

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

INTRODUCTION

1. On January 27, 2015, Bloom Lake General Partner Limited (“**Bloom Lake GP**”), Quinto Mining Corporation (“**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 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 (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 June 30, 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-three reports in respect of various aspects of the CCAA Proceedings. The purpose of this, the Monitor’s Thirty-Fourth Report (this “**Report**”), is to provide information to the Court with respect to:
- (a) The receipts and disbursements of the CCAA Parties for the period January 14, 2017, to April 14, 2017;
 - (b) The CCAA Parties’ revised and extended cash flow forecast for the period April 15 to June 30, 2017 (the “**April 24 Forecast**”);
 - (c) The current status of the realization of the assets of the CCAA Parties;
 - (d) An audit being carried out by the Canada Revenue Agency (“**CRA**”) in respect of income tax filings by the CCAA Parties for the tax years 2010 to 2015 (the “**CRA ITA Audit**”);
 - (e) The progress of the Claims Procedure;
 - (f) The current status of litigation matters;
 - (g) The 2014 Reorganization;

- (h) Allocation issues with respect to proceeds of realization and the costs of the CCAA Proceedings; and
- (i) The current estimates of potential distributions to creditors.

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 to provide a status update to the Court, including in respect of progress towards a transaction for the sale of the Wabush Mine, as instructed by Mr. Justice Hamilton J.S.C. and 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.

RECEIPTS & DISBURSEMENTS FOR THE PERIOD TO APRIL 14, 2017

THE BLOOM LAKE CCAA PARTIES

13. The Bloom Lake CCAA Parties' actual cash flow on a consolidated basis for the period from January 14, 2017, to April 14, 2017, excluding proceeds of major asset realizations, was approximately \$1.4 million better than the January 20 Forecast, as summarized below:

	Forecast	Actual	Variance
	\$000	\$000	\$000
Receipts	275	320	45
Disbursements:			
Payroll & Employee Benefits	0	0	0
Termination & Severance	0	0	0
Utilities	0	0	0
Other Operating Disbursements	(725)	(29)	696
Operating Cash Flows	(450)	291	741
Restructuring Professional Fees	(2,838)	(2,209)	629
Net Cash Flow	(3,288)	(1,918)	1,370
Asset realizations	0	1,458	1,458
Cash Flow after Asset Realizations	(3,288)	(460)	2,828

14. Explanations for the key variances in actual receipts and disbursements as compared to the January 20 Forecast are as follows:
- (a) The favourable variance of approximately \$0.7 million in other operating disbursements is primarily a timing variance arising in respect of an anticipated settlement payment in full and final satisfaction of all amounts owing in respect of the Mont-Wright Camp; and

- (b) The favourable variance of approximately \$0.6 million in aggregate restructuring professional fees is comprised of favourable timing variances of approximately \$1.0 million offset by unfavourable permanent variances of approximately \$0.4 million. Those variances arise as follows:
 - (i) Favourable variances of approximately \$0.5 million in the aggregate for the costs of the Monitor and its counsel, of which approximately \$0.3 million is a favourable permanent variance and approximately \$0.2 million is a timing variance; and
 - (ii) A favourable variance of approximately \$0.1 million in the aggregate for the costs of the Bloom Lake CCAA Parties' counsel, of which approximately \$0.8 million is a favourable timing variance resulting from delays in invoicing, offset by a permanent unfavourable variance of approximately \$0.7 million as fees in the period were higher than forecast. Based on the information available to the Monitor, it appears that the significant majority of the permanent unfavourable variance relates to legal fees expended in connection with the CRA ITA Audit, discussed later in this Report.
- 15. 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 January 13, 2017. There was no additional inter-company funding advanced in the period January 13, 2017, to April 14, 2017.

THE WABUSH CCAA PARTIES

16. The Wabush CCAA Parties' actual cash flow on a consolidated basis for the period from January 14, 2017, to April 14, 2017, excluding proceeds of major asset realizations, was approximately \$1.8 million better than the January 20 Forecast, as summarized below:

	Forecast	Actual	Variance
	\$000	\$000	\$000
Receipts	263	948	685
Disbursements:			
Payroll & Employee Benefits	(309)	(302)	7
Contractors	(277)	(167)	110
Utilities	(90)	(26)	64
Other Operating Disbursements	(861)	(859)	2
Operating Cash Flows	(1,274)	(406)	868
Restructuring Professional Fees	(2,240)	(1,340)	900
Net Cash Flow	(3,514)	(1,746)	1,768
Asset realizations	0	420	420
Cash Flow after Asset Realizations	(3,514)	(1,326)	2,188

17. Explanations for the key variances in actual receipts and disbursements as compared to the January 20 Forecast are as follows:
- (a) The favourable variance of approximately \$0.7 million in receipts is a permanent variance arising from the receipt of sales tax refunds that had not been forecast;
 - (b) The favourable variance of approximately \$0.1 million in contractors is a timing variance that is expected to reverse in future periods; and

- (c) The favourable variance of approximately \$0.9 million in restructuring professional fees is believed to be comprised of favourable timing variances of approximately \$1.3 million that are expected to reverse in future periods combined with unfavourable permanent variances of approximately \$0.4 million. Those variances arise as follows:
- (i) Favourable timing variances of approximately \$0.2 million in the aggregate for the costs of the Monitor and its counsel;
 - (ii) A favourable variance of approximately \$0.5 million in the aggregate for the costs of the Wabush CCAA Parties' counsel, of which approximately \$0.9 million is a favourable timing variance resulting from delays in invoicing, offset by a permanent unfavourable variance of approximately \$0.4 million as fees in the period were higher than forecast; and
 - (iii) A favourable timing variance of approximately \$0.2 million in the costs of Representative Counsel.

THE APRIL 24 FORECAST

18. The Monitor has been assisting the CCAA Parties in the preparation of the April 24 Forecast. Completion of the April 24 Forecast has been delayed pending counsel to the CCAA Parties finalizing its forecast of legal costs for the period. The April 24 Forecast will be filed with the Court once it is completed.

CURRENT CASH BALANCES

19. 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 April 14, 2017, are summarized below:

	Bloom Lake CCAA Parties	Wabush CCAA Parties	Total
	\$000	\$000	\$000
Held by Monitor			
Sale Proceeds Accounts	168	1,735	1,903
Operating Accounts	3,544	3,600	7,144
Minimum Royalty Deposits	0	4,896	4,896
GIC Investments	73,000	60,000	133,000
Total Held by Monitor	76,712	70,231	146,943

*In addition, the Monitor holds deposits submitted by interested parties in the Wabush Mine Sale Procedure

CURRENT STATUS OF ASSETS REALIZATIONS

SEPT-ILES HOUSES

20. 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.

21. Approximately \$550,000 has been released to the Monitor in respect of amounts held in escrow in connection with federal withholding taxes. Approximately \$330,000 is expected to be released shortly to the Monitor in respect of amounts held in escrow in connection with provincial withholding taxes.

EMPLOYEE HOMES

22. In its Thirty-First Report, the Monitor reported that all of the single-family homes that were vacant at the commencement of the CCAA Proceedings had been sold other than one property for which the sale had been agreed but had not yet been completed and the property on which there was an oil spill prior to the CCAA Proceedings. The foregoing pending sale and the sale of the property on which there was an oil spill prior to the commencement of the CCAA Proceedings have now been completed.
23. At the date of the Thirty-First Report, the status of the remaining employee homes was as follows:
 - (a) Sales of fifteen Conditional Sale Employee Homes had been agreed and were in progress;
 - (b) The sale of one Conditional Sale Employee Home was being negotiated;
 - (c) Offers for the purchase of the three Vacant Conditional Sale Homes had been accepted, subject to completion of definitive documentation;
 - (d) Ten Conditional Sale Employee Homes whose occupants had not accepted an offer for the early completion of the conditional sale agreements remained occupied pursuant to the terms of the respective conditional sale agreements.

24. Since the date of the Thirty-First Report, a further seventeen sales have closed and four 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

25. Paragraph 35 and 36 of the Monitor's Thirty-First Report stated:

“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.”

26. Subsequent to the date of the Monitor's Thirty-First Report, the Bloom Lake CCAA Parties received a renewed expression of interest from a party that had previously expressed interest in the Mont-Wright Camp. A draft agreement of purchase and sale was provided to the interested party on March 8, 2017 (the "**Draft Mont-Wright APA**").
27. Preliminary comments and clarification questions on the Draft Mont-Wright APA were provided by counsel to the interested party in a letter dated April 11, 2017. Counsel to the interested party also confirmed that it holds funds necessary for the payment of the proposed purchase price in trust. Responses to the preliminary comments and clarification questions were provided by counsel to the CCAA Parties, in consultation with the Monitor, on April 19, 2017. A discussion between counsel to the CCAA Parties, counsel to the interested party, the Monitor and its counsel took place on April 24, 2017, to seek to resolve outstanding issues.
28. The CCAA Parties, in consultation with the Monitor, have been in discussion with ArcelorMittal regarding the amounts owing to ArcelorMittal in respect of the Mont-Wright Camp. While the post-filing amount to December 30, 2016, has been agreed, certain other matters raised by ArcelorMittal in respect of the Mont-Wright Camp remain outstanding at this time. It is anticipated that the sale of the Mont-Wright Camp may resolve the other matters raised by ArcelorMittal.

TOWN OF WABUSH VACANT LAND

29. As previously reported, the Wabush CCAA Parties own some small parcels of vacant land in the Town of Wabush. Two parties have expressed interest in the vacant land and have been provided information related thereto.

THE WABUSH MINE

30. Updates with respect to the potential sale of the Wabush Mine were provided in the Monitor's Thirty-Second Report and the Monitor's Thirty-Third Report.

31. Since the date of the Monitor's Thirty-Third Report, the Wabush CCAA Parties have received responses to their requests for clarification and additional information from various interested parties. The Wabush CCAA Parties, in consultation with the Monitor, are in the process of endeavouring to negotiate a mutually acceptable agreement of purchase and sale.
32. The Monitor's understanding of the current state of affairs with Interested Party One is set out in **Confidential Appendix A**.
33. The Monitor's understanding of the current state of affairs with Interested Party Two is set out in **Confidential Appendix B**.
34. The Monitor's understanding of the current state of affairs with MFC is set out in **Confidential Appendix C**.
35. The Monitor's understanding of the current state of affairs with Interested Party Four is set out in **Confidential Appendix D**.
36. While the Monitor is hopeful that the ongoing efforts to sell the Wabush Mine will be successful, there is no certainty that such efforts will lead to a binding agreement for the acquisition of the Wabush Mine.

OTHER WABUSH MOVABLE ASSETS

37. Since the date of the Monitor's Thirty-First 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.

POTENTIAL TAX REFUNDS

38. Also as previously reported, the CCAA Parties are seeking refunds in respect of Québec taxes and mining duties. The Monitor has been informed that the relevant assessments are now complete. Based on the assessments received and the claims filed by Revenu Québec in the Claims Procedure, the Monitor estimates that refunds totalling approximately \$20.7 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

39. The CCAA Parties, in consultation with the Monitor, have executed a settlement agreement with respect to the remaining amount recoverable from insurance in respect of an environmental spill that occurred at the Pointe-Noire Facility prior to September 1, 2013 (the “**Insurance Settlement**”). The Insurance Settlement contains confidentiality provisions that restrict the CCAA Parties from disclosing the amount recoverable at this time.

THE CRA ITA AUDIT

40. 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.
41. The Monitor had not been previously informed of the CRA ITA Audit. The Monitor therefor requested a briefing call to obtain an explanation of the matter. That call took place on April 20, 2017, and the following explanation was provided:

- (a) In early 2016 CRA requested substantial amounts of information in respect of the income tax returns of the CCAA Parties for the tax years 2010 to 2015;
 - (b) On January 23, 2017, CRA issued formal “requirement in respect of the prior information requests” with a deadline of February 27, 2017 for compliance;
 - (c) Notwithstanding the stay of proceedings provided by the Bloom Lake Initial Order and the Wabush Initial Order, the CCAA Parties were concerned about the potential implications of a failure to comply, including for their directors and officers, and began to prepare responses with the assistance of counsel to the CCAA Parties;
 - (d) In February 2017, counsel to the CCAA Parties requested that the deadline to comply with the requirements be extended to March 31, 2017 on the basis that all items would be substantially complete by that date;
 - (e) While CRA did not formally grant an extension, they did not refuse the request, no further requirements have been received and no notification of legal action has been received from CRA; and
 - (f) Approximately 90% of the information requested has now been provided.
42. On the call on April 20, 2017, the Monitor requested copies of the correspondence from CRA and of the responses provided to CRA. To date, those documents have not been provided to the Monitor.

THE CLAIMS PROCEDURE

CLAIMS

43. 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 8568391 Canada			5	16,952					11	100
Bloom Lake Railway									9	25
Wabush Mines	87	55,723	1,101	1,830,498	5	1,802	1	540	10	-
WICL	6	57,802	11	386,399	3	193			187	23,844
WRI	3	49,778	15	727,289	3	193			14	11,342
Arnaud Railway	5	4,255	5	24,255	3	193			13	16,314
Wabush Lake Railway	2	1,811	1	1,562	3	193			11	3
Total Unsecured	356	2,156,225	1,164	4,844,244	18	2,674	3	13,419	372	172,171
Total	378	2,190,478	1,183	5,272,455	21	6,411	4	13,986	401	420,638

44. The 1,183 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) 1,089 claims in the aggregate amount of approximately \$168.8 million are claims of former employees in respect of OPEBs and other employment related amounts;
- (c) Six claims in the aggregate amount of approximately \$164.8¹ 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 Claims²; and
- (e) Five claims by two creditors in the aggregate amount of approximately \$161.2 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.

¹ Updated to reflect the amounts shown in the wind-up reports.

² Excluding the Related Party Claim relating to subordinated Note Y discussed in the Monitor's Twenty-Fourth Report.

Related Party Claims

45. 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 and expects to file that report in the near future.

Secured Claims

46. 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.

47. 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.

48. 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

- 49. 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.
- 50. 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.
- 51. As previously reported to the Court, on March 27, 2017, the Committee of the Executive Council of Newfoundland & Labrador issued an Order in Council³ directing that a reference be brought before the Newfoundland & Labrador Court of Appeal stating the following questions (the "**Reference**"):
 - (a) What is the scope of section 32 of the *Pension Benefits Act, 1997*, *SNL1996 cP-4.01* deemed trusts in respect of:
 - (i) Unpaid current service costs;

³OC2017-137

- (ii) Unpaid special payments; and
 - (iii) Unpaid wind-up deficits?
- (b)
- (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 between the *Pension Benefits Act, 1997* and *Pension Benefits Standards Act*?
 - (iii) If so, how is the conflict resolved?
- (c)
- (i) 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?
 - (ii) If yes, is there a conflict with the *Pension Benefits Act, 1997* and the *Quebec Supplemental Pension Plans Act*?
 - (iii) If so, how is the conflict resolved?
- (d) Do the *Quebec Supplemental Pension Plans Act* deemed trusts also apply to Quebec Salaried Plan members?
- (e)
- (i) 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?
 - (ii) If yes, what amounts does this secured claim encompass?
52. An additional Order in Council was issued on April 20, 2017⁴, authorizing the Court of Appeal to take such evidence as it may require to properly determine the Reference.

⁴ OC2017-137

53. The Monitor has been informed that counsel for the Government of Newfoundland & Labrador (the “**Government**”) first met with the Chief Justice of Newfoundland & Labrador on April 3, 2017, at which time the Chief Justice instructed counsel for the Government to present an application on an *ex parte* basis to formally initiate the Reference before the Newfoundland & Labrador Court of Appeal and to deal with procedural, evidentiary and timing issues. The Monitor understands that the application may be presented in the week ended April 29, 2017.
54. The Monitor has been informed that it is possible that a hearing on the Reference could take place before the Newfoundland & Labrador Court of Appeal in mid- to late-September 2017.

OPEB Claims

55. 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.
56. 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 MFC ROYALTY LITIGATION

57. 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.
58. The MFC Royalty Litigation is scheduled to be heard on June 5, 6 and 7, 2017.

THE MFC LIFT STAY MOTION

59. Following discussions with the CCAA Parties and the Monitor on December 7, 2016, MFC agreed to adjourn the MFC Lift Stay Motion and the parties agreed that the MFC Lift Stay Motion would be heard at the same time as the MFC Royalty Litigation. Accordingly, the MFC Lift Stay Motion is also scheduled to be heard on June 5, 6 and 7, 2017.
60. The MFC Lift Stay Motion included a request for an Order requiring the Monitor to provide to MFC with copies of all proofs of claim filed against the Wabush CCAA Parties by CNR and its related parties. As noted in the Monitor's Thirty-First Report, the CCAA Parties agreed that arrangements could be made to provide MFC's representatives access to review such proofs of claim electronically at MFC's expense.
61. On January 20, 2017, counsel to the Monitor requested confirmation from counsel to MFC that MFC would pay the costs of making the related party proofs of claim available electronically. No response has yet been provided by MFC.

THE 2014 REORGANIZATION

62. 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.
63. CNR Counsel and the Monitor are planning to meet in the week commencing May 1, 2017, to determine the next steps to address the 2014 Reorganization.

ALLOCATION ISSUES

64. 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.
65. 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.
66. As noted in its Thirty-First Report, the Monitor provided its recommendation for a proposed allocation methodology to the CCAA Parties and that recommendation was under consideration by the CCAA Parties.

67. The Monitor has been encouraging the CCAA Parties to bring a motion for approval of an allocation methodology in order to minimize interest accruing on unpaid secured property tax claims owing by CQIM. Counsel to the CCAA Parties have informed the Monitor that they are considering the recommended allocation methodology with a view to agreeing a proposed methodology with the Monitor and bringing a motion for its approval. Counsel to the CCAA Parties has further informed the Monitor that they hope to be able to provide feedback to the Monitor in the week commencing May 1, 2017.

ESTIMATED RANGES OF POTENTIAL DISTRIBUTIONS

68. At paragraph 174 of its Twenty-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.
69. 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 proposed allocation methodology recommended by the Monitor to the CCAA Parties. 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	1.48%	2.55%
Bloom Lake GP	0.00%	0.00%
CQIM	2.18%	2.79%
Quinto Mining	52.08%	57.86%
Arnaud Railway	0.00%	29.75%
WICL	0.00%	0.98%
Wabush Lake Railway	0.00%	0.02%
Wabush Mines ¹	0.00%	0.00%
WRI	0.00%	2.42%

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

Dated this 26th day of April, 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

Confidential Appendix A

State of Affairs with Interested Party One

Confidential Appendix B

State of Affairs with Interested Party Two

Confidential Appendix C

State of Affairs with MFC

Confidential Appendix D

State of Affairs with Interested Party Four