

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

**FORTY-SIXTH 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 (“**BLGP**”), Quinto Mining Corporation (“**Quinto**”), 8568391 Canada Limited (“**856**”) 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 (“**BLLP**”) and Bloom Lake Railway Company Limited (“**BLRC**” and, 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 (“**Arnaud**”) and Wabush Lake Railway Company Limited (“**Wabush Railway**” and, collectively with Arnaud and Wabush Mines, 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**”). The Bloom Lake CCAA Parties and the Wabush CCAA Parties will be referred to collectively herein as the “**CCAA Parties**”.
3. The Bloom Lake Stay Period and the Wabush Stay Period (together, the “**Stay Period**”) have been extended from time to time and currently expire on June 29, 2018.
4. On April 20, 2018, Mr. Justice Hamilton J.S.C. granted an Order (the “**Original Meetings Order**”) *inter alia* accepting the filing of a joint plan of compromise and arrangement dated April 16, 2018, proposed by certain of the CCAA Parties (the “**Original Plan**”) and appointing Representative Counsel and USW Counsel as proxy holder for the Salaried Members and USW Members, respectively, for the purposes of casting the votes of the Salaried Members and the USW Members at meetings of creditors (each a “**Deemed Proxy**”), all subject to the right of Salaried Members and USW Members to opt-out of the Deemed Proxy.
5. Following discussions with various stakeholder groups, the Original Plan was amended and on May 18, 2018, Mr. Justice Hamilton J.S.C. granted an Order amending and restating the Original Meetings Order (the “**Amended Meetings Order**”) *inter alia*:

- (a) Accepting the filing of the amended and restated joint plan of compromise and arrangement dated May 16, 2018 (the “**Plan**”) proposed by certain of the CCAA Parties;
 - (b) Approving the limited substantive consolidation of certain estates for the purposes of the Plan;
 - (c) Approving the classification of creditors for the purposes of voting on and receiving distributions under the Plan;
 - (d) Authorizing the convening of meetings of creditors to consider and vote on the Plan (collectively, the “**Creditors’ Meetings**”); and
 - (e) Confirming the Deemed Proxies and requiring that Representative Counsel and USW Counsel cast the votes of the Salaried Members and the USW Members in favour of the Plan, all subject to the right of Salaried Members and USW Members to opt-out of the Deemed Proxy.
6. To date, the Monitor has filed forty-five reports in respect of various aspects of the CCAA Proceedings. The purpose of this, the Monitor’s Forty-Sixth Report (this “**Report**”), is to provide information to the Court with respect to:
- (a) The business and affairs of the CCAA Parties; and
 - (b) The Monitor’s assessment of the Plan in advance of the Creditors’ Meetings.

TERMS OF REFERENCE

7. In preparing this Report, the Monitor has relied upon unaudited financial information of the CCAA Parties, the CCAA Parties’ books and records, certain financial information prepared by the CCAA Parties and discussions with various parties (the “**Information**”).

8. Except as described in this Report:
 - (a) The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - (b) The Monitor has not examined or reviewed financial forecasts and projections referred to in this Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
9. The Monitor has prepared this Report in connection with the Plan and pursuant to section 23(1)(d.1) of the CCAA, and should not be relied on for other purposes.
10. Future oriented financial information reported or relied on in preparing this Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the previous reports of the Monitor or the Plan, a copy of which is attached hereto as **Appendix A**.

EXECUTIVE SUMMARY

12. In summary, and for the reasons set out in this Report, it is the Monitor's view that:
 - (a) The Plan provides for higher recoveries for all Affected Unsecured Creditors than would likely be available if the Plan is not implemented, including distributions of \$18 million to each of the Hourly Pension Plan and the Salaried Pension Plan;

- (b) A bankruptcy would likely provide significantly lower recoveries to Affected Third Party Unsecured Creditors;
- (c) There is no apparent material prejudice to the Affected Unsecured Creditors generally from the limited substantive consolidation provided for by the Plan;
- (d) The Plan has additional benefits for Affected Unsecured Creditors in that it provides for:
 - (i) The resolution of significant intercompany claims between the CCAA Parties and between the CCAA Parties and Non-Filed Affiliates without the significant time and expense that would otherwise be incurred to further investigate and adjudicate such claims;
 - (ii) The resolution of the Non-Filed Affiliate Transactions Claims without the significant time and expense of litigation and the litigation and collection risks associated therewith;
 - (iii) The resolution of disputes over the priority of claims asserted in connection the Wabush Pension Plans without the significant time and expense that would otherwise be incurred to further litigate such disputes;
 - (iv) The resolution of significant claims of former employees (the “**OPEB/Other Employee Claims**”), including in respect of other post-employment benefits (“**OPEB**”) and other amounts, without the significant time and expense that would otherwise be incurred to resolve such claims; and

- (v) The acceleration of initial distributions to Affected Third Party Unsecured Creditors, including distributions to the Pension Plans;
 - (e) The Plan is fair and reasonable; and
 - (f) There is no aspect of the Plan that is not in compliance with statutory requirements.
13. Accordingly, and for the reasons set out in this Report, it is the Monitor's view that the approval of the Plan is in the best interests of Affected Unsecured Creditors and the Monitor respectfully recommends that such Affected Unsecured Creditors vote in favour of the Plan.

BUSINESS AND FINANCIAL AFFAIRS OF THE CCAA PARTIES

14. The business and affairs of the Bloom Lake CCAA Parties and the causes of their insolvency are described in their Motion for the Issuance of an Initial Order dated January 26, 2015, filed by the Bloom Lake CCAA Parties (the "**Bloom Lake Initial Motion**"). The business and affairs of the Wabush CCAA Parties and the causes of their insolvency are described in their Motion for the Issuance of an Initial Order dated May 19, 2015, filed by the Wabush CCAA Parties (the "**Wabush Initial Motion**"). Copies of the Bloom Lake Initial Motion and the Wabush Initial Motion (collectively, the "**Initial Motions**") are available on the Monitor's Website at <http://cfcanada.fticonsulting.com/bloomlake> (the "**Monitor's Website**").
15. The Monitor has reviewed the Initial Motions and discussed the business and affairs of the CCAA Parties and the causes of their insolvency with Management of the CCAA Parties and is of the view that the Initial Motions provide a fair summary thereof.

16. Substantially all of the assets of the CCAA Parties have been sold during the course of the CCAA Proceedings. Further details of the sale transactions and the business and financial affairs of the CCAA Parties are provided in previous reports of the Monitor, including the Monitor's Forty-Third Report dated March 19, 2018. Copies of the Monitor's reports are available on the Monitor's Website.

THE PLAN

17. The Plan seeks to implement the principal terms of settlements, subject to the Plan being implemented:
 - (a) Between the Participating CCAA Parties and Non-Filed Affiliates, as negotiated between the Monitor and the Non-Filed Affiliates and as set out in the restructuring term sheet dated March 14, 2018 (the "**Original Restructuring Term Sheet**") as amended and restated on May 16, 2018 (the "**Restructuring Term Sheet**"); and
 - (b) Between the Non-Filed Affiliate Employee Defendants and the plaintiffs in the Non-Filed Affiliate Employee Actions.
18. In conjunction with the Plan, the applicable parties have also agreed to settle the following matters, subject to the Plan being implemented:
 - (a) The quantification and priority of the OPEB/Other Employee Claims;
 - (b) The quantification and priority of the Pension Claims;
 - (c) The Pension Priority Appeal, which will be discontinued following implementation of the Plan; and
 - (d) The Newfoundland Reference Appeal, which will be discontinued following implementation of the Plan.

19. The Plan is a joint plan, filed by all of the CCAA Parties other than WLRC, 856 and BLRC. WLRC has no assets and its arm's length creditors are all also creditors of other CCAA Parties holding Pension Claims or OPEB/Other Employee Claims whose representatives have informed the Monitor that they support the Plan. Neither 856 nor BLRC has any creditors, as determined pursuant to the Claims Procedure and the Post-Filing Claims Procedure. It is intended that WLRC, 856 and BLRC will be dissolved.

20. Pursuant to the Plan, all amounts that are payable to the Non-Filed Affiliates on account of their secured and unsecured claims will be contributed for the benefit of the Affected Unsecured Creditors as follows:
 - (a) \$3 million to the Wabush Pension Cash Pool and \$3 million to the Arnaud Pension Cash Pool (together, the “**Non-Filed Affiliate Distribution Pension Contribution**”); and

 - (b) The balance (collectively, the “**Non-Filed Affiliate Distribution/Payment Contribution**”) for the benefit of Affected Unsecured Creditors in the CQIM/Quinto Unsecured Creditor Class, including any CCAA Parties that are creditors in that Unsecured Creditor Class. The Non-Filed Affiliate Distribution/Payment Contribution is to be contributed for the benefit of the Affected Unsecured Creditors in the CQIM/Quinto Unsecured Creditors Class because CQIM is the CCAA Party that would be entitled to assert the Non-Filed Affiliate Transactions Claims that are to be settled through the Plan.

21. As further described later in this Report, the Monitor currently estimates that the aggregate value of the Non-Filed Affiliate Distribution/Payment Contribution and the Non-Filed Affiliate Distribution Pension Contribution is likely to be in the range of approximately \$72 million to \$81 million.

22. In addition, the Non-Filed Affiliates will make an additional cash contribution of \$19 million¹ for the benefit of the Affected Unsecured Creditors in the Wabush Pension Claims Class and the Arnaud Pension Claims Class (the “**Non-Filed Affiliate Cash Contribution**”), which will be allocated as follows:
- (a) \$9.5 million to the Wabush Pension Cash Pool; and
 - (b) \$9.5 million to the Arnaud Pension Cash Pool.
23. The Plan provides for interim distributions to be made from time to time on account of Proven Affected Unsecured Claims. No distribution in respect of an Affected Unsecured Claim will be made until it is a Proven Claim.
24. An interim distribution will be made to Affected Third Party Unsecured Creditors with Proven Claims as soon as reasonably practicable after the Plan Implementation Date.

Classification of Creditors

25. For the purposes of considering and voting on the Plan and receiving a distribution thereunder, the Plan provides for six classes of creditors (each an “**Unsecured Creditor Class**”, and together the “**Unsecured Creditor Classes**”):
- (a) The CQIM/Quinto Unsecured Creditor Class, being comprised of Affected Unsecured Creditors of any of the CQIM/Quinto Parties;
 - (b) The BL Parties Unsecured Creditor Class, being comprised of Affected Unsecured Creditors of any of the BL Parties;

¹ An increase of \$14 million over the Original Plan.

- (c) The Wabush Mines Parties Unsecured Creditor Class, being comprised of Affected Unsecured Creditors of any of the Wabush Mines Parties, other than Affected Unsecured Creditors with Pension Claims in respect of such Claims;
 - (d) The Arnaud Unsecured Creditor Class, being comprised of Affected Unsecured Creditors of Arnaud, other than Affected Unsecured Creditors with Pension Claims in respect of such Claims;
 - (e) The Wabush Pension Claims Class, being comprised of the Administrator of the Hourly Pension Plan and the Administrator of the Salaried Pension Plan in respect of the Pension Claims against the Wabush Mines Parties; and
 - (f) The Arnaud Pension Claims Class, being comprised of the Administrator of the Hourly Pension Plan and the Administrator of the Salaried Pension Plan in respect of the Pension Claims against Arnaud.
26. The Unsecured Creditor Classes provide for limited substantive consolidation for the purposes of the Plan of:
- (a) CQIM and Quinto to form the CQIM/Quinto Unsecured Creditor Class;
 - (b) BLGP and BLLP to form the BL Parties Unsecured Creditor Class; and
 - (c) WICL, WRI and Wabush Mines to form the Wabush Mines Parties Unsecured Creditor Class.

Payments to Secured Creditors

27. Secured Creditors will be unaffected by the Plan and are not permitted to vote on the Plan. Secured Creditors will receive payment of the Allocated Value, as determined by the Monitor in accordance with the Allocation Methodology, applicable to their Proven Secured Claim. Accordingly, Secured Creditors will receive the same amount under the Plan as they would if the Plan is not approved and implemented.
28. Amounts paid to Non-Filed Affiliates on account of Non-Filed Affiliate Secured Interco Claims (the “**Non-Filed Affiliate Secured Payments**”) will form part of the Non-Filed Affiliate Distribution/Payment Contribution.

Distributions to Unsecured Creditors

29. Affected Unsecured Creditors with Proven Claims, other than Pension Claims, will receive a pro-rata share of the applicable Unsecured Creditor Cash Pool. The Unsecured Creditor Cash Pool available to each Unsecured Creditor Class, other than the Wabush Pension Claims Class and the Arnaud Pension Claims Class, will ultimately be the net proceeds of realization of the assets of the applicable Participating CCAA Party after all costs of the CCAA Proceedings in accordance with the Allocation Methodology, less amounts paid to prior ranking or Unaffected Creditors or contributed to the Wabush Pension Cash Pool or the Arnaud Pension Cash Pool.
30. The Wabush Pension Cash Pool will be funded as follows: \$5.5 million from the Wabush Mines Parties, \$9.5 million from the Non-Filed Affiliate Cash Contribution and \$3 million from the Non-Filed Affiliate Pension Contribution. The Arnaud Pension Cash Pool will be funded as follows: \$5.5 million from Arnaud, \$9.5 million from the Non-Filed Affiliate Cash Contribution and \$3 million from the Non-Filed Affiliate Pension Contribution. The Wabush Pension Cash Pool and the Arnaud Pension Cash Pool will be distributed as follows:

	Hourly Pension	Salaried Pension	Total
	\$M	\$M	\$M
Wabush Pension Cash Pool	9	9	18
Arnaud Pension Cash Pool	9	9	18
Total	18	18	36

31. Distributions to Affected Unsecured Creditors in Classes other than the Wabush Pension Claims Class and the Arnaud Pension Claims Class will be calculated as follows:

- (a) First, a calculation of the pro-rata amounts for distribution in each Unsecured Creditor Class will be made, including the claims of Non-Filed Affiliates and other CCAA Parties, to determine the amount of Plan Non-Filed Affiliates Distribution/Payment Contribution;
- (b) Second, the applicable Unsecured Creditor Cash Pools shall be decreased to account for Plan distributions to the Non-Filed Affiliates out of each such Unsecured Creditor Cash Pool and the CQIM/Quinto Unsecured Creditor Cash Pool will be increased by the amount of the Non-Filed Affiliate Distribution/Payment Contribution. A calculation of the pro-rata amounts for distribution to Affected General Unsecured Creditors, other than Non-Filed Affiliates, in each Unsecured Creditor Class, other than the Wabush Pension Claims Class and the Arnaud Pension Claims Class, will be made, including the claims of the Participating CCAA Parties; and

- (c) Third, each Unsecured Creditor Cash Pool will be adjusted by the amount of any distributions received or paid between the applicable Participating CCAA Parties under the second step. A calculation of the pro-rata amounts for distribution to Affected General Unsecured Creditors in each Unsecured Creditor Class, other than the Wabush Pension Claims Class and the Arnaud Pension Claims Class, will be made excluding the claims of the other CCAA Parties and the claims of the Non-Filed Affiliates.
32. The effect of the aforementioned calculations is as follows:
- (a) Affected Third Party Unsecured Creditors in the CQIM/Quinto Unsecured Creditor Class will receive, in addition to the recoveries that they would otherwise receive if there was no Plan, the benefit of the Non-Filed Affiliate Distribution/Payment Contribution other than amounts that would flow to Participating CCAA Parties that are creditors of CQIM/Quinto; and
 - (b) Affected Third Party Unsecured Creditors in the other Unsecured Creditor Classes, other than the Wabush Pension Claims Class and the Arnaud Pension Claims Class, will receive, in addition to the recoveries that they would otherwise receive if there was no Plan, the benefit of any amount of the Non-Filed Affiliate Distribution/Payment Contribution that flows to those other Participating CCAA Parties by virtue of their claims in the CQIM/Quinto Unsecured Creditor Class.
33. Further analysis of the estimated benefits to Affected Third Party Unsecured Creditors in each Unsecured Creditor Class is provided later in this Report.

Treatment of Other Claims

34. Excluded Claims will not be compromised by the Plan. Excluded Claims include:

- (a) All claims against the Participating CCAA Parties in respect of obligations first arising on or after the Filing Date, other than Restructuring Claims and D&O Claims;
 - (b) Any claim secured by any CCAA Charge; and
 - (c) Any claim with respect to fees and disbursements incurred by counsel for any CCAA Party, Director, the Monitor, Claims Officer, any financial advisor retained by any of the foregoing, or Representative Counsel as approved by the Court to the extent required.
35. The Plan provides that certain Crown claims will be paid in compliance with section 6(3) of the CCAA.
36. The Plan provides that certain employee claims will be paid in full in compliance with section 6(5) of the CCAA. In addition, the Plan provides for the payment of amounts in excess of the amounts required to be paid under section 6(5) of the CCAA that employees may have been entitled to receive pursuant to the *Wage Earner Protection Program Act* if the applicable Participating CCAA Party had become bankrupt on the Plan Sanction Date (together with amounts payable under section 6(5) of the CCAA, the “**Employee Priority Claims**”). There are no Employee Priority Claims other than one claim in the amount of \$57.67.
37. Section 6(6) of the CCAA provides that the Court may sanction a plan only if it is satisfied that the company can and will make payment of certain amounts related to pension plans. Pursuant to claim settlement agreements executed by the Pension Administrator, there are no such amounts owing.

Releases

38. The Plan provides for broad releases (the “**BL/Wabush Releases**”) to the full extent permitted by Applicable Law for each of the CCAA Parties and their respective Directors, Officers, Employees, advisors, legal counsel and agents (collectively, the “**BL/Wabush Released Parties**”) from claims based in whole or in part on any omission, transaction, duty, responsibility, indebtedness, Liability, obligation, dealing or other occurrence:
- (a) Existing or taking place on or prior to the Plan Implementation Date that are in any way relating to, arising out of or in connection with the Claims, the Business whenever or however conducted, the Plan, the CCAA Proceedings, or any Claim that has been barred or extinguished by the Amended Claims Procedure Order; and
 - (b) In respect of any distributions, payments, disbursements, actions, steps or transactions, taken to implement the Plan, and in each case, all claims arising out of such aforesaid actions or omissions shall be forever waived and released (other than the right to enforce the Participating CCAA Parties’ obligations under the Plan or any related document).
39. The BL/Wabush Releases do not release or discharge:
- (a) Unaffected Claims;
 - (b) Any BL/Wabush Released Party if such BL/Wabush Released Party is judged by the express terms of a judgment rendered in a Final Order on the merits to have committed criminal, fraudulent or other wilful misconduct; or
 - (c) The Directors with respect to matters set out in section 5.1(2) of the CCAA.

40. The Plan also provides for broad releases to the full extent permitted by Applicable Law in favour of the Monitor and FTI and their respective current and former affiliates, directors, officers and employees and all of their respective advisors, legal counsel and agents (each a “**Third Party Released Party**”). The releases in favour of the Third Party Released Parties (the “**Third Party Releases**”) do not release or discharge any Third Party Released Party if such Third Party Released Party is judged by the express terms of a judgment rendered in a Final Order to have committed criminal, fraudulent, grossly negligent or other wilful misconduct.
41. The Plan also provides for broad releases to the full extent permitted by Applicable Law in favour of the Non-Filed Affiliates and their respective current and former members, shareholders, directors, officers, employees, advisors, legal counsel and agents (each a “**Non-Filed Affiliate Released Party**”). The releases in favour of the Non-Filed Affiliate Released Parties (the “**Non-Filed Affiliate Releases**”) do not release or discharge any Non-Filed Affiliate Released Party if such Non-Filed Affiliate Released Party is judged by the express terms of a judgment rendered in a Final Order on the merits to have committed criminal, fraudulent or other wilful misconduct.

Conditions Precedent to Implementation

42. The implementation of the Plan is subject to the following conditions precedent:
- (a) The Amended Meetings Order shall have been granted;
 - (b) Each Unsecured Creditor Class shall have approved the Plan in the Required Majority;
 - (c) The Sanction Order shall have been granted on or before June 29, 2018, or such later date as agreed by the Participating CCAA Parties, the Parent and the Monitor;

- (d) Each of the Amended Meetings Order and the Sanction Order shall have become Final Orders;
- (e) If necessary to effect the Plan, the Participating CCAA Parties shall have filed all necessary annual information forms or returns under Applicable Law in order to maintain such Participating CCAA Parties in good standing as at the Plan Implementation Date;
- (f) The Monitor shall have received the Non-Filed Affiliate Cash Contribution at least three (3) Business Days' prior to the Meetings;
- (g) The Monitor and the Participating CCAA Parties shall have received the Irrevocable Payment Direction at least three (3) Business Days prior to the Meetings;
- (h) The Monitor shall have received such clearance certificates, or comfort letters in lieu thereof from the Canada Revenue Agency or any other applicable Taxing Authority, as the Monitor considers necessary or advisable, to make any Plan Distributions;
- (i) The Monitor's Counsel shall have received, prior to the date of the Amended Meetings Order, a fully executed Notice of Discontinuance, without costs, in respect of the Pension Priority Appeal executed by each Pension Priority Party, as applicable, to be held by the Monitor's Counsel in escrow, and released from escrow and filed with the Québec Court of Appeal forthwith after the Plan Implementation Date;
- (j) The Monitor's Counsel shall have received, prior to the date of the Amended Meetings Order, a fully executed Notice of Discontinuance, without costs, of the Newfoundland Reference Appeal executed by each Pension Priority Party, as applicable, to be held by the Monitor's Counsel in escrow, and released from escrow and filed with the Supreme Court of Canada forthwith after the Plan Implementation Date;

- (k) The Monitor's Counsel shall have received, prior to the date of the Amended Meetings Order, a fully executed Notice of Discontinuance of the Non-Filed Affiliate Employee Actions², executed by each plaintiff in the Non-Filed Affiliate Employee Actions, as applicable, to be held by the Monitor's Counsel in escrow, and released from escrow and filed with the Newfoundland and Labrador Supreme Court Trial Division (General) forthwith after the Plan Implementation Date; and
- (l) The Plan Implementation Date shall have occurred before July 31, 2018, or such later date as agreed to by the Participating CCAA Parties, the Parent and Monitor.

THE MONITOR'S ASSESSMENT OF THE PLAN

JOINT PLAN AND CLASSIFICATION OF CREDITORS

43. As described earlier in this Report, the implementation of the Plan would effect a comprehensive settlement of various significant matters in the CCAA Proceedings and of the Non-Filed Affiliate Employee Actions. As described in more detail later in this Report, the implementation of the Plan would provide substantial incremental benefit to Affected Third Party Unsecured Creditors through increased recoveries and earlier distributions under the Plan. Effecting that settlement through the Plan on a joint basis significantly simplifies matters as compared to having individual plans of arrangement for each of the Participating CCAA Parties. Furthermore, there is, in the Monitor's view, no apparent material prejudice to any creditor of any of the Applicants from the Plan being a joint plan.

² The plaintiffs and the Non-Filed Affiliate Employee Defendants have confirmed their intention that the discontinuance be full and final, with prejudice and without costs.

44. As described earlier in this Report, the Plan provides for limited substantive consolidation of certain classes of unsecured creditors for the purposes of the Plan. For the reasons set out in the Monitor's Forty-Fourth Report, the Monitor is of the view that the limited substantive consolidation of certain classes of Affected Unsecured Creditors for the purposes of the Plan is reasonable and appropriate and that there is no material prejudice arising therefrom.
45. As described in the Monitor's Forty-Fourth Report, the Monitor has considered the factors set out in section 22(2) of the CCAA with respect to the classification of creditors and is of the view that the classification of Affected Unsecured Creditors as contemplated by the Plan is reasonable and appropriate.
46. As noted earlier in this Report, the limited substantive consolidation of certain estates for the purposes of the Plan and the classification of Affected Unsecured Creditors for the purposes of voting on and receiving distributions under the Plan was approved pursuant to the Amended Meetings Order.

COMPLIANCE WITH STATUTORY REQUIREMENTS

47. A plan of compromise or arrangement can only be sanctioned by the Court if, amongst other things, it complies with all statutory requirements.
48. Section 5.1(1) of the CCAA contemplates the compromise of claims against directors but section 5.1(2) of the CCAA mandates certain exceptions. Section 10.1(a) of the Plan includes the statutory exceptions required by the CCAA in respect of the release for directors of the CCAA Parties provided for in the Plan.
49. Section 6(3) of the CCAA requires that the Plan provide for the payment in full of certain Crown claims within six months of the Sanction Order. Section 5.8 of the Plan provides that the Government Priority Claims, if any, will be paid in compliance with section 6(3) of the CCAA.

50. Section 6(5) of the CCAA requires that the Plan provide for payment immediately after sanction of certain amounts owing to employees and former employees. Section 5.8 of the Plan provides that Employee Priority Claims, if any, will be paid compliance with section 6(5) of the CCAA. As noted earlier in this Report, there are no Employee Priority Claims other than one claim in the amount of \$57.67.
51. Section 6(6) of the CCAA requires that the Plan provide for payment of certain unpaid amounts relating to pension plans and that the Court be satisfied that such claims can and will be paid. As noted above, there are no such claims.
52. Pursuant to section 6(8) of the CCAA, no plan of compromise or arrangement that provides for a payment of an equity claim may be sanctioned by the Court unless all non-equity claims are paid in full. Section 5.7 of the Plan provides that no payments will be made on account of equity claims.
53. Pursuant to section 19(2) of the CCAA, a plan of compromise or arrangement may not deal with any claim that relates to the debts or liabilities described in section 19(2) unless the plan explicitly provides for the compromise of such claim and the creditor holding the claim votes in favour of the plan. Section 5.12 of the Plan provides that Claims listed under section 19(2) of the CCAA (“**Section 19(2) Claims**”) shall be Affected Claims for the purposes of the Plan; provided, however, that Section 19(2) Claims shall be deemed Unaffected Claims to the extent held by any Creditors who have not voted in favour of the Plan.
54. Based on the foregoing, the Monitor is not aware of any aspect of the Plan that is not in compliance with statutory requirements.

ESTIMATED RECOVERIES FOR AFFECTED UNSECURED CREDITORS UNDER THE PLAN

Potential Range of Amounts to be Contributed by the Non-Filed Affiliates

55. Pursuant to the Plan, the Non-Filed Affiliate Distribution/Payment Contribution will be contributed in part for the benefit of the Affected Unsecured Creditors of the CQIM/Quinto Parties, including any other CCAA Parties that are creditors of CQIM or Quinto. In addition, the Non-Filed Affiliates will make the Non-Filed Affiliate Distribution Pension Contribution and the Non-Filed Affiliate Cash Contribution for the benefit of the Pension Claims.
56. The actual amounts available for payment to Secured Creditors and Affected Unsecured Creditors, other than the Pension Claims, remains uncertain because of a variety of unresolved matters in the CCAA Proceedings, including a number of unresolved claims and potential additional realizations.
57. Accordingly, the Monitor has estimated the range of the potential amount to be contributed by the Non-Filed Affiliates using, *inter alia*, the following assumptions:
 - (a) Scenario 1 – low distribution to Affected Unsecured Creditors which assumes the following:
 - (i) There are no additional realizations; and
 - (ii) Unresolved Claims are allowed in the amount filed;
 - (b) Scenario 2 – high distribution to Affected Unsecured Creditors which assumes the following:
 - (i) Incremental realizations from various tax refunds and other minor assets: and
 - (ii) Unresolved Claims are allowed at the minimum potential amount.

58. Based on the foregoing, the Monitor estimates that the potential range of aggregate secured and unsecured distributions to the Non-Filed Affiliates which under the Plan would be contributed to the CQIM/Quinto Unsecured Creditor Class in the form of the Non-Filed Affiliate Distribution/Contribution and to the Pension Plans in the form of the Non-Filed Affiliate Distribution Pension Contribution is approximately \$72 million to \$81 million.
59. Accordingly, including the Non-Filed Affiliate Cash Contribution of \$19 million, the total amount being contributed by the Non-Filed Affiliates in support of the Plan is estimated to be in the potential range of approximately \$91 million to \$100 million.

Potential Range of Distributions to Affected Third-Party Unsecured Creditors

60. The Monitor estimated the range of potential distributions to Affected Third Party Unsecured Creditors, other than Pension Claims, under the Plan under the scenarios described above. The estimated potential distributions are summarized as follows:

	Scenario 1	Scenario 2
Distribution \$M		
CQIM/Quinto	81.78	94.08
BL Parties	17.13	23.72
Wabush Mines Parties	12.56	14.73
Arnaud	4.93	5.51
Total	116.40	138.04
Distribution %		
CQIM/Quinto	11.47%	13.32%
BL Parties	2.27%	3.29%
Wabush Mines Parties	7.39%	9.33%
Arnaud	16.92%	18.90%

61. As described earlier in this Report, each of the Hourly Pension Plan and the Salaried Pension Plan will receive aggregate distributions of \$18 million under the Plan representing a distribution of 62.75% of the Pension Claims in respect of the Hourly Pension Plan and 65.84% of the Pension Claims in respect of the Salaried Pension Plan.

ALTERNATIVES TO THE PLAN AND ESTIMATED RECOVERIES

62. If the Plan is not implemented the Non-Filed Affiliates would be entitled to distributions from the estates of the Participating CCAA Parties and the Non-Filed Affiliate Distribution/Payment Contribution, Non-Filed Affiliate Distribution Pension Contribution and the Non-Filed Affiliate Cash Contribution would be unavailable to Affected Third Party Unsecured Creditors. Furthermore, the settlements of the Pension Priority Proceedings and the OPEB/Other Employee Claims would be null and void.
63. The Monitor has estimated the range of potential distributions to Affected Third Party Unsecured Creditors under the following scenarios if the Plan is not implemented and without any recovery from successful litigation in respect of Non-Filed Affiliate Transactions Claims:
- (a) Scenario 1 – low distribution to Affected Unsecured Creditors which assumes the following:
 - (i) There are no additional realizations;
 - (ii) Unresolved Claims are allowed in the amount filed; and
 - (iii) Pension Claims are determined to be subject to a deemed trust over all Wabush CCAA Parties’ assets in priority to all other Claims;
 - (b) Scenario 2 – high distribution to Affected Unsecured Creditors which assumes the following:
 - (i) Incremental realizations from various tax refunds and other minor assets;
 - (ii) Unresolved Claims are allowed at the minimum potential amount; and

(iii) Pension Claims are unsecured claims.

64. The estimated potential distributions to Affected Unsecured Creditors, other than Pension Claims, if the Plan is not implemented are summarized as follows:

	Scenario 1	Scenario 2
Distribution \$M		
CQIM/Quinto	18.68	20.91
BL Parties	13.01	20.89
Wabush Mines Parties	0.00	3.89
Arnaud	0.00	5.06
Total	31.69	50.75
Distribution %		
CQIM/Quinto	2.62%	2.96%
BL Parties	1.72%	2.90%
Wabush Mines Parties	0.00%	2.46%
Arnaud	0.00%	17.36%

65. The increase in estimated potential distributions to Affected Unsecured Creditors, other than Pension Claims, resulting from the Plan is summarized as follows:

	Scenario 1	Scenario 2
Increased Distribution \$M		
CQIM/Quinto	63.10	73.17
BL Parties	4.12	2.83
Wabush Mines Parties	12.56	10.84
Arnaud	4.93	0.45
Total	84.71	87.29
% Increase		
CQIM/Quinto	337.79%	349.93%
BL Parties	31.67%	13.55%
Wabush Mines Parties	∞	278.66%
Arnaud	∞	8.89%

66. The estimated distribution on account of the Pension Claims, if the Plan is not approved and implemented, would be approximately \$48 million in Scenario 1 if all of the deemed trust arguments were successful in their entirety in the Pension Priority Proceedings and approximately \$11 million in Scenario 2, which assumes no deemed trust. However, if the deemed trust arguments were unsuccessful in Scenario 1, the estimated distributions on account of the Pension Claims would be approximately \$9 million.
67. If the Plan is not approved and implemented, the proposed settlement of the Non-Filed Affiliate Transactions Claims would not proceed and CQIM or its creditors would either have to abandon such claims or to pursue recovery through litigation.
68. The Monitor has estimated the amount that would have to be recovered through successful litigation in respect of the Non-Filed Affiliate Transactions Claims in order to obtain an equivalent increase in estimated distributions as that provided by the Plan. In making that estimate, the Monitor has assumed that transactions in question are voided, for example as preferences under section 95 of the *Bankruptcy and Insolvency Act*, such that realizations are increased (either through a return and sale of the assets or a monetary award) and the reduction of the claims of the Non-Filed Affiliates that resulted from the Non-Filed Affiliate Transactions Claims is reversed.
69. On that basis, the Monitor estimates that the amounts that would have to be recovered from any litigation in respect of the Non-Filed Affiliate Transactions Claims in order to obtain an equivalent increase in estimated distributions to Affected Third Party Unsecured Creditors as that provided by the Plan are as follows:
 - (a) Scenario 1 – approximately \$285 million; and
 - (b) Scenario 2 – approximately \$315 million.

70. While the Monitor is of the view that the Non-Filed Affiliate Transactions Claims are strong, there is always risk that litigation would not be successful. The Monitor has been informed by the Non-Filed Affiliates that they deny that there is any liability for the Non-Filed Affiliate Claims and that they would vigorously defend any litigation in respect thereof. Accordingly, there would be significant risk, time and expense associated with litigating such claims. Of particular significance would be the issue of the valuation of the assets that were transferred and debate over the applicable date for such valuation.
71. Successful litigation may result in a voiding of the transactions or a monetary award. If the transactions were to be voided, the assets, consisting of cash and shares, would revert to the CCAA Parties. In that case, cash may or may not be traceable and collectable and the CCAA Parties would have to endeavour to sell the shares of the Australian subsidiary which is likely to be unsuccessful given the current status of the Australian subsidiary and its operations³. If litigation resulted in a monetary award, there may be complexities associated with the enforcement of such award in a foreign jurisdiction and significant collection risk depending on which of the Non-Filed Affiliates any such award is rendered against.

³ In January 2018 the Parent announced that, after evaluating current and anticipated future market conditions in connection with the remaining iron ore reserves of the Australian subsidiary, including quality and the current market price for the ore, it had decided to accelerate the planned closure of mining operations in Australia, which closure was now expected to occur in 2018. In April 2018, the Parent announced that it expected that the permanent closure of Australian mining operations would occur by June 30, 2018. Factors stated to have been considered in that decision included increasingly discounted prices for lower-iron-content ore, the quality of the remaining iron ore reserves at APIO and the lack of a legitimate offer from a qualified buyer. The Parent also stated that it anticipated future cash expenditures associated with the closure of operations to be in the range of approximately US\$120 to US\$140 million.

72. The Monitor has considered these risk factors and undertaken a high-level review of the potential value of the shares of the Australian subsidiary that were transferred from CQIM and is of the view that litigation is unlikely to realize a net value sufficient to provide a better result for third-party creditors than the Plan. Furthermore, the Plan provides certainty of outcome with respect to the Non-Filed Affiliate Transactions Claims and would significantly accelerate the timing of initial distributions to Affected Third Party Unsecured Creditors.
73. If the Plan is not approved and implemented, the proposed settlement of the Related Party Claims filed pursuant to the Claims Procedure Order would not proceed and, based on the work performed to date⁴, the Monitor would need to either:
- (a) Allow the Related Party Claims in the amounts provided for in the Plan;
or
 - (b) Continue its detailed review of the transactions comprising the Related Party Claims to determine whether the amounts for which the review is not yet complete are adequately proven or whether there may be further adjustments to such claims.
74. As described in the Monitor's Thirty-Ninth Report, the Related Party Claims are extensive and complex and a significant amount of time and money has been spent in reviewing those claims. Despite the extensive and detailed review of the Related Party Claims, only a small number of minor adjustments have been identified to date. While it is possible that further adjustments might be identified if the review work is continued, based on the materials reviewed to date, the Monitor is not aware of any evidence that would suggest that the Monitor is likely to identify further adjustments that would materially reduce the Related Party Claims. Furthermore, there would be significant cost associated with completing the review process.

⁴ Such work having been described in the Monitor's Thirty-Ninth Report.

75. If the Plan is not approved and implemented, the proposed settlement of the proper characterization of claims of certain Non-Filed Affiliates and certain CCAA Parties filed pursuant to the Claims Procedure Order would not proceed and any potential effort to recharacterize such claims so that they were subordinate to the claims of other unsecured creditors would either have to be abandoned or pursued through litigation.
76. The Monitor has analysed the issue of the potential recharacterization of Related Party Claims, including the likelihood of successfully litigating such issue, and the effect that recharacterization might have on potential recoveries for other unsecured creditors. The Monitor shared its analysis, considerations and views with various significant creditors or creditor constituencies in the fall of 2017. The Monitor has also considered the time and costs of completing the review of the Related Party Claims and the apparent likelihood of any material amendment to the Related Party Claims arising from the completion of the review. The Monitor is of the view that, in the circumstances of the overall settlement that would be implemented through the Plan, settling the Related Party Claims at the amounts provided for in the Plan, without recharacterization, is reasonable and appropriate in the circumstances.
77. If the Plan is not approved and implemented, the settlement of the OPEB/Other Employee Claims would be null and void and it would be possible that significant additional time and expense may be required to obtain a final determination of those Claims.
78. If the Plan is not approved and implemented, the settlement of the Pension Priority Proceedings would be null and void and the appeals to the Quebec Court of Appeal in respect of the Pension Priority Decision and, to the Supreme Court of Canada in respect of the Newfoundland Reference Decision, would proceed. Such appeals would require significant time and expense by all parties and would significantly delay distributions to Affected Unsecured Creditors of the Wabush CCAA Parties, including the Pension Claims.

79. The Monitor has also considered the question of whether bankruptcies of the CCAA Parties would be more beneficial to creditors than the implementation of the Plan and has concluded that they would not for the following reasons:
- (a) The Non-Filed Affiliates have informed the Monitor that their proposed settlement is only available in the context of a plan of arrangement that provides for the releases that are set out in the Plan. Accordingly, the proposed settlement would not be available in the context of the bankruptcy of the Participating CCAA Parties or any of them, and the matters that would be settled through the Plan would have to be abandoned or litigated. As set out above, the Monitor is of the view that litigation is unlikely to realize value sufficient to provide a better result for third-party creditors than the Plan;
 - (b) As has been stated in previous reports of the Monitor, the CCAA Proceedings are complex and intertwined. The co-ordination of the various estates is, in the Monitor's view, critical to maximize efficiency and effectiveness. It is also the Monitor's view that a continuation of the CCAA Proceedings is, at the current time, the most efficient and effective way that such co-ordination can be achieved and that the proceedings can be completed for the benefit of all stakeholders. The bankruptcy of some or all of the Participating CCAA Parties could add additional complexity, cost and delay; and
 - (c) It is also likely that any effort to bankrupt the CCAA Parties would be vigorously opposed by parties with an interest in the Pension Claims because it could prejudice priority arguments raised by such parties in the Pension Priority Proceedings. It is also possible that certain parties would dispute the view that a bankruptcy would render the Pension Claims to be unsecured claims and seek to continue the Pension Priority Proceedings even in a bankruptcy.

80. Accordingly, in the Monitor's view the Plan is overall more beneficial than a bankruptcy.

TREATMENT OF SHAREHOLDERS

81. Pursuant to section 6(8) of the CCAA, no plan of compromise or arrangement that provides for a payment of an equity claim may be sanctioned by the Court unless all non-equity claims are paid in full. The Plan does not provide for any payment on account of Equity Claims and such claims will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred. Equity Interests are unaffected by the Plan.
82. Given the shortfall on account of claims of Affected Unsecured Creditors, in the Monitor's view the treatment of shareholders is justified, fair and reasonable.

THE RELEASES

83. The BL/Wabush Releases and the Third Party Releases are an integral part of the Plan. As noted earlier in this Report, The BL/Wabush Releases do not release or discharge:
- (a) Unaffected Claims;
 - (b) Any BL/Wabush Released Party if such BL/Wabush Released Party is judged by the expressed terms of a judgment rendered in a Final Order on the merits to have committed criminal, fraudulent or other wilful misconduct; or
 - (c) The Directors with respect to matters set out in section 5.1(2) of the CCAA.
84. In the view of the Monitor, the BL/Wabush Releases and the Third Party Releases are reasonable and justified in the circumstances.

85. The Non-Filed Affiliate Releases are also an integral part of the proposed settlement with the Non-Filed Affiliates and, consequently, are a necessary and integral part of the Plan. The Non-Filed Affiliates will only provide the significant consideration comprised of the Non-Filed Affiliate Distribution/Payment Contribution, the Non-Filed Affiliate Distribution Pension Contribution and the Non-Filed Affiliate Cash Contribution if the Plan is approved and implemented.
86. As discussed earlier in this Report, the Non-Filed Affiliate Releases do not release or discharge any Non-Filed Affiliate Released Party if such Non-Filed Affiliate Released Party is judged by the express terms of a judgment rendered in a Final Order on the merits to have committed criminal, fraudulent or other wilful misconduct.
87. Accordingly, in the view of the Monitor, the Non-Filed Affiliate Releases are reasonable and justified in the circumstances.

OTHER BENEFITS OF THE PLAN

88. In addition to the benefit of increased recoveries for Affected Third Party Unsecured Creditors, the implementation of the Plan would provide the following additional benefits:
 - (a) The resolution of significant intercompany claims between the CCAA Parties and between the CCAA Parties and Non-Filed Affiliates without the significant time and expense that would otherwise be incurred to further investigate and adjudicate such claims;
 - (b) The resolution of the Non-Filed Affiliate Transactions Claims without the significant time and expense of litigation and the litigation and collection risks associated therewith;

- (c) The resolution of disputes over the priority of claims asserted in connection the Wabush Pension Plans without the significant time and expense that would otherwise be incurred to further litigate such disputes;
- (d) The resolution of significant claims of former employees, including in respect of OPEBs, without the significant time and expense that would otherwise be incurred to resolve such claims; and
- (e) The acceleration of initial distributions to Affected Third Party Unsecured Creditors, including distributions to the Pension Plans.

THE MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

89. For the reasons set out above, it is the Monitor's view that:

- (a) The Plan provides for higher recoveries for all Affected Unsecured Creditors with Proven Claims than would be likely be available if the Plan is not implemented;
- (b) A bankruptcy would likely provide significantly lower recoveries to the Pension Plans and the Affected Third Party Unsecured Creditors;
- (c) There is no apparent material prejudice to the Affected Unsecured Creditors generally from the limited substantive consolidation provided for by the Plan;
- (d) The Plan has additional benefits for Affected Unsecured Creditors in that it provides for:

- (i) The resolution of significant intercompany claims between the CCAA Parties and between the CCAA Parties and Non-Filed Affiliates without the significant time and expense that would otherwise be incurred to further investigate and adjudicate such claims;
 - (ii) The resolution of the Non-Filed Affiliate Transactions Claims without the significant time and expense of litigation and the litigation and collection risks associated therewith;
 - (iii) The resolution of disputes over the priority of claims asserted in connection the Wabush Pension Plans without the significant time and expense that would otherwise be incurred to further litigate such disputes;
 - (iv) The resolution of significant claims of former employees, including in respect of OPEBs, without the significant time and expense that would otherwise be incurred to resolve such claims; and
 - (v) The acceleration of initial distributions to Affected Third Party Unsecured Creditors, including distributions to the Pension Plans;
- (e) The Plan is fair and reasonable; and
- (f) There is no aspect of the Plan that is not in compliance with statutory requirements.

90. Accordingly, and for the reasons set out in this Report, it is the Monitor's view that the approval of the Plan is in the best interests of Affected Unsecured Creditors and the Monitor respectfully recommends that all Affected Unsecured Creditors vote in favour of the Plan.

The Monitor respectfully submits to the Court this, its Forty-Sixth Report.

Dated this 23rd day of May, 2018.

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



Michael Basso
Director