

Samarco

SUPPORTING CREDITOR COUNTER
TO COMPANY PROPOSAL DATED
11/27/2018

Subject to NDA dated November 27

Settlement proposal without prejudice and subject to U.S. Federal Rule of Evidence 408 and all similar applicable rules. Non-binding/for discussion purposes only. The terms, conditions, form and structure of implementation of any proposal(s), transaction(s), plan(s), or agreement(s) are subject to negotiations, acceptable documentation, and internal approvals.

Statement of Limiting Conditions

The following non-binding term sheet (“Term Sheet”) summarizes the key terms of a consensual alternative restructuring transaction (“Transaction”) for Samarco Mineracao S.A. (“Samarco”) and its subsidiaries (collectively, the “Company”), which has the support of the Steering Committee of The Ad Hoc Group of bondholders and certain EPP lenders (“Supporting Creditors”). The terms set out herein are preliminary and indicative of the proposal contemplated herein, for the purposes of promoting discussion of the structure and other terms and conditions applicable to the Transaction, subject to applicable conditions precedent and required approvals, including by creditors of the Company pursuant to applicable law. The terms and conditions of this Term Sheet are not intended to be comprehensive or exhaustive and are subject to, among other things: (A) completion of satisfactory due diligence by each of the Supporting Creditors; (B) internal approvals of each of the Supporting Creditors in their respective sole discretion; and (C) definitive documentation acceptable to each of the Supporting Creditors. The definitive documentation for the transactions contemplated herein may contain terms that vary from the terms described herein. In case of conflict between the terms of this Term Sheet and the final documentation, the final documentation shall prevail. This communication and any discussions resulting from it (1) are entitled to all of the benefits of Rule 408 of the United States Federal Rules of Evidence and any similar applicable laws or rules, and (2) have been drafted only for negotiation and informational purposes and do not contain and shall not be construed as any admission, waiver, release or reduction of claims or rights whatsoever. The Supporting Creditors do not waive and hereby expressly reserve all claims, rights, and remedies, regardless of jurisdiction or forum. None of the Supporting Creditors is a temporary insider or fiduciary of the Company or any of its shareholders or affiliates, and each supporting creditor expressly disclaims any purported fiduciary duty to the Company or any of its shareholders or affiliates, or any other creditor. This Term Sheet is not a solicitation for approval of any transaction under any applicable laws, any plan under the Brazilian Bankruptcy Law-Law No. 11,101 of 2005, any plan of reorganization pursuant to title 11 of the United States Code or to any other applicable law (including any U.S. securities or other laws), but the terms and conditions described herein are intended to become the basis for a consensual resolution and settlement, subject to the support of the requisite creditors. This Term Sheet shall be governed by and construed in accordance with the laws of the State of New York, without regard to any choice or conflict of laws principles or rules (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

Summary Term Sheet

Proposal 1

Settlement proposal without prejudice and subject to U.S. Federal Rule of Evidence 408 and all similar applicable rules. Non-binding/for discussion purposes only. The terms, conditions, form and structure of implementation of any proposal(s), transaction(s), plan(s), or agreement(s) are subject to negotiations, acceptable documentation, and internal approvals.

Red text indicates changes to Samarco terms

Samarco/Advisors Proposal (11.27.2018)				Supporting Creditor ⁽¹⁾ Counterproposal 1 (12.3.2018)		
	Option A	Option B	Option C	Option A	Option B	Option C
Borrower/Issuer	<ul style="list-style-type: none"> Samarco Mineracao SA, with all its subsidiaries as guarantors/obligors 			<ul style="list-style-type: none"> Samarco Mineracao SA, with all its subsidiaries as guarantors/obligors 		
Restructuring Proposal	<ul style="list-style-type: none"> Exchange/convert all of its EPPs and Bonds into new instruments. Each creditor shall be given the right to exchange its facilities into one of the exchange alternatives Each Creditor who does not elect A or B automatically receives Option C (verbally discussed) 			<ul style="list-style-type: none"> Exchange EPPs and Bonds into new instruments. Each Creditor given right to elect Exchange Alternative. Each Creditor who does not elect A or B automatically receives Option C 		
Instrument	<ul style="list-style-type: none"> Loan 	<ul style="list-style-type: none"> Bond 	<ul style="list-style-type: none"> Loan/Bond [TBD] 	<ul style="list-style-type: none"> Loan 	<ul style="list-style-type: none"> Bond 	<ul style="list-style-type: none"> Loan/Bond
Exchange ratio	<ul style="list-style-type: none"> 100% Principal and accrued interest Extinguishment of default interest Cap of USD\$800mm 	<ul style="list-style-type: none"> 100% Principal and accrued interest Extinguishment of default interest 	<ul style="list-style-type: none"> 100% Principal and accrued interest Extinguishment of default interest 	<ul style="list-style-type: none"> 100% Principal, accrued, and default interest Cap of USD\$800mm If not fully taken up, remainder as an RCF basket 	<ul style="list-style-type: none"> 100% Principal, accrued, and default interest 	<ul style="list-style-type: none"> 100% Principal only Extinguish accrued & default interest
Interest	<ul style="list-style-type: none"> L + 1.15%⁽²⁾ 	<ul style="list-style-type: none"> 4.93%⁽²⁾ 	<ul style="list-style-type: none"> 1.00% 	<ul style="list-style-type: none"> L+[1.50%] / paid quarterly, net of withholding tax (if any) Insurance wrap consistent with current structure; cost covered by Samarco (expected to be no more than 100bps) 	<ul style="list-style-type: none"> 8% cash, 14% PIK / paid quarterly, net of withholding tax (if any) Cash interest is mandatory starting in 2024 and/or if net leverage is <4.0x 	<ul style="list-style-type: none"> 1.00% / paid annually
Maturity	<ul style="list-style-type: none"> 9 years after restart 	<ul style="list-style-type: none"> 12 years after restart 	<ul style="list-style-type: none"> 14 years after restart 	<ul style="list-style-type: none"> Dec 2024 	<ul style="list-style-type: none"> Dec 2025 	<ul style="list-style-type: none"> Dec 2033
Change of Control	<ul style="list-style-type: none"> Not addressed 			<ul style="list-style-type: none"> No CoC 	<ul style="list-style-type: none"> CoC put at 100 CoC to include one shareholder buying out the other 	<ul style="list-style-type: none"> No CoC
Call Structure	<ul style="list-style-type: none"> Par (discussed verbally) 			<ul style="list-style-type: none"> For Option B Only: NC2, then 110.5, 107, 103.5, par until maturity 		
Interest Mechanism	<ul style="list-style-type: none"> PIK-toggle for life, subject to Excess Cash Sweep Mechanism for Options A&B 		<ul style="list-style-type: none"> PIK-toggle for life 	<ul style="list-style-type: none"> Cash Pay/PIK Toggle subject to Excess Cash Sweep Mechanism for Options A&B 		<ul style="list-style-type: none"> PIK for life
Amortization	<ul style="list-style-type: none"> Bullet Payments 			<ul style="list-style-type: none"> Bullet Payments 		

(1) "Supporting Creditor" means the Steering Committee of The Ad Hoc Group of bondholders and certain EPP lenders

(2) Represents blended rate of current EPPs and Notes

Summary Term Sheet (cont.)

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Samarco/Advisors Proposal (11.27.2018)

- Excess Cash Flow Sweep (“ECF”)**
- 100% of Excess Cash applied according to the following priority:
 - SD cumulative interest plus USD\$500mm of SD principal;
 - pro-rata to Options A & B cumulative interest;
 - SD principal
 - Excess Cash defined as greater of (i) end of fiscal year unrestricted cash balance minus USD\$300mm, minus insurance proceeds received minus proceeds from permitted asset disposals and (ii) zero
 - Insurance Proceeds: Proceeds shall be applied to the payment of SD to the extent outstanding, and thereafter shall be available to Samarco for its general corporate proceeds

Supporting Creditor Counterproposal 1 (12.3.2018)

- “ECF” for a given quarter defined as the greater of (A) Zero and (B) sum of (i) beginning quarter unrestricted cash balance, (ii) Net Revenue, plus (iii) Insurance Proceeds, plus (iv) asset sales, less (v) Operating Costs, Other Expenses, Other Expenses with Accident (Ex-Renova), Capex, Taxes, and Change in Working Capital/Other, all limited by the excess unrestricted cash balance above USD\$150mm
- ECF begins in quarter that Samarco resumes operations
- ECF to be applied according to the schedule below:

1
 Lesser of (i) full contractual Option A + B cash interest for the quarter and (ii) cash balance above USD\$150mm to be paid as cash interest paid pro rata

2
 After Option A + B cash interest has been fully serviced, Framework Agreement funding in excess of the Minimum Initial Renova Contribution (as defined on the following page) in an amount no more than the financial projections for such quarter

3
 Mandatory Offer @ [Par] per the grid below:

<u>LTM Net Leverage</u>	<u>% of ECF</u>
>5.0x	100%
4.0-5.0x	75%
3.0-4.0x	50%
2.5-3.0x	25%
<2.5x	0%

- For the avoidance of doubt, if Excess Cash Flow is insufficient to fully fund that period's Framework Agreement funding, Vale and BHP shall fund the deficiency amount directly to the Renova Foundation

Summary Term Sheet (cont.)

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Samarco/Advisors Proposal (11.27.2018)		Supporting Creditor Counterproposal 1 (12.3.2018)		
		Option A	Option B	Option C
Security	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> First Lien on Working Capital First Lien on Insurance Proceeds Second Lien on Property, Plant & Equipment Fiduciary Assignment on shares of Samarco 	<ul style="list-style-type: none"> First Lien on Property, Plant & Equipment First Lien on Insurance Proceeds Second Lien on Working Capital Fiduciary Assignment on shares of Samarco 	<ul style="list-style-type: none"> Unsecured
Voluntary Prepayment	<ul style="list-style-type: none"> Samarco may voluntarily prepay SD, RRO, and Options A&B on a pro-rata basis 	<ul style="list-style-type: none"> Subject to Excess Cash Flow Sweep 		
Renova Funding Obligation	<ul style="list-style-type: none"> Not specifically addressed 	<ul style="list-style-type: none"> Samarco to begin making Renova Payments to the extent it can subject to the Excess Cash Flow Sweep and Minimum Initial Renova Contribution Prior to any payments by Samarco to Renova, shareholders must contribute BRL\$9.0bn of funding from January 2019 onwards (the "Minimum Initial Renova Contribution") All previous and future Framework Agreement and other accident-related funding by Vale and BHP will be exchanged into Equity of Samarco (or reimbursement obligation to otherwise be extinguished) 		
Renova Reimbursement Obligation	<ul style="list-style-type: none"> Currency: BRL Interest, maturity, and amortization: None Ranking: <i>Pari passu</i> with Options, A, B and SD 	<ul style="list-style-type: none"> Will be exchanged into Equity of Samarco (or reimbursement obligation to otherwise be extinguished) 		
Shareholder Debenture ("SD")⁽¹⁾	<ul style="list-style-type: none"> Interest: 4.93%, PIK-toggle for life Maturity: 9 years after restart date Ranking: <i>Pari passu</i> with Options A, B and RRO ECF priority outlined above 	<ul style="list-style-type: none"> Will be exchanged into Equity of Samarco 		
Insurance Proceeds	<ul style="list-style-type: none"> Excluded from Excess Cash Flow Sweep 	<ul style="list-style-type: none"> To be applied as described in Excess Cash Flow Sweep 		
Permitted Debt	<ul style="list-style-type: none"> Until payment in full of Options A & B, Samarco shall not incur, issue, assume or maintain any indebtedness for borrowed money other than permitted debt ("Permitted Debt"). Permitted Debt includes: (i) Options A, B and C, (ii) Renova Reimbursement Obligations, (iii) any New Shareholder Debentures, (iv) capital leases, (v) debt secured by liens referred to in the Permitted Liens, (vi) any refinancing, (vii) renewals or extensions of any other Permitted Debt (provided that amount of such debt is not increased beyond the amount of any reasonable amount paid in fees, costs, expenses or premium) and (viii) other agreed debt 	<ul style="list-style-type: none"> Customary for financings of this type [RCF basket available to the extent <USD\$800mm of Option A is taken up] 		

(1) Includes existing and new SDs

Summary Term Sheet (cont.)

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Samarco/Advisors Proposal (11.27.2018)	Supporting Creditor Counterproposal 1 (12.3.2018)
<p>Permitted liens</p> <ul style="list-style-type: none"> ▪ Until payment in full of Options A and B, Samarco will not create, incur, issue or assume any guarantee or security interest on or over any assets and/or rights now owned or hereafter acquired by Samarco to secure any indebtedness; provided, however, such restriction will not apply to or cause to prevent or restrict the following permitted encumbrances: <ul style="list-style-type: none"> ▪ (i) existing liens at the date of the agreement, (ii) capital leases, (iii) liens in respect of current remediation litigation and proceedings involving any Governmental and Environmental authorities, (iv) liens in respect of tax, labor, civil and environmental litigation claims and proceedings, (v) liens provided to (A) any Brazilian governmental credit agency, (B) any Brazilian official financial institutions, (C) any non-Brazilian official export-import bank or official export-import credit insurer, or (D) the International Finance Corporation or any non-Brazilian multilateral or government sponsored agency, (vi) liens provided to any commercial bank that agrees to extend the term of a letter or credit to secure items (iii) and (iv) above, and (vii) other agreed permitted liens 	<ul style="list-style-type: none"> ▪ Customary for financings of this type
<p>Restricted Payments</p> <ul style="list-style-type: none"> ▪ Samarco shall not declare or pay dividends to, or make any other distribution on its equity interests held by the Shareholders (or any other Related Parties) until all principal, interest and outstanding amounts have been paid by Samarco under the Option A Facility and the Option B Indenture ▪ For the avoidance of doubt, payments by Samarco to its Shareholders (i) under SD, or (ii) in connection with the Renova Foundation Reimbursement Obligations, shall not constitute restricted payments 	<ul style="list-style-type: none"> ▪ Customary for financings of this type
<p>Maintenance and Financial Covenants</p> <ul style="list-style-type: none"> ▪ None 	<ul style="list-style-type: none"> ▪ None until 2023, [TBD] thereafter

Summary Term Sheet (cont.)

Proposal 1

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	Samarco/Advisors Proposal (11.27.2018)	Supporting Creditor Counterproposal 1 (12.3.2018)
Affirmative and negative covenants	<ul style="list-style-type: none"> Usual and customary for Options A, B and C, subject to usual and customary exceptions, materiality thresholds and cure periods 	<ul style="list-style-type: none"> Restricted Payments, Permitted Debt, Permitted Liens to be customary for the nature of this financing Related-party transactions need to be at arms-length; >USD\$25mm transactions require fairness opinion; >\$USD50mm transactions require consent from >50% of Option B holders
Disposal of Asset	<ul style="list-style-type: none"> If Samarco receives aggregate net cash proceeds from sale of asset (other than permitted disposals) in an amount greater than USD\$100mm, such excess amount shall be applied according to the priority stated in the ECF mechanism 	<ul style="list-style-type: none"> Customary for financings of this type
Event of default	<ul style="list-style-type: none"> Usual and customary for Options A, B and C, subject to usual and customary exceptions, materiality thresholds and cure periods 	<ul style="list-style-type: none"> Customary for financings of this type
Conditions precedent	<ul style="list-style-type: none"> Usual and customary 	<ul style="list-style-type: none"> Usual and customary Entire term sheet is conditioned on satisfactory review of due diligence from technical consultant
Shareholder Support	<ul style="list-style-type: none"> Shareholders to make funding available to Samarco through December 2018 for operating expenses and capital expenditures in the form of Shareholder Debentures in accordance with the Vale and BHP press releases dated June 28, 2018 and June 29, 2018 respectively Funding for early 2019 has not been approved by the Shareholders' respective Boards. Samarco expects such funding to be made available by Shareholders in due course on terms substantially similar to those that have been made previously Any Shareholder funding commitment for the funding need shown in the Business Plan for operating expenses and capital expenditures would be subject to milestones and other conditions TBD related to, among other things, the restart licensing process, legal and regulatory requirements and the debt restructuring process. It is expected that any such commitment would be entered into contemporaneously with the execution of an RSA between Samarco and its financial creditors. Any funding made pursuant to such commitment would have the same terms as the Shareholder Debentures described herein. The terms and conditions of any such commitment are subject to and shall be determined by Shareholders' Board approval 	<ul style="list-style-type: none"> Shareholder commitments to be a firm commitment from credit-worthy counterparty No outs No milestones For avoidance of doubt, all shareholder support to come in the form of equity
Governing Law	<ul style="list-style-type: none"> New York law 	<ul style="list-style-type: none"> New York law

Summary Term Sheet

Proposal 2

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Supporting Creditor Counterproposal 2 (12.3.2018)

	Option A	Option B	Option C
Borrower/Issuer	<ul style="list-style-type: none"> Samarco Mineracao SA, with all subsidiaries as guarantors/obligors or Vale/BHP with respect to Option B 		
Restructuring Proposal	<ul style="list-style-type: none"> Exchange EPPs and Bonds into new instruments. Each Creditor given right to elect which exchange alternative 		
Instrument	<ul style="list-style-type: none"> Loan 	<ul style="list-style-type: none"> Bond 	<ul style="list-style-type: none"> Loan/Bond
Exchange Ratio	<ul style="list-style-type: none"> Same as Proposal 1 	<ul style="list-style-type: none"> [TBD] % discount to fully accrued claim (principal, accrued & default interest), exchangeable into Vale/BHP bonds 	<ul style="list-style-type: none"> 100% of principal, extinguish accrued & default interest
Interest	<ul style="list-style-type: none"> Same as Proposal 1 	<ul style="list-style-type: none"> To be discussed 	<ul style="list-style-type: none"> 1.00%
Maturity	<ul style="list-style-type: none"> Same as Proposal 1 	<ul style="list-style-type: none"> [10 years] 	<ul style="list-style-type: none"> 2033
Amortization	<ul style="list-style-type: none"> Same as Proposal 1 	<ul style="list-style-type: none"> To be discussed 	<ul style="list-style-type: none"> Bullet
Change of Control	<ul style="list-style-type: none"> Same as Proposal 1 	<ul style="list-style-type: none"> To be discussed 	<ul style="list-style-type: none"> No CoC
Call Structure	<ul style="list-style-type: none"> Same as Proposal 1 	<ul style="list-style-type: none"> To be discussed 	<ul style="list-style-type: none"> Callable at par
Interest Payment Mechanism	<ul style="list-style-type: none"> Same as Proposal 1 	<ul style="list-style-type: none"> To be discussed 	<ul style="list-style-type: none"> PIK for Life
Excess CF Sweep	<ul style="list-style-type: none"> Same as Proposal 1 		
Security	<ul style="list-style-type: none"> First Lien on Working Capital First Lien on Property, Plant & Equipment First Lien on Insurance Proceeds Fiduciary Assignment on shares of Samarco 	<ul style="list-style-type: none"> To be discussed 	<ul style="list-style-type: none"> Unsecured
Shareholder Debenture (“SD”)(1)	<ul style="list-style-type: none"> 4.93% PIK / Toggle, 2028 maturity, Unsecured Debt 		
Renova Funding	<ul style="list-style-type: none"> RRO ranking <i>pari passu</i> with SDs, no interest, no maturity 		
Insurance Proceeds	<ul style="list-style-type: none"> To be applied to SDs and RRO on a pro rata basis 		
Governing Law	<ul style="list-style-type: none"> New York Law 		
Maintenance Financial Covenants	<ul style="list-style-type: none"> None 		
Other Covenants	<ul style="list-style-type: none"> Consistent with Vale/BHP covenants in their bonds 		

(1) Includes existing and new SDs



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