**	**3,250**	**0**

20. Explanations for the key variances in actual receipts and disbursements as compared to the December 30 Forecast are as follows:

(a) The favourable variance of approximately $0.2 million in utilities is primarily a timing variance expected to reverse in future periods; and

(b) The favourable variance of approximately $0.6 million in restructuring fees is believed to be comprised of timing variances of approximately $0.3 million that are expected to reverse in future periods combined with permanent favourable variances of approximately $0.3 million.

THE JANUARY 19 FORECAST

21. The January 19 Forecast is attached hereto as **Appendix A**. The January 19 Forecast shows a net cash outflow of approximately $9.9 million for the Bloom Lake CCAA Parties and of approximately $3.1 million for the Wabush CCAA Parties, excluding interim financing, in the period January 9 to April 22, 2016. The January 19 Forecast is summarized below:

	Bloom Lake CCAA Parties	Wabush CCAA Parties
	$000	$000
Receipts	**460**	**1,670**
Disbursements:		
Payroll & Employee Benefits	(2,641)	(951)
Termination & Severance	0	0
Contractors	0	(279)
Utilities	(1,452)	(515)
Other Operating Disbursements	(2,561)	(1,169)
Operating Cash Flows	**(6,194)**	**(1,244)**
Restructuring Professional Fees	(3,720)	(1,904)
Projected Net Cash Flow	**(9,914)**	**(3,148)**
Beginning Cash Balance	**27,823**	**1,133**
Interim Financing Draws	n/a	2,222
Projected Net Cash Flow	(9,914)	(3,148)
Ending Cash Balance	**17,909**	**207**

Interim Financing Facility (C$)		
Limit	n/a	13,889
Drawn	n/a	(11,597)
Available	**n/a**	**2,292**
Interim Financing Facility (US$)		
Limit	n/a	10,000
Drawn	n/a	(8,350)
Available	**n/a**	**1,650**

22. There are no material changes in the key underlying assumptions in the January 19 Forecast as compared to the December 30 Forecast.

23. It should be noted that the January 19 Forecast assumes the status quo, with no closing of the Bloom Lake Transaction or the Pointe-Noire Transaction. It is expected that both transactions would close before April 22, 2016, if approved by the Court.

EXTENSION OF THE INTERIM FINANCING

24. The Interim Financing Term Sheet provides that the Maturity Date may be extended from time to time by agreement of the Wabush CCAA Parties and the Interim Lender, provided that the extension shall be no more than six months without the approval of the Court.

25. Pursuant to an amending agreement between the Interim Lender and the Wabush CCAA Parties dated January 19, 2016 (the "**2nd Interim Financing Amendment**"), the Wabush CCAA Parties and the Interim Lender have agreed to extend the Outside Maturity Date to May 19, 2016. A copy of the 2nd Interim Financing Amendment is attached hereto as **Appendix B**.

THE POINTE-NOIRE APA

26. The Pointe-Noire Purchaser and the Pointe-Noire Vendors have executed the Pointe-Noire APA, subject to Court approval. The Pointe-Noire Vendors will be seeking approval of the Pointe-Noire Transaction at a hearing currently scheduled for February 1, 2016 (the "**February 1 Hearing**"). The Monitor will provide a report in respect of the motion for approval of the Pointe-Noire Transaction prior to the February 1 Hearing.

DEVELOPMENTS WITH RESPECT TO THE WABUSH MINE

27. Paragraph 38 of the Monitor's Fifteenth Report stated:

> "38. On December 23, 2015, the Monitor was introduced to a new party expressing a potential interest in the acquisition of the Wabush Mine. That party has now executed a non-disclosure agreement and has been provided access to the Wabush CCAA Parties' confidential data room. It is too early to predict whether the potential interest will result in an offer being made for the

> acquisition of the Wabush Mine. In addition to dealing with said potential purchaser, the Wabush CCAA Parties, in consultation with the Monitor, will continue with efforts to obtain revised liquidation proposals."

28. Since the date of the Fifteenth Report, the interested party has been undertaking due diligence, including a visit to the Wabush Mine and discussions with various stakeholders. A letter of intent was submitted by the interested party on January 20, 2016 and is under consideration by the Wabush CCAA Parties in consultation with the Monitor. There is no guarantee that the letter of intent will lead to a binding agreement for the acquisition of the Wabush Mine.

THE RESTRUCTURING LETTER OF INTENT

29. The Monitor has previously stated to the Court that the Bloom Lake CCAA Parties have been in discussions with a party potentially interested in sponsoring a plan of arrangement that would generate significant value for the estate in connection with the corporate attributes of the Bloom Lake CCAA Parties, which value would be in addition to the proceeds of the various proposed sale transactions.

30. The Bloom Lake CCAA Parties have now received the Restructuring Letter of Intent. The Restructuring Letter of Intent states, *inter alia*, that the proposed restructuring assumes that Bloom Lake LP continues to exist and carry on business and is not bankrupt and that the Bloom Lake Transaction is completed prior to the closing of the proposed restructuring.

31. The Restructuring Letter of Intent is under consideration by the Bloom Lake CCAA Parties in consultation with the Monitor. There is no guarantee that the proposed restructuring set out in the Restructuring Letter of Intent will proceed.

THE NOTICES OF OBJECTION

32. The UNNU Objection was served on January 8, 2016. The UNNU Objection requests that either:

(a) The Bloom Lake Approval Motion be denied so that the Bloom Lake Mine can be mothballed and held until mid-2019[2] in the hope that the iron ore market recovers and a higher price for the sale of the Bloom Lake Mine can be achieved at that time; or

(b) Alternatively, if the Bloom Lake Vendors wish to proceed with the Bloom Lake Transaction, a plan of arrangement should be submitted offering to distribute the sale proceeds to creditors and allowing the creditors to vote on the Bloom Lake Transaction.

33. Section 36(3) of the CCAA lists certain factors to be considered by the Court, among other things, in deciding whether to grant the authorization for a sale of assets outside of the ordinary course of business. The UNNU Objection submits that the factors listed in sections 36(3)(c), 36(3)(d) and 36(3)(e) have not been met based, *inter alia*, on the following allegations:

(a) A lack of prior consultation with creditors;

(b) There being no benefit compared to a bankruptcy of the Bloom Lake Vendors; and

(c) The effect of the proposed sale on creditors and other interested parties would be “disastrous”.

34. The Monitor notes that the UNNU Objection does not assert that:

[2] The UNNU Objection suggests mid-2019. The PwC Report suggests November 2018 plus or minus six months.

(a) There is any issue or concern with respect to the administration of the SISP, the adequacy of the marketing efforts or the reasonableness of the process leading to the Bloom Lake Transaction; or

(b) The Bloom Lake Transaction is not the best offer arising from the SISP or that another transaction or liquidation proposal should be approved.

35. Groupe UNNU holds a registered legal hypothec for construction bearing the number 55 903 in the Real and Mineral Rights Registry against Bloom Lake Mine assets.

36. EBC holds a registered legal hypothec for construction bearing the numbers 55 904 in the Real and Mineral Rights Registry against Bloom Lake Mine assets.

37. In addition to the UNNU Objection, Notices of Objection (collectively, the "**Additional Objections**") were served by various creditors (collectively, the "**Additional Objecting Creditors**"). Each of the Additional Objecting Creditors, with the exception of Worldlink Resources Limited, holds a registered legal hypothec for construction. Worldlink Resources Limited has asserted an unsecured claim in respect of an arbitration award and holds no security. The Additional Objecting Creditors are:

(a) Dynamitage Castonguay Ltée;

(b) Bremo Inc.;

(c) WSP Canada Inc.;

(d) Jacques Blanchard, Arpenteur-Geomètre Inc.

(e) 3887592 Canada Inc., d.b.a. Les Équipements Nordiques;

(f) Wesco Distribution Canada LP[3]; and

(g) Worldlink Resources Limited.

38. Each of the Additional Objections adopted the arguments of the UNNU Objection with no additional arguments or allegations.

39. The Notice of Objection filed by 3887592 Canada Inc., d.b.a. Les Équipements Nordiques was withdrawn on January 22, 2016.

40. The claims filed by Groupe UNNU, EBC and the Additional Objecting Creditors excluding 3887592 Canada Inc., d.b.a. Les Équipements Nordiques (collectively, the "**Objecting Creditors**") against Bloom Lake LP are summarized in the following table:

Creditor	**Secured $000**	**Unsecured $000**	**Total $000**
Groupe UNNU	28,420.5	20,808.0	49,228.5
EBC	2,405.5	32.1	2,437.6
Dynamitage Castonguay[12]	404.0		404.0
Bremo	503.3		503.3
WSP Canada	365.2		365.2
Jacques Blanchard	250.2		250.2
Wesco Canada[1]	128.7		128.7
Worldlink[1]		120,021.9	120,021.9
Total	**32,477.4**	**140,862.0**	**173,339.4**

[1]Duplicate claims also filed against Bloom Lake GP

[2]Duplicate claims also filed against CQIM

[3] The Deadline for Notices of Objection was January 8, 2016. Notice of Objection was filed by Wesco Distribution Canada LP on January 11, 2016.

41. For context, there are 27 parties that hold registered legal hypothecs for construction ("**Construction Hypothec Creditors**") of which only eight are Objecting Creditors, leaving 19 that have not filed Notices of Objection (the "**Non-Objecting Hypothec Creditors**"). The secured claims filed by the Non-Objecting Hypothec Creditors total approximately $18.9 million. Accordingly, the secured claims of the Objecting Creditors represent approximately 63.2% of the secured claims in the total amount of approximately $51.4 million filed by Construction Hypothec Creditors[4].

42. As shown in the following table, the total value of claims filed against the Bloom Lake Vendors by the Objecting Creditors represents a small minority of the total value of claims filed against the Bloom Lake Vendors. The total value of claims filed against the Bloom Lake Vendors by the Objecting Creditors is also a minority of the total value of claims filed excluding related party claims:

[4] Amount excludes duplication where the same claim is filed against Bloom Lake LP and Bloom Lake GP or Bloom LP and CQIM.

	Bloom Lake LP		Bloom Lake LP + Bloom Lake GP		Total for all Bloom Lake Vendors	
	Total	3rd Party	Total	3rd Party	Total	3rd Party
	$000	$000	$000	$000	$000	$000
Secured:						
Objecting Creditors	32,478	32,478	32,478	32,478	32,478	32,478
Other parties	248,535	131,762	266,744	149,971	391,564	210,272
Total	281,012	164,239	299,221	182,448	424,041	242,749
Unsecured:						
Objecting Creditors	140,862	140,862	140,862	140,862	140,874	140,874
Other parties	1,278,526	605,506	1,281,036	608,016	7,716,359	663,277
Total	1,419,388	746,368	1,421,897	748,877	7,857,233	804,151
Total:						
Objecting Creditors	173,339	173,339	173,339	173,339	173,351	173,351
Other parties	1,527,061	737,268	1,547,779	757,986	8,107,923	873,549
Total	**1,700,400**	**910,608**	**1,721,119**	**931,326**	**8,281,274**	**1,046,900**

	Bloom Lake LP		Bloom Lake LP + Bloom Lake GP		Total for all Bloom Lake Vendors	
	Total	3rd Party	Total	3rd Party	Total	3rd Party
	%	%	%	%	%	%
Secured:						
Objecting Creditors	11.6%	19.8%	10.9%	17.8%	7.7%	13.4%
Other parties	88.4%	80.2%	89.1%	82.2%	92.3%	86.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Unsecured:						
Objecting Creditors	9.9%	18.9%	9.9%	18.8%	1.8%	17.5%
Other parties	90.1%	81.1%	90.1%	81.2%	98.2%	82.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total:						
Objecting Creditors	10.2%	19.0%	10.1%	18.6%	2.1%	16.6%
Other parties	89.8%	81.0%	89.9%	81.4%	97.9%	83.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: Duplicate claims filed against multiple CCAA Parties included only in Bloom Lake LP

43. The Monitor notes that the review and adjudication of the claims filed, including those filed by Groupe UNNU, EBC and the Additional Objecting Creditors, have not yet been completed. Nor has the Monitor obtained legal opinions on the validity and enforceability of the legal hypothecs registered by Groupe UNNU, EBC, the Additional Objecting Creditors or other Construction Hypothec Creditors. Accordingly, the quantum and priority of all claims remain subject to revision or disallowance.

THE MONITOR'S COMMENTS WITH RESPECT TO THE UNNU OBJECTION

44. With respect to the application of criterion set out in section 36(3) of the CCAA, the Monitor notes that section 36(3) provides a non-exhaustive list of factors to be considered by the Court, among other things, and that section 36(3) does not require that each of the factors listed must be met in order for a transaction to be approved by the Court. Rather, the transaction as a whole must be considered and a determination made as to whether or not the sale is appropriate, fair and reasonable in the circumstances.

Lack of Consultation

45. The UNNU Objection alleges that there has been a lack of consultation with creditors and that UNNU has been denied access to information.

46. The Monitor is of the view that such characterization is not reflective of the facts.

47. The SISP Order was granted on April 17, 2015, on notice to the service list. Creditors had the opportunity to object to the SISP and provide submissions at the hearing. The SISP Order was unopposed and was not appealed.

48. Periodic updates on the progress of the SISP have been provided in previous Reports of the Monitor. Confidential information was not included in the Monitor's Reports in order to protect the integrity of the SISP and negotiations with interested parties.

49. As previously reported, a number of creditors have requested additional confidential information with respect to the SISP, executed confidentiality agreements and have been provided with information. The only creditors of the Bloom Lake CCAA Parties that requested additional confidential information with respect to the SISP were UNNU and Québec North Shore & Labrador Railway ("**QNS&L**"). The Monitor is not aware of any such request for confidential information with respect to the SISP having not been satisfied as at the date of this Report. In addition, a number of stakeholders have requested and been provided with a copy of the PwC Report pursuant to confidentiality agreements.

50. With respect to UNNU, the confidentiality agreement between UNNU and the CCAA Parties (the "**UNNU CA**") is dated September 16, 2015. A summary of the key financial terms of the proposals related to the Bloom Lake Mine received in the SISP was provided to UNNU on September 18, 2015, and information was provided at various times thereafter. Following the engagement of PricewaterhouseCoopers Inc. ("**PwC**") as financial advisor to UNNU, the Monitor facilitated the provision of information to PwC, including a meeting between PwC, senior management of the Bloom Lake CCAA Parties and the Monitor that took place on November 6, 2015, and a further telephone conference with senior management on November 19, 2015.

51. Throughout the SISP and subsequent to the execution of the UNNU CA, UNNU has been at liberty to provide its input and suggestions to the Monitor and the Bloom Lake CCAA Parties, as have other creditors and stakeholders.

52. In providing its recommendation that the Bloom Lake Transaction be approved, the Monitor stated in its Fifteenth Report:

> "64. The Monitor is of the view that the degree of creditor consultation was appropriate in the circumstances. The Monitor does not consider that any material change in

> the outcome of the SISP as it relates to the Bloom Lake assets would have resulted from additional creditor consultation."

53. The UNNU Objection does not assert or suggest that additional creditor consultation would have resulted in any material change in the outcome of the SISP as it relates to the Bloom Lake assets.

54. The inference from the UNNU Objection is that UNNU is asserting that further creditor consultation should have occurred prior to the Bloom Lake APA being executed. The Monitor notes that the Bloom Lake CCAA Proceedings is not a situation where a creditor or group of creditors holds security over all of the assets that are subject to the Bloom Lake APA, such that it would have been reasonable for such a creditor or group of creditors to expect consultation. It has always been clear that different groups of creditors will have different views and positions with respect to the Bloom Lake Transaction given their competing interests, as evidenced by the fact that no creditor has objected to the motion for approval of the Bloom Lake Transaction other than a minority in number of Construction Hypothec Creditors and one unsecured creditor, whose claim is based on an decision resulting from lengthy arbitration proceedings.

No Benefit Compared to a Bankruptcy

55. While the Monitor's Fifteenth Report did not explicitly discuss whether the Bloom Lake Transaction would be more beneficial to the creditors than a sale or disposition under a bankruptcy, the Monitor did provide its assessments of the various alternatives available at paragraphs 71 *et seq* of the Fifteenth Report.

56. In the Monitor's view, the options available for a sale or disposition under a bankruptcy are no different than those available under the CCAA Proceedings and there is no reason to believe that the purchase price of any alternative transaction would be higher if the sale was completed in a bankruptcy rather than in the CCAA Proceedings.

57. The UNNU Objection asserts that a disposition in a bankruptcy would be more beneficial for the creditors because there would be savings in professional fees and the creditors would have more control.

58. With respect to professional fees, the activities required to close the Bloom Lake Transaction in a bankruptcy would be the same as they would be in the CCAA Proceedings, other than the additional costs that would be incurred in a bankruptcy to convene and hold a meeting of creditors, obtain inspector approval of the Bloom Lake Transaction and return to court for the approval and vesting order that would still be required by the Bloom Lake Purchaser.

59. As discussed later in this Report, the professional fees that would be incurred in holding the Bloom Lake Mine until November 2018 as suggested in the PwC Report, running a new sales process that year and obtaining the necessary approvals for a transaction at that time would, in the Monitor's view, be significantly higher than the professional fees associated with closing the Bloom Lake Transaction in the CCAA Proceedings.

60. With respect to the assertion that creditors would have more control over the sale in a bankruptcy, the Monitor does not believe that to be an accurate characterization of the bankruptcy process. It is the trustee who controls the sale in bankruptcy, with the permission of the inspectors for certain actions, subject to its duties under the BIA, its professional obligations and its obligations as an Officer of the Court. While the creditors appoint the inspectors, the inspectors must act in the interests of the general body of creditors, not in the interests of any specific creditor or group of creditors. Creditors, at a duly convened meeting of creditors, may override instructions given by inspectors.

61. In the CCAA Proceedings, the sale of the Bloom Lake Mine is being conducted under the supervision and subject to the approval of the Court. All creditors have the right and opportunity to make their views known to the Court in respect of the Bloom Lake Transaction. The Monitor does not believe that the sale being conducted under the supervision and with the approval of the Court rather than a trustee in bankruptcy prejudices creditors in any way.

62. Additional comments in respect of a potential bankruptcy of Bloom Lake LP and the potential to sell the Bloom Lake Mine under the UNNU Alternative Strategy are provided later in this Report.

Effect of Bloom Lake Transaction on Creditors and Interested Parties

63. The UNNU Objection asserts that the Bloom Lake Transaction would be disastrous for all of Bloom Lake's creditors.

64. While the results of the SISP relating to the Bloom Lake Mine are disappointing, the SISP has demonstrated that the Bloom Lake Transaction is clearly the best sale alternative currently available in the circumstances. The issue to be determined is not, therefore, which sale transaction should be approved, but whether the Bloom Lake Transaction should be approved or whether there should be no sale of the Bloom Lake Mine unless and until the iron ore market recovers. In that regard, the competing interests of different creditor groups and other stakeholders affected by that decision must be considered.

65. As discussed later in this Report, the costs of a strategy of holding the Bloom Lake Mine until November 2018 would be borne solely by the unsecured creditors while the benefit, if any, would be realized by the secured creditors.

66. The UNNU Objection suggests that only the interests of Bloom Lake LP's creditors should be considered. The Monitor is of the view that the interests of the creditors of each of the Bloom Lake Vendors, namely CQIM, Bloom Lake GP, Quinto and Bloom Lake Railway in addition to Bloom Lake LP, should also be considered as they would also be affected by a decision of whether to approve the Bloom Lake Transaction or hold the Bloom Lake Mine until November 2018. Furthermore the interests of other stakeholders, such as employees, government agencies and local communities, should also be considered.

67. The Monitor notes that the following adverse effects would be suffered by other stakeholders if the Bloom Lake Transaction is not approved and the UNNU plan to hold the Bloom Lake Mine for approximately 3 years is adopted:

(a) Creditors in respect of real estate taxes would be prejudiced as they would not receive the net proceeds resulting from the $4 million of the purchase price allocated to assets subject to their secured claims and nor would they be paid taxes for the several years. Instead, that priority claim would continue to both accrue interest and penalties and grow in principal quantum as municipal taxes accrue during the hold period;

(b) Proceeds of the realization of moveable assets and remaining cash on hand otherwise available for distribution to unsecured creditors would instead be spent in continuing to hold the Bloom Lake Mine in the hope that proceeds could be possibly realized in the future for the benefit of the Construction Hypothec Creditors;

(c) Employees and suppliers would lose opportunities arising from the Bloom Lake Purchaser's plans to invest in the Bloom Lake Mine in anticipation of restarting operations at some point in the future; and

(d) Given the investment and work required to prepare the Bloom Lake Mine for restart, such restart would be further delayed even beyond what might be contemplated by the Bloom Lake Purchaser if there is no sale until the iron ore market recovers.

68. There is no guarantee that a sale nearly three years from now would be possible or would result in sale proceeds that exceed proceeds available from the Bloom Lake Transaction plus the significant additional costs that would be incurred and the additional secured claims that would accrue during the period. While it is possible that a sale at that time might, and only might, provide a higher realization for Construction Hypothec Creditors, as described later in this Report, the realizations from such a sale would have to exceed at least $130 million in order for a sale to be more beneficial to unsecured creditors than the Bloom Lake Transaction.

69. The UNNU Objection comments that the allocation of the Cash Purchase Price for the Bloom Lake Transaction had not been finalized. In fact, there was an agreed allocation as set out in Schedule R to the Bloom Lake APA, and it was only the detailed allocation amongst asset categories that has not been agreed at the date of execution of the Bloom Lake APA. The Monitor has been informed that the detailed allocation of the Cash Purchase Price has now been agreed by the Bloom Lake Vendors and the Bloom Lake Purchaser, with the only change being that the amount allocated to equipment that had been noted as attributable to Bloom Lake LP and CQIM is now fully attributable to Bloom Lake LP as the Bloom Lake Vendors have confirmed that none of the equipment in that category is owned by CQIM.

The Alternative Relief Suggested by the UNNU Objection

70. The UNNU Objection suggests, in the alternative, that if the Bloom Lake Vendors wish to proceed with the Bloom Lake Transaction, a plan of arrangement should be put forward offering to distribute the sale proceeds to the creditors and enable creditors to decide on the merits of the transaction.

71. The Bloom Lake Approval Motion provides the opportunity for creditors to provide input on the merits of the Bloom Lake Transaction and for the Court to determine whether it should proceed. The Monitor notes that sales of businesses or assets are routinely approved in CCAA Proceedings without a plan of arrangement.

72. To the best of the Monitor's knowledge, no decision has yet been made by the Bloom Lake CCAA Parties as to whether to put forth a plan of arrangement under which proceeds would be distributed or whether to seek approval of a distribution pursuant to Court order.

THE UNNU ALTERNATIVE SCENARIO

73. The UNNU Alternative Scenario is that the Bloom Lake Transaction should not be approved and that, instead, Bloom Lake LP should be placed into bankruptcy so that a trustee in bankruptcy can hold the Bloom Lake Mine until approximately November 2018 in the hope that the iron ore market recovers and the Bloom Lake Mine can be sold for a higher price at that time.

74. In its Fifteenth Report, the Monitor stated:

> "14. The Monitor is of the view that:
>
> (a) The Bloom Lake Transaction is the highest and best transaction in respect of the Bloom Lake Mine resulting from the SISP and the consideration appears to be fair and reasonable in the circumstances;
>
> (b) There is no evidence to suggest that the alternatives currently available would deliver a better recovery for the creditors of the Bloom Lake Vendors' estates;

(c) Continuing to hold the Bloom Lake Mine would require significant additional expense with no guarantee that incremental value would be obtained; and

(d) The approval of the Bloom Lake Transaction is in the best interests of the Bloom Lake Vendors' stakeholders generally.

15. Accordingly, the Monitor supports the Bloom Lake Vendors' request for approval of the Bloom Lake Transaction and the granting of the Bloom Lake AVO."

75. The Monitor's analysis and rationale for that support was also set out in the Fifteenth Report. Nothing in the UNNU Objection, the UNNU Bankruptcy Motion or the PwC Report has changed the Monitor's conclusion with respect to the Bloom Lake Transaction. Additional comments arising from the Monitor's review of the UNNU Objection and the UNNU Bankruptcy Motion are provided herein.

76. There are two fundamental but separate questions to be considered in respect of the UNNU Alternative Scenario:

(a) Should the Bloom Lake Transaction be approved or should the Bloom Lake Mine be held until November 2018 in the hope that the iron ore market recovers and the Bloom Lake Mine can be sold for a higher price at that time? and

(b) If the determination is that the Bloom Lake Mine should be held until November 2018, should Bloom Lake LP be placed into bankruptcy to effect that strategy rather than continuing the CCAA Proceedings to effect that strategy?

SHOULD THE BLOOM LAKE TRANSACTION BE APPROVED

77. The UNNU Objection asserts that PwC has concluded that the mothballing of the Bloom Lake Mine is potentially more beneficial for the creditors of Bloom Lake than the Bloom Lake Transaction. No information or analysis has been provided as to how that might be, what the sale proceeds would have to be for that result to be achieved, what the probability of success might be or what risks are associated with carrying the mine and dealing with the environmental issues for approximately three years.

78. On December 4, 2015, the Monitor suggested to counsel to UNNU that it would be beneficial for PwC to meet with the Monitor and the Bloom Lake CCAA Parties to share PwC's analysis on the carrying costs of the Bloom Lake Mine so that:

(a) The analysis could be considered by the Bloom Lake CCAA Parties and any factual issues resolved;

(b) Any suggestions that might reduce carrying costs could be considered and, if appropriate, implemented by the Bloom Lake CCAA Parties; and

(c) The parties could attempt to minimize matters that might be in dispute at any hearing for the approval of the Bloom Lake Transaction.

79. Counsel to UNNU agreed with that suggestion on December 4, 2015, but subsequently refused to share the PwC analysis.

80. The PwC Report was served at 11:09 a.m. on January 11, 2016, and states that PwC has projected that carrying costs of the Bloom Lake Mine "could be further reduced such that the current run rate of $446k per week could be reduced by 71% to approximately $131k per week before restructuring costs and projected equipment sale proceeds.". The PwC Report suggests that current weekly costs, inclusive of restructuring costs, are $631,000 and can be reduced to $161,000. The PwC Report contains no support or detailed explanation of how PwC reached its conclusions with respect to the reductions in carrying costs it alleges could be achieved. It was only on January 15, 2016, that counsel to UNNU agreed to have PwC provide any support and explanation of how PwC believes carrying costs could be substantially reduced.

81. PwC has calculated what it claims to be the current carrying costs based on a 52-week average of actual cash flow for the Bloom Lake CCAA Parties to October 16, 2015, and projected cash flow from October 17, 2015, to January 29, 2016, all as reported in previous Monitor's Reports. The Monitor notes the following with respect to the methodology used by PwC to determine the current costs associated with the Bloom Lake Mine:

(a) The actual and forecast cash flows for the Bloom Lake CCAA Parties as reported in the Monitor's Reports are the consolidated cash flow results and forecasts for all of the operations, activities and restructuring costs of all of the Bloom Lake CCAA Parties, not just costs related only to the Bloom Lake Mine;

(b) Included in the average calculated by PwC are non-recurring costs, such as termination and severance, which are not relevant when considering the potential future costs; and

(c) As the Court was informed when the Wabush CCAA Parties commenced their CCAA Proceedings, the restructuring costs paid from the Bloom Lake CCAA Parties' cash flow include joint costs not specifically attributable to the Bloom Lake CCAA Parties or the Wabush CCAA Parties, which costs will be subject to a later motion for approval of an appropriate allocation methodology.

82. It appears from the Monitor's preliminary review of the information provided by PwC that PwC's suggested reductions in operational carrying costs are based on the following assumptions:

(a) Care and maintenance in a "shut-down" scenario;

(b) Headcount reduction from 51 to 28 employees through the elimination of certain positions[5] and the consolidation of tasks amongst fewer personnel;

(c) Adjustment of costs that PwC assumes to be variable;

(d) Non-payment of severance expenses and defined contribution pension benefits;

(e) Reduction in fuel expenditures to levels ranging between 5% and 10% of amounts incurred by the Bloom Lake CCAA Parties;

(f) Reduction in maintenance, repair and operation expenses to levels ranging between 5% and 10% of amounts incurred by the Bloom Lake CCAA Parties;

(g) Reduction in waste management expenses to levels ranging between 10% and 40% of amounts incurred by the Bloom Lake CCAA Parties;

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[5] Assumed elimination of the following: the general manager, both environmental co-ordinators, the lodging co-ordinator, both nurses, 1 water management and tailings supervisor, 2 plant maintenance mechanics, 2 electricians, 2 heavy equipment operators, 4 water management and tailings labourers, 2 mine maintenance mechanics, 2 electrical maintenance mechanics and both stationary equipment mechanics.

(h) Reduction in hydro expenses to levels ranging between 50% and 90% of amounts incurred by the Bloom Lake CCAA Parties; and

(i) Elimination of telecommunications expenses.

83. Additional costs for environmental liability insurance, securing the mine and other security measures are not included in the PwC forecast.

84. The Monitor also notes that the PwC Report states that PwC has not carried out a field visit[6] or a review of actual activities by those on site, nor has it discussed workload directly with personnel on site. It is not apparent from the PwC Report what consideration had been given to the requirements of health and safety, environmental or other legislation or regulations or to the provisions of the collective bargaining agreement.

85. .The Monitor has had discussions with the Bloom Lake Purchaser to obtain their perspective on the potential carrying costs of the Bloom Lake Mine prior to any restart of mining operations. The Bloom Lake Purchaser made the following comments to the Monitor:

(a) It is not projecting any significant reduction in the workforce required to responsibly maintain the Bloom Lake Mine as compared to the current staffing complement;

(b) It does not believe that there is any ability to substantially reduce operational carrying costs while maintaining responsible stewardship of the Bloom Lake Mine; and

(c) Significant investment, both in time and cost, will be required before the Bloom Lake Mine can be restarted and that investment will likely grow the longer the Bloom Lake Mine is held without investment.

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[6] No site visit was requested prior to the preparation of the PwC Report. A site visit is scheduled for Monday January 25, 2016.

86. Regardless of what the carrying costs of the Bloom Lake Mine are or should be, the UNNU Alternative Scenario contemplates that the carrying costs of the Bloom Lake Mine and the legal and professional costs of the insolvency proceeding would be paid from a combination of the proceeds of realization of moveable equipment that is not subject to secured claims and cash on hand that would otherwise be available for distribution to unsecured creditors. Accordingly, the cost of the process would be borne entirely by the unsecured creditors.

87. As the UNNU Alternative Scenario assumes that the moveable equipment that is not subject to secured claims will be sold to pay the carrying costs of the Bloom Lake Mine and the bankruptcy proceeding, the only assets of Bloom Lake LP remaining for sale in 2018 would appear to be assets subject to the secured claims of Construction Hypothec Creditors and secured claims for municipal taxes. Accordingly, the benefit of any increased purchase price for the Bloom Lake Mine would accrue only to such secured creditors and not to the unsecured creditors that funded the process. The Objecting Creditors have not suggested that they are prepared to themselves fund the 33 month delay proposed in the PwC Report.

88. While there may be some debate as to the quantum of carrying costs and legal and professional fees that would be incurred over the proposed 33 month hold period proposed by the UNNU Objection, it is clear that such quantum will be significant. The following chart illustrates the aggregate cost for the proposed 33 month period at various assumed monthly cost levels between the extremes suggested in the PwC Report:

Assumed Weekly Cost $000	33 Month Aggregate $000
161	23,023
200	28,600
250	35,750
300	42,900
350	50,050
400	57,200
450	64,350
500	71,500
550	78,650
631	90,233

89. Furthermore, the secured claims for real estate taxes would continue to grow as such taxes would not be paid during the hold period and, if interest is provable, interest would accrue on the claims secured by registered hypothecs for construction. Based on the claim filed by the City of Fermont in respect of real estate taxes, the Monitor estimates that the tax claim could total approximately $45.1 million at the end of the proposed 33 month hold period. Assuming simple interest at 5% per annum accruing on claims secured by registered hypothecs for construction, the Monitor estimates that the total of such claims, if valid, could be approximately $58.5 million at the end of the proposed 33 month hold period.

90. In order that there be no prejudice to the unsecured creditors from pursuing the UNNU Alternative Scenario, the UNNU Alternative Scenario would have to provide an equivalent return to what would be available if the Bloom Lake Transaction was approved and closed. For that to be the case, the purchase price of any transaction 33 months in the future would have to approximate the aggregate of the value of the claims secured by registered hypothecs for construction and the claims for real estate taxes at the time of the sale[7], plus the proceeds of the Bloom Lake Transaction that would otherwise be available to unsecured creditors, plus the costs incurred in the hold period[8]. The following chart illustrates the estimated required purchase price for such a result, without consideration of the time value of money:

Assumed Weekly Cost	Carrying Cost	Assumed Tax Claim	Assumed Hypothec Claims	Proceeds Forgone	Required Purchase Price
$000	$000	$000	$000	$000	$000
161	23,023	45,102	58,488	5,000	131,774
200	28,600	45,102	58,488	5,000	137,390
250	35,750	45,102	58,488	5,000	144,590
300	42,900	45,102	58,488	5,000	151,790
350	50,050	45,102	58,488	5,000	158,990
400	57,200	45,102	58,488	5,000	166,190
450	64,350	45,102	58,488	5,000	173,390
500	71,500	45,102	58,488	5,000	180,590
550	78,650	45,102	58,488	5,000	187,790
631	90,233	45,102	58,488	5,000	199,454

[7] Because the only Bloom Lake LP assets remaining to be sold would be assets subject to secured claims, the secured claims would have to be paid in full before proceeds were available to unsecured creditors.
[8] Because such costs are proposed to be paid from funds on hand and proceeds of equipment, each of which would otherwise be available to unsecured creditors.

91. For the reasons set out above and in the Monitor's Fifteenth Report, the Monitor is of the view that the Bloom Lake Transaction should be approved and that the UNNU Alternative Scenario is not in the best interests of the estate and its stakeholders generally.

Should Bloom Lake LP Be Placed Into Bankruptcy

92. As noted above, the Monitor is of the view that the Bloom Lake Transaction should be approved and that the UNNU Alternative Scenario is not in the best interests of the estate and its stakeholders generally. However, if the Court decides that the Bloom Lake Transaction should not be approved and that the Bloom Lake Mine should be held until November 2018, the Monitor is of the view that there are a number of factors that should be considered as to whether Bloom Lake LP should be placed into bankruptcy to effect that strategy rather than continuing the CCAA Proceedings to effect that strategy.

Requirements of the BIA and Trustee Obligations

93. The timely realization of assets in order that the proceeds of realization can be distributed to creditors is one of the fundamental premises of the BIA.

94. OSB Directive 25 states that:

> "4. Except for property held in trust by the bankrupt or property exempt from execution or seizure, all property of the bankrupt, wherever situated at the date of bankruptcy or that may be acquired by or devolve on him or her before the discharge, is available for the creditors within the meaning of section 67 of the Bankruptcy and Insolvency Act. The trustee <u>*must*</u> therefore take possession of the assets <u>*and realize upon them for the benefit of the estate*</u> unless:
> a) the asset is specifically exempt from seizure or execution under the law;

> (b) a specific applicable jurisprudence renders the asset exempt;
>
> (c) a specific order has been obtained from the Court to exempt the asset; or
>
> (d) in the opinion of the trustee, there would be no financial benefit to the estate as the cost of realization would exceed or equal the realizable value of the asset. In such a case, a document of explanation should be kept in the estate file.' *(emphasis added)*

95. Bankrupt estates should be administered in a timely fashion and the BIA contemplates that assets will be disposed of in a timely manner. Furthermore, section 36 of the Code of Ethics for Trustees contained in the *Bankruptcy and Insolvency General Rules* requires that Trustees perform their duties in a timely manner.

96. A trustee in bankruptcy is an officer of the Court and a representative of the unsecured creditors. The trustee should impartially represent the interests of creditors, act equitably and, as far as possible, hold an even hand between competing interests of various classes of creditors.

97. It does not appear to the Monitor that the strategy of holding the Bloom Lake Mine for nearly three years in the hope that iron ore prices might recover and that the Bloom Lake Mine might be sold for a higher price at that time, which strategy would be at the expense solely of the unsecured creditors and is likely to benefit only Construction Hypothec Creditors, is consistent with the requirements of the BIA or the obligations of a trustee in bankruptcy.

Creditors Not Likely to Endorse the Strategy

98. As described earlier in this Report, the Objecting Creditors, represent only approximately 10% of the total value of claims against Bloom Lake LP and only approximately 2% of the total value of claims against the Bloom Lake Vendors.

99. With the exception of Worldlink Resources Limited, the Objecting Creditors all hold registered hypothecs for construction and if valid hypothecs would therefore be "secured creditors" in a bankruptcy of Bloom Lake LP. Pursuant to section 112 of the BIA and OSB Directive 22R, a secured creditor is only entitled to vote at a meeting of creditors for the balance of its claim after deducting its assessed value of the security. Accordingly, the percentage of claims eligible to vote at a meeting of creditors in a bankruptcy of Bloom Lake LP held by the Objecting Creditors would be lower than the percentage that their total claims represent.

100. At this time there has been no requirement for creditors that hold registered hypothecs for construction to value their security. However, the Monitor is of the view that if the strategy of holding the Bloom Lake Mine until 2018 was pursued, Construction Hypothec Creditors would likely want to maintain as much of their secured claim as possible in order to benefit from any potential future increase in value of the assets subject to their registered hypothecs for construction. Accordingly, it is likely that the Construction Hypothec Creditors would assess the value of their security at a high value, leaving only a small proportion of their claim as being unsecured. If that were the case, the Construction Hypothec Creditors would represent a very small proportion of creditors entitled to vote at a meeting of creditors in a bankruptcy of Bloom Lake LP.

101. It would appear therefore that it is unlikely that the strategy of holding the mine until November 2018 would receive approval at any meeting of creditors in a bankruptcy, especially as the costs of such a strategy would be borne by the unsecured creditors while the benefit, if any, would be realized by the secured creditors. Furthermore, the creditors may by resolution direct the trustee to proceed with the Bloom Lake Transaction.

102. If there is no such resolution by the creditors, the trustee would follow the directions of the inspectors appointed at the meeting of creditors. Pursuant to section 30(1) of the BIA, with the permission of the inspectors a trustee has the power to:

(a) Sell the assets of a bankrupt; and

(b) Carry on the business of the bankrupt, in so far as may be necessary for the beneficial administration of the estate.

103. Inspectors are fiduciaries of the general body of creditors and are required to perform their duties impartially and in the interests of the unsecured creditors generally and must not permit their duty to conflict with some other interest.

104. Accordingly, if it is not in the interests of the unsecured creditors to hold the Bloom Lake Mine in the hope of a later transaction that would benefit Construction Hypothec Creditors, the inspectors should not endorse such a strategy. Furthermore, if the Bloom Lake Transaction is in the best interest of the unsecured creditors, the inspectors should authorize the trustee to proceed with the Bloom Lake Transaction.

105. It would therefore appear unlikely that the strategy of holding the Bloom Lake Mine in a bankruptcy until November 2018 would be endorsed by the unsecured creditors or the inspectors in such a bankruptcy or could be implemented by the trustee.

Risk of Loss of Assets Before Sale

106. In contrast to the stay in the CCAA Proceedings, the stay of proceedings in a bankruptcy would not prevent a secured creditor from realizing on the assets subject to its security. Accordingly, in a bankruptcy, the City of Fermont could, if it chose to do so, take action to realize or foreclose on the assets subject to its secured claim for municipal taxes. Those assets are integral to the ability of a purchaser to operate the Bloom Lake Mine. Furthermore, any one or more of the Construction Hypothec Creditors could take independent action to enforce their secured rights.

107. The stay in the CCAA Proceedings prohibits the enforcement by any regulatory body of a payment order. Ministerial orders for remediation or clean-up under environmental statutes are, in substance, financial or monetary orders and are subject to the stay of proceedings in the CCAA Proceedings. Such orders are not subject to the stay of proceedings in a bankruptcy.

108. Pursuant to section 14.06(4) of the BIA, if an order were to be issued that has the effect of requiring the trustee in bankruptcy to remedy any environmental condition or environmental damage, the trustee would be required to comply with the order, for which funding may or may not be available, or abandon the property.

Necessity for Co-ordination of Proceedings and Continued Need for CCAA Proceedings

109. Interests in the Purchased Assets under the Bloom Lake APA are held by five separate vendors as summarized below:

(a) CQIM - real property, interests in mining claims;

(b) Bloom Lake LP and Bloom Lake GP as General Partner of Bloom Lake LP – real property, mining equipment and moveable assets, mine fixed assets, mining leases and real property leases, interests in mining claims;

(c) Quinto - interests in mining claims; and

(d) Bloom Lake Railway – railway assets.

110. It is likely that any purchaser of the Bloom Lake Mine would require the same or substantially the same assets. Accordingly, the co-ordination of proceedings for each of the Bloom Lake Vendors would remain critical even if the Bloom Lake Transaction is not approved. Bloom Lake LP is the only one of the Bloom Lake Vendors that is subject to the UNNU Bankruptcy Motion and a continuation of the CCAA Proceedings for the other Bloom Lake Vendors would be required in order for the asset package to continue to be available in November 2018.

111. Even if CQIM, Quinto and Bloom Lake GP were also placed into bankruptcy, the creditors of the separate estates could have different perspectives on the appropriate course of action and could also appoint different trustees for different estates further complicating the co-ordination of the estates.

112. Furthermore, the continuation of the CCAA Proceedings for Bloom Lake Railway would be required as railway companies are excluded from the BIA and it is therefore not possible to bankrupt Bloom Lake Railway Company. The assets of Bloom Lake Railway are integral to the operation of the Bloom Lake Mine as it is the only feasible way to ship product from the Bloom Lake Mine.

Legal and Professional Costs in Bankruptcy

113. The PwC Report suggests that the legal and professional fees in a bankruptcy would be significantly less than in the CCAA Proceedings. With respect, the Monitor disagrees.

114. If the Bloom Lake Transaction is approved, legal and professional fees will be incurred with respect to the Bloom Lake Mine in monitoring operations until Closing, preparing for Closing and completing the Bloom Lake Transaction, reviewing and adjudicating claims, dealing with cost allocation issues, distributing proceeds and related matters. Regardless of whether such activities are undertaken by the Bloom Lake Vendors' legal advisors and the Monitor and its legal advisors or by a trustee in bankruptcy and its legal advisors, the same work would be required when the Bloom Lake Mine is sold by the trustee in November 2018.

115. If the Bloom Lake Mine is held until November 2018 rather than sold now, it will be necessary for the trustee to incur significant additional legal and professional fees that would not otherwise be incurred, including:

(a) Managing the assets and any issues that arise during that proposed hold period;

(b) Dealing with the statutory responsibilities and reporting resulting from a bankruptcy; and

(c) Undertaking a new sales process in November 2018.

116. Accordingly, the legal and professional costs of the UNNU Alternative Scenario would be significantly greater than the legal and professional costs of completing the Bloom Lake Transaction.

117. If Bloom Lake LP is placed into bankruptcy and the other Bloom Lake Vendors continue their CCAA Proceedings, there would be some duplication of legal and professional costs in dealing with the Bloom Lake Mine and related assets and sale of them, further increasing costs.

118. Even if the other Bloom Lake Vendors were placed into bankruptcy, noting of course that Bloom Lake Railway is not eligible for proceedings under the BIA, as noted earlier in this report it is possible that different trustees could be appointed for the different estates. Those trustees, and the creditors of the individual estates, may not support the UNNU Alternative Scenario, but if they do, the multiplicity of proceedings would further increase costs.

119. Even if holding the Bloom Lake Mine until November 2018 was an appropriate strategy, which the Monitor does not believe to be the case, and it was possible and appropriate to execute such a strategy in a bankruptcy, which the Monitor does not consider to be the case, in the Monitor's view, the costs of executing such a strategy in a bankruptcy are, at best, not likely to be materially lower than executing such a strategy in the CCAA Proceedings and could be higher. In any event, if the hold strategy was implemented, any difference in costs between executing such a strategy in a bankruptcy versus a ccaa proceeding would likely be immaterial to any distribution to unsecured creditors.

Loss of Additional Potential Realizations

120. As noted earlier in this Report, the Restructuring Letter of Intent states, *inter alia*, that the proposed restructuring assumes that Bloom Lake LP continues to exist and carry on business and is not bankrupt and that the Bloom Lake Transaction is completed prior to the closing of the proposed restructuring.

121. The Restructuring Letter of Intent is under consideration by the Bloom Lake CCAA Parties in consultation with the Monitor. While there is no guarantee that the proposed restructuring set out in the Restructuring Letter of Intent will proceed, based on the assumptions stated in the Restructuring Letter of Intent, it appears that a bankruptcy of Bloom Lake LP at this time would remove the ability to potentially undertake the proposed restructuring and obtain the additional value it could generate for the estate.

REQUEST FOR AN EXTENSION OF THE STAY PERIOD

122. The Stay Period currently expires on January 29, 2016. Additional time is required for the CCAA Parties to complete the CCAA Proceedings, including the following activities:

    (a) If approved by the Court, completing the Bloom Lake Transaction and the Pointe-Noire Transaction;

    (b) Determining whether a sale of the Wabush Mine can be negotiated;

    (c) Completing the negotiation of definitive agreements for the sale of remaining assets, obtaining Court approval of such agreements and completing the transactions;

    (d) Considering, and if appropriate pursuing, the proposed restructuring under the Restructuring Letter of Intent;

    (e) Completing the Claims Procedure;

    (f) Dealing with distributions to creditors; and

    (g) Undertaking the other activities necessary to complete the CCAA Proceedings.

123. The continuation of the stay of proceedings is necessary to provide the stability needed to complete the foregoing activities. Accordingly, the CCAA Parties now seek an extension of the Stay Period to April 22, 2016.

124. The January 19 Forecast demonstrates that, subject to the underlying assumptions thereof, the CCAA Parties have sufficient liquidity to fund the CCAA Parties' operations and the CCAA Proceedings to April 22, 2016.

125. The CCAA Proceedings are complex and the activities and assets of the CCAA Parties are, to various extents, intertwined. The co-ordination of the various estates is, in the Monitor's view, critical to maximize efficiency and effectiveness. It is also the Monitor's view that a continuation of the CCAA Proceedings is, at the current time, the only realistic way that such co-ordination can be achieved and that the realization of assets for the benefit of all stakeholders can be completed.

126. 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 April 22, 2016.

127. The Monitor also believes that the CCAA Parties have acted, and are acting, in good faith and with due diligence and that circumstances exist that make an extension of the Stay Period appropriate.

128. The Monitor therefore respectfully recommends that this Honourable Court grant the CCAA Parties' request for an extension of the Stay Period to April 22, 2016.

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

Dated this 22nd day of January, 2016.

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

Nigel D. Meakin	Steven Bissell
Senior Managing Director	Managing Director

Appendix A

The January 19 Forecast

Bloom Lake CCAA Parties Cash Flow Projection

Amounts in CAD in thousands

Week Ending Friday	15-Jan-16	22-Jan-16	29-Jan-16	5-Feb-16	12-Feb-16	19-Feb-16	26-Feb-16	4-Mar-16	11-Mar-16	18-Mar-16	25-Mar-16	1-Apr-16	8-Apr-16	15-Apr-16	22-Apr-16	15-Week
Forecast Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	**Total**
Cash Flow from Operations																
Receipts	115	-	-	-	115	-	-	-	115	-	-	-	-	115	-	460
Payroll & Employee Benefits	(280)	(13)	(285)	(59)	(285)	(13)	(285)	(59)	(291)	(13)	(161)	(200)	(242)	(154)	(301)	(2,641)
Termination & Severance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	(609)	-	-	(161)	(120)	-	-	-	(161)	(120)	-	-	(161)	(120)	-	(1,452)
Other Operating Disbursements	(229)	(111)	(222)	(215)	(135)	(111)	(222)	(111)	(239)	(86)	(232)	(126)	(197)	(128)	(197)	(2,561)
Operating Cash Flows	**(1,003)**	**(124)**	**(507)**	**(435)**	**(425)**	**(124)**	**(507)**	**(170)**	**(576)**	**(219)**	**(393)**	**(326)**	**(600)**	**(287)**	**(498)**	**(6,194)**
Restructuring Professional Fees	(1,221)	(165)	(195)	(165)	(165)	(198)	(185)	(185)	(165)	(178)	(165)	(195)	(185)	(165)	(188)	(3,720)
Projected Net Cash Flow	**(2,224)**	**(289)**	**(702)**	**(600)**	**(590)**	**(322)**	**(692)**	**(355)**	**(741)**	**(397)**	**(558)**	**(521)**	**(785)**	**(452)**	**(686)**	**(9,914)**
Beginning Cash Balance	27,823	25,599	25,310	24,608	24,008	23,418	23,096	22,404	22,049	21,308	20,911	20,353	19,832	19,047	18,595	27,823
DIP Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Projected Net Cash Flow	(2,224)	(289)	(702)	(600)	(590)	(322)	(692)	(355)	(741)	(397)	(558)	(521)	(785)	(452)	(686)	(9,914)
Ending Cash Balance	**25,599**	**25,310**	**24,608**	**24,008**	**23,418**	**23,096**	**22,404**	**22,049**	**21,308**	**20,911**	**20,353**	**19,832**	**19,047**	**18,595**	**17,909**	**17,909**

Notes:

[1] The purpose of this cash flow projection is to determine the liquidity requirements of the Bloom Lake CCAA Parties during the forecast period.

[2] Forecast Receipts consist of monthly lease payments in respect of the Mount-Wright Camp Lease Agreement approved by the Court on March 30, 2015.

[3] Forecast Payroll & Employee Benefits disbursements are based on actual payroll funding in the period leading up to the forecast period.

[4] Forecast Utilities disbursements consist primarily of hydro costs to maintain the Bloom Lake operations on care and maintenance mode, and reflect current payment terms, rates and estimated consumption over the forecast period.

[5] Forecast Other Operating Disbursements reflect the wind-down, and placement on care and maintenance of Bloom Lake. The timing of Other Operating Disbursements are assumed to be cash on delivery.

[6] Forecast Restructuring Professional Fees consist of legal and financial advisor fees associated with the CCAA proceedings based on estimates obtained from legal and professional advisors.

Wabush CCAA Parties Cash Flow Projection

Amounts in CAD in thousands ($000s)

Week Ending Friday	15-Jan-16	22-Jan-16	29-Jan-16	5-Feb-16	12-Feb-16	19-Feb-16	26-Feb-16	4-Mar-16	11-Mar-16	18-Mar-16	25-Mar-16	1-Apr-16	8-Apr-16	15-Apr-16	22-Apr-16	15-Week
Forecast Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	**Total**
Cash Flow from Operations																
Receipts	-	14	-	-	1,514	-	49	-	14	-	49	-	14	-	14	1,670
Payroll & Employee Benefits	(42)	(105)	(26)	(100)	(53)	(77)	(52)	(77)	(53)	(78)	(51)	(78)	(30)	(101)	(28)	(951)
Termination & Severance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contractors	(44)	(34)	(15)	(31)	(14)	(3)	(15)	(31)	(14)	(3)	(15)	(31)	(14)	(3)	(15)	(279)
Utilities	(10)	(10)	-	(165)	-	-	-	(165)	-	-	-	(165)	-	-	-	(515)
Other Operating Disbursements	(30)	(30)	(823)	(63)	(11)	(11)	(11)	(63)	(11)	(11)	(11)	(63)	(11)	(11)	(11)	(1,169)
Operating Cash Flows	**(126)**	**(164)**	**(864)**	**(358)**	**1,437**	**(91)**	**(29)**	**(335)**	**(63)**	**(92)**	**(28)**	**(336)**	**(40)**	**(115)**	**(40)**	**(1,244)**
Restructuring Professional Fees	(207)	(208)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(1,904)
Projected Net Cash Flow	**(333)**	**(373)**	**(979)**	**(473)**	**1,322**	**(206)**	**(143)**	**(450)**	**(178)**	**(206)**	**(143)**	**(450)**	**(155)**	**(229)**	**(154)**	**(3,149)**
Beginning Cash Balance	1,133	800	427	698	226	1,548	1,342	1,199	749	571	365	222	189	173	222	1,133
Projected Net Cash Flow	(333)	(373)	(979)	(473)	1,322	(206)	(143)	(450)	(178)	(206)	(143)	(450)	(155)	(229)	(154)	(3,149)
Interim Financing	-	-	1,250	-	-	-	-	-	-	-	-	417	139	278	139	2,222
Ending Cash Balance	**800**	**427**	**698**	**226**	**1,548**	**1,342**	**1,199**	**749**	**571**	**365**	**222**	**189**	**173**	**222**	**206**	**206**
Interim Financing																
Beginning Balance	9,375	9,375	9,375	10,625	10,625	10,625	10,625	10,625	10,625	10,625	10,625	10,625	11,042	11,181	11,458	9,375
Draws / (Repayments)	-	-	1,250	-	-	-	-	-	-	-	-	417	139	278	139	2,222
Ending Balance	**9,375**	**9,375**	**10,625**	**10,625**	**10,625**	**10,625**	**10,625**	**10,625**	**10,625**	**10,625**	**10,625**	**11,042**	**11,181**	**11,458**	**11,597**	**11,597**
Interim Financing - in USD																
Beginning Balance	6,750	6,750	6,750	7,650	7,650	7,650	7,650	7,650	7,650	7,650	7,650	7,650	7,950	8,050	8,250	6,750
Draws / (Repayments)	-	-	900	-	-	-	-	-	-	-	-	300	100	200	100	1,600
Ending Balance - in USD	**6,750**	**6,750**	**7,650**	**7,650**	**7,650**	**7,650**	**7,650**	**7,650**	**7,650**	**7,650**	**7,650**	**7,950**	**8,050**	**8,250**	**8,350**	**8,350**

Notes:

[1] The purpose of this cash flow projection is to determine the liquidity requirements of the Wabush CCAA Parties during the forecast period.
[2] Forecast receipts consist primarily of storage fees from the Bloom Lake CCAA Parties for the storage of certain assets at Pointe Noire and are based on the amounts and payment terms of the underlying agreement. Forecast receipts also include mortgage payments as well as proceeds from the sale of certain residential properties owned by Wabush Mines.
[3] Forecast Payroll & Employee Benefits disbursements are forecast based on current staffing levels and recent payroll amounts, and do not include any payments in respect of post-employment benefits nor other restricted payments described in section 25(h) of the Interim Financing Term Sheet.
[4] Forecast disbursements in respect of Contractors consist primarily of environmental monitoring and containment activities related to the Scully mine and the Pointe Noire facilities, and are assumed to be paid when services are rendered.
[5] Forecast Utilities disbursements consist primarily of hydro costs to maintain the Scully Mine and Pointe Noire facilities and reflect current payment terms, rates and estimated consumption over the forecast period.
[6] Forecast Other Operating Disbursements reflect costs of on-going monitoring and maintenance of the Scully mine and Pointe Noire facilities not reflected in other line items. The timing of Other Operating Disbursements is assumed to be cash on delivery.
[7] Forecast Restructuring Professional Fees consist of legal, financial and sale advisor fees associated with the CCAA proceedings.
[8] The cash flow projection includes draws/(repayments) under the Interim Financing from Cliffs Mining Company.
[9] Forecast amounts denominated in U.S. dollars are converted to Canadian dollars at the rate of USD 0.72/CAD.

Appendix B

The 2nd Interim Financing Amendment

CLIFFS

CLIFFS NATURAL RESOURCES INC.
Cliffs Mining Company
200 Public Square, Suite 3300, Cleveland, OH 44114
P 216.694.5700 cliffsnaturalresources.com

January 20, 2016

Via Email

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

Attention: Steven Weisz / Milly Chow

Dear Madames/Sirs:

Re: Indebtedness of Wabush Resources Inc. and Wabush Iron Co. Limited to Cliffs Mining Company as Interim Lender

We refer to the interim financing term sheet dated as of May 19, 2015, as amended (the "**Interim Financing Term Sheet**") between Cliffs Mining Company as lender (the "**Interim Lender**") and Wabush Resources Inc. and Wabush Iron Co. Limited as borrowers (together, the "**Borrowers**"). Unless otherwise specified, capitalized terms used herein have the meanings ascribed thereto in the Interim Financing Term Sheet.

Pursuant to section 14 (Repayment) of the Interim Financing Term Sheet, the Interim Facility is repayable in full on the Maturity Date. The Maturity Date is defined with reference to the earliest to occur of certain events, including the date which is six months from the date of the Initial Order, being November 20, 2015 (the "**Outside Date**"). Further, pursuant to section 14 of the Interim Financing Term Sheet, the Maturity Date may be extended from time to time at the request of the Borrowers with the prior written consent of the Interim lender, for such period and on such terms and conditions as the Borrowers and the Interim Lender may agree.

By letter dated October 23, 2015, the Interim Lender agreed to extend the Outside Date until February 19, 2016. The Borrowers have requested that the Interim Lender extend the Outside Date for an additional three month period to accommodate the Borrowers' ongoing restructuring efforts within the CCAA Proceeding.

Guarantors

COMPAGNIE DE CHEMIN DE FER ARNAUD
ARNAUD RAILWAY COMPANY

Per: Clifford T. Smith

Name: Clifford T. Smith
Title:
I have authority to bind the corporation.

WABUSH LAKE RAILWAY COMPANY, LIMITED

Per: Clifford T. Smith

Name: Clifford T. Smith
Title:
I have authority to bind the corporation.

Further to the Borrowers' request, we confirm that the Interim Lender and the Credit Parties have agreed to extend the Outside Date until May 19, 2016.

In all other respects, the Interim Financing Term Sheet shall remain in effect, unamended.

Please confirm your agreement to amend the Interim Financing Term Sheet on the basis described above by executing and returning to the undersigned a copy of this letter agreement today.

Yours very truly,

CLIFFS MINING COMPANY

Per: James D. Graham

cc: Nigel Meakin / Steven Bissell, FTI Consulting Canada Inc.
Sylvain Rigaud / Evan Cobb, Norton Rose Fulbright Canada LLP

Each of the undersigned confirms its agreement to amend the terms of the Interim Financing Term Sheet in accordance with the terms of this letter agreement.

Borrowers

WABUSH RESOURCES INC.

Per: Clifford T. Smith

Name: Clifford T. Smith
Title:
I have authority to bind the corporation.

WABUSH IRON CO. LIMITED

Per: Clifford T. Smith

Name: Clifford T. Smith
Title:
I have authority to bind the corporation.