

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Commercial Division

File: No: 500-11-048114-157

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

**BLOOM LAKE GENERAL PARTNER
LIMITED, QUINTO MINING
CORPORATION, 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

**THIRTY-EIGHTH 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, 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 Québec (the “**Court**”), providing for, *inter alia*, a stay of proceedings against the Bloom Lake Petitioners until February 26, 2015, (the “**Bloom Lake Stay Period**”) and appointing FTI Consulting Canada Inc. as monitor (the “**Monitor**”). The relief granted in the Bloom Lake Initial Order was also extended to The Bloom Lake Iron Ore Mine Limited Partnership (“**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, providing an interim facility of up to US\$10 million. 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 June 30, 2017.
4. On June 22, 2015, Mr. Justice Hamilton J.S.C. granted an Order (the “**June 22 Rep Order**”) *inter alia*:
 - (a) Appointing Michael Keeper, Terence Watt, Damin Lebel and Neil Johnson as representatives (the “**Representatives**”) of the Salaried Members (as defined in the June 22 Rep Order); and
 - (b) Appointing Koskie Minsky LLP and Nicholas Scheib (collectively “**Representative Counsel**”) as legal counsel to the Representatives.
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 thirty-seven reports in respect of various aspects of the CCAA Proceedings. The purpose of this, the Monitor's Thirty-Eighth Report (this "**Report**"), is to provide information to the Court with respect to:
 - (a) The CCAA Parties current cash balances;
 - (b) The CCAA Parties' cash flow forecast for the period July 1 to December 1, 2017 (the "**June 20 Forecast**");
 - (c) The current status of the realization of the assets of the CCAA Parties;
 - (d) The CRA ITA Audit, as defined in the Monitor's Thirty-Fourth Report;
 - (e) The progress of the Claims Procedure;
 - (f) The Newfoundland Reference;
 - (g) The 2014 Reorganization;
 - (h) The Allocation Motion;
 - (i) The current estimates of potential distributions to creditors;
 - (j) The MFC Minimum Royalty Litigation;
 - (k) The MFC Lift Stay Motion;
 - (l) The CCAA Parties' request for an extension of the Stay Period to November 30, 2017, and the Monitor's recommendation thereon;

- (m) The motion filed May 29, 2017, by The Kami Mine Limited Partnership (“**Kami LP**”) and Alderon Iron Ore Corp. (“**AIOC**” and together with Kami LP, “**Alderon**”) seeking an Order of the Court compelling the Wabush CCAA Parties to use their best efforts to obtain from the government of Newfoundland and Labrador (the “**Government**”) copies of a report entitled “Wabush Mines Viability Analysis, 2016” by Rance and Associates (the “**2016 Viability Analysis**”) and a report entitled “Wabush Mines, 2016” by Strathcona Minerals (the “**Strathcona 2016 Report**” and together with the 2016 Viability Analysis, the “**Government Reports**”) and to communicate the Government Reports to Alderon, the Monitor and the Court (the “**Alderon Motion**”); and
- (n) The motion filed June 16, 2017, by Representative Counsel seeking an Order providing *inter alia* for the payment by the Wabush CCAA Parties of legal costs of Representative Counsel of up to \$40,000 per month for the period July 1 to November 30, 2017, to a maximum of \$200,000 in the aggregate upon the rendering of sufficiently detailed accounts (subject to reasonable redaction due to solicitor-client privilege) to the Wabush CCAA Parties and subject to such invoices being approved by the Monitor (the “**Rep Counsel Fee Motion**”).

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.
- 9. The Monitor has prepared this Report in connection with the CCAA Parties' motion for an extension of the Stay Period, the Alderon Motion and the Rep Counsel Fee Motion, all scheduled to be heard June 26, 2017, and 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.

CURRENT CASH BALANCES

12. As previously reported, at the request of the CCAA Parties, the Monitor has been assisting with the administration of receipts and disbursements in order to streamline administration and reporting. All of the CCAA Parties' accounts have now been closed and all transactions are being processed through the Monitor's accounts on behalf of the CCAA Parties. Total cash balances as at June 16, 2017¹, are summarized below:

	Bloom Lake CCAA Parties	Wabush CCAA Parties	Total
	\$000	\$000	\$000
Held by Monitor			
Sale Proceeds Accounts	7,659	6,612	14,271
Operating Accounts	2,249	2,755	5,004
Minimum Royalty Deposits	0	5,714	5,714
GIC Investments	73,000	60,000	133,000
Total Held by Monitor	82,908	75,081	157,989

* In addition, the Monitor holds a deposit of \$750,000 in respect of the Scully Mine Transaction

THE JUNE 20 FORECAST

13. The June 20 Forecast is attached hereto as **Appendix A**. The June 20 Forecast excludes proceeds of asset realizations and is summarized below:

¹ The Monitor has not provided a variance analysis of actual cash flow versus the April 24 Forecast to June 16, 2017, as the April 24 Forecast included actual receipts and disbursements to June 9, 2016.

	Bloom Lake CCAA Parties	Wabush CCAA Parties
	\$000	\$000
Receipts	402	330
Disbursements:		
Payroll & Employee Benefits		(1,051)
Contractors		(480)
Utilities		(29)
Other Operating Disbursements		(824)
Operating Cash Flows	402	(2,054)
Restructuring Professional Fees	(2,230)	(3,883)
Projected Net Cash Flow	(1,828)	(5,937)

14. The only items in the Bloom Lake CCAA Parties forecast are interest earned and legal and professional fees. Accordingly, and consistent with the April 24 Forecast, the forecast has not been presented on a weekly basis as such presentation would provide no relevant information.

15. The forecast for the Wabush CCAA Parties has been prepared assuming that Scully Mine Transaction does not close and the Wabush Mine is abandoned effective July 28, 2017. The forecast includes the payment of accrued vacation pay and severance and termination payments for the remaining employees and has been presented on a weekly basis until July 28, 2017. Consistent with the presentation of the Bloom Lake forecast, the Wabush forecast has not been presented on a weekly basis thereafter as such presentation would provide no relevant information.

16. Of the approximately \$6.1 million of restructuring professional fees included in the June 20 Forecast, an estimated amount of approximately \$3.4 million relates to amounts already incurred.

CURRENT STATUS OF ASSETS REALIZATIONS

SEPT-ILES HOUSES

17. As previously reported, certain amounts from the proceeds of sale of the eight employee houses located in Sept-Iles were held in escrow in respect of potential withholding tax liabilities. Since the date of the Monitor's Thirty-First Report, final assessments of federal and provincial withholding tax liabilities have been received by the Wabush CCAA Parties and the amounts owing have been paid. Compliance certificates have been issued by the relevant taxation authorities.
18. All remaining amounts held in escrow in connection with withholding taxes have now been released.

CONDITIONAL SALE EMPLOYEE HOMES

19. Since the date of the Thirty-Fourth Report, two sales of Conditional Sale Employee Homes have closed. Two further sales are pending closing. Eight Conditional Sale Employee Homes remain occupied pursuant to the terms of the respective conditional sale agreements and the Wabush CCAA Parties continue to collect the amounts payable under those agreements.

THE MONT-WRIGHT CAMP TRANSACTION

20. Outstanding post-filing amounts owing to ArcelorMittal in respect of the Mont-Wright Camp were paid pursuant to a mutual release agreement between, *inter alios*, CQIM and ArcelorMittal dated as of May 5, 2017, that released all remaining claims and the Mont-Wright Camp Transaction closed on May 16, 2017.

THE WABUSH MINE

21. The Sale Approval Motion in respect of the Scully Mine Transaction is scheduled to be heard on June 26, 2017. Details of the Scully Mine Transaction and the Monitor's recommendation in respect of the Sale Approval Motion are set out in the Monitor's Thirty-Seventh Report.
22. The Replacement Financial Assurance Condition Date of the Scully Mine APA is now June 25, 2017. While at the date of this Report the Purchaser's RFA Condition has not been satisfied or waived, the Purchaser has informed the Monitor that it currently anticipates that it will shortly be in position to satisfy or waive the Purchaser's RFA Condition.

POTENTIAL TAX REFUNDS

23. As previously reported, the CCAA Parties have been seeking refunds in respect of Québec taxes and mining duties. A refund of approximately \$7.2 million was received on behalf of Bloom Lake LP on May 1, 2017. Based on the assessments received and the claims filed by Revenu Québec in the Claims Procedure, the Monitor estimates that further refunds totalling approximately \$7.9 million are due relating to pre-filing periods. Revenu Québec has a number of claims in the Claims Procedure which could give rise to potential set-off against the refunds.

INSURANCE CLAIM PROCEEDS

24. As set out in the Monitor's Thirty-Fourth Report, certain of the CCAA Parties executed an Insurance Settlement relating to a spill that occurred at the Pointe-Noire Facility prior to September 1, 2013. The proceeds of the Insurance Settlement were received on April 28, 2017.

THE CRA ITA AUDIT

25. In the Monitor's Thirty-Fourth Report, the Monitor reported that on April 18, 2017, counsel to the CCAA Parties informed the Monitor that the CCAA Parties, with the assistance of their counsel, had been dealing with the CRA ITA Audit and various requests for information by CRA in connection therewith. The Monitor further reported that it had requested copies of the correspondence from CRA and of the responses provided to CRA.
26. Counsel to the CCAA Parties has now provided electronic copies of correspondence from CRA and the CCAA Parties' responses thereto. The Monitor has requested further details regarding any requests by the CRA for which responses have not yet been provided by the CCAA Parties and any follow up requests by CRA.
27. The Monitor has requested that it be consulted on future activities regarding the CRA ITA Audit.

THE CLAIMS PROCEDURE

CLAIMS

28. The current status of the Claims Procedure is summarized below:

	Allowed/To Be Allowed		In Progress		In Dispute		To be Disallowed / Dispute Period Not Expired		Disallowance Final	
	#	\$000	#	\$000	#	\$000	#	\$000	#	\$000
Secured										
CQIM	1	139	2	69,559					8	102,816
Bloom Lake LP	19	32,274	3	143,781	3	3,737	1	567	14	118,233
Bloom Lake GP	1	1,001	1	26,415					5	1,483
Quinto Mining										
8568391 Canada									1	161
Bloom Lake Railway										
Wabush Mines	1	839	4	55,203					1	25,774
WICL			2	9,101						
WRI			2	13,646						
Arnaud Railway			3	55,569						
Wabush Lake Railway			2	54,937						
Total Secured	22	34,253	19	428,211	3	3,737	1	567	29	248,467
Unsecured										
CQIM	59	706,271	14	1,184,269			1	6,541	18	37,287
Bloom Lake LP	189	689,755	12	673,020	1	100	1	6,338	75	56,212
Bloom Lake GP	5	590,830							13	27,041
Quinto Mining			5	16,952					11	100
8568391 Canada									9	25
Bloom Lake Railway									10	-
Wabush Mines	99	57,077	1,101	1,829,088	5	2,341			188	24,881
WICL	6	57,802	11	386,399	3	193			14	11,342
WRI	3	49,778	15	727,289	3	193			13	16,314
Arnaud Railway	5	4,255	455	61,134	3	193			21	1,766
Wabush Lake Railway	2	1,811	394	90,724	3	193			12	984
Total Unsecured	368	2,157,579	2,007	4,968,875	18	3,213	2	12,879	384	175,952
Total	390	2,191,832	2,026	5,397,086	21	6,950	3	13,446	413	424,419

29. The claims in progress are summarized as follows:

- (a) Eight claims by three creditors are municipal tax claims in the aggregate amount of approximately \$64.4 million. As previously reported, the CCAA Parties have identified and are pursuing a number of potential opportunities for municipal tax contestation that, based on current estimates, could result in reductions of approximately \$17 million in pre-filing claims if successful;

- (b) 1,932 claims in the aggregate amount of approximately \$293.4 million² are claims of former employees in respect of OPEBs and other employment related amounts, of which 843 claims in the aggregate amount of approximately \$126 million are filed on a joint and several basis against two of the CCAA Parties;
- (c) Six claims in the aggregate amount of approximately \$164.8³ million are claims related to the Wabush Salaried Pension Plan and the Wabush Hourly Pension Plan, with claims of approximately \$54.9 million in the aggregate being filed on a joint and several basis against three of the Wabush CCAA Parties;
- (d) 75 claims in the aggregate amount of approximately \$4.7 billion are Related Party Claims⁴; and
- (e) Five claims by two creditors in the aggregate amount of approximately \$161.2 million are pending further review by the Monitor, which review has been deferred pending the outcome of efforts to sell the Wabush Mine. Of this amount, \$149.2 million relates to three claims of one creditor, each in the amount of approximately \$49.7 million, related to environmental claims in respect of the Wabush Mine, which claims were filed on a joint and several basis against three of the Wabush CCAA Parties.

² Since the previous report, it has been clarified that 843 claims in the aggregate amount of approximately \$126 million are being advanced not just against Wabush Mines but also on a joint and several basis against Arnaud Railway or Wabush Lake Railway, thereby increasing the overall number and value of claims reported.

³ Updated to reflect the amounts shown in the wind-up reports.

⁴ Excluding the Related Party Claim relating to subordinated Note Y discussed in the Monitor's Twenty-Fourth Report.

Related Party Claims

30. As previously reported, the Monitor is in the process of preparing a separate report on the current status of the review of the Related Party Claims and its findings to date. While the Monitor had hoped to be able to file that report prior to the expiry of the Stay Period on June 30, 2017, the completion of the report has been delayed because of the efforts to negotiate the Scully Mine APA and file the Sale Approval Motion. The Monitor will endeavour to file that report in July.

Secured Claims

31. As previously reported, Secured Claims include:
- (a) A Related Party Claim for advances made by Cliffs Mining Company (“**CMC**”) to the Wabush CCAA Parties prior to the CCAA Proceedings (the “**CMC Secured Claim**” and the related security being the “**CMC Security**”);
 - (b) Claims relating to the Key Bank Facility (the “**Key Bank Claims**” and the related security being the “**Key Bank Security**”);
 - (c) Claims of CNR as guarantor under the Key Bank Facility and assignee and/or subrogor of the Key Bank Claims (the “**CNR Key Bank Claims**” and the related security being the “**CNR Key Bank Security**”);
 - (d) Claims of creditors holding a registered legal hypothec for construction (the “**Construction Hypothec Claims**”);
 - (e) Claims filed by the pension administrators in respect of the Wabush Hourly Pension Plan and the Wabush Salaried Pension Plan;
 - (f) Claims filed in respect of environmental obligations; and
 - (g) Claims filed in respect of unpaid property taxes.

32. Previous reports of the Monitor have included details of the independent opinions on the validity and enforceability of the CMC Security, the Key Bank Security and the CNR Key Bank Security. The determination of the value of the security for these Claims is pending the approval of the Allocation Motion.
33. The quantum of all except one Construction Hypothec Claim, as noted below, has been finally determined in accordance with the provisions of the Claims Procedure Order. The status of the adjudication of the validity of the security of the Construction Hypothec Claims, in each case subject to the allocation of proceeds and costs of realization as discussed elsewhere in this Report, is as follows:
 - (a) Sixteen Construction Hypothec Claims in the aggregate amount of approximately \$32.6 million have been allowed as secured claims;
 - (b) Three Construction Hypothec Claims in the aggregate amount of approximately \$0.9 million have been allowed as unsecured claims as the Monitor issued Notices of Revision or Disallowance in respect of the validity of the security, which notices were not disputed;
 - (c) Three Construction Hypothec Claims in the aggregate amount of approximately \$4 million are in dispute as to the validity of security as the claimants filed Notices of Dispute in response to the Notices of Revision or Disallowance in respect of the validity of the security issued by the Monitor;
 - (d) One Construction Hypothec Claim in the amount of approximately \$0.2 million is in dispute as to quantum and the validity of security as the claimant filed a Notice of Dispute in response to the Notices of Revision or Disallowance in respect of both aspects of the Construction Hypothec Claim; and

- (e) The determination of three Construction Hypothec Claims in the aggregate amount of approximately \$1.1 million remain under review in respect of the validity of the security.

Pension Claims

- 34. As reported in the Monitor's Thirty-First Report, Morneau Shepell, the replacement administrator of the Wabush Salaried Pension Plan and the Wabush Hourly Pension Plan (the "**Pension Administrator**") filed wind-up reports quantifying the wind-up deficits of the Wabush Salaried Pension Plan and the Wabush Hourly Pension Plan as at December 16, 2016 as \$27,450,000 and \$27,486,548 respectively. As at the date of this Report, the wind-up reports have not yet been approved by the relevant regulators. No timeline for such approval has been provided to the Monitor.
- 35. Also as reported in the Monitor's Thirty-First Report, on September 21, 2016, the Monitor filed a motion for advice and directions with respect to the potential priority of the various aspects of the pension plan claims (the "**Pension Priority Motion**"). The Court heard representations in respect of jurisdictional matters, including the request by certain parties that aspects of the Pension Priority Motion be transferred to the Newfoundland court and determined that no aspect of the Pension Priority Motion was to be transferred to the Newfoundland court. The Pension Priority Motion is now scheduled to be heard on June 28 and 29, 2017.

OPEB Claims

- 36. The Monitor continues to work with Representative Counsel, the USW and their actuary to determine the appropriate basis of the calculation of the OPEB claims. The calculation methodology will be applied consistently across the group of claimants.

37. Following its review of the methodology and underlying assumptions used by Representative Counsel, the USW and their actuary in their calculation of the OPEB claims, the Monitor requested that the calculations be run with amendments to some assumptions. The Monitor is awaiting the output of those calculations from the actuary of the Representative Counsel and the USW in order to formulate its preliminary adjudication of the OPEB claims. It is expected that the actuary will be able to provide the revised calculations by June 30, 2017.

THE NEWFOUNDLAND REFERENCE

38. The Newfoundland Reference refers the following questions (the “**Reference Questions**”) to the Newfoundland and Labrador Court of Appeal (the “**Newfoundland COA**”), as set out in Order in Council 2017-013 issued on March 27, 2017:
- (a) The Supreme Court of Canada has confirmed in *Sun Indalex Finance, LLC v. United Steelworkers*, 2013 SCC 6, that, subject only to the doctrine of paramountcy, provincial laws apply in proceedings under the *Companies’ Creditors Arrangement Act*, RSC 1985 c. C-36. What is the scope of section 32 of the *Pension Benefits Act*, 1997, SNL 1996, cP-4.01 deemed trusts in respect of:
 - (i) Unpaid current service costs;
 - (ii) Unpaid special payments; and,
 - (iii) Unpaid wind-up liability?
 - (b) The Salaried Plan is registered in Newfoundland and Labrador and regulated by the *Pension Benefits Act*, 1997.

- (i) Does the federal *Pension Benefits Standards Act, R.S.C. 1985, c-32* deemed trust also apply to those members of the Salaried Plan who worked on the railway (i.e., a federal undertaking)?
 - (ii) If yes, is there a conflict with the *Pension Benefits Act, 1997* and *Pension Benefits Standards Act*? If so, how is the conflict resolved?
 - (iii) Does the Quebec *Supplemental Pension Plans Act, CQLR, c. R-15.1* also apply to those members of the Salaried Plan who reported for work in Quebec?
 - (iv) If yes, is there a conflict with the *Pension Benefits Act, 1997* and the Quebec *Supplemental Pensions Plan Act*? If so, how is the conflict resolved?
 - (v) Do the Quebec *Supplemental Pension Plans Act* deemed trusts also apply to Quebec Salaried Plan members?
- (c) Is the *Pension Benefits Act, 1997* lien and charge in favour of the pension plan administrator in section 32(4) of the *Pension Benefits Act, 1997* a valid secured claim in favour of the plan administrator? If yes, what amounts does this secured claim encompass?
39. As previously reported, on May 15, 2017, the Monitor filed a Notice of Intention to Intervene in the Newfoundland Reference, together with an application with the Newfoundland COA (the “**Monitor’s Reference Application**”) for an order granting the following relief:
- (a) That, pursuant to Rule 31 (2) of the Civil Appeal Rules, the May 5 Reference Order be reheard by a panel of the Newfoundland COA; and

- (b) That paragraph 5 of the May 5 Reference Order⁵ be stayed until full argument can be heard with respect to the timing and scope of the Newfoundland Reference.

40. During the latest Court hearing held on May 31, 2017, Mr. Justice Hamilton stated:

“I also have problem with the Newfoundland Reference. The Newfoundland reference is as it currently stands is very broad and clearly infringes upon my jurisdiction. It's not up to me to tell the Newfoundland Court that but the Newfoundland Court current reference in my view is far too broad and the result of that is going to be that after I hear the parties in June, I have a choice. I can either render my judgment without waiting for Newfoundland to render its judgment or I can wait for the Newfoundland judgment. And if the Newfoundland judgment is going to deal with issues that are within my jurisdiction, I have absolutely no interest in waiting for their judgment because then I'm going to be told that Newfoundland has already decided these issues and if there's going to be a contradiction between the two judgments, I just assume that their judgment be the contradictory one, not mine.

So the result of all of that is that unless the Newfoundland Court narrows its focus to what in my view would be appropriate focus, I have absolutely no interest in waiting for their judgment and therefore I'm not sure what, I'm not sure on what basis I would be authorizing a broader mandate for the employees to participate in the process

⁵ Paragraph 5 of the May 5 Reference Order provides for the publication of newspaper notices.

which isn't going to have much use to anybody because they'll render a judgment that will come after mine and that will be of no assistance to me and that will have no effect with respect to these proceedings.”

41. The Monitor’s Reference Application was heard as part of the status hearing in respect of the Newfoundland Reference that took place on June 9, 2017 (the “**Reference Status Hearing**”).
42. The Newfoundland COA issued a ruling, a copy of which is attached hereto as **Appendix B**, following the Reference Status Hearing holding that, *inter alia*:
 - (a) The Newfoundland COA did not yet consider itself in a position to determine the extent to which, if at all, it should decline to answer one or more of the Reference Questions:
 - (b) Generally speaking, the questions posed on a reference should not be directed at determining parties’ rights and that the CCAA Court will determine those rights;
 - (c) In determining the parties’ rights, the CCAA Court may or may not advert to or apply the opinion of the Newfoundland COA provided in the Newfoundland Reference; and
 - (d) The parties may make submissions as to whether the Newfoundland COA should decline to answer a question, or any part thereof, or narrow the scope of a question as part of submissions made at the hearing of the Newfoundland Reference.
43. The Newfoundland COA also issued an amended timetable for perfection of the Newfoundland Reference at the Reference Status Hearing as follows:

- (a) June 30, 2017 - Filing of record and Notice of Constitutional Questions by any participant to be filed and delivered;
 - (b) July 26, 2017 – Factum of Superintendent of Pensions Newfoundland and Labrador to be filed;
 - (c) August 2, 2017 – Factum of Representative Counsel to be filed;
 - (d) August 23, 2017 – Facta of Attornies General of Canada and Québec and of other intervenors to be filed;
 - (e) September 8, 2017 – Factum of Attorney General of Newfoundland and Labrador to be filed; and
 - (f) September 21 and 22, 2017 – Hearing of Newfoundland Reference.
44. Given the comments of Mr. Justice Hamilton and the acknowledgment of the Newfoundland COA that the CCAA Court has jurisdiction to determine the Pension Priority Motion, there is arguably no benefit from the estate funds being expended on the continued participation of the Monitor or the Wabush CCAA Parties in the Newfoundland Reference.
45. Representative Counsel has informed the Monitor that it will be seeking funding from the Government for participation in the Newfoundland Reference and that it will not be seeking funding from the Wabush CCAA Parties for the purposes of continuing to participate in the Newfoundland Reference.
46. Pursuant to paragraph 5 of the Rep Counsel Order, the appointment of the Representatives is “for the purpose of representing the Salaried Members in these CCAA proceedings and in particular with respect to proving, settling or compromising the rights and claims of the Salaried Members in these CCAA proceedings” (emphasis added).

47. Pursuant to paragraph 6 of the Rep Counsel Order, the appointment of Representative Counsel is with the mandate “to provide assistance to the Salaried Members so that the Salaried Members are able to participate in the CCAA proceedings and the restructuring process in a more efficient manner” (emphasis added).
48. The Newfoundland Reference is not part of the CCAA Proceeding nor part of the restructuring process. Accordingly, it is not clear to the Monitor under what mandate or on what authority the Representatives and Representative Counsel purport to represent the Salaried Members for the purposes of the Newfoundland Reference.
49. The Monitor does have some concern that the Newfoundland COA may not be given a balanced view of the facts and circumstances if Representative Counsel participates in the Newfoundland Reference and the Monitor, or the Wabush CCAA Parties, do not. Accordingly, the Monitor continues to assess the whether it and/or the Wabush CCAA Parties should continue to participate in the Newfoundland Reference.

THE 2014 REORGANIZATION

50. As noted in the Monitor’s Thirty-Fourth Report, the Monitor has commenced “without prejudice” discussions with legal counsel to CNR and its non-filed affiliates (“**CNR Counsel**”) with respect to the 2014 Reorganization and its effect on the CQIM estate and its creditors with a view to agreeing the factual matrix of the 2014 Reorganization and any potential claim arising therefrom, identifying any areas of dispute and determining the process for bringing any claim or proposed settlement forward for consideration by the stakeholders and the Court.

51. Since the date of the Monitor's Thirty-Fourth Report, such discussions have continued. CNR Counsel has provided a summary of calculations, prepared by or for CNR, of the value at various dates of the Australian subsidiaries transferred from CQIM as part of the 2014 Reorganization and the Monitor is now commencing the process of undertaking due diligence on those calculations.
52. Subject to Court approval, CNR and the Monitor have entered into a "tolling agreement" with respect to any statutory limitation periods related to any claims or actions that may arise from the 2014 Reorganization or from any other transactions involving the non-filed related parties and the CCAA Parties in order that there is no concern that any statutory limitation periods may expire while the Monitor's investigations and discussions with CNR Counsel continue. A copy of the tolling agreement dated June 21, 2017 (the "**2014 Reorg Tolling Agreement**"), is attached hereto as **Appendix C**.
53. The Monitor intends to file a motion for approval of the 2014 Reorg Tolling Agreement, returnable as soon as possible.

THE ALLOCATION MOTION

54. The Allocation Motion is described in the Monitor's Thirty-Sixth Report and was originally returnable on May 31, 2017.
55. Notices of objection in respect of the Allocation Motion were filed by the following parties (the "**Objecting Parties**"):
 - (a) The USW;
 - (b) The Representatives;
 - (c) The Office of the Superintendent of Financial Institutions;
 - (d) The Superintendent of Pensions of Newfoundland and Labrador;

(e) The Pension Administrator; and

(f) The City of Vermont.

56. As a result of the filing of the notices of objection, the Allocation Motion was adjourned to June 26, 2017.

57. Each of the Objecting Parties other than the City of Vermont has now confirmed to the Monitor that it has withdrawn its objection.

ESTIMATED RANGES OF POTENTIAL DISTRIBUTIONS

58. At paragraph 69 of its Thirty-Fourth Report, the Monitor provided a summary of its estimate of the ranges of potential distributions to unsecured creditors from the estates of each of the CCAA Parties based on the information available at that time.

59. The Monitor has now updated its estimates based on the information currently available with respect to costs and realizations to date, the current status of claims and assumptions regarding potential future realizations. No amounts have been included in the estimates for any amounts that might be recoverable in respect of the 2014 Reorganization. The estimate utilizes the allocation methodology set out in the Allocation Motion. The current estimate of the ranges of potential distributions to unsecured creditors from the estates of each of the CCAA Parties, assuming that the Related Party Claims other than Note Y (which by its terms is subordinated) are valid as filed, are summarized below:

	Low	High
Bloom Lake LP	1.82%	2.03%
Bloom Lake GP	0.00%	0.00%
CQIM	2.38%	2.76%
Quinto Mining	54.78%	61.08%
Arnaud Railway	0.00%	20.07%
WICL	0.00%	1.07%
Wabush Lake Railway	0.00%	1.00%
Wabush Mines ¹	0.00%	0.00%
WRI	0.00%	2.60%

¹Wabush Mines is an unincorporated joint venture, accordingly it has no assets or liabilities of its own and distributions would be through the joint venturers, WICL and WRI

THE MFC LITIGATION

THE MFC ROYALTY LITIGATION

60. Pursuant to the December 4 Order, the Wabush CCAA Parties have made deposits of \$812,250 with the Monitor in December 2015, January 2016, April 2016, July 2016, October 2016, January 2017 and April 2017 for amounts potentially payable in respect of the Minimum Royalty Payment.

61. The MFC Royalty Litigation is scheduled to be heard on July 19, 20 and 21, 2017.

THE MFC LIFT STAY MOTION

62. The MFC Lift Stay Motion seeks the lifting of the stay of proceedings in order for MFC to terminate the MFC Sub-Lease. The MFC Lift Stay Motion is scheduled to be heard on June 26, 2017.

63. As described in the Monitor's Thirty-Seventh Report, the Vendors have filed the Sale Approval Motion, returnable June 26, 2017, seeking approval of the Scully Mine Transaction, including the assignment of the MFC Sub-Lease. As set out in the Monitor's Thirty-Seventh Report, the Monitor is of the view that the approval of the Scully Mine Transaction is in the best interests of the creditors of the Vendors and of the Vendors' stakeholders generally and the Monitor supports the Vendors' request for approval of the Scully Mine Transaction.
64. If the Purchaser's RFA Condition is satisfied and the Scully Mine Transaction is approved by the Court, as requested by the Vendors and recommended by the Monitor, it is the Monitor's view that the MFC Lift Stay Motion must necessarily be denied as the assignment of the MFC Sub-Lease is a condition precedent to the Scully Mine Transaction.
65. The Monitor will provide its position with respect to the MFC Lift Stay Motion in the circumstance where the Purchaser's RFA Condition is not satisfied or the Scully Mine Transaction is not approved by the Court if such circumstance arises.

REQUEST FOR AN EXTENSION OF THE STAY PERIOD

66. The Stay Period currently expires on June 30, 2017. Additional time is required for the CCAA Parties and the Monitor to complete the CCAA Proceedings, including the following activities:
 - (a) Closing the Scully Mine Transaction, if the conditions to closing are satisfied and the Scully Mine Transaction is approved by the Court;
 - (b) If the Scully Mine Transaction does not close and is terminated, disclaiming the MFC Sub-Lease and abandoning the balance of the assets associated with the Scully Mine;
 - (c) Continuing to address, to the extent necessary and appropriate, the CRA ITA Audit;

- (d) Resolving the MFC Litigation by way of agreement among the parties or, if not so resolved, to proceed with the hearing currently scheduled for July 19, 20 and 21, 2017;
 - (e) Participating, to the extent necessary and appropriate, in the Newfoundland Reference; and
 - (f) Completing the investigation of the 2014 Reorganization and the effect thereof and determining what, if any, action should be taken with respect thereto;
 - (g) Completing the Claims Procedure;
 - (h) Determining, subject to Court approval, an appropriate mechanism to effect distributions to creditors, whether by way of plan of arrangement, distribution order or otherwise;
 - (i) Completing the other activities described in this Report; and
 - (j) Undertaking the other activities necessary to complete the CCAA Proceedings.
67. 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 November 30, 2017.
68. The June 20 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 during the requested extension of the Stay Period.

69. The CCAA Proceedings are complex and various aspects of the CCAA Parties are 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 most efficient and effective way that such co-ordination can be achieved and that the proceedings can be completed for the benefit of all stakeholders. The Monitor will continue to work with the CCAA Parties to endeavour to ensure that cost efficiency is maximized during any extension of the Stay Period.
70. Based on the information currently available, the Monitor believes that creditors of the CCAA Parties would not be materially prejudiced by an extension of the Stay Period to November 30, 2017.
71. 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.
72. The Monitor therefore respectfully recommends that this Honourable Court grant the CCAA Parties' request for an extension of the Stay Period to November 30, 2017. The Monitor intends to provide a status report on the progress of matters mid-way through the extension of the Stay Period, if the request for the extension is granted.

THE ALDERON MOTION

73. As noted earlier in this Report, the Alderon Motion seeks an Order of the Court compelling the Wabush CCAA Parties to use their best efforts to obtain from the Government the Government Reports and to communicate the Government Reports to Alderon, the Monitor and the Court.

74. Alderon attempted to obtain the Government Reports through a request (the “**AITPP Request**”) pursuant to the *Access to Information and Privacy Protection Act*. The Government declined to provide the Government Reports. It is the Monitor’s understanding that the denial of the AITPP Request was not appealed.
75. As described in Confidential Appendix D to the Monitor’s Thirty-Third Report, the Monitor informed the Court that on March 17, 2017, counsel to Alderon wrote to counsel for the Monitor asking whether the Monitor was aware of certain economic viability studies in respect of the Wabush Mine that Alderon believed the Government had obtained, including the Government Reports.
76. On March 21, 2017, counsel to the Monitor responded to counsel to Alderon and advised, *inter alia*, that:
- (a) The Monitor and the Wabush CCAA Parties were not aware of the alleged Government Reports, and
 - (b) The Monitor did not believe that there was any need to obtain the Government Reports for the purposes of the Wabush Mine Sale Procedure.
77. Alderon is neither a creditor of any of the CCAA Parties nor a stakeholder in the CCAA Proceedings. To the best of the Monitor’s knowledge, Alderon’s only connection to the CCAA Proceedings is as an unsuccessful bidder in the Wabush Mine Sale Procedure⁶. Accordingly, it is unclear what standing Alderon has to bring the Alderon Motion.

⁶ The deposit submitted in the Wabush Mine Sale Procedure in respect of the Kami Proposal has been returned.

78. Regardless, the Monitor remains of the view that the Government Reports have no relevance to the Wabush Mine Sale Procedure or to the CCAA Proceedings generally. The Monitor is also of the view that there is no apparent circumstance where the Government Reports be of any assistance to the CCAA Parties, the Monitor or the Court.
79. Accordingly, the Monitor recommends that the Alderon Motion be dismissed.

THE REP COUNSEL FEE MOTION

80. As noted earlier in this Report, the Rep Counsel Fee Motion seeks an Order providing *inter alia* for the payment by the Wabush CCAA Parties of legal costs of Representative Counsel of up to \$40,000 per month for the period July 1 to November 30, 2017, to a maximum of \$200,000 in the aggregate upon the rendering of sufficiently detailed accounts (subject to reasonable redaction due to solicitor-client privilege) to the Wabush CCAA Parties and subject to such invoices being approved by the Monitor.
81. The Rep Counsel Order appointed Koskie Minsky LLP (“**KM**”) and Nicholas Scheib together as Representative Counsel. It is the Monitor’s understanding that the inclusion of Mr. Scheib as part of Representative Counsel was to ensure that Representative Counsel had the necessary Québec law expertise and French language skills, neither of which KM could provide.
82. The Monitor has been informed by Mr. Scheib that he intends to take steps to terminate his appointment under the Rep Counsel Order. The Monitor has concerns about the loss of Québec law expertise and French language skills to Representative Counsel, which concerns it has discussed with KM. KM has informed the Monitor that it is seeking alternative Québec based counsel to replace Mr. Scheib.

83. The Monitor continues to be of the view that the involvement of Representative Counsel is beneficial. The Monitor has no objection to the cap on legal fees proposed in the Rep Counsel Fee and Scope Motion, noting that actual costs must be validly incurred in accordance with the June 22 Rep Order.
84. The Monitor does not consider that the continued participation of Representative Counsel in the Newfoundland Reference is necessary for it to fulfil its mandate under the Rep Counsel Order and does not consider it appropriate for the Wabush CCAA Parties to fund any costs of Representative Counsel in respect of the Newfoundland Reference.
85. As noted earlier in this Report, Representative Counsel has informed the Monitor that it will not seek funding by the Wabush CCAA Parties of any costs in respect of the Newfoundland Reference. The Monitor recommends that if the Court grants the Rep Counsel Fee Motion, the resultant order should specifically exclude any funding of legal fees, disbursements and taxes of Representative Counsel related to the Newfoundland Reference or any other proceedings outside the CCAA Court, unless specifically approved by further Order of the Court.

The Monitor respectfully submits to the Court this, its Thirty-Eighth Report.

Dated this 21st day of June, 2017.

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
Senior Managing Director



Steven Bissell
Managing Director

Appendix A

June 20 Forecast

CCAA Parties' Cash Flow Projection

Amounts in CAD in thousands (\$000s)

Week Ending Friday Forecast Week	Wabush									Wabush	Bloom Lake	Combined	
	16-Jun-17	23-Jun-17	30-Jun-17	7-Jul-17	14-Jul-17	21-Jul-17	28-Jul-17	4-Aug-17	11-Aug-17	Aug 12 - Dec 1	Total	Total	Total
	1	2	3	4	5	6	7	8	9	10 to 25	1 to 25	1 to 25	
Cash Flow from Operations													
Receipts	-	-	-	-	-	-	-	330	-	-	330	402	732
Payroll & Employee Benefits	-	(25)	-	(25)	-	(25)	-	(976)	-	-	(1,051)	-	(1,051)
Contractors	(20)	(2)	(149)	-	(12)	-	(149)	-	(148)	-	(480)	-	(480)
Utilities	(3)	(8)	-	-	(9)	-	-	-	(9)	-	(29)	-	(29)
Other Operating Disbursements	-	-	(4)	-	(4)	(812)	(4)	-	-	-	(824)	-	(824)
Operating Cash Flows	(23)	(35)	(153)	(25)	(25)	(837)	(153)	(646)	(157)	-	(2,054)	402	(1,652)
Restructuring Professional Fees	(244)	(1,861)	(493)	(27)	(18)	(18)	(171)	(109)	(305)	(637)	(3,883)	(2,230)	(6,113)
Projected Net Cash Flow	(267)	(1,896)	(646)	(52)	(43)	(855)	(324)	(755)	(462)	(637)	(5,937)	(1,828)	(7,765)

Wabush CCAA Parties - 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] Forecasted Receipts relate to interest on GIC investments.
- [3] Forecast Payroll & Employee Benefits disbursements are forecast based on current staffing levels and recent payroll amounts. On the abandonment of Scully Mine in July, the 4 remaining employees are assumed to be paid severance and termination, and their outstanding vacation.
- [4] Forecast disbursements in respect of Contractors consist primarily of environmental monitoring and containment activities related to the Scully mine, and are assumed to be paid in when incurred. The forecast does not include any amounts for the ordering of dust control supplies as it is assumed that the Scully Mine would be abandoned before the summer dust control program would have to be implemented.
- [5] Forecast Utilities disbursements consist primarily of hydro costs to maintain the Scully Mine 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 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 and financial advisor fees associated with the CCAA proceedings.

Bloom Lake CCAA Parties - 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] Forecasted Receipts relate to interest on GIC investments.
- [3] Forecast Payroll & Employee Benefits disbursements are nil as there are no employees remaining following the closing of the sale of the Bloom Lake business and assets.
- [4] 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.

Appendix B

June 9 Reference Ruling



File No. 2017 01H 0029

**IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
COURT OF APPEAL**

IN THE MATTER OF Section 13 of
Part 1 of the *Judicature Act*, RSNL
1990, c. J.-4

AND

IN THE MATTER OF Section 32 of
the *Pension Benefits Act*, 1997, SNL
1996, c. P-4.01

AND

IN THE MATTER OF a Reference
of The Lieutenant-Governor in
Council to the Court of Appeal for its
hearing, consideration and opinion on
the interpretation of the scope of s. 32
of the *Pension Benefits Act*, 1997

**RULING ON APPLICATION FOR DIRECTIONS
JUNE 9, 2017**

A handwritten signature in blue ink, appearing to be 'JTB', with a checkmark below it.

Filed	June 13/17	JB
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By the Court:

[1] Having heard the submissions of counsel, we are satisfied that the questions set out in the reference put by the Lieutenant-Governor in Council in Order-in-Council 2017-103, should be considered at the hearing in the language stipulated in the Order-in-Council. Whilst we are mindful of the importance of promoting judicial efficiency, we do not consider ourselves to be in a position today to determine the extent to which, if at all, we should decline to answer one or more of the questions posed or to interpret their scope.

[2] That said, we are cognizant of the concerns of some of the participants that the questions may invite the Court to opine in such a way as to impact the decisions of the Quebec CCAA Court that will determine the rights of the parties. Generally speaking, we subscribe to the view that questions posed on a reference should be treated as raising hypothetical questions and not directed at determining parties' rights.

[3] As recognized in case law, a reference is an advisory opinion provided by the Court at the request of the Lieutenant-Governor in Council. The CCAA Court in determining the matter before it may or may not advert to or apply the opinion provided by this Court. That said, the context of a reference is important. Accordingly, hypotheticals are useful to provide a context within which the questions can be considered. The record on the reference, therefore, should be limited to providing that context.

[4] The parties may, of course, make submissions as to whether the Court should decline to answer a question or part thereof, or narrow the scope of a question as part of the submissions made for purposes of the reference hearing.

**COURT
OFFICER**

REGISTRAR

Appendix C

Tolling Agreement

TOLLING AGREEMENT

This Agreement is made as of June 21, 2017 (the "**Effective Date**") between on the first part Cliffs Natural Resources Inc. ("**CNR**") including, for the purposes of this Agreement, any subsidiary body corporate and any affiliated body corporate of CNR (collectively the "**Cliffs Parties**"), as these terms are defined in the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (the "**CBCA**"), as well as any predecessor of CNR including for greater certainty Cleveland-Cliffs International Holding Company, Cliffs (Gibraltar) Limited, Cliffs (Gibraltar) Holdings Limited, Cliffs (Gibraltar) Holdings Limited Luxembourg SCS, Cliffs Natural Resources Luxembourg S.à r.l., Cliffs Finance Lux SCS, Cliffs International Luxembourg I Sarl, Cliffs Subscription LLC and Cliffs Canada Finance ULC, but excluding the Bloom Lake CCAA Parties (as hereinafter defined) and the Wabush CCAA Parties (as hereinafter defined), and on the second part FTI Consulting Canada Inc. in its capacity as court-appointed monitor (as described below):

WITNESSETH:

WHEREAS on January 27, 2015 an order (as amended from time to time, the "**Bloom Lake Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "**CCAA**") was rendered with regards to Bloom Lake General Partner Limited, Quito Mining Corporation, 8568391 Canada Limited, Cliffs Quebec Iron Mining ULC ("**CQIM**"), The Bloom Lake Iron Ore Mine Limited Partnership, and Bloom Lake Railway Company Limited (collectively, the "**Bloom Lake CCAA Parties**") by the Québec Superior Court for the District of Montréal (the "**Court**");

WHEREAS on May 20, 2015 an order (as amended from time to time, the "**Wabush Initial Order**") under the CCAA was rendered with regards to Wabush Iron Co. Limited, Wabush Resources Inc., Wabush Mines, Arnaud Railway Company, and Wabush Lake Railway Company Limited (collectively, the "**Wabush CCAA Parties**") by the Court;

WHEREAS pursuant to the Bloom Lake Initial Order and the Wabush Initial Order, FTI Consulting Canada Inc. has been appointed as the monitor of the Bloom Lake CCAA Parties and the Wabush CCAA Parties (the "**Monitor**");

WHEREAS in December 2014, a multi-stage corporate reorganization was implemented to which CQIM and certain Cliffs Parties were parties (the "**2014 Reorganization**");

WHEREAS the Monitor has commenced "without prejudice" discussions with legal counsel to the Cliffs Parties with respect to the 2014 Reorganization and its effect on the CQIM estate and its creditors with a view to agreeing the factual matrix of the 2014 Reorganization and discussing any potential claims arising therefrom or from other transactions involving the Cliffs Parties and the Bloom Lake CCAA Parties or the Wabush CCAA Parties (the "**Potential Claims**");

WHEREAS the Cliffs Parties and the Monitor have mutually agreed to defer initiating legal proceedings or, in the case of the Monitor, taking any steps necessary to authorize or provide the required legal capacity to commence such proceedings with regards to the Potential Claims while settlement discussions are continuing; and

WHEREAS the Cliffs Parties and the Monitor (on its own behalf and on behalf of any trustee in bankruptcy that may be appointed over any of the Bloom Lake CCAA Parties and for any other person on whose behalf the Monitor may be authorized by the Court to commence a proceeding or pursue a claim) wish to suspend the running of any unexpired limitation periods existing in respect of the Potential Claims and all defences, counterclaims and cross-claims connected with or that otherwise might be pleaded in any action related to any of the Potential Claims;

NOW, THEREFORE, the Cliffs Parties and the Monitor intending to be legally bound, and in consideration of their mutual covenants herein, agree as follows:

1. Nothing herein shall be construed as an admission of liability by the Cliffs Parties.
2. Cliffs Parties hereby renounce and waive the benefit of any time limitation period or delay defence, whether established by law, statute, regulation, at common law, in equity or otherwise, which is applicable to any of the Potential Claims and which has, may have begun to run or which may begin to run at a future date and which has not elapsed as of the Effective Date but only for the period that commences six months prior to the Effective Date and ends on the Effective Date (the "Renunciation Period"). Cliffs Parties further agree that in defending any suit or suits that may be filed by any holder of a Potential Claim (including, without limitation, the Monitor, on its own behalf or on behalf of any other person as may be authorized by the Court, or any trustee in bankruptcy that may be appointed over any of the Bloom Lake CCAA Parties, or any creditor of the Bloom Lake CCAA Parties) with respect to the Potential Claims, they will not plead, assert or raise in any manner whatsoever any time-related defence based, in whole or in part, upon any time limitation period or part thereof that includes the renunciation of the Renunciation Period.
3. The entering into of this Agreement by the Cliffs Parties is not an acknowledgement or admission that there is or could be any merit to any of the Potential Claims. Cliffs Parties shall not be deemed by this Agreement to have waived, and this Agreement shall be without prejudice to, any defences, counterclaims and cross-claims to any and all claims that may be asserted by any holder of a Potential Claim (including, without limitation, the Monitor, on its own behalf or on behalf of any other person as may be authorized by the Court, or any trustee in bankruptcy that may be appointed over any of the Bloom Lake CCAA Parties, or any creditor of the Bloom Lake CCAA Parties) other than those time-related defences waived pursuant to this Agreement, or to have waived any claim or defence of any nature other than those time-related defences waived pursuant to this Agreement in respect of any person or entity that is not a party to this Agreement with respect to the Potential Claims.
4. Nothing herein shall be construed as preventing any holder of a Potential Claim, (including, without limitation, the Monitor, on its own behalf or on behalf of any other person as may be authorized by the Court, or any trustee in bankruptcy that may be appointed over any of the Bloom Lake CCAA Parties, or any creditor of the Bloom Lake CCAA Parties) from commencing or permitting or causing to commence, at any time whatsoever and in its sole discretion, directly or indirectly, alone or in concert with others, any action, suit or proceeding of any kind against Cliffs Parties.

5. Any party to this Tolling Agreement may terminate its participation in this Tolling Agreement on twenty-one (21) days' notice by providing written notice of its intention to terminate its participation in this Tolling Agreement to the other parties.
6. This Agreement binds the parties, their successors and assigns and any subsidiary or affiliated corporation or body corporate, as those terms are defined in the *CBCA*, excluding the Bloom Lake CCAA Parties and the Wabush CCAA Parties.
7. This Agreement shall be construed and enforced according to the laws of the Province of Québec and the laws of Canada in force in the Province of Québec.
8. Each of the parties hereto expressly and irrevocably submits to the exclusive jurisdiction of the Courts of the Province of Québec sitting in the judicial district of Montréal solely with respect to this Agreement but without prejudice to the right of any party to this agreement or any holder of a Potential Claim to argue jurisdictional issues in respect of a Potential Claim.
9. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument. Any such counterpart may be delivered by facsimile, telecopier, email in PDF format or similar transmission and if so delivered shall be deemed to be an original document.
10. Each Party represents and warrants to the other that it has all requisite power and authority to enter into this Agreement to perform its obligations and that this Agreement has been duly authorized, executed and delivered by it and constitutes a valid and binding obligation, enforceable against it in accordance with its terms.
11. CNR is signing this Agreement on behalf of all of its subsidiaries.
12. The Monitor intends to seek authority to sign this Agreement and approval of this Agreement from the Court as soon as possible on a *nunc pro tunc* basis. The CNR Parties agree that they will consent to any such Order of the Court, including any portion of such Order that confirms the benefits of this Agreement extend to any holder of a Potential Claim, (including, without limitation, the Monitor, on its own behalf or on behalf of any other person as may be authorized by the Court, or any trustee in bankruptcy that may be appointed over any of the Bloom Lake CCAA Parties, or any creditor of the Bloom Lake CCAA Parties).
13. The creditors, any trustee in bankruptcy and the stakeholders of the Bloom Lake CCAA Parties or any party on whose behalf the Monitor may be authorized by the Court to commence a proceeding in respect of a Potential Claim are the intended third party beneficiaries of this Agreement.
14. The parties hereto acknowledge that they have requested that this Agreement be drawn up in the English language. *Les parties aux présentes reconnaissent avoir requis que la présente entente soit rédigée en anglais.*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, effective as of the date first mentioned above.

Signed this 21st day of June, 2017
in the City of Toronto, Ontario

FTI CONSULTING CANADA INC., in its
capacity as court-appointed Monitor of the
Bloom Lake CCAA Parties and the Wabush
CCAA Parties and not in its personal or
corporate capacity



Per: Nigel P. Meador
Senior Managing Director

Per:

Signed this 21st day of June, 2017
in the City of Cleveland, Ohio

CLIFFS NATURAL RESOURCES INC.



Per: James D. Graham
Executive Vice President,
Chief Legal Officer & Secretary



Per: Timothy K. Gunning
EVA - CFO