

**CONFIDENTIAL**

**MEMORANDUM OF UNDERSTANDING**

This Memorandum of Understanding (the "**MOU**") is made and entered into as of this   18<sup>th</sup>   day of July 2018 by and between:

**IRON ORE COMPANY OF CANADA**, 400-1190 Avenue des Canadiens-de-Montreal, 24th Floor, Montreal (Québec) H3B 0E3, CANADA ("**IOC**")

and

**GRAND RIVER IRONSANDS INC.**, a corporation with a head office located at 805-1809 Barrington Street, Halifax, Nova Scotia, B3J 3K8, Canada ("**Grand River**")

and

**PURE FONTE LTÉE**, a corporation with a head office located at 805-1809 Barrington Street, Halifax, Nova Scotia, B3J 3K8, Canada ("**PFL**" and, together with Grand River, jointly, the "**Company**")

The parties described above may be referred to herein individually as a "**Party**" or jointly as "**Parties**".

**WITNESSETH**

**WHEREAS** IOC is in the business of mining, beneficiation, pelletizing and export of iron ore in the provinces of Newfoundland and Labrador and Quebec, Canada;

**WHEREAS** the Company is in the process of developing and constructing a plant for the production of merchant pig iron in Saguenay, Quebec (the "**Facility**"). For the purposes hereof, the Company will require approximately 0.68 million metric tons (+/-) of direct reduction pellets per annum as feedstock;

**AND WHEREAS** the Parties will enter into discussions regarding the terms of a potential Iron Ore Sales Agreement between IOC as Seller and Grand River or PFL as Buyer (the "**Agreement**"), to be negotiated in 2018 and with sales starting in 2021.

**1. PURPOSE**

1.1. The purpose of this MOU is to set forth the general terms and conditions upon which the Parties intend to develop the Agreement.

1.2. The Parties acknowledge that this MOU is a preliminary, non-binding (except as expressly set out in Section 4.1), understanding by the Parties and does not contain all the terms nor all the fundamental conditions required and/or desirable to regulate the Agreement, which shall be negotiated in good faith between the Parties and may be reflected in further documents or instruments to be negotiated and agreed by the Parties. Neither Party shall

be obligated by this MOU (and negotiations undertaken hereunder) to proceed with the Agreement and each Party is free to withdraw from further discussions and negotiations at any time and for any reason, subject to prior written notice to the other Party, prior to the execution of the Agreement.

- 1.3. Without limiting the generality of the foregoing, the Parties agree that the execution of the Agreement will be conditional on, inter alia, (a) each Party being fully satisfied with its due diligence investigation of the other Party's capacity to perform its obligations under the Agreement, (b) agreement, to both Parties' full satisfaction, on payment terms and guarantees that take into account the Company's credit risk, (c) agreement on the terms and conditions of the Agreement, (d) receipt by each Party of all required corporate approvals and (e) suitability of the products of IOC for the industrial process of the Facility.

## 2. THE AGREEMENT

The following terms are provided for discussion purposes only to form the starting point for negotiation of the Agreement. They remain subject in all respects on the conditions described in Section 1.3 above.

- 2.1. Iron Ore Supply: the Parties shall negotiate on the basis of an annual quantity of DR pellets ("Product") of **[0.5]** million metric tons which shall be sold by IOC and purchased by the Company on a long-term basis (up to 5 years).

Use of the Product delivered under the Agreement would be at the Facility.

- 2.2. Quality: the Indicative Quality for the Product is set out in ANNEX 1.
- 2.3. Pricing: the prices for the Product to be purchased by the Company shall be based on the then current international market prices and conditions.
- 2.4. Delivery Schedule: deliveries would be made at reasonably evenly spaced intervals in each contract year.
- 2.5. Payments: deliveries would be payable by Irrevocable Letter of Credit issued by a financial institution that is acceptable to IOC and confirmed by a Canadian bank. Depending on the results of its due diligence investigations, in the case of payment arrangements that are not sight, IOC may require that the Company provide certain financial guarantees designed to ensure that IOC receives payment for shipments made.

## 3. TERM

This MOU shall be effective from the date on which it is signed (the "**Signature Date**") and shall, unless extended by mutual consent of the Parties, continue until the earlier of:

- 3.1. the expiry of a period of twelve (12) months from the Signature Date;

- 3.2. the execution of the Agreement that supersedes this MOU and that Agreement having become unconditional in accordance with its terms; or
- 3.3. a written notice sent by one Party to the other in the event that it decides not to proceed with the Agreement.

#### **4. NO OBLIGATION**

- 4.1. This MoU is a bona fide expression of interest but is non-binding upon the Parties, except for the provisions pertaining to costs and expenses (4.2), Confidentiality (Section 5), Governing Law (Section 6) and No Partnership (Section 7) that shall be effective and legally binding as of the date set forth herein.
- 4.2. Each Party will bear its own costs and expenses in respect of this MOU and the negotiation of the Agreement.
- 4.3. In case this MOU is terminated, no indemnification or reimbursement of any type may be pursued from either Party by the other Party except for a breach of confidentiality obligations under Section 5 and except as may otherwise be expressly permitted under any existing agreements between the Parties. For the avoidance of doubt, neither Party is entitled to any remedies in order to force the other Party to enter into any document or instrument or to consummate any of the transactions described herein or otherwise proceed with the Agreement.

#### **5. CONFIDENTIALITY**

Each Party agrees to keep confidential the terms of this MOU, including its subject-matter, and any related terms or conditions of the Agreement, and any information or communication exchanged between the Parties related thereto (“**Confidential Information**”), and shall cause its respective employees, officers, advisors and counsellors to keep Confidential Information confidential, in accordance with the terms of the existing Confidentiality Agreement dated on or about the date hereof between the Parties. For avoidance of doubt, the existing Confidentiality Agreement dated on or about the date hereof between the Parties shall govern, amongst others, the Parties’ respective confidentiality obligations set forth herein.

#### **6. GOVERNING LAW**

This MOU shall be governed and construed in accordance with the laws of the Province of Québec.

#### **7. NO PARTNERSHIP**

Nothing in this MOU and no action taken by the Parties under this MOU shall constitute a partnership, association, joint venture or other co-operative entity between any of the Parties, their rights and obligations to one another being limited to the contractual terms hereof.

**[Signatures on following page.]**

**MOU For DR Pellets**

**IN WITNESS WHEREOF**, the Parties have caused their respective duly authorized representatives to execute this MOU as of the date set forth above.

**IRON ORE COMPANY OF CANADA**

**GRAND RIVER IRON INC.**



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Signature

Arnold Bao

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Name

Manager Sales

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Title

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Signature

Francis MacKenzie

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Name

President

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Title

**PURE FONTE LTÉE.**

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Signature

Francis MacKenzie

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Name

President

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Title

## ANNEX 1

DIRECT REDUCTION IRON ORE PELLETSINDICATIVE SPECIFICATIONS AT LOADING PORT

PARAMETER	METHOD	EXPECTED
<b>CHEMICAL</b>		
<b>(% BY WEIGHT)</b>		
Iron, Fe		67.7
Phosphorus, P		0.007
Manganese, <u>Mn</u>		0.14
Silica, <u>SiO<sub>2</sub></u>		1.20
Aluminium Oxide, Al <sub>2</sub> O <sub>3</sub>		0.32
Calcium Oxide, <u>CaO</u>		0.90
Magnesium Oxide, <u>MgO</u>		0.40
Sulphur, S		0.003
<b>PHYSICAL</b>		
Tumble (IOS-3271)	% +6.3mm	95
Compression (ISO-4700)	Avg., <u>daN/p</u>	270
Shipping Moisture (%)		2
Size distribution	-14 + 9.5 mm	90
	- 6.3 mm	1.5
<b>METALLURGICAL</b>		
Clustering Index (ISO 11256)	% volume	13
Linder (ISO 11257)	%-3.15 mm	1.0
Reducibility DR90 (ISO 11258)	%	95