

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-FIRST 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 (“**Quinto**”), 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 (as amended, 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 expires on January 31, 2017.
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 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.
6. 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**”).
7. To date, the Monitor has filed thirty reports in respect of various aspects of the CCAA Proceedings. The purpose of this, the Monitor’s Thirty-First 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 September 24, 2016, to January 13, 2017;
 - (b) The CCAA Parties’ revised and extended cash flow forecast for the period January 14 to June 30, 2017 (the “**January 20 Forecast**”);
 - (c) The current status of the realization of assets;
 - (d) The progress of the Claims Procedure;
 - (e) The current status of litigation matters;
 - (f) The 2014 Reorganization;
 - (g) Allocation issues with respect to proceeds of realization and the costs of the CCAA Proceedings; and
 - (h) The CCAA Parties’ request for an extension of the Stay Period to June 30, 2017, and the Monitor’s recommendation thereon.

TERMS OF REFERENCE

8. 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**").
9. 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.
10. The Monitor has prepared this Report in connection with the CCAA Parties' motion for an extension of the Stay Period scheduled to be heard January 30, 2017 (the "**January 30 Hearing**"). The Report should not be relied on for other purposes.
11. 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.
12. 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

13. Capitalized terms used in the Executive Summary are as defined in the relevant section of the Report.
14. The Monitor is 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 June 30, 2017.
15. Accordingly, the Monitor respectfully recommends that the CCAA Parties' request for an extension of the Stay Period to June 30, 2017, be granted.

RECEIPTS & DISBURSEMENTS FOR THE PERIOD TO JANUARY 13, 2017

THE BLOOM LAKE CCAA PARTIES

16. The Bloom Lake CCAA Parties' actual cash flow on a consolidated basis for the period from September 24, 2016, to January 13, 2017, excluding proceeds of major asset realizations, was in line with the September 20 Forecast, as summarized below:

	Forecast	Actual	Variance
	\$000	\$000	\$000
Receipts	0	326	326
Disbursements:			
Payroll & Employee Benefits	0	0	0
Termination & Severance	0	0	0
Utilities	0	0	0
Other Operating Disbursements	(179)	(347)	(168)
Operating Cash Flows	(179)	(21)	158
Restructuring Professional Fees	(2,248)	(2,338)	(90)
Net Cash Flow	(2,427)	(2,359)	68
Asset realizations	0	24,221	24,221
Cash Flow after Asset Realizations	(2,427)	21,862	24,289

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

- (a) The favourable variance of approximately \$0.3 million in receipts is a permanent variance arising from the refund of supplier deposits and interest earned on estate funds;
- (b) The unfavourable variance of approximately \$0.2 million in other operating disbursements is a permanent variance arising from the closure costs for the Mont-Wright Camp and tax related payments that had not been forecast; and
- (c) The unfavourable variance of approximately \$0.1 million in aggregate restructuring professional fees is comprised of favourable timing variances of approximately \$1.7 million offset by unfavourable permanent variances of approximately \$1.8 million arising due to the extensive additional amounts of work required in respect of asset realizations and the Restructuring Letter of Intent transaction¹.

¹ When combined with the variances in the Wabush CCAA cash flow, the overall professional fee variance for the period is a positive variance of approximately \$0.9 million, comprising of favourable timing variances of approximately \$2.7 million and unfavourable permanent variances of approximately \$1.8 million.

18. The Bloom Lake Initial Order permits inter-company funding between the Bloom Lake CCAA Parties. Inter-company funding in the amount of approximately \$4.1 million had been advanced by Bloom Lake LP to CQIM in the period since the start of the CCAA Proceedings to March 25, 2016. There was no additional inter-company funding advanced in the period to January 13, 2017.

THE WABUSH CCAA PARTIES

19. The Wabush CCAA Parties' actual cash flow on a consolidated basis for the period from September 24, 2016, to January 13, 2017, excluding proceeds of major asset realizations, was approximately \$4.9 million better than the September 20 Forecast, as summarized below:

	Forecast	Actual	Variance
	\$000	\$000	\$000
Receipts	51	3,845	3,794
Disbursements:			
Payroll & Employee Benefits	(172)	(188)	(16)
Contractors	(571)	(518)	53
Utilities	(114)	(44)	70
Other Operating Disbursements	(913)	(878)	35
Operating Cash Flows	(1,719)	2,217	3,936
Restructuring Professional Fees	(2,323)	(1,382)	941
Net Cash Flow	(4,042)	835	4,877
Asset realizations	0	12,918	12,918
Cash Flow after Asset Realizations	(4,042)	13,753	17,795

20. Explanations for the key variances in actual receipts and disbursements as compared to the September 20 Forecast are as follows:
- (a) The favourable variance of approximately \$3.8 million in receipts is a permanent variance arising from interest collected, tax and vehicle licensing refunds, and the refund of supplier deposits;

- (b) The favourable variance of approximately \$0.9 million in restructuring professional fees is believed to be comprised of favourable timing variances of approximately \$1.0 million that are expected to reverse in future periods combined with unfavourable permanent variances of approximately \$0.1 million.

THE JANUARY 20 FORECAST

21. The January 20 Forecast is attached hereto as **Appendix A**. The January 20 Forecast shows a net cash outflow, before proceeds of asset realizations, of approximately \$4.2 million for the Bloom Lake CCAA Parties and of approximately \$6.7 million for the Wabush CCAA Parties in the period January 14 to June 30, 2017. The January 20 Forecast is summarized below:

	Bloom Lake CCAA Parties	Wabush CCAA Parties
	\$000	\$000
Receipts	275	275
Disbursements:		
Payroll & Employee Benefits		(432)
Contractors		(1,439)
Utilities		(127)
Other Operating Disbursements	(725)	(1,708)
Operating Cash Flows	(450)	(3,431)
Restructuring Professional Fees	(3,751)	(3,219)
Projected Net Cash Flow	(4,201)	(6,650)

22. The only items in the Bloom Lake CCAA Parties forecast are interest earned, the final payment of amounts owing to Arcelor-Mittal in respect of the Mont-Wright Camp and legal and professional fees. Accordingly, the forecast has not been presented on a weekly basis as such presentation would provide no relevant information.

23. The forecast for the Wabush CCAA Parties has been prepared assuming the status quo for the Wabush Mine without the completion of a sale or the abandonment of the property. The key assumptions underlying the forecast are consistent with those used in the September 20 Forecast.
24. Of the \$3.9 million of combined aggregate net operating cash outflow shown in the January 20 Forecast, an estimated amount of approximately \$0.9 million relates to expenses already incurred. Similarly, of the \$7.0 million of restructuring professional fees included in the January 20 Forecast, an estimated amount of approximately \$2.7 million relates to amounts incurred prior to the date of this Report. Other operating disbursements include approximately \$1.6 million to be paid to and held by the Monitor in accordance with the Safeguard Order issued of the Court dated December 4, 2015, in respect of potential Minimum Royalty Payments that may become owing to MFC.
25. Based on the current information, additional potential future realizations of up to approximately \$45 million are possible, excluding any amount that may be recoverable in respect of the 2014 Reorganization. Additional information regarding the sources of potential future realizations, the significant majority of which relate to potential tax and mining duty refunds, is provided later in this Report.

CURRENT CASH BALANCES

26. 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 January 13, 2017, are summarized below:

	Bloom Lake CCAA Parties	Wabush CCAA Parties	Total
	\$000	\$000	\$000
Held by Monitor			
Sale Proceeds Accounts	21,135	15,989	37,124
Operating Accounts	6,063	5,109	11,172
Supplier Security Deposits	0	0	0
Minimum Royalty Deposits	0	4,078	4,078
GIC Investments	50,100	45,600	95,700
Total Held by Monitor	77,298	70,776	148,074

CURRENT STATUS OF ASSETS REALIZATIONS

SEPT-ILES HOUSES

27. As previously reported, certain amounts from the proceeds of sale of the eight employee houses located in Sept-Iles are currently held in escrow in respect of potential withholding tax liabilities. The Wabush CCAA Parties have now submitted the information and documentation requested by the taxation authorities and are awaiting the issuance of the compliance certificate necessary for the release of the escrowed funds.

EMPLOYEE HOMES

28. All of the single-family homes that were vacant at the commencement of the CCAA Proceedings have now been sold other than one property for which the sale has been agreed but has not yet been completed and the property on which there was an oil spill prior to the CCAA Proceedings.

29. In its Twenty-Fourth Report, the Monitor reported that the Wabush CCAA Parties were in the process of negotiating the sale of a number of the Conditional Sale Employee Homes to the occupants of such Conditional Sale Employee Homes and had made offers to the remaining occupants for the early completion of the conditional sale agreements. As at the date of the Twenty-Fourth Report, thirty offers had been accepted, eight occupants submitted a counter-proposal which was under consideration, four occupants declined the offer without making a counter-proposal and thirteen occupants had not responded.
30. Since the date of the Twenty-Fourth Report, 26 transactions for the sale of Conditional Sale Employee Homes have closed. As at the date of this Report, sales of fifteen Conditional Sale Employee Homes have been agreed and are in progress. The sale of one Conditional Sale Employee Home is currently being negotiated. Three Conditional Sale Employee Homes were surrendered pursuant to the provisions of the conditional sale agreements and are now vacant (the “**Vacant Conditional Sale Homes**”). Ten Conditional Sale Employee Homes whose occupants have not accepted an offer for the early completion of the conditional sale agreements remain occupied pursuant to the terms of the conditional sale agreements and the Wabush CCAA Parties continue to receive the amounts payable under those agreements.
31. Offers for the purchase of the Vacant Conditional Sale Homes have been accepted, subject to completion of definitive documentation.
32. In its Twenty-Fourth Report, the Monitor also reported that in addition to the 55 Conditional Sale Employee Homes, there was one additional employee home that was occupied under a rental agreement and that an offer for the purchase of that property was under negotiation. The sale of that home was completed on December 1, 2016.

THE MONT-WRIGHT CAMP TRANSACTION

33. Paragraph 39 of the Monitor’s Twenty-Fourth Report stated:

“39. The Bloom Lake CCAA Parties have accepted an offer for the sale of the Mont-Wright Camp (the “**Mont-Wright Camp Transaction**”), subject to negotiation of a definitive agreement of purchase and sale and Court approval. The Bloom Lake CCAA Parties are in the process of attempting to negotiate a definitive agreement of purchase and sale with the prospective purchaser.”

34. The prospective purchaser subsequently declined to continue negotiations of a definitive agreement.
35. In the absence of any other prospect for the sale of the Mont-Wright Camp, the Bloom Lake CCAA Parties, in consultation with the Monitor, took steps to close down the camp and to terminate ongoing obligations with respect thereto. In that regard, the Bloom Lake CCAA Parties:
 - (a) Engaged a third-party contractor to winterize and close the camp, with the work being completed in the first week of December 2016; and
 - (b) On November 30, 2016, issued a notice of disclaimer in respect of the Mont-Wright Camp services agreement with ArcelorMittal Mining Canada G.P. (“**ArcelorMittal**”) pursuant to section 32 of the CCAA, which disclaimer became effective on December 30, 2016.
36. The Bloom Lake CCAA Parties, in consultation with the Monitor, are in discussions with ArcelorMittal in respect of the final resolution of amounts owing and other matters in respect of the Mont-Wright Camp.

THE NALCOR TRANSACTION

37. The Nalcor Transaction was approved by the Court on November 18, 2016, and closed on December 14, 2016.

TOWN OF WABUSH VACANT LAND

38. As previously reported, the Wabush CCAA Parties own some small parcels of vacant land in the Town of Wabush. The Wabush CCAA Parties, with the assistance of the Monitor, have now prepared a preliminary inventory of vacant land and are awaiting additional information from the Town of Wabush to be able to complete the inventory and determine a plan for its realization.

REMAINING MASON GRAPHITE PROCEEDS

39. The Mason Graphite Homologation Motion was heard on December 8, 2016. On December 22, 2016, the Court released its decision, in which the Court:
- (a) Granted Mason Graphite's motion to lift the stay of proceedings for the limited purpose of allowing the Mason Graphite Homologation Motion to proceed;
 - (b) Declared valid and enforceable the agreement entered into by Quinto and Mason Graphite on August 22, 2016, as evidenced by the draft Settlement & Mutual Release Agreement dated September 6, 2016;
 - (c) Approved the draft Settlement & Mutual Release Agreement dated September 6, 2016;
 - (d) Declared that the decision constitutes a Settlement Approval Order as that term is defined in the draft Settlement & Mutual Release Agreement dated September 6, 2016; and
 - (e) Ordered the parties to comply with all the terms and conditions of the draft Settlement & Mutual Release Agreement dated September 6, 2016.

40. The CCAA Parties determined that they would not seek leave to appeal the decision and the US\$1.5 million owing by Mason Graphite was received by the Monitor on behalf of Quinto on January 18, 2017.

THE WABUSH MINE

41. Paragraphs 16 and 17 of the Monitor's Thirtieth Report stated the following with respect to discussions with an interested party in respect of a potential sale of the Wabush Mine:

“16. In late October 2016, the Monitor was contacted by a new party potentially interested in acquiring the Wabush Mine (the “New Interested Party”). The New Interested Party executed a non-disclosure agreement and was given access to the Wabush CCAA Parties' data and the Wabush Mine site.

17. The New Interested Party has engaged counsel and has been conducting due diligence, including holding discussions with various stakeholders. A conditional proposal in the form of a mark-up of a template asset purchase agreement was submitted by the New Interested Party on December 5, 2016, which proposal is being reviewed and considered by the Wabush CCAA Parties in consultation with the Monitor.”

42. The New Interested Party has been continuing its diligence, including holding discussions with a number of key stakeholders, and a number of drafts of an asset purchase agreement have been exchanged. As at the date of this Report, no definitive agreement has been reached.

43. In early January 2017, the Monitor and the Wabush CCAA Parties were contacted by a third party which was originally part of another group interested in the purchase of the Wabush Mine (the “**Additional Party**”). The Additional Party expressed interest in engaging in separate negotiations for the potential acquisition of the Wabush Mine. The Additional Party has engaged counsel, executed a non-disclosure agreement, been provided with access to the data room and been provided with a draft agreement of purchase and sale for review and comment.

44. Paragraphs 12 to 15 of the Monitor’s Thirtieth Report stated the following with respect to discussions with MFC with respect to a potential sale of the Wabush Mine:

“12. A confidential offer to sell the Wabush Mine and related assets was made to MFC by the Wabush CCAA Parties by letter from counsel to the Wabush CCAA Parties dated October 20, 2016 (the “October 20 Offer”).

13. A counter-proposal for certain of the assets included in the October 20 Offer was made to the Wabush CCAA Parties by MFC by letter from counsel to MFC dated November 8, 2016 (the “November 8 Counter-Offer”).

14. On November 9, 2016, counsel to the Wabush CCAA Parties proposed that the parties meet to determine whether agreement could be reached on the principal terms of a transaction for the Wabush Mine assets or parts thereof. In response, counsel to MFC proposed a meeting on December 5, 6 or 7, 2016, to accommodate the travel schedule of Mr. Michael Smith of MFC.

15. Counsel to the Wabush CCAA Parties suggested that the initial meeting be held by telephone or video-conference in order that it could take place at an earlier date. That suggestion was not accepted and the parties are now scheduled to meet in person on December 7, 2016. MFC requested that the Monitor not be present at the meeting scheduled for December 7, 2016. It is the Monitor's view that its participation in discussions between the Wabush CCAA Parties and MFC may be beneficial to the parties and the Court. The Wabush CCAA Parties have confirmed to the Monitor that they have no objection to the Monitor attending the scheduled meeting. The Monitor has asked MFC to reconsider its request that the Monitor not attend the meeting. As at the date of this Report, MFC has not confirmed whether or not it is prepared for the Monitor to be in attendance at the scheduled meeting."

45. Confidential discussions took place between MFC and the Wabush CCAA Parties and between MFC, the Wabush CCAA Parties and the Monitor on December 7, 2016. MFC was subsequently introduced to the New Interested Party and did not follow up with respect to its own interest in acquiring the Wabush Mine until January 18, 2017. The CCAA Parties and the Monitor understood that lack of follow-up to indicate that MFC was content to temporarily suspend negotiations with the Wabush CCAA Parties in order to see whether a sale to a third party might be negotiated. Following the correspondence from MFC on January 18, 2017, the Wabush CCAA Parties informed MFC that they would be pleased to re-engage in discussions in respect of the possible acquisition of the Wabush Mine by MFC and provided a draft asset purchase agreement to MFC for review and comment.

46. Accordingly, there are currently three parties expressing interest in acquiring the Wabush Mine. While the Wabush CCAA Parties, in consultation with the Monitor, have determined that it is appropriate to continue to explore a potential transaction with each of these parties, there is no certainty that such efforts will lead to a binding agreement for the acquisition of the Wabush Mine.

MAJOR MOBILE EQUIPMENT

47. The transactions resulting from the RBA 830E Proposal were approved by the Court on September 23 and October 21, 2016, in each case closing on the same day.
48. The sale of the other September 16 Proposal Assets, other than the remaining rail cars owned by the Bloom Lake CCAA Parties, was approved by the Court on October 28, 2016, and closed on the same day.
49. RBA was required to remove all of the assets it had purchased from the MFC Sub-Lease property by January 15, 2017 (the “**RBA Equipment Relocation Deadline**”²). RBA requested an extension of the RBA Deadline and the Wabush CCAA Parties, in consultation with the Monitor, have agreed to extend the RBA Equipment Relocation Deadline to the earlier of:
- (a) June 1st, 2017;
 - (b) The day upon which the MFC Sub-Lease is terminated; or
 - (c) Ten days prior to the date upon which a disclaimer of the MFC Sub-Lease sublease becomes effective.
50. Transactions for the sale of all of the remaining rail cars were approved by the Court on November 18, 2016, and November 28, 2016, closing on November 24, 2016 and December 5, 2016, respectively.

² The removal deadline for the assets subject to the RBA 830E Transaction was originally November 30, 2016, but was extended to January 15, 2017.

OTHER WABUSH MOVABLE ASSETS

51. Since the date of the Monitor's Twenty-Fourth Report, no further action has been taken with respect to the other movable assets located at the Wabush Mine as discussions have continued with potential purchasers interested in acquiring the Wabush Mine, as described earlier in this Report.

THE RESTRUCTURING LETTER OF INTENT

52. As the Court and the Service List were informed on November 22, 2016, despite considerable efforts by the CCAA Parties, the party that submitted the Restructuring Letter of Intent and the Monitor, the parties were ultimately unable to proceed with a restructuring transaction.

POTENTIAL TAX REFUNDS

53. As previously reported, the CCAA Parties have identified and are pursuing a number of potential opportunities for municipal tax contestation that, if successful, could result in significant refunds to the CCAA Parties or significant reductions in municipal taxes payable by the CCAA Parties.
54. Eleven applications for review have been filed in respect of property taxes for various parcels of real estate. Based on current estimates, those applications, if successful, could result in property tax refunds, or reductions in amounts owing, in the range of approximately \$10 million to \$20 million. These applications have been contested by the relevant municipalities. No hearing dates have yet been set in respect of the applications.
55. The CCAA Parties are also seeking refunds in respect of sales taxes, income taxes and Québec mining duties totalling approximately \$23.5 million. The CCAA Parties have informed the Monitor that information and documents in support of the refunds requested by the various taxing authorities have been provided and the taxing authorities are in the process of reviewing the refund applications.

THE CLAIMS PROCEDURE

CLAIMS

56. 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	23	36,882	4	144,348					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	26	38,861	20	428,778	-	-	-	-	29	248,467
Unsecured										
CQIM	57	625,438	15	1,204,638	1	74,969			18	29,323
Bloom Lake LP	184	617,372	56	683,964	1	74,969			75	48,248
Bloom Lake GP	5	590,830							13	27,041
Quinto Mining 8568391 Canada			5	16,952					11	100
Bloom Lake Railway									9	25
Wabush Mines	76	55,592	1,102	1,833,677	1	36	3	193	170	22,740
WICL	6	56,917	11	386,399			3	193	14	11,342
WRI	3	49,778	15	727,289			3	193	13	16,314
Arnaud Railway	3	1,310	7	27,200			3	193	11	3
Wabush Lake Railway	2	1,811	1	1,562			3	193	11	3
Total Unsecured	336	1,999,048	1,212	4,881,681	3	149,974	15	965	355	155,139
Total	362	2,037,909	1,232	5,310,459	3	149,974	15	965	384	403,606

57. The 1,232 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;

- (b) Two claims by one creditor in the aggregate amount of approximately \$11.4 million are pending responses by the creditors to requests from the Monitor for further information or documentation;
- (c) 1,133 claims in the aggregate amount of approximately \$172 million are claims of former employees in respect of OPEBs and other employment related amounts;
- (d) 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;
- (e) 75 claims in the aggregate amount of approximately \$4.7 billion are Related Party Claims⁴; and
- (f) Eight claims by four creditors in the aggregate amount of approximately \$184.6 million are pending further review by the Monitor. Of this amount, \$149.2 million relates to three claims of one creditor 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. The review of these claims has been deferred pending the outcome of efforts to sell the Wabush Mine.

Related Party Claims

58. The Monitor will provide a separate report on the current status of the review of the Related Party Claims and its findings to date.

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.

Secured Claims

59. 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**” and the related security being the “**Construction Hypothecs**”);
 - (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.
60. 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 allocation of proceeds and costs of realization as discussed elsewhere in this Report.

61. The quantum of all Construction Hypothec Claims have now been determined, subject to a subsequent determination of what portion of each Construction Hypothec Claim is validly secured by a construction hypothec, if any. The determination of the value of the security for the Construction Hypothec Claims is pending completion of the legal opinion on the validity and enforceability of the Construction Hypothecs and the allocation of proceeds and costs of realization as discussed elsewhere in this Report. Monitor's Counsel has requested additional information from creditors with Construction Hypothec Claims in order to complete its opinion in respect thereof.

Pension Claims

62. 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 on December 16, 2016.
63. The wind-up report for the Wabush Salaried Pension Plan shows the following:
- (a) A wind-up deficiency of \$27,450,000 as at December 16, 2015;
 - (b) As at September 16, 2016, the wind-up deficiency had reduced to \$24,983,000, a wind-up funded ratio of 77.5%, as a result of investment returns, changes in annuity purchase interest rates, survivorship and cash flow since December 16, 2015; and
 - (c) Assumed wind-up expenses of \$650,000.
64. The wind-up report for the Wabush Hourly Pension Plan shows the following:

- (a) A wind-up deficiency of \$27,486,548 as at December 16, 2015⁵, a wind-up funded ratio of 82.7%; and
 - (b) Assumed wind-up expenses of \$950,000.
65. 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 has 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. The decision of the Court in respect of the jurisdictional matters is currently under reserve.
66. In its Notice of Objection in respect of the Pension Priority Motion, the Superintendent of Pensions of Newfoundland & Labrador asserts two objections to the summary of amounts owing as set out in the table shown above, as follows:
- (a) That there is an additional amount of pre-filing normal cost payments owing of \$21,462 as the payment for December 2015 should not have been pro-rated to December 16, 2015, the date of the plan termination; and
 - (b) That the amount of the catch-up special payments for the Hourly Plan identified as \$3,525,120 post-filing should instead be \$1,175,040 pre-filing and \$2,350,080 post-filing as the catch-up payments covered, inter alia, the months of January to April 2015, notwithstanding the fact the actuarial report calculating those amounts was only completed in July 2015.

⁵ The wind-up report for the Wabush Hourly Pension Plan did not provide an updated estimate of the wind-up deficiency subsequent to December 16, 2015.

67. Any dispute in respect of the amounts of the pension Claims will be determined in accordance with the provisions of the Claims Procedure Order or in the Pension Priority Motion.

OPEB Claims

68. 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.
69. A number of meetings and discussions have taken place with regard to the methodology and underlying assumptions used by Representative Counsel, the USW and their actuary in their calculation of the OPEB claims and information has been provided to the Monitor. The Monitor is still awaiting responses to requests for certain information and support before it can complete its review and make an adjudication of the claims.

LITIGATION UPDATE

THE FISHERIES SUMMONSES HEARING

70. In a negotiated settlement to avoid a potentially costly trial, on December 16, 2016, Wabush Mines pled guilty to the offences alleged in the Fisheries Summonses and was assessed a fine of \$30,000 which was paid on the same date.

THE MFC ROYALTY LITIGATION

71. As the Court is aware, there is a dispute between the Wabush CCAA Parties and MFC with respect to the amount of the quarterly Minimum Royalty Payment under the MFC Sub-Lease.

72. Pursuant to the Order of the Honourable Mr. Stephen Hamilton made December 4, 2015 (the “**December 4 Order**”), the Wabush CCAA Parties have made deposits of \$812,250 with the Monitor in December 2015, January, April, July and October 2016 for amounts potentially payable in respect of the Minimum Royalty Payment.
73. The Monitor understands that the parties are now ready to proceed with the MFC Royalty Litigation and are endeavouring to find mutually convenient dates for a hearing.

THE MFC LIFT STAY MOTION

74. Following discussions with the CCAA Parties and the Monitor on December 7, 2016, MFC agreed to adjourn the MFC Lift Stay Motion. The parties agreed that the MFC Lift Stay Motion would be heard at the same time as the MFC Royalty Litigation. The parties have been attempting to find mutually acceptable dates for the hearing but no date is yet agreed.
75. The MFC Lift Stay Motion included a request for an Order requiring the Monitor to provide to MFC copies of all proofs of claim filed against the Wabush CCAA Parties by CNR and its related parties. The CCAA Parties have now agreed to the Monitor’s recommendation that MFC be provided access to review such proofs of claim electronically. The documentation has been uploaded to a secure data site and access will be provided to MFC representatives at MFC’s expense.

THE 2014 REORGANIZATION

76. The Monitor has commenced “without prejudice” discussions with legal counsel to CNR and its non-filed affiliates with respect to the 2014 Reorganization and its apparent effect on the CQIM estate and its creditors with a view to agreeing the factual matrix of the 2014 Reorganization and any 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.

ALLOCATION ISSUES

77. As the Court is aware, various approval and vesting orders issued in the CCAA Proceedings specifically provide that the transactions were approved without prejudice to the rights of creditors to object to the allocation of proceeds. Accordingly, prior to any distribution to creditors it will be necessary to obtain a final determination of the appropriate allocation of the proceeds of realizations among each of the CCAA Parties and amongst various asset classes.
78. Furthermore, it will be necessary for an appropriate allocation of the costs of the CCAA Proceedings among each of the CCAA Parties and amongst various asset classes to be determined.
79. The Monitor has provided its recommendation for a proposed allocation methodology to the CCAA Parties. While the Monitor had anticipated that a motion for approval of the allocation methodology would be brought by the CCAA Parties prior to the expiry of the Stay Period, the CCAA Parties determined that they were unable to do so as they have not yet completed their consideration of that recommendation.

REQUEST FOR AN EXTENSION OF THE STAY PERIOD

80. The Stay Period currently expires on January 31, 2017. Additional time is required for the CCAA Parties and the Monitor to complete the CCAA Proceedings, including the following activities:
- (a) Completing the negotiation of a definitive agreement for the sale of Wabush Mine, obtaining Court approval of such agreement and completing the transaction or, if that proves not to be possible, to deal with the disclaimer or abandonment of the assets;
 - (b) Completing the Claims Procedure;
 - (c) Dealing with distributions to creditors, including the determination of the appropriate allocations of realizations and costs of the CCAA Proceedings amongst the estates and asset categories;
 - (d) Completing the investigation of the 2014 Reorganization and the effect thereof and determining what, if any, action should be taken with respect thereto;
 - (e) Completing the other activities described in this Report; and
 - (f) Undertaking the other activities necessary to complete the CCAA Proceedings.
81. 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 June 30, 2017.
82. The January 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.

83. 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.
84. 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 June 30, 2017.
85. 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.
86. The Monitor therefore respectfully recommends that this Honourable Court grant the CCAA Parties' request for an extension of the Stay Period to June 30, 2017.

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

Dated this 24th day of January, 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

The January 20 Forecast

CCAA Parties' Cash Flow Projection

Amounts in CAD in thousands (\$000s)

Week Ending Friday Forecast Week	Wabush											
	20-Jan-17	27-Jan-17	3-Feb-17	10-Feb-17	17-Feb-17	24-Feb-17	3-Mar-17	10-Mar-17	17-Mar-17	24-Mar-17	31-Mar-17	7-Apr-17
	1	2	3	4	5	6	7	8	9	10	11	12
Cash Flow from Operations												
Receipts	250	3	-	1	-	3	-	1	-	3	-	1
Payroll & Employee Benefits	(25)	-	(25)	-	(162)	-	(25)	-	(25)	-	(25)	-
Contractors	(37)	-	(29)	-	(32)	-	(29)	-	(32)	-	(89)	-
Utilities	(29)	-	-	-	(18)	-	-	-	(22)	-	-	-
Other Operating Disbursements	(5)	(816)	-	-	(14)	-	(4)	-	(9)	-	(4)	-
Operating Cash Flows	155	(813)	(53)	1	(225)	3	(57)	1	(87)	3	(117)	1
Restructuring Professional Fees	(293)	(773)	(284)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)
Projected Net Cash Flow	(138)	(1,586)	(337)	(88)	(314)	(86)	(146)	(88)	(176)	(86)	(206)	(88)

Week Ending Friday Forecast Week	Wabush												Wabush	Bloom Lake	Combined	
	14-Apr-17	21-Apr-17	28-Apr-17	5-May-17	12-May-17	19-May-17	26-May-17	2-Jun-17	9-Jun-17	16-Jun-17	23-Jun-17	30-Jun-17	Total	Total	Total	
	13	14	15	16	17	18	19	20	21	22	23	24				
Cash Flow from Operations																
Receipts	-	3	-	-	1	-	3	-	1	-	-	3	-	263	275	538
Payroll & Employee Benefits	(25)	-	(25)	-	(25)	-	(25)	-	(25)	-	(25)	-	-	(285)	-	(285)
Termination & Severance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contractors	(32)	-	(89)	-	(429)	-	(204)	-	(429)	-	(14)	-	-	(245)	-	(245)
Utilities	(21)	-	-	-	(19)	-	-	-	(18)	-	-	-	-	(69)	-	(69)
Other Operating Disbursements	(9)	-	(816)	-	(14)	-	(4)	-	(9)	-	(4)	-	-	(852)	(725)	(1,577)
Operating Cash Flows	(86)	3	(929)	-	(484)	-	(229)	-	(479)	-	(39)	-	(1,187)	(450)	(1,637)	
Restructuring Professional Fees	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(2,151)	(3,751)	(5,902)
Projected Net Cash Flow	(175)	(86)	(1,018)	(89)	(573)	(89)	(318)	(89)	(568)	(89)	(128)	(89)	(3,338)	(4,201)	(7,539)	

[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 include recurring mortgage payments associated with certain residential properties in Wabush owned by Wabush Mines.

[3] Forecast Payroll & Employee Benefits disbursements are forecast based on current staffing levels and recent payroll amounts.

[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 when services are rendered.

[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] 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.

[3] Forecast Other Operating Disbursements reflect a final estimated payment owing to ArcelorMittal in respect of the Mont Wright Construction Camp, net of outstanding lease payments owing to CQIM.

[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.