

Samarco

SUPPORTING CREDITOR PROPOSAL
1/9/2019

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

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Supporting Creditor ⁽¹⁾ Counterproposal 1 (12.10.2018)				Supporting Creditor ⁽¹⁾ Counter Proposal (1.9.2019) ⁽²⁾		
	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"> No change 		
Restructuring Proposal	<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 			<ul style="list-style-type: none"> No change 		
Instrument	<ul style="list-style-type: none"> Loan 	<ul style="list-style-type: none"> Bond 	<ul style="list-style-type: none"> Loan/Bond 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> No change
Exchange ratio	<ul style="list-style-type: none"> 100% Principal, accrued, and default interest Cap of US\$800mm If not fully taken up, remainder 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 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> No change
Interest	<ul style="list-style-type: none"> L+[1.50%] / 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 / 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% / annually 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> 7.5% cash / quarterly with 25bp annual increase in rate 12% PIK / quarterly with 50bp annual increase in rate No change to mandatory cash interest 	<ul style="list-style-type: none"> No change
Maturity	<ul style="list-style-type: none"> Dec 2024 	<ul style="list-style-type: none"> Dec 2025 	<ul style="list-style-type: none"> Dec 2033 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> No change
Change of Control	<ul style="list-style-type: none"> No CoC 	<ul style="list-style-type: none"> CoC put at 100 CoC to include one SH buying out the other 	<ul style="list-style-type: none"> No CoC 	<ul style="list-style-type: none"> No change 		
Call Structure	<ul style="list-style-type: none"> For Option B Only: NC2, then 110.5, 107, 103.5, par until maturity 			<ul style="list-style-type: none"> For Option B Only: 101 from 2019-2021, 103 for 2022, and 105 from 2023-2025 (for the avoidance of doubt, Option B debt to be repayable at par at Maturity) 		
Interest Mechanism	<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 	<ul style="list-style-type: none"> No change 		
Amortization	<ul style="list-style-type: none"> Bullet Payments 			<ul style="list-style-type: none"> No change 		

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

(2) Any terms not explicitly stated are consistent with terms of Supporting Creditors' 12.10.2018 Counterproposal

Summary Term Sheet (cont.)

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Supporting Creditor Counterproposal 1 (12.10.2018)

Excess Cash Flow Sweep ("ECF")

- "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 US\$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 US\$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

Supporting Creditor Counter Proposal (1.9.2019)

- No change
- For the avoidance of doubt, any Option A + B interest not paid in cash will be capitalized and added to the principal balance each quarter

Summary Term Sheet (cont.)

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	Supporting Creditor Counterproposal 1 (12.10.2018)			Supporting Creditor Counter Proposal (1.9.2019)
	Option A	Option B	Option C	
Security	<ul style="list-style-type: none"> ▪ First Lien on Working Capital ▪ First Lien on Insurance Proceeds ▪ Second Lien on PP&E ▪ Fiduciary Assignment on shares of Samarco 	<ul style="list-style-type: none"> ▪ First Lien on PP&E ▪ First Lien on Insurance Proceeds ▪ Second Lien on Working Capital ▪ Fiduciary Assignment on shares of Samarco 	<ul style="list-style-type: none"> ▪ Unsecured 	<ul style="list-style-type: none"> ▪ TBD pending further diligence
	<ul style="list-style-type: none"> ▪ [All liens will be subordinated to existing liens from tax claims, to the extent tax claims and liens are valid, such that liens are senior and in place upon release of tax liens] 			
Voluntary Prepayment	<ul style="list-style-type: none"> ▪ Subject to Excess Cash Flow Sweep 			<ul style="list-style-type: none"> ▪ No change
Renova Funding Obligation	<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) 			<ul style="list-style-type: none"> ▪ No change except Minimum Initial Renova Contribution reduced to BRL\$8.0bn
Renova Reimbursement Obligation	<ul style="list-style-type: none"> ▪ Will be exchanged into Equity of Samarco (or reimbursement obligation to otherwise be extinguished) 			<ul style="list-style-type: none"> ▪ No change

Summary Term Sheet (cont.)

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	Supporting Creditor Counterproposal 1 (12.10.2018)	Supporting Creditor Counter Proposal (1.9.2019)
Shareholder Debenture (“SD”)(1)	<ul style="list-style-type: none"> Will be exchanged into Equity of Samarco 	<ul style="list-style-type: none"> Will be exchanged into Equity of Samarco or structurally subordinated to Option A + B debt at Company’s option
Insurance Proceeds	<ul style="list-style-type: none"> To be applied as described in Excess Cash Flow Sweep 	<ul style="list-style-type: none"> No change
Permitted Debt	<ul style="list-style-type: none"> Customary for financings of this type [RCF basket available to the extent <US\$800mm of Option A is taken up] 	<ul style="list-style-type: none"> No change
Permitted liens	<ul style="list-style-type: none"> Customary for financings of this type 	<ul style="list-style-type: none"> No change
Restricted Payments	<ul style="list-style-type: none"> Customary for financings of this type 	<ul style="list-style-type: none"> No change
Maintenance and Financial Covenants	<ul style="list-style-type: none"> None until 2023, [TBD] thereafter 	<ul style="list-style-type: none"> No change

(1) Includes existing and new SDs

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	Supporting Creditor Counterproposal 1 (12.10.2018)	Supporting Creditor Counter Proposal (1.9.2019)
Affirmative/negative covenants	<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; >US\$25mm transactions require fairness opinion; >\$US50mm transactions require consent from >50% of Option B holders 	<ul style="list-style-type: none"> No change
Disposal of Asset	<ul style="list-style-type: none"> Customary for financings of this type 	<ul style="list-style-type: none"> No change
Event of default	<ul style="list-style-type: none"> Customary for financings of this type 	<ul style="list-style-type: none"> No change
Conditions precedent	<ul style="list-style-type: none"> Usual and customary Entire term sheet is conditioned on satisfactory review of due diligence from technical consultant 	<ul style="list-style-type: none"> No change
Shareholder Support	<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 	<ul style="list-style-type: none"> TBD
Governing Law	<ul style="list-style-type: none"> New York law 	<ul style="list-style-type: none"> No change



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