

Sept 8th, 2012
Sept 26th, 2011 revised

Mr. Michel Charette
Mining Operations Manager
Bloom Lake Iron Mine
Cliffs Natural Resources
Fermont, Quebec
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SUBJECT: KOMATSU 830E-1AC HAUL TRUCK PROPOSAL

Mr. Michel Charette,

Further to your request, we are pleased to quote CNR (Bloom Lake) a price for an 830E-1AC for the Wabush Mines fleet haul truck fleet:

Please note that Komatsu has added some new features to the 830E-1AC and they are described in the various news-letters provided. The units will all be Tier II engines as per the Haul trucks at the Wabush site. We have priced the units as per the 2011 CNR (Tentative) agreement provided by Komatsu America with similar configurations and similar to Haul Truck 33 at Wabush Mines.

Our quality system meets the **ISO 9002-1994** requirements. Our certification is registered as: authorized distributors: Sales, Parts, and Services for Komatsu, Valmet, Wirtgen, Duratray & Indeco products.

May we express our appreciation for having given us the opportunity of presenting our quote, and we hope to have the pleasure of serving you in the near future.

Should additional information be required, please feel free to contact us at any time.

Yours very truly,

SMS Equipment



Dany Bélanger
Mining Division Manager
.cc Paul Bertrand


STANDARD EQUIPMENT

- Air cleaners, Donaldson SSG with dust evacuators
- Alternator (24 volt/140A)
- Auto lubrication system –90 lbs.
- Batteries (4 x 8D, 1450 CCA 12 volt)
- Battery charging receptacle, 24 V
- Body down indicator/body up buzzer
- Body over center device
- Brakes: Front: Wheel speed disc; Rear: dual disc armature speed
- Electric start
- Filters, high pressure hydraulic
- Gate valves on hydraulic tank
- Komatsu IGBT control cabinet
- Komatsu Payload Weighing System-PLM III
- Mirrors, LH flat and RH rectangular convex
- Mud flaps
- Muffled exhaust, deck-mounted
- On-board load box
- Quick disconnects (steering and hoist)
- Radiator sight gauge
- Removable power module unit (radiator, engine, alternator, blower)
- Retard grids, continuous rated, 14 element
- Retard speed control
- Reverse retarding
- Rock ejectors
- Thermostatic Fan Clutch
- Fast-Fill Fuel System (in-tank)
- Service Center (radiator, engine, hydraulics)

OPERATOR ENVIRONMENT AND CONTROL:

- All-hydraulic service brakes with emergency auto apply
- Battery disconnect switch
- Body up cable
- Brake lock and drive system interlock
- Circuit breakers, 24 volt
- Diagonal staircase across grill
- Dynamic retarding with continuous rated grids
- Engine shutdown at ground level
- Hoist Interlock

- Horns (electric, center of steering wheel)
- Integral roll-over protection ROPS/FOPS Level 2
- Maintenance & power lock-out
- Parking brake with warning light and speed application protection
- Power steering w/auto emergency steering
- Protective deck rails
- Pump drive guard
- Radiator fan guard
- Seat belts 76 mm 3" wide retractable
- Skid-resistant coating on walkways

STANDARD HIGH VISIBILITY DELUXE CAB:

- Instrumentation
 - Alarm System warning lights (red)
 - Accumulator pre-charge
 - Coolant low level w/alarm
 - Coolant high temperature w/alarm
 - Electric drive system cooling blower w/alarm
 - Electric system fault w/alarm
 - Engine coolant temperature gauge
 - Hydraulic oil level w/alarm
 - Hydraulic oil temperature w/alarm
 - Low engine oil pressure w/alarm
 - Low brake pressure w/alarm
 - Motorized wheel temperature stop engine w/alarm
 - Steering pressure w/alarm
 - Air cleaner vacuum indicators
 - Air conditioner HFC 134a
 - AM/FM cassette radio, CD player
 - Blower pressure indicator light
 - Digital tachometer and speedometer
 - Dome light
 - Engine hourmeter
 - Engine shutdown
 - Floor mat
 - Fuel gauge in cab and on tank
 - Fuel low level warning
 - Gauges (backlighted)
 - Headlight switch
 - Heater and defroster (heavy-duty)
 - Heater switch

- High beam selector and indicator
- Indicator lights (amber):
 - 5-minute idler timer
 - Auto lube alarm
 - Check engine w/alarm
 - Circuit breaker tripped
 - Dynamic retarding
 - Dump body up
 - Hydraulic oil filter
 - Low fuel level
 - Manual back-up lights
 - Park brakes applied
 - Retard speed control
 - Service brakes
 - Starter circuit
- Insulation (Max R-Value)
- Oil pressure gauge (engine)
- Operator seat, adjustable w/air suspension, lumbar support and arm rests
- Panel lighting (adjustable)
- Passenger seat
- Power windows
- Pressurized cab air system
- RS232 port–PLM III
- Starter key switch
- Steering system warning light and buzzer
- Sunvisor (adjustable)
- Tilt and telescoping steering wheel
- Komtrax Plus
- Windshield (tinted)
- Windshield wipers and washer (electric)

LIGHTING:

- Back-up lights (2)
- Brake and retard lights on top of cab
- Clearance lights
- Control cabinet service light
- Dynamic retarding, rear (2)
- Headlights—(4) halogen
- Ladder lights
- Manual back-up light, switch and indicator
- Service light in rear axle
- Stop and tail lights (2)
- Turn signals
- Under-hood service lights

➤ Less standard manufacturer rims & less truck body

- Refer to the attached Excel sheet for the truck build specifications and option prices
 - Similar to 2010 and 2011 units received at Wabush Mines.
- Standard features above may vary at time of order and will be confirmed upon reception of purchase order
- Refer to the attached .pdf document for the payload policy of the 830E-AC truck
- Refer to the attached .pdf specification sheet AESS672-04 for equipment information and performances
- Refer to the attached .pdf new letters for product information and factory options

KOMATSU PRICE
\$2,983,131.00US
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KOMATSU STANDARD WARRANTY FOR UNIT(S) DESCRIBED ABOVE

- | | |
|--|-----------------|
| ➤ 12 months unlimited hours on the complete unit | included |
| ➤ 24 months unlimited hours on GE components the wheel motors & alternator | included |
| ➤ 36 months / Unlimited hours Cummins Engine (Cummins warranty applies) | included |
| ➤ 60 months / 25,000 hours cylinders | included |
| ➤ 60 months / 25,000 hours axle box | included |
| ➤ 60 months / 25,000 hours frame warranty | included |

TRAINING

- Over and above the standard training provided with the CNR agreement. SMS will add at no extra cost 1 week of technical training with the purchase of the unit (reserved for March 2012).
- SMS and Wabush Mines will coordinate the dates of the courses that best meets Wabush Mines needs.
- Any SMS or Komatsu training course(s) are to be used on or before December 31st, 2012, after which Komatsu or SMS are not bound to offer the services or compensate Wabush Mines if the courses are not used.

PRICE FOR KOMATSU TRUCK

included

WABUSH MINES LOCAL OPTIONS PROVIDED BY SMS EQUIPMENT

- Refer to the attached excel sheet for the local options provided by SMS
- Local options are F.O.B. SMS Wabush facility
- The local options are quoted in Canadian funds and at time of invoicing will be adjusted to reflect the exchange rate variance if Wabush elects to be invoiced in US\$.

Total local options provided by SMS Equipment

\$67,375.00CAD

TRANSPORT

- Load and unload time are include to a maximum of 4 hours per load
- Transport provider will confirm special permits for the load
- Price is valid for 60 days and for loads before Dec 31st 2012
- **Tires, rims and body are excluded**
- Transport from Peoria, Il to Wabush Mines
- **SMS will provide CNR and the mine the copy of the invoice to validate final pricing**
- Fees for cranes to remove loads from transport and supplemental
- The March unit will most likely be moved during the thaw (overload) period
- Firm prices will be provided 60 days before shipment

BUDGET PRICE

\$67,750.00CAD

BUDGET PRICE THAW PERIOD

\$80,000.00CAD

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PRICING INFORMATION

- Truck price is valid as per CNR Alliance Agreement with Komatsu America
 - Price escalation formula is in effect as per escalation index outlined in agreement)
- In the event Wabush Mines is sold to a third party, the pricing of the trucks will be void as per CCI master agreement & new pricing will be provided to Wabush Mines Property
- Upon receipt of PO and order confirmation from SMS: Orders are none cancellable
- Prices for local options & are valid for 90 days and are estimates for 2012 calendar year installations
- Amounts are quoted in US\$ or CAD\$ funds as indicated

AVAILABILITY

- Availability from factory to be provided upon reception of PO to SMS Equipment
 - At the time of this quote Komatsu production slot(s) available: Summer 2012
 - Final allocation of slot(s) to be confirmed with CNR Corporate group
- Subject to prior sale

ASSEMBLY OF UNIT

SMS is pleased to provide its services to build or co build the unit. To facilitate the pre-build and build process, a project manager will be onsite to manage the build (no cost to the mine). In the event SMS technicians are required on site by Wabush mines, SMS Equipment can offer technicians services in consideration of the following terms

INDIVIDUAL HIRE FOR BUILD

- 2011 standard service department rates
 - Standard rate of 155.00\$CAD per hour per technician
 - Monday to Friday from 7:00am to 5:00pm
 - Premium of 50\$ per hour for work performed outside the above time frame or during statutory holidays
 - 0.5 hours @ \$155.00 per hour of transport per technician per day
 - Anticipate 2012 base rate at 167.50\$ per hour
- Crane rental & removal of equipment from transport trucks **supplemental**
- Wood blocking for assembly **supplemental**
- Wabush Mines will supply a safety officer to ensure site safety conformity during the business hours **supplemental**
- Startup up fluids **supplemental**

SMS BUILD

- As per the CNR request
- SMS expects to build a base unit in 1,100 hours at 155\$ per hour \$155,000.00CAD
 - Monday to Friday from 7:00am to 5:00pm
 - Premium of 50\$ per hour for work performed outside the above time frame or during statutory holidays
 - 2.0 hours @ \$155.00 per hour of transport per technician per day
 - Anticipate 2012 base rate at 167.50\$ per hour
- Bucket, beds, local options, fire suppression, local options installations are excluded
- Equipment components are on blocks, positioned as per Komatsu guideline
- Time waiting for equipment to be unloaded from trucks excluded
- Unloading from transport is excluded
- SMS pays technicians for lunch time but doesn't invoice CNR

BUILD ENVIRONMENT

- Based on builds from April 1st, to Oct 30th of each year
- Cold weather builds can require up to 35% more time due to warm up breaks and assembly issues
- Normal business hours from Monday to Friday
- Assembly at Bloom Lake or Wabush site
- CNR is responsible for all recovery of oils and filters
- Crane rental & removal of equipment from transport trucks supplemental
- Wood blocking for assembly supplemental
- CNR will supply a safety officer to ensure site safety conformity during the business hours supplemental
- Start-up fluids supplemental

TRUCK BODY

- SMS will provide a Duratray body quote on a separate document.
- A Body Application Work sheet (BAW) needs to be approved by Komatsu before unit is released from the factory
- Refer to attached payload policy for 830E-AC trucks

CURRENCY AND PAYMENT

- Wabush Mines can elect to be invoiced in US\$ or CAD\$
- Wabush Mines is responsible for any currency exchange costs and fees incurred by SMS in the event of billing in CAD\$ OR US\$
- 5% deposit for Komatsu truck portion at time of order
- 95% payable within 15 calendar days of receipt of invoice from SMS Equipment
- or
- Payable within 60 calendar days from Ex-Works date regardless of the build or commissioning status

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TERMS & CONDITIONS OF SALE

- Sales taxes are extra where applicable
- Subject to terms and conditions provided in final CNR Komatsu Alliance agreement
- Truck F.O.B. Peoria, USA
- Local options are F.O.B. SMS Wabush
- Other terms and conditions may apply